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MARINE CORPS ORDER 4860.3D W/CH 1

From: Commandant of the Marine Corps
To: Distribution List

Subj: COMMERCIAL ACTIVITIES (CA) PROGRAM

Ref: (a) SECNAVINST 4860.44F (NOTAL)
(b) OMB Circular A-76 (NOTAL)
(c) 10 U.S.C. 114 (a) (2)
(d) FAR
(e) 10 U.S.C. 2468
(f) DoD 4000.19-R (NOTAL)
(g) MCO 12351.1B
(h) 10 U.S.C. 2461
(i) MCO P12306.1C
(j) DFARS
(k) 10 U.S.C. 2432
(l) E.O. 12333 (NOTAL)
(m) NSDD 145 (NOTAL)
(n) 31 U.S.C.
(o) E.O. 12615 (NOTAL)
(p) P.L. 101-511
(q) 5 U.S.C. 552 (b) (5)
(r) MCO P5720.56A
(s) DoD 5220.22-R (NOTAL)
(t) DoD 5200.2-R (NOTAL)
(u) MCO 5220.10
(v) MCO 5220.11
(w) MCO P4200.15G
(x) 10 U.S.C. 2467
(y) 5 U.S.C. Chap 71

Encl: (1) Reports Required
(2) Definitions of Terms
(3) 10 U.S.C. 2461
(4) Codes and Definitions of Functional Areas
(5) Codes for Denoting Compelling Reasons for In-house CA Operations and Reasons for Contract Performance or Planned Changes in Method of Performance
(6) Formats for Required Reports
(7) Codes for Denoting States, Territories, and Possessions of the United States and Overseas Locations of Installations Reporting
(8) Part II of the Supplement to OMB Circular A-76
(9) Part III of the Supplement to OMB Circular A-76

(10) Part IV of the Supplement to OMB Circular A-76
(11) Change Transmittal Memorandums to OMB Circular A-76

Reports Required: See enclosure (1)

1. Purpose. To implement the Department of the Defense's (DOD) and the Department of the Navy's policies and procedures, contained in reference (a), for determining the most economical method of performance (in-house or contract) for required CA's in accordance with reference (b).

2. Cancellation. MCO 4860.3C, MCBul 4860 of 19 Jun 91 (Canc frp: 31 Dec 91.), and HQO 5420.46A.

3. Summary of Revisions. This revision contains a substantial number of changes and should be reviewed in its entirety.

4. Definitions. Terms used in this Order are defined in enclosure (2).

5. Scope and Applicability. The provisions of this Order are applicable to CA's performed in the United States, its territories and possessions. It does not:

a. Apply to Governmental functions as defined in enclosure (2). However, Governmental functions will continue to be reported in the command's annual CA inventory. (See paragraph 8, following.)

b. Apply to expert and consulting services of a purely advisory nature relating to the functions of Marine Corps command, administration, and program management.

c. Apply to nonappropriated fund instrumentalities (NAFI's). The application of the procedures in this Order are not mandatory for CA's staffed solely with civilian personnel paid by nonappropriated funds. However, application of the procedures in this Order are mandatory for CA's when they are partially staffed with civilian personnel paid by appropriated funds. When total installation support services are being studied for possible conversion to contract under a single solicitation, an installation commander may decide that it is practical to include activities funded solely with nonappropriated funds in the solicitation.

d. Apply to research, development, test, and evaluation (RDT&E) functions, the funds for which are required to be authorized by reference (c). Not excluded is that part of such funds which is obligated for operation or support of installations and equipment used for RDT&E, such as operation and maintenance of test ranges, maintenance support of laboratories, and maintenance of test aircraft.

e. Apply to printing and reproduction services authorized by

the Joint Committee on Printing (JCP).

f. Apply to products or services acquired in accordance with treaties, international agreements, or where acquisition under the provisions of this Order would be contrary to law.

g. Apply to combat/combat service support elements within the Fleet Marine Forces.

h. Apply in times of declared war or military mobilization.

i. Apply to products and services available from other Federal agencies (mandatory sources) which are required by law to furnish them.

j. Provide authority to enter into contracts.

k. Justify conversion to contract solely to avoid personnel ceilings or salary limitations.

l. Authorize contracts that establish an employer-employee relationship between the Department of Defense and contractor employees as described in the Federal Acquisition Regulation (FAR) 37.104 (reference (d)).

6. Policy

a. It is the policy of DoD to:

(1) Ensure DoD Mission Accom lishment. DoD components shall consider the overall DoD mission and the defense objective of maintaining readiness and sustainability to ensure a capability to mobilize the defense force and support structure.

(2) Achieve Economy and Quality through Competition. Encourage competition with the objective of enhancing quality, economy, and performance. When performance by a commercial source is determined to be a viable alternative, a comparison of the cost of contracting and the cost of in-house performance shall be performed to determine who shall provide the best value for the Government, considering price and other factors included in the solicitation. The restriction of a solicitation to a preferential procurement program does not negate the requirement to perform a cost comparison. Performance history will be considered in the source selection prbcess, and high quality performance should be rewarded.

(3) Retain Governmental Functions In-House. Certain functions that are inherently Governmental in nature, and intimately related to the public interest as discussed in paragraph 9h(1) of this Order, mandate performance by DoD personnel only. These functions are not in competition with

commercial sources; therefore, these functions shall be performed by DoD personnel.

(4) Rely on the Commercial Sector. DoD components shall rely on commercially available sources to provide commercial products and services except when required for national defense, when no satisfactory commercial source is available, or when in the best interest of direct patient care. DoD components shall not consider an in-house new requirement, an expansion of an in-house requirement, conversion to in-house, or otherwise carry on any CA's to provide commercial products or services if the products or services can be procured more economically from commercial sources.

(5) Permit Interim-In-House Operation. A DoD in-house CA may be established on a temporary basis if a contractor defaults. Action shall be taken to resolicit bids or proposals in accordance with this Order.

b. In conformance with this policy, the Marine Corps shall depend upon both Government and private commercial sources for the provision of products and services to meet its military readiness requirements with maximum cost effectiveness as follows:

(1) No Marine Corps component shall engage in or contract for CA's except in accordance with the provisions of this Order or as otherwise provided by law. Performance of CA's by military or civilian employees of the Government may be authorized when it is determined that one or more of the following circumstances exist:

(a) The Government's cost for providing a product or service can be shown by a cost comparison analysis, conducted in accordance with reference (b), to be lower than the commercial cost.

(b) No satisfactory private, commercial source is available.

(c) The CA is operated by military personnel who are assigned to the activity and the activity or military personnel used in or subject to deployment in a direct military combat support role.

(d) The CA is operated by military personnel and is essential for training in exclusively military skills.

(e) The CA is operated by military personnel and is needed to provide sea/shore rotation work assignments.

(f) The installation commander decides, under the

authority granted by reference (e), that it is not in the best interest of the Marine Corps to conduct a CA study.

(2) In-house performance must be justified, documented, and approved on a case-by-case basis.

c. Excess property or services available from other Federal agencies should be used in preference to new starts or new contracts, provided there is a formal program established for managing the excess capacity of the other Federal agencies, or the needed product or service cannot be obtained more economically from a private, commercial source.

(1) When a Marine Corps CA has excess capacity, that capacity can be used to provide products or services to other agencies, provided that it is done in accordance with reference (f) and this Order.

(2) All Marine Corps CA's providing products or services to other Federal agencies must be reviewed under this Order to determine whether continued in-house performance is justified.

7. Authority and Responsibilities

a. Commanders of Marine Corps activities who are responsible for operation of CA's are hereby delegated authority for approving decisions resulting from cost comparison analyses conducted in accordance with the provisions of this Order. Commanders will forward notification of these decisions via the chain of command to the Commandant of the Marine Corps (MPC-46). This authority may not be redelegated.

b. Commanders shall:

(1) Ensure that their CA's are operated in accordance with the provisions of this Order.

(2) Appoint a CA program manager to coordinate the command's CA program. Personnel participating in CA program cost study teams must be properly trained and shall attend appropriate related training courses. CA related training courses are available from a variety of training sources including the Naval Technical Training Support Group and the U.S. Army Management College, Ft. Lee, VA.

(3) Forward the results of reviews and cost comparison analyses via the chain of command to the Commandant of the Marine Corps (MPC-46) for necessary approval, coordination, and clearance prior to implementation. Higher authority (i.e., Secretary of the Navy, Secretary of Defense, Office of Management and Budget (OMB), and the Congress) has, in recent years, imposed certain restrictions and reporting requirements on CA Program

implementation which must be adhered to by Headquarters Marine Corps. (Required reporting requirements are discussed in paragraph 21 of this Order.)

(4) Ensure that single function cost comparison analyses are completed within 2 years of Congressional notification, and multi-function studies are completed within 4 years of such notification. (Note: The announcement to Congress is considered to be the date the study started. The date when an initial decision is reached is considered to be the date the study is completed.)

(5) Forward justification to CMC (MPC-46) if unavoidable delays are encountered which preclude a study from being completed within the required timeframe.

(6) Certify that in-house cost calculations are based on the most efficient and cost-effective organization for in-house performance of the function and that the entire cost comparison is available.

(7) Ensure that contracts resulting from cost comparisons conducted under this Order include a provision, consistent with Government post employment conflict of interest standards, that the contractor shall give DoD employees, displaced as a result of the conversion to contract performance, the right of first refusal for employment openings on the contract in positions for which they are qualified.

(8) Keep employees and employee organizations apprised, in accordance with local procedures and the procedures contained in this Order, of CA review and cost study actions that may affect their jobs. Provide full assistance to displaced employees in obtaining other positions consistent with applicable regulations, including:

(a) Giving them appropriate consideration within the DoD Priority Placement Program.

(b) Paying reasonable costs for training and relocation, as appropriate, when these shall contribute directly to placement.

(c) Arranging for gradual transition when conversions are made to provide greater opportunity for attrition and placement.

(d) Coordinating with the Department of Labor and other agencies to obtain private sector employment for separated workers. Reference (g) provides guidance on policies and procedures concerning reductions in force. When reduction-in-

force action is required as a result of a CA study, the Fact Sheet, required by reference (g), shall be submitted with the Decision Notification Summary: Results of Cost Comparison (RCS DD-4860-07) required by paragraph 18 of this Order.

(e) Ensure that all CA's are reviewed and inventoried in accordance with the provisions of this Order.

8. Annual CA Inventory Procedures

a. Reference (b) requires executive agencies to compile and maintain a complete inventory of their individual CA's and contract support services. Reference (h) requires the Secretary of Defense to report to Congress annually on the extent of CA performance by DoD employees and contractors. (A copy of the language contained in reference (h) is provided in enclosure (3).) The inventory provides the basis for responding to DoD reporting requirements. Increased use of the inventory by higher headquarters, OMB, and the Congress mandate an accurate and comprehensive report be submitted.

b. The CA inventory (RCS DD-4860-03, External RCS DD-P&L(A)1540), compiles information on all in-house CA functions and all service contracts of $100,000 or more and shall be prepared annually. The function codes contained in enclosure (4), with only a few exceptions, always meet the definition of a CA; therefore, they must all be reported in the activity's CA inventory. Enclosure (5) provides codes to denote compelling reasons for current method of performance of the function. Only the compelling reason codes contained in enclosure (5) shall be used in preparing the inventory.

c. CMC (MPC-46) will forward a dBASE III Plus formatted floppy diskette (5.25 inches) to each command by 1 October each year. This diskette will provide the dBASE III Plus files (ARECORDS.DBF and BRECORDS.DBF) for inputting the data for submission of the inventory. A description of the information to be included in the data fields is provided in Appendix A of enclosure (6). Enclosure (7) provides information on the codes used for states and territories (geographic regions). A typed listing may be submitted for those commands that do not have dBASE III Plus capability.

d. The diskette and a printout of the data shall be submitted in sufficient time to be received by CMC (MPC-46) by 15 November each year. The printout is essential in the event the diskette is damaged during shipping. Submission of a negative CA inventory response is not required.

e. An inventory for utilities services purchased at military installations is not required; however, the in-house or contract

operation, maintenance, repair, alteration, or associated minor construction of Government-owned utility plants or systems will be inventoried.

f. To avoid duplicate reporting, only the reporting component performing the service or providing the product will prepare and submit the inventory report. "Customers" or

"tenants" will not inventory services or products obtained from another Government component on a support agreement basis.

g. All work-years for a particular function code shall be reported under one entry. Only when it is the intention of the command to study work-years of the same function code under separate CA studies shall there be more than one function code reported.

h. The following information pertains to subfunctional area reporting:

(1) Subfunctional area reporting shall not be used unless the subfunction has been treated as a separate entity during a previous review or cost comparison.

(2) When subfunctional area reporting is required for one or more subfunctions within a functional area, all subfunctions within that functional area will be reported. In this situation, no summary or main functional area record shall be reported.

(3) When subfunctional area reporting is required, the sum of all subfunctions should equal the total for the main function that would have been reported had subfunctional reporting not been required.

i. Functional areas determined to be Governmental during the formal Review process (paragraph 9h(1) (b) of this Order) shall not be reported in the annual inventory. However, functional areas exempt from cost comparison on the basis of national defense criteria, paragraph 9h(1) (a) of this Order, shall continue to be included in the inventory report.

9. Review Procedures

a. The Marine Corps is required by reference (b) to schedule reviews of all commercial activities functions listed in its inventory at least once every 5 years. The purpose of the review process is to determine whether the present method of performance of a CA should be continued or scheduled for a cost comparison analysis.

b. Functions approved for continuation in-house for any reason cited in paragraph 9h(1) of this Order must continue to be

reviewed every 5 years even if the functions are not reported in the annual inventory submission.

c. CA's performed by contract (other than authorized set asides) will be reviewed prior to contract expiration or prior to execution of any contract option provision. The procedures of paragraph 9i shall apply.

d. The procedures outlined in paragraph 9h shall apply when reviewing in-house CA's.

e. Decisions resulting from the review will be documented and submitted to this Headquarters (MPC-46) for approval, coordination, and clearance prior to initiating follow-on actions associated with the decision. Headquarters Marine Corps will authorize continued in-house or contract performance or initiation of a cost comparison analysis when the approval and coordination process is completed. However, functions scheduled for a CA study which involve 45 or more civilian positions must be announced to Congress prior to initiating the study. Since announcement to Congress is considered the date that the study begins, this announcement will not be made until the command has notified this Headquarters (MPC-46) that it is ready to commence the study.

f. Reviews of CA's shall be submitted to CMC (MPC-46) no later than 1 June of the year the function is scheduled for review as reflected in the command's annual inventory. CA Reviews may, however, be submitted at any time a change in the method of performance is contemplated. It is not necessary to wait until the function is required to be reviewed as discussed in paragraphs 9a and 9b above. RCS DD-4860-06 applies for in-house commercial activity reviews; RCS DD-4860-09 applies for contracted commercial activity reviews.

g. The format contained in Appendix B of enclosure (6) shall be used for submitting the Reviews of in-house CA's. The format contained in Appendix C of enclosure (6) shall be used for submitting the Reviews of contracted CA's.

h. <u>Review Procedures for CA's Performed In-House</u>

(1) The first step in the review process is to determine if the function should be exempt from a CA study. Existing in-house CA's shall be retained in-house without a cost comparison only when one of the following conditions are satisfied. These conditions are as follows:

(a) National Defense Requirements. The determination to continue in-house performance based on national defense requirements is made by Headquarters Marine Corps on a case-by-

case basis by considering the specific function or military positions involved in the performance of a command's CA's. If any of the following conditions are met, the CA or portions thereof, may be justified for in-house perf ormance without a cost comparison analysis:

1 The CA or assigned military personnel are utilized in or are subject to deployment in a direct combat support role. Direct combat support is essential to the support

of combat operations and, if not performed, could cause immediate impairment of combat capability.

2 The CA is essential to provide career progression to needed military skill levels.

3 The CA provides appropriate work assignments for a rotation base for overseas assignments.

4 The CA provides depot or intermediate level maintenance and is required to satisfy the requirements for:

a A ready and controlled source of technical competence and resources for depot level maintenance to effectively and efficiently meet peacetime, mobilization, and sustained combat equipment readiness requirements.

b Combat and combat support activities to be self-sufficient insofar as possible in providing direct (intermediate organizational) maintenance support for assigned weapons systems and equipment. Contract engineering technical service activities will conform to the policies set forth in reference (i).

5 The CA would involve contractor maintenance of Communication Security (COMSEC) equipment and the Director, National Security Agency (NSA) has determined that the risk to national security through contracting out this function would be unacceptable. Reviews of this function should include a separate letter, unclassified if possible, containing information on the types of equipment involved and the maintenance required. This information will be forwarded by this Headquarters to the Director, NSA, for appropriate determination.

(b) Governmental Nature. Some CA's, or portions of a CA, may perform duties that are considered to be Governmental in nature and therefore should be retained in-house without conducting a cost comparison analysis. Detailed justification must be included in the command's Review submission to support exemption of a CA or a portion of a CA on the basis that the duties are considered Governmental in nature. Governmental

responsibilities can fall into several categories which include:

1 Discretionary application of Government authority. As in investigations, prosecutions, and other judicial functions; in management of Government programs requiring value judgments, as in direction of the national defense; management and direction of the Armed Services; conduct of foreign relations; selection of program priorities; direction of Federal employees; regulation of the use of space, oceans, navigable rivers and other natural resources; direction of intelligence and counterintelligence operations; and regulation of industry and commerce, including food and drugs.

2 Monetary transactions and entitlement. As in Government benefit programs; tax collection and revenue disbursements by the Government; control of the public treasury, accounts, and money supply; and the administration of public trusts.

3 In-house core capabilities. In the area of research, development, and testing needed for technical analysis and evaluation and technology base management and maintenance. However, requirements for such services beyond the core capability which has been established and justified by the agency are not considered Governmental functions.

(c) Unavailability of a Satisfactory Commercial Source. A CA may be performed by in-house personnel when it can be demonstrated that no satisfactory commercial source is available. In order to exempt a function from study on this basis, the Review must include a discussion of the actions taken to locate commercial sources. The command or the contracting officer must make all reasonable efforts to identify available sources before concluding that there is no satisfactory source available.

1 The command’s efforts to find satisfactory commercial sources shall be carried out in accordance with the FAR (reference (d)) and the DFARS (reference (j)), including review of bidders lists and inventories of contractors, consideration of preferential procurement programs, and requests for help from Government agencies such as the Small Business Administration.

2 When the availability of commercial sources is uncertain, at least three notices of the requirement will be placed in the Commerce Business Daily (CBD) over a 90 calendar-day period. (Notices shall be in the format specified in FAR 5.207 (reference (d)). When a bona fide urgent requirement occurs, the publication period in the CBD may be reduced to two notices over a 30 calendar-day period. Specifications and requirements in the notice shall not be unduly restrictive and

shall not exceed those required of Government personnel or operations.

(d) Unacceptable Delav or Disruption of an Essential Program. In-house operation of a CA may be authorized on the basis that use of a commercial source would cause an unacceptable delay or disruption of an essential program. The Review submission must contain a detailed explanation that demonstrates:

1 The delay or disruption must be specific as to cost, time, and performance measures.

2 The disruption must be shown to be of a lasting or unacceptable nature. Temporary disruption caused by conversion to contract is not sufficient support for the use of this criterion.

3 The fact that a CA involves a classified program, or is part of an activity's basic mission, or that there is the possibility of a strike by contract employees is not adequate justification for Government performance of the function. Further, urgency alone is not an adequate reason to continue Government operations of a CA. It must be shown that commercial sources are not able, and the Government is able, to provide the product or service when needed.

(e) Patient Care. CA's at hospitals may be performed by DoD personnel when it is determined by the head of the DoD component or his designee, in consultation with the DoD component's chief medical director, that performance by DoD personnel would be in the best interest of direct patient care.

(f) Public Laws. CA's may continue to be performed by in-house personnel when higher authority exempts contracting but for performance of functions such as, fire fighters, guard service, and at specified installations. Further, CA's may be exempt from study under 10 U.S.C. 2468 (reference (e)). 10 U.S.C. 2468 delegates authority to the installation commander to determine which functions shall be studied under the commercial activities program.

(g) Military Construction. An economic analysis required by 10 U.S.C. 2432 (reference (k)) eliminates the need for a cost comparison of a CA.

(h) Signals Intelligence and Telecommunications and Automated Information Svstems Security. Before recommending that an activity involving Signals Intelligence (SIGINT), as prescribed by E.O. 12333 (reference (l)), and Telecommunications and Automated Information Systems Security, as prescribed by National Security Decision Directive (NSDD) 145 (reference (m)),

should be subjected to a cost comparison, the command must specifically identify the risk that using commercial sources would have on national security. The command's assessment shall be forwarded by CMC (MPC-46) to the Director, National Security Agency (NSA), who shall determine if the risk to national security is unacceptable. This Headquarters will notify the command of the NSA Director's decision whether to grant or deny a request for a waiver of the provisions of reference (a) and this Order.

(i) Accountable Officer

1 The responsibilities of the Accountable Officer as an individual and position of the Accountable Officer are not

contractible. The functions of the Accountable Officer that involve the exercise of substantive discretionary authority in determining the Government's requirements and controlling Government assets cannot be performed by a contractor and must be retained in-house.

2 Contractors can perform functions to support the Accountable Officer and functions where they are performing in accordance with criteria defined by the Government. For instance, contractors can process requisitions, maintain stock control records, perform storage and warehousing, and make local procurement of items specified as deliverables in the contract.

3 The responsibility for administrative fund control must be retained in-house. The contractor can process all required paperwork up to funds obligation which must be done by the Government employee designated as responsible for funds control. The contractor can also process such documents as reports of survey and adjustments to stockage levels, but approval must rest with the Accountable Officer. In all cases, the administrative control of funds must be retained by the Government since a contractor or contractor employees cannot be held responsible for violations of Sections 1341, 1342, and 1517 of Title 31, United States Code (reference (n)).

(2) If in-house performance can be justified based on the criteria specified in paragraph (1) above, the Review format contained in Appendix B of enclosure (6) should be completed and forwarded to CMC (MPC-46) for coordination and approval. This report has been assigned Report Symbol DD-4860-06.

(3) If continued in-house performance is not justified by the criteria specified in paragraph (1) above, the next step in the process is to schedule the CA for a cost comparison analysis. When scheduling the CA for study, consideration should be given to the following:

(a) Iinjact on Federal Programs. Scheduling a CA for study must give consideration to impacts on Federal programs, such as Equal Employment Opportunity. Although impact on such programs is not justification for continued in-house performance, the impact of possible conversion to contract should be assessed so as to minimize disproportionate adverse impacts on any one group of employees affected by these programs in a given year.

(b) Impact on Operations and Maintenance. Marine Cords (O&MMC) funds. Scheduling must give consideration to the impact on the O&MMC budget and authorized civilian ceilings. For example, O&MMC funds and civilian ceiling requirements are affected when a cost comparison analysis is conducted for a CA which includes military personnel. The decision to schedule the CA for a cost comparison implies that the function is not required for national defense and does not need to be petformed

by military personnel. Therefore, the eventual performance of the CA will be by in-house civilians or by contractor personnel, depending upon the outcome of the cost comparison. The potential need for additional civilian ceiling authorization and O&MMC funds must be identified in the Review submission, as provided for in Appendix B of enclosure (6) (Report Symbol DD-4860-06), and in the annual budget review process.

(c) Study Grouping and Availability of Local Resources. Consideration must be given to whether the CA will be included in a study of other functions or will be studied by itself. This is important in order to comply with the established timeframes for completion of these studies - 2 years for a single function study and 4 years for a multifunction study. Extensions to these timeframes cannot be granted. Therefore, the availability of local resources to conduct the study must also be taken into consideration.

(4) The decision to schedule a CA for a cost comparison study will be reported to the Commandant of the Marine Corps (MPC-46) in the format provided in Appendix B of enclosure (6) (RCS DD-4860-06). A separate Review sheet is required for each function even if it will be studied as part of a larger study. The study may not commence, however, until Congressional notification has been completed. The Review report should indicate the date (month/year) the command intends to initiate the study. CMC (MPC-46) will notify Congress shortly before this date and will then notify the command that Congressional notification has been completed and that the study may commence.

(5) A decision to schedule a CA for a cost comparison analysis should trigger the identification and freezing of vacant positions which would minimize adverse personnel actions if the CA is converted to contract performance. Requirements to fill positions should be satisfied with temporary hire employees.

i. Review Procedures for CA's Performed by Contract

(1) For contracted functions, the review determines if there is a likelihood that the service could be performed in-house at a cost which is less than contract performance by 10 percent of Government personnel-related costs plus 25 percent of the cost of ownership of equipment and facilities. Paragraph 9i(3), following, provides criteria for making this determination. The assessment as to whether there is a likelihood that in-house performance may be more economical should be based on an estimate of in-house and contract costs for the period in which the work was performed. A detailed cost comparison analysis is not required for the Review process. The assessment, however, should be based on an appraisal of data available and reflect the best judgement of the installation commander. If a determination is made that a likelihood exists that in-house

performance would meet the cost differential criteria, the contract will be scheduled for a cost comparison analysis in

(2) Decisions recommending that a cost comparison be scheduled for a function currently performed by contract will be reported to CMC (MPC-46) using the format contained in Appendix C (RCS DD-4860-09) of enclosure (6).

(3) The following criteria will be used to determine if cost differential criteria can be met:

(a) Number of direct labor personnel required.

(b) Estimated average annual cost per person.

(c) Direct labor cost (multiply paragraph 9i(3) (a) by paragraph 9i(3)(b)).

(d) Labor and conversion differential (multiply paragraph 9i(3)(c) by 1.1).

(e) Total capital investment for this function.

(f) Equipment and facilities ownership differential (multiply paragraph 9i(3)(e) by 0.25).

(g) Material and supplies required for 1-year operation.

(h) Total Government cost estimate (sum of paragraphs 9i(3)(c), (e) and (f)).

(i) Contract cost plus cost of contract

administration.

(j) Schedule for cost comparison if paragraph 9i(3)(h) is less than paragraph 9i(3)(i).

(4) Contracted CA's that are justified for conversion to in-house performance based on cost comparisons, national defense, or in the best interest of direct patient care will be allowed to expire (options will not be exercised) once in-house capability is established. If the required authorizations cannot be accommodated within the command's available resources, the request should be submitted during the annual budget review process.

(5) Set-Aside Programs

(a) CA's currently performed by contract as a result of an authorized set-aside action will not be reviewed or subjected to a cost comparison analysis.

(b) New requirements which would be programmed for contracting out under an authorized set-aside contract will not be subjected to a cost comparison analysis for possible in-house performance.

(c) Set-aside programs are covered in reference (d).

j. Expansions. In cases where expansion of an in-house CA is anticipated, reference (b) states that a review of the entire CA, including the proposed expansion, shall be conducted to determine if performance by DoD personnel is authorized for national defense reasons, because no commercial source is available, or because it is in the best interest of direct patient care. If performance by DoD personnel is not justified under these criteria, a cost comparison of the entire activity shall be performed. Government facilities and equipment normally will not be expanded to accommodate expansions if adequate and cost effective contractor facilities are available.

k. New Requirements

(1) In cases where a new requirement for a commercial product or service is anticipated, reference (b) states that a review shall be conducted to determine if performance by DoD personnel is authorized for national defense reasons, because no commercial source is available, or because it is in the best interest of direct patient care. If performance by DoD personnel is not justified under these criteria, then the new requirement shall be performed by contract.

(2) If there is reason to believe that commercial prices may be unreasonable, an informal preliminary cost analysis shall

be conducted to determine whether there is a likelihood that the work can be performed in-house at a cost that is less than anticipated for contract performance. If in-house performance appears to be more economical, a cost comparison shall be scheduled. The appropriate conversion differentials will be added to the preliminary in-house cost before it is determined that in-house performance is likely to be more economical.

(3) Government facilities and equipment will not normally be expanded to accommodate new requirements if adequate and cost-effective contractor facilities are available. The requirement for Government ownership of facilities does not obviate the possibility of contract operation. If justification for in-house operation is dependent on relative cost, the cost comparison may be delayed to accommodate the lead time necessary for acquiring the facilities.

(4) Approval to budget for a major capital investment yassociated with a new requirement will not constitute approval to perform the new requirement with DoD personnel. Government performance shall be determined as stated in this Order.

10. Public Affairs Guidance. Close coordination between the installation commander, the local CA program manager, the command labor relations officer, and the Public Affairs Officer because of the CA Program’s potential effect upon a command’s workforce and the local community is essential. The information provided in the following paragraphs is intended to delineate responsibilities and to assist installation commanders and Public Affairs Officers in responding to inquires and preparing local announcements.

a. Headquarters Marine Corps Responsibilities

(1) Congressional Announcements and Notifications. The Secretary of Defense is required by 10 U.S.C. 2461(a), (b), and (d) to notify Congress of plans to conduct cost comparison studies and decisions to convert to contractor performance CA’s involving more than 45 civilian employees. CMC (MPC-46) is responsible for informing Congress of these CA actions. While the Marine Corps is not required to provide notification to Congress if a function affects 45 or fewer positions, these functions are normally included in the notification of planned studies. (A copy of 10 U.S.C. 2461 is provided in enclosure (3).)

(a) Intention to study functions. After the review process has been completed and the command has notified Headquarters Marine Corps that it is ready to commence a CA study, CMC (MPC-46) will forward a listing of functions approved for cost study to the Office of Legislative Affairs for

distribution to members of Congress. CMC (MPC-46) will also forward to the Assistant Secretary of the Navy (Installations and Environment) (ASN(I&E)) a letter to the Speaker of the House and a letter to the President of the Senate informing them of the Marine Corps intention to perform a cost study. After the Congressional notification has been completed, commands will be authorized to commence the studies and to release (subject to local procedures and obligations) a local announcement of the functions to be studied. In accordance with reference (o), OMB will publish a synopsis of functions approved for cost study annually, at a minimum, in the Federal Register and Commerce Business Daily (CBD). Commencement of a study should not be delayed pending publication in the Federal Register or CBD.

(b) Decision to convert a function to contract after completion of full CA study. If contract award is indicated after the formal cost comparison has been completed (including bid opening, determination of the successful low bidder/offeror, completion of the appeal process, and final decisions of GAO

protests), CMC (MPC-46) will prepare for ASN(I&E) signature, the Congressional notification of the Marine Corps' intention to award a contract. After OLAF has distributed the notification to the members of Congress, CMC (MPC-46) will authorize the command to award the contract. Reduction-In-Force (RIF) actions will be handled consistent with procedures in reference (g) (subject to local procedures and obligations).

(c) Most Efficient Organization (MEO) certification for direct conversion of functions involving 10 or more civilian positions. After completion of the informal cost comparison analysis (including the appeal process), CMC (MPC-46) must notify the Appropriations Committees of the House of Representatives and of the Senate, in accordance with Section 8026 of reference (p), that an MEO of the function was developed. CMC (MPC-46) will prepare for ASN(I&E) signature, the Congressional notification of the Marine Corps' intention to award a contract and certification that an MEO was developed. After OLA has distributed the notification to the members of the Appropriations Committees, CMC (MPC-46) will authorize the command to award the contract and, if required, authorize issuance of Reduction-In-Force (RIF) notices (subject to local procedures and obligations).

(d) Decision to retain a function in-house. If retention of the function in-house is indicated after completion of the formal cost comparison (including bid opening, completion of the appeal process, and final decisions of GAO), the command will receive authorization from this Headquarters to begin implementation of the MEO. No Congressional notification is required.

b. <u>Command Responsibilities</u>

(1) The installation commander of the activity is responsible for informing the affected employees in the function(s) that is or will be under study, the exclusively recognized labor organizations, as appropriate, and the community. The information contained in the following paragraphs is provided to assist the commander and the Public Affairs Officer in making local announcements regarding cost comparison studies.

(2) Announcement to employees and exclusively recognized labor organizations of intent to conduct a cost comparison study. Upon receipt of the message from CMC authorizing commencement of a study, the installation commander is responsible for notifying affected employees and the exclusively recognized labor organization, if any. Where the employees are represented by an exclusively recognized union, the method and content of the notice must comply with past practices and applicable negotiated agreements. Normally, however, such notices should be provided before any announcement is made to the public. The following are illustrative of letters that may be used for these purposes, but

they may be modified to comply with local practices and/or negotiated agreements. The command labor relations officer can provide more specific guidance.

SAMPLE LETTER(S)

Sample Letter for an Exclusively Recognized Labor Organization:

From: Commanding General or Commanding Officer, (name of installation)

To: President, (name of labor organization)

1. This is to advise you that a cost comparison of the (name) function will be conducted to determine if it is more cost effective to retain the function in-house for performance by Government personnel or to convert it to contract performance.

2. Circular A-76 requires that each commercial activity be reviewed periodically to determine if continued performance by government personnel is required for reasons of national defense. If not, the Circular prescribes that the function shall undergo a cost comparison study to determine if continued performance by Governmental personnel is the most economical method of performance. Both the Government and contract cost estimates will be based on providing the same scope of work at the same performance standards to ensure a fair comparison and a continued high level of performance. If the costs of contracting are lower than the costs of continued in-house performance by a factor

equal to ten percent of the Government's personnel related costs, the function will be converted to contract performance.

3. A task group has been formed to coordinate the cost comparison study. The task group chairperson is (name, command code, phone number). As soon as milestones have been established by the group, you will be advised. A Performance Work Statement (PWS) will be developed outlining the work results required. From that PWS, the Government's Most Efficient Organization (MEO) for the performance of the function will be determined. The cost of the MEO will be computed to determine the Government's bid. The suggestions of your organization on the preparation of the PWS and the development of the MEO are solicited. Also, please contact (name, organization, phone number of labor relations contact) as soon as possible so that we can work out arrangements for obtaining input from bargaining unit employees on these important matters.

4. In an effort to minimize personal hardships in the event of conversion to contract, displaced employees will be assisted in obtaining Federal or other employment. Displaced employees will be eligible for placement under the DoD Priority Placement Program. In the event of decision to convert to contract, the

contract will include a provision, consistent with Government post-employment conflict of interest standards, that the contractor will give displaced Federal employees the right of first refusal for employment openings on the contract in positions for which they are qualified.

5. Monthly consultations will be held throughout the study process to keep your organization advised on the study progress and accomplishment of major milestones. If at any time during the study you have any questions, you may contact (name, organization, phone number).

Sample Letter for Bargaining Unit Employees:

From: Commanding General or Commanding Officer, (name of installation)

To: Employees of the (name of function being studied)

1. This is to advise you that a cost comparison of the (name) function will be conducted to determine if it is more cost effective to retain the function in-house for performance by Government personnel or to convert it to contract performance.

2. Circular A-76 requires that each commercial activity be reviewed periodically to determine if continued performance by Government personnel is required for reasons of national defense. If not, the Circular prescribes that the function shall undergo a cost comparison study to determine if continued performance by Government personnel is the most economical method of performance. Both the Government and contract cost estimates in the cost comparison will be based on providing the same scope of work at the same performance standards to ensure a fair comparison and a continued high level of performance. If the costs of contracting are lower than the costs of continued in-house performance by a factor equal to ten percent of the Government's personnel related costs, the function will be converted to contract performance.

3. A task group has been formed to coordinate the cost comparison study. They will develop a Performance Work Statement (PWS) outlining the work results required. From that PWS, the Government's Most Efficient Organization (MEO) for the performance of the function will be determined. The cost of the MEO will be computed to determine the Government's bid. The command will be working with representatives of (name of exclusively recognized labor organization) to obtain your suggestions and those of other bargaining unit employees on preparing the PWS and developing the MEO.

4. In an effort to minimize personal hardships in the event of conversion to contract, displaced employees will be assisted in obtaining Federal or other employment. Displaced employees will be eligible for placement under the DoD Priority Placement Program. In the event of a decision to convert to contract, the contract will include a provision, consistent with Government post-employment conflict of interest standards, that the contractor will give displaced Federal employees the right of first refusal for employment openings on the contract in positions for which they are qualified.

5. Monthly consultations will be held throughout the study process to keep your organization advised on the study progress and accomplishment of ma3or milestones. If at any time during the study, you have any questions, you may contact (name, organization, phone number).

Sample Letter for Non-bargaining Unit Employees:

From: Commanding General or Commanding Officer, (name of installation)

To: Employees of the (name of function being studied)

1. This is to advise you that a cost comparison of the (name) function will be conducted to determine if it is more cost effective to retain the function in-house for performance by Government personnel or to convert it to contract performance.

2. Circular A-76 requires that each commercial activity be reviewed periodically to determine if continued performance by Government personnel is required for reasons of national defense. If not, the Circular prescribes that the function shall undergo a cost comparison study to determine if continued performance by Government personnel is the most economical method of performance. Both the Government and contract cost estimates in the cost comparison will be based on providing the same scope of work at the same performance standards to ensure a fair comparison and a continued high level of performance. If the costs of contracting are lower than the costs of continued in-house performance by a factor equal to ten percent of the Government's personnel related costs, the function will be converted to contract performance.

3. A task group has been formed to coordinate the cost comparison study. The task group chairperson is (name, command code, phone number). As soon as milestones have been developed by the group, you will be advised. A Performance Work Statement (PWS) will be developed outlining the work results required. From that PWS, the Government's Most Efficient Organization (MEO) for the performance of the function will be determined. The cost of the MEO will be computed to determine the Government's bid. Your suggestions on the preparation of the PWS and the development of the MEO are solicited.

4. In an effort to minimize personal hardships in the event of conversion to contract, displaced employees will be assisted in obtaining Federal or other employment. Displaced employees will be eligible for placement under the DoD Priority Placement Program. In the event of a decision to convert to contract, the contract will include a provision, consistent with Government post-employment conflict of interest standards, that the

contractor will give displaced Federal employees the right of first refusal for employment openings on the contract in positions for which they are qualified.

5. Monthly consultations will be held throughout the study process to keep you advised on the study progress and accomplishment of major milestones. If at any time during the study, you have any questions, you may contact (name, organization, phone number).

(3) Announcements to the public

(a) Public announcement of intention to conduct cost study. The following sample press release may be used for local announcements upon receipt of the message from CMC announcing the Marine Corps' intention to cost study a function(s):

> "The Marine Corps is beginning cost comparison studies to find the lowest cost for some support functions. The (function) involves (number) of military and (number) of civilian personnel at (base). The comparison involves a detailed analysis of the cost to perform the function, to see if it can be done by a private company for less money. If the potential exists for a significant savings of tax dollars, the Marine Corps will shift responsibility for the function from internal organization to an outside contractor.
>
> Civilian employees who might be affected by conversion to an outside contractor will receive job assistance from Federal relocation or reassignment programs at Government expense. If a contract is awarded, the contractor will be required to offer displaced civilian employees the right of first refusal for new jobs on the contract. If a decision to convert to contract is made, public and Congressional Notification will be made."

(b) Public announcement of intention to award a

contract. The following statement may be used for local announcement after receipt of CMC message indicating notification to Congress of the Marine Corps' intention to award a contract has been completed:

> "The Department of the Navy announced today the Marine Corps' decision to convert various support functions (or list names of functions) at (name of installation) to contractor performance. A contract will be awarded to (name of contractor). There were (number) of military personnel and (number) of civilian personnel performing the functions before the decision to convert to contract. The decision to convert the function(s) to contract was made after a detailed study indicated that significant savings of tax dollars could be achieved. Congress and the affected civilian employees have been notified according to normal procedures. The civilian employees affected are receiving assistance from Federal placement programs in obtaining transfer or reassignment to other positions in the

> Department of Defense or to other Federal agencies. Civilian employees affected also have the right of first refusal for employment openings on the contract in positions for which they are qualified."

(c) Public announcement of decision to retain a function in-house. When a function remains in-house after a cost comparison study, the following statement may be used after receipt of CMC message indicating approval to implement the MEO:

> "The Department of the Navy announced today that the Marine Corps will continue to perform various support functions (or list names of functions) at (name of installation) with Government personnel. Currently, there are (number) of military personnel and (number) of civilian personnel performing the function. The decision to retain the performance of the function(s) in-house was made after a detailed study indicated it was more cost effective to continue to perform the function with Government personnel than to convert to contract performance."

(4) Queries. Public Affairs officers should work closely with the local CA officials and the command labor relations officer in responding to queries addressing the CA program and in providing information to union officials, installation personnel, local civic officials, and the local news media. The following questions are typically asked after announcing the intent to perform a cost comparison study. These

questions and answers are provided below to assist in preparing local responses:

Question 1: Why are these functions being considered for contract performance?

Answer 1: It has been a policy of each administration since 1955 to require all Federal departments and agencies to rely on the private enterprise system to the maximum extent possible to provide the products and services the Government needs. The Commercial Activities (CA) program, which determines the most economical method of providing the needed products and services, is consistent with this policy.

Question 2: What other installations are subject to cost comparison studies?

Answer 2: Most Marine Corps installations in the United States, its territories and possessions, and the Commonwealth of Puerto

Rico have functions that could be included in the CA program.

Question 3: What do these studies involve?

Answer 3: Cost comparison studies involve identification of the cost of Government performance and the solicitation of bids/offers from the private sector for functions under study. A Performance Work Statement (PWS), specifying the work requirements, is developed for inclusion in the solicitation. The Government's Most Efficient Organization (MEO) is developed based on the work requirements specified in the PWS. The MEO is used to determine the cost of performance by the Government and becomes the basis for the Government's bid in the cost comparison. If the cost comparison reveals that the cost of contractual performance is lower than the costs of continued Government performance by a factor equal to or greater than ten percent of the Government's personnel costs, the function will be converted to contract performance.

Question 4: When will studies start?

Answer 4: Studies for most functions will begin shortly after announcement.

Question 5: Who will conduct the studies?

Answer 5: Studies will be conducted primarily by Marine Corps' personnel at each installation.

Question 6: Will an environmental impact statement be conducted prior to conversion?

Answer 6: The Marine Corps will comply with all current regulations concerning environmental impact requirements.

Question 7: Will employees and unions at various activities be notified of studies?

Answer 7: Yes.

Question 8: What impact will this study have on the current employees in the function(s) if the decision is to award a contract?

Answer 8: Civilian employees that may be affected if conversion to contract performance is approved will receive assistance from Federal placement programs. These programs include relocation or reassignment to other positions in the Department of Defense or other Federal agencies. Additionally, the solicitation will include a provision requiring the contractor to give displaced civilian employees the right of first refusal for employment openings on the contract for which they are qualified.

Question 9: Is there a specific cost savings goal for this project?

Answer 9: No. There are no preconceived goals established. Development of the MEO will reflect the installation's best efforts to develop the most efficient and effective organization to perform the required work.

Question 10: How many USMC wide jobs are being reviewed under the CA Program?

Answer 10: (Refer to CMC (PAM))

CA Program policy questions relating to these announcements should be referred to CMC (MPC-46). Public Affairs policy questions should be referred to CMC (PAM).

11. Freedom of Information Act (FOIA) Requests

a. The confidentiality of the in-house cost estimate shall be maintained until the tentative results of the cost comparison analysis are announced. This is necessary to ensure the competitiveness of the CA process. Release of information on functions under CA study should be coordinated with the installation's legal counsel to ensure proper interpretation. Normally, determinations regarding the treatment of information relevant to a cost study will be made jointly by the CA Program manager, functional manager, contracting officer responsible for issuing the solicitation, and the installation's legal counsel.

b. Such requests often do not refer to a cost study or a specific procurement action or even mention the CA program. Typically, requests may be for release of the installations Table of Organization (T/O), command operating budget, or other information that would reveal the organization structure, staffing, or projected costs of a function undergoing or scheduled for cost study. All requests for information that may be relevant to a CA cost study, even though the information is

received in a nonprocurement context, must be carefully reviewed for possible implication with current or future in-house cost estimates and treated as a request for procurement information.

c. Installations initiating CA cost studies should identify nonreleasable information and its sources at the beginning of the study process. This will preclude premature release of information that should have been protected or arbitrary denial of information that is releasable.

d. The premature disclosure of Government-generated advance procurement information could significantly harm the Government's competitive position. Such information is normally considered exempt from disclosure under exemption (5) of the FOIA, 5 USC 552(b) (5) (reference (q) refers). Exemption 5 of reference (q) may also apply to cost study information that is preliminary in nature when premature disclosure would interfere with the cost comparison process.

e. Information that could disclose calculation of in-house costs and which normally would not be released until announcement of the tentative decision includes the following:

(1) The in-house cost estimate.

(2) The management study that formed the basis for the MEO used for development of the in-house cost estimate.

(3) The proposed Table of Organization (T/O) for the MEO.

(4) Budget data for the activity that reflects the projected operating costs or personnel resources.

f. Information that may disclose the in-house cost estimate and may not be released in certain situations includes the following:

(1) Preliminary management studies, manpower surveys, or other management actions that were used to develop the MEO.

(2) Proposed personnel actions, changes to operating procedures, budget adjustments, or other changes in the installation’s operation that may disclose the cost of operation under the MEO.

g. Information that normally should not be withheld from the potential contractors or other interested parties includes the following:

(1) Information on past, current, and projected functions and work loads that is necessary for a private bidder or

of feror to adequately prepare a bid or offer based on the PWS contained in the solicitation.

(2) Current authorized or obsolete T/O’s, and staffing data.

(3) Information that has been widely disseminated on the installation, published by the Marine Corps, and reported to Congress, or otherwise, which could be obtained easily without an official request.

(4) Information that is compiled and published on Marine Corps-wide performance of CA’s and prior year budget execution reports or other reports on resource consumption.

h. Information identified as being potentially exempt will be marked "For Official Use Only (FOUO)" and treated accordingly.

i. FOIA requests for "FOUO" marked documents or other information that is determined to be exempt should be referred to the appropriate Denial Authority in the chain of command in accordance with reference (r).

12. Simplified Cost Comparison Analvses for CA’s involving 11-45 civilian positions

a. CA’s may be directly converted to contract when the following criteria can be met:

(1) The CA is currently performed by 11-45 civilian personnel.

(2) The CA has been reviewed and approved for cost study.

(3) Adequate competition is available. This criterion can be verified by an informal market survey.

(4) Direct conversion is cost effective as determined by an informal cost comparison.

(5) Direct conversion would make sense from a management or performance standpoint.

(6) In-house cost estimate is based upon a completed analysis of the most efficient and cost-effective organization.

b. Appendix D of enclosure (6) provides the format to be utilized in submitting direct conversion requests to CMC (MPC-46). RCS DD-4860-12 has been assigned to this reporting requirement. In-house personnel costs shall be estimated on the basis of civilian performance. The comparison shall include all cost elements required by reference (b) for a full CA comparison

for both in-house and contract cost estimates. Estimated contractor costs should be based on past history of similar contracts at nearby installations or on the contracting officer’s best estimate of what would constitute a fair and reasonable price.

c. The request for direct award approval must include:

(1) Certification from the installation commander stating that an analysis of the most efficient and cost-effective organization has been completed and that the in-house cost estimate was based on that analysis.

(2) Methodology utilized in determining each element of cost and documentation to satisfy availability of adequate competition.

(3) Information on actions taken and plans to maximize placement opportunities for affected civilian employees. Include the numbers of permanent and temporary employees affected, the

numbers of employees expected to be placed in other Government jobs, and the number of employees expected to be employed by the contractor.

d. A full cost comparison shall be performed when a simplified cost comparison fails to clearly support direct conversion to contract.

e. In no case shall any CA involving more than 45 DoD civilian employees be modified, reorganized, divided, or in any way changed for the purpose of circumventing the requirement to perform a full cost comparison.

13. Simplified Cost Comparison analvses for CA’s involving 10 or less civilian positions

a. Installation commanders are authorized to directly convert an in-house CA to contract performance without a simplified cost comparison if the following criteria can be met:

(1) The CA involves less than 11 civilian employees.

(2) The installation commander provides a certification that all affected civilian employees will be offered jobs at that installation, or within the local area, commensurate with their current skills and pay grades. (The word "commensurate" has been interpreted to mean equal pay scales and grade levels.)

(3) If no such vacancies exist, the employees will be offered retraining opportunities for existing or projected vacancies at that installation or within the local area. The employees potential right-of-first refusal with civilian contractors does not satisfy this requirement.

b. When the decision has been made to directly convert a function to contract performance, the certification of the installation commander required by paragraph 13a(2) above and a brief summary of actions taken shall be forwarded to CMC (MPC-46).

c. A detailed record of employee action should be maintained at the installation.

d. If the requirements of paragraph 13a above cannot be met, a simplified cost comparison analysis is required before an in-house CA involving less than 11 civilians may be converted to contract performance. Functions proposed for direct conversion must meet the following criteria:

(1) CA is currently performed by 10 or fewer civilian personnel.

(2) CA has been reviewed and approved for cost study.

(3) Adequate competition is available. This criterion can be verified by an informal market survey.

(4) Direct conversion is cost effective as determined by an informal cost comparison.

(5) Direct conversion would make sense from a management or performance standpoint.

e. Appendix E of enclosure (6) provides the format to be utilized in submitting direct conversion requesfs to CMC (MPC-46). RCS DD-4860-11 has been assigned to this reporting requirement. In-house personnel costs shall be estimated on the basis of civilian performance. Generally, estimated in-house costs would not include overhead costs. Similarly, estimated contractor costs would not include contract administration, one-time conversion costs, or other contract price add-ons associated with formal cost comparisons. However, if it is determined that these costs should be included in the cost estimate, a detailed justification must be provided with the command's request for direct conversion approval. Estimated contractor costs should be based on past history of similar contracts at nearby installations or on the contracting officer's best estimate of what would constitute a fair and reasonable price. The command's request must also include the documentation specified in paragraphs 13d(2) and (3) above.

14. Military Personnel CA's. Commercial activities performed exclusively by military personnel may be converted to contract without a cost comparison, when adequate competition is available and reasonable prices can be obtained from qualified commercial sources. Only those functions that have previously been approved

for study through the review process may be considered for direct award. The intent to convert an all military function to contract operation must be conveyed to CMC (MPC-46).

15. Cost Comparison Process

a. General

(1) If performance of a CA by DoD personnel cannot be justified under national defense, nonavailability of commercial sources, inherently Governmental, or patient care criteria; and a simplified cost comparison analysis is not feasible, then a full cost comparison study shall be conducted in accordance with enclosures (8) through (10) of this Order. The conclusion that a CA does not require in-house performance reflects a management decision that the work need not be accomplished by military personnel. Therefore, all direct personnel costs shall be

estimated on the basis of civilian performance.

(2) CMC (MPC-46) will coordinate and provide authorization to conduct cost comparison analyses. Commands will not initiate cost comparison analysis actions, until authorization is received and local announcements have been made. Specifically, commands cannot:

(a) Prepare a performance work statement (PWS) for the specific CA to be studied. However, standard guideline PWS's, not related specifically to the CA to be studied, may be developed or reviewed.

(b) Conduct management studies and manpower surveys which are solely conducted to certify the most efficient organization (MEO) for in-house performance.

(c) Develop cost data required by enclosures (10) and (11) for the CA to be studied. However, cost data pertaining to the command as a whole, but not to any specific CA, may be developed, such as general and administrative overhead rates and other standard cost factors.

(d) Solicit bids and proposals from private, commercial sources. However, the availability of satisfactory commercial sources may be assessed for planning and scheduling purposes.

b. Performance Work Statement (PWS)

(1) Preparation of the PWS is critical since it is the basis for the cost comparison. Both Marine Corps and commercial cost estimates must be based on the same PWS and the same level of performance. This requires preparation of a sufficiently precise PWS with performance standards that can be monitored for either mode of operation. The PWS should describe what is to be

done without prescribing how it is to be done. The PWS must clearly state the Government's requirements. It should describe the output requirements of the operation and should include the requirements for facilities, equipment, and material.

(2) The PWS and its Quality Assurance (QA) Plan shall be prepared in accordance with enclosure (8) for full cost comparisons, simplified cost comparisons, and direct conversions. Rather than developing a PWS from scratch, commands should explore the existence of prototype PWS's or PWS's in place at other installations. There are over 300 prototype PWS's and 550 CA studies available through the Defense Logistics Studies Information Exchange (DLSIE). Commands are encouraged to contact DLSIE at AV 687-4546 or commercial (804)734-4546 or write to: USA Logistics Management College, Attn: DLSIE, Building T-

12112, Fort Lee, VA 23801-6048. Conversely, after completion of a CA study, commands are encouraged to provide DLSIE with a copy of all study documentation so that other commands and services may benefit.

(3) Employees and their bargaining unit representatives should be encouraged to participate in preparing and reviewing the PWS. (Paragraph 20 of this Order further discusses the command's responsibilities for involvement of the employees and their representatives.)

(4) The development of a quality PWS and QA plan is the result of a team effort. The efforts of representatives from the functional, contracting, and CA offices are essential to the development of a quality PWS.

(5) In developing the PWS, special consideration should be given to the following:

(a) Government-Owned Facilities, Equipment, and Real Property

1 For the purpose of this Order, Government property is defined in accordance with FAR, Part 45 (reference (d)).

2 According to the general policy set forth in the FAR, the Government will offer or not offer existing Government property to a contractor depending on which alternative is in the Government's best interest. Normally, offering existing Government property to a contractor is in the Government's best interest as the most economical and competitive alternative. The decision not to offer existing Government property will be based on a comprehensive, documented analysis of the costs and benefits of offering or not offering the property. This analysis shall not give advantage/disadvantage to either in-house or contract competitors and must be forwarded to CMC (MPC-46) for approval.

3 Government property will be offered in its present condition. No additional costs will be incurred solely to improve the condition of equipment for contractor acceptance. The contractor will normally provide maintenance for Government-furnished facilities and equipment. Replacement of equipment during the contract period will be determined by the contracting officer in conjunction with the Headquarters Marine Corps structure sponsor.

4 Minor equipment items (acquisition cost of less than $5,000) on hand will be offered to take advantage of the Government's investment in such equipment. Replacements will be made by the contractor.

5 The management of the Government property offered to the contractor shall also be in compliance with the FAR, Part 45 (reference (d)).

(b) Supplies and Materials. The contractor will normally be required to provide the supplies and materials necessary to perform the work described in the PWS. The policy regarding contractor use of Government supply sources is set forth in FAR 51.101 (reference (d)).

(c) Contingency Plan. If a CA provides critical or sensitive services, the PWS must include sufficient data for the in-house organization and commercial sources to prepare a plan for expansion in emergency situations.

(d) Wage Rates. CA contracts may require the application of the Service Contract Act (SCA) of 1965 (41 U.S.C. 351-357) or the Davis-Bacon Act (DBA) (40 U.S.C. 276a - 276a-7) wage rates.

1 Service Contract Act

a Contracts subject to the SCA require wage determinations for specific job classifications from the Department of Labor (DOL). The contracting officer will request a wage determination from DOL no earlier than 120 calendar days, and no later than 60 calendar days, before the solicitation release date. When a delay of 60 or more calendar days occurs in the solicitation process, the contracting officer will request an updated wage determination from DOL.

b Installation support services such as building maintenance, grounds maintenance, plant operations, custodial services, and snow removal are subject to the SCA. When the service call or work order is clearly for maintenance work, the SCA will apply regardless of the dollar value.

2 Davis Bacon Act

a Davis Bacon Act wage rates are generally associated with construction projects which are not normally included in CA studies. However, requirements in a contract (subject to SCA) calling for construction, alteration, renovation, and painting performed in response to a service call or work order in excess of $2,000 are subject to the DBA.

b When the service call or work order is clearly for construction, alteration, renovation or painting and the work order is for more than $2,000, the DBA will apple.

(e) Security Requirements. When a CA requires access to classified information, the classified materials officer at the installation will participate in the acquisition process. The-commercial source shall be processed for a facility security clearance under the Defense Industrial Security Program in accordance with reference (s). However, if no bona fide requirement for access to classified information exists, no action shall be taken to obtain security clearance for the commercial source. Employees of commercial sources who do not require access to classified information for work performance, but require entry into restricted areas of the installation, may be authorized unescorted entry only when the provisions of reference (t) are met.

(f) Interservice Support Agreements. Activities that provide interservice support to other DoD components or Federal agencies through interservice support agreements or other arrangements, shall ensure that the PWS includes this workload and is coordinated with all affected components and agencies.

(g) Relationship of the PWS and the Management Study. Development of the PWS and QA plan is normally accomplished in conjunction with the management study (paragraph 15c. below refers). The job analysis, required by enclosure (8), is conducted in the development of the PWS and in the initial stages of the management study. This ensures that the management study determines the most efficient organization based on the outputs, standards, and management flexibility, and not on the existing methods and procedures.

(h) Review of PWS bv Headquarters sponsors. After the initial review of the PWS by the contracting authority and incorporation of applicable comments/recommendations, the PWS shall be forwarded to the appropriate structure sponsor at Headquarters Marine Corps. This action should be accomplished in conjunction with the final review of the PWS by the contracting authority and prior to contractibility certification.

(i) Transition Assistance. CA solicitations will clearly state that Government personnel assistance will not be provided to contractors in transition from in-house to contract performance after contract start date and that contractors will be expected to meet full performance requirements from the first day of the contract. The solicitation shall also state that time will be made available for contractor indoctrination prior to contract start date. If Government personnel assistance after contract start date is considered warranted, a request must be submitted to CMC (MPC-46) for approval prior to issuing the solicitation. The request must provide: (1) detailed justification to support the requirement; (2) proposed transition plan; and (3) costs which would be included in the cost

comparison if the request is approved.

(j) Bid, Performance, and Payment Bonds and Insurance Requirements. FAR Part 28.103-1 states that "agencies shall not require performance and payment bonds for other than construction contracts". FAR Part 28.103-2 permits the use of bonds if "Government property or funds are to be provided to the contractor for use in performing the contract." Unnecessary and excessive use of such instruments, however, may reduce competition, limit small contractor's ability to offer on procurements, and increase contractor cost in CA cost comparisons. These factors result in higher costs to the Government. The following criteria is provided for use of bond and/or insurance requirements in CA solicitations.

1 Bonds. Generally, activities will not require bid, performance, and payment bonds.

2 Insurance. Firm-fixed priced solicitations which require performance of work on a Government installation, or where Government property is involved, will specify minimum insurance coverage as required by state and local laws or by FAR 28.306, whichever necessitates a higher coverage. Requirements for performance and payment bonds, or insurance coverage exceeding minimum insurance requirements may be necessary in certain situations. Commands should consult with the appropriate contracting officer to evaluate bonding and/or insurance requirements. If bonds and/or increased insurance requirements are considered warranted, a request must be submitted to CMC (MPC-46) for approval. The request shall provide detailed justification, include specific reference to FAR requirements, and shall be sent via the contracting officer for the solicitation.

c. Management Study

(1) Requirements

(a) A management study, performed in accordance with enclosure (9), is mandatory for all CA cost studies, except for

simplified cost comparisons involving 10 or fewer civilians or direct conversion of an all military function.

(b) The management study is performed to analyze the method of operation necessary to establish the MEO needed to accomplish the requirements in the PWS. The management study and development of the PWS are normally performed concurrently. A job analysis, as described in enclosure (8), is conducted as the first step in developing or adapting the PWS. Development of the PWS must be integrated with the initial stages of the management study to ensure that the outputs and standards of the management

study and the PWS are identical.

(c) Development of the MEO is a crucial step in the cost comparison process. The management study identifies essential functions to be performed, and determines performance factors, organization structure, staffing requirements, and operating procedures for the most efficient in-house performance of the CA.

(d) The MEO becomes the basis for the Government's estimate for the cost comparison with potential contractors.

(e) The management study, ideally, is a team effort which utilizes the talents of individuals with expertise in management analysis, staffing, position classification, work measurement, value engineering, industrial engineering, cost analysis, contracting, and the technical aspects of the functional area under study. The objective of the management study team is to find new, innovative, and creative ways to provide the required products or services in a cost effective manner.

(f) Early in the management study process, commands will solicit the views of the employees and their representatives for recommendations about the MEO or ways to improve-the method of operation.

(g) The Capital Investment Programs may be available to make the function more productive. Assessment of the opportunities for application of the Capital Investment Program should be made early in the management study process since these programs often require long lead times. References (u) and (v) provide guidance for submission of projects for funding under this Program.

(h) Use of other productivity improvement initiatives such as gainsharing, the Beneficial Suggestion Program, and the Efficiency Review Program should also be explored.

(i) The MEO must reflect only approved resources (facilities, equipment, and personnel).

(2) Management Study Principles

(a) The management study must reflect the best efforts of the activity to improve the operations of the area under cost comparison. Primary emphasis should be on defining what must be done and the best way to do it. The best way to accomplish the essential mission may involve changing procedures, revising paper flow, restructuring the organization, reconfiguring facilities, making equipment changes, eliminating or

downgrading positions, or using other techniques to provide the same quantity and quality of service with the smallest possible consumption of resources.

(b) The MEO may include a recommendation to reduce staffing requirements by consolidating organizations, activities, or functions; eliminating redundant or unnecessary supervision, functions, and tasks; reducing clerical and other support positions; increasing the span of control; and eliminating nonessential positions. If the management study recommends a reduction in staffing, support areas should also be investigated for the possibility of reduced requirements.

(c) Consideration must be given to the use of multiskilled positions to fully utilize employees; the best mix of work schedules for accomplishing the workload, (full-time, part-time, and intermittent); and the use of overtime (unscheduled, seasonal, or peak workload).

(d) The individuals designated to perform the management study should be given freedom to be innovative and creative and to develop a new organization that meets the quantity and quality standards of the PWS, except for areas covered by law. Senior management may impose restrictions after evaluating the original concept.

(3) Study Methods. Specific techniques used in management studies can range the entire spectrum of work measurement, value engineering, methods improvement, organization analysis, position management, and systems and procedures analysis. The techniques chosen will depend on the type of function involved and the data, time, and analysis available. Some of the techniques are outlined below; however, details on applying the techniques may be obtained from many management textbooks and training courses.

(a) Analysis Techniques. There are several specialized analysis techniques which can identify problem areas, duplication of effort, layering of supervision, lost motion, need for delegation, inefficient methods, etc. These techniques include flow process charting, layout analysis, systems and procedures analyses, process measurement analysis, work

distribution analysis, linear responsibility charting, functional models, and program evaluation review techniques (PERT).

(b) Operational Audit. Operational audit may be used when there is insufficient time or expertise available for more precise techniques. The operational audit requires informed objective judgments by analysts and functional personnel. Staffing by operational audit may also include directed positions

required by law and regulation. The basis or reasoning used for the operational audit should be described in the management study.

(c) Statistical Techniques. Statistical techniques generally use historical data to generate workload and staffing projections. They are useful where historical workload and staff hour data are available or can be developed. Statistical techniques offer rapid coverage and accurate workload and staffing projections. These data can provide a useful base from which to compare the savings of new ways of doing the job.

(4) Performance Indicators. Performance indicators required for developing the in-house organization should be established at the same time the performance indicators for the PWS are developed. This ensures that there are no discrepancies or omissions that inflate or deflate the in-house organization for the required outputs. The most direct way of evaluating performance is to count output units and compare them to some pre-determined requirement. Resource requirements can be predicted by applying manpower standards, if available, to projected workload. In some cases, obtaining output information that can easily be counted is difficult; however, indicators of performance can usually be devised. When quantitative measures are infeasible, other measures, such as effectiveness or quality, can be used. The following indicators are generally useful in CA management studies:

(a) Quantitative. This indicator measures work actually performed. Examples include: numbers of windows repaired, job orders completed, items issued, rifles rebored, and lines typed.

(b) Qualitative. This indicator measures how well output units are produced. Examples include: item reject rates, number of customer complaints, and accidents per mile.

(c) Timeliness. This indicator measures the average elapsed time to complete a work unit compared to a requirement. Examples include: response time, average time to make supply issue, and average time between submission of a work request and completion of work.

(d) Effectiveness. This indicator measures mission performance. Examples include: percent of items inoperable

because of nonavailability of repair parts, equipment deadline rates, and pest infestation rate.

(e) Total cost. This indicator indirectly measures performance that applies when no clear quantitative measure exists or when a major managerial responsibility is to control

the cost of performance.

(5) Management Study Documentation

(a) The management study is a major management analytical evaluation of an organization to determine if the job can be accomplished in a more economical manner. The primary product of the management study is the MEO. Enclosure (9) provides the format for the management study report. The management study report and the MEO should be in sufficient detail to clearly document the scope of the study efforts, the findings and recommendations, and record the new Government organization. The study office should retain all documentation required to backup the report.

(b) The management study will be marked "For Official Use Only - Protective Marking Cancelled Upon Announcement of Initial Decision or Cancellation of Cost Study." If essential information in the management study is classified, the classified material will be included in a separate classified appendix.

(c) The installation commander must approve the management study and certify the efficient and cost effectiveness of the in-house organization developed to be used as the basis for the in-house cost estimate. This certification will be part of the management study documentation and the in-house cost estimate.

(6) Implementation. Once a decision is reached to retain a CA as an in-house operation, installation commanders will ensure that:

(a) The in-house work force complies with the management study, including the MEO.

(b) The work and mission requirements performed by the in-house workforce are in accordance with the PWS.

(c) The function is performed within the cost levels established in the in-house cost estimate.

(d) The in-house work force implements levels of performance and QA measures to insure compliance with the standards contained in the PWS.

(e) After the final decision has been reached and Headquarters approval to cancel the solicitation has been received, implementation of-the MEO will be initiated within one month and completed within 6 months.

(f) Changes in workload or mission that would alter the PWS requirements or in-house cost estimate will be documented and retained with the other study documents. These changes must be documented to support deviation from the initial study.

d. In-house Cost Rstimate. The in-house cost estimate shall be based on the most efficient and cost effective in-house organization needed to accomplish the requirements of the PWS. Cost comparisons shall include all significant costs of both Government and contractor performance. Enclosure (10) contains instructions for developing the in-house cost estimate and enclosure (11) provides current change memorandums to OMB Circular A-76. The following procedures provide detailed instructions for Marine Corps activities to supplement the basic QMB guidance. These procedures are intended to establish a practical level of consistency and uniformity to assure all relevant factors are considered when developing the cost comparisons. These procedures contain supplemental cost comparison guidance issued by the Secretary of Defense and the Secretary of the Navy.

(1) Standard Cost Factors. Standard cost factors prescribed in enclosure (10) and issued by the Marine Corps are to be used in the cost comparison analysis. These standard factors are periodically updated by letter or message. Enclosure (11) provides the current factors to OMB Circular A-76. Deviation from prescribed factors is only permitted under certain circumstances. Any deviation will be fully documented and requires advance approval by CMC (MPC-46). Standard factors are provided for the following:

(a) Civilian and military fringe benefits.

(b) Severance pay.

(c) Asset useful life and disposal values.

(d) Source of supply markup rates for materials and supplies.

(e) Material transportation costs.

(f) Packing, crating, and handling (PCH) costs.

(g) Inflation.

(h) Estimating acquisition cost of assets.

(i) Federal income tax rates.

(j) Average pay step for GS and WG pay grades.

(k) Contract administration staffing.

(2) Cost Comparison Format (CCF). Activities shall utilize one of the two cost comparison formats shown in Illustration 1-1 or 5-1 of enclosure (10). Each cost comparison form shall include the following statement signed by the installation commander:

"MEO CERTIFICATION

I certify, in compliance with 10 U.S.C. 2461(b) and (d) that the total in-house performance cost is based on an estimate of the most efficient and cost effective organization for performance of the function.

(3) Common Costs. Cost comparisons will include all significant costs of both Government and contract performance. However, common (wash) costs that would continue to exist, regardless of the method of operation, are excluded from the cost comparison. These costs include Government-furnished supplies, equipment, facilities, and certain services such as utilities, maintenance support, etc., that will be provided under both in-house and contract operation. Common costs need not be computed, but must be identified and included in the cost comparison documentation.

(4) Standby Costs. Standby costs are costs incurred for the upkeep of property in a standby status. Such costs neither add to the value of the property nor prolong its useful life, but keep it in efficient operating condition or available for future use. When an in-house activity is terminated in favor of contract performance and the activity elects to hold Government equipment and facilities on standby solely to maintain performance capacity, this is a management decision, and such standby costs shall not be charged to the cost of contracting.

(5) Costing Documentation. Documentation shall be retained to support the cost analysis and estimates for each line of the cost comparison format. This documentation must support tracking of computations from start to finish without further explanation. At a minimum, the documentation for each line shall include the following:

(a) Methodology for computing the estimated cost.

(b) Data sources.

(c) Any exclusions and associated rationale.

(d) Identification of individual components included

in the total cost element.

(6) Developing the Cost of Government (In-house) Performance. In-house cost estimates will be based on the most current, relevant data that can be obtained. The importance of using current and accurate 9osts cannot be overemphasized since the cost of future years perf ormance will be projected from this data. (Note: Inclusion of various elements of cost require CMC approval. The information that must be forwarded to CMC to support the request for a waiver may be procurement sensitive. This documentation should be marked "PROCUREMENT SENSITIVE - FOUO" and should be double wrapped.)

(7) Inflation

(a) In-house cost elements will be inflated through the first period of performance and outyear periods using the inflation factors published by CMC (MPC-46) annually. The inflation factors provided by CMC are the only acceptable rates for this purpose.

(b) Depreciation, nonrecurring costs, and minor equipment costs are not subject to outyear inflation. Adjustments must be made to costs entered for specifically attributable costs (line 3), overhead (line 4), and additional costs (line 5) to exclude these costs before applying inflation factors to-outyear periods.

(c) Inflation factors for the second and subsequent performance periods shall not be applied to those portions of the in-house cost estimate which are comparable with those portions of the contractor’s estimate subject to economic price adjustment clauses such as the Service Contract Act. The contracting officer should be able to advise the activity when the economic price adjustment clause applies.

(d) Mandated changes to inflation factors occurring after the independent review, but before bid opening or the closing date for receipt of best and final offers, will require the cost comparison to be revised. Copies of the adjustments and the rationale for the adjustments shall be forwarded to the activity that performed the independent review. Recertification of the cost comparison is normally not required.

(8) Cost Comparison Period. Cost comparisons are generally based on a three to five year estimate. However, the cost comparison period must match the period of the contract plus the option periods as reflected in the solicitation.

(9) Personnel Costs - Line 1

(a) This line includes personnel costs for accomplishing the requirements specified in the PWS for the function(s) under cost comparison. It includes salaries, wages, fringe benefits, and other entitlements. Personnel costs, including civilian grades and series, are based on the work described in the PWS and the MEO rather than on the current organizational structure.

(b) Military billets in the function under study shall be converted to civilian positions for cost comparison purposes. Formal classification of all proposed positions is not required; however, active participation of personnel classification specialists in the development of MEO civilian grade assessments is required. The process should establish a reasonable basis for the grade levels that are used for the Government's estimate of the costs of civilian positions required to implement the MEO.

(c) Productive work hours reflected in the management study must be converted to full-time equivalents (FTE's). For full-time and part-time positions, total hours required are estimated by skill and divided by 1,744 annual available hours to determine the number of positions required. For intermittent positions to be expressed in FTE's, total hours required are estimated by skill and divided by 2,015 annual available hours to determine the number of positions required. When a method other than productive hours is used to determine manpower requirements (i.e., manpower standards, staffing guides, work measurement, etc.), the method used shall be documented in the management study.

(d) When PWS requirements vary for the various performance periods, the MEO must be developed for each performance period.

(e) If career-ladder positions are identified in the MEO, the mid-level grade shall be used as the basis for estimating the cost of the position.

(f) Personnel costs will be based on current general schedule (GS) and wage board (WB) rates in effect at the time of bid opening (for formal advertising) or closing date for receipt of best and final offers (for negotiated procurements).

(g) Standard fringe benefit factors for permanent Federal employees shall be used as prescribed in enclosure (10). Only the medicare rate will be applied to wages and salaries of temporary/intermittent employees not covered by either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS).

(h) The authority to make and to extend temporary limited appointments should not be interpreted as approval for costing the MEO positions as temporaries when the work described in the PWS is not of a temporary nature. Work of a continuing and recurring nature shall be costed as permanent positions even though these positions are encumbered by temporary personnel at the time the MEO and PWS are developed.

(10) Material and Supplv Costs - Line 2. Material and supply costs are incurred in each period of performance for goods such as raw materials, parts, subassemblies, components, and office supplies. Material and supply costs are calculated only if the material and supplies are used solely by the function and are not provided to the contractor; otherwise, they are common costs. Materials and supplies shall be costed in accordance with enclosures (10) and (11) of this Order.

(11) Other Specificallv Attributable Costs - Line 3. The following is applicable to cost elements which are 100 percent attributable to the function under study.

(a) Depreciation. Depreciation is the method used to spread the cost of tangible, capital assets (e.g., plant and equipment), less residual value, over an asset's useful life. Because land has an unlimited life, it is not a depreciable asset. To determine annual depreciation, the original cost plus the cost of capital improvements, if any, less the residual value shall be divided by the useful life as projected for the CA study. Unless more precise figures are available from the property disposal officer or other knowledgeable authority, residual value is equal to the disposal values listed in Appendix C of enclosure (10). Assets costing less than $5,000 are classified as minor items. Minor items are not depreciated but are added to other costs as discussed in paragraph 15d(11) (g) following.

(b) Rent. This cost is incurred for the use of non-government assets (land, plant, machinery, etc.) by the function under cost comparison. Only those rental costs not expected to continue in the event of contractor performance are computed. When the actual rental charges are not available from the agency providing the asset and a GSA-billed standard level user charge (SLUC) is available, the SLUC charge should be used as the rental cost. Rental costs are inflated for the outyears.

(c) Maintenance and Repair. This cost is incurred - to keep building and equipment in a normal operating condition. It does not include capital improvements which add value to an asset and are accounted for under depreciation. Maintenance and repair costs are computed for those assets that are not furnished to the contractor but are needed for in-house performance for the function under cost comparison. Maintenance and repair costs are computed for any facilities or equipment furnished to the

contractor where the contractor would be responsible for maintenance and repair costs. Maintenance and repair costs are also inflated in the outyears.

(d) Utilities. This category includes charges for fuel, electricity, telephone, water and sewage services, etc., that would not continue in the event of contractor performance. The amount of these costs applicable to the function under cost comparison is determined either on a metered or on an allocated basis of consumption. These costs are prorated by a unit of measure that varies directly with consumption, e.g., floor space, type of facility, number of telephones, etc. Estimates of incurred expenses for the first year of performance are based on current experience appropriately adjusted for anticipated future requirements. Engineering estimates are used when historical data is not available. All estimates will be appropriately documented with supporting details. Costs for utilities are inflated for the outyears.

(e) Insurance. Operating any Government activity involves risks and potential costs from casualty losses (fire, flood, etc.) and liability claims. Insurance normally covers these risks in the private sector, but the Government is primarily self-insured and must pay for each loss incurred. Insurance costs are computed as follows:

1 Casualty Insurance:

a Casualty losses are computed by multiplying .0005 times the net book value (original acquisition cost less accumulated depreciation) of Government equipment, and the average value (stockage level) of material and supplies. Casualty losses for facilities and minor items are 0.0005 times the estimated replacement cost.

b Insurance to be computed on assets depends on the requirements of the PWS. If the contractor is required to provide casualty insurance on all Government furnished assets, insurance is computed for all assets used by the function under cost comparison, regardless of whether the assets are furnished to the contractor. If the contract does not require the contractor to furnish casualty insurance, casualty insurance is computed on only those assets the function under cost comparison uses which would net be provided to the contractor.

2 Liability Insurance. Liability losses are computed by multiplying 0.0007 times the Government personnel-related costs (line 1, Personnel Costs and the portion of personnel cost in line 4 of the CCF). Liability insurance is calculated from previously inflated personnel-related costs and must not be inflated again.

(f) Travel. This category covers the expected cost of travel that would not continue in the event of contract performance. This cost should be readily available from budgeted amounts of per diem and transportation costs for the function under cost comparison. Travel costs are inflated for the outyears.

(g) Other Costs. This category includes costs not properly fitted to the other cost elements and which would not continue in the event of contract performance. Purchased services used to augment the current in-house work force which are included in the PWS, but will not be used in a contract performance mode, should be included in this cost element. When these purchase services are long-term and contain labor costs subject to economic price adjustment clauses, the applicable labor portion shall not be escalated by outyear inflation factors. Purchase services shall be offset for Federal income tax revenue by applying the appropriate rate in Appendix D of enclosure (10). The costs of contract administration associated with purchased services should also be identified and included in this cost category. Additionally, the recurring cost of minor items which are not immediately consumed by the function being cost compared and not provided to the contractor are included in this category. The cost of minor items for each performance period is 10 percent of the total current replacement cost of all minor items not provided to the contractor. The cost of minor items in the outyears is not inflated.

(12) Overhead Costs - Line 4. Overhead is captured into two major categories: Operations Overhead and General and Administrative Overhead. Overhead costs shall be calculated as outlined in enclosure (10). Only those costs that do not continue in the event of contract performance are included. Military billets which provide overhead support to the function under study shall be costed using the composite military rates. The composite standard military rates are published annually by the Navy Comptroller in NAVCOMPT Notice 7041. NAVCOMPT Notice 7041 includes the rates for both Navy and Marine Corps military personnel.

(13) Additional Costs - Line 5. This cost category encompasses any in-house Government costs which are not classified appropriately by the cost elements on lines 1-4 of the CCF. This cost category should reflect those additional in-house Government costs resulting from unusual or special circumstances which may be encountered in particular cost comparisons. The amounts entered on line 5 must be supported with a definition of the type of costs incurred, a justification for including these costs in the cost comparison, and an explanation of the underlying assumptions. The explanation should include the methods of computation used to determine the

cost and a detailed listing of the specific components or elements of cost which comprise the total amount reported on line 5.

(14) Contract Administration - Line 8

(a) Table 3-1 of enclosure (10) establishes contract administration factors in terms of the number of FTE's in the Most Efficient Organization. Lower contract administration factors may be used, without higher headquarters approval, if justified by terms of the Quality Assurance (QA) plans.

(b) Commands desiring to use a factor which exceeds the limits established by Table 3-1 of enclosure (10) must submit a waiver. The contracting officer has a vested interest in the staffing for administration of the contract, therefore, the request for a waiver shall be submitted to CMC (MPC-46) via the contracting officer. If the activity contracting officer will be administering the contract, a statement to that affect, which indicates review and endorsement, should be included in the request to CMC.

(c) Requests for a waiver, at a minimum, shall include:

1 Narrative documentation of the technical complexity or geographical dispersion of the function under study and the rationale for the additional personnel over those authorized by Table 3-1 of enclosure (10).

2 A staffing analysis which indicates the principal tasks, their frequency, and the work-hours required for their performance for each position in the contract administration organization.

3 An organizational chart for the contract administration organization required to monitor the contract which identifies each position by title and grade.

4 Percent of time devoted to contract administration/quality assurance evaluation (QAE). If less than 100 percent, a brief discussion shall be provided documenting why requirements cannot be absorbed into existing positions.

(d) It is each installation commander's responsibility to ensure the optimal use of existing resources for contract administration/quality assurance. In cases where QAE requirements involve less than a full manyear of effort, consideration should be given first to assigning part-time

responsibilities to a position authorized for other mission-related requirements.

(e) In the development of the QA plans, activities should ensure that full contract performance does not result in the Government assuming the-contractor's responsibility for quality control. The QA plan, to the maximum degree possible, should rely upon random sampling and similar surveillance techniques to reduce the requirement for additional personnel.

(f) Sufficient time should be built into milestone schedules to accommodate obtaining required approvals by the contracting officer and CMC.

(15) One-time Conversion Costs - Line 10. When the Government discontinues an in-house activity to obtain a commercial product or service by contract, there are usually one-time in-house costs associated with the conversion. These typical costs are discussed in the following paragraphs.

(a) Material Related Costs. A conversion normally results in certain items of material becoming excess or available for transfer in-house or to the contractor. The following cost factors shall be used, unless more precise costs are known, for costs associated with disposal/transfer of excess Government material.

	Percentage of Current Replacement Costs
Packing, Crating & Handling (PCH)	3.5
Transportation	3.75

When excess material is transferred from the function under study to another Government agency, the original material cost, less the cost of disposal or transfer, will be entered. Since such actions would only be undertaken when they would result in a net benefit to the Government, the net gain should be entered as a negative cost of contracting.

(b) Labor Related Costs

1 General. A conversion normally results in certain one-time labor related expenses such as severance pay, relocation, and retraining expenses. Only those expenses that can reasonably be expected to be paid out may be included. Terminal leave costs, such as lump sum payment of accrued annual leave, and costs related to unemployment compensation will not be included in the cost comparison.

2 Severance Pay. Government experience indicates that only a small fraction of the total number of

employees affected in conversion actions are actually separated from Government service. Therefore, it would be inappropriate to include an amount for severance pay that assumes every employee eligible for severance pay would actually receive severance pay. Past conversion experience indicates that only 4 percent of the

total number of employees assigned to the function under study are separated and receive severance pay. Based on this separation rate and pay entitlement, a 2-percent severance pay factor is applied to direct and overhead labor basic pay. There may be unusual circumstances, such as an isolated location, that warrant a waiver to the standard severance pay factor. The reason for the deviation from this standard, the alternative computation, and documentation supporting the alternative method shall be forwarded to CMC (MPC-46) for approval.

3 Relocation Expenses. The most current data available indicates that 20 percent of the employees at or above GS-9 and 10 percent of the employees below GS-9 will relocate (for wage grade employees substitute WG-10, WS-9, or WN-8 as appropriate for GS-9). The "typical" relocation cost has been determined to be $20,571 (1990 dollars) per employee. Activities seeking to vary from these factors must submit a waiver request to CMC (MPC-46) for approval. The request shall indicate the rationale for using higher costs/percentages, the amount of relocation costs estimated, and documentation to support calculation of the costs.

4 Retraining Expenses. Experience indicates very few actual occurrences where expenditures are incurred. If these costs are used in the cost comparison, care should be taken to ensure that estimates are reasonable. Since most retraining would be conducted on the job, retraining expenses would not normally be costed. Only the cost of formal training may be included. Inclusion of any other cost for retraining will require approval from CMC (MPC-46). The request must provide documentation supporting calculation of costs and rationale to support inclusion of these costs in the cost comparison.

5 One-time Inventory Costs. Marine Corps policy and good management practice dictate that inventories of parts, materials, and equipment should be reasonably current. Inclusion of one-time cost of inventories prior to turnover of equipment, parts, and materials to contractors must be approved by CMC (MPC-46). The request shall include: the rationale for the kind of inventory planned; the approximate number of items to be inventoried; date of the most recent inventory; the total work-hours planned broken out by grade and average hourly wage; the amount of effort planned for performance during normal work hours and the rationale for any planned use of overtime; and the approximate total costs of conducting the inventory.

6 Other Transition Costs. Except for the most unusual circumstances, Government personnel shall not be retained beyond the contract start date to assist the contractor in transition to full performance. This condition should be clearly stated in the solicitation so that contractors are informed that they will be expected to meet full performance requirements from the first day of the contract. When circumstances require full

performarice on the contract start date, the solicitation shall state that time will be made available for contractor indoctrination prior to the start date of the contract. Government personnel assistance after the contract start date (to assist in transition from in-house performance to contract performance) requires advance approval from CMC (MPC-46). Requests shall be submitted via the contracting officer.

e. Independent Review of Government Cost Estimates

(1) In accordance with reference (a), the Naval Audit Service will perform an independent review of the in-house cost estimates for CA's involving 41 or more Department of Navy (DON) civilians and will also review all cost estimates for comparison involving less than 41 DON civilians when the function is deemed complex by this Headquarters.

(2) Multifunction studies involving 10 or fewer positions, or single function studies involving less than 20 positions will not normally be considered complex. Local resources will be used to perform the independent review to ensure the integrity of the cost comparison. The review shall be performed by an individual who has had appropriate training in performing a CA study and has been completely independent of the cost study process to include development of the PWS, management study, MEO, and costing effort.

(3) Commands shall submit a request for determination of study complexity for all other studies.

(4) Requests for determination of study complexity shall be submitted to CMC (MPC-46) and shall include the following information:

(a) List of functions included in the study.

(b) Number of positions in the study (civ/mil).

(c) Type of procurement used (e.g., two-step sealed bid, negotiated, etc.).

(d) Name and position of individual(s) completely independent of the study process (PWS, MEO, management study, and costing effort) to perform local independent review.

(e) List of CA training of individual(s) who will perform the review.

(f) Brief discussion of any problems encountered in performing the study.

(g) Recommendation of the command and rationale.

(5) Commands shall notify the appropriate regional office of the Naval Audit Service when independent reviews will be required, and shall keep those offices apprised of progress in meeting the date. The Naval Audit Service will be provided a minimum of 60-day advance notification prior to bid opening (or receipt of technical proposals) for single function cost comparisons, and 120-day advance notification for multifunction cost comparisons. Certification that the in-house cost calculation is based on an estimate of the most efficient and cost-effective organization for in-house performance of the function must also be provided to the Naval Audit Service prior to submission of the cost comparison for certification. CMC (MPC-46) should be included as an information addressee on the command's letter requesting audit.

(6) To reduce the cost of any NavAudSvc travel required for the review, the activity should provide the applicable Naval Audit Service regional CA Coordinator or Auditor-in-Charge with as much documentation as feasible before the site visit. Such documentation normally includes: the PWS (approved by the contracting officer as a contractible document), the Management Study, the Quality Assurance Plans, the certified MEO, the CA review sheets, all CMC approvals with pertinent correspondence, and the Cost Comparison Format with supporting computations. The Management Study, MEO, CCF, and supporting documentation should be double wrapped and marked, "PROCUREMENT SENSITIVE - FOUO."

16. <u>Bid Opening and Initial Decision</u>

a. The following information provides general guidance on bid opening and summarizes procedures using sealed bid and negotiated acquisitions for cost comparison studies. Specific guidance is provided in reference (d), Part 14 of reference (d), DFARS 2.14.2 (reference (j)), and Chapter 6 of reference (w).

b. Following the independent review, the command must submit the cost comparison format, and all supporting documentation, to the contracting officer. The cost comparison form and the supporting documentation shall be submitted in a sealed and identified envelope. Dependent upon the type of procurement used, this must be done by the date required for submission of bids or by the date established for receipt of the

contractors' initial technical proposals.

c. Except for two-step or negotiated solicitations, changes may be made to both the MEO and the Government estimate up to the bid closing date. After receipt of technical proposals, the policy for negotiated solicitations in paragraph 16e below applies.

d. All changes, except computational changes involving only arithmetic calculations such as changes in inflation indices or fringe benefit factors, require recertif ication by the

independent reviewing official. Care must be taken that any changes in requirements are reflected in both the Government estimate and in amendments to the solicitation. Changes to Government policy will normally include a "grandfather" clause. In such cases, the latest changes may or may not be required to be incorporated after bid opening.

e. If a negotiated solicitation is being used, changes may be made to both the MEO and the Government estimate up to the date initial proposals are received. After this time, changes may be made only if amendments to the solicitation, during the negotiation process, change the performance requirements identified in the PWS. In such cases, the Government estimate should be withdrawn, revised to reflect the changed requirement, recertified by the independent reviewing official, and resubmitted to the contracting officer by the date established for the receipt of amended proposals. No other changes are permissible prior to the announcement of the results of the comparison. Any required changes should be made after bid opening. If it appears, prior to the comparison and announcement of the results, that a required change may materially affect the outcome of the comparison, the activity should submit an amended est estimate. This amended cost estimate should identify all changes made, cite the rationale and the requiring directive, and contain the supporting documentation for all computations resulting from the change. Copies of the amended estimate with the original estimate should be available for review by all interested parties when the results are announced.

f. The independent reviewing official shall be kept apprised of all changes made to the in-house cost estimate.

g. Bid opening procedures are contained in enclosure (10) of this Order. After the comparison has been made and the tentative results are known, the command shall notify this Headquarters (MPC-46) of the results to include: (1) name of the low bidder; (2) date administrative appeal period commences; and (3) date appeal period will end.

17. <u>Administrative Appeal Procedures</u>

a. The administrative appeal procedures are intended to protect the rights of all interested parties. Interested parties include employees of the activity under study, unions and other employee organizations representing the affected Federal employees, and bidders or of ferors responding to the solicitation. Any interested party may appeal the cost comparison decision.

b. The command will establish the appeal period after the initial decision is known. The appeal period will not begin until the cost comparison and all supporting documents are made available to the interested parties. The commanding officer will

announce the start date and duration of the appeal period at the announcement of the initial decision. The appeal period is normally for a period of 15 business days but never more than 30 business days.

c. The Headquarters Administrative Appeal Review Committee will provide a response to each appeal within 30 calendar days after receipt as required by reference (b). To accomplish this, the commanding officer or the contracting officer is responsible for notifying CMC (MPC-46) that an appeal has been filed. The appeal, if possible, is telefaxed to CMC upon receipt or is forwarded by express mail service. In addition, the command shall forward two copies of all pertinent background information such as the management study, MEO, invitation for bid (IFB) or request for proposal (RFP), Government in-house cost estimate with detailed supporting documentation, cost comparison form, and NavAudServ correspondende concerning the study. Within 7 calendar days after receipt of an appeal, the command shall telefax or express mail to CMC (MPC-46) its response to each item raised in the appeal.

d. To be considered an appeal under the administrative appeal procedure, the appeal must be submitted in writing and must address specific line items on the cost comparison form and explain the deviation from the cost comparison procedures. Appeals based on factors other than the validity of the cost comparison will not be considered.

e. The administrative appeals will be reviewed by a Headquarters Commercial Activities Review Committee. This Committee will consist of representatives from the following HQMC staff offices:

(1) DC/S Manpower (Chairperson, CA Program Manager, (Code MPC-46))

(2) DC/S Installations and Logistics (Code LBO)

(3) Counsel for the Commandant (Code CL)

(4) Appropriate functional manager(s)

f. Copies of the Committee's decisions will be provided to the installation commander at the same time that the response is provided to the appellant. These decisions are final and are not subject to arbitration, or agreement.

18. Final Decision/Submission of the Decision Notification Summary

a. After the appeals board has issued final decisions on all appeals and all protests have been resolved, the final decision notification summary (RCS DD-4860-07) contained in

Appendix F of enclosure (6) will be prepared by the command and forwarded to CMC (MPC-46) for approval. Request for Reduction-in-Force (RIF) authority shall be submitted concurrently with submission of the Decision Notification Summary. Implementation of the results of the cost comparison and all associated actions, including cancellation of the solicitation, must be held in abeyance until authorization to proceed has been received from CMC (MPC-46).

b. If the decision is to convert to a contract operation, CMC (MPC-46) is required to notify Congress for those CA's involving more than 45 DoD civilians. This notification is required in accordance with 10 U.S.C. 2461(b) and (d) (enclosure (3) refers). Reference (g) provides guidance on RIF actions. The Congressional notification process and RIF approval normally requires 14 calendar days, after receipt of the final Decision Notification Summary, to complete.

c. After Congressional notification is completed, CMC (MPC-46) will forward a message to the command authorizing issuance of RIF notices, cancellation of the solicitation, and award of the contract. Local announcements will be made in accordance with paragraph 10 of this Order.

d. If the final decision is to remain in-house, CMC (MPC-46) will authorize the command to proceed with actions necessary to implement the MEO and to cancel the solicitation. This authorization will normally be forwarded within 7 days of receipt of the final Decision Notification Summary. The activity must begin MEO implementation within 30 calendar days after cancellation of the solicitation and, consistent with any bargaining obligations owed to exclusively recognized labor organizations, must be fully operational under the MEO not later than 6 months of cancellation of the solicitation. Procedures for issuing RIF notices required to reorganize will be implemented concurrent with the cancellation of the solicitation.

CMC (MPC-46) must be notified when MEO implementation has been completed.

e. After the activity is reorganized into the MEO, it will operate under the performance standards established by the PWS and solicitation package just as a contractor would have been expected to do. Any changes in workload or reorganization will be fully documented to show the reasons for the change and appropriate documentation will be retained in the cost study records. This information is essential for use in post decision audits.

19. Solicitation Considerations

a. Every effort must be made to avoid cancellations of solicitations. In many cases, a significant amount of time and resources are expended by both DoD and private industry to

prepare proposals. Reference (d) provides specific guidance on postponement or cancellation of solicitations. The appropriate guidance is outlined in FAR 14.209 and 14.404-1 for sealed bidding and FAR 15.606 for request for proposals.

b. Bidders or of ferors shall be informed that an in-house cost estimate is being developed and that a contract may or may not result.

c. Bids or proposals shall be on at least a 3-year basis (when appropriate) or shall include prepriced renewal options to cover two fiscal years after the initial period.

d. All contracts awarded as a result of a conversion (whether or not a cost comparison was performed) shall:

(1) Comply with all requirements of the FAR (reference (d)), the DFAR (reference (j)), and MCO 4200.15G (reference (w)).

(2) When determined to be necessary in accordance with FAR 22.101.1(e) (reference (d)), include the clause at FAR 52.222.1 (reference (d)), Notice to the Government of Labor Disputes, requiring the contractor to provide notice of actual and impending labor disputes.

(3) Include all applicable clauses and provisions related to the right of first refusal for employment by displaced DoD employees, equal employment opportunities, veterans preference, and minimum wages and fringe benefits.

e. Solicitations shall be restricted for preferential procurement when the requirements applicable to such programs (such as, small business set-asides or other required sources of supplies and services) are met, in accordance with the FAR Part 8

and Part 19 (reference (d) refers) and Chapter 5 of MCO 4200.15G (reference (w) refers).

f. Solicitations will not be restricted for preferential procurement unless the contracting officer determines that there is a reasonable expectation that the commercial prices will be fair and reasonable, in accordance with the FAR Part 15.8 and Part 31 (reference (d)), DFARS Part 215.8 (reference (j)), and Chapter 6 of reference (w).

g. Contract defaults may result in temporary performance by Government personnel or other suitable means; such as, an interim contract source. Personnel detailed to such a temporary assignment should be clearly informed that they will return to their permanent assignment when a new contract is awarded. If the default occurs within the first year of contract performance, the following procedures apply:

(1) If, after consultation with the Department of Labor, it is determined that the contract wage rates are still valid, the contracting officer will review the availability among the next lowest responsible and responsive bidders/of ferors for a successor contract without resolicitation in accordance with established contracting practice. If the next low bidder/of feror is willing to accept the balance of the contract work at the price bid/offered, adjusted on an appropriate prorata basis for the remainder of the contract term, the contracting officer may award to that bidder/of feror. If the Government is the next lowest bidder/of feror, the function may be returned to in-house performance, as bid, if still feasible. If performance by DoD employees is no longer feasible, the contracting officer may elect either to award to the next lowest responsive and responsible commercial bidder/of feror if that firm is willing to perform at its bid/offered price, adjusted appropriately for the remainder of the term, or to resolicit as specified in the next subparagraph. A return to in-house performance under the above criteria shall be approved by Headquarters Marine Corps. CMC (MPC-46) must notify ASD(I&L) within 30 days of any such decision.

(2) If the contract wage rates are no longer valid or if the contracting officer, after a review of the availability of the next lowest responsible and responsive bidder/offeror, determines that resolicitation is appropriate, the Government may submit a bid for comparison with other bids/offers from the private sector. Submission of a Government bid requires determination by the command that performance by DoD employees is still feasible and that a likelihood exists that such performance may be more economical than performance by contract. In such cost comparisons, the conversion differential will not be applied to the cost of either in-house or contract performance.

h. If contract default occurs during the second or subsequent year of contract performance, the procedures of paragraph 9.i. of this Order apply.

i. Grouping of Commercial Activities

(1) The installation commander shall determine which CA’s should be grouped in a single solicitation. The installation commander should keep in mind that the grouping of CA’s can influence the amount of competition (number of commercial firms that will bid or submit proposals) and the eventual cost to the Government.

(2) The installation commander shall consider the adverse impacts that grouping of CA’s into a single solicitation may have on small and small disadvantaged business concerns. CA’s being performed wholly by small or small disadvantaged businesses will not be incorporated into a cost comparison unless consolidation is necessary to meet mission requirements. Actions

must be taken to ensure that such contractors are not displaced merely to accomplish consolidation. Similarly, care must be taken so that non incumbent small and small disadvantaged business contractors are not handicapped or prejudiced unduly from competing effectively at the prime contractor level.

(3) In developing solicitations for CA’s, the procurement plan should reflect an analysis of the advantages and disadvantages to the Government that might result from making more than one award. The decision to group CA’s should reflect an analysis of all relevant factors including the following:

(a) The effect on competition.

(b) The duplicative management functions and costs to be eliminated through grouping.

(c) The economies of administering multifunction versus single function contracts, including cost risks associated with the pricing structure of each.

(d) The feasibility of separating unrelated functional tasks or groupings.

(e) The effect grouping will have on the performance of the functions.

(4) When the solicitation package includes totally independent functions which are clearly divisible, severable, limited in number, and not price interrelated, they shall be solicited on the basis of an "any or all" bid or offer.

Commercial bidders or of ferors shall be permitted to submit bids or offers on one or any combination of the functions being solicited. These bids or offers shall be evaluated to determine the lowest aggregate contract cost to the Government. This lowest aggregate contract cost will then be compared to the in-house cost estimate based on the MEO for performance of the functions in the single solicitation. The procedures in enclosures (8) through (11) apply.

(5) There are instances when this approach to contracting for CA's may not apply; such as situations when physical limitations of site (where the activities are to be performed) preclude allowing more than one contractor to perform, when the function cannot be divided for purposes of performance accountability, or for other national security considerations. However, if an "all or none" solicitation is issued, the decision to do so must include a cost analysis to reflect that the "all or none" solicitation is less costly to the Government or an analysis indicating it is otherwise in the best interest of the Government, all factors considered.

(6) It is recognized that in some cases, decisions will result in the elimination of prime contracting opportunities for small business. In such cases special measures shall be taken. At a minimum, small and small disadvantaged business concerns shall be given preferential consideration by all competing prime contractors in the award of subcontracts. For negotiated procurements the degree to which this is accomplished will be a weighted factor in the evaluation and source selection process leading to contract award.

(7) The contract files shall be documented fully to demonstrate compliance with these procedures.

j. If no bids or proposals, or no responsive or responsible bids or proposals are received in response to a solicitation, the in-house cost estimate shall remain unopened. The contracting officer shall examine the solicitation to ascertain why no responses were received. Depending on the results of this review, the contracting officer shall consider restructuring the requirement, if feasible, and reissue it under restricted or unrestricted solicitation procedures, as appropriate.

k. Continuation of an in-house CA for lack of a satisfactory commercial source will not be based upon lack of response to a restricted solicitation.

l. The guidance of paragraph 19 also applies to simplified cost comparisons and direct conversion of military personnel CA's.

20. Consultation with Affected Civilian Employees

a. Section 2467(b) of reference (x) requires monthly consultation with affected civilian employees during CA cost comparisons. The requirements of this legislation are as follows:

(1) Installation commanders must consult with civilian employees who would be affected by CA cost comparisons at least monthly during the development and preparation of the performance work statement and the management efficiency study. The views of the employees on the development and preparation of that statement and that study must be considered.

(2) Installation commanders may also consult with the employees on other matters related to the CA cost comparison study.

The installation commander may redelegate the consultation requirements in paragraphs 20a(1) and (2) above to representatives of management who are familiar with the cost comparison study.

b. If the employees are represented by a labor union accorded exclusive recognition under 7111 of Title 5, U.S.C., reference (x) provides that consultation with representatives of that labor organization shall satisfy the requirement in paragraph 20 a(1) above for such employees.

c. If the employees are not represented by a labor union, reference (x) provides that consultation with non-union employees may be accomplished through group meetings, with representatives designated by such employees, or by other methods as long as adequate notice is provided to such employees and their right to be represented during the consultations is ensured.

d. Employees, or their designated representatives, should be provided information concerning the general status of the CA study process and should be provided with the current study milestones. Employees, or their representatives, should be offered the opportunity to review and comment on the PWS. Suggestions for improving the in-house organization should be solicited from the affected employees or their representatives during the management study and PWS development process. A deadline should be established for receipt of such comments/recommendations. The management study documentation shall include a discussion of all comments and suggestions received and any applicable action taken. The findings and general recommendations of the management study may also be discussed with the employees or their representatives, however, detailed staffing and cost information which would clearly

jeopardize the confidentiality of the in-house cost estimate may not be released in these discussions. The employees, or their representatives, should be advised that their role is purely consultive and that final decisions concerning both the PWS and the MEO remain the prerogative of the installation commander.

e. To support compliance with reference (x), results of each monthly meeting shall be documented in a brief "Memorandum for the Record". The memorandum should provide, as a minimum: date, attendees present, and an outline of the points discussed. If a union representative or employee representative has been notified of the meeting but does not attend, that fact should be noted in the memorandum. These "Memorandums for the Record" shall be included as part of the management study documentation.

f. In addition to complying with reference (x), activities must also comply with labor relations obligations under 5 U.S.C. Chapter 71 (reference (y)); especially sections 7114(a) concerning "formal discussions" and 7116(a) (5) concerning the duty to bargain in good faith.

21. Required Reports.

a. Annual CA Inventory Report (Report Control Symbol DD-4860-03 External RCS DD-P&L(A)1540). See paragraph 8 and Appendix A of enclosure (6) of this Order.

b. Decision Summary for In-house CA Reviews (Report Control Symbol DD-4860-06). See paragraph 9 and Appendix B of enclosure (6) of this Order.

c. Decision Summary for Contract CA Reviews (Report Control Symbol DD-4860-09). See paragraph 9 and Appendix C of enclosure (6) of this Order.

d. Direct Conversion of Commercial Activities Performed by 11-45 Civilian Employees (Report Control Symbol DD-4860-12). See paragraph 12 and Appendix D of enclosure (6) of this Order.

e. Direct Conversion of Commercial Activities Performed by 10 or fewer Civilian personnel (Report Control Symbol DD-4860-11). See paragraph 13 and Appendix E of enclosure (6) of this Order.

f. Decision Notification Summary: Results of Cost Comparisons (Report Control Symbol DD-4860-07). See paragraph 18 and Appendix F of enclosure (6) of this Order.

g. Commercial Activities Management Information System (CAMIS) (Report Control Symbol DD-4860-10. External RCS DD-P&L(Q) 1542)

(1) The purpose of the CAMIS is to maintain an accurate DoD data base of CA's that undergo an OMB Circular A-76 (reference (b)) cost comparison and CA's that are converted directly to contract. The CAMIS is used to provide information to the Congress, OMB, General Accounting Office (GAO), DoD, and others.

(2) The CAMIS report, contained in Appendix G of enclosure (6) of this Order, is divided into two parts. Part I, Cost Comparison Record (CCR), contains data on CA's that undergo a full cost comparison. Part II, Direct Conversion\Simplified Cost Comparison Record (DCSCCR), contains data on CA's converted to contract without a full cost comparison. The CCR and DCSCCR are divided into sections based on the occurrence of specific milestone events.

(3) After approval to conduct a cost comparison, direct conversion, or simplified cost comparison has been received, the command shall initialize a CCR or DCSCCR. As major events occur, the applicable section of the CCR or DCSCCR are completed.

(4) The CCR or DCSCCR are submitted in conjunction with the command's annually status report (discussed in paragraph 21.h below). Once a Record has been initialized, submission of the Record is not required unless there is a change in information from the last report. When a CCR or DCSCCR is not submitted, the cover letter of the status report should indicate that no change in the Record has occurred since the last report.

(5) A CCR or DCSCCR is required to be submitted annually for the 3 years following completion of the study so that actual costs of either in-house or contract operation can be reported. This information is essential as it is frequently requested from and monitored by various agencies including the Congress.

(6) A cost comparison study involving a grouping of functions may be reported on a single CCR or DCSCCR.

(7) Instructions for completing these records are contained in Appendix G of enclosure (6) of this Order.

h. Status Reports (Report Symbol DD-4860-08)

(1) The status of approved cost comparison analyses will be reported to the CMC (MPC-46) on a quarterly basis. Status Reports should be submitted in time to reach CMC by 10 September. The format for preparing the Status Report is contained in Appendix H of enclosure (6) of this Order. A separate Status Report is required for each study.

(2) Status Reports will be submitted from the time of authorization to conduct the cost study until a conversion to contract or a decision to remain in-house occurs.

(3) Negative reports, indicating that no information has changed since the last report, are not required.

P. I. NEAL
By direction

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DEPARTMENT OF THE NAVY
HEADQUARTERS UNITED STATES MARINE CORPS
WASHINGTON, D.C. 20380-0001

MC6 4860.3D Ch 1
MPC-46
28 Dec 92

MARINE CORPS ORDER 4860.3D Ch 1

From: Commandant of the Marine Corps
To: Distribution List

Subj: COMMERCIAL ACTIVITIES (CA) PROGRAM

1. Purpose. To direct pen changes to the basic Order.

2. Action

a. Paragraph 21g(4), second line, change "quarterly" to read "annual".

b. Paragraph 21h(1), second line, change "on a quarterly basis." to read "annually."

c. Paragraph 21h(1), second sentence, change "10 March, 10 June, 10 September, and 10 December." to read "10 September."

d. Paragraph 21h(3), second line, change "are required." to read "are not required."

e. Enclosure (4), page 1, second paragraph, change "G901" to read "G001".

3. Filing Instructions. This Change transmittal will be filed immediately following the signature page of the basic Order.

4. Certification. Reviewed and approved this date.

L. M. PALM
By direction

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Reports Required

	REPORT TITLE	REPORT CONTROL SYMBOL	PARAGRAPH
I.	Commercial Activities Program Inventory	DD-4860-03, External RCS DD-P&L(A)1540	8, app. A
II.	Decision Summary for In-House CA Reviews	DD-4860-06	9e-9g, app. B
III.	Decision Summary for Contract CA Reviews	DD-4860-09	9e-9g, app. C
IV.	Direct Conversion of CA's Performed by 11 to 45 Civilian Employees	DD-4860-12	12b, app. D
V.	Direct Conversion of CA's Performed by 10 or fewer Civilian Personnel	DD-4860-11	13e, app. E
VI.	Decision Notification Summary: Results of Cost Comparison	DD-4860-07	18a, app. F
VII.	Commercial Activities Management Information System (CAMIS)	DD-4860-10 External RCS DD-P&L(Q)1542	21, app. G

Definition of Terms

1. Commercial Activity Review. The process of evaluating CA's for determining whether or not a cost comparison shall be conducted.

2. Commercial Source. A business and/or other non-Federal activity located in the United States, its territories and possessions, the District of Columbia, or the Commonwealth of Puerto Rico that provides a commercial product or service.

3. Conversion to Contract. The changeover of a CA from performance by DoD personnel to performance under contract by a commercial source.

4. Conversion to In-House. The changeover of a CA from performance under contract by a commercial source to performance by DoD personnel.

5. Core Logistics. Those functions identified as core logistics activities pursuant to Section 307 of P.L. 98-525 and Section 1231 of P.L. 99-145, codified at Section 2464, Title 10 that are necessary to maintain a logistics capability (including personnel, equipment, and facilities) to ensure a ready and controlled source of technical competence, and resources necessary to ensure effective and timely response to a mobilization, national defense contingency situation, and other emergency requirements.

6. Cost Comparison. The process of developing an estimate of the cost of performance of a CA by DoD employees and comparing it, in accordance with the requirements of this Order, to the cost of performance by contract.

7. Direct Conversion. Conversions to contract performance of an in-house commercial activity based on a simplified cost comparison or the conversion of an in-house commercial activity

performed exclusively by military personnel.

8. Direct Combat Support Functions. Work that is essential to the support of combat operations; i.e., work which if not performed could cause immediate impairment of combat capability.

9. Directed Affected Parties. DoD employees and their representative organizations and of ferors to the solicitation.

10. Displaced DoD Employee. Any DoD employee affected by conversion to contract operation (including such actions as job elimination or grade reduction). It includes both employees in the function converted to contract and employees outside the

function who are affected adversely by conversion through reassignment or exercise of bumping or retreat rights.

11. DoD Commercial Activity. An activity that provides a product or service obtainable (or obtained) from a commercial source. A DoD CA may be the mission of an organization or a function within the organization. It must be a type of work that is separable from other functions or activities so that it is suitable for performance by contract. A representative list of the functions performed by such activities is provided in enclosure (4). A DoD,CA falls into one of two categories:

a. Contract CA. A DoD CA managed by a DoD component, but operated with contractor personnel.

b. In-House CA. A DoD CA operated by a DoD component with DoD personnel.

12. DoD Employee. Civilian personnel of the Department of Defense.

13. DoD Governmental Function. A function that is related so intimately to the public interest as to mandate performance by DoD personnel. These functions include those that require either the exercise of discretion in applying Government authority or the use of value judgement in making-the decisions for the Department of Defense. Services or products in support of Governmental functions, such as those listed in enclosure (2), are CA’s and are subject to this Order. Governmental functions normally fall into two categories:

a. Act of Governing. The discretionary exercise of governmental authority. Examples include criminal investigations, prosecutions, and other judicial functions; management of Government programs requiring value judgements, as in direction of the national defense; management and direction of the Armed Services; activities performed exclusively by military

personnel who are subject to deployment in a combat, combat support, or combat service support role; conduct of foreign relations; selection of program priorities; direction of Federal employees; regulation of the use of space, oceans, navigable rivers, and other natural resources; management of natural resources on Federal property; direction of intelligence and counterintelligence operations; and regulation of industry and commerce, including food and drugs.

b. Monetary Transactions and Entitlement. Refers to such actions as tax collection and revenue disbursements, control of treasury accounts and the money supply, and the administration of public trusts.

14. DoD Personnel. Military and civilian personnel of the Department of Defense.

15. Expansion. The modernization, replacement, upgrading, or enlargement of a DoD CA involving a cost increase exceeding either 30 percent of the total capital investment or 30 percent of the annual personnel and material costs. A consolidation of two or more CA's is not an expansion, unless the proposed total capital investment or annual personnel and material costs of the consolidation exceeds the total of the individual CA's by 30 percent or more.

16. New Requirement. A recently established need for a commercial product or service. A new requirement does not include interim in-house operation of essential services pending reacquisition of the services prompted by such action as the termination of an existing contract operation.

17. Nonappropriated Fund Instrumentality (NAFI). A DoD organizational entity that acts in its own name to provide or assist other DoD organizations in providing morale, welfare, and recreational programs for military personnel and authorized civilians. A NAFI is established and maintained individually or jointly by the heads of the DoD components. The NAFI is responsible for the exercise of reasonable care to administer prudently, safeguard, preserve, and maintain those appropriated fund resources made available to carry out its functions. With its nonappropriated funds, it contributes to the morale, welfare, and recreational programs of other authorized organizational entities when so authorized. It is not incorporated under the laws of any State or the District of Columbia and also enjoys the legal status of an instrumentality of the United States.

18. Preferential Procurement Programs. Preferential procurement programs include mandatory source programs such as Federal Prison Industries and the workshops administered by the Committee for

Purchase from the Blind and Other Severely Handicapped under P.L. 92-98. Small, minority, and disadvantaged businesses; and labor surplus area set-asides and awards made under P.L. 85-536, Section 8(a) and P.L. 95-507 are included under preferential procurement programs.

19. Right of First Refusal of Employment. Contractors provide Government employees, displaced as a result of the conversion to contract performance, the right of first refusal for employment openings under the contract in positions for which they are qualified, if that employment is consistent with post-Government employment conflict of interest standards.

Title 10, United States Code

CHAPTER 146 -- CONTRACTING FOR PERFORMANCE OF CIVILIAN COMMERCIAL OR INDUSTRIAL TYPE FUNCTIONS

Section 2461. Commercial or industrial type functions: required studies and reports before conversion to contractor performance.

(a) Required notice to Congress. -- A commercial or industrial type function of the Department of Defense that on October 1, 1980, was being performed by Department of Defense civilian employees may be converted to performance by a private contractor unless the Secretary of Defense provides to Congress in a timely manner--

(1) notification of any decision to study such function for possible performance by a private contractor;

(2) a detailed summary of a comparison of the cost of performance of such function by Department of Defense civilian employees and by private contractor which demonstrates that the performance of such function by a private contractor will result in a cost savings to the Government over the life of the contract and certification that the entire cost comparison is available;

(3) a certification that the Government calculation for the cost of performance of such function by Department of Defense civilian employees is based on an estimate of the most efficient and cost effective organization for performance of such function by Department of Defense civilian personnel; and

(4) a report, to be submitted with the certification required by paragraph (3), showing--

(A) the potential economic effect on employees affected, and the potential economic effect on the local community and Federal Government if more than 75 employees are involved, by contracting for performance of such function;

(B) the effect of contracting for performance of such function on the military mission of such function; and

(C) the amount of the bid accepted for the performance of such function by the private contractor whose bid is accepted and the cost of performance of such function by Department of Defense civilian employees, together with costs and expenditures which the Government will incur because of the contract.

(b) Congressional notif ication of decision to convert.-- If after completion of the studies required for completion of the certification and report required by paragraphs (3) and (4) of subsection (a), a decision is made to convert to contractor performance, the Secretary of Defense shall notify Congress of such decision.

(c) Annual reports. -- Not later than February 1 of each fiscal year, the Secretary of Defense shall submit to Congress a written report describing the extent to which commercial and industrial type functions were performed by Department of Defense contractors during the preceding fiscal year. The Secretary shall include in each such report an estimate of the percentage of commercial and industrial type functions of the Department of Defense that will be performed by Department of Defense civilian employees, and the percentage of such functions that will be performed by private contractors, during the fiscal year during which the report is submitted.

(d) Waiver for small functions.-- Subsections (a) through (c) shall not apply to a commercial or industrial type function of the Department of Defense that is being performed by 45 or fewer Department of Defense civilian employees.

(e) Waiver for the purchase of products and services of the blind and other severely handicapped persons.-- Subsections (a) through (c) shall not apply to a commercial or industrial type function of the Department of Defense that--

(1) is included on the procurement list established pursuant to section 2 of the Act of June 25, 1938 (41 U.S.C. 47), popularly referred to as the Wagner-O'Day Act; or

(2) is planned to be converted to performance by a qualified nonprofit agency for the blind or by a qualified nonprofit agency for other severely handicapped persons in

accordance with that Act.

(f) Additional limitations. -- (1) A commercial or industrial type function of the Department of Defense that on October 1, 1980 was being performed by Department of Defense civilian employees may not be converted to performance by a private contractor to circumvent a civilian personnel ceiling.

(1) In no case may any commercial or industrial type function being performed by Department of Defense personnel be modified, reorganized, divided, or in any way changed for the

purpose of exempting from the requirements of subsection (a) the conversion of all or any part of such function to performance by a private contractor.

(g) Inapplicability during war or emergency.-- The provisions of this section shall not apply during war or a period of national emergency declared by the President or the Congress.

Codes and Definitions of Functional Areas

This list of functional codes and their definitions does not restrict the applicability or scope of the CA Program within DoD. Paragraph 5 of this Order defines the applicability and scope of the program. The CA Program still applies to CA's not defined in this listing. These codes and definitions are a guide to assist reporting. As new functions are identified, codes will be added or existing definitions will be expanded.

SOCIAL SERVICES

G001 Care of Remains of Deceased Personnel and/or Funeral

Services. Includes CA's that provide mortuary services, including transportation from aerial port of embarkation (APOE) to mortuary of human remains received from overseas mortuaries, inspection, restoration, provision of uniform and insignia, dressing, flag, platement in casket, and preparation for onward shipment.

G008 Commissary Store Operation. Includes CA's that provide all ordering, receipt, storage, stockage, and retailing for commissaries. Excludes procurement of goods for issue or resale.

G008A: Shelf Stocking.
G008B: Check Out.
G008C: Meat Processing.
G008D: Produce Processing.
G008E: Storage and Issue.
G008F: Other.
G008G: Troop Subsistence Issue Point.

G009 Clothing Sales Store Operation. Includes CA's that provide ordering, receipt, storage, stockage, and retailing of clothing. Stores operated by the Army and Air Force Exchange Services, Navy Exchange Services, and Marine Corps Exchange Services are excluded.

G010 Recreational Library Services. Includes operation of libraries maintained primarily for off-duty use by military personnel and their dependents.

G011 Other Morale, Welfare, and Recreation Services. Operation of CA's maintained primarily for the off-duty use of military personnel and their dependents, including both appropriated and partially nonappropriated fund activities. The operation of clubs and messes, and morale support activities are included in code G011. Examples of activities performing G011 functions are

arts and crafts, entertainment, sports and athletics, swimming, bowling, marina and boating, stables, youth activities, centers, and golf. MCO P1700.27 contains amplification of the categories reflected below. (NOTE: CA procedures are not mandatory for functions staffed solely by civilian personnel paid by nonappropriated funds.)

G011A: All Category II Nonappropriated Fund Instrumentalities (NAFI's), except Package Beverage Branch.
G011B: Package Beverage Branch.
G011C: All Category 111a NAFI's.
G011D: All Category IIIb1, except Libraries.
G011E: Category IIIb2 Arts and Crafts.
G011F: Category IIIb2 Music & Theatre.

G011G: Category IIIb2 Outdoor Recreation.
G011H: Category IIIb2 Youth Activities.
G011I: Category IIIb2 Child Development Service.
G011J: Category Illb2 Sports - Competitive.
G011K: All Category IIIb3 except Armed Forces Recreation Center (AFRC), Golf, Bowling, and membership associations converted from Category VI.
G011L: Category IIIb3 AFRC.
G011M: Category IIIb3 Golf.
G011N: Category IIIb3 Bowling.
G011O: Category IIIb3 membership associations converted from Category VI.
G011P: Category III Information Tour and Travel (ITT).
G011Q: All Category IV.
G011R: All Category V.
G011S: All Category VI, except those converted to Category IIIb3.
G011T: All Category VII.
G011U: All Category VIII, except billeting and hotels.
G011V: Category VIII Billeting.
G011W: Category VIII Hotels.

G012 Community Services

G012A: Information and Referral.
G012B: Relocation Assistance.
G012C: Exceptional Family Member.
G012D: Family Advocacy (Domestic Violence).
G012E: Foster Care.
G012F: Family Member Employment.
G012G: Installation Volunteer Coordination.
G012H: Outreach.
G012I: Volunteer Management.
G012J: Office Management.
G012K: Consumer Affairs/Financial Assistance.
G012L: General and Emergency Family Assistance.

G900 Chaplain Activities and Support Services. Includes CA's that provide non-military unique support services that supplement the command religious program such as non-pastoral counseling, organists, choir directors, and directors of religious education. The command religious program, which includes chaplains and enlisted support personnel, is a Governmental function and is excluded from this category.

G901 Berthing BOQ/BEQ. Includes CA's that provide temporary or permanent accommodations for officer or enlisted personnel. Management of the facility, room service, and daily cleaning are included.

G904 Familyv Services. Includes CA's that perform various social services for families, such as family counseling and planning, the operation of an abuse center, a child care center, or a family services center.

G999 Other Social Services. This code will only be used for unusual circumstances and will not be used to report organizations of work that can be accommodated under a specifically defined code.

HEALTH SERVICES

H101 Hospital Care. Includes CA's that provide outpatient and inpatient care and consultative evaluation in the medical specialties, including pediatrics and psychiatry; the coordination of health care delivery relative to the examination, diagnosis, treatment, and disposition of medical inpatients.

H102 Surgical Care. Includes CA's that provide outpatient and inpatient care and consultative evaluation in the surgical specialties, including obstetrics, gynecology, ophthalmology and otorhinolaryngology; the coordination of health care delivery relative to the examination, treatment, diagnosis, and disposition of surgical patients.

H105 Nutritional Care. Includes CA's that provide hospital food services for inpatients and outpatients, dietetic treatment, counseling of patients, and nutritional education.

H106 Pathology Services. Includes CA's involved in the operation of laboratories providing comprehensive clinical and anatomical pathology services; DoD military blood program bank activities; and area reference laboratories.

H107 Radiology Services. Includes CA's that provide diagnostic and therapeutic radiologic service to inpatients and outpatients, including the processing, examining, interpreting, and storage and retrieval of radiographs, fluorographs, and radiotherapy.

H108 Pharmacy Services. Includes CA's that produce, preserve, store, compound, manufacture, package, control, assay, dispense, and distribute medications (including intravenous solutions) for inpatients and outpatients.

H109 Physical Therapy. Includes CA's that provide care and treatment to patients whose ability to function is impaired or threatened by disease or injury; primarily serve patients whose actual impairment is related to neuromusculoskeletal, pulmonary, and cardiovascular systems; evaluate the function and impairment

of these systems, and select and apply therapeutic procedures to maintain, improve, or restore these functions.

H110 Materiel Services. Includes CA's that provide or arrange for the supplies, equipment, and certain services necessary to support the mission of the medical facility; responsibilities include procurement, inventory control, receipt, storage, quality assurance, issue, turn-in, disposition, property accounting, and reporting actions for designated medical and nonmedical supplies and equipment.

H111 Orthopedic Services. Includes CA's that construct orthopedic appliances such as braces, casts, splints, supports, and shoes from impressions, forms, molds, and other specifications.

H112 Ambulance Service. Includes CA's that provide transportation for personnel who are injured, sick, or otherwise require medical treatment, including standby duty in support of military activities and ambulance bus services.

H113 Dental Care. Includes CA's that provide oral examinations, patient education, diagnosis, treatment, and care including all phases of restorative dentistry, oral surgery, prosthodontics, oral pathology, periodontics, orthodontics, endodontics, oral hygiene, preventive dentistry, and radiodontics.

H114 Dental Laboratories. Includes CA's that operate dental prosthetic laboratories required to support the provision of comprehensive dental care; services may include preparing casts and models, repairing dentures, fabricating transitional, temporary, or orthodontic appliances, and finishing dentures.

H115 Clinics and Dispensaries. Includes CA's that operate freestanding clinics and dispensaries that provide health care services. Operations are relatively independent of a medical treatment facility and are separable for in-house or contract

performance. Health clinics, occupation health clinics, and occupational health nursing offices.

H116 Veterinary Services. Includes CA's that provide a complete wholesomeness and quality assurance food inspection program, including sanitation, inspection of food received, surveillance inspections, and laboratory examination and analysis; a complete zoonosis control program; complete medical care for Government-owned animals; veterinary medical support for biomedical research and development; support to other Federal agencies when requested and authorized; assistance in a comprehensive preventive medicine program; and determination of fitness of all foods that may have been contaminated by chemical, bacteriological, or radioactive

materials.

H117 Medical Records Transcription. Includes CA's that transcribe, file, and maintain medical records.

H118 Nursing Services. Includes CA's that provide care and treatment for inpatients and outpatients not required to be performed by a doctor.

H119 Preventive Medicine. Includes CA's that operate wellness or holistic clinics (preventive medicine), information centers, and research laboratories.

H120 Occupational Health. Includes CA's that develop, monitor, and inspect installation safety conditions.

H121 Drug Rehabilitation. Includes CA's that operate alcohol treatment facilities, urine testing for drug content, and drug/alcohol counseling centers.

H999 Other Health Services. This code will only be used for unusual circumstances and will not be used to report organizations or work that can be accommodated under a specifically defined code.

INTERMEDIATE, DIRECT OR GENERAL REPAIR AND MAINTENANCE OF EQUIPMENT

Definition. Maintenance authorized and performed by designated maintenance CA's in support of using activities. Normally, it is limited to replacement and overhaul of unserviceable parts, subassemblies, or assemblies. It includes (1) intermediate/direct/general maintenance performed by fixed activities that are not designed for deployment to combat areas and that provide direct support of organizations performing or designed to perform combat missions from bases in the United States, and (2) any testing conducted to check the repair procedures. CA's engaged in intermediate/direct/general

maintenance and/or repair of equipment are to be grouped according to the equipment predominantly handled, as follows:

J501 Aircraft. Aircraft and associated equipment. Includes armament, electronic and communications equipment, engines, and any other equipment that is an integral part of an aircraft.

J502 Aircraft Engines. Aircraft engines that are not repaired while an integral part of the aircraft.

J503 Missiles. Missile sy$tems and associated equipment.

Included mechanical, electronics, and communication equipment that is an integral part of missile systems.

J504 Vessels. All vessels, including armament, electronics, communications and other equipment that is an integral part of the vessel.

J505 Combat Vehicles. Tanks, armored personnel carriers, self-propelled artillery, and other combat vehicles. Includes armament, fire control, electronic, and communications equipment that is an integral part of a combat vehicle.

J506 Noncombat Vehicles. Automotive equipment, such as tactical, support, and administrative vehicles. Includes electronic and communications equipment that is an integral part of the noncombat vehicle.

J507 Electronic and Communications Equipment. Stationary, mobile, portable, and other electronic and communications equipment. Excludes electronic and communications equipment that is an integral part of another weapon/support system. Maintenance of Automatic Data Processing Equipment (ADPE) not an integral part of a communications system shall be reported under functional code W825; maintenance of tactical ADPE shall be reported under function code J999.

J510 Railway Equipment. Locomotives of any type or gauge, including steam, compressed air, straight electric, storage battery, diesel electric, gasoline, electric, diesel mechanical locomotives, railway cars, and cabooses. Includes electrical equipment for locomotives and cars, motors, generators, wiring supplies for railway tracks for both propulsion and signal circuits, and on-board communications and control equipment.

J511 Special Equipment. Construction equipment, weight lifting, power, and material handling equipment (MHE).

J512 Armament. Small arms, artillery and guns, nuclear munitions, chemical, biological, and radiological (CBR) items, conventional ammunition, and all other ordnance items. Excludes armament that is an integral part of another weapon or support system.

J513 Dining Facility Equipment. Dining facility kitchen appliances and equipment.

J514 Medical and Dental Equipment. Medical and dental equipment.

J515 Containers. Textiles. Tents. and Tarpaulins. Containers,

tents, tarpaulins, other textiles, and organizational clothing.

J516 Metal Containers. Container Express (CONEX) containers, gasoline containers, and other metal containers.

J517 Training Devices and Audiovisual Equipment. Training devices and audiovisual equipment. Excludes maintenance of locally fabricated devices and functions reported under codes T807 and T900.

J519 Industrial Plant Equipment. That part of plant equipment with an acquisition cost of $3,000 or more, used to cut, abrade, grind, shape, form, join, test, measure, heat, or otherwise alter the physical, electrical, or chemical properties of materiels, components, or end items entailed in manufacturing, maintenance, supply prpcessing, assembly, or research and development operations.

J520 Test, Measurement, and Diagnostic Equipment. Test, measurement, and diagnostic equipment (TMDE) that has resident in it a programmable computer. Included is equipment referred to as automated test equipment (ATE).

J521 Other Test, Measurement, and Diagnostic Equipment. Test, measurement, and diagnostic equipment not classified as ATE or that does not contain a resident programmable computer. Includes such items as electronic meters, armament circuit testers, and other specialized testers.

J522 Aeronautical Support Equipment. Aeronautical support equipment excluding TMDE (and ATE). Includes such items as ground electrical power carts, aircraft tow tractors, ground air conditioners, engine stands, and trailers. Excludes aeronautical equipment reported under J501.

J999 Other Intermediate, Direct, or General Repair and Maintenance of Equipment. This code will only be used for unusual circumstances and will not be used to report organizations or work that can be accommodated under a specifically defined code.

DEPOT REPAIR, MAINTENANCE, MODIFICATION, CONVERSION, OR OVERHAUL OF EQUIPMENT

Definition. The maintenance performed on material that requires major overhaul or a complete rebuild of parts, assemblies, subassemblies, and end items, including the manufacture of parts, modifications, testing, and reclamation, as required. Depot maintenance serves to support lower categories of maintenance.

Depot maintenance provides stocks of serviceable equipment by using more extensive facilities for repair than are available in lower level maintenance activities. Depot or indirect maintenance functions are identified by the type of equipment maintained or repaired.

K531 Aircraft. Aircraft and associated equipment. Includes armament, electronics and communications equipment, engines, and and other equipment that is an integral part of an aircraft. Aeronautical support equipment not reported separately under code K548.

K532 Aircraft Engines. Aircraft engines that are not repaired while an integral part of the aircraft.

K333 Missiles. Missile systems and associated equipment. Includes mechanical, electronic, and communications equipment that is an integral part of missile systems.

K534 Vessels. All vessels, including armament, electronics, and communications equipment, and any other equipment that is an integral part of a vessel.

K535 Combat Vehicles. Tanks, armored personnel carriers, self-propel led artillery, and other combat vehicles. Includes armament, fire control, electronics, and communications equipment that is an integral part of a tombat vehicle.

K536 Noncombat Vehicles. Automotive equipment, such as tactical support and administrative vehicles. Includes electronic and communications equipment that is an integral part of the vehicle.

K537 Electronic and Communications Equipment. Stationary, mobile, portable, and other electronics and communications equipment. Excludes electronic and communications equipment that

is an integral part of another weapon/support system. Maintenance of ADPE, not an integral part of a communications system is reported under functional code W825.

K538 Railway Equipment. Locomotives of any type or gauge, including steam, compressed air, straight electric, storage battery, diesel electric, gasoline, electric, diesel mechanical locomotives, railway cars, and cabooses. Includes electrical equipments for locomotives and cars, motors, generators, wiring supplies for railway tracks for both propulsion and signal circuits, and on-board communication and control equipment.

K539 Special Equipment. Construction equipment, weight lifting, power, and materiel-handling equipment.

K540 Armament. Small arms; artillery and guns; nuclear munitions, CBR items; conventional ammunition; and all other ordnance items. Excludes armament that is an integral part of another weapon or support system.

K541 Industrial Plant Equipment. That part of plant equipment with an acquisition cost of $3,000 or more, used to cut, abrade, grind, shape, form, join, test, measure, heat, or otherwise alter the physical, electrical, or chemical properties of materials, components, or end items entailed in manufacturing, maintenance, supply, processing, assembly, or research and development operations.

K542 Dining Facility Equipment. Dining facility kitchen appliances and equipment. This includes field feeding equipment.

K543 Medical and Dental Equipment. Medical and dental equipment.

K544 Containers, Textiles, Tents, and Tarpaulins. Containers, tents, tarpaulins, and other textiles.

K545 Metal Containers. CONEX containers, gasoline containers, and other metal containers.

K546 Test Measurement and Diagnostic Equipment. Test measurement and diagnostic equipment (TMDE) that has resident in it a programmable computer. Included is equipment referred to as automated test equipment (ATE).

K547 Other Test Measurement and Diagnostic Equipment. Test measurement and diagnostic equipment not classified as ATE or that does not contain a resident programmable computer. Includes such items as electronic meters, armament circuit testers, and other specialized testers.

K548 Aeronautical Support Equipment. Aeronautical support equipment excluding TMDE (and ATE). Includes such items as ground electrical power carts, aircraft two tractors, ground air conditioners, engine stands, and trailers. Excludes aeronautical support equipment reported under code K531.

K999 Other Depot Repair, Maintenance, Modification, Conversion, or Overhaul of Equipment. This code will only be used for unusual circumstances and will not be used to report organizations or work that can be accommodated under a specifically defined code.

BASE MAINTENANCE IMULTIFUNCTION CONTRACTS

P100 Base Maintenance/Multifunction Contracts. Includes all umbrella-type contracts where the contractor performs more than one function at one or more installations. (Identify specific functions as nonadd entries.)

RESEARCH, DEVELOPMENT, TEST, AND EVALUATION (RDT&E) SUPPORT

R660 RDT&E Support. Includes all effort not reported elsewhere directed toward support of installation or operations required for research, development, test, and evaluation use. Included are maintenance support of laboratories, operation and maintenance of test ranges, and maintenance of test aircraft and ships.

INSTALLATION SERVICES

S700 Natural Resource Services. Includes those CA's that provide products or services that implement natural resource management plans in the areas of fish, game, wildlife, forestry, watershed areas or ground water table, erosion control, and mineral deposit management. Natural resources planning and management is a Governmental function and will not be reported.

S701 Advertising and Public Relations Services. Includes CA's responsible for advertising and public relations in support of public affairs offices, installation newspapers and publications, and information offices.

S702 Financial and Payroll Services. Includes CA's that prepare payroll, print checks, escrow, or change payroll accounts for personnel. Includes other services normally associated with banking operations.

S703 Debt Collection. Includes CA's that monitor, record, and collect debts incurred by overdrafts, bad checks, or delinquent accounts.

S706 Installation Bus Services. Includes CA's that operate local, intrapost, and interpost scheduled bus services. Includes scheduled movement of personnel over regular routes by administrative motor vehicles to include taxi and dependent school bus services.

S706A Scheduled Bus Services.
S706B Unscheduled Bus Services.
S706C Dependent School Bus Services.

S706D Other Bus Services.

S708 Laundry and Dry Cleaning Services. Includes CA's that operate and maintain laundry and dry cleaning facilities.

S709 Custodial Services. Includes CA's that provide janitorial and housekeeping services to maintain safe and sanitary conditions and preserve property.

S710 Pest Management. Includes CA's that provide control measures directed against fungi, insects, rodents, and other pests.

S712 Refuse Collection and Disposal Services. Includes CA's that operate incinerators, sanitary fills, and regulated dumps, and perform all other approved refuse collection and disposal services.

S713 Food Services. Includes CA's engaged in the operation and administration of food preparation and serving facilities. Excludes operation of central bakeries, pastry kitchens, and central meat processing facilities that produce a product and are reported under functional area X934. Excludes hospital food service operations (under code H105).

S713A Food Preparation and Administration.
S713B Mess Attendants and Housekeeping Services.

S714 Furniture. Includes CA's that repair and refurbish furniture.

S715 Office Equipment. Includes CA's that maintain and repair typewriters, calculators, and adding machines.

S716 Motor Vehicle Operation. Includes CA's that operate local administrative motor transportation services. Excludes installation bus services reported in functional area S706.

S716A: Taxi Service.

S716B: Bus Service (unless in 5706).
S716C: Motor Pool Operation.
S716D: Crane Operation (includes rigging, excludes those listed in T800G).
S716E: Heavy Truck Operation.
S716F: Construction Equipment Operation.
S7161: Driver/Operator Licensing & Test.
S716J: Other Vehicle Operations (Light Truck/Auto).
S716K: Fuel Truck Operations.
S716M: Tow Truck Operations.

S717 Motor Vehicle Maintenance. Includes CA's that perform maintenance on automotive equipment, such as support and administrative vehicles. Includes electronic and communications equipment that are an integral part of the vehicle.

S717A: Upholstery Maintenance and Repair.
S717B: Glass Replacement and Window Repair.
S717C: Body Repair and Painting.
S717D: Accessory Overhaul.
S717E: General Repairs/Minor Maintenance.
S717F: Battery Maintenance and Repair.
S717G: Tire Maintenance and Repair.
S717H: Major Component Overhaul.
S717I: Material Handling Equipment Maintenance.
S717J: Crane Maintenance.
S717K: Construction Equipment Maintenance.
S717L: Frame and Wheel Alignment.
S717M: Other Motor Vehicle Maintenance.

S718 Fire Prevention and Protection. Includes CA's that operate and maintain fire protection and preventive services. Includes routine maintenance and repair of fire equipment and the installation of fire prevention equipment.

S718A: Fire Protection Engineering.
S718B: Fire Station Administration.
S718C: Fire Prevention.
S718D: Fire Station Operations.
S718E: Crash and Rescue.
S718F: Structural Fire Suppression.
S718G: Fire & Crash/Rescue Equipment Major Maintenance.
S718H: Other Fire Prevention and Protection.

S719 Military Clothing. Includes CA's that order, receive, store, issue, and alter military clothing and repair military shoes. Excludes repair of organizational clothing reported under code J515.

S724 Guard Service. Includes CA's engaged in physical security operations that provide for installation security and intransit protection of military property from loss or damage.

S724A: Ingress and Egress Control. Regulation of person, material, and vehicles entering or exiting a designated area to provide protection of the installation and Government property.

S724B: Physical Security Patrols and Posts. Mobile and static physical security guard activities that provide protection of installation or Government property.

S724C: Conventional Arms, Ammunition, and Explosives (CAAE) Security. Dedicated security guards for CAAE.

S724D: Animal Control. Patrolling for, capture of, and response to complaints about uncontrolled, dangerous, and disabled animals on military installations.

S724E: Visitor Information Services. Providing information to installation resident and visitors about street, agency, unit, and activity locations.

S724F: Vehicle Impoundment. Removal, accountability, security, and processing of vehicle impounded on military installations.

S724G: Registration Functions. Administration, filing, processing, and retrieval information about privately owned items that must be registered on military installations.

S725 Electrical Plants and Systems. Includes CA's that operate, maintain, and repair Government-owned electrical plants and systems.

S726 Heating Plants and Systems. Includes CA's that operate, maintain, and repair Government-owned heating plants and systems over 750,000 British Thermal Unit (BTU) capacity. Codes Z991 or Z992 will be used for systems under 750,000 BTU capacity, as applicable.

S727 Water Plants and Systems. Includes CA's that operate, maintain, and repair Government-owned water plants and systems.

S728 Sewage and Waste Plants and Systems. Includes CA's that operate, maintain, and repair Government-owned sewage and waste plants and systems.

S729 Air Conditioning and Refrigeration Plants. Includes CA's that operate, maintain, and repair Government-owned air conditioning and refrigeration plants over 5-ton capacity. Codes

Z991 or Z992 shall be used for plants under 5-ton capacity as applicable.

S730 Other Services or Utilities. Includes CA's that operate, maintain, and repair other Government-owned services or utilities.

S731 Base Supply Operations. Includes CA's that operate

centralized installation supply functions providing supplies and equipment to all assigned or attached units. Performs all basic supply functions to determine requirements for all requisition, receipt, storage, issuance, and accountability for materiel.

S732 Warehousing and Distribution of Publications. Includes CA's that receive, store, and distribute publications and blank forms.

S740 Installation Transportation Office. Includes technical, clerical, and administrative CA's that support traffic management services related to the procurement of freight and passenger service from commercial "for hire" transportation companies. Excludes restricted functions that must be performed by Government employees such as the review, approval, and signing of documents related to the obligation of funds; selection of mode or carrier; evaluation of carrier performance; and carrier suspension. Excludes installation transportation functions described under codes S706, S716, S717, T810, T811, T812, and T814.

S750 Museum Operations

S760 Contractor-Operated Parts Stores and Contractor-Operated Civil Engineering Supply Stores

S999 Other Installation Services. This code will only be used for unusual circumstances and will not be used to report organizations or work that can be accommodated under a specifically defined code.

OTHER NONMANUFACTURING OPERATIONS

T800 Ocean Terminal Operations. Includes CA's that operate terminals transferring cargo between overland and sealift transportation. Includes handling of Government cargo through commercial water terminals.

T800A: Pier Operations. Includes CA's that provide stevedore and shipwright carpentry operations supporting the loading, stowage, and discharge of

cargo and containers on and off ships, and supervision of operations at commercial piers and military ocean terminals.

T800B: Cargo Handling Equipment. Includes CA's that operate and maintain barge derricks, gantries, cranes, forklifts, and other materiel handling

equipment used to handle cargo within the terminal area.

T800C: Port Cargo Operations. Includes CA's that load and unload railcars and trucks, pack, repack, crate, warehouse, and store cargo moving through the terminal, and stuff and unstuf f containers.

T800D: Vehicle Preparation. Includes CA's that prepare Government and privately owned vehicles (POV's) for ocean shipment, inspection, stowage in containers, transportation to pier, processing, and issue of import vehicles to owners.

T800E: Lumber Operations. Includes CA's that segregate reclaimable lumber from dunnage removed from ships, railcars, and trucks; remove nails; even lengths; inspect; and return the lumber to inventory for reuse. Includes receipt, storage, and issue of new lumber.

T800F: Materiel Handling Equipment (MHE) Operations. Includes CA's that deliver MHE to user agencies, perform onsite fueling, and operate special purpose and heavy capacity equipment.

T800G: Crane Operations. Includes CA's that operate and perform first-echelon maintenance of barge derricks, gantries, and truck-mounted cranes in support of vessels and terminal cargo activities.

T800I: Other Ocean Terminal Operations

T801 Storage and Warehousing. Includes CA's that receive materiel into depots and other storage and warehousing facilities, provide care for supplies, and issue and ship materiel. Excludes installation supply in support of upit and tenet activities described in S731.

T801A: Receipt. Includes CA's that receive supplies and related documents and information. This includes materiel handling and related actions, such as materiels segregation and checking, and tallying incident to receipt.

T801B: Packing and Crating of Household Goods. Includes CA's performing packing and crating operations described in T801H, incident to the movement or storage of household goods.

T801C: Shipping. Includes CA's that deliver stocks withdrawn from storage to shipping. Includes onloading and off loading of stocks from transportation carriers, blocking, bracing, dunnage, checking, tallying, and materiel handling in central shipping area and related documentation and information operations.

T801D: Care, Rewarehousing, and Support of Materiel. Includes CA's that provide for actions that must be taken to protect stocks in storage, including physical handling, temperature control, assembly placement and preventive maintenance of storage aids, and realigning stock conf iguration; provide for movement of stocks from one storage location to another and related checking, tallying, and handling; and provide for any work being performed within general storage support that cannot be identified clearly as one of the subfunctions described above.

T801E: Preservation and Packaging. Includes CA's that preserve, represerve, and pack materiel to be placed in storage or to be shipped. Excludes application of final (exterior) shipping containers.

T801F: Unit and Set Assemblv and Disassemblv. Includes CA's that gather or bring together items of various nomenclature (parts, components, and basic issue items) and group, assemble, or restore them to or with an items of another nomenclature. (such as parent end item or assemblage) to permit shipment under a single document. This also includes blocking, bracing, and packing preparations within the inner shipping container; physical handling and loading; and reverse operation of assembling such units.

T801G: Special Processing of Non Stock Fund-Owned Materiel. Includes CA's performing special processing actions described below that must be performed on Inventory Control Point (ICP)-controlled, nonstock fund-owned materiel by technically qualified depot maintenance personnel, using regular or special maintenance tools or equipment. Includes disassembly or reassembly or reserviceable ICP-controlled materiel

being readied for movement, in-house storage, or out-of-house location such as a port to a commercial or DoD-operated maintenance or storage facility, property disposal or demilitarization activity,

including blocking, bracing, cushioning, and packing.

T801H: Packing and Crating. Includes CA's that place supplies in their final, exterior containers ready for shipment. Includes the nailing, strapping, sealing, stapling, asking, marking, and weighing of the exterior container. Also, includes all physical handling, unloading, and loading of materiel within the packing and shipping area; checking and tallying materiel in and out; all operations incident to packing, repacking, or recrating for shipment, including on-line fabrication of tailored boxes, crates, bit inserts, blocking, bracing and cushioning shrouding, overpacking, containerization, and the packing of materiel in transportation containers. Excludes packing of household goods and personnel effects reported under code T801B.

T801I: Other Storage and Warehousing

T802 Cataloging. Includes CA's that prepare supply catalogs and furnish cataloging data on all items of supply for distribution to all echelons worldwide. Includes catalog files, preparation, and revision of all item identifications for all logistics functions; compilation of Federal catalog sections and allied publication; development of Federal item identification guides, and procurement identification descriptions. Includes printing and publication of Federal supply catalogs and related allied publications.

T803 Acceptance Testing. Includes CA's that inspect and test supplies and materiel to ensure that products meet minimum requirements of applicable specifications, standards, and similar technical criteria; laboratories and other facilities with inspection and test capabilities; and activities engaged in production acceptance testing of ammunition, aircraft armament, mobility materiel, and other military equipment.

T803A: Inspection and testing of oil and fuel.
T803B: Other Acceptance Testing.

T804 Architect-Engineering Services. Includes CA's that provide Architect/Engineer (A/E) services. Excludes Engineering Technical Services (ETS) reported in functional area T813, and those required under the Brooks Act (P.L. 92-582).

T805 Operation of Bulk Liquid Storage. Includes CA's that operate bulk petroleum storage facilities. Includes operation of off-vessel discharging and loading facilities, fixed and portable

bulk storage facilities, pipelines, pumps, and other related equipment within or between storage facilities or extended to using agencies (excludes aircraft fueling services); handling of drums within bulk fuel activities. Excludes aircraft fueling services reported under code T814.

T806 Printing and Reproduction. Includes CA's that print, duplicate, and copy. Excludes user-operated office copying equipment.

T807 Audiovisual and Visual Information Services. Includes CA's that provide base audiovisual (AV) and visual information (VI) support, production, depositories, technical documentation, and broadcasting.

T807A: Base VI Support. Includes CA's that provide production activities that provide general support to all installation, base, facility or site, organizations or activities. Typically, they supply motion picture, still photography, television, and audio recording for nonproduction documentary purposes, their laboratory support, graphic arts, VI libraries, and presentation services.

T807B: AV Production. Includes CA's that provide a self-contained, complete presentation, developed according to a plan or script, combining sound with motion media (film, tape or disc) for the purpose of conveying information to, or communicating with, an audience. (An AV production is distinguished from a VI production by the absence of combined sound and motion media in the latter.)

T807C: VI Depositories. Includes CA's that are especially designed and constructed for the low-cost and efficient storage and furnishing of reference service on semicurrent records pending their ultimate disposition. Includes records centers.

T807D: VI Technical Documentation. Includes CA's that provide a technical documentation (TECDOC) which is a continuous visual recording (with or without sound as an integral documentation component) of an actual event made for purposes of evaluation. Typically, TECDOC contributes to the study of human or mechanical factors, procedures and processes in the context of medicine, science logistics, research, development, test and evaluation, intelligence, investigations and armament delivery.

T807E: Electronic Media Transmission. Includes CA's that

transmit and receive audio and video signals for closed circuit local and long distance multi-station networking and broadcast operations.

T807F: VI Documentation. Includes CA's that provide motion media (film or tape) still photography and audio recording of technical and nontechnical events, as they occur, usually not controlled by the recording crew. VI documentation (VIDQC) encompasses Operational Documentation (QPDOC) and TECDOC. QPDOC is VI (photographic or electronic) recording of activities, or multiple perspectives of the same activity, to convey information about people, places, and things.

T807G: AV Central Librarv (Inventorv Control Point). Includes CA's that receive, store, issue, and maintain AV products at the central library level. May or may not include records center operations for AV products.

T807K: AV or VI Design Service. Includes CA's that provide professional consultation services involving the selection, design, and development of AV or VI equipment or facilities.

T808 Mapping and Charting. Includes CA's that design, compile, print, and disseminate cartographic and geodetic products.

T809 Administrative Telephone Service. Includes CA's that operate and maintain the common-user, administrative telephone systems at DoD installations and activities. Includes telephone operator services; range communications; emergency action consoles; and the cable distribution portion of a fire alarm, intrusion detection, emergency monitoring and control data, and similar systems that require use of a telephone system.

T810 Air Transportation Services. Includes CA's that operate and maintain nontactical aircraft that are assigned to commands and installations and used for administrative movement of personnel and supplies.

T811 Water Transportation Services. Includes CA's that operate and maintain nontactical watercraft that are assigned to commands and installations and are used for administrative movement of personnel and supplies.

T811A: Water Transportation Services (except tug operations).
T811B: Tug Operations.

T812 Rail Transportation Services. Includes CA's that operate and maintain nontactical rail equipment assigned to commands and installation and used for administrative movement of personnel and supplies.

T813 Engineering and Technical Services. Includes CA's that advise, instruct, and train DoD personnel in the installations, operation, and maintenance of DoD weapons, equipment, and systems.

These services include transmitting the technical skill capability to DoD personnel in order for them to install, maintain, and operate such equipment and keep it in a high state of military readiness.

T813A: Contractor Plant Services. Includes commercial manufacturers of military equipment contracted to provide technical and engineering services to DoD personnel. Qualified employees of the manufacturer furnish these services in the manufacturer plants and facilities. Through this program, the special skills, knowledge, experience, and technical data of the manufacturer are provided for use in training, training aid programs, and other essential services directly related to the development of the technical capability required to install, operate, maintain, supply, and store such equipment.

T813B: Contract Field Services (CFS). Includes CA's that provide services of qualified contractor personnel who provide onsite technical and engineering services to DoD personnel.

T813C: In-house Engineering and Technical Services. Includes CA's that provide technical and engineering services described in codes T813A and T813B above that are provided by Government employees.

T813D: Other Engineering and Technical Services

T814 Fueling Service (Aircraft). Includes CA's that distribute aviation petroleum/oil/lubricant products. Includes operation of trucks and hydrants.

T815 Scrap Metal Operation. Includes CA's that bale or shear metal scrap and melt or sweat aluminum scrap.

T816 Telecommunication Centers. Includes CA's that operate and maintain telecommunication centers, nontactical radios, automatic message distribution systems, technical control facilities, and other systems integral to the communication center. Includes

operations and maintenance of air traffic control equipment and facilities.

T817 Other Communications and Electronics Systems. Includes CA's that operate and maintain communications and electronics systems not included in T809 and T816.

T818 Systems Engineering and Installation of Communications Systems. Includes CA's that provide engineering and installation services, including design and drafting services associated with functions specified in T809, T816, and T817.

T819 Preparation and Disposal of Excess and Surplus Property. Includes CA's that accept, classify, and dispose of surplus Government property, including scrap metal.

T820 Administrative Support Services. Includes CA's that provide centralized administrative support services not included specifically in another functional category. These activities render services to multiple activities throughout an organization or to multiple organizations; such as, a steno or typing pool rather than a secretary assigned to an individual. Typical activities included are word processing centers, reference and technical libraries, microfilming, messenger service, translation services, publication distribution centers, etc.

T820A: Word Processing Centers.
T820B: Reference and Technical Libraries.
T820C: Microfilming.
T820D: Internal Mail and Messenger Services.
T820E: Translation Services.
T820F: Publication Distribution Centers.
T820G: Field Printing and Publication. Includes those activities that print or reproduce official publications, regulations, and orders. Includes management and operation of the printing facility.
T820H: Compliance Auditing.
T820I: Court Reporting.

T821 Special Studies and Analyses. Includes CA's that perform research, collect data, conduct time-motion studies, or pursue other planned methodology in order to analyze a specific issue, system, device, board, plane, or vehicle for management.

Such activities may be temporary or permanent in nature.

T821A: Cost Benefit Analyses.
T821B: Statistical Analyses.
T821C: Scientific Data Studies.
T821D: Regulatory Studies.
T821E: Defense, Education, Energy Studies.

T821F: Legal/Litigation Studies.
T821G: Management Studies.

T900 Training Devices and Simulators. Includes CA's that provide training aids, devices, simulator design, fabrication, issue, operation, maintenance, support, and services.

T900A: Training Aids, Devices, and Simulator Support. Includes CA's that design, fabricate, stock, store, issue, receive, and account for and maintain training aids, devices, and simulators (does not include audiovisual production and associated services or audiovisual support.)

T900B: Training Device and Simulator ODeration. Includes CA's that operate and maintain training device and simulator systems.

T999 Other Nonmanufacturing Operations

EDUCATION AND TRAINING

Includes CA's that conduct courses of instruction attended by civilian or military personnel of the Department of Defense. Terminology of categories and subcategories primarily for military personnel (marked by an asterisk) follows the definitions of the statutory Militarv Manpower Training Report submitted annually to the Congress. This series includes only the conduct of courses of instruction; it does not include education and training support functions (that is, Base Operations Functions in the S series and Nonmanufacturing Operations in the T series). A course is any separately identified instructional entity or unit appearing in a formal school or course catalog.

U100 Recruit Training.* The instruction of recruits.

U200 Officer Acquisition Training.* Programs concerned with officer acquisition training.

U300 Specialized Skill Training.* Includes Army One-Station Unit Training, Naval Apprenticeship Training, and health care training.

U400 Flight Training.* Includes flight familiarization training.

U500 Professional Development Education *

U510 Professional Military Education.* Generally, the conduct of instruction at basic, intermediate, and senior military service schools and colleges and enlisted leadership training does not satisfy the requirements of the definition of a DoD CA and is excluded from the provision of this Order.

U520 Graduate Education, Fully Funded, Full-Time *

U530 Other Full-Time Education Proaram *

U540 Off-Duty (Voluntary) and On-Duty Education Programs. * Includes the conduct of Basic Skills Education Program (BSEP), English as a Second Language (ESL), skill development courses, graduate, undergraduate, vocational/technical, and high school completion programs for personnel without a diploma.

U600 Civilian Education and Training. Includes the conduct of courses intended primarily for civilian personnel.

U700 Dependent Education. Includes the conduct of elementary and secondary school courses of instruction for the dependents of DoD overseas personnel.

U800 Training Development and Support (not reported elsewhere)

U999 Other Training. This code will only be used for unusual circumstances and will not be used to report organizations or work that can be accommodated under a specifically defined code.

AUTOMATIC DATA PROCESSING

W824 Data Processing Services. Includes CA's that provide ADP processing services by using Government-owned or -leased ADP equipment; or participating in Government-wide ADP sharing program; or procuring of time-sharing processing services (machine time) from commercial sources. Includes all types of data processing services performed by general purpose ADP and peripheral equipment.

W824A: Operation of ADP Equipment.
W824B: Production Control and Customer Service.
W824C: ADP Magnetic Media Library.
W824D: Data Transcription/Data Entry Services.
W824E: Transmission and Teleprocessing Equipment Services.
W824F: Acceptance Testing and Recovery Systems.
W824G: Punch Card Processing Services.
W824H: Other ADP Operations and Support.

W825 Maintenance of ADP Equipment. Includes CA's that maintain and repair all Government-owned ADP equipment and peripheral equipment.

W826 Systems Design, Development, and Programing Services. Includes CA's that provide software services associated with nontactical ADP operation.

W826A: Development and Maintenance of Applications Software.
W826B: Development and Maintenance of Systems Software.

W827 Software Services for Tactical Commuters and Automated Test Equipment. Includes CA's that provide software services associated with tactical computers and ThDE and ATE hardware.

W999 Other Automatic Data Processing. This code will only be used for unusual circumstances and will not be used to report organizations or work that can be accommodated under a specifically defined code.

PRODUCTS MANUFACTURED AND FABRICATED IN-HOUSE

Commercial activities that manufacture and/or fabricate products ink-house are grouped according to the products predominantly handled as follows:

X931 Ordnance Equipment. Ammunition and related products.

X932 Products made from Fabric or Similar Materials. Including the assembly and manufacture of clothing, accessories, and canvas products.

X933 Container Products and Related Items. Including the design, engineering, and manufacture of wooden boxes, crates, and other containers; including the fabrication of fiberboard boxes, and assembly of paperboard boxes with metal straps. Excludes on-line fabrication of boxes and crates reported in functional area T801.

X934 Food and Bakery Products. Including the operation of central meat processing plants, pastry kitchens, and bakery facilities. Excludes food services reported in functional areas S713 and H105.

X935 Liquid, Gaseous, and Chemical Products. Including the providing of liquid oxygen and liquid nitrogen.

X936 Rope, Cordage, and Twine Products; Chains and Metal Cable Products

X937 Logging and Lumber Products. Logging and sawmill operations.

X938 Communications and Electronic Products

X939 Construction Products. The operation of quarries and pits, including crushing, mixing, and concrete and asphalt batching plants.

X940 Rubber and Plastic Products

X941 Optical and Related Products

X942 Sheet Metal Products

X943 Foundry Products

X944 Machined Parts

X999 Other Products Manufactured and Fabricated In-House. This code will only be used for unusual circumstances and will not be used to report organizations or work that can be accommodated under a specifically defined code.

MAINTENANCE, REPAIR, ALTERATION, AND MINOR CONSTRUCTION OF REAL PROPERTY

Z991 Buildings and Structures--Family Housing. Includes CA's that are engaged in exterior and interior painting and glazing; roofing, interior plumbing; interior electric; interior heating equipment, including heat sources under 750,000 BTU capacity; installed food service and related equipment; air conditioning and refrigeration under a 5-ton capacity; elevators; and other equipment affixed as part of the building and not included in other activities. Includes fencing, flagpoles, and other miscellaneous structures associated with family housing.

Z991A: Rehabilitation--Tenant Change.
Z991B: Roofing.
Z991C: Glazing.
Z991D: Tiling.
Z991E: Exterior Painting.
Z991F: Interior Painting.
Z991G: Flooring.
Z991H: Screens, Blinds, etc.
Z991I: Appliance Repair.
Z991J: Electrical Repair. Includes elevators, escalators, and moving walks.
Z991K: Plumbing.
Z991L: Heating Maintenance.
Z991M: Air Conditioning Maintenance.

Z991N: Emergency/Service Work.
Z991T: Other Work.

Z992 Buildings and Structures (Other than Family Housing). Includes CA's that are engaged in exterior and interior painting and glazing; roofing, interior plumbing; interior electric; interior heating equipment, including heat sources under 750,000 BTU capacity; installed food service and related equipment; air conditioning and refrigeration under a 5-ton capacity; elevators; and other equipment affixed as part of the building and not reported under other functional codes. Includes fencing, flagpoles, guard and watch towers, grease racks, unattached loading ramps, training facilities other than buildings, monuments, grandstands and bleachers, elevated garbage racks, and other miscellaneous structures.

Z992A: Rehabilitation--Tenant Change.
Z992B: Roofing.
Z992C: Glazing.
Z992D: Tiling.
Z992E: Exterior Painting.
Z992F: Interior Painting.
Z992G: Flooring.
Z992H: Screens, Blinds, etc.
Z992I: Appliance Repair.
Z992J: Electrical Repair. Includes elevators, escalators, and moving walks.
Z992K: Plumbing.
Z992L: Heating Maintenance.
Z992M: Air Conditioning Maintenance.
Z992N: Emergency/Service Work.
Z992T: Other Work.

Z993 Grounds and Surfaced Areas. Commercial activities that maintain, repair, and alter grounds and surfaced areas defined in codes Z993A, B, and C, below.

Z993A: Grounds (Improved). Includes improved grounds, including lawns, drill fields, parade grounds, athletic and recreational facilities, cemeteries, other ground areas, landscape and windbreak plants, and accessory drainage systems.

Z993B: Grounds (Other than Improved). Small arms ranges, antenna fields, drop zones, and firebreaks. Also grounds such as wildlife conservation areas, maneuver areas, artillery ranges, safety and security zones, desert, swamps, and similar areas.

Z993C: Surfaced Areas. Includes airfield pavement, roads,

walks, parking and open storage areas, traffic signs and markings, storm sewers, culverts, ditches, and bridges. Includes sweeping and snow removal from streets and airfields.

Z997 Railroad Facilities. Includes CA's that maintain, repair, and alter narrow and standard gauge two-rail tracks, including spurs, sidings, yard turnouts, frogs, switches, ties, ballast, and roadbeds, with accessories and appurtenances, drainage facilities, and trestles.

Z998 Waterways and Waterfront Facilities. Includes CA's that maintain, repair, and alter approaches, turning basin, berth areas and maintenance dredging, wharves, piers, docks, ferry racks, transfer bridges, quays, bulkheads, marine railway dolphins, mooring, buoys, seawalls, breakwaters, causeways, jetties, revetments, etc. Excludes waterways maintained by the Army Corps of Engineers (COE) rivers and harbors programs. Also excludes buildings, grounds, railroads, and surfaced areas located on waterfront facilities.

Z999 Other Maintenance, Repair, Alteration, and Minor Construction of Real Property. This code will only be used for unusual circumstances and will not be used to report organizations or work that can be accommodated under a specifically defined code.

Codes For Denoting Compelling Reasons For In-house CA Operations and Reasons For Contract Performance or Planned Changes in Method of Performance

1. The following codes shall be used to denote compelling reason for in-house CA operations. The code shall be used in dBASE III Plus file: ARECORDS.DBF, field name: REASON_IH.

Code	Explanation

A	Indicates that the CA has been retained in-house for national defense reasons in keeping with subparagraph 9.h. (1) (a) of this Order, other than CA’s reported under code "c", below.
C	Indicates that the CA is retained in-house because the CA is essential for training or experience in required military skills, or the CA is needed to provide appropriate work assignments for a rotation base for overseas or sea-to-shore assignments, or the CA is necessary to provide career advancement to a needed military skill level in keeping with subparagraph 9h(1) (a) of this Order.
D	Indicates procurement of a product or service from a commercial source would cause an unacceptable delay or disruption of an essential Marine Corps program.
E	Indicates that there is no adequate commercial source capable of providing the product or service needed.
F	Indicates that a cost comparison has been conducted and that the Government is providing the product or service at a lower total cost as a result of cost comparison.
G	Indicates that the CA is being performed by DoD personnel now, but the decision to continue in-house or convert to contract is pending the results of a scheduled cost comparison.
H	Indicates that the CA is being performed by DoD employees now but will be converted to contract because of cost comparison analysis results.

Code	Explanation
K	Indicates that the CA is being performed by DoD employees now, but a decision has been made to convert to contract for reasons other than cost.
N	Indicates the Review is in process.
X	Indicates that the installation commander is not scheduling this CA for cost study under the provisions of Congressional authority.

Y	Indicates that the CA is retained in-house because the cost study exceeded the time frame prescribed by law.
Z	Indicates that the CA is retained in-house for reasons not included above (i.e., a law, Executive Order, treaty, international agreement, base closure, realignment or consolidation, awaiting HQMC response).

2. The following codes shall be used to denote compelling reason for contract performance of CA operations. The code shall be used in dBASE III Plus file: BRECORDS.DBF, field name: REASON_CON.

Code	Explanation
L	Indicates that a private or commercial source is providing the product or service at a lower total cost than if it were provided by the Government.
M	Indicates that the procurement of a product or service from a private or commercial source was based on reason(s) other than cost. This code will be used only in extraordinary circumstances. A list of functions performed by contract for reasons other than cost will accompany the report and will include the following information: functional code; private, commercial source; principal place of performance; and reason for contract performance.
P	Indicates that the function is contracted now but a decision to remain under contract or convert to in-house performance is pending the results of a cost comparison analysis.

3. Use of other Codes. An "N" reason code will be used in field name: REASON_IH or REASON CON only if the CA is new. All existing CA’s were reviewed during FY88. If this reason code is used, do not make an entry in field name: YR_APPROVE. A narrative justification will be provided with the inventory report if this reason code is used. No reason codes, other than those listed above shall be used in the inventory submission.

Formats for Required Reports

1. The appendices of this enclosure provide sample formats for each report specified in this Order and/or provide additional information to assist in the preparation of the reports.

2. The following provides a summary of the appendices and the appendix title:

APPENDIX	TITLE
A	Inventory Procedures
B	Decision Summary for In-house CA Reviews RCS DD-4860-06
C	Decision Summary for Contract CA Reviews RCS DD-4860-09
D	Direct Conversion of Commercial Activities Performed by 11 to 45 Civilian Employees RCS DD-4860-12
E	Direct Conversion of Commercial Activities Performed by 10 or Fewer Civilian Personnel RCS DD-4860-11
F	Decision Notification Summary: Results of Cost Comparison RCS DD-4860-07
G	Instructions for Preparing Cost Comparison and Direct Conversion/Simplified Cost Comparison Records RCS DD-4860-10, External RCS DD-P&L(Q) 1542
H	Cost Study Status Report RCS DD-4860-08

INVENTORY PROCEDURES

Report Symbol DD-4860-03,
External RCS DD-P&L(A)1540

1. dBASE III Plus file name "ARECORDS.DBF" is used to collect information on existing in-house CA's. The following information provides the field names and data description for preparing' the inventory for in-house CA's:

FIELD NAME	DATA TYPE 1/	INSTRUCTIONS
Designator	C	Enter an "A" to designate that the data to follow on this record pertains to a particular CA performed in-house.
State	N	Enter the two-digit numeric code for state, U.S. territory, or possession as shown in enclosure (7).
UIC	A/N	Enter the UIC of the reporting component that is applicable to the function(s) being reported. UIC's are contained in the NavCompt Manual, Volume 2, Chapter 5.
Function	A/N	Enter the appropriate function/-subfunction code as shown in enclosure (4). If type of function is described as alpha 999 (other), a typed list identifying the type of function must accompany the inventory report.
IH_Civ	N	Enter the total (full-time, part-time, temporary) in-house civilian work-year equivalents applied directly to the performance of the function/subfunction during the fiscal year. Supervisory, administrative, and supply work-years chargeable to the function/subfunction and actually applied during the fiscal year should be included. Work-year equivalents are calculated by

FIELD NAME	DATA TYPE	INSTRUCTIONS
IH_Civ (con't)		dividing the total workhours (including leave) by 2,087 or the total work-hours (excluding leave) by 1,744. Round off to the nearest whole work-year equivalent. NOTE: The total work-year equivalents shown in this field must equal the total work-year equivalents shown in fields: Temp_Civ and FT_Civ.
Military	N	Enter the total military work-year equivalents applied to the performance of the function in the fiscal year. Supervisory, administrative, and supply work-years chargeable to the function/subfunction and actually applied during the fiscal year should be included. Work-year equivalents are calculated by dividing the total work-hours (including leave) by 2,087 or the total work-hours (excluding leave) by 1,744. Round off to the nearest whole work-year equivalent. NOTE: The total work-year equivalents shown in this field must equal the total work-year equivalents shown in fields: Assn_Mil and Add_Mil.
FT_Civ	N	Enter that portion of field "IH Civ" which represents full-time permanent civilian work-year equivalents. NOTE: This does not necessary reflect the authorized civilian positions as shown on the Table of Organization

FIELD NAME	DATA TYPE	INSTRUCTIONS
FT_Civ (con't)		(T/O). Individuals may have been temporarily detailed to perform work in a different function or positions may have been vacant during the year that is being reported.
Temp_Civ	N	Enter that portion of field "IH Civ" which represents temporary, part-time, etc., civilian work-year equivalents.
Assn_Mil	N	Enter that portion of field "Military" which represents assigned military work-year equivalents. NOTE: This does not necessarily reflect the total of the authorized military positions as shown on the T/O. Military positions may have been vacant during the reporting period or may have been detailed to perform work in another function.
Add_Mil	N	Enter that portion of field "Military" which represents military work-year equivalents, applied to the performance of the function, of additional duty military not officially assigned or chargeable to the function. This would also include fleet assistance personnel (FAP) which are being used to perform the function. Examples could include food service attendants, grounds maintenance duties, janitorial duties, or guard duties performed as additional duties over and above normal assigned functions.
Blank	C	Leave this field blank.

FIELD NAME	DATA TYPE	INSTRUCTIONS
Reason_IH	C	Enter the reason for the current in-house operation of the CA as shown in enclosure (5). A "Z" code should be entered if a review was submitted and a response from Headquarters has not been received. There should be no "N" codes since all functions should have been reviewed in FY88 (CMC letter dated 30 March 1988 and CMC Washington DC 131840Z Feb 89).
Yr_Approve	N	Enter the two terminal digits of the most recent fiscal year in which approval was granted for the method of performance of the CA. There should be an entry in this field for all records. If a "Z" code was entered in field "Reason IH" to indicate a review was submitted and a response from Headquarters is forthcoming, enter the fiscal year that the review was submitted.
NextReview	N	Enter the two terminal digits of the fiscal year in which the next review of the CA is scheduled to begin. This field will normally be 5 years after the year entered in field "Yr_Approve".

2. dBASE III Plus file name "BRECORDS.DBF" is used to collect information on existing contracted CA's costing $100,000 or more. CA's costing less than $100,000 are not reported. A separate record is required for each contract if more than one contract is used to support a particular function. The following information provides the field names and data description for preparing the inventory for contracted CA's:

Designator	C	Enter a "B" to designate that the data to follow on this record pertains to a particular CA performed by contract.

FIELD NAME	DATA TYPE	INSTRUCTIONS
State	N	Enter the two-digit numeric code for state, U.S. territory, or possession as shown in enclosure (7).
UIC	A/N	Enter the UIC of the reporting component that uses the contract support service. UIC's are contained in the NavCompt Manual, Volume 2, Chapter 5.
Blank	C	Leave this field blank.
Contr_Wkyr	N	Enter an estimate of the number of work-years that would have been required if the contract workload had been performed in-house during the fiscal year covered by the report.
Contr_Cost	N	Enter the total actual annual cost of the service contract used to support the function during the fiscal year covered by the report. Include any incentive premium payments made to the contractor. Contracts for supplies and materials are not to be reported. Express costs in thousands of dollars rounded off to the nearest thousand.
Reason_Con	C	Enter the reason for contract operation of the CA as shown in enclosure (5). An "N" should be entered if the contract has never been reviewed and approved. Enter an "M" if "SB" is entered in field "Small_Busi."
Yr_Approve	N	Enter the two terminal digits of the most recent fiscal year in which the continuation of the contract was approved. Leave this

FIELD NAME	DATA TYPE	INSTRUCTIONS
Yr_Approve (con't)		field blank if the contract has not previously been reviewed and approved and an "N" was entered in field "Reason_Con."
NextReview	N	Enter the two terminal digits of the fiscal year in which the next review of the contracted CA is scheduled to begin. CA's performed by contract (other than a small business set-aside or section 8(a)) will be reviewed prior to contract expiration or prior to the execution of any contract option provision. Consequently, this field will normally be 1 year after the date reflected in field "Yr_Approve." Small business set-aside and section 8(a) contracts will not be reviewed under the CA Program; however, prudent contracting requires that each contract be examined prior to contract expiration or prior to the execution of any contract option provision. Accordingly, this field should also reflect 1 year after the date reflected in field "Yr_Approv" for authorized set-aside contracts.
Blank	C	Leave this field blank.
GOCO_Code	C	Enter a "Y" if the contractor operates a Government-owned facility to perform this function; a laundry and dry cleaning facility which is Government-owned but operated by a contractor. This should not be confused with a contract where the contractor performs work in a Government-owned facility, such as custodial

FIELD NAME	DATA TYPE	INSTRUCTIONS
GOCO_Code (con't)		services. Enter a "C" if the function is performed by contract in a contractor-owned facility. Leave this field blank if neither "Y" or "C" applies.
Small_Busi	C	Enter "SB" if the contract is a small business set-aside or a section 8(a) contract. Otherwise, leave blank.

NOTE: 1/ "C" denotes alpha character; "N" denotes numeric character.

DECISION SUMMARY FOR IN-HOUSE CA REVIEWS

Report Symbol DD-4860-06

1. Command Submitting Reviev: _____

2. CA Function Code and Name: _____

3. Date Last Revieved (YYXXDD): _____

4. Compiling reason code for Current Method of Performance, as approved on 3. above: _____

5. Recommended Decision:

a. Perform in-house because:

1. The CA is operated by military personnel who are assigned to the activity and:

(a) _____ the CA or military personnel assigned are

used in or subject to deployment in a direct combat support role.

(b) _____ the CA is essential for training in military skills that are exclusively military in nature.

(c) _____ the CA is needed to provide a rotation base for overseas or sea/shore assignments.

(d) _____ the CA is needed to provide career progression.

2. The CA's workload consists of providing:

(a) _____ intermediate level maintenance.

(b) _____ depot level maintenance.

(c) _____ other core logistics functions.

If either 5a2(a), (b), or (c) apply, explain in paragraph 8 why the needed capability cannot be supplied by a commercial source or by a contract operation of Government-owned facilities.

3. _____ The function meets the requirements of a Governmental function in its entirety. (Provide a narrative justification at paragraph 8 and identify the mission, duties, and responsibilities which make the total function Governmental.)

4. _____ No satisfactory commercial source is available. (At paragraph 8, indicate the dates and page numbers of notices placed in the Commerce Business Daily.)

5. _____ Use of a commercial source would delay or disrupt a Marine Corps program (provide a narrative justification at paragraph 8).

b. _____ Conduct a simplified cost comparison (vrovide a narrative justification at paragraph 8).

c. _____ Conduct a cost comparison analvsis to determine which method of performance to use. Include the following information:

1. Recommended date to start _____ and complete _____ the cost comparison.

2. Impact on Federal employee programs. Identify in the following format:

	TOTAL M/F	CAU-CASIAN M/F	BLACK M/F	HIS-PANIC M/F	HANDI-CAPPED M/F	OTHER M/F
Total installation employment						
Personnel in affected occupations and their grade levels (list separately if more than one)						

6. Manpower Data:

a. Total number of civilian positions assigned to the CA is _____ and military authorized is _____.

1. Use the following format to provide detailed information of the personnel performing the function. Report authorized T/O positions only, not workyears of effort. Also, do not report "S" billets.

(a) Exempt:

Civilian

QUANTITY	GRADE/ SERIES	T/O #	LINE #	CITE PARA. ABOVE THAT APPLIES

Military

QUANTITY	MOS	T/O #	LINE #	PARAGRAPH ABOVE THAT APPLIES

(b) Study:

Civilian

QUANTITY	GRADE/ SERIES	DECISION UNIT CODE	T/O #	PEN NUMBER	T/O LINE #	DIRECT/ REIMBURSE-ABLE FUND

QUANTITY	MOS	Military T/O #	T/O LINE #	AUTHORIZED /FAP

2. If there are workyears performed in the CA as an additional duty, who therefore are not accounted for in paragraph 6a1b, include the following information:

Civilian workyears:

Military workyears:

FAP workyears:

7. Budget section. Report any estimated additional O&MMC and civilian ceiling requirements. Include the reason why and when needed. If this issue has been surfaced in previous POM/budget requests, cite this as a reference.

8. Narrative (If more space is needed, provide separate sheet):

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9. Prepared By (signature):

_____
(Name - Last, First, Middle Initial) (Date YYMMDD)

_____
(Title) (Telephone No.)

10. Recommended Decision:

_____ Perform in-house

_____ Perform by contract

_____ Conduct a cost comparison analysis

Approved By (signature):

_____

(Name - Last, First, Middle Initial) (Date YYMMDD)

Commanding General/Commanding Officer
(Title) (Telephone No.)

Appendix B to
ENCLOSURE (6)

DECISION SUMMARY FOR CONTRACT CA REVIEWS

Report Symbol DD-4860-09

1. Command Submitting Review: _____

2. a. Function/code under contract: _____

b. Contract Number: _____

c. Contractor: _____

d. Contract Award Date: _____

e. Contract Expiration Date: _____
(Include all option years)

3. Recommended Decision:

_____ Perform in-house (justification must be provided in paragraph 4).

_____ Perform by contract (retain documentation locally, do not forward Review to HQMC).

_____ Conduct cost comparison study (Justification must be provided in paragraph 4. Attach documentation to support cost differential per paragraph 9 of this Order.)

4. Comments:

_____

5. Prepared by:

Name and Title	Signature	Date

6. Approved by:

Name and Title	Signature	Date

DIRECT CONVERSION OF COXNERCIAL ACTIVITIES
PERFORMED BY 11 TO 45 CIVILIAN EMPLOYEES

Report Symbol DD-4860-12

FACT SHEET

Date: _____

Command Submitting Request: _____

CA Function Code and Name: _____

Number of affected personnel: Civ _____
(Authorizations)

Mil _____
(Authorizations)

If more space is needed for narrative statements, provide a separate sheet.

Civilian Manpower Data: * (In the "Status" column, indicate career, career conditional, temporary, or vacant. Indicate special considerations such as number of employees classified as Section 3310 preference eligible veterans, minorities, handicapped, i.e., in the "Other" column.)

Quantity	T/O #	T/O Line #	Series/ Grade	DUC	PEN #	Status	Other

Placement plans for affected employees:

_____
_____
_____
_____
_____
_____
_____
_____
_____
_____
_____
_____
_____
_____
_____
_____
_____

(Narrative to include discussion of options evaluated.)

Justification for direct conversion:

_____
_____
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_____
_____
_____
_____
_____
_____
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_____
_____
_____

(Narrative justification other than cost.)

Cost Comparison

In-house Performance Costs

1. Personnel Cost _____
2. Material & Supply Cost _____
3. Other Spec. Attrib. Cost _____
4. Overhead Costs _____
5. Additional Cost _____
6. Total In-house Costs _____

Contract Performance Costs

7. Contract Price _____
8. Contract Administration _____
9. Additional Costs _____
10. One-Time Conversion Costs _____
11. Disposal/Transfer of Assets _____

12. (Federal Income Tax) _____

13. Not Used _____

14. Total Contract Costs _____

Decision

15. Conversion Differential _____

16. Total (Line 14 + 15) _____

17. Cost Comparison (line 16 minus 6) _____

MEO CERTIFICATION

I certify in compliance with 10 U.S.C. 2461 that the in-house cost estimate is based on the Most Efficient and Effective Organization:

_____

Name and Title Signature Date

DIRECT CONVERSION OF COMMERCIAL ACTIVITIES PERFORMED
BY 10 OR FEWER CIVILIAN PERSONNEL

Report Symbol DD-4860-11

FACT SHEET

Date: _____

Command Submitting Request: _____

CA Function Code and Name: _____

Number of affected personnel: Civ _____
(Authorizations)

Mil _____
(Authorizations)

If more space is needed for narrative statements, provide a separate sheet.

Civilian Manpower Data: * (In the "Status" column, indicate career, career conditional, temporary, or vacant. Indicate special considerations such as number of employees classified as Section 3310 preference eligible veterans, minorities, handicapped, i.e., in the "Other" column.)

QUANTITY	T/O #	T/O LINE	SERIES/ GRADE	DUC	PEN #	STATUS	OTHER

Placement plans for affected employees:

_____
_____
_____
_____
_____
_____
_____
_____
_____
_____
_____
_____

(Narrative to include discussion of options evaluated.)

Justification for direct conversion:

_____
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_____
_____

(Narrative justification other than cost.)

Simplified Cost Comparison

Estimated In-house Performance Costs

1. Personnel Cost (including fringe benefits) _____

2. Material & Supply Cost _____

3. Other an-house Cost (if appropriate) _____

4. Total Estimated In-house Cost _____

Estimated Contract Performance Costs

5. Estimated Contract Price _____

6. Contract Administration (if appropriate) _____

7. Other Estimated Contractor Costs (if appropriate) _____

8. Total Contract Costs _____

Decision

9. Conversion Differential _____

10. Total (Line 9 + 10) _____

11. Cost Comparison (line 10 minus 4) _____

_____

Name and Title Signature Date

DECISION NOTIFICATION SUMMARY: RESULTS OF COST COMPARISON

Report Symbol DD-4860-07

1. The following information must be completed for decisions to convert to contract/retain in-house.

a. Type of procurement and solicitation number:

b. Bid opening date:

c. Awardee name and location (if in-house, give name and locations of second lowest bidder):

d. Contract number and type of contract: 1/

e. Proposed contract award date, start date, and life of contract: 1/

f. Total civilian positions in the baseline organization:

	QUANTITY	T/O #	LINE #	GRADE/ SERIES	PEN	DUC
Authorized 2/						
On-Board 2/						

g. Total work years in the baseline organization:

h. Total authorized positions in the Most Efficient Organization (MEO):

i. Total military conversions:

	QUANTITY	T/O #	LINE #	MOS	GRADE	FAP
Authorized 2/						X 3/
On-Board 2/						

j. Additional duty military workyears not ref lected in i. above:

k. Impact of this decision on the current budget; i.e., the ability to absorb the financial and manpower impacts within current budget levels. If this issue has been surfaced in previous correspondence/budget/POM requests, cite this as a reference.

l. Certification that the in-house cost calculation for the function is based on an estimate of the most efficient and cost effective organization for in-house performance of the function(s), and that a copy of the Cost Comparison Form is available.

m. Describe in brief (1-2 paragraphs), yet sufficient, detail the major actions taken to streamline the in-house organization from the baseline organization to the most efficient organization (MEO).

n. Depending upon the nature of the function studied, provide one or two (at the outside) broad productivity statistics foil both the original (baseline) organization and the new (MEO) organization which indicate the productivity improvement. For example, productivity improvement would be demonstrated by a baseline motor vehicle maintenance cost per mile of $.32, and an MEO motor vehicle maintenance cost per mile of $.24 per mile.

_____

(Name, Last, First, Middle Initial) (Date)

Command General/Commanding Officer
(Title)

NOTE: This decision notification with certification must be signed by the commanding general/commanding officer.

1/ Not applicable if the decision is to retain the function in-house.

2/ Nonchargeable billets are not to be included in the T/O authorized numbers.

3/ FAP positions should be indicated with an X in this column.

INSTRUCTIONS FOR PREPARING COST COMPARISON AND DIRECT CONVERSION/SIMPLIFIED COST COMPARISON RECORDS

PART I - COST COMPARISON

The record for each full cost comparison is divided into six sections. The first five sections are arranged in a sequence of milestone events occurring during a cost comparison. Each section is completed immediately following the completion of the milestone event. These are as follows:

1. Cost comparison is approved by HQMC.

2. Solicitation is issued.

3. In-house and contractor costs are compared.

4. Contract is awarded or solicitation is canceled.

5. Contract starts.

The events in sub-Parts I 1. through I 5., above, are used as milestones because on their completion some elements of significant information on the cost comparison become known.

A sixth section is utilized for tracking historical data after the cost comparison is completed. This section contains data elements on contracts and cost information during the second and third performance period.

The data elements that comprise the six sections in Part I, above, are defined in the CAMIS Entry and Update Instructions, Part I-Cost Comparisons, below.

PART II - DIRECT CONVERSIONS AND SIMPLIFIED COST COMPARISONS

The record for each direct conversion and simplified cost comparison is divided into six sections. Each of the first five sections is completed immediately following the completion of the following events:

1. HQMC approves CA action.

2. The solicitation is issued.

3. In-house and contractor costs are compared.

4. Contract is awarded or solicitation is canceled.

5. Contract starts.

A sixth section is utilized for tracking historical data after the direct conversion or cost comparison is completed. This section contains data elements on contracts and cost information during the second and third performance period.

The data elements that comprise the six sections in Part II, above, are defined in the CAMIS Entry and Update Instruction, Part II - Direct Conversions and Simplified Cost Comparisons, below.

CAMIS ENTRY AND UPDATE INSTRUCTIONS

PART I - COST COMPARISONS

The bracketed number preceding each definition in Sections One through Six, below, is the DoD data element number. All date fields should be in the format YYMMDD.

SECTION ONE

EVENT: HQMC APPROVES CONDUCTING A COST COMPARISON

These entries shall be used to establish the CCR and to identify the geographical, organizational, political, and functional attributes of the activity (or activities) undergoing cost comparison as well as to provide an initial estimate of the manpower associated with the activity (or activities). The initial estimate of the manpower in this section of the CCR will be, in all cases, those manpower figures identified in the correspondence approving the start of the cost comparison.

Enter the following data elements to establish a CCR:

[1] COST COMPARISON NUMBER. Leave blank.

[2] ANNOUNCEMENT and/or APPROVAL DATE. Leave blank.

[3] DoD COMPONENT CODE. Enter alpha "M".

[4] COMMAND CODE. Leave blank.

[5] INSTALLATION CODE. Leave blank.

[6] STATE CODE. Leave blank.

[7] CONGRESSIONAL DISTRICT (CD) CODE. Leave blank.

[8] JIRSG AREA CODE. Leave blank.

[9] TITLE OF COST COMPARISON. The title that describes the CA(s) under cost comparison (for instance, "Facilities Engineering Package," "Installation Bus Service," or "Motor Pool"). Use a clear title, not acronyms or function codes in this data element.

[10] DoD FUNCTIONAL AREA CODE(S). The four- or five-alpha and/or numeric character designators listed in enclosure (4) of this Order, that describes the type of CA undergoing cost comparison. There would be one code for a single CA or possibly several codes for a large cost comparison package. A series of codes shall be separated by commas.

[11] PRIOR OPERATION CODE. A single alpha character that identifies the mode of operation for the activity at the time the cost comparison is started. Despite the outcome of the cost comparison, this code does not change. The coding is as follows:

C - Contract

E - Expansion

I - In-house

N - New requirement

[12] COST COMPARISON STATUS CODE. A single alpha character that identifies the current status of the cost comparison. Enter one of the following codes:

B - Broken out. The cost comparison package has been broken into two or more separate cost comparisons. The previous CCR shall be excluded from future updates.

C - Complete

P - In progress

X - Canceled. The CCR shall be excluded from future updates.

Z - Consolidated. The cost comparison has been consolidated with one or more other cost comparisons into a single cost comparison package. The CCR for the cost comparison that has been consolidated shall be excluded from future updates.

[13] ANNOUNCEMENT--PERSONNEL ESTIMATE CIVILIAN, AND [14] ANNOUNCEMENT--PERSONNEL ESTIMATE MILITARY. Leave blank.

[15] REVISED AND/OR ORIGINAL COST COMPARISON NUMBER. Leave blank.

[16] PWS SCHEDULED COMPLETION DATE. The date the approved PWS is anticipated to be provided to the contracting officer for solicitation preparation at the start of a cost comparison.

[16A] PWS ACTUAL COMPLETION DATE. The date the approved PWS is provided to the contracting officer for solicitation preparation.

SECTION TWO

EVENT: THE SOLICITATION IS ISSUED

The entries in this section of the CCR provide information on the personnel authorized to perform the workload in the PWS, the number of workyears used to accomplish the workload in the PWS, and the type and kind of solicitation.

Enter the following data elements at the first quarterly update subsequent to the issuance of the solicitation:

[17] SCHEDULED SOLICITATION ISSUANCE DATE. The date of solicitation as anticipated at the start of a cost comparison.

[17A] DATE SOLICITATION ISSUED. The date the solicitation is issued by the contracting officer.

[18] SOLICITATION-TYPE CODE. A one-character alpha designator that identifies the type of solicitation used to obtain contract bids or offers. Use either the CBD as the source document or information received from the contracting officer for this entry. Solicitations under Section 8(a) of "The Small Business Act" (P.L. 85-536) are negotiated. Enter one of the

following codes:

N - Negotiated

S - Sealed Bid

[19] SOLICITATION-KIND CODE. A one-character (or two-character, if "W" suffix is used) alpha designator indicating whether the competition for the contract has been limited to a

specific class of bidders or offerors. Use either the CBD as the source document or information received from the contracting officer to enter one of the following codes:

A - Restrict to small business

B - Small Business Administration 8(a) Set Aside

C - "Javits-Wagner-O'Day Act" (JWOD)

D - Other mandatory sources

U - Unrestricted

W - (Optional suffix)
Unrestricted after initial restriction

[20] CURRENT AUTHORIZED CIVILIANS, AND [21] CURRENT AUTHORIZED MILITARY. The number of civilian and military authorizations allocated on the DoD component's manpower documents to perform the work described in the PWS. This number refines the initial authorization estimate (Section One, data elements [13] and [14], above).

[22] BASELINE ANNUAL WORKYEARS CIVILIAN, AND [23] BASELINE ANNUAL WORKYEARS MILITARY. The number of annual workyears it has taken to perform the work described by the PWS before the MEO study of the in-house organization. Do not include contract monitor requirements. Military workyears include assigned, borrowed, diverted, and detailed personnel.

An annual workyear is the use of 2,087 hours (including authorized leave and paid time off for training). For example, when full-time employees, whose work is completely within the PWS are concerned, "one workyear" normally is comparable to "one employee" or two part-time employees, each working 1,043 hours in a FY. Also include in this total, the workyears for employees who do not work full-time on the work described by the PWS. For example, some portion of the workload is performed by persons

from another work center who are used on an as needed basis. Their total hours performing that workload is 4,172 hours. This would be reflected as 2 workyears. Less than one-half a year of effort should be rounded down, and one-half a year or more should be rounded up.

Those workyear figures shall be the baseline for determining the personnel savings identified by the management study.

SECTION THREE

EVENT: THE IN-HOUSE AND THE CONTRACTOR COSTS OF OPERATION ARE COMPARED

The entries in this section provide information on the date of the cost comparison (initial decision), the preliminary results, the number of bids or offers received, and the costing method used in the cost comparison.

Enter the following data elements in the first quarterly update subsequent to the date of the comparison of in-house and contractor costs (date of initial decision):

[24] SCHEDULED INITIAL DECISION DATE. Date the initial decision is scheduled at the start of a cost comparison.

[24A] ACTUAL INITIAL DECISION DATE. Date the initial decision is announced. The initial decision is based on the apparent low bid or offer and is subject to preaward surveys and resolution of all appeals and protests. In a sealed bid procurement, the initial decision is announced at bid opening. In a negotiated procurement, the initial decision is announced when the cost comparison is made between the in-house estimate and the proposal of the selected offeror.

[25] COST COMPARISON PRELIMINARY RESULTS CODE. A one-character alpha designator indicating the results of the cost comparison as announced by the contracting officer at the time the bids or offers are compared. The entries are limited to two possibilities:

C - Contract

I - In-house

[26] COST METHOD CODE. A one-character numeric designator indicating the procedures under which the cost comparison was and/or is being conducted. Enter one of the following codes:

1 - Cost comparison conducted under the incremental costing procedures in effect before 1980.

2 - Cost comparison conducted using the full costing procedures.

3 - Cost comparison conducted under the alternative costing procedures implemented in the Department of Defense in March 1982.

4 - Cost comparison conducted under the new costing procedures in the OMB Circular A-76 (reference (b)) published August 4, 1983, and implemented by the Department of Defense in March 1984.

[27] NUMBER OF BIDS OR OFFERS RECEIVED. The number of commercial bids or offers received by the contracting officer in response to the solicitation.

SECTION FOUR

EVENT: THE CONTRACTING OFFICER EITHER AWARDS THE CONTRACT OR CANCELS THE SOLICITATION

The entries in this section identify the final result, information on the contract, the in-house bid, and costing information from the cost comparison record.

Enter the following data elements in the first quarterly update subsequent to the date the contracting officer either awards a contract or cancels the solicitation:

[28] CONTRACT AWARD OR SOLICITATION CANCELLATION DATE. For conversions to contract, this is the date a contract was awarded in a sealed bid solicitation or the date the contractor was authorized to proceed on a conditional award contract in a negotiated solicitation. For retentions in-house, this is the date the solicitation was canceled (when the contracting officer publishes an amendment to cancel the solicitation).

[29] COST COMPARISON FINAL RESULT CODE. A one-character alpha designator identifying the final result of the comparison between in-house and contractor costs; the contracting officer either awards the contract or cancels the solicitation. Enter one of the following codes:

C - Contract

I - In-house

[30] DECISION RATIONALE CODE. A one-character alpha designator that identifies the rationale for awarding a contract or canceling the solicitation. The work shall be performed in-house or by contractor based on cost, for other than cost, or the work shall be performed in-house because no satisfactory commercial source was available (no bids or offers were received or the pre-award survey resulted in the determination that no commercial sources were responsive or responsible). Enter one of the following codes:

C - Cost

N - No satisfactory commercial sources

O - Other

[31] CONTRACT-TYPE CODE. Enter one of the following alpha designators for the type of contract used in the cost comparison. This entry is required for all completed studies, regardless of their outcome.

CPAF - Cost Plus Award Fee

CPFF - Cost Plus Fixed Fee

CPIF - Cost Plus Incentive Fee

FFP - Firm Fixed Price

FP-EPA - Fixed Price with Economic Price Adjustment

FPI - Fixed Price Incentive

TM-LH - Time and Material or Labor Hour

[31A] PRIME CONTRACTOR SIZE. Enter one of the following:

L - Large business

S - Small or small and/or disadvantaged business

[32] MEO WORKYEARS. The number of annual workyears it takes to perform the work described in the PWS after the MEO study has been conducted. This entry will be equal to the number of annual workyears in the in-house bid.

For data elements [33] through [36], below, enter all data after all adjustments required by appeal board decisions. Do not

include the minimum cost differential (line 14 in the CCF or line 16 in the ENRC CCF) in the computation of any of these data elements. If a valid cost comparison was not conducted (i.e., all bidders or of ferors disqualified, no bids or offers received, etc.) do not complete data elements [33], [34] and [36], below. Explain lack of valid cost data in data element [57], "DoD Component Comments," below.

[33] FIRST PERFORMANCE PERIOD. Expressed in months, the length of time covered by the contract. Do not include any option periods.

[34] COST COMPARISON PERIOD. Expressed in months, the total period of operation covered by the cost comparison; this is the period used as the basis for data elements [35] and [36], below.

[35] TOTAL IN-HOUSE COST ($000). Enter the total cost of in-house performance in thousands of dollars, rounded to the nearest thousand. This is the total of line 9 plus line 22 of the old CCF (line 6 of the new CCF or line 8 of the new ENRC CCF). An entry is required although the activity remains in-house due to absence of a satisfactory commercial source.

[36] TOTAL CONTRACT COST ($000). Enter the total cost of contract performance in thousands of dollars, rounded to the nearest thousand. This is the total of line 13 of the CCF or line 15 of the ENRC CCF).

[37] NOTIFICATION DATE. Leave blank.

[37A] SCHEDULED CONTRACT OR MEO START DATE. Date the contract and/or MEO was scheduled to start at the beginning of a cost comparison.

SECTION FIVE

EVENT: THE CONTRACT STARTS

The entries in this section identify the contract start date and the personnel actions taken as a result of the cost comparison.

Enter the following data elements in the first quarterly update subsequent to the start of the contract:

[38] CONTRACT/MEO START DATE. The actual date the contractor began operation of the contract or the Government implements the MEO.

[39] PERMANENT EMPLOYEES REASSIGNED TO EQUIVALENT POSITIONS. The number of permanent employees who were reassigned to positions of equivalent grade as of the contract start date.

[40] PERMANENT EMPLOYEES CHANGED TO LOWER POSITIONS. The number of permanent employees who were reassigned to lower grade positions as of the contract start date.

[41] EMPLOYEES TAKING EARLY RETIREMENT. The number of employees who took early retirement as of the contract start date.

[42] EMPLOYEES TAKING NORMAL RETIREMENT. The number of employees who took normal retirement as of the contract start date.

[43] PERMANENT EMPLOYEES SEPARATED. The number of permanent employees who were separated from Federal employment as of the contract start date.

[44] TEMPORARY EMPLOYEES SEPARATED. The number of temporary employees who were separated from Federal employment as of the contract start date.

[45] EMPLOYEES ENTITLED TO SEVERANCE PAY. The estimated number of employees entitled to severance pay on their separation from Federal employment as of the contract start date.

[46] TOTAL AMOUNT OF SEVERANCE ENTITLEMENTS ($000). The total estimated amount of severance to be paid to all employees, in thousands of dollars, rounded to the nearest thousand, as of the contract start date.

[47] NUMBER OF EMPLOYEES HIRED BY THE CONTRACTOR. The number of estimated DoD civilian employees (full-time or otherwise) that will be hired by the contractors, or their subcontractors, at the contract start date.

ADMINISTRATIVE APPEAL

[48] FILED. Were administrative appeals filed?

N - No

Y - Yes

[49] SOURCE. Who filed the appeal?

B - Both

C - Contractor

I - In-house

[50] RESULT. Were the appeals finally upheld? (if both appealed, explain result in data element [57], below).

N - No

P - Still in progress

Y - Yes

GAO PROTEST

[51] FILED. Was a protest filed with GAO?

N - No

Y - Yes

[52] SOURCE. Who filed the protest?

B - Both

C - Contractor

I - In-house

[53] RESULT. Was the protest finally upheld? (explain result in data element [57], below).

N - No

P - Still in progress

Y - Yes

ARBITRATION

[54] REQUESTED. Was there a request for arbitration?

N - No

Y - Yes

[55] RESULT. Was the case found arbitrable? (explain result in data element [57], below).

N - No

P - Still in progress

Y - Yes

GENERAL INFORMATION

*[56] TOTAL STAFF-HOURS EXPENDED. Enter the estimated number of staff-hours expended by the installation for the cost comparison. Include direct and indirect hours expended from the time of PWS until a final decision is made.

*[56A] ESTIMATED COST OF CONDUCTING THE COST COMPARISON. Enter the estimated cost of the total staff-hours identified in data element [56] and non-labor (travel, reproduction costs, etc.) associated with the cost comparison.

[57] DoD COMPONENT COMMENTS. Enter comments, as required, to explain situations that affect the conduct of the cost comparison. Where appropriate, precede each comment with the CAMIS data element being referenced.

[58] EFFECTIVE DATE. Leave blank.

[59] (Leave blank, for DoD computer program use).

SECTION SIX

EVENT: QUARTER FOLLOWING CONTRACT AND/OR OPTION RENEWAL

The entries in this section identify original costs, savings, information on subsequent performance periods and miscellaneous contract data. Enter the following data elements in the first quarterly update annually.

[60] ORIGINAL COST OF FUNCTION(S) ($000). The estimated total cost of functions prior to development of an MEO in thousands of dollars, rounded to the nearest thousand for the base year and option years (begin entry after 1 October 1989).

[60A] ESTIMATED DOLLAR SAVINGS ($000). Estimated savings from the cost comparison for the base year plus option years, in thousands of dollars, rounded to the nearest thousand, for either in-house or contract performance. Documentation will be available at the installation level (begin entry after 1 October 1989).

[61] CONTRACT OR IN-HOUSE BID FIRST PERFORMANCE PERIOD ($000). For studies resulting in continued in-house performance, enter the total in-house cost (line 6 from the CCF) for the first performance period. For studies resulting in conversion to contract performance, enter the contract price (line 7 from the CCF) for the first performance period. Figures shall be shown in thousands of dollars, rounded to the nearest thousand.

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*Data elements [56] and (56A] will only be completed by installations that are participating in the pilot test of these data elements. Staff-hours expended will not include waiting time. The staff-hours expended for the management study phase will not be included or costed, since this is a practice used throughout the organization, irrespective of the A-76 program.

[61A] ACTUAL CONTRACT COSTS FIRST PERFORMANCE PERIOD ($000). Enter the actual first performance period contract cost including all change orders (plus changes in the scope of work), in thousands of dollars, rounded to the nearest thousand. No entry is required when the function remained in-house.

[61B] ADJUSTED CONTRACT COSTS FIRST PERFORMANCE PERIOD ($000). Enter an adjusted first performance period contract cost that includes actual DoL wage increases and costs for omissions and/or errors in the original PWS, but exclude new requirement costs and their associated wage increases, in thousands of dollars, rounded to the nearest thousand (begin entry after 1 October 1989).

[61C] ADJUSTED IN-HOUSE COSTS FIRST PERFORMANCE PERIOD ($000). Enter the total first performance period in-house cost of the MEO, including civil service pay increases, but excluding increases associated with new mission requirements not included in the original scope of work of the function. Show costs in thousands of dollars, rounded to the nearest thousand. Entry is required even if the function went to contract (begin entry after 1 October 1989).

[61D] ACTUAL IN-HOUSE COSTS FIRST PERFORMANCE PERIOD ONLY ($000). Enter the actual first performance period in-house cost including changes in the scope of work, in thousands of dollars, rounded to the nearest thousand. No entry is required when the function is contracted and is not required for the CAMIS data base for the second and third performance periods (begin entry after 1 October 1989).

[61E] ADJUSTED IN-HOUSE TOTAL COSTS FIRST PERFORMANCE PERIOD ($000). Leave blank.

[62] CONTRACT OR IN-HOUSE BID SECOND PERFORMANCE PERIOD ($000). For studies resulting in continued in-house performance, enter the total in-house cost (line 6 from the CCF) for the second performance period. For studies resulting in conversion to contract performance, enter the contract price (line 7 from the CCF) for the second performance period. Figures shall be shown in thousands of dollars, rounded to the nearest thousand.

[62A] ACTUAL CONTRACT COSTS SECOND PERFORMANCE PERIOD ($000). Enter the actual second performance period contract cost including all change orders (Plus changes in the scope of work), in thousands of dollars, rounded to the nearest thousand. No entry is required when the function remained in-house.

[62B] ADJUSTED CONTRACT COSTS SECOND PERFORMANCE PERIOD ($000). Enter an adjusted second performance period contract cost that includes actual DoL wage increases and costs for omissions and/or errors in the original PWS, but exclude new requirement costs and their associated wage increases, in thousands of dollars, rounded to the nearest thousand (begin entry after 1 October 1989).

[62C] ADJUSTED IN-HOUSE COSTS SECOND PERFORMANCE PERIOD ($000). Enter the total second performance period in-house cost of the MEO, including civil service pay increases, but excluding increases associated with new mission requirements not included in the original scope of work of the function. Show costs in thousands of dollars, rounded to the nearest thousand. Entry is required even if the function went to contract (begin entry after 1 October 1989).

[62D] ADJUSTED IN-HOUSE TOTAL COSTS SECOND PERFORMANCE PERIOD ($000). Leave blank.

[63] CONTRACT OR IN-HOUSE BID THIRD PERFORMANCE PERIOD ($000). For studies resulting in continued in-house performance, enter the total in-house cost (line 6 from the CCF) for the third performance period. For studies resulting in conversion to contract performance, enter the contract price (line 7 from the CCF) for the third performance period. Figures shall be shown in thousands of dollars, rounded to the nearest thousand.

[63A] ACTUAL CONTRACT COSTS THIRD PERFORMANCE PERIOD ($000). Enter the actual third performance period contract cost including all change orders (plus changes in the scope of work), in thousands of dollars, rounded to the nearest thousand. No entry is required when the function remained in-house.

[63B] ADJUSTED CONTRACT COSTS THIRD PERFORMANCE PERIOD

($000). Enter an adjusted third performance period contract cost that includes actual DoL wage increases and costs for omissions and/or errors in the original PWS, but exclude new requirement costs and their associated wage increases, in thousands of dollars, rounded to the nearest thousand (begin entry after 1 October 1989).

[63C] ADJUSTED IN-HOUSE COSTS THIRD PERFORMANCE PERIOD ($000). Enter the total third performance period in-house cost of the MEO, including civil service pay increases, but excluding increases associated with new mission requirements not included in the original scope of work of the function. Show costs in thousands of dollars, rounded to the nearest thousand. Entry is required even if the function went to contract (begin entry after 1 October 1989).

[63D] ADJUSTED IN-HOUSE TOTAL COSTS THIRD PERFORMANCE PERIOD ($000). Leave blank.

[64] CONTRACTOR CHANGE. Enter one of the following alpha designators to indicate whether the contract for the second or third performance period has changed from the original contractor.

N - No, the contractor has not changed.

Y - Yes, the contractor has changed.

Data elements [65] through [66], below, are not required if the answer to [64], above, is no (N).

[65] NEW CONTRACTOR SIZE (If data element [66], below, contains the alpha designator "I" or "R," no entry is required).

L - New contractor is large business.

S - New contractor is small and/or small disadvantaged business.

[66] REASON FOR CHANGE. Enter one of the following designators listed below, followed by the last two digits of the FY in which the change occurred.

C - Contract workload consolidated with other existing contract workload.

D - New contractor takes over because original contractor defaults.

I - Returned in-house because original contractor

defaults within 12 months of start date and in-house bid is the next lowest.

N - New contractor replaced original contractor because Government opted not to renew contract in option years.

R - Returned in-house temporarily pending resolicitation due to contract default, etc.

U - Contract workload consolidated into a larger (umbrella) cost comparison.

[67] CONTRACT ADMINISTRATION STAFFING. The actual number of contract administration personnel hired to administer the contract.

CAMIS ENTRY AND UPDATE INSTRUCTION

PART II - DIRECT CONVERSIONS AND SIMPLIFIED COST COMPARISONS

The bracketed number preceding each definition in Sections One through Six, below, is the DoD data element number. All date fields should be in the format YYMMDD.

SECTION ONE

EVENT: HQMC APPROVES THE CA ACTION

These entries shall be used to establish the DCSCC and to identify the geographical, organizational, political, and functional attributes of the activity (or activities) undergoing conversion/comparison as well as to provide an initial estimate of the manpower associated with the activity (or activities). The initial estimate of the personnel in this section of the DCSCC will be, in all cases, those personnel figures identified in the correspondence approving the start of the conversion/comparison. Enter the following data elements to establish a DCSCC:

[l] DIRECT CONVERSION/SIMPLIFIED COST COMPARISON NUMBER. Leave blank.

[2] APPROVAL DATE. Leave blank.

[3] DoD COMPONENT CODE. Enter alpha "M".

[4] COMMAND CODE. Leave blank.

[5] INSTALLATION CODE. Leave blank.

[6] STATE CODE. Leave blank.

[7] CONGRESSIONAL DISTRICT (CD) CODE. Leave blank.

[8] JIRSG AREA CODE. Leave blank.

[9] TITLE OF CONVERSION/COMPARISON. The title that describes the CA(s) under conversion/comparison (for instance, "Facilities Engineering Package," "Installation Bus Service," or "Motor Pool"). Use a clear title, not acronyms or function codes in this data element.

[10] DoD FUNCTIONAL AREA CODE(S). The four- or five-alpha and/or numeric character designators listed in enclosure (4), of this Order, that describes the type of CA undergoing conversion/comparison. This would be one code for a single CA or possibly several codes for a large cost comparison package. A series of codes shall be separated by commas.

[11] PRIOR OPERATION CODE. A single alpha character that identifies the mode of operation for the activity at the time the conversion/comparison is started. Despite the outcome of the conversion/comparison, this code does not change. The coding is as follows:

C - Contract

E - Expansion

I - In-house

N - New requirement

[12] CONVERSION/COMPARISON STATUS CODE. A single alpha character that identifies the current status of the conversion/comparison. Enter one of the following codes:

B - Broken out. The cost comparison package has been broken into two or more separate cost comparisons. The previous DCSCCR shall be excluded from future updates.

C - Complete

P - In progress

X - Canceled. The DCSCCR shall be excluded from future updates.

Z - Consolidated. The cost comparison has been

consolidated with one or more other cost comparisons into a single cost comparison package. The DCSCCR for the cost comparison that has been consolidated shall be excluded from future updates.

[13] ANNOUNCEMENT--PERSONNEL ESTIMATE CIVILIAN, AND [14] ANNOUNCEMENT--PERSONNEL ESTIMATE MILITARY. Leave blank.

[15] REVISED AND/OR ORIGINAL COST COMPARISON NUMBER. Leave blank.

[16] PWS SCHEDULED COMPLETION DATE. The date the approved PWS is anticipated to be provided to the contracting officer for solicitation preparation at the start of a cost comparison.

[16A] PWS ACTUAL COMPLETION DATE. The date the approved PWS is provided to the contracting officer for solicitation preparation.

SECTION TWO

EVENT: THE SOLICITATION IS ISSUED

The entries in this section of the DCSCC provide information on the personnel authorized to perform the workload in the PWS, the number of workyears used to accomplish the workload in the PWS, and the type and kind of solicitation.

Enter the following data elements at the first quarterly update subsequent to the issuance of the solicitation:

[17] SCHEDULED SOLICITATION ISSUANCE DATE. The date of solicitation as anticipated at the start of a cost comparison.

[17A] DATE SOLICITATION ISSUED. The date the solicitation is issued by the contracting officer.

[18] SOLICITATION-TYPE CODE. A one-character alpha designator that identifies the type of solicitation used to obtain contract bids or offers. Use either the CBD as the source document or information received from the contracting officer for this entry. Solicitations under Section 8(a) of "The Small Business Act" (P.L. 85-536) are negotiated. Enter one of the following codes:

N - Negotiated

S - Sealed Bid

[19] SOLICITATION-KIND CODE. A one-character (or two-character, if "W" suffix is used) alpha designator indicating whether the competition for the contract has been limited to a specific class of bidders or of ferors. Use either the CBD as the source document or information received from the contracting officer to enter one of the following codes:

A - Restrict to small business

B - Small Business Administration 8(a) Set Aside

C - "Javits-Wagner-O'Day Act" (JWOD)

D - Other mandatory sources

U - Unrestricted

W - (Optional suffix)
Unrestricted after initial restriction

[20] CURRENT AUTHORIZED CIVILIANS, AND [21] CURRENT AUTHORIZED MILITARY. The number of civilian and military authorizations allocated on the manpower documents to perform the work described in the PWS. This number ref ines the initial authorization estimate (Section One, data elements [13] and [14], above).

[22] BASELINE ANNUAL WORKYEARS CIVILIAN, AND [23] BASELINE ANNUAL WORKYEARS MILITARY. The number of annual workyears it has taken to perform the work described by the PWS before the DoD component conducts the MEO study of the in-house organization. Do not include contract monitor requirements. Military workyears include assigned, borrowed, diverted, and detailed personnel.

An annual workyear is the use of 2,087 hours (including authorized leave and paid time off for training). For example, when full-time employees, whose work is completely within the PWS are concerned, "one workyear" normally is comparable to "one employee" or two part-time employees, each working 1,043 hours in a FY. Also include in this total, the workyears for employees who do not work full-time on the work described by the PWS. For example, some portion of the workload is performed by persons from another work center who are used on an as needed basis. Their total hours performing that workload is 4,172 hours. This would be reflected as 2 workyears. Less than one-half a year of effort should be rounded down, and one-half a year or more should be rounded up.

Those workyear figures shall be the baseline for determining the personnel savings identified by the management study.

SECTION THREE

EVENT: THE IN-HOUSE AND THE CONTRACTOR COSTS OF OPERATION ARE COMPARED

The entries in this section provide information on the date of the conversion/comparison (initial decision), the preliminary results, the number of bids or offers received, and the costing method used in the conversion/comparison.

Enter the following data elements in the first quarterly update subsequent to the date of the comparison of in-house and contractor costs (date of initial decision):

[24] SCHEDULED INITIAL DECISION DATE. Date the initial decision is scheduled at the start of a conversion/comparison.

[24A] ACTUAL INITIAL DECISION DATE. Date the initial decision is announced. The initial decision is based on the apparent low bid or offer and is subject to preaward surveys and resolution of all appeals and protests. In a sealed bid procurement, the initial decision is announced at bid opening. In a negotiated procurement, the initial decision is announced when the cost comparison is made between the in-house estimate and the proposal of the selected offeror. In a conversion, the initial decision is announced when the in-house cost estimate is evaluated against proposed contractor proposals.

[25] COST COMPARISON PRELIMINARY RESULTS CODE. A one-character alpha designator indicating the results of the cost comparison as announced by the contracting officer at the time of the comparison (no entry is required for a direct conversion). The entries are limited to two possibilities:

C - Contract

I - In-house

[26] COST METHOD CODE. A one-character numeric designator indicating the procedures under which the conversion/comparison was and/or is being conducted. Enter one of the following codes:

1 - Simplified cost comparison conducted under the new costing procedures in the OMB Circular A-76

published August 4, 1983, and implemented by the Department of Defense in March 1984.

2 - Direct conversion implemented by the Department of Defense in October 1988.

[27] NUMBER OF BIDS OR OFFERS RECEIVED. The number of commercial bids or offers received by the contracting officer.

SECTION FOUR

EVENT: THE CONTRACTING OFFICER EITHER AWARDS THE CONTRACT OR CANCELS THE SOLICITATION

The entries in this section identify the final result, information on the contract, the in-house bid, and costing information from the direct conversion/simplified cost comparison fact sheet.

Enter the following data elements in the first quarterly update subsequent to the date the contracting officer either awards a contract or cancels the solicitation:

[28] CONTRACT AWARD OR SOLICITATION CANCELLATION DATE. For conversions to contract, this is the date a contract was awarded in a sealed bid solicitation or the date the contractor was authorized to proceed on a conditional award contract in a negotiated solicitation. For retentions in-house, this is the date the solicitation was canceled (when the contracting officer publishes an amendment to cancel the solicitation).

[29] COST COMPARISON FINAL RESULT CODE. A one-character alpha designator identifying the final result of the comparison between in-house and contractor costs; the contracting officer either awards the contract or cancels the solicitation. Enter one of the following codes:

C - Contract

I - In-house

[30] DECISION RATIONALE CODE. A one-character alpha designator that identifies the rationale for awarding a contract or canceling the solicitation. The work shall be performed in-house or by contractor based on cost, for other than cost, or the work shall be performed in-house because no satisfactory commercial source was available (no bids or offers were received or the pre-award survey resulted in the determination that no commercial sources were responsive or responsible). Enter one of the following codes:

C - Cost

N - No satisfactory commercial source

O - Other

[31] CONTRACT-TYPE CODE. Enter one of the following alpha designators for the type of contract used in the cost comparison. This entry is required for all completed studies, regardless of their outcome.

CPAF - Cost Plus Award Fee

CPFF - Cost Plus Fixed Fee

CPIF - Cost Plus Incentive Fee

FFP - Firm Fixed Price

FP-EPA - Fixed Price with Economic Price Adjustment

FPI - Fixed Price Incentive

TM-LH - Time and Material or Labor Hour

[31A] PRIME CONTRACTOR SIZE. Enter one of the following:

L - Large business

S - Small or small and/or disadvantaged business

[32] MEO WORKYEARS. The number of annual workyears it takes to perform the work described in the PWS after the MEO study has been conducted. This entry will be equal to the number of annual workyears in the in-house bid (no entry is required for a direct conversion).

For data elements [33] through [36], below, enter all data after all adjustments required by appeal board decisions. Do not include minimum cost differential in the computation of any of these data elements. If a valid conversion/comparison was not conducted (i.e., all bidders or of ferors disqualified, no bids or offers received, etc.) do not complete data elements [33], [34] and [36], below. Explain lack of valid cost data in data element [56], "DoD Component Comments," below.

[33] FIRST PERFORMANCE PERIOD. Expressed in months, the length of time covered by the contract. Do not include any

option periods.

[34] CONVERSION/COMPARISON PERIOD. Expressed in months, the total period of operation covered by the conversion or cost comparison; this is the period used as the basis for data elements [35] and [36], below.

[35] TOTAL IN-HOUSE COST ($000). Enter the total estimated cost of in-house performance for the base year plus option years, in thousands of dollars, rounded to the nearest thousand. An entry is required although the activity remains in-house due to absence of a satisfactory commercial source (no entry is required for a direct conversion).

[36] TOTAL CONTRACT COST ($000). Enter the total estimated cost of contract performance for the base year plus option years, in thousands of dollars, rounded to the nearest thousand.

[37] NOTIFICATION DATE. Leave blank.

[37A] SCHEDULED CONTRACT OR MEO START DATE. Date the contract and/or MEO was scheduled to start at the beginning of a conversion/comparison.

SECTION FIVE

EVENT: THE CONTRACT STARTS

The entries in this section identify the contract start date and the personnel actions taken as a result of the conversion/ comparison.

Enter the following data elements in the first quarterly update subsequent to the start of the contract:

[38] CONTRACT START DATE. The actual date the contractor began full operation of the commercial activity as reflected in the contracting documents.

[39] PERMANENT EMPLOYEES REASSIGNED TO EQUIVALENT POSITIONS. The number of permanent employees who were reassigned to positions of equivalent grade as of the contract start date.

[40] PERMANENT EMPLOYEES CHANGED TO LOWER POSITIONS. The number of permanent employees who were reassigned to lower grade positions as of the contract start date.

[41] EMPLOYEES TAKING EARLY RETIREMENT. The number of

employees who took early retirement as of the contract start date.

[42] EMPLOYEES TAKING NORMAL RETIREMENT. The number of employees who took normal retirement as of the contract start date.

[43] PERMANENT EMPLOYEES SEPARATED. The number of permanent employees who were separated from Federal employment as of the contract start date.

[44] TEMPORARY EMPLOYEES SEPARATED. The number of temporary employees who were separated from Federal employment as of the contract start date.

[45] EMPLOYEES ENTITLED TO SEVERANCE PAY. The estimated number of employees entitled to severance pay on their separation from Federal employment as of the contract start date.

[46] TOTAL AMOUNT OF SEVERANCE ENTITLEMENTS ($000). The total estimated amount of severance to be paid to all employees, in thousands of dollars, rounded to the nearest thousand, as of the contract start date.

[47] NUMBER OF EMPLOYEES HIRED BY THE CONTRACTOR. The number of estimated DoD civilian employees (full-time or otherwise) that will be hired by the contractors, or their subcontractors, at the contract start date.

ADMINISTRATIVE APPEAL

[48] FILED. Were administrative appeals filed?

N - No

Y - Yes

[49] SOURCE. Who filed the appeal?

B - Both

C - Contractor

I - In-House

[50] RESULT. Were the appeals finally upheld? (if both appealed, explain result in data element (56], below).

N - No

Y - Yes

GAO PROTEST

[51] FILED. Was a protest filed with GAO?

N - No

Y - Yes

[52] SOURCE. Who filed the protest?

B - Both

C - Contractor

I - In-house

[53] RESULT. Was the protest finally upheld? (explain result in data element [56], below).

N - No

P - Still in progress

Y - Yes

ARBITRATION

[54] REQUESTED. Was there a request for arbitration?

N - No

Y - Yes

[55] RESULT. Was the case found arbitrable? (explain result in data element [56], below).

N - No

P - Still in progress

Y - Yes

GENERAL INFORMATION

[56] DoD COMPONENT COMMENTS. Enter comnients, as required, to explain situations that affect the conduct of the conversion/comparison. Where appropriate, precede each comment

with the CAMIS data element being referenced.

[57] EFFECTIVE DATE. Leave blank.

[58] (Leave blank, for DoD computer program use).

SECTION SIX

EVENT: QUARTER FOLLOWING CONTRACT AND/OR OPTION RENEWAL

The entries in this section identify original costs, savings, information on subsequent performance periods and miscellaneous contract data. Enter the following data elements in the first quarterly update annually.

[59] ACTUAL CONTRACT COST FIRST PERFORMANCE PERIOD ($000). Enter the actual contractor cost for the first performance period, in thousands of dollars, rounded to the nearest thousand.

[60] ACTUAL CONTRACT COST SECOND PERFORMANCE PERIOD ($000). Enter the actual contractor cost for the second performance period, in thousands of dollars, rounded to the nearest thousand.

[61] ACTUAL C6NTRACT COST THIRD PERFORMANCE PERIOD ($000). Enter the actual contractor cost for the third performance period, in thousands of dollars, rounded to the nearest thousand.

[62] CONTRACTOR CHANGE. Enter one of the following alpha designator to indicate whether the contract for the second or third performance period has changed from the original contractor.

N - No, the contractor has not changed.

Y - Yes, the contractor has changed.

Data elements [63] through [64], below, are not required if the answer to [62], above, is no (N).

[63] NEW CONTRACTOR SIZE (If data element [64], below, contains the alpha designator "I" or "R," no entry is required).

L - New contractor is large business.

S - New contractor is small and/or small disadvantaged business.

[64] REASON FOR CHANGE. DoD components shall enter one of the following designators listed below, followed by the last two digits of the FY in which the change occurred.

C - Contract workload consolidated with other existing contract workload.

D - New contractor takes over because original contractor defaults.

I - Returned in-house because of original contractor defaults; etc., within 6 months of start date and in-house bid is the next lowest.

N - New contractor replaced original contractor because Government opted not to renew contract in option years.

R - Returned in-house temporarily pending resolicitation due to contract default, etc.

U - Contract workload consolidated with other existing contract workload.

[65] CONTRACT ADMINISTRATION STAFFING. The actual number of contract administration personnel hired to administer the contract.

COMMERCIAL ACTIVITIES MANAGAEMENT INFORMATION SYSTEM (CAMIS)

COST COMPARISON RECORD (CCR)

Report Symbol DD-4860-10

SECTION ONE

(1) Cost Comparison Number:_____ (2) Announcement and/or

Approval Date:_____

(3) DoD Component Code:_____ (4) Command Code:_____

(5) Installation Code:_____ (6) State Code:_____

(7) CD Code:_____ (8) JIRSG Area Code:_____

(9) Title of Cost Comparison:_____

(10) DoD Functional Area Code(s):_____

(11) Prior Operation Code:_____ (12) Cost Comparison Status Code:_____

(13) Announcement - Personnel Estimate Civilian:_____

(14) Announcement - Personnel Estimate Military:_____

(15) Revised and/or Original Cost Comparison Number:_____

(16) PWS Scheduled Completion Date:_____ (16A) PWS Actual Completion Date:_____

SECTION TWO

(17) Scheduled Solicitation Issuance Date:_____ (17A) Date Solicitation Issued:_____

(18) Solicitation-Type Code:_____ (19) Solicitation-Kind Code:_____

(20) Current Authorized Civilian:_____ (21) Current Authorized Military:_____

(22) Baseline Annual Workyears Civ:_____ (23) Baseline Annual Workyears Mil:_____

SECTION THREE

(24) Scheduled Initial Decision Date:_____ (24A) Actual Initial Decision Date:_____

(25) Cost Comparison Preliminary Results Code:_____ (26) Cost Method Code:____

(27) Number of Bids or Offers Received:_____

SECTION FOUR

(28) Contract Award or Solicitation Cancellation Date:_____

(29) Cost Comparison Final Result Code:_____ (30) Decision Rationale Code:_____

(31) Contract-Type Code:_____ (31A) Prime Contractor Size:_____

(32) MEO Workyears:_____

(33) First Performance Period:_____ (34) Cost Comparison Period:_____

(35) Total In-House Cost ($000):_____ (36) Total Contract Cost ($000): _____

(37) Notification Date:_____ (37A) Scheduled Contract or MEO Start Date:_____

SECTION FIVE

(38) Contract/MEO Start Date:_____

(39) Permanent Employees Reassigned to Equivalent Positions:_____

(40) Permanent Employees Changed to Lower Positions:_____

(41) Employees Taking Early Retirement:_____

(42) Employees Taking Normal Retirement:_____

(43) Permanent Employees Separated:_____ (44) Temporary Employees Separated:_____

(45) Employees Entitled to Severance Pay:_____

(46) Total Amount of Severance Entitlements ($000): _____

(47) Number of Employees Hired by the Contractor:

Administrative Appeal

(48) Filed: _____ (49) Source:_____ (50) Result:_____

GAO Protest

(51) Filed: _____ (52) Source: _____ (53) Result: _____

Arbitration

(54) Requested:_____ (55) Result:_____

General Information

(56) Total Staff-Hours Expended:_____

(56A) Estimated Cost of Conducting the Cost Comparison:_____

(57) DoD Component Comments:_____

(58) Effective Date:_____

(59) (Leave blank)

SECTION SIX

(60) Original Cost of Function(s) ($000):_____ (60A) Estimated Dollar Savings ($000): ____

(61) Contract or In-House Bid First Performance Period ($000): _____

(61A) Actual Contract Costs First Performance Period ($000):_____

(61B) Adjusted Contract Costs First Performance Period ($000): _____

(61C) Adjusted In-House Costs First Performance Period ($000): _____

(61D) Actual In-House Costs First Performance Period Only ($000): _____

(61E) (Leave blank)

(62) Contract or In-House Bid Second Performance Period ($000):_____

(62A) Actual Contract Costs Second Performance Period ($000): _____

(62B) Adjusted Contract Costs Second Performance Period ($000): _____

(62C) Adjusted In-House Costs Second Performance Period ($000): _____

(62D) (Leave blank)

(63) Contract or In-House Bid Third Performance Period ($000):

(63A) Actual Contract Costs Third Performance Period ($000):_____

(63B) Adjusted Contract Costs Third Performance Period ($000):_____

(63C) Adjusted In-House Costs Third Performance Period ($000):_____

(63D) (Leave blank)

(64) Contractor Change:_____ (65) New Contractor Size:_____

(66) Reason for Change:_____ (67) Contract Administration Staffing:_____

COMMERCIAL ACTIVITIES MANAGEMENT INFORMATION SYSTEM (CAMIS)

DIRECT CONVERSION AND SIMPLIFIED COST COMPARISON RECORD (DCSCCR)

Report Symbol DD-4860-10

SECTION ONE

(1) Direct/Simplified Cost Comparison Number:_____

(2) Approval Date:_____

(3) DoD Component Code:_____ (4) Command Code:_____ (5) Installation Code:_____

(6) State Code:_____ (7) CD Code:_____ (8) JIRSG Area Code:_____

(9) Title of Conversion/Comparison: _____

(10) DoD Functional Area Code(s): _____

(11) Prior Operation Code:_____ (12) Conversion/Comparison Status Code:_____

(13) Announcement - Personnel Estimate Civilian:_____

(14) Announcement - Personnel Estimate Military:_____

(15) Revised and/or Original Conversion/Comparison Number: _____

(16) PWS Scheduled Completion Date: _____ (16A) PWS Actual Completion Date:_____

SECTION TWO

(17) Scheduled Solicitation Issuance Date: _____ (17A) Date Solicitation Issued:_____

(18) Solicitation-Type Code:_____ (19) Solicitation-Kind Code:_____

(20) Current Authorized Civilian:_____ (21) Current Authorized Military:_____

(22) Baseline Annual Workyears Civ:_____ (23) Baseline Annual Workyears Mil:_____

SECTION THREE

(24) Scheduled Initial Decision Date:_____ (24A) Actual Initial Decision Date:_____

(25) Cost Comparison Preliminary Results Code:_____ (26) Cost Method Code:_____

(27) Number of Bids or Offers Received:_____

SECTION FOUR

(28) Contract Award or Solicitation Cancellation Date:_____

(29) Cost Comparison Final Result Code:_____ (30) Decision Rationale Code:_____

(31) Contract-Type Code:_____ (31A) Prime Contractor Size:_____

(32) MEO Workyears:_____

(33) First Performance Period:_____ (34) Conversion/Comparison Period:_____

(35) Total In-House Cost ($000):_____ (36) Total Contract Cost ($000): _____

(37) Notification Date:_____ (37A) Scheduled Contract or MEO

Start Date:_____

SECTION FIVE

(38) Contract Start Date:_____

(39) Permanent Employees Reassigned to Equivalent Positions:_____

(40) Permanent Employees Changed to Lower Positions:_____

(41) Employees Taking Early Retirement:_____ (42) Taking Normal Retirement: _____

(43) Permanent Employees Separated: _____ (44) Temporary Employees Separated:_____

(45) Employees Entitled to Severance Pay:_____

(46) Total Amount of Severance Entitlements ($000):_____

(47) Number of Employees Hired by the Contractor:_____

Administrative Appeal

(48) Filed: _____ (49) Source: _____ (50) Result: _____

GAO Protest

(51) Filed: _____ (52) Source: _____ (53) Result: _____

Arbitration

(54) Requested:_____ (55) Result:_____

General Information

(56) DoD Component Comments:_____

(57) Effective Date:_____ (58) (Leave blank)

SECTION SIX

(59) Actual Contract Cost First Performance Period ($000):_____

(60) Actual Contract Cost Second Performance Period ($000):_____

(61) Actual Contract Cost Third Performance Period ($000):_____

(62) Contractor Change: _____ (63) New Contractor Size: _____

(64) Reason for Change: _____ (65) Contract Administration Staffing:_____

COST STUDY STATUS REPORT

Report Symbol DD-4860-08

1. Command Submitting Review:_____

2. CA Function Coda and Name:_____

3. Date work statement began. Enter either the actual or estimated date for beginning preparation of the PWS.

4. Date work statement completed. Enter either the actual or estimated date for completing the PWS.

5. Date solicitation mailed. Enter either the estimated or actual date for mailing the solicitation to potential contractors.

6. Cost study results known date. Enter either the estimated or actual date that the comparison of in-house and contract costs is released for public review.

7. Date cost study results submitted to the Commandant of the Marine Corps (Code MPC-46). Enter either the estimated or actual date that the decision notification is submitted to the Commandant of the Marine Corps (Code MPC-46).

8. Award date. Enter either the estimated or actual date of contract award if the results of the cost comparison analysis should indicate a contract operation is more cost effective than in-house operation.

9. Contract start date. Enter either the estimated or actual contract start date.

10. Comments. Enter any comments relevant to the cost study, such as, reason for slippages, change in number of positions.

11. Positions. Enter the number of military and civilian positions authorized for the function under study. Identify the number of FAP separately. Positions in multi-function studies must be reported by individual function. If there is a change in the number of positions, provide justification at paragraph j.

Codes for Denoting States. Territories, and Possessions of the United States and Overseas Locations of Installations Reporting

1. Numeric State Codes

Code	State	Code	State
01	Alabama	30	Montana
02	Alaska	31	Nebraska
04	Arizona	32	Nevada
05	Arkansas	33	New Hampshire
06	California	34	New Jersey
08	Colorado	35	New Mexico
09	Connecticut	36	New York
10	Delaware	37	North Carolina
11	District of Columbia	38	North Dakota
12	Florida	39	Ohio
13	Georgia	40	Oklahoma
15	Hawaii	41	Oregon
16	Idaho	42	Pennsylvania
17	Illinois	44	Rhode Island
18	Indiana	45	South Carolina
19	Iowa	46	South Dakota
20	Kansas	47	Tennessee
21	Kentucky	48	Texas
22	Louisiana	49	Utah
23	Maine	50	Vermont
24	Maryland	51	Virginia
25	Massachusetts	53	Washington
26	Michigan	54	West Virginia
27	Minnesota	55	Wisconsin
28	Mississippi	56	Wyoming
29	Missouri		

2. State Equivalent Codes for Territories and Possessions

Code	Territories and Possessions	Code	Territories and Possessions

60	American Samoa	78	Virgin Islands
66	Guam	79	Wake Island
69	Northern Marianna Islands	81	Baker Island
71	Midway Islands	84	Howland Island
72	Puerto Rico	86	Jarvis Island
75	Trust Territory of the Pacific Islands	89	Kingman Reef
76	Navassa Island	95	Palmyra Atoll

ENCLOSURE (7)

Part II

WRITING AND ADMINISTERING
PERFORMANCE WORK
STATEMENTS

Supplement
OMB Circular No. A-76
Performance of Commerdal Activities

ENCLOSURE (8)

A GUIDE FOR
WRITING AND
ADMINISTERING
PERFORMANCE
STATEMENTS OF
WORK FOR
SERVICE CONTRACTS

OCTOBER 1980

OFPP PAMPHLET #4

SUPPLEMENT #2 TO OMB CIRCULAR NO. A-76

Acknowledgement

This document is an outgrowth of concepts and Ideas developed by the Air Farce Logistics Management Center, Gunter AFS, Alabama. Principal Participants in the program were Kenneth Gerken, Laurence Nolte, and David Muzio. This team tested and refined the ideas in a broad cross section of service contracts, both overseas and in the continental United States. Under the leadership of Darleen Druyun, the program was accepted for Air Force-wide implementation and has proven itself as an excellent method to ensure that the Government clearly states its requirements and receives full value for money paid.

Recommendations for improving the pamphlet are solicited and should be forwarded to the Associate Administrator for Major System Acquisitions and Procurement Strategies, Office of Federal Procurement Policy, 726 Jackson Place, N. W., Washington, D. C. 20503.

SERVICE CONTRACTS

This document describes a systematic means for developing statements of work and quality assurance surveillance plans. It describes how to write and use these documents. It tells how to write performance into statements of work and implements policy concerning contracting out for services. It is written for mid-level managers who write the documents and for contracting personnel who review and administer service contracts. Parts of it apply to quality assurance evaluators who use these documents.

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CHAPTER 1
GENERAL AND INTRODUCTION

1-1. New Role of Contractors. Each year the government contracts for a large part of its mission support. As a result, civilian contractors have assumed a major role in day-to-day operations in the area of services. Contractors do such work as transportation, refuse collection, food services, and janitorial services. At some places they provide an entire support function, including engineering and supply.

a. Whenever the government contracts out a job, it is entitled to receive quality service. So that the government can define and measure quality, this document presents a method of identifying and stating requirements in such a way that the statement of work (SOW) will state accurately our minimum requirements. It also explains how to assure that the contractor has actually performed the services required.

b. This document is also designed to show non-contracting personnel howl to write a SOW and a Quality Assurance (QA) surveillance plan for service contracts. It

explains how contract administration personnel should take action based on surveillance results. (The example used is a service contract for vehicle operations and maintenance but, the method can be used for other service contracts, including total support contracts.)

c. The new technique used in this document is called job analysis. its use results in performance oriented statements of work that describe the desired services and their quality. This document and its procedures are designed for use by managers and technical persons responsible for the area to be contracted.

1-2. Terms Explained. following are terms used frequently in this document.

a. Acceptable Quality Level. The maximum percent defective, the maximum number of defects per hundred units, or the number of defects in a lot that can be considered satisfactory on the average. The allowable leeway or variance from a standard before the government will reject the specific service. And AQL does not say that the contractor may knowingly offer defective service. It implies that the government recognizes that defective performance sometimes happens unintentionally. As long as the percent of

defective performance 4oes not exceed the AQL, the service will not be rejected by the government. The contractor, however, must reperrorm the defective service when possible.

b. Acceptance Sampling. A form of sampling used to determine a course of action. A procedure that gives a specified risk of accepting-lots of given quality.

c. Activity. Another name for a work process. (An activity uses inputs and,generates outputs.)

d. Administer. That stage of the contracting cycle in which the contracting officet insures that the total contract is being followed, makes necessary changes to the contract, and insures progress toward contract completion.

e. Analyst. A non-Contracting person charged with developing a SOW and a QA surveillance plan; also, the person who analyzes a function to develop the required documents.

f. Attribute. The property a unit has of being either bad or good. That is, the quality characteristic of a unit is either within the specified requirements or it is not.

g. Attribute Sampling.- A form of acceptance sampling that grades a service as defective or non-defective.

h. Buy. That stage of the contracting cycle in which bids are analyzed, the proposed contractor is determined capable to perform the contract, and award made to the successful contractor.

i. Define. That stage of the contracting cycle in which the customer states what he or she wants contracted. This stage includes funding the requirement, writing the SOW and writing the surveillance plan.

j. Input. Anything put into a system or process or expended in its operation to achieve a result or output.

k. Interface. A common boundary between two organizations or activities.

l. Job Analysis. The act of looking at a job as it is being done in-house or a contractor to determine what actually results. Job analysis looks at organization, workload, performance values, and resources.

m. Lot. A collection of service outputs from which a sample is to be drawn and inspected to determine conformance with the standard.

n. Lot Size. The number of service outputs in a lot.

o. Organizational Analysis. The act of looking at an organization to determine what kind of services it provides.

p. Output. The amount of something produced by a system or process during a given span of time.

q. Percent of Sample Found Defective. Determined by dividing the number of defects by the sample size when the reject number has been equalled or exceeded. The resulting number is used to make an equitable deduction from the contract price for non-performance by the contractor.

r. Performance Indicator. A characteristic of an output of a work process that can be measured.

s. Performance Value. A composite of a standard and an acceptable quality level which describes the quality of an output of a work process.

t. Qualify. That stage of the contracting cycle in which one determines that the contractor’s work satisfies the requirements of the SOW.

u. Quality Assurance. Those actions taken by the government to check goods or services to determine that they

meet the requirements of the SOW.

v. Quality Assurance Evaluator (QAE). That person responsible for checking contractor performance.

w. Quality Control. Those actions taken by a contractor to control the production of goods or services so that they will meet the requirements of the SOW.

x. Random Number Table. A table of numbers arranged in a random fashion. A table used to make random samples.

y. Random Sample. A sampling method whereby each service output in a lot has an equal chance of being selected.

z. Random Sampling. A method of looking at a few individual items in a lot to determine the quality of that lot against a standard.

aa. Release. That stage of the contracting cycle in which goods and services are accepted as meeting contract requirements and payment is made to the contractor.

ab. reliable Service. A service that is dependable and is provided when required.

ac. Sample. A sample consists of one or more service outputs drawn from a lot, the outputs being chosen at random. The number of outputs in the sample is the sample size.

ad. Sampling Guide. The part of the surveillance plan which contains all the information needed to perform a random sample.

ae. Sampling Plan. A plan which indicates the AQL, the number of units from each lot which are to be inspected (sample size) and the criteria for determining the acceptability of the lot (acceptance and rejection numbers). Used to develop the sampling guide.

af. Service. A job performed to the standard and within the acceptable quality level. The contractor must do the specific job, and meet the standard, and meet the acceptable quality level before one can say that performance has been acceptable and that he/she should be paid.

ag. Source. That stage of the contracting cycle in which the contracting office prepares the bid package, finds potential contractors to do the work, and accepts bids from proposed contractors.

ah. Standard. An acknowledged measure of comparison.

ai. Statement of Work. A document that describes accurately the essential and technical requirements for items, materials, or services including the standards used to determine whether the requirements have been met.

aj. Surveillance Plan. An organized written document used for quality assurance surveillance. The document contains sampling guides, checklists, and decision tables.

ak. System. A group of interacting, interrelated, or interdependent elements forming a collective entity.

al. Tree Diagram. A visual representation of the major functions performed by a system which shows logical parts and subparts.

am. Uniform Service. A service that is, within defined limits, always the same.

an. Work. A series of actions, changes, or functions that bring about an end result.

1-3. Government Policy. The government policy in service contracting is as follows:

a. The performance oriented statement of work (SOW) for a service contract includes the standards of performance and acceptable quality levels.

b. Standards must be measurable.

c. Quality control is a contractor responsibility.

d. A performance oriented SOW must not contain detailed procedures unless absolutely necessary. Rely on a statement of the required service as an end product.

e. References to directives in the SOW should be held to a minimum.

f. The surveillance plans described in this document are an acceptable way of performing quality assurance.

g. The cost qualified persons available must write the SOW and the surveillance plan. Standardized government documents, when available, Will provide valuable basic information.

1-4. A Systems Approach. The design of a SOW and the surveillance plan is based on a systematic analysis of the function to be put under contract or already under contract.

The procedure for deriving these two products is called job analysis. The procedure consists of a step-by-step review of the requirement to arrive at the specific output services and associated standards.

a. Jobs as Systems. The analysis assumes that an operation is a system. An operation can be called a system because it consists of a job or a combination of jobs carried out by people, and sometimes, machines for a certain purpose. The parts of a system are usually called input, work, output, and control loops. These parts are shown in figure 1-1.

(1) From a contractor's view, the system consists of taking people, facilities, material, and the SOW and inputting it into a work process. The result of this work is a contract output.

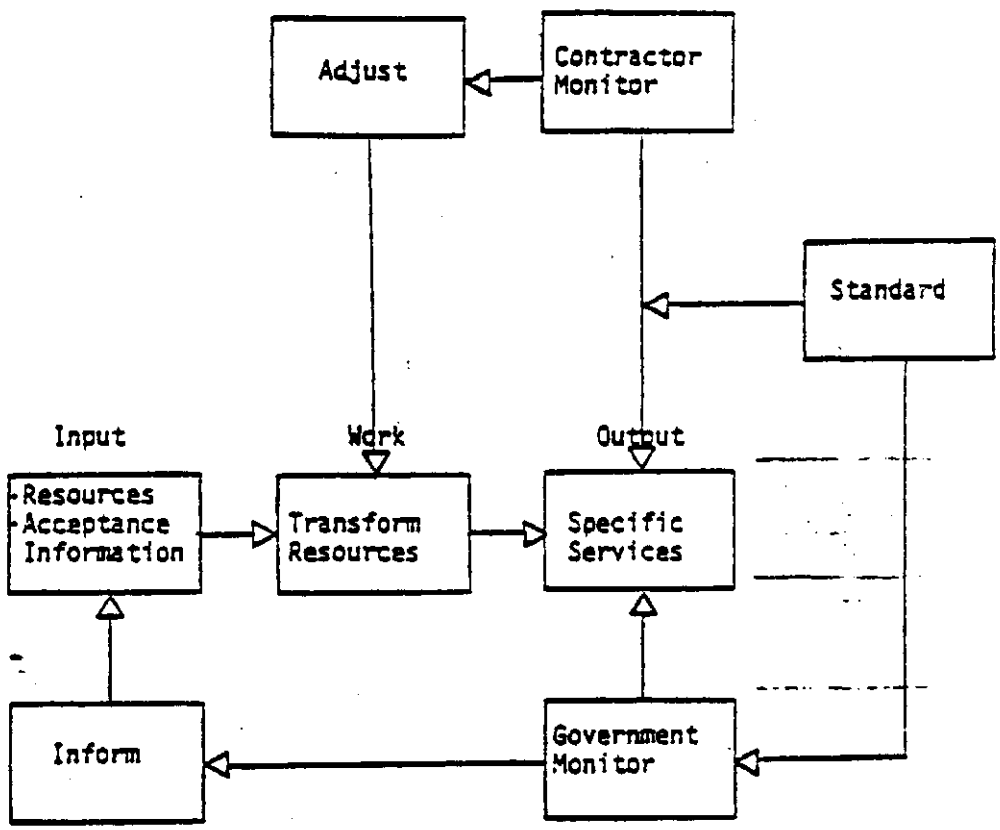

Figure 1-1. Contractor Operated System.

(2) Two major control loops are at work in thiS system. Both loops use standards as the basis for determining acceptability.

(3) The contractor quality loop feeds back information from the output into the work process so that the contractor can adjust performance to meet the standard specified.

(4) On the other hand, government quality assurance looks at the output and determines its acceptability. This information then becomes an input for contractor management to adjust the quality control function.

b. Parts and Subparts. Every service contract operation can be viewed as a system. Further, each major system can be broken into small parts or subsystems. For example, if the system portrayed in figure 1-1 were called transportation, the major system could be broken into small parts called vehicle operations, vehicle maintenance, and traffic management. Further, each of these pacts could be broken down into the smaller parts or subparts that make up that part, as shown in figure 1-2.

(1) Note that the transportation work area leads to vehicle operations, which leads to vehicle dispatch, which leads to taxi dispatch and U-drive dispatch. Each work area has its own set of inputs and outputs. This chart does not contain all of the work areas associated with transportation. Rather, it only shows an example of how a system can be broken into its parts.

(2) The chart looks a great deal like a standard organizational chart, except that this chart shows each thing that happens rather than who performs the task. Further, by showing an input, it shows what must be there for something to take place. It shows that each job must have an output that can be measured in some way.

c. Results of the Systems Approach. A proposed contract effort must be viewed in a systematic way to arrive at an output Or performance-oriented SOW and a means of measuring the service. Thus, a systematic approach to analysis will result in an enforceable, clear SOW. it will also produce a quality assurance surveillance plan that tells the government if the service is provided as speciried. Further, the systems approach permits the analyst to identify outputs and separate them from the specific procedures required to create the outputs.

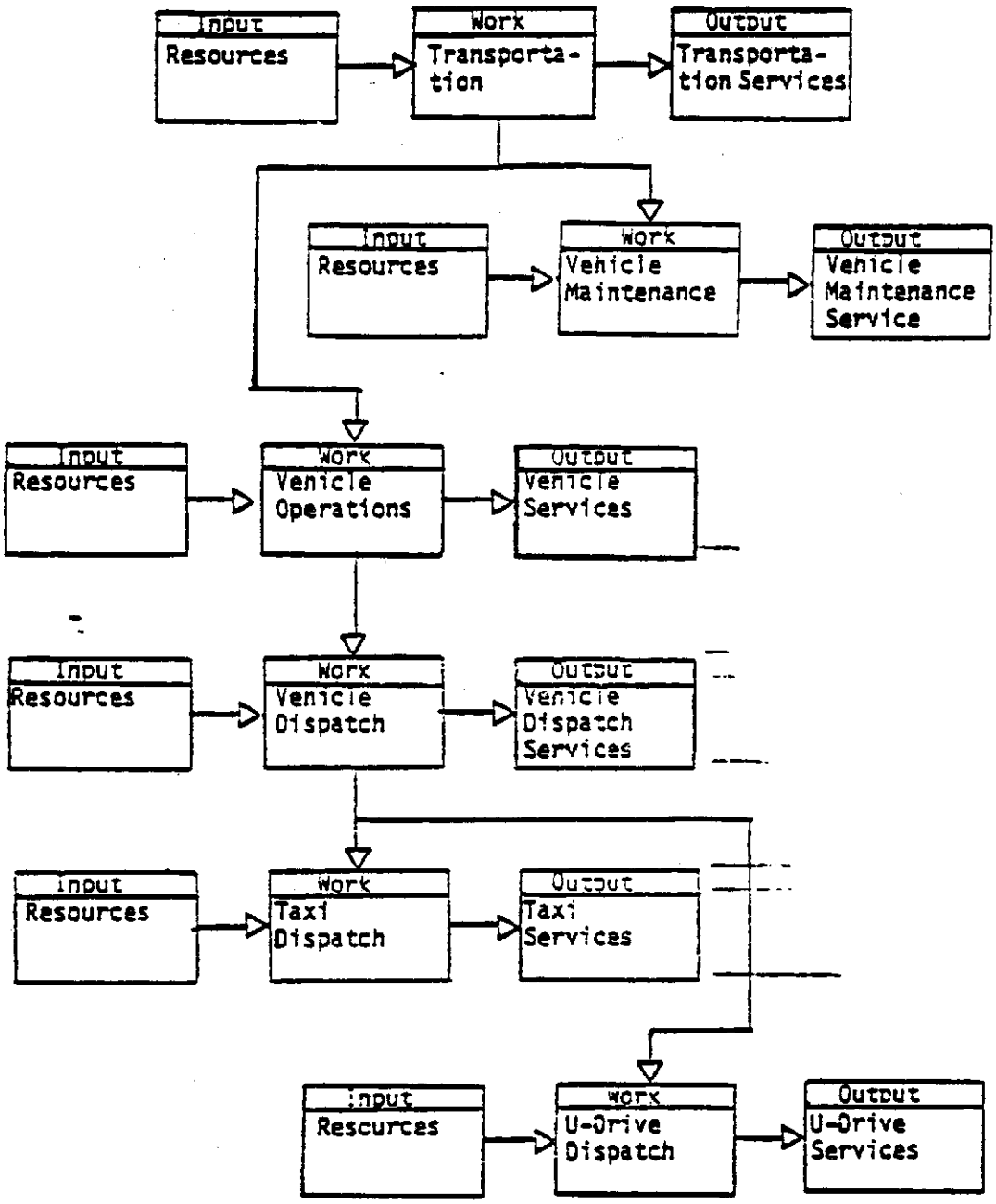

Figure 1-2. Transportation (Partial).

Figure 1-2. Transportation (Partial).

(1) When the government specifies a given procedure, it assumes responsibility for insuring that the design or procedure will result in the desired output. On the other hand, if it specifies the Output performance and its quality standard, the contractor must then use the best management to achieve that level of performance.

(2) Last, systematic analysis gives a clear picture of what input is needed to get the job done. This data is most useful in analyzing a contract bid price, conducting apreaward survey, creating a list of government furnished property, and making payment deductions in case of non-performance.

1-5. Team Approach. The development of a quality SOW is a result of team effort. The leading members of the team are the functional office, the local contracting office, and the manpower/management engineering office. The latter can provide previous manpower studies to assist in determining jobs performed.

a. Responsibilities. During the contracting cycle, responsibilities are assigned as shown in figure 1-3. This chart shows which major functions occur during the contracting cycle and which important actions take place during each function. The columns on the right show who is responsible at each stage of the purchase cycle.

(1) The functional area chief should be considered the team leader exercising authority and responsibility for the function that will be under contract. Functional persons state the service that will be delivered, measure the quality of service, and accept the service.

(2) The contracting office is the means of getting a contract and enforcing its provisions.

(3) The contracting office also provides the necessary authority and technical experience in contracting to make the contract a workable document.

(4) The manpower/management engineering office performs cost studies required by OMB Circular A-76.

b. Relationship in Contracting Out. The lines of authority and responsibilty that exist when a function is contracted out, are shown in figure 1-4.

(1) When a given function is performed in-house, with government personnel, the line of authority flows from

Functions and Actions	Functional Area Chief	Manpower/ Management Engineer	Contracting Office
Define	//////////	//////////	//////////
Prepare Saw	Responsible	Assist	Assist
Prepare Surveillance Plan	Responsible	Assist	Assist
Perform Cost Study	Assist	Responsible	Assist
Source	//////////	//////////	//////////
Develop Sources	Assist		Responsible
Prepare Solicitation	Assist		Responsible
Conduct Prebid Conference	Assist		Responsible
Buy	//////////	//////////	//////////
Analyze Bids	Assist	Assist	Responsible
Conduct Preaward Survey	Assist		Responsible
Award Contract	Assist		Responsible
Qualify	//////////	//////////	//////////
Surveillance of SOW	Responsible		Assist
Request Modifications	Responsible	Assist	Assist
Administer	//////////	//////////	//////////
Make Modifications	Assist		Responsible
Non-SOW Surveillance	Assist		Responsible
Conduct Progress Meetings	Assist		Responsible
Release	//////////	//////////	//////////
Inspection	Responsible		Assist
Acceptance	Responsible		Assist

Figure 1-3. Responsibilities.

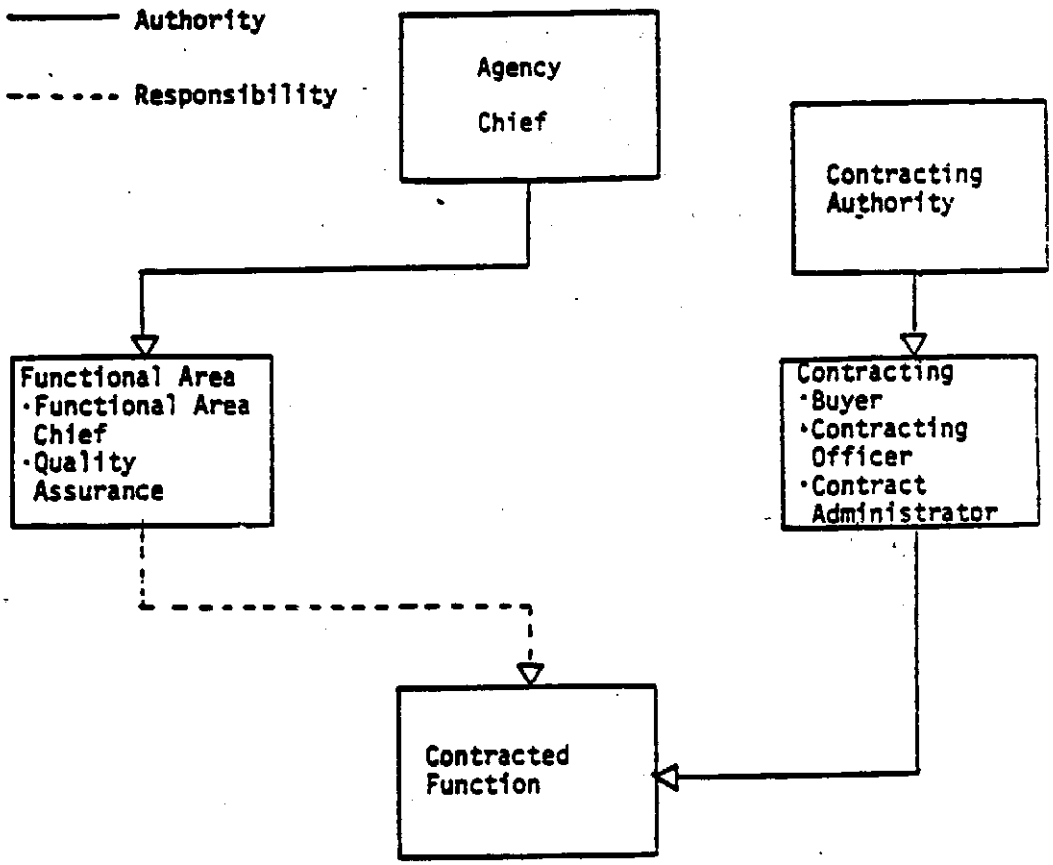

Figure 1-4. Relationships in Contracting.

Figure 1-4. Relationships in Contracting.

the agency chief, to the functional area chief, and then to the function. However, when authority is delegated in the contract environment, the contracting office (and especially, the contracting officer) become a part of the authority line.

(2) By law, only a contracting officer may make a contract and may direct a contractor. Hence, the functional area chief must act through the contracting officer to obtain and manage a service contract.

(3) In a contract function, responsibility does not follow the line of authority. Rather, the functional area chief has overall responsibility to see that the service is

provided but works through the contracting officer's authority. Two major tools for that use are a well-defined quality SOW and a surveillance plan.

1-6. Overview of the Method for Developing a Performance SOW and Surveillance Plan. The method and the relationship of the tasks are shown in figure 1-5 and described below. Succeeding chapters explain in detail how to accomplish each step or task in the method.

a. Job Analysis. In this phase, the analyst starts with information on how the job is being done and ends with the performance that will be required of a contractor. The analysis consists of these steps:

(1) Do Organizational Analysis. First, the analyst reviews the current organization and identifies the services it provides.

(2) Prepare Tree Diagram. A tree diagram breaks a job into smaller and smaller parts. Each part brings about a final result or service.

(3) Do Work Analysis. Take each part of the tree diagram and break it into input, work, and output. Input is what is needed to do the job, work is what steps are needed to do the job, output is what the work produces. During this step the analyst decides, with management, what outputs the contractor will provide and what work will remain in-house.

(4) Gather Data. After the analyst has picked the services on the tree diagram that are to be contractor supplied, data can be gathered. In this step, the analyst collects data on how much input is required to do the job, and how often the output is provided.

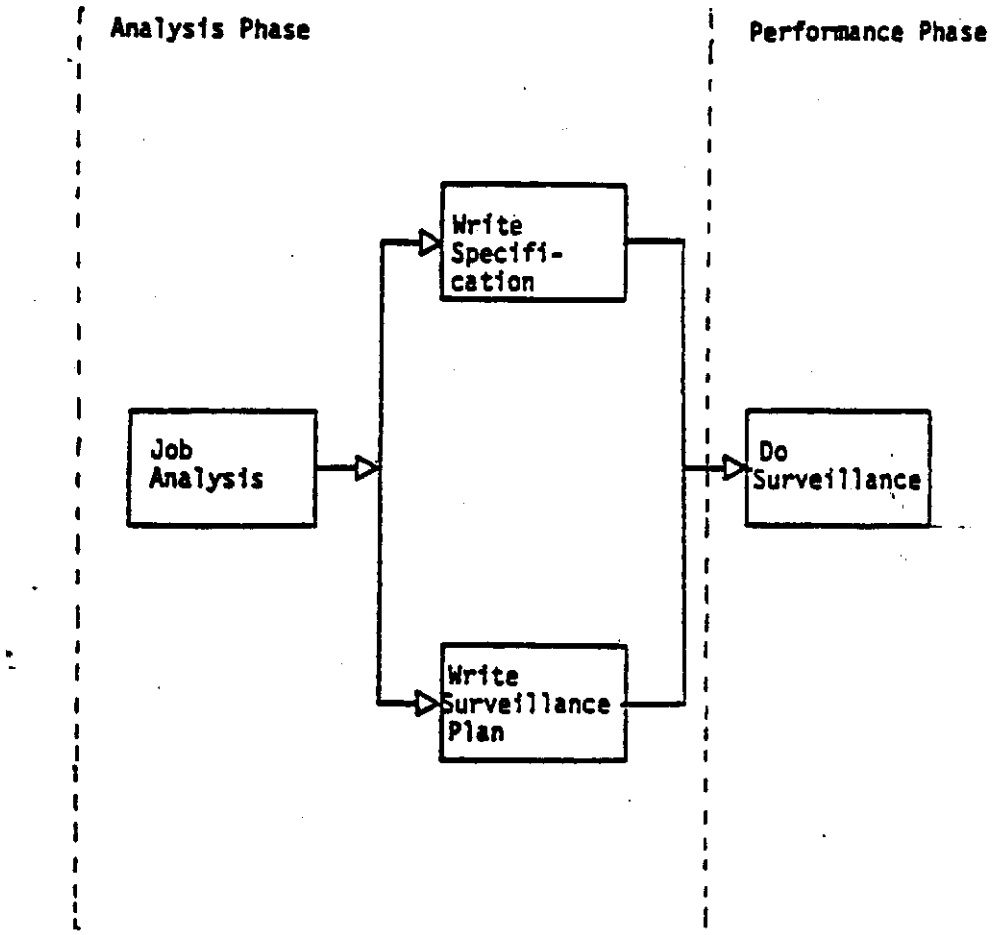

Figure 1-5. Overview of Analysis Steps.

Figure 1-5. Overview of Analysis Steps.

(5) Do Performance Analysis. each service proposed for contract has a performance value assigned. The analyst decides how the service can be measured. With management, the analyst determines what standards apply. With management, an acceptable quality level is applied.

(6) Analyze Directives. During this step the analyst decides what directives, if any, apply to the service to be provided. Directives are classified as mandatory or advisory. They must be held to a minimum.

(7) Deduct Analysis. During this step the analyst works with the manpower/management engineering office to prepare the estimated contractor cost of each specific service. These costs are stated in the SOW as a percentage of total contract cost, for a formally advertised procurement. These costs are used as the basis for deductions for non-performance; in a negotiated procurement, they are used to evaluate contractor proposals. Actual negotiated costs are included in the SOW.

b. Write the SOW. The previous steps in job analysis are carried out for the dual purpose of writing a SOW and a surveillance plan.

(1) If job analysis has been done properly, the concurrent writing task should be relatively easy. Concurrency means that neither task is truly independent; what is written into the SOW influences what is put into the surveillance plan. Likewise, the surveillance plan will force the writer to make sure that outputs and procedures in the SOW are measureable.

(2) Writing the SOW consists of:

(a) Expressing the contract-desired output in clear, simple, concise, and legally enforceable terms. In determining what level of detail to include in the SOW, the analyst must consider whether to quote from a mandatory regulation or to refer to it.

(b) Using a format that presents the specified tasks in an easily understood manner. (See explanation in Chapter 3)

(c) Determining what exhibits will help convey to the contractor the job tnat needs to be done.

c. Writing a Surveillance Plan. The surveillance plan is a document used to make sure that systematic quality

assurance methods are used. It assumes that the contractor is responsible for managing and controlling the output of service. The government plan seeks to determine if contractor-provided service meets the quantity and quality standards. The development of the plan involves these major steps:

(1) Identifying hey Performance Indicators. The job analysis phase identified many performance indicators. Not all of these indicators are critical to the service being provided. During this step the analyst must decide which indicators to include in the plan, using as criteria the

criticality of the process and its output, the availability of quality assurance manpower, and the adaptability of each indicator to overlap and check many kinds of outputs.

(2) Identify Information Sources. Each plan uses many sources of information (for example, existing management information systems, customer complaints, and random sampling).

(3) Develop Tools. The writer of the surveillance plan has many tools. These tools are:

(a) The Sampling Guide. The sampling guide is a written procedure which states what will be checked, the standard of performance, and how the checking will be done. (for a sample guide, see Chapter 4). The sampling guides used in this regulation are based on statistical techniques called for in Military Standard 105D, Sampling Procedures and Tables for Inspection by Attributes. By sampling a small part of the total service in a random fashion, the QAE can accept or reject the service, based on the standard.

(b) Decision Tables. When a service is rejected, a decision must be made as to who is at fault (the contractor or the government). A decision table is used for this purpose. The decision table identifies different kinds of unsatisfactory performance, probable cause factors, and the things from which these factors could result.

(c) Checklist. The last tool is the checklist. Checklists as used to record what has been checked by a sampling guide and to record information on contract items not covered by sampling.

d. Do Surveillance. The final step is doing surveillance, that is, taking the written surveillance plan and using it on a daily basis. In this step, random samples are drawn and schedules of quality assurance inspections made. Contractor discrepancies are documented and corrective action taken. If appropriate, money is deducted from a contractor’s payment by the contracting officer.

CHAPTER 2

JOB ANALYSIS

2-1. Advantages of Job Analysis. The previous chapter outlined the steps involved in developing a statement of work (SOW) and a quality assurance surveillance plan. This chapter explains job analysis in greater detail. This process enables the analyst to pull together all of the essential information needed to write a performance-oriented

SOW. It also helps to build a foundation that will help the government determine the quality Of the contractor's output service. The steps in job analysis are described below.

2-2. Organization. The starting pOint in looking at a service function is to see how it is organized and what kind of service it provides. This is not to say that the SOW will require that a contactor adopt the government style of organization. Rather, organizational analysis will provide a framework for determining what is done by the organization.

a. To capture this data, use an organizational analysis sheet as shown in figure 2-1. The data gathered and placed on the analysis sheet will show a complete picture of the organization. Of particular importance is the choice of services performed.

b. These services or outputs become the basis for writing-the SOW, development of standards, defining performance indicators, and identifying acceptable quality levels of performance. Be as specific as possible when making the entries.

2-3. Tree Diagram. After doing the organizational analysis to find out what kind of services the organization provides, the analyst must now link the services together in a logical flow of activities. The major tool used is the tree diagram.

a. An example of a tree diagram for vehicle operations is shown in figure 2-2. As shown in the figure, the top box states the overall function (in this case, to operate and manage vehicles). Each of the following levels breaks the job into parts and subparts, to develop a chart that fully describes the job in terms of these parts.

b. The boxes are numbered to show the relationship of the parts back to the higher level part. For example, test is numbered "3.1", because it relates to train and qualify vehicle operators which is numbered, "3". These

Mame of Organization: Transportation
Mission Statement: Provides vehicle maintenance, an base vehicular transportation, shipment of household goods, etc.
Organizational Elements:

```
|                            Traffic Management Office           |
|                            Vehicle Maintenance                 |
|                            Vehicle Operations                  |
|                            Reports and Analysis                |
|________________________________________________________________|
|                                                                |
|   Services Performed:                                          |
|                      Normal      Taxi Service, U-Drive Service,|
|                                  Emergency Maintenance,        |
|                                  Outbound Personal Property    |
|                                  Service....etc.               |
|                                                                |
|                      Contingent  Vehicle support for disaster  |
|                                  control exercises....etc.     |
|                                                                |
|                                                                |
|                                                              |
|________________________________________________________________|
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Figure 2-1. Organizatianal Analysis.

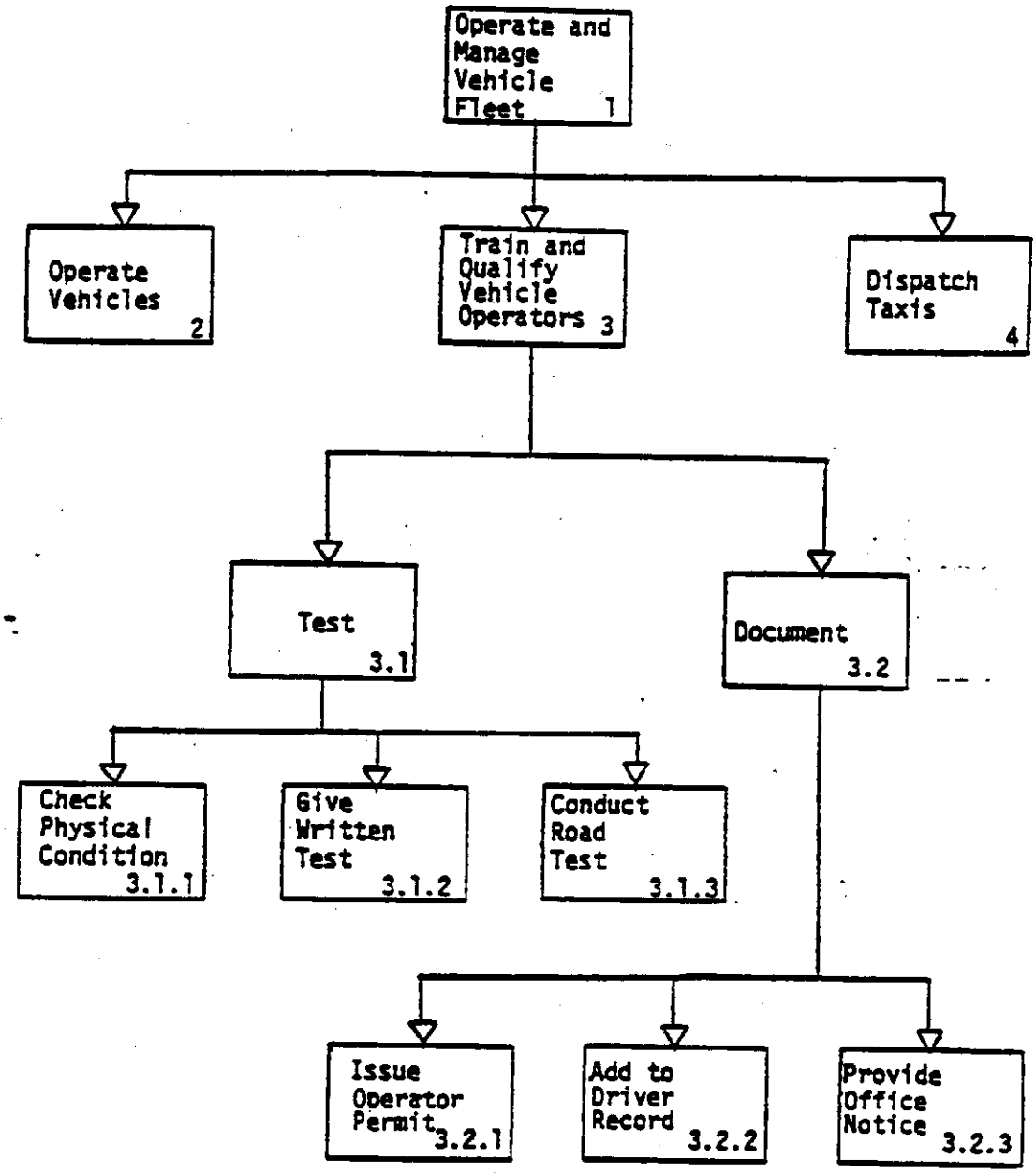

Figure 2-2. Tree Diagram.

Figure 2-2. Tree Diagram.

numbers and part boxes provide the start for further analysis.

2-4. Activity Analysis. Prepare a separate activity analysis for each numbered box in the tree diagram. These sheets are used to define the outputs of the process. An example of an activity analysis for dispatching taxis is shown in figure 2-3.

a. The analysis consists of three major sections: input, work and output.

(1) The steps in the work section.that are required to perform the work are numbered in sequence.

(2) The input section lists those things that are needed to perform the work steps.

(3) The output section contains those things produced by the work (that is, items or services that the work provides).

b. In the example, the taxi dispatch begins with the input of a request for taxi service, and with documenting the service. The output of the process is a documented form and the movement of the passenger to the desired location.

c. The analyst must complete the analysis in as much detail as is possible. If the tree diagram has been branched out in enough detail (that is, as many sub-parts as possible) the task will be very easy. The analysis does nothing more than state what starts a job, what takes place when a job is done, and the results of the job -- that is, input, work, output. The analysis merely puts this thinking down on paper in a step-by-step fashion.

2-5. Classification. By building the tree diagram and the activity analysis, the analyst knows a great deal about the job. The analyst must now work with management to decide what jobs will be targeted for inclusion in the SOW. For example, the government may decide to retain responsibility for the analysis section in a transportation contract. No further job analysis need be done to jobs not targeted for contract. Decisions reached in this step are recorded on the activity analysis sheets (see figure 2-3). Record the decision for each entry in the output block.

2-6. Data Gathering. After the analyst has identified the services to be provided under contract, workload and resource data must be gathered. The procedure for this is simple.

Activity: Dispatch

Service Number: 5

Input	Work	Output	Include in Contract? Yes	No
Taxi Service Request - Telephone - Walk-in - Written	1. Determine Request Validity 2. Document Taxi Request 3. Update Taxi Request 4. Dispatch Taxi 5. Pickup Passenger 6. Deliver Passenger 7. Complete Form "Request for Motor Vehicle Services"	Form - Request for Vehicle Services Pending Form - In-work Passenger Movement Filed Form		

Figure 2-3. Activity Analysis.

a. Workload. As used here, "workload" refers to the result of the data gathering task which gets information on how often output services are provided. After the jobs and output services are analyzed, it should be much easier to gather the required data. As a rule, this information is available from existing management information systems, but it may need to be restructured, so that it is accumulated by a specific output.

(1) The analyst must find out how often a service will be provided during the proposed contract period. Use historical information, plus projected changes, to estimate the service frequency. To gather this data, put it on a sheet as shown in figure 2-4. This sheet shows what service will be provided, and helps in estimating future requirements to be used in sizing the contract effort.

(2) This data will have eventual use in structuring the government estimate and in analyzing the proposed contractor’s bid price. This frequency information is also given to bidders so that they understand the true requirements that will have to be met under the contract. Further, workload data is used in building the surveillance plan.

b. Resources. To provide a service, a job requires the use of physical resources (assets and personnel).

(1) Physical Assets: To write a SOW, gather data about the physical assets required to perform a contract. Gather data concerning physical assets at the specific service output level. (For example, gather data on what physical assets are needed to perform emergency repair service.) Sheets as shown in figures 2-5, 2-6, and 2-7 should be used to gather data on the facilities, materiel, and equipment that will be provided to the contractor. Since the SOW must list the assets the government provides, take care to avoid listing items that will not be available for the contractor’s use. The list must show any assets that will be added or deleted during the life of the contract.

(2) Personnel. Data on personnel must also be gathered. For example, a sheet as shown in figure 2-8 can be used for this purpose. Data for this sheet are available from manpower documents on the Organization, but the data may need to be restructured to break it out for the specific services provided. For example, a manpower document might show how many people and what skill levels are authorized to operate a vehicles, but not how many people are allocated to perform the vehicle dispatch service. The analyst must

Workload			
Service	Historical Workload	Known Change	Estimatad Workload
Taxi	1200/month	-10%	1080/month
U-Drive	50/month	+20%	60/month

Figure 2.4. Workload Analysis.

Service: Vehicle Repair		Facility
Facility	Square Feet	Location
Bldg 209	2000	Maxwell AFB
Bldg 1024	1500	Gunter AFS

Figure 2-5. Facility Analysis.

Service: Vehicle Repair		Material
Name	Stock Number	Quantity

None Supplied to Contractor		

Figure 2-6. Material Analysis.

Service: Vehicle Repair		Equipment		
Name	Stock Number	Serial Number	Location	Quantity
Flat Top Desk	7110-00-270-9840		Vehicle Operations	2
Training Aid-Driver	6930-00-526-3639	MF270S98	Driver Training	1

Figure 2-7. Equipment Worksheet.

Personnel			
Service	Authorized Grade	Number	Security Clearance Required
Vehicle Dispatch	WB-5	1	No
	WB-4	1	No
	WB-3	4	No

Taxi Service	WB-5	1	No
	WB-3	6	No

Figure 2-8. Personnel Analysis.

extract this data to complete the data analysis (that is, how many government persons would be required if the service remained in-house).

2-7. Performance Value. When the government performs a service for itself, it not only generates an output, but it produces that output to meet standards to some acceptable quality level.

a. Example. Let us assume that a taxi pickup is to be provided within four (4) minutes of an agreed upon pickup time ninety percent (90%) of the time (10% error rate). Taxi pickup is the service, four minutes is the standard, and 10 percent is the acceptable quality level.

b. Minimum Requirements. By law, the SOW must present the actual minimum requirements of the government. Hence, the analyst must avoid demanding more of a contractor than the government would provide if it were performing the service.

c. Performance Output. Performance values enable the analyst to place realistic demands on contractor performance. By the same token, performance values permit the writing of a Performance-oriented SOW and eases the development of a quality assurance surveillance plan, for example, see the performance value analysis in figure 2-9. In doing the analysis, the analyst must include each of the output services identified for inclusion in the contract during classification.

d. Standards. In the appropriate box, show the standards that pertain to the services. These standards can be derived from the directives regulating the service, from agency standards, or from work location standards.

e. Measuring Quality. Finally, each service must have an acceptable quality level. This entry can be based on

historical records, a poll of managerial desires, or agency imposed acceptable quality levels. An acceptable quality level should rarely be 0 percent, for this indicates perfect performance which is very expensive and nearly impossible to achieve. Acceptable quality levels must equal but not exceed the standards met when the government provides the services in-house, that is, how well the government did the job. However, it must be recognized that some quality levels are purely judgemental, such as appearance, taste, etc.

f. Assigning Values. Performance values need not be assigned for outputs that relate strictly to internal

Activity: Taxi Operation

Performence Indicator	Standard	Acceptable Quality Level
Response Time	4 minutes	5%
Accidents Per Mile	0	0%
Operational Cost Per Mile	$0.14	20%
Taxi In-Commission Rate	80%	10%

Figure 2-9. Performance Value Analysis.

contractor management. For example, work scheduling is required to get the job done; however, the government is interested only in getting the job done, and is not generally concerned with how. The stress is on performance, not procedures. Hence, there is normally no need to assign a performance value to work scheduling. The meaning of each entry is described below.

g. Performance Indicator. A performance indicator is a characteristic of an output that can be measured. It may measure quantity as well as quality. By using a performance indicator and its associated standard, one can know if a process is producing a quality output. (For example, the major output of taxi-operations is passenger movement.)

(1) The question must be asked as to what will allow one to measure how well the process generates that output. To do this the analyst must review each previously identified job to see what measures can be associated with it.

(2) The measures are usually stated as rates (that is, a means of expressing something as it relates to a fixed amount of something else). For example, a rate for taxi service is the cost to run the fleet per mile. The performance indicators that relate to taxi operation are shown in figure 2-9. All of these indicators are rates, except average response time. However, response time is something that can be measured.

(3) In many cases, agency directives specify the performance indicators that will be used to evaluate the process. If the indicators are not prescribed, the analyst must work with management to decide what indicators would help to measure the process. Rates in terms of time and distance and accuracy are particularly useful for this purpose.

(4) The analyst must be careful to choose performance indicators that are realistic. The grams of dust per square centimeter on a vehicle may be a measurable performance indicator for vehicle condition, but it is not a realistic indicator for general use. The analyst may have to use a less satisfactory indicator (such as times washed per month). Or one may have to resort to an even less satisfactory measure (such as cleanliness) which calls for an individual judgment on the part of the person measuring performance.

(5) Wherever possible, however, one must choose a performance indicator that measures the service by a number (that is, quantifies it).

h. Using Standards. A standard is something against which another thing can be measured. Nearly everyone is familiar with standards of some sort. For example, the standard operating speed for automobiles on highways is 55 miles per hour. In this case the number 55 is the standard, while miles per hour is the performance indicator.

(1) In looking at the processes and the performance indicators chosen, one must ask what kind of yardstick will be used to measure the process. In some cases the yardstick or standard is provided by agency authorities.

(a) The standard for average taxi response time of 4 minutes is an example. However, there is no standard for bus service.

(b) In this case, the analyst, with management's help, will have to find a reasonable standard that bears some relation to the criticality of the service to be provided and how well the government does the job in-house.

(2) A standard for bus service could be stated in terms of timeliness of arrival at a bus stop. Thus, the standard for bus service would be stated: depart the stop no earlier than scheduled time nor later than scheduled time plus five minutes. An example of the taxi service job and the standard for the performance indicator is shown in figure 2-9.

i. Acceptable Quality Level. The acceptable quality level of a standard tells what variation from the standard (that is, error rate) is allowed. It is used to measure the reliability of the output generating process.

(1) An acceptable quality level is generally used in referring to a production line that produces a tangible object. These products can then be measured to see if they meet the standard within an acceptable quality level.

(2) Service contracts also produce measurable services (even though they are not always tangible) and one can determine how often they meet the standard.

(3) An acceptable quality level is expressed in terms of a percentage of allowable error in a time period. Using the performance indicator with its associated standard, the analyst determines what error rate should he allowed, based on agency directives, historical records of how well the government provided the service, or they can be established by management decision.

(4) Whatever the source of the entry, the analyst must question whether the acceptable quality level is realistic and represents how well the service must be provided under contract. The example of acceptable quality levels shown in figure 2-9 summarizes all the performance information that is generated by job analysis. Charts like this are critical for all further decisions about the SOW and

the surveillance plan.

(5) After these charts are filled in, the analyst must cross out the indicators that apply to contractor internal management. What remains will be the performance indicators, standards, and tolerances (acceptable quality level) that tell how well the contractor must provide the output service. In the example in figure 2-9 all values would be eliminated except average response time. All other items under a firm fixed price vehicle operations and maintenance contract relate strictly to internal contractor management indicators.

2-8. Governing Directives. For each of the services to be provided under contract, the following steps are done:

a. Catalogue. The analyst needs to catalogue all the manuals, regulations, and other higher government, agency and local level guidance that pertain to the services. (These documents often refer to other regulations, manuals or technical orders which must also be listed.) The list that results should be arranged similar to figure 2-10. List the title and the date of publication. If only parts of the directive apply, note these parts in the directive column. If the directive has been mentioned in a document previously listed, cite that document in the "REFERENCED IN" column. This data will be needed later in deciding whether a directive or part of a directive applies to the proposed contract effort.

b. Applicability. Each service ordinarily has its basis in some governing directive that tells how the job is to be done, in varying degrees of detail, when it is performed in-house. In other words, directives often specify procedures.

(1) At this point, the analyst must decide whether those procedures are to be mandatory on the contractor (that is, whether to require the contractor to do the job the same way the government would do it). To do this, the analyst reviews the list of directives and checks the proper box on the sheet to show whether each directive will be mandatory or advisory upon the contractor.

Governing Directives					
Directive	Title	Date	Referenced In	Mandatory	
				Yes	No

AFM 77-310	Motor Vehcile Management	20 July 78			
T.O. 00-20B-5	Vehicle and Base Support Equipment Inspection and Administration	15 Mar 74	AFM 77-310, Vol II		

Figure 2-10. Governing Directives Analysis.

(2) When only parts of directives appear to be mandatory, the analyst must decide either to reference that part of the directive, or extract the information and place it in the SOW as a procedure. If there is no clear directive, the analyst must decide if a procedure is required or if simply stating the activity and its performance value is sufficient.

(3) As a rule, procedures and directives must not be specified. Reliance must be placed on stating the desired output with a performance value. If a regulation is mandatory, reference it only when it is too bulky to extract and include in the SOW in full text.

2-9. Deduct Analysis. Standard clauses in service contracts allow the government to deduct payment in case of non-performance. In short, if the government doesn’t receive the service, the contractor does not get paid. The hard question is how much to deduct.

a. Methodology. The amount deducted must represent as nearly as possible the cost of the service foregone.

(1) The information is used to arrive at a figure for each service which tells what percentage it is of the whole service.

(2) The source of information is the personnel data

and the specific service outputs derived during job analysis. How to determine the percent value of a specific service is explained below.

(3) Note that other resources and overhead have not been used to determine costs. Since the contractor automatically spreads these costs in a bid, there is no need to use them in these figures.

b. Finding the Specific Service. To obtain a list of services refer to the tree diagram. When the tree diagram was made, the overall job was broken into smaller and smaller parts. For example, transportation has as parts vehicle operations, vehicle maintenance, analysis and traffic management. Vehicle operations, in turn, breaks into many smaller parts, as illustrated in figure 2-2. The information on the tree diagram is used to begin making the deduct analysis (see figure 2-11).

c. Personnel. The next step in filling out the deduct sheet is personnel. The personnel analysis made during data gathering for resources has the data on how many people are required to provide a specific service.

Job: Vehicle operations	Personnel	Payroll Cost Per Month	% Of Total
Operate Vehicles	XXXXXX	XXXXX	XXXXXX
Operate Taxi.....	5	$5000	19.2%
Operate Scbeduled Bus.....	4	$4000	15.4%
Operate Unscheduled Bus.....	1	$1000	3.8%
Train/Qualify Vehicle Operators	XXXXXX	XXXXX	XXXXXX
Test.....	XXXXXX	XXXXX	XXXXXX
Check Physical Condition.....	1	$1000	3.8%
Give Written Test.....	1	$1000	3.8%
Conduct Road Test.....	1	$1000	3.8%
Document.....	XXXXXX	XXXXX	XXXXXX
Issue SF 46.....	.3	$ 360	1.4%
Add to DD Form 1360.....	.3	$ 360	1.4%

Provide Unit Notice.....	.1	$ 100	0.4%
Manage Credit Card Issuance Use....	XXXXXX	XXXXX	XXXXXX
Issue Cards.....	.2	$ 240	0.9%
Process Receipts.....	.2	$ 240	0.9%
Dispatch Vehicles.....	1	$1000	3.8%
(etc.)	(etc.)	(etc.)	(etc.)
(etc.)	(etc.)	(etc.)	(etc.)
TOTAL	28	$26,000	100%

Figure 2-11. Deduct Analysis.

(1) The analyst must adjust this data to reflect decisions made about standards and acceptable quality levels.

(2) The personnel data may have to be adjusted upwards or downwards, since standards and acceptable quality levels directly affect the number of persons required to do the job. Further, since this data represents the in-house cost of performing the services in the SOW, the analyst must also adjust the data to show what staff the contractor would probably use to perform the service.

(3) This data can now be used for making the deduct analysis. Note that no entry is made on the line of a service that has subparts. Entries are only made for the subparts, since these are specific services. (For example, no entry is made for "operate vehicles" since this service is made up of the specific services of operate taxi, operate scheduled buses, operate unscheduled buses.)

d. Payroll Cost Per Month. Payroll cost per month is the basis for deciding how much each specific service costs in reference to the total job. One need not use exact payroll costs. Rather, use the service contract wage rates appropriate to the service. Again, do not include costs for the services that have subparts. These are noted by X’s on figure 2-11.

e. Percent Of Total. The percent of total column on the deduct sheet tells how much each specific service or part represents in terms of the service contract To arrive at this percentage, add all the payroll costs to get a total and divide each specific service payroll cost by the total

cost. Enter each resulting percentage in the percent of total column.

f. Negotiated Contracts. The cost figures created for deduct analysis can be used to evaluate contractor proposals. The contractor should be asked to make a proposal far each specific service. Once these costs are negotiated, they can be used to adjust the orginal deduct estimates.

CHAPTER 3

WRITING THE STATEMENT OF WORK

3-1. Statements of Work. Job analysis makes writing a statement of work (SOW) relatively easy. Once data has been gathered and analyzed, only two things remain to be done. The first task consists of actually writing a SOW that states what is required. The second task entails writing a QA surveillance plan that complements the SOW. This chapter addresses the first task.

3-2. Writing the SOW. Considering all the data gathering, analysis, and decisions that have been done to this point, writing the SOW should be easy. All that remains is to use a format or outline and compose words that will be used to express the requirement. Each of these tasks is described below. A note of caution: do not repeat material in the SOW that is already included in other parts of the contract, for example, General Provisions, Special Provisions, etc.

3-3. Service Contract Format. Prior to beginning writing the SOW, an outline must be developed to provide structure or the document. The following major sections provide the basis for an outline and are in Section F in most service contracts. The standard numbering scheme for service contracts is numeric (for example, 1, 1.1, 1.1.1).

a. General (Section F-1). This section provides a broad overview to the SOW. It contains a part describing the scope of work. Personnel related matters come under this heading. Most importantly, this section contains a part that states clearly the contractor’s specific responsibility for quality control. (This quality control part is in addition to what may be in the standard clauses in the general provisions of a given contract.) This part of the SOW tells the contractor what specific kind of quality control is required for the contract.

b. Definitions (Section F-2). A definitions section includes all special terms and phrases used in the SOW. The definitions must clearly establish what is meant so that disinterested parties will fully understand them.

c. Government-Furnished Property and Services (Section F-3). If the Air Force will provide any of these for the contractor's use in providing the required services, use this section to describe what will be given. If the list(s) is fairly extensive, make it into a technical exhibit(s) and include at the end of the SOW, rather than in the main body.

Use the data gathered concerning facilities, equipment, and material as the basis for these lists.

d. Contractor-Furnished Items (Section F-4). In this section the analyst describes material and equipment that the contractor must provide. As with government furnished property, if the lists are lengthy, they are made a technical exhibit and referenced in this section.

e. Specific Tasks (Section F-5). Specific tasks are the heart of the SOW. All of the work done under job analysis will find its way into this section. To write this section, go back to the tree diagrams and activity analysis sheets which were made in chapter 2.

(1) After the activities that were selected for contracting have been grouped and arranged as they appear in the tree diagram, writing this section is simply a matter of putting the activities down in a logical sequence.

(2) At the same time this is being done, group the performance indicators, standards and acceptable quality levels together in the same logical way for inclusion on a Performance Requirements Summary. Include them as a technical exhibit to the SOW. (See figure 3-1 for an example of this technical exhibit.) At this time, all of the columns can be filled in except the method of surveillance, which is not filled in until the surveillance plan has been developed. The other entries come from performance analysis and the deduct analysis (figures 2-9 and 2-11).

f. Applicable Technical Orders, Specifications, Regulations, and Manuals (Section F-6). During job analysis, the analyst produced a list of applicable directives. Include the list in this section; include the dates of the directives. Tell what happens when a directive changes during the life of the contract. Also, state whether each directive is mandatory or advisory on the contractor.

g. Technical Exhibits. Some items are too bulky to include in the main body of the SOW. Also, the analyst may want to include information helpful to the contractor. Technical exhibits are used for both these purposes.

3-4. Composition. The SOW becomes a part of the contract and is a contractually binding document on both the contractor and the Government. Since the written words translate into cost and profit, every word will be scrutinized, and, if possible, interpreted to the contractor's advantage. The analyst must define and express

each requirement so that the contractor's advantage does not become the government's disadvantage.

VEHICLE OPERATIONS

Required Service	Standard	Maximum Allowable Degree of Deviation from Requirement (AQL).	Method of Surveillance	Deduction from Contract Price for Exceeding the AQL.
Operate Taxi	Customer must be picked up within 4 minutes of the agreed upon time.	5 %		19.2 %
Operate Bus	Bus must not arrive at the stop later than scheduled time or depart earlier than schedule time +5 min.	4%		15.4 %
Operate Unscheduled Bus	Bus must arrive not later than 4 minutes from agreed upon time between customer and dispatcher.	5%		3.8 %

Figure 3-1 Performance Requirements Summary

a. Style. Style may be described as the mode of construction or development which a person uses to achieve an end product. In particular, the analyst's style refers to a method of expressing ideas in phrases, sentences, and paragraphs. Technical style is the way the analyst assembles the technical information into an exact statement of facts. SOW style revolves around the necessity for technical accuracy. The analyst must strive to include all the essential information in the simplest presentation.

b. Language. The language in a SOW must be exact and concise. Every effort must be made to use the simplest words, phrases, and sentences possible, so that anyone who reads it can understand its meaning, and avoid the risk of misinterpretation.

c. Ambiguity. Perhaps one of the biggest causes of disagreement in a SOW results from the use of indefinite, ambiguous terms, and words with a double-meaning. If ambiguity is present, a court generally holds the party that drew up the contract responsible. Since the government writes its contracts, it is responsible for any ambiguity that may arise.

d. Misused Words and Phrases. Often the analyst inadvertently changes an intended meaning in the SOW through the misuse of certain words and phrases. The following are designed to eliminate some of the misuse.

(1) Use of "shall" and "will." The term "shall" is used to specify that a provision is binding. The word "will" is used to express declaration of future action on the part of the purchaser.

(2) Use the emphatic form of the verb. That is, tell the contractors they must or must not do something. The emphatic form of the verb will insure that one is giving directions, not suggestions, to the contractor.

(3) Do not use "any," "either," "and/or." These words imply a choice that the contractor may take. It is better to avoid them unless a choice is to be made. The word "both" can often be substituted for those words.

(4) Use of pronouns. The use of pronouns is usually regarded as dangerous in the SOW. It is better to repeat the noun and avoid misinterpretation.

(5) Consistent terminology. The same words and phrases must be used throughout the SOW. This is especially true when referring to technical terms and items;

for example, always refer to a particular part by the same name.

(6) Numerals. When numerals are used on the drawings and illustrations, use them in the SOW, rather than spelling out the number.

e. Spelling. Most words have only one acceptable spelling; however, throughout the English language there are words that can be spelled several ways. To avoid misunderstanding, adopt the standard spelling.

f. Punctuation. To keep the SOW clear, use simple, short, and concise sentences, so that only the minimum punctuation is needed. A well planned word order will require a minimum of punctuation. A rule for the analyst should be: When extreme punctuation is necessary, rewrite the sentence.

g. Abbreviations. For the analyst, abbreviations serve as a form of shorthand. Abbreviations can make complex terms easy and precise. However, many misunderstandings also arise from the use of abbreviations because the reader is not always familiar with them. The first time an abbreviation is used in text, show it in parenthesis immediately after the spelled-out word Or phrase. This readily defines the abbreviation for further use.

h. Sentences. Sentences in a SOW are often spiced with legal phraseology and high sounding words. This type of writing is difficult to read and understand. Clarity is the analyst’s overriding concern. The analyst must try to construct logical sentences that which are exact and concise. It is better to eliminate a long and involved sentence by rearranging it into two or three short, simple sentences limited to a single idea or thought. Good writing of any type is dependent upon natural order. The word order of a sentence tells the reader the function of each word in the sentence. The simple sentences one strives for in a SOW are based on the traditional order of Subject-verb-complement or object.

i. Paragraphs. Use a paragraph to state a single idea and elaborate on it. Even though it may appear anywhere in the paragraph, it is best to state the idea (topic sentence) at the beginning, so that the reader can grasp it immediately. The topic sentence, then, is the framework to which other sentences are added to develop and support the original

idea. The ideal length of a paragraph will vary; however, it is generally accepted that the maximum should be from 80 to 100 words.

3-5. Data Submissions. Service contracts often require the contractor to submit data, forms, and other reports. These requirements are included as an exhibit to the statement of work. Use a DO Form 1423, Contract Data Requirements List to list them. Include the description of a data item on DD Form 1664, Data Item Description (see examples in figures 3-2 and 3-3). Other agencies must use their forms that are equivalent to the DD Forms 1423 and 1664.

ATCH NO 1 TO EXHIBIT 11

TO CONTRACT/PR

CONTRACT DATA REQUIREMENTS LIST

CATEGORY

SYSTEM/ITEM Vehicle Operations and Maintenance

CONTRACTOR

SEQUENCE NUMBER	TITLE OR DESCRIPTION OF DATA	TECHNICAL OFFICE	FREQUENCY	DATE OF 1ST SUBMISSION	DISTRIBUTION AND ADDRESSEES
0001	Contractor's Quality Control Program	Chief of Transport.	ONE/R	See 16	Base Contracting Office 1/0; Chief of T/O Transport. TOTAL 2/0
U-VOM-1	F-1, para 1.3	DS		Revisions as req.	
0002	List of On-call Drivers	Chief of Transport.	ONE/R	Contract Start	ONE 1/0; Base Command Post 1/0 TOTAL 2/0
U-VOM-2	F-6, para 5.1.1.2.6	DS		Revisions as required	
0003	Monthly Statistical Report	Chief of Transport.	MTHLY	30 DAC	ONE 1/0 TOTAL 1/0
U-VOM-3	F-5, para 5.3.2	DS	*See 16	NLT 5th workday after end of each month	

REMARKS

*12. Basic version submitted at Preaward Survey. Updated version adapted to specific contract submitted on contract start date.

*11. Submitted by 5th workday after end of each month. Current as of the end of the month.

PREPARED BY V. Straus DATE 1 May 79 APPROVED BY Adam Michaels DATE 16 May 79

DD FORM 1423 PREVIOUS EDITION WILL BE USED. PAGE 1 OF 1 PAGES

Figure 3-2. Contract Data Requirements List.

DATA ITEM DESCRIPTION	2. IDENTIFICATION NUMBER	
	AGENCY	NUMBER
1. TITLE List of On-Call Drivers - Vehicle Recovery Service	USAF	U-VOM-2
3. DESCRIPTION/PURPOSE This list provides the names of individuals who can be reached on a 24 hours a day, 7 days a week basis.	4. APPROVAL DATE 16 May 1979	
	5. OFFICE OF PRIMARY RESPONSIBILITY HQ USAF/LETN	
	6. DDC REQUIRED No	
	7. APPROVAL LIMITATION N/A	
8. APPLICATION/INTERRELATIONSHIP The list will be used by the Base Command Post in the event that vehicle recovery service is needed after normal duty hours.	9. REPLACES (DESIGNATION OF ITEM REPLACED) N/A	
	10. DISTRIBUTION N/A	

10. PREPARATION INSTRUCTIONS

Prepare list as follows:

Name	Phone Number	Address

DD FORM 1664

PAGE ____ OF ____ PAGES

Figure 3-3. Data Item Description.

Figure 3-3. Data Item Description.

CHAPTER 4

THE SURVEILLANCE PLAN

4-1. Basic Approach. This chapter describes the major contents of a surveillance plan. There are three key ideas that are the basis for a surveillance plan.

a. Management By Exception. Quality assurance relates to the output service provided by the contractor. As pointed out earlier, the output service can result either from a contractor-developed procedure or from an government specified procedure. When the procedure is specified by the government, compliance with the procedure is the desired output service.

(1) When the output is based on a contractor developed procedure, the procedures are only looked at on a by-exception basis; that is, satisfactory performance of the output service as specified in the contract normally indicates that the contractor is using satisfactory procedures. The government should be concerned only when services are not adequately performed.

(2) In this case, the inspector looks beyond the level of services provided only to determine if the problem is caused by the government or the contractor. If government provided items to the contractor's operation (such as, parts, equipment, or facilities) are at fault, action must be taken through government channels to correct the problem. No action will be required of the contractor. When the problem is the contractor's fault, the contractor is told to take corrective action.

b. Performance Indicator. The level of contractor provided services is monitored by checking the performance values in the statement of work (SOW). As described in chapter 2, a performance value is a feature of the service that can be measured by a number. For example, two important performance values in vehicle maintenance and vehicle operations are vehicle out-of-commission (VOC) rate and taxi response time.

c. Problem Location. When performance values show that the service is not adequately performed, the QAE uses decision tables to locate the problem. The tables provide a logical sequence to find the problem cause. Basically, they are a set of pointers which should find the problem's source in a step-by-step fashion. The construction and use of decision tables are described in paragraph 4-4b.

4-2. Surveillance Information Sources. There are four principal sources of information for surveillance: management information systems, random sampling, checklists, and formal customer complaints. The following sections describe the information sources in detail.

J

a. Management Information Systems. In a few instances, an existing management information system (MIS) may be available as a means of surveillance. When a MTS is available, as in the case of the Air Force's vehicle integrated management system (VIMS) in the vehicle maintenance area, it can collect information on performance values which can be used instead of random sampling data.

(1) Management information systems usually collect information for 100 percent of the activities for a specified period of time. This information can be compared to a contract standard. On the basis of this comparison, performance can be budged and the performance for the specified period accepted or rejected.

(2) For example, the vehicle out-of-commission (VOC) rate is computed every month by the VIMS. A simple comparison of the VOC rate with the maximum acceptable VOC in the SOW explains a great deal about the level of maintenance service supporting the base vehicles and organizations.

(3) By way of caution, however, one must check the data input into a MIS if the system is maintained by the contractor. If one is going to use a MIS to check the contractor, make sure the MIS contains reliable data.

b. Random Sampling. The est frequently used way of service contract surveillance is random sampling. Services are sampled by the QAE to determine if the contractor's level of performance is acceptable. Acceptance sampling is done, basically, to determine a course of action: that is, whether to accept or reject the contractor's level of performance during a given period of time. If it rejects performance, certain actions are started. If it accepts performance, no action is taken.

(1) The basis for doing random sampling is MIL-STD-105D, Sampling Procedures and Tables for Inspection by Attributes which is widely understood and used by both the government and contractors. It is based on the concept of an attribute. An attribute is a feature of a service which either does, or does not, match a standard (for example, a taxi is on time or it is not on time).

(2) When sampling by attributes, a certain number of observations will match the standards and the remaining number will not match. Therefore, attribute sampling is useful for describing how a job is done, in terms of defects per hundred observations, or percent defective. Using this concept, sampling for a performance indicator can be developed by proceeding through a number of formal steps based on MIL-STD-105D. The use of these concepts is described in paragraph 4-3, Sampling Plan.

c. Surveillance Checklists. Checklists are also used to check contract performance. They must be used sparingly, however. The use of the MIS and random sampling are preferred information sources. Checklists help in surveillance of contract requirements that happen infrequently. (For example, if a contractor is required to perform a service once a month, this service would be included on a checklist.) Any service that is not provided on a daily basis should be considered for inclusion on a checklist unless a MIS can be used to determine the quality of the service.

d. Formal Customer Complaints. Even the best surveillance plan will not allow the QAE to check all aspects of the contractor’s performance.

(1) Formal customer complaints are a means of documenting certain kinds of service problems. The way to get and document customer complaints needs to be carefully planned by the persons checking the service contract.

(2) Customer complaints are not truly random. They are seldom used to reject a service or deduct money from the contractor.

(3) When random sampling is the chosen method of surveilance, a customer complaint cannot be used to satisfy a random observation. However, it can be used as further evidence of unsatisfactory performance if random sampling shows that the specific service is unsatisfactory. These complaints can be used to decide if action other than a deduction should be taken.

(a) Getting Customer Complaints. An aggressive customer complaint program, once established, needs to be briefed to every organi:ation that receives the contractor’s services. An operating instruction should be given to each organization outlining the customer complaint program, the format and the content of a formal customer complaint, and the action which can be expected from those assigned to watching and managing the service contract.

(b) Documenting the Customer Complaint. Normally, each customer complaint is brought, either in person or by telephone, to the person checking contract performance. Enter information about the complaint into a Customer Complaint Record, similar to the sample shown in figure 4-1. The record contains the following information:

1 Date and time of complaint.

2 Source of complaint - organization and individual.

3 Nature of complaint (narrative description).

4 Contract reference of complaint related services.

5 Valid complaint (Yes or No).

6 Date contractor informed of complaint.

7 Action taken by contractor.

8 Signature of the person receiving and validating the complaint.

4.3. Sampling Plan. As a rule, a plan contains information on the acceptable quality level, lot size, sample size, and rejection level. It states the number of units from each lot to be inspected (that is, the sample size). It also states the criteria for determining the acceptability of the lot (acceptance and rejection numbers). This information is used to build the sampling guide which are the major products in a surveillance plan for a service contract.

a. Beginning the Plan. To begin building a sampling plan, go to the Performance Requirements Summary developed during the "Write Statement of Work" step, chapter 3, figure 3-1.

(1) This chart contains the required services, the standards, and acceptable quality levels. At this time decide how the services will be checked (what information source or method of surveillance will be used).

(2) Show these decisions on the chart. For each service where random sampling is used, complete the steps described below.

CUSTOMER COMPLAINT RECORD
Date and Time of Complaint: 21 Jan 1979 / :1005
Source of Complaint Organization: 382 Bomb Wing/LGC Individual: Capt John Murry
Nature of Complaint:Called wrecker and it did not arrive until 3 hours after the request.
Contract Reference: F-5, para 5.1.1.2.5 and Performance Requirements Summary.
Validation: Contract requires a 1 hour response time. Complaint is valid.
Date and Time Contractor Informed of Complaint: 21 Jan 79/:1030
Action Taken by Contractor: Contractor had a person out sick and did not have a back up driver. He has now developed a roster of back up drivers who can operate a wrecker.
Received and Validated By: H. Smyth/QAE

Figure 4-1. Customer Complaint Record.

b. Deciding on the Acceptable Quality Level (AQL). The AQL is the highest number of defects per hundred, highest percent defective or highest number of defects that can be allowed for any service performance indicator. There are only a limited number of AQLs listed in MIL-STD-105D but, in virtually all cases, one will be close enough to control the contractor’s level of service.

(1) The first step in designing a sampling plan under MIL-STD-105D is the selection of a realistic AQL. No

service can be perfectly performed. The AQLs placed on the Performance Requirements Summary in figure 3-1, must be adjusted at this time.

(2) Find the closest AQL from figure 4-2 and use it to replace the original AQL on the Performance Requirement Summary. For example, the AQL for taxi service might have been 5 percent. This would be-changed to 4 percent or 6.5 percent since 5 percent does not appear in the figure.

c. Determining the Lot Size. To determine the sample size, the lot size must be known. The lot is how often the contractor provides the service in a period of time.

(1) To determine the lot size, estimate (or count) the frequency of the service to be sampled, during the period it is to be sampled. Thus, if scheduled bus service timeliness is the service being sampled, and a sample is taken each month, the lot size is the number of times that are available during the month to observe bus timeliness. In this case, it would be the number of times the buses go around all the routes each day, multiplied by the number of days in each month on which the bus routes operate.

(2) In the case of workorders, the monthly lot size can be estimated from historical information on file. The projected workload data gathered in chapter 2 is used to help determine lot sides.

d. Determining the Sample Size. Use figure 4-3 to identify an appropriate sample size for a given lot size.

(1) Use the normal sample size column unless there is a limited number of QAEs or unless the cost of an inspection suggests the use of the medium or small sample size column.

(2) Use the medium or small sample size, if inspections for a particular service are lengthy or hinder the contractor’s ability to provide service to customers.

Allowable Acceptable Quality Levels	
0.010 %	1.0 %
0.015 %	1.5 %
0.025 %	2.5 %

0.040 %	4.0 %
0.065 %	6.5 %
0.10 %	10. %
0.15 %	15. %
0.25 %	25. %
0.40 %	40. %
0.65 %	65. %

Figure 4.2. List of MIL-STD-105D Acceptable Quality Levels.

Lot Size	Normal Sample Size	Medium Sample Size	Small Sample Size
2-8	2	2	2
9-15	3	2	2
16-25	5	3	3
26-50	8	5	5
51-90	13	5	5
91-150	20	8	8
151-280	32	13	13
281-500	50	20	13
501-1,200	80	32	20
1,201-3,200	125	50	32
3,201-10,000	200	80	32
10,001-35,000	315	125	50
35,001-150,000	500	200	80
150,001 500,000	800	315	80

500,000 and over	1250	500	125

Figure 4.3 Sample Size.

e. Selecting the Rejection Level. Use MIL-STD-105D to identify the acceptance and rejection level for the sample size (see figure 4.4). To use the figure1 begin with the known values for the AQL and the sample size.

(1) Find the selected sample size (in the sample size column) and read across that line to the column for the selected AQL. At that point there will either be two numbers or an arrow pointing up or down.

(2) If there is an arrow, follow the direction of the arrow until it leads to a pair of numbers. Of the two numbers at the intersection or at the end of the arrow, the number on the left (Ac or accept) indicates the maximum number of defects which can occur in a sample and still permit the total group or lot to be judged acceptable.

(3) When there is no accept of reject number for a given sample size and AQL, following the arrow will also cause a change in sample size. For example, with an AQL of 1.5 and a sample size of 20, the sample size would become 32.

(4) The number on the right (Re or reject) indicates the minimum number of defects that occur in a sample which causes the total group or lot to be judged unacceptable. For example, suppose the sample size is determined to be 32 and the AQL has been set at 6.5 defects per hundred. Find the number 32 in the sample size column and read across that line until the AQL column for 6.5 has been reached. The two numbers at that intersection are 5 and 6.

(a) In other words, the number on the left, 5, is the number of defects which can be found in a sample and still permit acceptance of the lot.

(b) The number 6, to the right of 5, is the smallest number of defects needed to declare the lot unacceptable and subject to further check, using the decision tables.

4.4. Developing the Sampling Method. The final thing to be decided in sampling is how the sample will be drawn. The objective in the method is to insure that the sample is

random (that is, that all services have an equal chance of being selected). To achieve random selection, use a random number table, as explained in the following examples (see attachment 1 for the whole table). Most items will fall into one of these examples.

Single sampling plans for normal inspection

| Sample size code letter | Sample size | Acceptable Quality Levels (normal inspection) | | |

a. Use Of The Random Number Table. The random numbers in figure 4-5 are arranged in groups of five numbers (51259, 77452, and so on).

(1) To use the table, begin by picking at random a group of numbers on any page of the table. This is usually done by closing the eyes and pointing with a pencil or finger to some initial group.

(2) To identify additional random numbers, follow a pattern. Go along a given line to its end and then along the next line to its end and so on through the table until enough numbers have been selected or until the table ends.

(3) If the table ends and there are still more numbers to select, go back to the beginning of the table and continue using the same pattern. Use various patterns alternately; for example, use lines for one sample, use columns for the next sample, and use a diagonal pattern for the third sample.

b. How To Use the Random Number Table To Identify a Random Sample of Consecutively Numbered Workorders. Suppose one has to identify a random sample of 3 workorders for inspection. This can be done at the beginning of the month (before the workorders are written) or at the end of the month (to select workorders already on file).

(1) If there are, or might be, 200 workorders to select from, then one begins by listing the lowest workorder number (known or projected). This could be # 001 or possibly #743, for example.

(a) List the highest workorder number (known or projected); in this case, it could be #200 or #943. With these boundaries now enter the random number table to the first group of numbers. For this example, use workorders numbered #743 to #943.

(b) If the last three digits in the first group of random numbers is not between 743 and 943, discard that group of numbers and go to the next group.

(2) Again, using figure 4-5, if one starts at the initial 77452, disregard the two numbers to the left of the three significant digits, or in this case, 77. The remaining number is 452. Since this is not between 743 and 943, go to the next group in the same line which is 16308, again, discard the leftmost two numbers, and the number is 308. This is again too low.

Page 1

Line \ Col	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1	10480	15011	01536	02011	81647	91646	69179	14194	62590	36207	20969	99570	91291	90700
2	22368	46573	25595	85393	30995	89198	27982	53402	93965	34095	52666	19174	39615	99505
3	24130	48360	22527	97265	76393	64809	15179	24830	49340	32081	30680	19655	63348	50629
4	42167	93093	06243	61680	07856	16376	39440	53537	71341	57004	00849	74917	97758	16379
5	37570	39975	81837	18656	06121	91782	60468	81305	49684	60672	14110	08027	01263	54613
6	77921	06907	11008	42751	27754	53498	19602	70659	90655	15053	21916	81965	44394	42580
7	99562	72905	56420	69994	96872	31016	71194	38738	44813	48840	63253	21069	10634	12952
8	96301	91977	05463	07972	18876	20922	94595	54069	49014	60045	18425	84903	42908	32307
9	89579	14342	63661	10301	17453	18103	57740	84378	25331	12566	50678	64947	05185	54941
10	85475	36657	53342	53998	53060	59533	38867	42304	00158	17985	12639	11458	18593	64952
11	28918	69578	88231	33276	70997	79936	56865	05859	90106	31595	01547	85300	81610	78188
12	63553	40961	48235	03427	49626	69445	18663	72405	52180	20847	12234	90511	33703	90322
13	09429	93879	52636	92737	88974	33488	36320	17617	30015	08272	84115	27156	30613	74952
14	10363	61199	67529	85689	48237	52867	67889	93394	01511	26158	05104	70285	29975	89648
15	07119	97336	71048	08178	77233	13914	47544	81454	97735	85977	89372	74461	88551	90707
16	31095	12741	81821	31359	83452	14308	49154	92147	48447	03900	49060	43220	73801	60718
17	83848	31285	52409	60260	48340	17885	35122	44819	01188	65955	47431	41919	85944	55157
18	01011	54092	33342	94904	51211	04144	48139	20412	71585	88030	51132	01915	92747	64931
19	59142	33916	46349	85904	29148	14513	81149	98719	33483	64350	84738	17759	31154	35749
20	07056	97626	35747	09998	47898	06493	74988	13602	61851	44104	88914	19509	25625	58104
21	48663	91245	85828	14346	09572	30168	90229	84734	59193	92170	10421	61464	99904	32818
22	54164	58492	22421	74153	47070	25304	76468	26384	58151	06554	21124	15327	94989	44592
23	37639	32363	05597	84288	11343	38005	94342	88778	35806	06918	17813	44141	18296	22451
24	29334	27001	87437	87300	36731	00256	45834	15398	46537	41135	10367	07484	36188	18510
25	02480	33062	28834	07351	19731	92420	60952	61280	50001	67658	32584	86679	50728	94953
26	81525	72295	04839	96423	24878	82651	66344	14778	74797	14786	13384	87074	79664	95725
27	29676	20591	68086	26432	44901	20849	89760	81536	06445	12639	92259	57102	88428	25280
28	00742	57392	39044	26432	84473	40027	32832	41362	98941	96067	64760	84584	96096	98253
29	05364	04313	21649	26432	44407	44048	37937	63904	43746	44134	73470	64328	34693	90449
30	91921	26458	64117	94305	26746	25940	39972	32269	71580	44568	91408	42416	07844	49418
31	00502	04711	97917	77341	42206	35124	74987	99547	81817	42607	43808	76456	42828	76630
32	00783	49084	62797	56178	86324	68772	76222	26068	84637	93161	76038	65855	77919	88006
33	69011	65795	95876	55393	18988	27354	26575	08625	40861	59220	29841	80150	12777	48501
34	25974	37949	29888	88404	67817	48708	18912	82271	65424	69774	33611	54283	05943	07547
35	09763	83473	73577	12908	30883	18317	28290	35797	05998	41468	34958	37888	38917	88030
36	91567	42595	27958	30134	84024	86385	29880	99738	55536	84855	29080	09250	79654	73211
37	17955	56349	90999	49127	20844	59931	06115	20542	18059	02600	73708	83517	36103	42791
38	48503	18624	18845	49618	02304	51038	20655	38727	28168	15475	56942	53389	20563	87338
39	93157	89634	94834	70171	84610	82834	09728	39411	66137	46413	25155	21844	35509	20468
40	34377	62765	35608	81863	39847	47358	56873	56387	41367	49618	80456	38103	33440	10863
41	90437	07523	33362	44270	91638	92477	66969	98420	84880	45505	46545	84182	46840	45709
42	34914	63976	88720	82765	34476	17032	87589	40836	32437	70802	76643	44963	77773	49348
43	70060	28237	39475	46473	23219	53416	94770	35832	49978	94804	19641	72828	00182	66794
44	83976	54914	06990	67245	68350	82846	11398	42878	80407	88367	47363	46534	06541	97809
45	76072	29515	40980	07391	58745	25774	22987	80689	39511	96169	41163	14926	88497	54883
46	90735	52210	83974	29992	65831	38857	50490	83765	55453	14341	31720	57375	56882	41546
47	44354	67412	33339	31924	69689	94513	58744	92181	07673	02304	36531	84118	83736	51900
48	08942	00358	31662	25388	61943	14872	81849	35414	84801	60362	46375	45578	78147	81788
49	91013	48579	93524	70765	20598	04542	74463	54388	02340	17947	28645	14777	62738	93377
50	13844	80493	80492	38391	91133	21999	59816	81452	27198	40833	46756	82983	32841	05633

Figure 4-5. How To Use A Random Number Table.

(3) Go to the next number, 60756. The last part of this number, 756, falls within the brackets one is looking for, so workorder 756 is selected tO be sampled. The next random number group is 92144. Since 144 is not within the brackets, move to the next group 49442. Again, 442 is not within the brackets and therefore is not selected to be sampled.

(4) This process would be continued until three workorders are selected.

c. How To Use The Random Number Table To Identify Random Sample From a List. If a number of items need to be sampled that are not consecutively numbered, the simplest solution is to list the identifiers, for all the items in the lot, in a column, on a piece of lined paper.

(1) Next, number the lines consecutively, beginning with the number one hundred. Now use the random number table to draw the sample from the line numbers. A selected line number leads to the identifier located on that line and that identifier tells which item to sample. For example, if one chooses to sample a set of worktorders with attached sales slips, one is not going to have to have a set of consecutively numbered workorders because not every workorder has a sales slip attached.

(2) List the workorders with sales slips in a column, number each line in the column, and randomly select enough line numbers to make up the sample.

d. How To Use The Random Number Table To Identify a Random Sample of Days. Suppose one wants to identify 4 days in the month on which to sample something. The days of the month can be numbered 01 to 31 (or less, as appropriate). Begin in the random number table in figure 4-5 at 77452.

(1) It is best to use a starting point different from the one used in the previous example but for the purpose of this example it is being used again.

(2) One can move down the column from random number group to random number until the first number between 01 and 31 is spotted. In this case, it is 23216 or, using the rule to discard the numbers to the left of the number of digits, simply 16. Thus the 16th day of the month is selected for sampling.

(3) Continuing in this fashion, one discovers that 58731, or simply 31, or the 31st, is the next day for sampling. Proceed in this manner until the four days for sampling have been identified.

(4) If it is not desirable to sample on weekends, discard those days selected that happen to fall on a weekend and continue that selection until the proper number of days has been selected.

e. How To Use the Random Number Table To Identify a Random Sample of Times of Day. If one wants to select random times of day to sample a service such as taxi or bus service, use the 24 hour clock.

(1) If there are any constraints during each 24-hour period, take them into consideration. For example, suppose that base bus service operates between 0700 and 2345. In this case, go through the number table until one finds a group of dour numbers that correspond to an acceptable time between 0700 and 2345. Again, using figure 4-5, and proceeding across the line from the initial number, one comes to 60756 or 0756 hrs as the first random time.

(2) The next random number is 92144 or 2144 hrs. The number is good and so one schedules an observation for 2144 hrs.

(3) Proceed in this manner until the desired number of sample times have been identified.

f. How To Insure Variety in the Use of the Random Number Table. The use of variety in the random number table ensures that detectable patterns do not occur.

(1) Besides starting at different random points and alternating the patterns for finding a string of random numbers, the user may, at some point in time, wish to use the first significant digits instead of the last.

(2) For instance, in the random number group 77452 one has customarily used the last three digits (that is, 452) when looking for a random number with three digits. But there is no reason why one could not for a period of time use the first three digits, or 774.

(3) Success in using the tables requires consistency but also variety. The above information should ensure that the tables are properly used and that the sample is randomly drawn.

4-5. Surveillance Plan Products. Several written documents are included in a surveillance plan:

a. Sampling Guides. A sampling guide is used for surveillance. It is used in a surveillance plan to present

the information needed to sample the Performance of a particular service. Information for the sampling guide is developed while the sampling information is being derived for the sampling plan. The steps involved in developing sampling information are described in paragraph 4.3. As shown in figure 4-6, a sampling guide has these sections:

(1) A statement of the AQL and its meaning in layman's terms.

(2) The lot size for sampling.

(3) The sample size.

(4) A description of the sampling procedure which tells how the service will be sampled.

(5) An explanation of the inspection procedure which tells what will be checked during the inspection of the sample.

(6) Acceptable performance criteria which estates the acceptance and rejection levels.

b. QAE Decision Tables. Once a problem has been discovered, the inspector must turn to a decision table and use the information in that table to aid him in finding the source of the problem. The decision table lists the symptoms of the problem and identifies the possible sources of the problem. Questions are established for each potential source to determine the contributing factors. A decision logic entry is worked up for each required service. As soon as it is considered satisfactory, the information is transferred to the decision table. An example of a decision logic entry is shown as part of a decision table in the sample in figure 4-7.

c. Checklists. There are two main uses for checklists.

(1) Tally Checklists. Tally checklists are used to document all sample observations made during a sampling period. Checklists may be preprinted with any format which contains the following information:

(a) Contract requirements - a statement of the service being inspected.

(b) Date, time, entry for each observation.

(c) Observation identifier of applicable workorder number, bus stop, or sales slip number, meal

period, etc.

VO Sampling Guide #3
Vehicle Condition Monitoring

1. Acceptable Quality Level (AQL):. TO%
In the long run there must be no more than 10 defects per hundred vehicles.

2. Lot Size: ____ vehicles operated by the contractor.

3. Samale Size: ____vehicles operated by the contractor.

4. Sampling Procedure:
At the beginning of the month, list the registration numbers of all contractor operated vehicles on a sheet of ruled paper. Beginning with the number 100, number the lines on the paper to correspond with the vehicle registration numbers. Using the random number table select line numbers equal to the sample size. The vehicle registration numbers an these lines indicate the vehicles to be sampled during the month. Schedule the inspections evenly over the month.

5. Inspection Procedure:
Inspect the veflicles using vehicle/equipment discrepancy and maintenance report as a guide (see AFM 77.310, Vol II, Chap 6). Record defect per vehicle for each of the inspected vehicles. Any defects found not already noted by the contractor shall cause the observation to be recorded as unsatisfactory.

6. Performance Criteria:

a. Perfomance is acceptable when ____ or less defective vehicles are discovered per month.

b. Performance is unacceptable when ____ or more defective vehicles are discovered during a month.

7. Phase-In Period: During the first two months of the contract the following AQL's (paragraph 1) and performance criteria (paragraph 6) apply:

a. AQL: 15%

b. Performance is acceptable if ____ or fewer defects are discovered per month.

c. Performance is unacceptable if ____ or more defects are discovered per month.

Figure 4-6. Sampling Guide.

IF THE CONTRACTOR'S DEFICIENCY IS:	PROBABLE CAUSE FACTORS/ IMPACTING CONDITIONS ARE:	WHICH COULD RESULT FROM:	SUGGESTED REVIEW PROCEDURES AND/OR PREVENTIVE MEASURES IS/ARE:
Vehicle out of commission hours too high	High vehicle down for maintenance hours (VDM)	Poor control over work documentation	Review PCNs N310032, N310030, or N310031 for individual vehicles reflecting VDM hours in excess of the reporting period available hours. If this condition exists, it is usually found that two or more work orders were in "open" status for the same vehicle at the same time. Normally results from failure to ensure "close" of a particular work order, and not reviewing the PCN N310018, Work Order Master File Status Report previous to initiating a new work order. (Frequently noted when two or more work orders were required to satisfy contract maintenance work requirements). Are changes from VDM to VDP status accomplished in a timely manner?
		Insufficient manning	Review PCN N310032 for individual vehicle data reflecting a very low ratio of direct labor compared to VDM hours accrued. One prime indicator of this problem prevailing is when "Estimated Times in Commission" (ETIC), is constantly slipped. (When work is hardly ever completed within time-frame allotted by labor hour estimates).
		Improper control over work flow	Determine the appropriateness of workflow prioritizing and the disruptive effect caused by over-reacting to unrealistic application of priorities, such as shifting technicians from one vehicle to another, shuffling vehicles from one location to another for shop spaces, etc.

Figure 4-7. QAE Decision Table.

(d) Result of observation - either satisfactory or defective.

(e) Any pertinent comment for an observation. An example of a checklist for sampling is shown in figure 4-8.

(2) Surveilla:ce Activity Checklists. When a specific service or procedure occurs rarely or is not important enough to survey on a continuing basis, use a Surveillance Activity Oiecklist. This type of checklist must be prepared and included in the surveillance plan. An example of this kind of checklist is shown in figure 4-9.

4-6. Contract Administrator's Plan. The contract administrator has an obligation to see how well the QAE is doing the job. The contract administrator must also make some independent checks of contractor performance, preferably by using the same techniques that go into the design of the QA surveillance plan. (This plan is completed at the same time as the surveillance plan.) As a minimum this plan must call for a quarterly review of the QAE's use of sampling guides and an annual review of surveillance activity checklist items.

Vehicle Operations Sampling Guide #3

Vehicle Condition Monitoring

Registration Number	Date	Time	Satisfactory	Un-satisfactory	
B 7305	2 Oct	1530	X		

B 9763	2 Oct	1540		X	Hood latch KLG
B 8764	2 Oct	1545	X		
B 0010	5 Oct	0900	X		
B 8764	5 Oct	0915	X		
B 7707	5 Oct	1345	X		
B 7706	5 Oct	1400	X		
B 9654	8 Oct	1000	X		
B 8752	8 Oct	1025		X	Door hanle KLG
B 3103	8 Oct	1045	X		
B2758	8 Oct	1600	X		

Figure 4-8. Sample Tally Checklist.

FIGURE 4-9.

VEHICLE AUTHORIZATION UTILIZATION BOARD (VAUB)

SURVEILLANCE ACTIVITY CHECKLIST

(To be performed (Daily) (Monthly) (Weekly), etc.)

CONTRACT REQUIREMENT	CONTRACT PARAGRAPH NO	METHOD OF SURVEILLANCE	DATE ACCOMPLISHED	WHERE ACCOMPLISHED	COMPLIANCE
The contractor is required to hold a Vehicle Authorization Utilization Board (VAUB) quarterly.	F-5 5.1.2.3	The contractor should have in his possession a copy of the VAUB minutes. There is no specific format for these minutes in AFM 77-310 but should conform to the standard format in AFR 10-1. Minutes should adequately describe and document actions taken by VAUB.			
The contractor is required to develop a vehicle priority list for VAUB approval.	F-5 5.1.2.3.5	Verify approved priority list. It should have the board president's signature and date.			

CHAPTER 5

DOING SURVEILLANCE

5-1. Surveillance Methods. This chapter tells how to do surveillance once the plan is written. It tells how to build a monthly schedule, how to use the surveillance plan, and what to do when there is poor contractor performance. This chapter applies to Quality Assurance Evaluators (QAEs) and contract administrators.

5-2. Building A Schedule. A surveillance plan is organized to facilitate use by the QAE. The QAE is responsible for developing a monthly schedule for activities, based on the surveillance plan's requirements. Complete the Quality Assurance Evaluator Schedule by the last workday of the preceding month and send a copy to the contract administrator and the functional area chief for their information and review. Each QAE builds a schedule by filling in the blocks on the schedule. Specific instructions for filling out the schedule are provided below.

a. Quality Assurance Evaluator Schedule. An example of surveillance schedule is show in figure 5-1. The left-hand side of the schedule divides the sheet into days of the week. This example shows only a 7-day schedule. The QAE must make up enough sheets to include each day of the month. Along the top of the schedule, insert the items to be checked during the month. Along the bottom of the schedule, indicate the number of observations to be made during the month (that is, how often a MIS is checked, how many samples will be taken, how often a surveillance checklist will be used).

b. Filling In And Updating the Schedule. To fill in the inspection schedule, the QAE refers to the sampling guide for each service being monitored. The sampling guide is used with the random number table to determine the inspections (observations) to be made during the month (see chapter 4, paragraph 4-4).

(1) Contract surveillance must cover all hours of operation. Random observations are scheduled at night, on weekends and holidays when services are performed during these periods. Areas that are monitored on a set schedule (for example, VIMS standards and analysis reports) are included in the monthly schedule. This monthly schedule shows where and what the QAE is monitoring at all times.

QAE Surveillance Schedule

Week of: 1 thru 7 Jan 78

Day	VO Sampling Guide #1	VO Sampling Guide #2	VO Sampling Guide #3	VM Sampling Guide #1	VM Sampling Guide #2	RA Sampling Guide #1	RA Sampling Guide #2	Check AF Forms 15
1 Jun		:2215#9 :2345#54	B7125 B6704	7328 7340 7345				
2 Jun		:0715#63 :0815#2	B4392 B8763	7350 7370 7400	:0900			
3 Jun			LEAVE					
4 Jun	:0915 :0956	:0900#4 :0915#59 :1002#64 :1023#81	B9763 B8794 B1001					
5 Jun	:1101				:1305			X
6 Jun	:0710 :1022 :1303							
7 Jun								
Week Total	6	8	7	6	2			
Month Total	20	32	32	32	5	50		

Figure 5-1. QAE Surveillance Schedule.

"For Official Use Only"

(2) Post any changes to the schedule weekly and send copies to the contract administrator and to the functional area chief. Document and explain the reasons for each change. Actual surveillance activity recorded on the surveillance checklist must be comparable to the monthly schedule.

(3) As updated, one must be able to conduct a complete audit trail from the monthly schedule, to observing the QAE perform sampling, to completion of the surveillance checklist.

(a) There must also be a correlation between contractor performance versus standards, AQLs, checklists and actions taken by the contract administrator. The sample in figure 5-1 shows the schedule for one week. The QAE completes the blank forms, indicating week of (Monday through Sunday), and enters the time1 observation, and check (if pertaining to a checklist), in the blocks corresponding to the item and day.

(b) After it is completed and filled in, this form is "FOR OFFICIAL USE ONLY" and must not be shown to the contractor.

5-3. Doing Surveillance. Doing surveillance involves using the surveillance plan called for in the monthly schedule. Use the following procedure to record observations and take action when the contractor’s defects exceed the allowable number.

a. Recording Observations. Monthly tally and surveillance checklists are used for each sampling guide and less frequently checked services. They are used to tally information on scheduled observations and defects noted. Each observation in the sample is recorded on the checklists, and the documents then become a formal government record for later reference.

(1) When random sampling guides are used, the tally of observations and defects at the end of each month are compared to the acceptable number of defects appearing in the sampling guide.

(2) The contractor is told each time an error is found during scheduled observations and asked to initial the observation recorded on the checklist.

(3) Errors found in services not scheduled for observation should be brought to the contractor’s attention but not used to count as a defect for determining if the AQL has been met.

(4) Checks done with a surveillance activity checklist are likewise recorded.

b. Potential Unsatisfactory Performance. If the sampling guide or surveillance activity checklist indicates that the number of defects is too high, the QAE goes to the decision table for that service indicator.

(1) The QAE must locate the specifIc service that is unsatisfactory. The table will identify the possible causes of the unsatisfactory performance and list a number of questions which, if answered, will probably pinpoint the source of the problem.

(2) The decision table helps the QAE identify the problem so that, among other things, a meaningful evaluation can be made of the contractor's explanation and corrective action. For example, if the contract specifies a maximum out-of-commission rate for vehicles of 8 percent, and the rate was 10 percent, examination may reveal the excess was caused by excessive vehicle down for parts (VDP). This could have been caused by the government's inability to provide timely parts support.

(3) In such a situation, the contractor may not be at fault. If, on the other hand, the excessive VDP was created because the contractor ordered the parts on a routine priority rather than priority, it might be the contractor's fault. The decision tables will assist the QAE in making such a determination.

c. Documenting Unsatisfactory Performance. If performance in any area is judged unsatisfactory, the contractor is required to respond to a Contract Discrepancy Report (CDR). See sample in Figure 5-2.

(1) The QAE prepares the form and sends it to the contracting officer, who signs and sends it to the contractor.

(2) When completed and signed, the report, along with the tally checklist or surveillance activity checklist become the documentation supporting payment, nonpayment, or other necessary action.

5-4. Taking Action. The QAE may check the contractor's performance and document any non-compliance, but only the contracting officer :nay take formal action against the contractor for unsatisfactory performance.

CONTRACT DISCREPANCY REPORT

1. CONTRACT NUMBER
F12345-79-98765

2. TO: (Contractor and Manager name)	3. FROM: (Name of QAE)
Vehicles Inc. - Mr. Travis	Mr. Smyth

DATES

PREPARED	GOAL NOTIFICATION		RETURNED BY CONTR	ACTION EFFECTIVE
1 Sept 79	1 Sept 79		5 Sept 79	10 Sept 79

4. DISCREPANCY OR PROBLEM (Describe in detail, include reference to SOW/Specifications, attach continuation sheet if necessary.)

Reference the performance requirements summary Exhibit 12. The contract requires that taxi service meet a four minute response time with an acceptable quality level of 15%. Random observations indicate that this standard was not met. In a sample of 20 dispatches, 40 pickups exceeded the standard..

5. SIGNATURE OF Contracting Officer — Clara Dubing

6. TO: (Contracting Officer) | FROM: (Contractor)

10. CONTRACTOR RESPONSE AS TO CAUSE, CORRECTIVE ACTION AND ACTIONS TO PREVENT RECURRENCE: ATTACH CONTINUATION SHEET IF NECESSARY. (Cite applicable Q.A. program procedures or new Q.A. procedures.)

During August, there was a limited number of drivers and vehicles available due to sickness and maintenance. I will initiate short morning coordination meetings each day at 7:30 a.m. so that maintenance and operations personnel can assure that enough drivers and vehicles are available for daily activities.

11. SIGNATURE OF CONTRACTOR REPRESENTATIVE — John W. Travis | DATE 5 Sept 1979

12. GOVERNMENT EVALUATION (Acceptance, partial acceptance, rejection, attach continuation sheet if necessary.)

The proposed corrective action and explanations are acceptable.

13. GOVERNMENT ACTIONS (Proposed deduction, cure notice, show cause, other.)

The contractor's actions should prevent further recurrence. A deduction of $6750 will be made from the August invoice computed as follows:

Monthly Cost - $90,000	
Deduct Percentage	15%
Percent of Sample Defective	50%
Deduction	$6750

If this recurs next month a deduction will be taken plus a cure notice will be issued.

CLOSE OUT

	Name - Title	Signature	Date
CONTRACTOR NOTIFIED	Mr. Travis - Manager	N/A	11 Sep 79
QAE	Mr. Smyth	Hamm Smyth	10 Sep 79
ACO	Mrs. Dubing	Clara Dubing	10 Sep 79

Figure 5-2. Contract Discrepanct Report.

a. Ground rules. This section lists the normal steps to be taken by contract administration when the QAE reports these deficiencies. The actions listed are not hard-and-fast rules, and are a minimum. More serious action can be taken sooner.

(1) When the contractor's performance is unsatisfactory as defined in the surveillance plan and a formal action is indicated, the QAE, the functional area chief, and the contract administrator meet to determine what action is appropriate for the specific circumstances.

(2) If a decision is reached not to take a monetary deduction, the reasons are documented. The contracting officer must indicate agreement with the decision by signing the contract discrepancy report or other decision documentation.

b. Actions. Following are the actions normally taken when poor performance is found.

(1) As a rule, the QAE tells the contractor's site manager, in person, when discrepancies occur and asks the contractor to correct the problem. The QAE makes a notation on the tally or surveillance checklist, of the date and time the deficiency was discovered, and has a contractor representative initial the entry on the checklist.

(2) If the number of discrepancies found exceeds the level for satisfactory performance, the QAE uses the decision tables in the surveillance plan to determine the cause(s).

(a) If the government created any of the discrepancies, these are not to be counted against the contractor's performance.

(b) When the government has caused the contractor to perform in an unsatisfactory manner, the QAE prepares a lotter to be sent to the responsible organization requesting corrective action be taken. The QAE sends it to the organization through the contracting officer.

(3) When the contractor is responsible for exceeding the limits of satisfactory performance, the contracting officer issues a contract discrepancy report (CDR) to the contractor (see paragraph 5-3c). If the failure is serious enough, issue the CDR at the time of the unsatisfactory

performance, rather than at the end of the month.

(4) When a CDR is issued for a specific service the contracting office deducts from the month's payment, an amount up to the percentage indicated in the Performance Requirement Summary exhibit of the contract. Do not delay the deduction until the contractor responds to the CDR. If surveillance was done right and the decision tables used, the unsatisfactory performance is clearly the fault of the contractor. For a specific example of a deduction, see paragraph 5-5.

(5) If the contractor does not achieve satisfactory performance in that specific service by the end of the next month, the contracting officer issues another CDR and deducts the appropriate amount from the contractor's payment.

(6) If a third CDR must be issued, consider issuing a cure notice. (However, a cure notice can be issued sooner, if necessary).

(7) Depending on the contractor's overall performance, the government may issue a Show Cause letter if the reply to a cure notice is unsatisfactory; next consider terminating the contract.

5-5. Deductions For Non-Performance. Through the Inspection of Services clause, the government can deduct from a contractor's payment an amount equal to the services not provided.

a. To do this, the contract administrator must know the major cost categories in the contract and the percentage of cost each service output represents. The percentage cost of each service is found in deduct analysis; see chapter 2, paragraph 2-9. An example of how the deduct formula works is shown in figure 5-3.

b. Suppose the bid schedule showed the monthly contract price for vehicle operations, maintenance, and analysis as shown. The percentage cost of the service output is then found by looking at the Performance Requirements Summary Technical Exhibit in the contract statement of work. In the example, the percentage cost of quality of completed work is 10 percent. This is then multiplied by $100,000 to obtain the maximum amount to deduct.

c. If completed work was unsatisfactory during the month (that is, did not meet performance values) and the percent of the sample found bad was 20 percent, $2000 would be deducted from the payment normally due the contractor.

Deduct Formula (Example)

If: Quality of completed work is unsatisfactory

(AQL of 6.5% exceeded)

and: Contract price is $100,000 per month

and: Quality of completed word deduct percentage is 10%

and: Sample size is 50

and: lumber of defects in the sample is 10 (Reject number is 8)

Then: Deduction from the current month's invoice is:

Contract price	=	$100,000
X Deduct percentage	=	.10
		$10,000
X Percent of sample defective		.20
Deduction	=	$ 2,000

Figure 5-3. Deducting for Non-Performance.

d. This amount for quality of completed work is deducted because the contractor failed to provide reliable, uniform services within the assigned performance values. Although some completed work may have met the standard during the month, the acceptable quality level was not met and at least 20 percent of the observations were defective. Hence, the total quality performance requirement has not-been achieved. As a consequence, the service output is unsatisfactory.

5-6. Good Performance. When a contractor's quality control program works, good performance results. If the result of a

QAE's surveillance shows consistently good performance, the amount of surveillance can be decreased.

a. Reduced Inspection. Inspection can be reduced when the following conditions have been met for a sampling guide.

(1) The preceding 4 lots (that is, the last 4 months) have all been acceptable.

(2) The number of defects in each of the preceding 4 lots is less than one half of the acceptance number. For example, with an AQL of 6.5 percent and a sample size of 32, the acceptance number is 5. If two or less defects were found in each of the last 4 lots, reduced inspection could be used.

(3) The normal sample size is being used.

(4) The functional area chief and the contract administrator agree to use reduced inspection.

b. Reduced Sample Size and Acceptance or Rejection Numbers. Reduced inspection decreases the sample size as shown in figure 5-4. In addition, the acceptance and rejection numbers change as shown in figure 5-5. To make the changes to the existing sampling guide, take the following steps.

(1) Make sure that the original sampling guide was using the normal sample size. To determine this, see Chapter 4, figure 4-3 and compare the lot size with the sample size in the sampling guide.

(2) Find the new sample size by using figure 5-4. Take the lot size and find the new reduced sample size.

(3) Using the AQL in the sampling guide and the new reduced sample size, see figure 5-5 for the new acceptance

Lot Size	Normal Sample Size	Reduced Sample Size
2-8	2	2
9-15	3	2
16-25	5	2
26-50	8	3

51-90	13	5
91-150	20	8
151-280	32	13
281-500	50	20
501-1,200	80	32
1,201-3,200	125	50
3,201-10,000	200	80
10,001-35,000	315	125
25,001-150,000	500	200
150,001-500,000	800	315
500,001 and over	1250	500

Figure 5-4. Reduced Sample Size.

Single sampling plans for reduced inspection

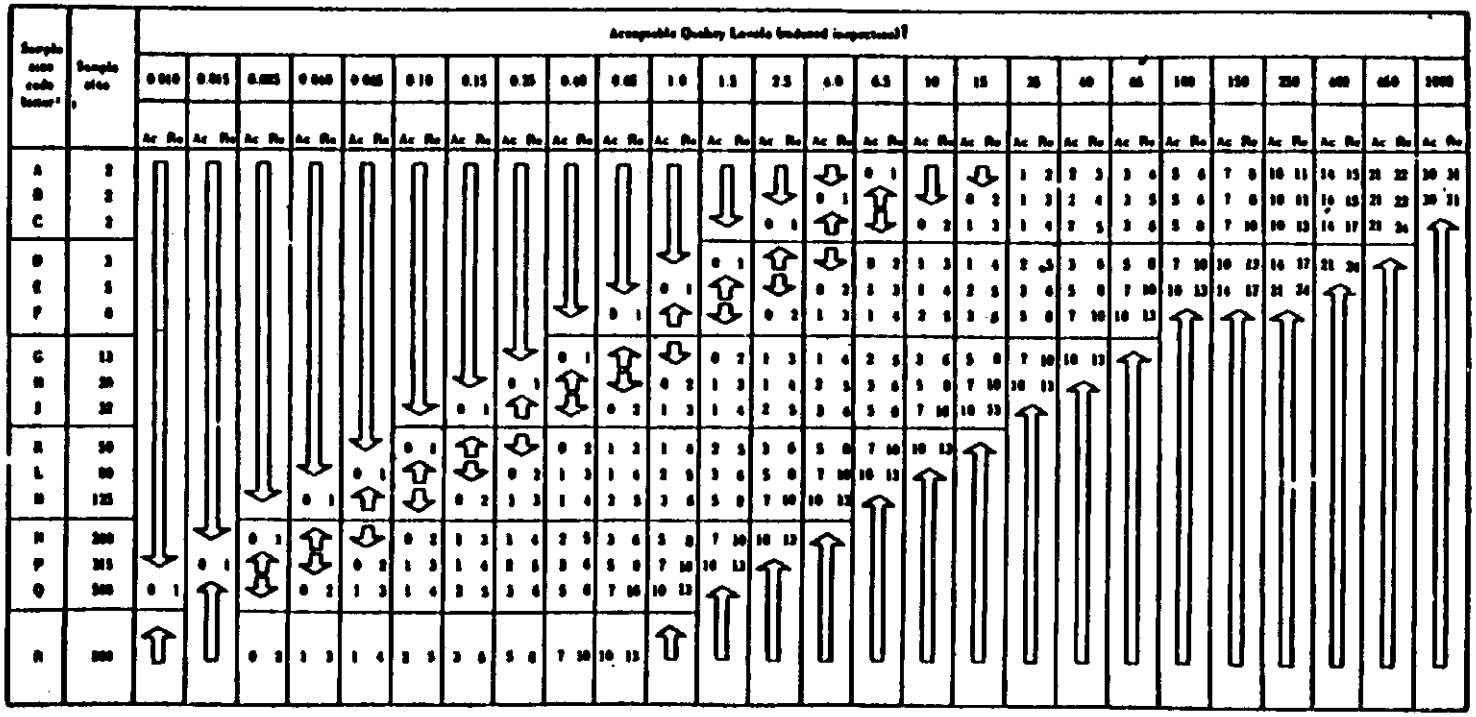

Figure 5-5. MIL-STD-105D Acceptance, Rejection Levels for Reduced Inspection.

and rejection numbers. Note that there is a gap between the acceptance and rejection numbers (for example, sample size 32 and AQL 6.5 percent, accept is 5 and reject is 8). This means that the lot would not be rejected unless 8 defects were found and would be accepted if 5 or less defects were found. However, a number of defects greater than five will be cause for returning to normal inspection (that is, return to the sample size and acceptance and rejection numbers used in the original sampling guide).

c. Returning to Normal Inspection. When reduced inspection is in effect return to normal inspection the next month under the following conditions.

(1) When the number of defects exceeds the acceptance number under reduced sampling or,

(2) The functional area chief and the contract administrator deem it necessary to return to normal inspection.

d. Returning to Reduced Inspection. If during the first month of the return to normal inspection, the number of defects found is again less than 50 percent of the reject level, a return to reduced inspection may be done the next month. If the number of defects found is over 50 percent, then normal sampling must be accomplished until 4 months of less than 50 percent of reject level defects are found.

5-7. Documentation. During the course of the contract the QAE retains a copy of all inspection schedules, tally checklists, and surveillance activity checklists. At the end of the contract period, the QAE forwards these records for inclusion in the contract file. However, when a specific service becomes unsatisfactory during a surveillance period, the inspection documentation supporting the contract discrepancy report is forwarded to the contracting officer no later than 5 working days after the end of the previous performance period.

CHAPTER 6

QUALITY CONTROL AND PREAWARD SURVEYS

6-1. Quality Control Clause. Each standard SOW contains a

contractor quality control clause. This clause provides specific implementation of the standard Inspection of Services clause normally present in service contracts.

a. Contracting officers must pay particular attention to this requirement during the preaward survey and must make sure that the contractor provides a written quality control program prior to the contract start date.

b. To aid contractors in developing a quality control program, the contracting officer must provide the government Quality Assurance (QA) Surveillance plan along with the Invitation for Bids or Request for Proposal.

c. Make sure to mark the QA surveillance plan with the following statement: "For Information Purposes Only. This Quality Assurance surveillance plan is not part of the Request for Proposal or Invitation for Bids nor will it be made part of any resulting contract." Use this statement since the government must retain the right to change or modify inspection methods.

d. An example of a clause is as follows:

Quality Control

a. Quality Control. The contractor shall establish a complete quality control program to assure the requirements of the contract are provided as specified. One copy of the contractor's basic quality control program shall be provided to the Contracting Officer at the preaward survey conference or not later than at the pre-performance conference if a preaward survey is not conducted. An updated copy must be provided the Contracting Officer on contract start date and as changes occur. The program will include, but not be limited to the following:

(1) An inspection system covering all the services stated in the Performance Requirements Summary of the Statement of Work. It must specify areas to be

inspected on either a scheduled or unscheduled basis and the individuals who will do the inspection.

(2) A method of identifying defi-ciencies in the quality of services

performed before the level of performance is unacceptable.

(3) A file of all inspections conducted by the Contractor and the corrective action taken. This documentation shall be made available to the Government during the term of the contract.

b. Quality Assurance. The Government shall monitor the Contractor's performance under this contract using the quality assurance procedures specified in the Performance Requirements Summary of the Statement of Work.

6-2. Preaward Survey (PAS). A SOW and a sound quality assurance surveillance plan go a long way toward making sure that quality results come from a contract. The other essential ingredient is a good contractor. The preaward survey helps the government insure that it awards the contract to a qualified bidder. In other words, the contractor must be responsible as well as having the lowest price (or lowest evaluated price) before the government makes award. The preaward survey is a method to determine responsibility.

6-3. Preaward Survey Clause. Include a clause like the following, but adapted to the specific SOW.

Financial and Technical Ability.

a. If a bid submitted in response to this solicitation is favorably considered, a two part preaward survey may be conducted to determine the bidders ability to perform. Part One will be conducted by (Insert name of office) who may contact you to determine your financial capability to perform. Current financial statements and pertinent data should be available at that time. Part Two of the survey

will be conducted at (Name Location) shortly after bid opening by government personnel.

b. If a preaward survey is conducted, you will be requested to have management officials, of the appropri-

ate level, represent your firm. In addition, your proposed project manager should be available to respond to questions raised during the preaward survey. You should also be prepared to present a briefing regarding the manner in which you intend to accomplish your contractual obligations. As a minimum, you should address the following items of information in your presentation (a written copy of the presentation with the backup data below must be submitted to the contracting officer 5 work days before the presentation):

(1) Startup and phase-in schedule.

(2) Key personnel letters of intent and resumes.

(3) Availability of labor force, plan for recruiting, type and extent of training.

(4) The role of the project manager and the extent of his/her authority.

(5) Organizational and functional charts reflecting line of management responsibility.

(6) Manning charts in a format requested by the contracting officer (only to be used to ensure that you understand the workload).

(7) Plans and management procedures for logistical administrative support of all functions; that is, contractor furnished supplies and equipment and procedures for timely payment of personnel.

(8) Procedures to be used to ensure contract requirements are met (quality control program).

(9) Corporate experience, as evidenced by past and present contracts.

(10) Other purchases for which you

have bid and for which you are apparent low bidder.

Some negotiated and two-step forms of contracting use technical proposals to determine how well someone understands the statement of work. Adapt the clause above and include it as evaluation factors in the solicitation.

6-4. Preaward Survey Method. The contracting officer makes the decision to conduct a preaward survey based on knowledge of the bidder's past performance. When the contracting officer decides to conduct a preaward survey the guidelines in paragraphs 6-5 to 6-8 apply. These guidelines are not hard and fast procedures and the contracting officer must adapt them to the specific survey requirements.

6-5. Preaward Survey Team. This team can be composed of either acquiring activity or outside office support such as the Defense Contract Administration Service (DCAS) in the Department of Defense or both. The PAS has two parts; that is, financial and technical. The acquiring activity or the outside office can run the technical part. However, when the outside office runs the technical part, the acquiring activity should supplement the team with appropriate persons, such as the buyer, functional experts, etc.

6-6. Outside Office and the Acquiring Activity Perform the PAS. The buyer takes the following actions as soon after bid opening as possible when an outside office performs the financial PAS and the acquiring activity performs the technical PAS:

a. Request the outside office to perform that part of the PAS that is to be done by them (financial).

b. Request information required by Financial and Technical Ability clauses from the bidder. See paragraph 6.3 above.

c. Send blank manning charts to the bidder for submission during the PAS.

d. Emphasize to the bidder the importance of having a detailed quality control program for presentation at the PAS.

e. Remind the functional person to have estimated manning charts available for the PAS. These charts must estimate what contractor manning would be required to perform the requirement. They may not estimate what it would take government personnel to accomplish the tasks.

f. Coordinate the date of the PAS with the technical

PAS team chief and the contractor. Notify the contractOr Of the finalized date and location of the PAS.

g. Perform the PAS. Do All tasks in paragraph 6-7a thru 6-7g.

6-7. Technical Evaluation. Perform the following tasks.

a. Evaluate the adequacy of the financial PAS performed by the outside office. Check the bidder's financial statements if they are submitted.

b. Thoroughly analyze manning charts submitted by the bidder. The following procedures apply:

(1) First, validate the government prepared contractor manning estimates. Make sure the government did not overestimate.

(2) Next, compare the bidder's charts to the government estimate. Insure that:

(a) Bidder's total manning is comparable to the estimate. A variance of more than twenty percent should be considered suspect.

(b) The bidder has the right classes of employees on duty at the appropriate times.

(c) The bidder has sufficient personnel on duty during peak or key workload periods.

(3) Next, analyze the contractor's net bid to see if it will support the level of manning proposed. Use the following procedures.

(a) Compute total man-hours for each labor category in the wage determination.

(b) Use a format similar to the following to compute the estimate of the contract price:

Labor Category	Total Hours		Hourly Rate		Personnel Cost
		X	$ ----	=	$ ----
		X	----	=	----
		X	----	=	----
	Total Direct Labor Cost -				$ ----
Supervisory Costs					----
Leave Costs					----

Total Labor Cost	$ ----
Payroll Tax and Insurance	----
Health and Welfare (Hours times dollar rate)	----
Material, Supplies and Equipment	----
Total Direct Costs	$ ----
Overhead	----
General and Administrative Costs	----
Total Costs	$ ----
Profit	----
TOTAL ESTIMATED PRICE	$ ----

(4) The bid price frequently may not support the total number of direct labor hours proposed by bidder on the manning charts. Ask to see the bidder's bid preparation sheets. The bidder doesn't have to show them but usually will if one explains the data is needed to verify that direct costs (labor, material, etc.) are not underestimated. Once this information has been provided, retain it. It may be helpful in the event of future negotiations.

c. Make sure to have the latest supply consumption data if the bidder is going to furnish the supplies. Compare this with bidder's information (when provided) to insure that the bidder has not underestimated supplies.

d. A serious underestimation of total costs, or a serious misapplication of the man-hours proposed, indicated a lack of understanding of contract requirements. This is

where the technical representative goes to work. Interview the bidder and find out whether or not the bidder understands the job.

e. Besides the total estimate, financial PAS and general evidence of competence, the next most important factor is the bidder's proposed quality control plan. This plan should be detailed enough for the PAS team to evaluate and determine that the bidder actually knows what to do.

f. The bidder's performance history is also a very important subject to be thoroughly covered by the PAS team. Establish complete and thorough documentation if a determination of nonresponsibility is going to be based upon

lack of tenacity, perseverance or integrity.

g. PAS reports must state the facts, draw a conclusion based upon those facts and end with a recommendation to the contracting officer.

6-8. Outside Office Performs the PM. If an outside office such as DCAS is going to perform the financial and technical PAS, the buyer does the following:

a. Ask the office to perform the PAS. Indicate which particular acquiring activity will assist in the PAS. Name the personnel in the request; for example, buyer, food services officer, etc.

b. Provide all acquiring activity team members written guidance as to duties and responsibilities. Provide it in enough time for members to study and fully understand their responsibilities.

c. Insure that acquiring activity team members realize that the outside office is running the PAS, and that they understand that they have a very important input (the outside office may be lacking in a particular area of expertise that the acquiring activity provides).

Random Number Table

Page 1

Line \ Col.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1	10480	15011	01536	02011	81647	91646	69179	14194	62590	36207	20969	99570	91291	90700
2	22368	46573	25595	05393	30995	89198	27982	53402	93965	34095	52666	19174	39615	95083
3	24130	48360	22527	97265	76393	64809	15179	24030	49148	32081	30680	19655	63348	58629
4	42167	93093	06243	61680	07856	16376	39440	53537	71341	57004	00849	74917	97758	16379
5	37570	39975	81837	16656	06121	91782	60468	81305	49684	60672	14110	06927	01263	54613
6	77921	06907	11008	42751	27756	53498	18602	70659	90655	15053	21916	81825	44394	42880
7	99562	72905	56420	69994	98872	31016	71194	18738	44013	48840	63213	21069	10634	12952
8	96301	91977	05463	07972	10876	20922	94595	56069	69014	60845	18425	84903	42508	32307
9	89579	14342	63661	10281	17453	18103	57748	84378	25331	12566	50678	44947	05805	56941
10	85475	36857	53342	53988	53060	59533	38867	62300	08158	17983	16439	11458	18593	64952
11	28918	69578	88231	33276	70997	79936	56865	05859	90106	31595	81547	83598	91610	78188
12	63553	40961	48235	03427	49626	69445	18663	72495	52180	20847	12234	90511	33703	90322
13	69429	93569	52636	92737	88974	33488	36320	17617	30015	08272	84115	27156	30613	74952
14	10365	61129	87549	83669	40237	62867	67689	93394	01511	26358	85104	20285	29975	89568
15	07119	97336	71048	08178	77233	13916	47564	81056	97735	85977	29372	74461	28551	90707
16	51085	18765	51021	51259	77452	16308	60756	92144	49442	53900	70969	63990	75601	40719
17	08360	81388	52404	60268	89360	19885	55322	44819	01180	65255	64835	44919	05944	55157
18	81011	54092	33362	94904	31873	04144	10594	29852	71585	05030	51132	01915	92747	64951
19	55148	33916	46369	58906	23814	14513	83149	98736	23495	64350	94738	17758	35156	35749
20	07056	97620	33787	09998	42698	06691	76988	13602	51851	46104	88916	19509	25625	58104
21	48663	91843	05000	14346	09178	30140	90229	04734	59193	22178	30421	61666	99904	32812
22	54164	58492	22421	74103	47070	85366	76468	26384	58151	06648	81524	15227	96989	44592
23	35639	32363	05597	84800	13363	38005	94342	20720	35804	06912	17012	64161	18296	22851
24	28334	27001	07437	07300	50731	00256	45834	15398	46557	41135	10367	07484	36108	18510
25	02488	33062	28834	07351	19731	92420	60952	61280	50001	67658	38586	86679	50720	94953
26	81585	78895	84039	94483	24870	83651	66344	14770	74797	14780	13300	87074	79966	95725
27	29676	88951	68006	36438	48901	38849	09768	81536	86645	12639	92889	57102	80420	85280
28	00748	57392	39044	86438	84673	40627	32838	41368	90947	96067	64740	64584	76696	98253
29	05366	04813	25669	26438	44407	44048	37937	63904	45766	66134	75470	66540	34693	90449
30	91921	26418	64117	94305	26766	25940	39972	22209	71500	64568	91402	42416	07844	69618
31	00582	04711	87917	77341	42206	35126	74087	99547	81817	42607	43808	76655	62028	76630
32	00725	69884	62797	56170	86324	68772	26522	26006	84637	93161	76038	65855	77919	88006
33	69011	65795	95876	55893	16948	87354	36575	06625	40801	59920	29841	80150	12777	48501
34	35976	57048	89808	06604	67917	48708	18918	82271	65424	69774	33411	54262	85963	03547
35	09763	83473	73877	18908	30803	18317	28290	35797	05998	41688	34758	37868	38917	88058
36	91567	42595	27056	30134	04024	86385	29880	99730	55536	84055	29080	09250	79656	73211
37	17955	56349	90999	49187	80844	39931	06115	20542	18059	02000	73708	83317	36103	42591
38	46503	18584	18845	49618	02304	51038	20655	58787	08160	15475	36942	53389	20568	07356
39	92157	89634	94824	78171	84610	82834	09922	25417	44137	48413	25555	21854	73599	80468
40	14577	62765	35608	91865	39647	47358	56873	56307	61887	49518	89488	80103	77490	18068
41	98427	07523	33362	64270	01638	92477	66969	98420	04880	45505	46505	04108	46880	45709
42	34914	63976	88720	88765	34476	17032	87589	40836	32487	70802	70683	88063	77775	69348
43	70060	28277	39475	46473	23219	53414	94970	25838	69975	94884	19661	72828	00102	66794
44	53976	54914	06990	67245	68350	82948	11398	42878	80287	88267	47363	46634	06541	97809
45	76072	29515	40980	07391	58745	25774	22987	80059	39911	96189	41151	14222	60497	59583
46	90755	38210	83974	29992	65831	38857	50490	83765	55487	14361	31720	57375	56828	41546
47	64364	67412	33339	31926	14883	24413	59744	92351	97473	89286	35931	04110	23726	51900
48	08882	00338	31642	23208	61642	34072	81249	35648	56891	69352	48373	45578	78547	81788
49	95012	68379	93526	70765	10592	04542	76463	54328	02349	17847	88863	14777	62730	92277
50	15664	10493	20492	38391	91132	21999	59516	81652	27195	48223	46751	38923	38261	85653

Line \ Col.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
51	16478	81889	04153	57361	79401	81428	83035	93338	36693	31838	38448	91784	78778	88338
52	10429	81931	05520	91963	04739	13092	47643	34882	84750	08494	35098	84888	62714	80589
53	73115	35101	47498	87437	99016	71060	88884	71013	10738	80286	83183	78924	36168	43048
54	57491	16703	83167	49383	45021	13132	13544	41038	88760	48393	44018	13518	98931	91903
55	30408	83946	83798	14432	15039	49799	88714	19798	09983	74383	66649	30439	70735	85499
56	16631	35006	85900	98875	33388	53378	16815	69890	88733	38488	73817	38183	41961	44437
57	96773	80206	42559	76905	05300	82164	24369	54324	38083	19407	11080	91491	40303	19746
58	38935	64208	14349	83674	66323	44133	00697	38553	33970	19184	63318	89464	83387	39846
59	31634	76384	17403	53363	44167	64486	64750	78366	74684	31601	18814	33078	60338	98398
60	78919	19474	83638	27889	47914	02884	37600	80801	78188	39339	34806	08930	85001	67880
61	03931	33309	57047	74311	63448	17341	63895	38900	05607	91884	60833	88578	38010	46980
62	74426	33878	43978	10119	89917	15665	52678	73883	73144	38468	08970	74498	81868	99378
63	09044	00983	20795	93458	92640	45494	09558	88818	14583	81185	79378	97386	16896	66095
64	42338	13486	87025	14867	20979	64308	64535	31385	84964	89478	47408	88974	38446	16834
65	16153	08003	86504	41744	81959	65642	74840	58308	00833	67107	77810	70685	38788	34191
66	81457	40748	29820	96703	89400	81849	15035	34537	33310	06116	98840	15987	16870	84004
67	81981	57802	02050	89738	17937	37681	47075	48080	97403	48426	68998	43008	33306	81597
68	35618	78095	83197	33738	05810	84813	86968	60397	16408	03864	80588	48786	05869	98838
69	44657	66999	99324	81801	84463	40383	79318	93484	66076	88471	93911	88680	18668	73578
70	91340	84979	46949	81973	37949	61083	43997	15263	00444	43948	09803	71798	99533	88801
71	91387	51199	31938	87038	84067	05468	35216	14486	87891	68607	41867	14781	91494	85048
72	80001	38140	66381	17934	78163	69338	13181	86479	91903	18749	34408	86007	68720	78988
73	65398	05884	78938	98609	81408	39147	85549	48948	48487	48833	57868	94617	83778	67896
74	87304	96131	83944	41575	10573	08419	64488	73983	36188	08184	94148	83889	84387	34988
75	37169	94831	39117	89638	80989	16487	65336	49071	39788	17098	08338	74381	06878	46988
76	11308	70883	51111	38351	19444	66499	71948	85488	13448	78675	84081	68938	93684	59894
77	37449	30368	06694	54690	04038	83118	63787	98348	78468	11143	81681	50845	34971	58394
78	46515	70331	85938	38389	57015	15765	97141	17889	48349	41794	66348	81073	49106	79860
79	30986	81283	48416	58383	21532	30508	38385	86488	05174	07701	54339	58861	74816	46948
80	43798	64995	48685	09785	44160	78128	83931	48068	92586	05531	06317	38909	81850	54838
81	85486	84846	99254	67638	43218	50074	81341	64016	81808	80184	41070	58689	51078	03336
82	81985	38906	92431	09060	64397	81674	64186	68370	86183	03185	59194	58799	30885	05749
83	60336	98708	07408	63458	13564	59069	36448	88709	06808	41601	18528	18133	14648	83541
84	43937	46891	84010	35860	84355	33941	83786	54990	71899	18475	05434	98337	81824	19305
85	97656	63175	89303	14875	07100	92063	81948	18611	47348	80803	10534	83868	78895	50136
86	03399	01231	05418	38982	85750	92237	26759	86367	81816	98448	06303	56413	91511	78988
87	79636	06486	03574	17668	07785	76020	79924	85651	83335	80438	85076	78011	22717	50505
88	85636	68335	47539	03189	65851	11977	02510	26113	99447	60645	34387	15158	58830	93448
89	18039	14367	61337	06177	12143	46409	33989	74014	64788	00533	35398	58488	13861	47988
90	08368	15636	60627	36478	65648	16764	53412	09013	07838	41574	17639	88183	60859	78567
91	70556	89068	04148	16368	15387	13856	66287	30358	28478	73373	80738	09443	08558	05850
92	93609	02474	87072	32534	17075	87698	98204	63863	11951	34648	88088	56148	34985	57031
93	33988	85833	48055	67006	12393	02753	14837	73235	35071	99704	37543	11601	35583	83171
94	09518	96308	05908	97981	80395	14186	00831	60703	70486	75647	76318	88717	37898	40189
95	59037	33300	86698	48847	69927	76123	50842	43834	86684	70939	79788	93078	28117	19833
96	48488	78077	88888	81657	34136	19180	97526	43092	04888	73571	88794	74536	71888	44839
97	46784	86873	63003	93017	31304	36693	40302	38275	57306	58643	83383	36698	47625	80684
98	03837	43438	55417	63868	90816	17349	88298	90183	36600	78406	06216	95787	42379	90730
99	06881	81488	18867	61588	14972	90053	89534	76036	49189	43716	97548	84377	48378	28678
100	38834	81718	94964	67888	88600	43778	39366	18918	84337	68738	19436	51138	28739	54947

Line \ Col.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
101	13284	16634	74151	98027	84470	36665	00770	22078	02179	51008	07270	70517	97275	45960
102	21284	00370	30448	03803	94648	84488	41563	17564	27395	63904	41548	40197	02877	24120
103	99052	47087	01085	64933	66279	80432	65793	03287	34148	13241	30590	97760	35048	91983
104	00199	50993	98603	30458	87898	94684	69721	57484	67501	77630	44331	11257	71131	11059
105	60578	06483	28733	37867	07936	98710	98539	87186	31737	80612	44480	97019	78401	95419
106	91140	10318	17441	01989	10163	69201	31211	84208	39496	37318	63784	90401	79017	62077
107	97458	14889	12063	59611	32849	90466	33216	19358	02591	54263	08449	01918	07436	50813
108	35849	38646	34478	72417	60514	69257	14409	51924	06871	92446	36607	11458	30440	52439
109	38980	46600	11789	11900	46743	27860	77940	39298	97038	95145	32378	68038	09351	37005
110	10750	58745	36749	87365	56959	53731	09295	59062	36404	13198	59960	70408	29812	83124
111	36847	87858	73950	80673	37000	63035	71051	84784	52498	72342	78071	17456	96104	10327
112	70994	66986	99744	72438	01174	42159	11392	26724	54322	36923	70009	23233	65438	59605
113	99638	94708	11443	18148	81386	80431	90628	58506	02016	85151	08590	47841	00265	82525
114	73058	18774	43037	99808	18419	76939	25993	03544	81560	43471	43989	90770	82965	44847
115	84038	65541	06788	55035	38035	59399	13790	35112	01384	39520	76210	22467	03875	32286
116	74976	14631	38988	80821	39470	91848	18054	30164	09073	75887	36782	00260	97181	87676
117	35553	71680	70189	26436	63407	91176	98348	55359	80398	41018	36270	77784	09578	21057
118	35676	18797	61454	88976	42010	86344	92920	98155	50807	54644	58581	95331	78689	73344
119	74018	67583	72905	83183	08446	63594	90824	20633	50848	85961	07448	70164	34994	47662
120	45846	88040	65173	50969	91060	09894	34036	38819	40559	99281	49475	30558	34698	71000
121	76509	47049	86370	41797	11910	49678	88875	97066	32466	10083	54780	81972	58975	30761
122	19689	90338	84315	81358	97848	11180	39068	83318	82496	07349	79178	33692	57352	72662
123	42751	35318	97513	61537	54953	08159	00337	80778	87507	95478	81298	12746	37554	97775
124	11948	88601	43045	13964	57517	59419	58045	44067	56716	58040	45557	96345	33871	53464
125	96510	48688	80996	11090	48396	57177	03867	86464	14342	81545	46717	72364	86954	55580
126	38788	58643	76869	84682	39098	36803	72508	98265	23107	60878	05888	46760	44894	07478
127	39737	48750	48960	70536	84864	44958	30404	94317	65408	13589	01035	79044	19308	03623
128	97088	66498	55177	04049	80318	40028	86408	43591	75588	65341	49044	95495	81836	53214
129	68814	08075	09788	56350	76707	51591	54509	49295	05030	39860	30883	89660	96142	18354
130	85378	88958	15887	03891	41737	79599	96191	71845	84899	70694	84290	01551	80092	02110
131	60763	69876	08991	49468	46704	43368	56625	90401	73323	91487	15264	06967	57048	54149
132	17980	08013	64361	60725	80974	41005	99709	30466	86451	11528	44323	34778	60342	60308
133	71944	60287	43551	71109	83624	43836	58254	86160	32116	63403	35484	57146	10909	07346
134	84604	93691	05138	64399	29108	44384	14491	55226	78793	34107	30374	48429	51376	09559
135	88946	87433	11858	65804	52032	50800	82873	05554	99521	73791	85744	89276	70386	60451
136	01383	39318	44941	44978	91766	90848	56073	06406	51886	18093	03448	31918	97764	75091
137	99003	80191	87468	99113	87174	35871	99884	13981	71087	53961	61448	74909	07382	80960
138	58081	48406	37945	75834	84387	66978	82644	87779	83753	98986	63898	54806	18081	96314
139	78738	47744	43776	83098	03885	14801	03637	58904	13300	88818	38781	14905	46183	84478
140	88868	69106	59180	16857	88610	43609	12824	28643	89884	31149	08483	38681	34374	70473
141	11969	94808	02743	86847	79788	51811	18998	74044	03380	84836	83891	70886	38438	84776
142	11644	13798	98190	01484	30078	88197	35583	05197	47714	60440	88016	79804	86068	94431
143	06307	97918	60110	57012	95448	43544	31248	88880	13040	16458	43813	89416	48408	33939
144	76808	78714	09583	99876	58640	46518	53486	90734	88938	19937	57119	83851	55419	83679
145	85388	07598	39400	60866	43007	80007	66019	84144	61131	81489	60476	43807	70884	89015
146	78917	90988	90880	92803	93375	86984	74399	30885	88587	89169	78816	53357	15488	84939
147	44760	43348	80696	24331	43140	69744	82928	84908	94837	46138	77486	39039	85596	12655
148	85108	19336	14485	86603	51680	97678	84261	08464	86583	74818	60069	71474	15476	47642
149	03618	46683	48876	83197	07824	91398	50317	37726	84688	48881	10268	20692	15699	89147
150	41347	81666	88961	40413	71080	03658	0241	33388	66036	98718	46795	16308	28413	05417

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Line \ Col.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
151	38188	51178	75876	13609	16110	73533	42564	52879	28399	67874	81083	52217	31896	89011
152	40554	00485	73254	36867	36117	13878	83816	78373	41843	31011	51283	33514	91303	49318
153	90534	17380	29832	91116	75798	85336	84940	24904	06523	38938	91374	88397	97567	38914
154	49097	10276	67160	39408	97856	43517	84436	39634	90247	19892	02019	14798	03652	03819
155	18494	99209	01048	19468	65594	50707	47939	91335	90788	43688	00438	05848	09443	62897
156	65373	72984	30171	37741	78283	84094	87841	38836	88184	70133	18938	02138	59378	09075
157	40653	18843	04813	70928	98360	55774	76439	61768	13817	81151	88180	31940	54873	49038
158	51638	28238	56344	44587	83231	50317	74341	07719	83478	41608	77318	18145	57518	07633
159	69742	99303	62578	83578	30337	07488	51941	84314	48067	49698	88616	89101	03013	73449
160	58018	74073	67488	74580	47998	69468	58624	17104	47538	13453	88680	84880	40155	74716
161	10348	19885	48887	08879	43804	47077	43637	45608	70011	30643	14645	49984	94309	84388
162	59614	07193	58044	89086	44385	45740	70753	63463	47881	26980	57484	97864	84148	74448
163	75680	20638	39318	58897	68748	73458	98037	67303	78789	01087	13494	14663	87645	89713
164	13941	77002	67101	70041	35460	34576	15412	81304	58757	38498	94030	75541	80607	97701
165	94658	84498	96475	84458	54443	94419	58417	41375	76884	19608	66877	38934	59801	00497
166	03363	83948	15948	14549	38324	87094	17069	67398	11087	40878	82591	63838	05915	91499
167	70346	08398	89165	85496	13248	57407	91407	49160	07379	34444	94847	68033	38918	65708
168	47878	36605	18987	14043	53857	93796	58721	73138	46085	76074	93605	67448	41646	14557
169	79504	77606	58741	30818	26373	73898	30350	76684	77348	38878	84490	61667	84798	66276
170	44967	74841	80983	18339	37755	96995	40162	89561	89189	48857	11447	47603	48779	97907
171	14888	80769	38444	59038	87516	40192	03945	08988	49189	04784	81363	30098	98953	90251
172	18440	28037	01138	30611	88135	60089	10984	10087	54843	06446	38858	65435	79377	53890
173	38893	89938	68883	10497	90819	44587	77781	99119	93163	67789	17638	83697	81468	36798
174	10640	81075	73468	77981	56550	55997	87310	69443	45184	00347	38748	90044	96031	30651
175	47618	93169	39871	56978	80438	21788	51734	33133	78494	32605	41569	76148	91544	21181
176	16948	11198	71684	78784	49094	96303	87830	43817	67867	18068	87453	17886	78904	71474
177	81888	01093	68634	70335	93448	17354	83432	49408	64580	86448	39464	80480	39801	69549
178	18078	48853	15178	30730	47481	48490	41436	85015	49938	80474	83831	31015	79841	33405
179	99154	57418	09858	45871	70455	71479	63530	31387	56768	06789	34485	70685	04184	83330
180	00759	61089	23706	32994	35426	36646	63908	88844	37533	00869	87081	45804	22835	70451
181	87383	87039	61114	62198	47547	58033	84630	34806	98777	75448	98398	86141	48896	73117
182	08958	13906	04834	38764	78306	89393	34548	93438	84736	61003	70988	10938	46436	50740
183	36304	74718	90374	10107	08061	49888	01969	92818	03568	39438	01469	63084	80937	87954
184	13904	87439	66618	47367	10848	44800	12060	44308	44639	85108	44739	93173	08488	13311
185	18748	38031	38303	08134	33988	03004	59989	98418	84917	87894	84078	61733	98834	44454
186	78934	40886	08898	65788	38380	48323	64068	98373	48071	89649	38943	36538	05976	02118
187	17694	03944	30918	57663	80181	36579	84580	90328	58383	80436	89401	57884	66039	81062
188	87117	61098	60967	41398	81436	16663	15634	77717	94698	88240	88543	97989	83306	90946
189	83993	18678	90018	63448	85701	85849	48363	60338	00389	78571	18318	30749	44806	96176
190	67398	89491	09633	80788	48430	84142	87348	29560	60519	84548	08084	24588	41358	14591
191	04810	18261	37564	80016	81348	69377	80486	03638	88863	48667	78778	84333	14513	18099
192	81453	90383	79939	89839	83875	13243	46408	74184	74783	33709	98588	31014	37078	39178
193	19488	73788	40338	83703	15537	48985	03041	86587	74539	65237	90799	58785	96891	08748
194	81458	13168	74608	81811	33318	07481	93551	78109	76361	91808	09841	13138	37738	59804
195	89406	80916	44189	76376	35538	87218	80748	18031	87164	38084	16817	79183	18988	40488
196	09868	07414	88977	18419	01101	69343	13301	94308	80783	87910	34933	37771	48344	03003
197	86541	84681	83481	13881	28008	94917	07483	57183	97834	63938	48874	44829	89741	58140
198	10414	90941	06288	78888	87147	63903	87468	49107	18600	00838	07481	44478	64880	37648
199	49943	81683	41479	80088	86898	48883	98198	90339	68448	78013	38898	81851	93534	18087
200	83998	68883	48891	83374	84899	57084	47448	94783	40937	14981	84083	78749	44784	81983

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Line \ Col.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
201	70994	26844	08473	88478	84783	41793	50843	43483	69309	80308	49977	18075	43887	08244
202	84969	59468	70408	93938	34888	73039	84883	80857	44193	08337	47683	75938	89809	41954
203	46888	73378	33084	81793	84477	48738	40440	70345	37322	19987	67143	41147	89314	46498
204	89848	89798	88634	60868	87190	87793	37011	83941	01482	43896	31173	43738	48308	17958
205	68194	01339	97090	80601	70948	30880	83003	94070	10881	48711	84800	74330	13880	18944
206	17186	88188	88864	17888	93747	80918	78840	83136	68918	68819	73001	87198	83487	70397
207	80711	94788	87171	88103	99037	98778	37997	18385	80801	61091	97089	79977	84344	78943
208	38449	88409	78098	77788	38729	83808	89313	43645	43786	78443	41380	73369	48488	80516
209	78689	88789	76914	78667	88998	38736	01184	84990	84107	17469	89348	48681	97433	89491
210	01888	83181	36138	81971	38183	60735	64067	35484	85287	93844	38980	52519	34360	08114
211	88337	89980	84180	88418	44798	88809	58846	57375	88818	43539	18078	44878	87309	36533
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MANAGEMENT STUDY GUIDE

Supplement
OMB Circular No. A-76
Performance of Commercial Activities

ENCLOSURE (9)

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PART III - COMMERCIAL ACTIVITIES (CA)

MANAGEMENT STUDY GUIDE

Chapter 1 - General

A. OVERVIEW

The CA management study is mandatory (see Part I, Chapter 2, Paragraph E.l1). It seeks to identify essential functions to be performed, determine performance factors and determine organization structure, staffing and operating procedures for the most efficient and effective in-house performance of the commercial activity. The new Government organization becomes the basis of the Government estimate for the cost comparison with potential contractors. In this context, "efficient" (or cost effective) means that the required level of workload (output, as described in the performance work statement) is accomplished with as little resource consumption (input) as possible without degradation in the required quality level of products or services. Resources consumed may include personnel, time, dollars, supplies, equipment and energy. Effectiveness compares what an activity or group of people actually accomplish in relation to an assigned mission.

B. SCOPE

Most agencies have formal programs and training for the performance of management efficiency studies, and those programs would be appropriate for conducting CA management studies. This guide does not purport to replace the agencies own management techniques, but merely to establish the basic criteria and the interrelationship between the management study and the performance work statement.

C. TIMING

1. The CA management study and development of the Performance Work Statement (PWS) are normally performed concurrently. A job analysis, described in Part II of this Supplement, is conducted as the initial step in development or adaptation of the PWS. This analysis must be accomplished as the initial stages of the management study. This will ensure that the management study evaluates the most efficient organization based on the outputs, standards, and management flexibility to be included in the PWS, and

not on the old methods and procedures.

2. The PWS, which is developed to describe the output performance standards of the organization under study, should be written to provide the maximum possible amount of flexibility to managers to accomplish the job. This should include eliminating compliance with past regulations and procedures when more efficient and cost effective ways are known and adequate performance standards are developed. The management study then develops the most efficient organization, taking into account the management flexiblity provided by the PWS.

3. The PWS does not need to be completely written before the management study is complete, but the major decisions on performance standards and whether compliance with the old procedures is mandatory must be made before the most efficient organization can be developed. A routine, scheduled management study effort one to two years in advance of a projected CA cost study can provide the

opportunity to identify essential mission requirements, determine performance factors, establish staffing standards, investigate and implement long lead time opportunities such as capital investment programs, test alternative organizations, establish reporting systems for workload and staff hours, highlight problem areas and generate staffing and dollar savings.

D. STUDY TEAM

The management study, ideally, is a team effort which utilizes the talents of individuals with expertise in management analysis, staffing, position classification, work measurement, value engineering, industrial engineering, cost analysis, contracting and the technical aspects of the functional area under study. The objective of the management study team is to find new, innovative, creative ways to provide the required products or services.

E. CA MANAGEMENT STUDY PRINCIPLES

1. The management study must reflect the best efforts of the activity to improve the operations of the area under study, with a primary emphasis on the definition of what must be done (mission of the activity) and the best way of doing it (methods improvement). The best way to accomplish the essential mission may involve changed procedures, revised paper flow, restructuring of the organization, reconfiguration of facilities, equipment changes, elimination or downgrade of positions and other techniques in order to provide the same quantity and quality of service with the smallest possible consumption of resources.

2. The most efficient and cost effective in-house organization may include a recommendation to reduce staffing requirements through consolidating organizations, activities or functions; eliminating redundant supervision/functions/tasks, decreasing hierarchical

levels; reducing clerical and other support positions, increasing the span of control and eliminating nonessential positions. If the management study identifies a need for fewer people in the activity, support areas should also be investigated for reduced support requirements.

3. The people at the local level designated to perform the management study should be given freedom to be innovative and creative and develop a new organization to meet the quantity and quality standards of the old organization without constraints on their thinking, except for areas covered by law. Senior management may impose restrictions after evaluating the original concept.

F. DOCUMENTATION

The managerment study is a major management analytical evaluation of an organization to determine if the job can be accomplished in a more economical manner. The results of the study will be used to develop the Government cost to compare with contractor cost to provide the product or service. The results of the management study must be documented to show the development and extent of the analytical process and to record the new Government organization. The Exhibit to this Part provides a suggested format for documenting the management study. The format is not mandatory; however, the management study documentation must include a discussion of all applicable areas covered in the suggested format. The document will be the basis on which the agency certifies that the Government cost estimate is based on the most efficient and cost effective operation practicable.

Chapter 2 - Study Methods

A. OVERVIEW

Specific techniques used in CA management studies can range the entire spectrum of work measurement, value engineering, methods improvement, organizational analysis, position management and systems and procedures analysis. In some cases, capital investment programs may be available to make the function more productive. (These programs should be pursued as quickly as possible because a long acquisition lead time may be required.) The techniques chosen depend on the type of function involved and the data, time and analysts available. Some of the techniques are outlined below; however, details on application of the techniques may be obtained from many management textbooks. Two useful, complete works are the Army publication, DA Pamphlet 5-4-1, and the Air Force publication, AFR 25-5, Volume II.

B. ANALYSIS TECHNIQUES

There are several specialized analysis techniques which can identify problem areas, duplication of effort, layering of supervision, lost motion, need for delegation, inefficient methods, etc. These include flow process charting, layout analysis, systems and procedures analysis, process measurement analysis, work distribution analysis, linear responsibility charting, functional model and PERT.

C. TECHNICAL ESTIMATES

This method may be used when there is insufficient time or expertise available for more precise techniques. The technical estimate requires informed subjective judgments by analysts and functional personnel. Staffing by technical estimate may also include directed positions required by law and regulation. Measurement methods such as timing a good operator or examination of historical experience may be used to assist in the development of a technical estimate. The basis or reasoning used for the technical estimate should be described in the study.

D. STATISTICAL TECHNIQUES

Statistical techniques generally use historical data to generate projections of workload and staffing. They are useful where historical workload and staff hour data are available or can be developed. Statistical techniques offer rapid coverage and accurate projections of staffing and workload. This data can provide a useful base from which to compare the savings of new ways of doing the job. They should be used in conjunction with the PWS as the basis to develop the Government cost estimate.

Chapter 3 - Performance Indicators in the Management Study

A. OVERVIEW

The performance requirements of the PWS are developed during the initial job analysis phase of the study when the PWS is being written or adapted. However, these requirements pertain only to final outputs and assume that the contractor will develop and operate an organization to meet these performance requirements. Therefore, it may be necessary for the study team to develop performance indicators for functions below the final output level to assist in development of the in-house organization.

B. PERFORMANCE INDICATORS - IN-HOUSE ESTIMATE

Performance indicators required for development of the in-house organization should be established at the same time the performance

indicators for the PWS are developed. This will ensure that there are no discrepancies or omissions that would inflate or deflate the in-house organization in regard to the required outputs. The most direct way of evaluating performance is to count output units and compare to some predetermined requirement. Similarly, resource requirements can be predicted by comparing average outputs per person to projected workload. In some cases, output measures which are easily counted are difficult or impossible to obtain. In all cases, however, indicators of performance can be devised. These performance indicators should reflect the quantitative, as well as qualitative, aspects of organizational output. When quantitative measures are infeasible, other measures, such as effectiveness, timeliness or quality, should be used.

C. TYPES OF PERFORMANCE INDICATORS

Performance indicators generally useful in CA management studies are of five types: quantitative, qualitative, timeliness, effectiveness, and cost.

1. Quantitative. Measure of level of effort or work actually performed. Examples include number of windows repaired, job orders completed, items issued and lines typed.

2. Qualitative. Measure of how well outputs were produced against a standard. Examples include item reject rates, number of customer complaints and accidents per mile. Many times the qualitative standard must be a written description of the results of the work.

3. Timeliness. Measure of the average elapsed time to complete a work unit compared to a requirement. Examples are: response time, average time to effect supply issue, average time between submission of a work request and completion of work.

4. Effectiveness. Measure of mission performance. Includes such measures as percent of items inoperable due to nonavailability of repair parts, equipment deadline rates, pest infestation rate and percent of eligibles utilizing a service.

5. Total Cost. This is an indirect measure of activity performance applicable when there is no other adequate measure or when a major managerial responsibility is to contain costs of performance. Costs can be measured on a total or unit cost basis. Cost should seldom be used, as the competitive process of the cost comparision will result in the lowest cost to do the job described in the PWS.

SUGGESTED FORMAT FOR DOCUMENTING MANAGEMENT STUDY

MANAGEMENT STUDY OF (Function), (Installation)

1. Purpose:

a. To develop the optimum organizational structure to accomplish essential (title of function) function(s).

b. To determine and document the specific management improvements on which the optimum structure is based.

2. Current Operations:

(This section describes the authorized organization and operations at the start of the management study. The most current of each of the below should be included).

a. Mission Statement

b. Organization Chart(s)

c. Responsibility of Essential Functions

d. Operation Procedures

e. Staffing Authorization and Position Structure Documents

f. Technology Utilized

g. Workload Data

h. Personnel Analysis

i. Material Analysis

j. Equipment Analysis

k. Facility Analysis

3. Discussion:

(In this section the current organization and operations are discussed and compared to possible new ways of doing the work. The study's methodology employed is described, and the results and conclusions of the analysis are presented. Rationale for recommendations in paragraph 4 should evolve from the conclusions presented here. Each of the below topics should be addressed.)

a. Mission. (Discuss the current mission and any anticipated changes.)

b. Organization. (Is the structure appropriate to its mission, function, internal conditions and environment?)

c. Responsibility. (Is authority and accountability properly balanced in the organization's hierarchical structure?)

d. Operation Procedures. (Is the system integrated, and does it efficiently utilize people, material, and equipment?)

e. Staffing Authorization. (Discuss the alternate staffing patterns.)

f. Position Structure. (Is the structure the most effective and economical based on work to be performed -- see OMB Circular A-64, Position Management Systems and Employment Ceilings.)

g. Technology Review. (Are available labor-saving systems being employed?)

h. Workload Data. (Discuss the current workload and any anticipated changes.)

i. Material Analysis. (Discuss current and future amounts and types of material.)

j. Facility Analysis. (Is type and location of the work area conducive to smooth performance?)

4. Recommendations:

(The argument for the optimum structure is made here with references to relevant paragraphs in the Discussion section and Appendices. The description of the recommended organization should include the following proposed items.)

a. Mission

b. Organization Chart(s)

c. Responsibility of Essential Functions

d. Operation Procedures

e. Manpower Authorization Documents

f. Technology Review

g. Workload

h. Personnel

i. Material

j. Equipment

k. Facilities

5. Analysis of Resources Impact:

(This section portrays the effect of the recommendations upon the overall organization resources. The following areas should be addressed.)

a. Funding. (Personnel savings, costs for new equipment, total savings to Government.)

b. Personnel. (Number of grades and spaces increased/decreased.)

c. Equipment and Facilities. (Cost for those recommended and projected savings from their utilization.)

Part IV

COST COMPARISON HANDBOOK

Supplement
OMB Circular No. A-76
Performance of Commercial Activities

ENCLOSURE (10)

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PART IV - COST COMPARISON HANDBOOK

Chapter 1 - General

A. PURPOSE

This revised Cost Comparison Handbook implements the policy and requirements of OMB Circular No. A-76. As prescribed in the Circular, the Handbook must be used by Federal agencies to ensure cost studies will be fair, reasonable and consistent. The Handbook provides detailed instructions for developing a comprehensive comparison of the estimated cost to the Government of acquiring a service by contract and of providing the service with in-house Government resources. The procedures set forth in this Handbook

recognize the absence of a uniform accounting system throughout the Federal Government and are intended to establish a practical level of consistency and uniformity to assure all substantive factors are considered when making cost comparisons.

B. ORGANIZATION OF THE HANDBOOK

1. This Handbook is organized by the major subjects which must be considered when developing in-house and contract cost estimates. Generally, these subjects follow the line-by-line progression of the Cost Comparison Form (Illustration 1-1). Each line is explained in sufficient detail to include computations which must be made and documentation which must be retained to support the cost study.

2. Chapter 2 describes the procedures to develop the cost of Government performance of the function under study. Chapter 3 describes the procedures to develop the cost of contract performance of the function under study. Chapter 4 provides procedures for computing the minimum conversion differential and determining the cost comparison decision. Chapter 5 addresses the special requirements for expansions, new requirements, and conversions to in-house. Four appendices have been added to support the cost comparison process and are identified in the Table of Contents.

C. OVERVIEW OF THE PROCESS

1. General

The completed cost study will provide reasonable estimates of the cost of alternative courses of action. To assure a fair and equitable comparison, in-house cost estimates must be based on the same scope of work provided in the performance work statement and include estimates of all significant and measurable costs.

2. Procedure

a. Preparation of the Performace Work Statement (PWS) is critical since it is the basis for the cost comparison. It must be sufficiently comprehensive to ensure that in-house or contract performance will satisfy Government requirements. The PWS should clearly state what is to be done without describing how it is to be done. The PWS should describe the output requirements of the in-

house operation, including all responsibilities and the requirements for facilities, equipment and material. It should also provide performance standards and a quality assurance plan to ensure a comparable level of performance for either an in-house or contract operation.

b. Soon after the PWS is initially developed, the Task Group must complete a management study to determine the most efficient and effective organization for Government performance of the PWS. The current workforce, materials, equipment and facilities,

and procedures will be analyzed and adjusted to appropriate levels. To be efficient, the activity workload must be accomplished with as few resources as possible. To be effective, an organization must be able to successfully accomplish the mission at the required standard of performance. The "Management Study Guide," Part II of this Supplement, is an example of an approach to the management study. The PWS and the results of the management study are then used to prepare the in-house estimate.

c. The in-house estimate must be based on the same PWS used in the contract solicitation. In addition, it must be developed on the premise that costs which would continue at the same level regardless of the method of performance (in-house or contract) will not be computed. When the PWS and resulting in-house cost estimate for an existing Government activity are based on any variation from current operations; e.g., scope of work, staffing, materials or equipment, such variations must be consistent with agency manpower and personnel regulations and must be coordinated with the agency's budget office. The step-by-step procedure for developing the in-house cost estimate is in Chapter 2 of this Handbook.

d. When the PWS has been completed, firm bids or proposals will be solicited in accordance with the acquisition strategy. Use of formal advertising with firm fixed price bids is preferred. However, proposals should be requested for competitive negotiations when this method would be more suitable and is warranted under current procurement regulations with fixed price incentive contracts preferred. It is essential that the invitation for bids or request for proposals provide for a common standard of performance that permits an equitable comparison of Government and contract costs for performing the same work.

e. After costs of in-house performance and costs of contract performance (other than costs dependent on contract price) have been estimated, the Cost Comparison Form (CCF) must be signed and dated by the person responsible for its preparation. If the study was prepared by a Task Group, the chairperson of the Task Group signs the CCF. At this stage, the contract price is still unknown.

f. The estimates of in-house and contract costs which can be computed prior to the cost comparison must be reviewed by a qualified activity, independent of the Task Group preparing the cost comparison study. This will be done prior to submission of the CCF and supporting data (see Part I, Chapter 2, paragraph H) to the contracting officer. The purpose of the independent review is to ensure costs have been estimated and supported in accordance with provisions of the Circular and this Handbook. If no (or only minor) discrepancies are noted during this review, the reviewer indicates the discrepancies, signs, dates, and returns the CCF to the preparer. If significant discrepancies are noted during the review, the discrepancies will be reported to the preparer for recommended

correction and resubmission. Following the independent review, the preparer submits to the contracting officer the CCF and supporting data in a sealed and identified envelope. This must be done by the required submission date for bids or proposals.

g. The confidentiality of all cost data, including the contract price, must be maintained to ensure that Government and contract cost figures are completely independent. For example, the contracting officer will not know the in-house cost estimate until the cost comparison is accomplished at bid opening date.

h. For advertised procurements, the following procedures apply:

(1) At the time of public bid opening, the contracting officer and the preparer of the in-house cost estimate open the bids (as well as the Government in-house cost estimate) and enter the price of the apparent low bidder on the CCF. After the contract price is entered, the preparer completes the CCF. The contracting officer shall announce the results, subject to evaluation of bids for responsiveness, responsibility and resolution of possible appeals and protests. The completed CCF and supporting data shall be made available to affected parties for review at this time. The appeal period (see Part I, Chapter 2, Paragraph I) begins at this time.

(2) If, after the evaluation of bids and pre-award determinations of responsiveness and responsibility, the selected bidder is other than the previously announced apparent low bidder, then the CCF will be revised. All affected parties will be notified of any such revision.

(3) The final decision for performance in-house or by contract shall be announced as required by agency procedures.

i. For negotiated procurements, use the procedures for advertised procurements, except as follows:

(1) After selection of the most advantageous proposal, the contracting officer and the preparer of the in-house cost estimate open the Government in-house cost estimate, complete the CCF and compare the alternative costs. The cost comparison must be made prior to the public announcement.

(2) If the cost comparison results in a tentative decision to convert to contract, the contracting officer notifies the contractor that an award will be made if the contracting alternative is still more economical than in-house performance after completion of the public review period, plus any additional time required pursuant to the appeal procedures. If necessary, the contractor must extend the proposal acceptance period 60 days to cover the appeal period. The contracting officer publically announces the apparent results of the cost comparison for the information of all directly affected parties. This public announcement includes a notice that formal supporting documentation

(see Part I, Chapter 2, Paragraph I) is available for review by directly affected parties.

(3) Affected parties must also be informed that performance by contractor or by in-house personnel is contingent upon completion of the review period, plus any additional time required pursuant to the appeal procedures.

ILLUSTRATION 1-1

Agency _____ Location _____ Function _____

COST COMPARISON FORM

In-House vs. Contract Performance

Performance Periods

In-House Performance Costs	1st	2nd	3rd	Add'l	Total	Reference
1. Personnel Cost						
2. Material & Supply Cost						
3. Other Specifically Attributable Costs						
4. Overhead Cost						
5. Additional Costs						
6. Total In-house Costs	____	____	____	____	____	
Contract Performance Costs						
7. Contract Price						
8. Contract Administration						
9. Additional Costs						
10. One-time Conversion Costs						
11. Gain or Loss on Disposal/ Transfer of Assets						
12. Federal Income Tax (Deduct)	( )	( )	( )	( )	( )	
13. Total Contract Costs	____	____	____	____	____	

Decision

14. Conversion Differential ____
15. Total (Line 13 & 14) ____
16. Cost Comparison (Line 15 minus Line 6) ____

Do the cost comparison calculation only for the total column.
Positive result on Line 16 supports decision to accomplish function in-house.

17. Cost Comparison Decision (check block) / / Accomplish In-House
/ / Accomplish by Contract

	Name/Title/Organization	Signature	Date
In-House Estimate Prepared By:	_____	_____	____
In-House Estimate Reviewed By:	_____	_____	____
Cost Comparison Accomplished By:	_____	_____	____
Cost Comparison Reviewed By:	_____	_____	____
Cost Comparison Decision Approved By:	_____	_____	____

A. INTRODUCTION

1. General

This Chapter discusses the procedures for developing the specifically attributable, overhead and additional costs associated with in-house performance of a commercial activity. Specifically attributable costs are incurred 100 percent by the function under study and are discussed in paragraphs D through F. Overhead costs are less than 100 percent attributable to the function under study and are discussed in paragraph G. Additional costs are discussed in paragraph H. If the cost comparison is an expansion, new requirement or conversion to in-house operation, refer to Chapter 5 before proceeding. The in-house performance cost will be based on the same level of effort and description of work as identified to the contractor in the performance work statement (PWS) and other solicitation documents. The estimated costs of the function under study will be based upon the following:

- Personnel Cost
- Materials and Supply Costs
- Other Specifically Attributable Costs
  - -- Depreciation
  - -- Rent
  - -- Maintenance and Repair
  - -- Insurance
  - -- Utilities
  - -- Travel
  - -- Other Costs
- Overhead Costs
  - -- Operations Overhead
  - -- General and Administrative Overhead
- Additional Costs

Cost comparison studies will consider all significant costs both for Government and contract performance and will be based on the PWS and management study. However, costs that would be the same for either in-house or contract operation shall not be computed, but must be identified by type of cost and included in the cost comparison documentation.

2. Rounding Rule

Round all line entries in the CCF to the nearest dollar. Drop 1 to 49 cents and add one dollar for 50 cents to 99 cents.

3. Proration of Performance Periods

When the period of performance is less than a full year, prorate all cost elements except one time costs (line 10) over the number of months in the performance period.

4. Documentation

a. The cost comparison study must be documented to provide a record of information to support the entries for each line of the cost study. The cost elements involving common costs which are not entered on the CCF will be identified and documented. Address each line of the CCF and provide rationale for including or excluding specific costs. To the maximum extent possible, the documentation must support the cost study without further explanation. The documentation must enable a reviewer to track the computations from start to finish. Several worksheets are provided in the Handbook to facilitate computation and documentation.

b. On the CCF, under the column "reference," for each line of the CCF, show the page number of the attached documentation which supports that line.

B. RELATIONSHIP TO THE BUDGET

In general, the PWS standards and workload estimates and resulting cost estimates must be consistent with agency budget guidance covering the period of performance. This ensures economic assumptions and guidance developed for the agency are used when developing the cost study. Cost estimates for expansions or conversions of existing contracts to in-house performance must also be prepared in accordance with budget guidance. This may require additional work since these options may not be in the projected agency budget. The budget implications must also be considered for the overhead organizations. The key consideration is whether the budgets of these organizations would be revised if the mode of operation of the function under study is changed.

C. INFLATION

1. Agencies will annually provide the inflation guidance used in pricing the President’s Budget for all activities performing cost comparison studies.

2. In preparing cost estimates of in-house and contract performance, all known or anticipated increases to be incurred before the end of the first period of performance; e.g., salary increases for Government employees, must be included in each element of cost. Accordingly, it will not be necessary to further adjust the costs of the first period of performance for inflation. For subsequent periods, the cost of anticipated changes in the scope of work prescribed in the PWS must be determined. Inflation factors for pay and non-pay categories will then be applied to the estimated cost of the first year of performance. There are some exceptions to inflation which will be discussed later: personnel costs subject to economic price adjustment clauses (e.g., Service Contract Act, Davis-Bacon Act, etc.), depreciation costs for facilities and equipment, and cost of minor items.

3. To calculate projected out-year costs based on inflation,

proceed as follows:

a. Determine the amount of each element of cost that is affected by inflation during each period of performance. For each period, ensure the number of months in the period and changes to the PWS have been considered. This applies only to recurring costs. Non-recurring costs must be excluded.

b. Multiply the amount of the element of cost determined for each period of performance by the respective salary/wage or material cost inflation factors for the applicable period of performance.

c. Once adjusted for inflation, enter the total cost of that CCF line item in the column corresponding to the appropriate period of performance.

d. Show calculations in the formal documentation.

D. PERSONNEL COST -- Line 1

1. This line includes personnel costs for accomplishing the requirements specified in a PWS for the function under study. Included are salaries, wages, fringe benefits, and other entitlements. To determine personnel costs, two steps are required: Development of an in-house staffing estimate; and determination of personnel costs based on the in-house staffing estimate.

2. In-House Staffing Estimate. Development of the in-house staffing estimate is a crucial step of the cost comparison process. The staffing estimate describes the most efficient and effective organization to accomplish requirements specified in the PWS.

a. The first step in developing a staffing estimate is to analyze the PWS to identify requirements needed to accomplish the tasks set forth in the PWS. Generally, requirements should be expressed in terms of productive work hours. This analysis will provide the basis for identifying changes in organizational structure, work methods, and numbers and types of employees required to accomplish the PWS in the most efficient and economical manner.

b. A variety of tools may be used to determine the in-house staffing estimate. These tools include manpower standards, staffing guides, prior experience, similar operations at other locations, actual work measurement and informed judgment. Generally, a combination of these tools will be used. However, it is important that the estimated workload be based on the PWS and not necessarily on the current workload, staffing or work methods. If an existing manpower standard or staffing guide is used, it may be necessary to make upward or downward adjustments. The adjustments are necessary because existing standards or guides may be based on work elements or performance standards or describe work methods which may not be appropriate to accomplish the workload described in the PWS. If

current staffing patterns are used, similar upward or downward adjustments may also be needed.

c. Once PWS workload requirements have been determined, the next step is to design an organizational configuration and position structure which will best meet the PWS workload. This structure must conform to agency budgetary, regulatory and personnel guidance.

In the event that the cost study results in a decision to perform the activity in-house rather than by contract, implementation of the in-house staffing estimate must be initiated within one month after cancellation of the solicitation and completely implemented within six months following this decision.

d. The new organization and position structure should arrange the PWS workload in the most efficient manner. The workload should be divided according to skill levels required. Supervisory and administrative support requirements (not a part of operations overhead) should be included. Also, consideration must be given to: multi-skilled positions to fully utilize employees; the best mix of work schedules for accomplishing the workload; i.e., full-time, part time, and intermittent; and the use of overtime when appropriate for unscheduled, seasonal or peak workloads. In developing an appropriate position structure, position descriptions may have to be written. Participation of classification specialists in the personnel office should be obtained to ensure proper structuring (design) of positions according to pay plan; i.e., General Schedule (GS), Federal Wage System (FWS), other occupational series and grade. The analysts and task group should approach this task as if all current positions are to be abolished. As the PWS describes the out put standards of the current job, most current positions will not be affected; however, this theoretical approach will help in developing the most efficient, effective organization. These decisions should be made during the management study. The new organization, as defined in the management study, is priced out in this phase of the cost comparison process.

e. When productive work hours are used as a starting point, these work hours need to be converted to full-time equivalents (FTEs). For full-time and part-time positions, estimate total hours required by skill and divide by 1,744 annual available hours to determine the number of positions required. For intermittent positions to be expressed in FThs, estimate total hours required by skill and divide by 2,015 annual available hours to determine the number of positions required. (The annual available hours exclude annual leave, sick leave, administrative leave, training and other nonproductive hours. The two factors result from differences in the applicability of such nonproductive time between types of positions.) An example of how to convert PWS workload to personnel requirements follows:

EXAMPLE

Based upon the PWS, the maintenance/electrician requirements for the function under study total 8,448 annual productive hours. Due to the nature of the work, the analyst determines that four full-time maintenance employees are needed. In addition, based on the extent and type of electrical work and labor market availability, the analyst, with the help of the personnel office, determines that one part-time electrician working on a 20-hour per week schedule plus an intermittent employee for the remaining hours are appropriate.

The analyst determines four full-time maintenance employees will accomplish 6,976 productive hours (4 x 1,744 = 6976), leaving 1,472 productive hours for the electricians (8,448 - 6,976: 1,472).

The part-time electrician employee which equates to .5 of a FTE can accomplish 872 productive hours (.5 x 1,744 = 872), leaving 600 productive hours for the intermittent electrician.

The intermittent electrician's 600 hours need to be converted to FTEs for consistency and for ease in identifying the total FTEs of the in-house staffing estimate. The higher availability factor of 2,015 is used. Therefore, the intermittent employee in this example equates to .298 FTEs (600 - 2,015: .298).

Note: Specifically identify the part-time and intermittent FTEs on the personnel cost worksheet; also, express the partial FTEs to three decimal places.

f. When PWS requirements vary for the various performance periods, the in-house staffing estimate must be developed for each performance period.

3. Computation of Personnel Costs. Illustration 2-1 is a worksheet which can be used to compute personnel costs. The headings described below are illustrated on the worksheet.

a. Position title or skill - (Column A). Example: carpenter, driver, janitor, supervisor, administrative clerk.

b. Grade - (Column B). Show the GS/FWS grade for each type of position or skill.

c. Number FTEs required - (Column C). Show the FTEs required for each grade. Specifically identify, on the worksheet, the part time and intermittent employee work years. This is important for later fringe benefit calculations, since intermittent employees get lower benefits than regular tour of duty employees.

d. Annual Salary/Wages - (Column D). Pay information can be obtained from the personnel or finance offices. Use current pay rates based on the Government-wide representative rate of step 5 for GS and step 4 for FWS employees, or, if available and deemed

accurate, an organizationally determined average step within each grade. Then multiply that pay rate by the number of FTEs in column C on the worksheet, except for intermittent positions where actual hours are used. As a rule, GS salary is expressed as an annual rate of pay and the FWS salary is expressed as an hourly rate. For positions to be used on a prearranged regularly scheduled tour of duty, this hourly rate is multiplied by 2,080 (52 weeks x 40 hours/ week) to obtain the yearly pay. (This rate will change to 2,087 effective FY 84 as per P.L. 97-253, Section 310.)

e. Other Entitlements - (Column E). Include entitlements which will also earn fringe benefits. Work closely with the personnel office to make sure all entitlements are considered and to obtain current factors. Some examples are night differential pay for FWS employees, environmental differential pay and premium pay for federal civilian firefighters and law enforcement officers. Show computations on a separate worksheet and include with the personnel cost worksheet.

f. Basic Pay - (Column F). Salary/wages plus other entitlements (column D plus E).

g. Fringe Benefits or FICA - (Column G).

(1) Multiply the following Government-wide standard factors by the appropriate basic pay (column F).

(a) The standard retirement cost factor to be used is the Government's share of the full dynamic normal cost of the retirement system, as reported by OPM in its Annual Report to Congress pursuant to P.L. 95-595. This rate will be established annually by OPM. (The current rate is 27.9 percent of payroll.)

(b) The Government cost factor to be used for Federal employee insurance (life and health) benefits, based on actual cost, is 4.7 percent, plus an additional 1.35 percent for Medicare (up to annual salary limitations placed on employees covered under FICA). The cost factor for medicare increases to 1.45 percent in 1986.

(c) The Government cost factor to be used for Federal employee miscellaneous fringe benefits (workmen's compensation, bonuses and awards, severance pay, and unemployment programs) is 1.8 percent.

(2) Employees (primarily those who are first employed in civilian service after December 31, 1983) covered under Title II of Public Law 98-542, the Federal Employees' Retirement Contribution Temporary Adjustment Act of 1983, shall have the same retirement and medicare benefit factors applied as described in paragraph g.(1) above; that is, 27.9 percent for retirement costs and 1.35 percent for Medicare, up to annual salary limitations placed on employees covered under FICA.

(3) The Federal Insurance Contributions Act (FICA) cost factor will be applied to applicable employees (normally intermittent employees) who are not covered under the Federal Employees Retirement Contribution Temporary Adjustment Act of 1983. Be careful to apply the FICA rate only to wages and salaries subject to the tax; there is an annual limitation for FICA tax."

h. Other Pay - (Column H). Include entitlements which do not earn fringe benefits. Again, work closely with the personnel office to make sure all costs are considered. Some examples are night differential pay for GS employees, overtime, holiday, bonuses and uniform allowances. Show computations on a separate worksheet and include with the personnel cost worksheet.

i. Personnel Cost - (Column I). Add Basic Pay (column F), Fringe Benefits or FICA (column G) and other pay (column H) for all positions and total for both FWS and GS categories. This personnel cost figure can now be used as a basis to compute the actual personnel costs for each period of performance.

4. Performance Period Costs.

Adjustments to current annual personnel cost for each period of performance must be made to reflect anticipated pay increases. There are many possibilities; however, the following is an example of the process:

EXAMPLE

- It is September 1982 and costs are being computed for a firm, fixed-price contract with two pre-priced options for performance periods two and three.

- Contract start date is to be April 1, 1983, and performance periods are: first - April l to September 30, 1983; second - October 1, 1983 to September 30, 1984; third - October 1, 1984 to September 30, 1985; additional - October 1, 1985 to September 30, 1986.

- Projected pay increases per the President’s Budget (example only) are as follows: for GS employees, 5 percent on October 1, 1982;, then 6 percent in October 1983; 5 percent in October 1984; and 4 percent in October 1985; for FWS employees, the anniversary date for example purposes is July 1 of each year and the rates are 5 percent in July 1, 1983; then 6 percent in 3uly 1984; 5 percent in July 1985; and 4 percent in July 1986.

- Personnel costs in the worksheet at Illustration 2-1 apply for this example.

(END OF THIS PAGE)

ILLUSTRATION 2-1

PERSONNEL COST WORKSHEET
Base Year _____

A	B	C	D	E	F	G	H	I
Position Title or Skill	Grade/ Step	Number FTEs 1/ Required	Annual Wage 2/ (C x Annual Pay Rate)	Other 1/ Entitlements	Basic Pay (D+E)	Fringe Benefits (27.3%) or FICA (6.7%) (F x Rate)	Other 1/ Pay	Personnel Cost (F+G+H)
GS PAY CATEGORY								
Producer	GS 12/5	1	$32,013	None	$ 32,013	$ 8,740		$ 40,753
Art Director	GS 11/5	1	26,438		26,438	7,218		33,656
Chief Engineer	GS 9/5	1	22,073		22,073	6,026		28,099
Audio Technician	GS 8/5	2	39,972		39,972	10,912		50,884
Camera Operator	GS 7/5	2	36,092		36,092	9,853	$ 346 5/	46,291
Video Operator	GS 7/5	2	36,092		36,092	9,853		45,945
Stenographer	GS 4/5	1	13,022		13,022	3,555		16,577
Clerk Typist	GS 3/5	1	11,599		11,599	3,166		14,765
Clerk Typist (Intermittent)	GS 3/5	.149(300 hrs) 3/	1,668 4/		1,668	112(FICA)		1,780
Subtotal for GS		11.149			$218,969	$59,435	$ 346	$278,750
FWS PAY CATEGORY								
Maint Foreman	WS 6/4	1	$25,107 6/		$ 25,107	$ 6,854		$ 31,961
Maint Technician	WG 8/4	3	60,544	$1,514 7/	62,058	16,942	$1,451 8/	80,451
Electrician (part-time)	WG 8/4	.500	10,091		10,091	2,755		12,846
Electrician Helper (Intermittent)	WG 4/4	.298(600 hrs)	4,884 9/		4,884	327(FICA)		5,211
Subtotal for FWS		4.798			$102,140	$26,878	$1,451	$130,469
Totals		15.947			$321,109	$86,313	$1,797	$409,219

FOOTNOTES

1/ Document derivation separately.

2/ Include Salary/Wage table in documentation. This column is computed by multiplying column C times the annual pay rate, except for intermittent employees where hours are used.

3/ 300 productive hours divided by 2,015 availability factor; indicate number of hours in parenthesis.

4/ Yearly salary of $11,599 is divided by 2,087* to obtain the hourly rate of $5.56. Then, $5.56 times 300 hours equals $1,668.

5/ Holiday Pay for 40 hours ($8.65/hour x 40 hours = $346). FICA must be added to other pay categories where applicable.

6/ Hourly rate of $12.03 x 2,087 = $25,107.

7/ Night differential pay for whole year for one position ($20,181 x .075** = $1,514).

8/ Overtime for 100 hours ($9.67/hour x 100 hours x 150%** = $1,451).

9/ Hourly wage is $8.14 then times 600 hours equals $4,884.

* Changes to 2,087 effective FY 80.
** Pay factors obtained from personnel office.

PERFORMANCE PERIOD COMPUTATIONS

First Performance Period (April 1 - September 30, 1983)

	GS Pay	FWS Pay	
	(Apr-Sep) 83	(Apr-3un) 83	(3ul-Sep) 83
Current Annual Cost	$ 278,750	$ 130,469	$130,469
Projected Pay Increase	x 1.05	None	x 1.05
Months/Year	: 12	: 12	: 12
Months	x 6 (Apr-Sep)	x 3 (Apr-Jun)	x 3 (Jul-Sep)
Subtotals	$ 146,344	$ 32,617	$ 34,248

Then $146,344 + $32,617 + $34,248 = $213,209 (First Period Cost)

Second Performance Period (October 1, 1983 - September 30, 1984)

The second and future periods will be projected per inflation guidelines unless the contract contains an economic adjustment clause or Service Contract Act (SCA)/Davis-Bacon provisions. Contracts with an SCA provision will not be inflated for the outyears because the contractors will not be required to inflate bids or proposals. However, when Department of Labor criteria is being used certain potential contractor positions may not be covered under SCA provisions; accordingly, the in-house related cost for corresponding positions must be inflated.

To continue the example, two positions are not covered under SCA provisions: the producer, GS-12 and Maintenance Foreman, WS-6. Personnel costs are computed as follows:

POSITIONS NOT COVERED BY THE SCA CLAUSE

Current Annual Cost	$40,753 (Producer)	$23,971 (Foreman) +	$7,990	= $31,961
Projected Pay Increase for 1st period	x 1.05	x 1.05	x 1.05	
Projected Pay Increase for 2nd period	x 1.06	NA	x 1.06	
Annual Cost for 2nd Period	$45,358	$25,170	$8,893	= $34,063

These increases ($45,358 and $34,063) are added to the cost of positions subject to the SCA clause, which follows.

POSITIONS COVERED BY THE SCA CLAUSE

	GS Pay (Oct 83-Sep 84)	FWS Pay (Oct 83-Sep 84)
Current Annual Cost for second period staffing estimate ($278,750 - 40,753) GS =	$237,997	
($130,469-31,961) FWS =		$ 98,508
Projected Pay Increase from 1st period applied to full year	x 1.05	x 1.05
Cost of Positions Subject to SCA	$249,897	$103,433

TOTAL 2ND PERIOD COST

	GS	FWS
Cost of positions Not Subject to SCA	$ 45,358	$ 34,063
Cost of positions Subject to SCA	249,897	103,433
Subtotal	$295,255	$137,496
TOTAL (Second Period Cost)		$432,751

Third Performance Period (October l, 1984 - September 30, 1985)

POSITIONS NOT COVERED BY THE SCA CLAUSE

POSITIONS NOT COVERED BY THE SCA CLAUSE

	GS Pay Oct 84-Sep 85	FWS Pay (Oct 84-Jun 85)	&	(Jul 85-Sep 85)	
Second period total cost	$45,358	$25,170		$8,893	= $34,063
Projected pay increase for third period	x 1.05	x 1.06		x 1.05	
Third period cost of positions not subject to SCA	$47,626	$26,680	+	$9,338	= $36,018

)1

TOTAL 3RD PERIOD COST

	GS	FWS
Cost of positions not subject to SCA	$ 47,626	$ 36,018
Cost of positions subject to SCA	$249,897	$103,433
Subtotals	$297,523	$139,451
TOTAL (Third Period Cost)		$436,974

Additional Performance Periods. For contracts involving more than three performance periods, each subsequent period would continue to be adjusted using the appropriate projected pay increase for positions not covered by an SCA clause. To continue the example, computations are as follows for the period October 1, 1985, through September 30, 1986.

POSITIONS NOT COVERED BY THE SCA CLAUSE

	GS Pay Oct 85-Sep 86	FWS Pay (Oct 85-Jun 86)	&	(Jul 86-Sep 86)	
Third period total cost	$ 47,626	$26,680		$9,338	= $36,018
Projected pay increase for additional period	x 1.04	x 1.05		x 1.04	
Additional period cost of positions not subject to SCA	$ 49,531	$28,014	+	$9,712	= $37,726

TOTAL ADDITIONAL PERIOD COST

	GS		FWS	
Cost of positions not subject to SCA	$ 49,531		$ 37,726	
Cost of positions subject to SCA	249,897		103,433	
TOTAL	$299,428	+	$141,159	= $440,587

Performance Period Recaps:

1st	2nd	3rd	Add'l	Total
$213,209	$432,751	$436,974	$440,587	$1,523,521

These totals are then entered on line 1 of the CCF.

E. MATERIAL AND SUPPLY COST - Line 2

1. Material and supply costs are incurred in each period of performance for goods such as raw materials, parts, subassemblies

components and office supplies. Material costs are calculated only if the materials are used solely by the function under study and are not provided to the contractor; otherwise they are common cost.

2. Review the PWS and solicitation documents to determine the materials to be furnished to the contractor and those not furnished to the contractor but needed for in-house performance. For only those materials required for in-house performance but not furnished to the contractor, review historical records of material usage and cost data prepared for the same or similar work. Adjust historical material usage and cost data to reflect requirements of the PWS. Determine if materials obtained from other Government agencies can be obtained at less cost on the local market. If so, obtain applicable waiver from other Government agency to purchase materials locally. Include allowances for normal scrap, spoilage, overruns and defective work. List required material by quantity needed, unit price, material mark-up and total cost. A single entry may be made for miscellaneous items such as office supplies. Ensure unit prices are current for the first period of performance.

3. Pricing Material From Other Government Agencies. Costs associated with materials obtained from other agencies will also be added as a material markup to the material and supply cost.

a. General Services Administration. In most instances, the prices charged by GSA for material do not include all the costs of the acquisition and storage functions performed by GSA. Since inclusion of these costs in GSA prices is not authorized by law, it will be necessary to adjust GSA prices for purposes of the cost estimates. Following is a description of the material and supply services provided by GSA together with mark-up rates to be applied to GSA prices:

(1) Wholesale and Stores Direct Delivery. The wholesale program involves the distribution of common-use, commercially available items through a network of supply distribution facilities located throughout the United States. Also included is the Stores Direct Delivery Program. This program provides the same type of items carried in stock which, because of volume orders, are procured from the vendor for direct delivery to the requisitioner in instances when delivery time is not critical. Add 11 percent.

(2) Retail. The Retail Program provides high demand common-use office and janitorial requirements from retail outlets located in areas of concentrated Federal activity. Add 23 percent.

(3) Nonstores Direct Delivery and Competitive Federal Supply Schedules. This program is concerned with obtaining customer nonstoek requirements through direct shipment from the vendor. Presently, agencies are ordering directly from vendors using schedules established by the GSA Federal Supply Service. Agencies pay the vendors directly for goods and services obtained. Add 5 percent.

b. Department of Defense. The following definitions describe material supply services provided by the Defense Logistics Agency (DLA). The appropriate mark-up rates to be applied to DLA prices to show full costs are as follows:

(1) Wholesale Stock Fund. Material for which the Defense Stock Fund has procurement, receiving, storage, and shipping responsibility. Add 24.5 percent.

(2) Direct Delivery. Material for which the Defense Stock Fund has procurement responsibility only and which is delivered directly to the customer from the vendor. Add 13.4 percent.

c. Other Agencies. The furnishing agency must be requested to determine the costs of acquiring, managing and storing its material. These costs will usually be presented as a percentage of its total material costs.

4. Material and Supply Costs must be projected for all periods of the cost comparison. The first period will reflect actual projected costs. The second and subsequent periods are projected using the appropriate inflation factor. However, these periods are not inflated for contracts which include an escalation or economic adjustment clause. Such a clause enables a contractor to be reimbursed for future price increases. In the documentation to the CCF show the computations used to derive the entries for all periods of performance. An example of supporting documentation is provided in Illustration 2-2.

ILLUSTRATION 2-2

ESTIMATE OF MATERIAL AND SUPPLY COSTS

Nomenclature	National Stock Number	Quantity 1/ Required	Unit 2/ Price	Source of Supply	Additive 3/ Adjustments		Final Estimate 6/ Unit Price	Annual 7/ Material Cost	Performance Period Cost 12/ First 8/	Second 9/	Third 10/	Fourth 11/
Audio Tape	6750009265200	12	$ 41.65	GSA Wholesale	21% 4/	6% 5/	$ 53.42	$ 641.04	$ 320.52	$ 676.30	$ 710.27	$ 742.97
Ekta Chrome Film	6750002547099	10	271.73	Local Purchase	0%	6%	288.03	2,880.30	1,440.15	3,038.72	3,191.37	3,338.27
Music Tracks	6750010453221	2	81.93	GSA Retail	36%	6%	118.11	236.22	118.11	249.21	261.73	273.78
	.	.	.	.	.	.	.	.	.	.	.	.
	.	.	.	.	.	.	.	.	.	.	.	.
	.	.	.	.	.	.	.	.	.	.	.	.
									$35,530	$71,664	$78,830	$86,713

FOOTNOTES

1/ Basic quantity requirement plus any added requirement for scrap, spoilage and defective items.

2/ Stock list price in current year dollars (e.g., FY 82).

3/ Adjustments for: material markup and inflation to year of first performance period.

4/ Material markup factor additive.

5/ Inflation factor additive to inflate prices from FY 82 to FY 83 (example only).

6/ Unit Price $41.65 x .21 (see footnote 4) = $8.75 + $41.65 = $50.40 x .06 (see footnote 5) = $3.02 + $50.40 = $53.42.

7/ Quantity 12 x $53.42 = $641.04 annual FY 83 dollars.

8/ First performance period is April through September FY 83. $641.04 annual FY 83 dollars divided by 12 months = $53.42 per month x 6 months = $320.52.

9/ Second performance period is October 83 - September 84. Inflation from FY 83 to FY 84 is 5.5% (example only), $641.04 annual FY 83 Material Cost x 1.055 = $676.30 annual FY 84 Direct Material Cost.

10/ Third performance period is October 84 - September 85. Inflation from FY 83 to FY 85 is 10.8% (example only), $641.04 annual FY 83 Material Cost x 1.108 = $710.27 annual FY 85 Material Cost.

11/ Fourth performance period is October 85 - September 86. Inflation from FY 83 to FY 86 is 15.9% (example only), $641.04 FY 83 Material Cost x 1.159 = $742.97 annual FY 86 Material Cost.

12/ If material usage is expected to increase/decrease in any performance period, appropriate adjustments must be made to the quantity and cost columns before applying inflation.

F. OTHER SPECIFICALLY ATTRIBUTABLE COSTS - Line 3

1. Overview

Personnel and material cost previously covered are normally the primary sources of Government costs. The remaining elements of costs (with asterisks below) are also specifically attributable to the function under study. As discussed in Chapter 2, paragraph C, each element of cost must be adjusted for inflation. When requirements differ by period due to changes in the PWS, ensure these adjustments are made before applying inflation factors. Costs that would be the same regardless of the eventual decision, though not calculated, must still be identified in each cost element (for example, under paragraph 2F4, identify maintenance and repair of a Government furnished building as a common cost). Costs which are not 100 percent attributable to the function under study are overhead costs and will be discussed in paragraph G.

Elements of Cost

Personnel Cost	Para 2D
Materials and Supply Cost	Para 2E
*Depreciation	Para 2F2
*Rent	Para 2F3
*Maintenance and Repair	Para 2F4
*Utilities	Para 2F5
*Insurance	Para 2F6
*Travel	Para 2F7
*Other Costs	Para 2F8

2. Depreciation

a. Depreciation is the method used to spread the cost of tangible capital assets (e.g. plant and equipment), less residual value, over an asset’s useful life. Because land has an unlimited life, it is not a depreciable asset.

b. For purposes of the Handbook, depreciation must be calculated for capital assets in the following cases:

* These "other specifically attributable costs" should be summarized on a worksheet, as in Illustration 2-5.

(1) Depreciate only those capital assets used solely by

the function under study for in-house operation, but not provided to the contractor as stated in the PWS or solicitation. If all capital assets owned (or to be acquired) by the function under study are provided to the contractor, no depreciation costs will be calculated. Assets costing less than $1,000 are classified as minor items and will not be depreciated, but will be added to other costs (see Paragraph F.8.).

(2) There may be circumstances when the Government determines it to be beneficial to study a currently contracted function for more economical in-house performance, to expand a current in-house operation, or to establish a new requirement. In these cases, also depreciate the additional capital assets that would be required by the function under study but not provided to the contractor (see Chapter 5).

c. The following terms are expanded for clarification:

(1) Useful Life. Useful Life is the estimated period of economic usefulness of an asset in a particular operation. A representative useful life table for various classes of equipment is provided at Appendix C.

(2) Residual Value. Residual Value is the value at disposition (less costs of disposal) estimated at the time of acquisition. In many cases, the estimated residual value is so small and occurs so far in the future that it has no significant impact on a cost decision. Residual value may be almost or completely offset by removal and dismantling costs. Normally Government assets will be used through the end of their estimated useful life; thus, residual value may be carried at zero. In the event that it is known at the time of acquisition that the capital asset will not be used for at least 75 percent of its scheduled useful life residual value should be estimated.

(3) Capital Improvements: Capital improvements are the costs of major overhauls and modifications which add value or prolong the life of a capital asset (equipment or facility). These costs should be treated as capital expenditures and depreciated over the extended or remaining useful life of either the asset or improvement, whichever is less.

d. Using the example in Illustration 2-3, annual depreciation for capitalized equipment will be estimated as follows:

(1) Start with the acquisition cost (purchase price) plus capital improvements, plus all other costs incurred to place the asset in use; e.g., transportation, installation;

(2) Then, determine the year of purchase and the useful life of the asset in Appendix C.

(3) If the projected useful life from the year of purchase is less than the last year of the performance period, extend the useful life. The useful life should be extended through-

out the last period of performance or longer based upon actual or planned retirement or replacement practice. This will ensure the annual depreciation costs are spread over the period of expected use.

(4) Compute annual depreciation by dividing the depreciable basis (acquisition cost plus capital improvements less residual value) by the useful life. Capital improvements may have to be depreciated separately and then accumulated with the annual depreciation of the original capital asset.

(5) If the useful life shown on Appendix C is unrealistic for specific assets (regardless of current age), an alternative useful life and consideration of residual value may be used if approved by the assistant secretary or designee in paragraph 9.a. of the Circular, if based on actual or planned retirement and replacement practices.

ILLUSTRATION 2-3

DEPRECIATION WORKSHEET

EQUIPMENT

A Asset/FSG	B Depreciable Basis (Acquisition Cost Less Residual Value)1/	C Useful Life2/	D Annual Depreciation (B ÷ C)
Video Viewer/6730---	$ 6,895	25	$ 276
TV Camera/6710---	11,844	25	474
Microphone/5965---	4,909	24	205
		Subtotal	$ 955

FACILITIES

A Facility #/Category	B Depreciable Basis (Acquisition Cost Less Residual Value)	C Useful Life3/	D Annual Depreciation (B ÷ C)
1506/P	$750,750	75	$10,010
701/S	308,000	50	6,160
1502/T	5,950	25	238
		Subtotal	$16,408
		TOTAL4/	$17,363

1/ Capital improvements should be depreciated over the remaining life of the improved asset. (F.2c(3))

2/ If useful life from Appendix C is not appropriate, substitute approved agency data.

3/ If age of facility exceeds expected useful life guidelines, adjust using engineering projections.

4/ Enter total in worksheet, Illustration 2-5, for "other specifically attributable costs." If the first performance period is less than a full year, prorate costs to the partial period.

(NOTE: Depreciation is not inflated for the outyears.)

e. For facilities, the acquisition cost plus capital improvements (less residual value) will be depreciated over the useful life of the facility. Facilities are generally categorized as permanent, semi-permanent or temporary; and the useful life will be

standardized for the entire grouping. The useful life expectancies listed below may be used by type of facility. If useful life has been exceeded, obtain an engineering projection of anticipated useful life.

Facility Category	Useful Life
Permanent (P)	75 years
Semi-Permanent (S)	50 years
Temporary (T)	25 years

3. Rent - This cost is incurred for the use of non-Government assets (land, plant and machinery, etc.) by the function under study. Compute only those rental costs not expected to continue in the event of contractor performance. When the actual rental charges are not available from the agency providing the asset and a GSA-billed Standard Level User Charge (SLUC) is available, the SLUC charge should be used as the rental cost.

4. Maintenance and Repair - This cost is incurred to keep buildings and equipment in normal operating condition. It does not include capital improvements which add value to an asset and are accounted for under depreciation. Compute maintenance and repair cost for those assets that are not furnished to the contractor but are needed for in-house performance for the function under study and for any facilities or equipment furnished to the contractor where the contractor would be responsible for maintenance and repair cost.

5. Utilities - This category includes charge for fuel, electricity, telephone, water and sewage services, etc., that would not continue in the event of contract performance. The amount of these costs applicable to the function under study will be determined either on a metered or allocated basis of consumption. These costs will be prorated by a unit of measure that varies directly with consumption (e.g., floor space, type of facility, number of telephones). Estimates of expenses to be incurred for the first year of performance should be based on current experience appropriately adjusted for anticipated future requirements. Engineering estimates should be used when historical data is not available. All estimates should be appropriately documented with supporting detail.

6. Insurance - Operation of any Government activity involves risks and potential costs from casualty losses (fire, flood, etc.) and liability claims. These risks are normally covered by insurance in the private sector, but the Government is primarily self-insured and must pay for each loss incurred. To compute estimated insurance costs, use the example at Illustration 2-4.

a. Casualty losses will be computed by multiplying .0005 times the net book value (depreciable basis less accumulated depreciation) of Government equipment, and the average value (stockage level) of material and supplies. Casualty losses for facilities and minor items will be .0005 times the estimated replacement cost.

b. Insurance to be computed on assets wiLl depend on the requirements of the performance work statement (PWS). If the contractor is required to provide casualty insurance on all Government furnished assets, compute insurance for all those assets to be used by the function under study, regardless of whether the assets will be furnished to the contractor. If the contract does not require the contractor to furnish casualty insurance, compute casualty insurance on only those assets to be used by the function under study which would not be provided to the contractor.

c. Agencies that formally develop factors for Government selfinsurance reserves, for example, Office of Aircraft Services, Department of Interior, should use those factors rather than those in paragraphs 6.a. and 6.b. above for insurance costs that would not continue in the event of contracting.

ILLUSTATION 2-4

INSURANCE WORKSHEET

ILLUSTRATION 2-4

INSURANCE WORKSHEET

1. Casualty Insurance

A. Capital Assets

	Federal Stock Group	Estimated Acquisition Costs	Accumulated Depreciation	Net Book Value
Video Viewer	6730	$ 6,895	$4,140	$2,755
TV Camera	6710	11,844	7,110	4,734
Microphone	5965	4,909	3,075	1,834
			Subtotal	$9,323

B. Facility Number/Code

		Estimated Replacement Cost[2/]
1,506	(P)	$2,200,850
701	(S)	750,600
1,502	(T)	19,300
	Subtotal	$2,970,750

C. Material and Supply

Average Monthly Material & Supply Stock

$\frac{\$120,000 \text{ (Annual Cost)}}{12 \text{ months}}$ = $10,000 per month

Average Stockage Level = 2 months supply x $10,000 $ 20,000

D. Minor Items (Non-Capital Durable Goods) less than $1,000 in unit value

NOUN	FSG	QTY	Estimated Acquisition Costs	Total	Current Replacement Cost
Desks	7110	15 ea	$200 ea	$3,000	$ 600
Chairs	7110	20 ea	100 ea	2,000	400
.	.	.	.	.	.
.	.	.	.	.	.
.	.	.	.	.	.
				Subtotal	$2,000

E. Summary

Capital Assets	Replacement Cost or Net Book Value	x	Casualty Insurance Factor	=	Casualty Insurance
Equipment	$ 9,323				
Facilities	2,970,750				
Materials & Supply	20,000				
Minor Items	2,000				
	$3,002,073	x	.0005	=	$1,501

F. Casualty Insurance by Performance Period

	1st[3/]	2nd[4/]	3rd[5/]	4th[6/]	Total[7/]
Casualty Insurance	$ 750	$1,584	$1,663	$1,740	$5,737

2. Liability Insurance by Performance Period

	1st	2nd	3rd	4th	Total
Personnel Related Cost Line 1, CCF	$213,209	$432,751	$436,974	$440,587	$1,523,521
Liability Insurance Factor	x .0007	x .0007	x .0007	x .0007	x .0007
Liability Insurance	$ 149	$ 303	$ 306	$ 308	$ 1,066

NOTE: Liability Insurance is calculated from previously inflated personnel-related costs and need not be inflated again.

3. Summary of Insurance

	1st	2nd	3rd	4th	Total
Casualty Insurance	$ 750	$1,584	$1,663	$1,740	$5,737
Liability Insurance	149	303	306	308	1,066
Total[7/]	$ 899	$1,887	$1,969	$2,048	$6,803

FOOTNOTES:

1/ Appendix C.
2/ Civil Engineering Estimates.
3/ Annual casualty insurance prorated to first period (April - September FY 83 dollars) ÷ 12 months x 6 months = $750.
4/ Second period is October 83 - September 84. Inflation from FY 83 to FY 84 is 5.5 % (example), $1,501 x 1.055 = $1,584.
5/ Third period is October 84 - September 85. Inflation from FY 83 to FY 85 is 10.8% (example), $1,501 x 1.108 = $1,663.
6/ Fourth period is October 85 - September 86. Inflation from FY 83 to FY 86 is 15.9% (example), $1,501 x 1.159 = $1,740.
7/ Transfer to Summary Worksheet, Illustration 2-5, "Other Specifically Attributable Costs."

c. Liability losses will be computed by multiplying .0007 times the Government personnel-related costs (line 1 and the portion of personnel costs in line 4 of the CCF).

7. Travel - This category covers the expected cost of travel that would not continue in the event of contract performance. These costs should be readily available from budgeted amounts of per diem and transportation cost for the function under study.

8. Other Costs

a. Other cost is a general category for specifically attributable costs that do not properly fit into one of the other elements of cost but do not continue in the event of contract performance. Some examples are purchased services or any work currently performed under contract that has been included in the PWS; packaging and crating (if not already a part of material and supplies); transportation costs; and royalties. Ensure these costs are not also covered in an overhead area. A format is provided at Illustration 2-5.

b. Additionally, include the recurring cost of minor items which are not immediately consumed by the function under study and not provided to the contractor. Minor items are non-capitalized (will not be depreciated) durable items with current replacement cost that is less than $1,000; e.g., overhead projectors, office equipment, chairs. The cost of minor items for each performance period will be 10 percent of the total current replacement cost of all minor item's not provided to the contractor. Should the supply source mark-up increase the item's cost to more than $1,000, it will still be considered a minor item. A worksheet is provided at Illustration 2-6.

G. OVERHEAD COSTS - Line 4

1. Overview.

a. Costs incurred in support of the function under study, not 100 percent allocable to that function, will be classified as overhead. Overhead will not be calculated for studies of 10 FTE's and under (nor will contract administration -- see Chapter 3, paragraph C).

b. For the purposes of this Handbook, overhead will be captured into two major categories by using the proper elements of cost from paragraph F. Include only those costs that will not continue in the event of contract performance. The first overhead category will be Operations Overhead and is defined as those costs incurred by the first supervisory work center one element above and in support of the function under study. The second overhead category will be General and Administrative Overhead and is defined as all support costs, other than operations overhead, incurred in support of the function under study.

ILLUSTRATION 2-5

SUMMARY

OTHER SPECIFICALLY ATTRIBUTABLE COSTS

Category	PERFORMANCE PERIODS					
	1st	2nd	3rd	4th	Additional	Total
Depreciation 1/	$ 8,682	$17,363	$17,363	$17,363	$0	$60,771
Rent 2/	0	0	0	0	0	0
Maintenance & Repair 2/	0	0	0	0	0	0
Utilities 2/	0	0	0	0	0	0
Insurance 3/	899	1,887	1,969	2,048	0	6,803
Travel 2/	0	0	0	0	0	0
Other Costs 4/	782	1,563	1,563	1,563	0	5,471
Total 5/	$10,263	$20,813	$20,895	$20,974	$0	$73,045

1/ From Illustration 2-3.
2/ Based on the requirements of the example study, there were no costs associated with these elements.
3/ From Illustration 2-4.
4/ From Illustration 2-6, which depicts minor items cost and "other cost" category.
5/ Transfer these totals to line 3 of Cost Comparison Form.

ILLUSTRATION 2-6

MINOR ITEMS -- NOT PROVIDED TO CONTRACTOR

(Part of Line 3, Other Costs)

Source of Supply	Item/Stock Class	Acquisition Cost	Quantity	Unit Total	Material Mark-Up Factor	Total Cost
I. GSA Supplied Items						
Wholesale & Stores Direct Delivery	Wastebasket/7105	$ 5	10	$ 50	1.21	$ 61
	Bookcase/7110	325	1	325	1.21	393
Retail	Table/7110	193	3	579	1.36	787
Nonstores Direct Delivery and Competitive Federal Supply	Typewriter/7430	820	2	1,640	1.05	1,722
				Total GSA		$ 2,963
II. DOD Supplied Items						
Wholesale	Safe/7110	$912	1	$ 912	1.245	$ 1,135
	File/7110	213	7	1,491	1.245	1,856
Direct Delivery	Desks/7110	680	4	2,740	1.134	3,084
	Calculator/7420	319	3	957	1.134	1,085
				Total DOD		$ 7,160
III. Other Agencies						
	Scale/5210	$514	9	$4,626	1.19	$ 5,505
				Total Other		$ 5,505
		Total All Minor Items				$15,628
		Minor Items x 10% = Annual Cost				$ 1,563
		First Period $\frac{\text{(Number of Months)}}{12}$				
		6/12 x $1,563 = $782				$ 782
		Subsequent Performance Periods (12 Months) -- Not Inflated				$ 1,563

c. A limit must be placed on the scope of analysis on General and Administrative Overhead Support costs. Certain support costs incurred by the executive, legislative and judicial branches of the Government are attributable to the various departments and independent agencies. Similarly, certain support costs incurred at the department level would be attributable to the activities within the subordinate organizational levels. General and Administrative Overhead support cost will vary based on the organizational structure of each department or agency, but will exist in some form in each. A portion of the support costs incurred above the installation level are theoretically attributable to the function under study. However, for the cost comparison study, only ralculate support costs which would be eliminated in the event the function is contracted. This decision is based on the conclusion that costs involved in funding, policy-making, long-range planning and direction would continue and be equally applicable to both in-house or contract operation.

d. Typical General and Administrative Overhead Type Activities have been depicted in Illustration 2-7. This table is not all inclusive but serves as a starting point to decide not only the typical installation support or service activities (versus mission activities) but also such external installation support activities as regional personnel support service centers, regional finance centers, supply centers and tenant activities that provide definable support to the function under study. The methods for calculating these overhead costs are presented in the next two paragraphs; a worksheet is provided at Illustration 2-8.

2. Operations Overhead.

To compute operations overhead costs for the supervisory work center one level above the function under study, determine if at least one position would be eliminated in the supervisory work center as a result of conversion to contract. If not, operations overhead is zero. If positions or overtime would be eliminated (a position may be full-time, part-time or intermittent), compute personnel costs per paragraph D and also compute other costs solely in support of positions to be eliminated. Reference material and supply costs per paragraph E and other specifically attributable costs per paragraph F for development of cost in support of positions to be eliminated.

3. General and Administrative Overhead (G&A).

To compute G&A costs, first list all activities internal to the installation that provide defineable support to the function under study, excluding operations overhead. Next, list those activities external to the installation which provide general or

administrative support not available on the installation and which are essential to the operation of the function under study; e.g., regional service center. Within each of these activities determine if there could be at least one position (full-time, part-time, or intermittent) or overtime eliminated as a result of conversion to contract. If not, G&A overhead is zero. If positions could be eliminated, compute personnel costs, per paragraph D, and other cost solely in support of those positions which would be eliminated. Reference material and supply costs per paragraph E and other specifically attributable costs per paragraph F.

ILLUSTRATION 2-7

TYPICAL GENERAL AND ADMINISTRATIVE ACTIVITIES

1. Organization Director (Commander)
2. Comptroller (Budget)
3. General Counsel (3udge Advocate)
4. Central Personnel Services
5. Public Relations (Information Office)
6. Central Administrative Services
7. Security (including security clearances)
8. Data Automation
9. Procurement/Contracting
10. Supply
11. Transportation
12. Tenant activities which provide support to the function under study

ILLUSTRATION 2-8

OVERHEAD COST WORKSHEET

ILLUSTRATION 2-8

OVERHEAD COST WORKSHEET

COST CATEGORY	PERFORMANCE PERIODS				
	1st	2nd	3rd	Additional	Total
Operations Overhead[1]					
Personnel Cost	11,937	25,307	26,572	27,635	91,451
Material and Supply Cost	0	0	0	0	0
Other Specifically Attributable Costs (Specify)[3]	8	18	19	19	64
G & A Overhead[2]					
Personnel Cost	4,307	9,131	9,588	9,972	32,998
Material and Supply Cost	0	0	0	0	0
Other Specifically Attributable Costs (Specify)[3]	3	6	6	7	22
Totals	16,255	34,462	36,185	37,633	124,535

(Enter totals on line 4 of the CCF)

---

[1] The analysis of operations overhead, for example purposes, shows that one full-time position, a GS-7 step 5, can be eliminated as a result of converting the function under study to contract. A further analysis of the costs in support of this position; i.e., material and supply cost and other specifically attributable costs, shows that none can be materially reduced. Personnel cost computations are made per paragraph D; the position is not subject to the SCA clause.

[2] The analysis of G & A overhead, for example purposes, shows that only one office is materially affected by converting the function under study to contract. One part time position, GS-4 step 5, 20 hours per week, can be eliminated in the personnel office. A further analysis of the costs in support of this position, as in footnote 1 above, shows that none can be materially reduced. The position is not subject to the SCA clause.

[3] Liability insurance factor .0007 applied to overhead personnel cost.

H. ADDITIONAL COSTS - Line 5

This cost category encompasses any Government costs which are not classified appropriately by the cost elements on lines 1 through 4 of the CCF. This cost category should reflect those additional Government costs resulting from unusual or special circumstances which may be encountered in particular cost studies. The total amount of such costs should be entered on line 5 of the CCF. Common costs that continue to exist irrespective of the mode of performance are not computed. Amounts entered on line 5 must be supported by a definition of the type of costs reported, a justification for its inclusion in the cost study, an explanation of the underlying assumptions, methods of computation used to determine the cost and a detailed listing of the specific components or elements of cost which comprise the total amount reported on line 5, if applicable.

I. TOTAL - Line 6

Enter the sum of lines 1 through 5 on line 6 of the CCF. This concludes the development of the in-house cost of the function under study.

PART IV - COST COMPARISON HANDBOOK

Chapter 3 - Developing the Cost Of Contract Performance

A. GENERAL

This Chapter of the Handbook deals with the determination of the cost to the Government of acquiring a product or service by contract. It includes a determination of not only the amount to be paid to the contractor (contract price) but also a determination of costs that would be incurred only in the event of contract performance. The Cost Comparison Form (CCF) identifies the categories of Government cost which would be incurred in connection with contracting.

B. CONTRACT PRICE - Line 7

1. The contract price included in the cost comparison must be supported by a firm bid or proposal. The contractor’s bid or proposal must be predicated on the same performance work statement (PWS) utilized in preparing the Government’s estimate. Also, the solici-

tation for bids or proposals will notify the bidders or offerors that a comparison will be made between the cost of contracting and the cost of the in-house performance, and that a contract may or may not result.

2. In determining the amount to be recorded as the contract price, consider the contract type. The following guidance is provided in this regard.

a. In the case of an advertised firm fixed price contract, the price of the low bidder or offeror will be entered. If a firm fixed price contract is to be negotiated, the negotiated price will be entered.

b. When fixed price contracts with flexible pricing arrangements are contemplated (e.g., fixed price incentive fee), enter the target price.

c. If a cost reimbursement-type contract is proposed, enter the low negotiated estimated cost plus the fee to be earned if the contractor provides the minimum acceptable performance.

d. If a contract with an award fee is proposed, enter the fixed portion of the fee plus the contract costs of the most advantageous offer to the Government.

e. If a time and material or labor-hour contract is proposed, enter the estimated total cost of performance. Alternatively, comparable rates can be developed for the Government cost estimate and the comparison can be made on the basis of rates, rather than total costs.

3. Tax Exempt Organizations

a. If the apparent low bidder or offeror is a tax-exempt organization, the contract price must be adjusted by an amount equal

to the Federal, state and local income taxes that would be paid by the lowest non-tax-exempt bidder or offeror. This adjustment is necessary to determine which bidder or offeror has the lower overall cost to the Government.

b. Determine the lowest non-tax-exempt organization’s bid or offer and calculate the Federal tax rate for this non-tax-exempt organization from the procedures in paragraph G, this Chapter. To calculate state and local taxes for the non-tax-exempt organization, multiply the bid or offer by .23 percent (.0023). Add the Federal, state and local taxes calculated above to the tax-exempt organization’s bid or offer. (State and local taxes are used only for comparing tax-exempt with non-tax-exempt organizations.)

c. Compare the tax-exempt organization’s tax-adjusted price

to the non-tax-exempt organization's price. The lowest cost bidder or offeror after this comparison will compete against the Government. If the tax-exempt organization's tax-adjusted price is lower than the non-tax-exempt organization's price, enter the unadjusted price on Line 7 of the CCF.

d. In cases where the tax-exempt organization's tax-adjusted price is identical to the non-tax-exempt organization's price, the non-tax-exempt organization shall be the organization to compete against the Government.

C. CONTRACT ADMINISTRATION - Line 8

1. Contract administration costs are the costs incurred by the Government in assuring that a contract is faithfully executed by both the Government and the contractor. It includes the cost of reviewing contractor performance and compliance with the terms of the contract (quality assurance plan), processing contract payments, negotiating change orders, and monitoring the closeout of contract operations.

2. The contract administration cost to be entered on line 8 of the CCF will be based on requirements as shown on Table 3-1. The requirements vary by size of the function under study as determined by the in-house staffing estimate developed in the management study. For example, for a study of 15 staff years (FTEs), one contract administration staff year (FTE) is required. Costs related to this position are then computed based on instructions for determining personnel costs (Chapter 2, paragraph D).

3. Table 3-1 was developed from a representative sample of agencies' contract administration cost data. The table represents contract administration staffing limits to be used for a cost comparison study. Depending on the type of function involved, it may be possible to use lower contract administration factors than shown on this table; in this case, agencies should quantify requirements based on a workload measurement using the quality assurance plan. In the event the function under study is so technically specific or geographically dispersed that the contract administration (including the quality assurance surveillance plan requirements, as specified in Part H of this Supplement) personnel requirements would exceed the limits established in Table 3-1, a waiver may be granted by the appropriate official per paragraph 9.a. of the Circular. Agencies may submit reports to the Administrator for Federal Procurement Policy, OMB, on actual contract administration costs if agency experience significantly differs from the costs allowed by Table 3-1.

D. ADDITIONAL COSTS - Line 9

The procedures prescribed by this Handbook substantially diminish the need to include the elements of additional cost described in this section except in unusual and infrequent circumstances. Include additional costs that would only be incurred in

the event of contract performance.

1. This category encompasses any additional costs to the Government such as transportation or purchased services resulting from unusual or special circumstances which may be encountered in particular cost comparisons.

2. The supporting documentation for additional costs of transportation should describe the nature of the transportation to be provided; indicate the reasons the additional cost was not incurred by the function under study, but will be furnished to the contractor; specify the mileage, carrier, rates and data used to determine the estimated costs; and identify the sources of the data obtained.

3. The total amount of additional costs will be entered on line 9 of the CCF. Amounts entered on line 9 must be supported by a definition of the type of cost reported, justification for inclusion methods of computation, and, if applicable, a detailed listing of the cost components.

Table 3-1
Contract Administration Factors

In-House Staffing Estimate of Activity Under Study (Range)	Contract Administration Staffing Requirements in FTEs
10 or Below	Do not reflect any costs in line 8 of the CCF. Likewise, do not include any overhead staffing or related costs in line 4 of the CCF.
11-20	1
21-42	2
43-65	3
66-91	4
92-119	5
120-150	6
151-184	7
185-222	8
223-265	9
266-312	10
313-367	11
368-429	12
430-500	13
501-583	14
584-682	15
683-800	16
Above 800	Use 2 percent of the in-house staffing estimate to compute administration staffing requirements.

E. ONE-TIME CONVERSION COSTS -- Line 10

1. When the Government discontinues an in-house activity to

obtain a commercial product or service by contract, there are usually one-time in-house costs associated with the conversion.

2. Material Related Cost

a. A conversion will normally result in certain items of material (expendables) becoming excess or available for transfer in-house or to the contractor.

b. It may be possible to transfer material to the contractor providing the product or service in the future. For purposes of the cost comparison, only the one-time costs associated with transferring material to a contractor will be included (physical inventory, packing, crating, transportation, etc.).

c. When material is disposed of, the benefit is equal to the estimated recovery less the cost of disposal; when material is transferred to another Government facility, the benefit is equal to the original cost (now a savings) less the cost of transfer. When a benefit (savings) is determined, it will be used as a reduction to the remainder of one-time conversion costs. When cost of disposal or transfer is greater than the recovery or savings, it is treated as a one-time conversion cost.

3. Labor-Related Costs

a. A conversion will also normally result in certain one-time labor-related expenses. These include severance pay, homeowner assistance, relocation and retraining expenses. The amount of these expenses should be computed in consultation with the personnel office. Care must be taken that only those expenses which can reasonably be expected to be paid out are entered on the CCF.

b. Government experience indicates that only a small fraction of the total number of employees affected in conversion actions are actually separated from Government service. Therefore, it would be inappropriate to enter on the CCF an amount for severance pay that assumes every employee eligible for severance pay would actually receive severance pay. Past conversion experience indicates that only four percent of the total number of employees assigned to the function under study are separated and receive severance pay. Based on this separation rate and the average Federal employee’s severance pay entitlements, a two-percent severance pay factor is appropriate for use in most cost studies. The variations to consider when computing severance pay are discussed in the following paragraph.

c. For most studies, where the in-house staffing estimate is equal to or lower than the number of assigned Federal employees, the two-percent factor is multiplied by the annual basic pay from the Personnel Cost Worksheet, Column F, Total (Illustration 2-1). There are two exceptions to this procedure.

(1) In some cases, where the in-house staffing estimate is higher than the number of assigned Federal employees, an adjustment has to be made: multiply the result from c. above by the ratio of Permanent Employees Assigned to In-House Staffing Estimate.

(2) In cost studies for which a higher or lower separation rate than four percent can be anticipated, other estimates of severance pay may be used, provided the alternate assumptions can be fully documented.

d. The actuarial model used to compute the standard retirement cost factor provides for normal levels of early retirement and withdrawals, but a significant number of actions could have additional impact. In cases where this effect is likely to have a determinative bearing on the outcome of the cost comparison, the situation will be called to the attention of the agency official responsible for implementation of Circular A-76, who may confer with OMB and OPM for FPM 351-17 consideration.

4. Other Costs

A conversion will normally require an agency to take certain actions that would not be necessary if the activity continued in-house. For example, it may not be possible to terminate a rent or lease agreement without incurring a penalty fee. Such penalty fees are also costs of conversion.

5. One-Time Cost Computation

Supporting documentation should clearly state the type of cost anticipated, justification for inclusion and methods of computation. The total of these one-time costs should be allocated to each performance period. The cost entry will be determined by dividing the total one-time costs by the number of periods in the cost comparison. However, the one-time costs will be allocated over not less than a three-year period. Do not inflate one-time costs for the out years.

F. GAIN OR LOSS ON DISPOSAL/TRANSFER OF ASSETS -- Line 11

1. When a function is performed in-house by Federal employees, a decision to contract that operation may eliminate the need for all or some portion of the assets. The value to the Government of reducing the need for these assets must be included as a consideration in the cost comparison. This section deals with the gain or loss on those assets (capital or minor) which will be disposed of or transferred by the Government if a decision is made to contract for the product or service.

2. The estimated disposal value, minus the estimated cost of disposal or transfer, that would be realized is considered to be either a revenue or an outflow of funds. The disposal value of an asset may be derived from the useful life and disposal value table at Appendix C. The table provides a percentage, by Federal stock class, which is multiplied by the acquisition cost to determine

value at time of disposal. From the disposal value, subtract an objectively estimated cost of disposal or transfer. Enter this

entire amount, the net disposal value, in parenthesis on line 11, for the first performance period, as this gain is a reduction in the cost of contracting. If the cost of disposal or transfer exceeds the disposal value, then enter this amount on line 11, without parenthesis, as this is an addition to the cost of contracting.

3. If an asset is transferred to another Government facility, rather than disposed of, the computation is unchanged; it is presumed that the Government has saved an expenditure equal to the estimated disposal value of the asset. Recovery by disposal or savings by transfer are equivalent for the purpose of this computation.

4. Normally, a gain or loss on disposal of assets will occur during the first performance period. However, there may be cases spelled out in the contract where the contractor will be furnished Government equipment through the first performance period or longer and the diposal or transfer would take place accordingly.

G. FEDERAL INCOME TAX -- Line 12

1. When developing the Government's cost of contract performance, the potential Federal income tax revenue must be considered. Since contract performance would provide the contractor with income subject to tax, an estimated amount of such taxes is an appropriate deduction from the net cost to the Government, unless the prospective contractor is a tax-exempt organization.

2. To simplify the tax computation, a table (Appendix D) prepared by the Internal Revenue Service provides, by types of industry, appropriate tax rates in relation to business receipts. The industry groupings conform to the Enterprise Standard Industrial Classification issued by the Department of Commerce. To determine the amount of estimated Federal income tax, the contract price (line 7 of the CCF) for each period of performance will be multiplied by the applicable tax rate. The estimated amount of Federal income tax will be entered on line 12 as a deduction from the cost of contracting.

H. TOTAL--Line 13

Add lines 7, 8, 9 and 10. If there is a number in parenthesis; i.e., a deduction, in line 11, add to line 12 and subtract this total from the total of lines 7 through 10 and enter the difference on line 13. If the number in line 11 is not in parenthesis, it should be added to the total of lines 7 through 10, and then subtract line 12 from the total of lines 7 through 11 and enter the difference on line 13.

A. CONVERSION DIFFERENTIAL - Line 14

Cost margins have been established by OMB Circular No. A-76 that must be exceeded before converting an in-house commercial activity to contract. A cost margin equal to ten percent of the in-house personnel related costs (total for all performance periods) must be added to the cost of contracting on the Cost Comparison Form. This amount is added to give consideration to the loss of production, the temporary decrease in efficiency and effectiveness, the cost of retained grade and pay, temporary operation of facilities at reduced capacity and other unpredictable risks that result anytime a conversion is made. See worksheet below at Illustration 4-1 for computations.

B. TOTAL AND COMPARISON - Line 15 and line 16

Once the conversion differential has been computed and all the elements of Contract Performance Costs are known, sum lines 13 and 14 for all performance periods (Total column only). Enter that total on line 15 (Total column only). Then subtract line 6 from line 15 and enter the result on line 16 (Totals column only). A positive result on line 16 supports a decision to accomplish the function in house, and a negative result supports a decision to contract.

C. COST COMPARISON DECISION - Line 17

Indicate in the appropriate block on line 17 the decision supported by line 16.

ILLUSTRATION 4-1

Conversion Differential (In-House to Contract)

Worksheet

Category	Total Cost for All Performance Periods
Personnel cost (Line 1 of CCF)	1,523,521
Other Personnel Related Cost (Line 3 of CCF, Liability Insurance Portion)	1,066
Overhead (Personnel related cost from worksheet*)	124,535
Total	1,649,122

Conversion Differential (10% of Total)	164,912 (Enter on CCF, Line 14 under Total Column)

* Illustration 2-8 -- Overhead Cost Worksheet

Chapter 5 - Developing Cost Comparison Studies for Expansions, New Requirements and Conversions to In-House Operation

A. GENERAL

This chapter describes the methods and procedures which are necessary to perform a cost comparison study for an expansion, new requirements or conversion of a function from contract to in-house performance (see Part I, Chapter 1 of the Supplement). Since different costing procedures apply, a separate Cost Comparison Form is provided as Illustration 5-1, Expansions, New Requirements and Conversion to In-House --CCF (ENRC). The procedures differ in basically four areas: identification of new or increased costs expected to be incurred, cost of capital on additional assets, one-time conversion costs and minimum cost differentials.

B. COSTING METHOD

1. The method described in this Chapter will be used in circumstances (e.g., inadequate competition) when the Government determines it beneficial to study a currently contracted function for more economical performance in-house. Also, for a new requirement for a commercial activity or where an expansion of an in-house commercial activity is anticipated and the activity is not justified under an exclusion, a cost comparison study will be performed. Any of these three cases may require a substantial investment in new resources by the Government.

2. The method in Chapters 2 and 3 will be used to develop the cost comparison study. However, for conversions to in-house and new requirements, the preparer must identify increases in cost expected to be incurred. For expansions, first compute the increase related to the expansion portion of the function. Then compute the total impact (existing and expansion) which would result from conversion to contract. In addition to increased personnel and material costs, there might be increased cost because of a requirement for facilities and equipment. The cost of all capital assets not provided to the contractor will be computed using the same depreciation method in Chapter 2. There might also be increases for rent, maintenance and repair, utilities, travel and support provided by the overhead activities. For example, if a G&A activity requires an increase in overtime or at least one position, the personnel and associated support costs would be computed and included on line 4 of the CCF (ENRC). Those Governmental costs currently being incurred, which would be the same for either in-house or contract operation, must be

identified, but shall not be computed.

3. The method for computing the in-house costs of expansions, new requirements or conversions to in-house performance will follow the procedures identified in Chapters 2 and 3 except as noted in this chapter. New procedures are provided for the cost of capital (line 5), one-time conversion cost (line 6) and the cost differential (line 16).

C. COST OF CAPITAL (ON ADDITIONAL ASSETS) - Line 5

1. An expansion, new requirement or conversion to in-house performance may require substantial new investment by the Government in facilities and equipment. The cost of capital must be computed on those additional and currently owned assets to be used solely by the in-house operation which will not be provided to the contractor.

2. The cost of capital is defined as an imputed charge on the Government's investment in capital assets necessary for the function to provide the products or services. Basically, the imputed charge for the cost of capital is an opportunity cost: if the capital had been devoted to another use, it would have provided other income or avoided interest expense.

3. In order to estimate the cost of capital, it is necessary to identify the acquisition cost of new assets or the net book value of assets acquired by transfer. The cost of new assets results from the sum of purchase price, transportation costs (if not already included in the purchase price) and any installation costs incurred in order to place the asset in operation. The total cost of an asset received through transfer is the sum of the net book value and the transportation and installation costs. The net book value is determined (See Chapter 2, paragraph F.2) by subtracting the accumulated depreciation from acquisition cost of the asset. The net book value must be adjusted by transportation and installation costs before allying the cost of capital. The cost of capital will be computed by applying an opportunity cost rate of ten percent to the determined total cost of both new and transferred assets to be used solely by the in-house Government function. The results of this computation will be entered on line 5 of the CCF (ENRC).

D. ONE-TIME COSTS (FOR EXPANSIONS, NEW REQUIREMENTS AND CONVERSIONS FROM CONTRACT TO IN-HOUSE) -- Line 6

1. New investment by the Government in facilities and equipment should not be included as one-time costs under this section. The costs incurred in acquiring facilities or equipment and installing the equipment should be included in the capitalized cost. These costs will be handled in the sections which deal with depreciation (Chapter 2, paragraph F.2) and the cost of capital on additional assets (Chapter 5, paragraph C).

2. Examples of one-time costs include office and plant

rearrangements; employee recruitment, training, relocation expenses; and expenses which are the direct result of discontinuing an existing contract or expanding the in-house operation.

3. Determination of the Government's one-time costs of expansion, new requirements or conversion from contract to in-house should be made in consultation with engineering, production, management and contracting personnel. Supporting documentation should indicate clearly the type of costs anticipated, justification for inclusion and computation methods. The total of the one-time costs shall be allocated to each annual performance period. The cost entry will be determined by dividing the total one-time costs by the number of periods in the cost comparison. However, the one-time

costs will be allocated over not less than a three-year period.

4. In addition to one-time costs related to in-house performance on line 6 there are one-time labor related costs associated with the expansion of an activity. The one-time severance pay, homeowners assistance, relocation and retraining costs for the personnel in the existing activity will be computed using the procedures in Chapter 3, paragraph E.3, and entered on line 12 of the CCF (ENRC).

E. CONVERSION DIFFERENTIAL (FOR EXPANSIONS, NEW REQUIREMENTS AND CONVERSIONS TO IN-HOUSE PERFORMANCE) -- Line 16

1. Before approving a new requirement or a conversion from contract to in-house performance on the basis of cost, OMB Circular No. A-76 has established cost margins which must be exceeded. The cost margin is equal to ten percent of the Government personnel-related cost (in line 1 and line 4) and 25 percent of the acquisition cost of new capital assets; i.e., assets not currently owned by the Government and used solely by the in-house operation.

2. The margin of ten percent of the Government personnel-related cost is consistent with the margin favoring the status quo in studies of in-house activities, and includes the Government's contract termination cost. The 25-percent margin recognizes the risks inherent in Government investment in capital assets.

3. Compute the conversion differential on line 16 based on the "total" column only. First, multiply the personnel costs in lines 1 and 4 by ten percent to obtain the personnel-related cost margin. Second, multiply the acquisition costs of new capital assets not provided to the contractor by 25 percent. Then, sum the two cost margins and enter the result on line 16.

4. Before approving an expansion of an in-house activity on a cost basis, the following cost differentials will be applied: the total of 10 percent of the personnel-related costs of the expansion plus 25 percent of the acquisition cost of the new capital assets required by the proposed expansion; i.e., assets not currently owned

by the Government and not provided to the contractor, minus 10 percent of the personnel related cost of the present activity. For line 16, enter the net difference in the CCF (ENRC) "Total" column. Line 16 can be a positive or negative number. The total cost of the in-house operation (line 17) equals the sum of lines 8 and 16.

F. COST COMPARISION DECISION

The cost comparison decision will be based upon the results obtained for the "total" column of the CCF (ENRC). Subtract the cost of contract operation from the total cost of in-house operation (line 17 minus line 15). Enter the result on line 18 of the CCF (ENRC). On line 19 check the appropriate decision block. A positive result on line 18 supports the decision to contract the function and a negative result supports the decision to accomplish the function in-house.

ILLUSTRATION 5-1

ILLUSTRATION 5-1

Agency _____ Location _____ Function _____

COST COMPARISON FORM

Expansions, New Requirements and Conversion
To In-House Performance (ENRC)

	Performance Periods					
In-House Performance Costs	1st	2nd	3rd	Additional	Total	Reference
1. Personnel Cost						
2. Material & Supply						
3. Other Specifically Attributable Costs						
4. Overhead Cost						
5. Cost of Capital						
6. One-Time Conversion Cost (ENRC)						
7. Additional Costs						
8. Total In-House Costs	___	___	___	___	___	
Contract Performance Costs						
9. Contract Price						
10. Contract Administration						
11. Additional Costs						
12. One-time Contract Conversion Costs						
13. Gain or Loss on Disposal of Assets (Expansion)						
14. Federal Income Tax (Deduct)	( )	( )	( )	( )	( )	
15. Total Contract Costs	___	___	___	___	___	

Decision

16. Conversion Differential (For Expansions, note net difference, Chapter V, E.) ___
17. Total (Line 8 & 16) ___
18. Cost Comparison (Line 17 minus line 15) ___

Do the cost comparison calculation only for the total column.
Positive result on Line 18 supports decision to accomplish function by contract.

19. Cost Comparison Decision (check block) / / Accomplish In-House
/ / Accomplish by Contract

	Name/Title/Organization	Signature	Date
In-House Estimate Prepared By:	_____	_____	___
In-House Estimate Reviewed By:	_____	_____	___
Cost Comparison Accomplished By:	_____	_____	___
Cost Comparison Reviewed By:	_____	_____	___
Cost Comparison Decision Approved By:	_____	_____	___

PART IV -- COST COMPARISON HANDBOOK

APPENDIX A

SAMPLE MILESTONE SCHEDULE

This sample milestone chart depicts major events of a cost comparison study. There are additional, detailed steps within the events which also need to be considered and planned for: PWS development, contracting actions/acquisition plan, management study/most efficient in-house organization development, independent review, personnel procedures and preplanning, transition process, coordination with interested activities. To assure all actions are completed properly and on-time, agencies/cost study task groups should develop more detailed milestones for each study. The completion date column in the sample milestones is blank because the size of the study or availability of a standard PWS will influence completion dates. However, a good way to put actual dates here is to start with the desired contract start date, and proceed backwards with the RIF notice period, appeal process, etc. Sample milestones follow.

Sample Milestone Schedule

Step	Completion Date	Action Office	Event
1	(Completion dates to be completed by task group based on agency guidence.)	Agency	Approve or direct a cost comparison study. As required, advise unions, employees, Congress (if required) and press.
2		Organization Director or Designee	Establish task group.
3		Task Group	Develop cost comparison milestone chart. If required, initiate Environmental Impact Assessment (EIA). Begin developing the PWS, management study and acquisition plan.
4		Task Group	Submit PWS, most efficient organization from the management study and acquisition plan to Headquarters for review and approval. Submit EIA to Headquarters for an environmental determination, when needed.
5		Headquarters	Approve PWS, most efficient organization and acquisition plan; approve EIA.
6		Contracting Officer	Arrange "Commerce Business Daily" announcement.
7		Contracting Officer	Mail solicitation and notification of pre-proposal/pre-bid conference.

Step	Completion Date	Action Office	Event
8		Contracting Officer	Pre-proposal/pre-bid conference and site visit by potential contractors.
9		Task Group	Complete the in-house cost estimate; sign the CCF and send to independent review agency.
10		Reviewer	Review in-house cost estimate, annotating items needing corrections, if applicable; sign the CCF once corrections are made; and return to task group.
11		Task Group	Submit in-house cost estimate to contracting officer in a sealed envelope.
		THEN (FOR A NEGOTIATED ACQUISITION)	
12		Contracting Officer	Proposals received; begin negotiations.
13		Contracting Officer	Negotiations completed; notify task group that a best and final offer has been identified.
14		Task Group Chair Person and Contracting Officer or Designee	Enter amount of best and final offer on the CCF; complete remaining lines of the CCF; compare contract versus in-house costs; determine results of cost comparison; sign CCF.
15			If cost effective to contract:
15a		Contracting Officer	Notify contractor that contract shall be awarded if remains more economical after possible appeals. Obtain price extension if necessary; announce cost comparison result; and, upon request, make the CCF available for review by directly affected parties.
15b		Organization Director or Designee	After the public review period and resolution of possible appeals, approve and sign the CCF.

Step	Completion Date	Action Office	Event
15c		Contracting Officer	Make contract award.
15d		Personnel Office	Issue RIF notices.
15e		Contracting Officer	Contract start date.
16			If cost effective to remain in-house:
16a		Contracting Officer	Announce cost comparison result; and, upon request, make CCF available for public review.
16b		Organization Director or Designee	After the public review period and resolution of possible appeals, approve and sign the CCF.
16c		Contracting Officer	Cancel solicitation.
16d		Organization Director or Designee	Initiate manpower reprogramming actions to reflect the in-house staffing estimate.
		THEN (FOR FORMALLY ADVERTISED ACQUISITION)	
17		Contracting Officer	Bids received/bids opened.
18		Task Group Chairperson and Contracting Officer	Enter amount of low bid on the CCF; complete remaining lines of the CCF; compare contract versus in-house costs; determine results of the cost comparison; sign the CCF; announce cost comparison results; and, upon request, make the CCF available for public review.
19			If cost effective to contract:
19a		Contracting Officer	Determine contractor responsibility, including preaward survey if necessary.

Step	Completion Date	Action Office	Event
19b		Task Group	If the selected bidder is other than the previously announced apparent low bidder, revise the CCF.
19c		Organization Director or Designee	After the public review period, resolution of possible appeals and final selection of the contractor, approve and sign the CCF.
19d		Contracting Officer	Award contract.
19e		Personnel Office	Issue RIF notices.
19f		Contracting Officer	Contract start date.
20			If cost effective to remain in-house, follow steps 16a to 16d.

PART IV - COST COMPARISON HANDBOOK

APPENDIX B

NARRATIVE FLOW CHART FOR COST COMPARISON PROCESS

Step 1: Identify the function under study and determine type of study; i.e., existing Government activity (Chapters 2, 3 and 4) or expansion, new requirement or conversion back to in-house (Chapter 5).

Step 2: Establish Task Group to perform management study in conjunction with performance work statement development. This will be the basis for cost study development.

Step 3: Identify the operations overhead.

Step 4: Define and identify all General and Administrative (G&A) activities whether internal or external to the installation (region) encompassing the function under study.

Step 5: Calculate personnel cost.

Step-6: Calculate material and supply costs.

Step 7: Calculate other specifically attributable costs.

Step 8: Are there at least 10 FTE’s in the function under study? (This assumes a cost study is being done regardless of the number of FTE’s.)

If yes, go to step 9.

If no, go to step 12.

Step 9: Determine if overtime or at least one position within operations overhead can be eliminated.

If no, go to next step.

If yes, calculate estimated savings using the appropriate elements of expense.

Step 10: Determine if overtime or at least one position can be eliminated for any activity within the G&A overhead category.

If no, go to next step.

If yes, calculate estimated savings using the appropriate elements of expense.

Step 11: Total savings from steps 9 and 10 and enter on line 4 of CCF.

Step 12: Determine if there are any additional costs for the function under study that would not logically fit into one of the previous categories.

If no, sum all previous lines and enter total on line 6.
If yes, calculate, document and enter result on line 5.
Total all in-house costs on line 6.

Step 13: Determine the number of full-time equivalent (FTE) positions within the most efficient organization and then refer to sliding scale, Table 3-1. Determine the contract administration staffing requirement that corresponds to the number of FTEs in the most efficient organization. The cost related to these requirements will be developed according to paragraph 2-D and the estimated contract administrative cost will be entered on line 8 of the cost comparison form for each year of the study (ensure inflation was added per paragaph 2-D.).

Step 14: Determine if there are any additional costs to the Government as a result of the possible contract other than Contract Price and Contract Administration. Some examples are transportation and purchased services.

If no, move to next step.
If yes, calculate, document and enter cost on line 9.

Step 15: Estimate one-time (nonrecurring) costs the Government incurs as a result of the conversion to contract. Some examples are transfer or disposal of material, severance pay, homeowner assistance and penalty fees for termination of lease agreements.

If no, go to next step.
If yes, calculate, document and enter cost on line 10 of the CCF.

Step 16: Determine if any capital assets currently being used in-house will be transferred to other Government activities or turned in for disposal (Public Sale) as a result of going contract.

If no, go to next step.
If yes, list those items for transfer or disposal and determine their disposal value. Subtract their costs of transfer or disposal from the disposal value. If this answer is positive, place answer in parenthesis on line 11 of the CCF. If this answer is negative; i.e., the cost value of disposal or transfer is greater than the disposal value, place this number in line 11 without parenthe-

sis.

Step 17: Determine the standard industrial classification of the function under study from the listing at Appendix D and choose the appropriate tax rate. If more than one classification applies, develop a weighted average tax rate. Place this tax rate percentage in the margin beside line 12 on the CCF for use after bid opening.

Step 18: Total the personnel related cost; i.e., all of line 1 and the personnel-related portions of line 4 of CCF; and take 10 percent of this total and place on line 14 of the CCF.

Step 19: After the independent review, secure the CCF and all supporting documentation locally. Provide a copy of the CCF in a sealed envelope to the Contracting Officer to be secured with other sealed bids.

Step 20: During bid opening or after completion of negotiations, enter the selected bid or negotiated price on line 7 of CCF.

Step 21: Multiply the percentage in the margin beside line 12 by the contract price in line 7. Do this for each year and enter these results in parenthesis on line 12 to later be subtracted from contract costs.

Step 22: Add lines 7, 8, 9 and 10. If there is a number in parenthesis; i.e., a deduction, in line 11, add to line 12 and subtract this total from the total of lines 7 through 10 and enter the difference on line 13. If the number in line 11 is not in parenthesis it should be added to the total of lines 7 through 10, and then subtract line 12 from the total of lines 7 through 11 and enter the difference on line 13.

Step 23: Add lines 13 and 14 and place total on line 15 of each period of the study.

Step 24: Subtract line 6 from line 15 and place result on line 16 for each period of the study.

Step 25: If the number on line 16 is positive, mark the appropriate block on line 17 to indicate accomplished in-house. If the number on line 16 is negative, mark the other block on line 17 indicating accomplished by contract.

USEFUL LIFE* AND DISPOSAL VALUE TABLE

FSC No.	Nomenclature	Expected Useful Life (Years)	Disposal Value Factor as a Percent of Acquisition Cost
	Guns, through 30mm	15	3.15
	Guns, over 30mm up to 75mm		1.18
	Guns, 75mm through 125mm	25	0.63
	Guns, over 125mm through 200mm		2.14
	Guns, over 200mm through 300mm		2.61
1040	Chemical Weapons and Equipment	16	
	Launchers, Rocket and Pyrotechnic	15	2.00
1080	Camouflage and Deception Equipment	10	1.75
1090	Assemblies Interchangeable between Weapons in Two or More Classes	25	2.25
1095	Misc. Weapons		1.06
1135	Fusing and Firing Devices, Nuclear Ordnance	16	0.08
1190	Specialized Test and Handling Equipment, Nuclear Ordnance	8	0.60
1220	Fire Control Computing Sights and Devices	8	0.29
1230	Fire Control System, Complete	11	
1240	Optical Sighting and Ranging Equipment	11	1.80
1250	Fire Control Stabilizing Mechanisms	11	1.76
1260	Fire Control Designating and Indicating Equipment	12	0.58
1265	Fire Control Transmitting and Receiving Equipment, except Airborne	11	0.39
1270	Aircraft Gunnery Fire Control Components		0.22
1285	Fire Control Radar Equipment, except Airborne		1.19
1290	Misc. Fire Control Equipment	19	0.79
1340	Rockets, Rocket Ammo and Rocket Components	18	3.62
1375	Demolition Materials		
1377	Cartridge and Propellant Activated Devices and Components		1.28
1398	Specialized Ammo Handling and Servicing Equipment	12	0.52

* There is no expected useful life for those items left blank.

FSC No.	Nomenclature	Expected Useful Life (Years)	Disposal Value Factor as a Percent of Acquisition Cost

1410	Guided Missiles	19	1.55
1420	Guided Missile Components	15	0.13
1430	Guided Missile Remote Control Systems	19	0.45
1440	Launchers, Guided Missile	17	0.66
1450	Guided Missile Handling and Servicing Equipment	17	0.65
1560	Airframe Structural Components	20	2.48
1610	Aircraft Propellers	10	4.58
1615	Helicopter Rotor Blades, Drive Mechanisms and Components	10	3.52
1620	Aircraft Landing Gear Components	10	2.71
1630	Aircraft Wheel and Brake Systems	10	4.92
1650	Aircraft Hydraulic, Vacuum and De-icing System Components	10	2.19
1660	Aircraft Air Conditioning, Heating and Pressurizing Equipment	10	2.23
1670	Parachutes; Aerial Pick Up, Delivery, Recovery Systems and Cargo Tie Down Equipment	7	5.52
1680	Misc. Aircraft Accessories and Components	7	1.92
1720	Aircraft Launching Equipment	25	1.91
1730	Aircraft Ground Servicing Equipment	20	3.12
1740	Airfield Specialized Trucks and Trailers		6.37
1905	Combat Ships and Landing Vessels	20	2.53
1915	Cargo and Tanker Vessels	30	8.54
1925	Special Service Vessels	25	8.54
1930	Barges and Lighters, Cargo	27	11.05
1935	Barges and Lighters, Special Purpose	30	19.83
1940	Small Craft	23	6.35
1945	Pontoons and Floating Docks	30	14.42
1990	Misc. Vessels		8.74
2010	Ship and Boat Propulsion Components	20	10.26
2030	Deck Machinery		3.31
2040	Marine Hardware and Hull Items	20	16.57
2050	Buoys		11.05
2090	Misc. Ship and Marine Equipment		4.81

FSC No.	Nomenclature	Expected Useful Life (Years)	Disposal Value Factor as a Percent of Acquisition Cost
2210	Locomotives	29	16.51
2220	Rail Cars	40	10.27
2230	Right-of-Way Construction and Maintenance Equipment, Railroad	20	18.69

2240	Locomotive and Rail Car Accessories and Components		9.98
2250	Track Materials, Railroad		41.00
2305	Ground Effect Vehicles	15	
2310	Passenger Motor Vehicles	See Below	17.00
	Passenger Cars and Station Wagons	6	
	Buses (11 or more passengers)	8	
	Ambulances	7	
2320	Trucks and Truck Tractors, Wheeled	See Below	17.96
	Less than 12,500 (payload 1 ton and less)	6	
	12,500 through 16,999 (payload, 1-1/2 through 2-1/2 tons)	7	
	17,000 and over (payload, 3 tons and over)	9	
	Multiple Drive Vehicles	6	
2330	Trailers	23	10.09
2340	Motorcycles, Motor Scooters and Bicycles	12	27.31
2350	Combat, Assault and Tactical Vehicles, Tracked	14	32.82
2410	Tractors, Full Track, Low Speed	14	27.62
2420	Tractors, Wheeled	13	22.70
2430	Tractors, Track Laying, High Speed		7.42
2510	Vehicular Cab, Body and Frame Structural Components	10	14.18
2520	Vehicular Power Transmission Components	12	16.22
2530	Vehicular Brake, Steering, Axle, Wheel and Track Components	12	12.17
2540	Vehicular Furniture and Accessories	18	6.95
2590	Misc. Vehicular Components	10	7.04
2805	Gasoline Reciprocating Engines, except Aircraft and Components	7	5.68
2810	Gasoline Reciprocating Engines, Aircraft and Components		3.43
2815	Diesel Engines and Components		13.33
2835	Gas Turbines and bet Engines, except Aircraft and Components	15	3.59
2840	Gas Turbines and 3et Engines, Aircraft, and Components		1.77
2845	Rocket Engines and Components		0.11

FSC No.	Nomenclature	Expected Useful Life (Years)	Disposal Value Factor as a Percent of Acquisition Cost
2910	Engine Fuel System Components, Nonaircraft		8.01
2915	Engine Fuel System Components, Aircraft		3.01
2920	Engine Electrical System Components,		

	Nonaircraft		10.32
2925	Engine Electrical System Components, Aircraft		7.94
2930	Engine Cooling System Components, Nonaircraft		21.96
2935	Engine Cooling System Components, Aircraft		7.41
2945	Engine Air and Oil Filters, Strainers and Cleaners, Aircraft		1.71
2950	Turbosuperchargers		8.26
2990	Misc. Engine Accessories, Nonaircraft		7.77
2995	Misc. Engine Accessories, Aircraft		4.10
3010	Torque Converters and Speed Changers		5.93
3020	Gears, Pulleys, Sprockets and Transmission Chain		4.64
3040	Misc. Power Transmission Equipment		3.22
3110	Bearings, Antifriction, Unmounted		22.14
3120	Bearings, Plain, Unmounted		4.78
3130	Bearings, Mounted		7.80
3210	Sawmill and Planing Mill Machinery	15	28.41
3220	Woodworking Machines	15	27.37
3405	Saws and Filing Machines	20	30.87
3408	Machining Centers and Way-Type Machines		7.49
3410	Electrical and Ultrasonic Erosion Machines	10	9.75
3411	Boring Machines	20	49.61
3413	Drilling and Tapping Machines	15	40.16
3414	Gear Cutting and Finishing Machines	10	29.58
3415	Grinding Machines	15	35.06
3416	Lathes	20	39.84
3417	Milling Machines	20	28.22
3418	Planners and Shapers	20	27.66
3419	Misc. Machine Tools	15	17.92
3422	Rolling Mills and Drawing Machines	10	68.35
3424	Metal Heat Treating and Non-Thermal Treating Equipment	25	11.72
3426	Metal Finishing Equipment	20	6.63

FSC No.	Nomenclature	Expected Useful Life (Years)	Disposal Value Factor as a Percent of Acquisition Cost
3431	Electric Arc Welding Equipment	10	9.87
3432	Electric Resistance Welding Equipment	15	9.90
3433	Gas Welding, Heat Cutting and Metalizing Equipment	15	6.76
3436	Welding Positioners and Manipulators	30	26.88

3438	Misc. Welding Equipment	10	4.88
3439	Misc. Welding, Soldering and Brazing Supplies and Accessories	5	10.98
3441	Bending and Forming Machines	25	42.25
3442	Hydraulic and Pneumatic Presses, Power Driven	10	20.14
3443	Mechanical Presses, Power Driven	11	59.41
3444	Manual Presses	30	29.67
3445	Punching and Shearing Machines	15	44.83
3446	Forging Machinery and Hammers	20	77.56
3447	Wire and Metal Ribbon Forming Machines		24.60
3448	Riveting Machines	10	14.12
	Misc. Secondary Metal Forming and Cutting Machines	10	35.22
3450	Machine Tools, Portable	20	13.28
3455	Cutting Tools for Machine Tools		9.89
3460	Machine Tool Accessories	15	17.41
3461	Accessories for Secondary Metalworking Machinery		4.32
3465	Production Jigs, Fixtures and Templates	5	2.28
3470	Machine Shop Sets, Kits and Outfits		3.57
3510	Laundry and Dry Cleaning Equipment	13	4.57
3520	Shoe Repairing Equipment	17	8.55
3530	Industrial Sewing Machines and Mobile Textile Repair Shops	12	15.03
3540	Wrapping and Packaging Machinery	9	7.35
3590	Misc. Service and Trade Equipment	10	9.10
3605	Food Products Machinery and Equipment	30	10.53
3610	Printing, Duplicating and Bookbinding Equipment	16	4.31
3611	Industrial Marking Machines	10	2.20
3615	Pulp and Paper Industries Machinery	10	7.49
3620	Rubber and Plastics Working Machinery	8	45.18
3625	Textile Industries Machinery		12.76
3635	Crystal and Glass Industries Machinery	10	2.61
3650	Chemical and Pharmaceutical Products Manufacturing Machinery		7.85

FSC No.	Nomenclature	Expected Useful Life (Years)	Disposal Value Factor as a Percent of Acquisition Cost
3655	Gas Generating and Dispersing Systems	12	7.35
3660	Industrial Size Reduction Machinery	9	27.30
3680	Foundry Machinery, Related Equipment and Supplies	10	12.61
3690	Specialized Ammo and Ordnance Machinery and Related Equipment		3.41
3693	Industrial Assembly Machine		0.45
3694	Clean work Stations, Controlled Environment and Related Equipment		6.43

3695	Misc. Special Industry Equipment	4	7.58
3710	Conveyors	12	6.85
3920	Materials Handling Equipment Nonself Propelled	22	9.07
3930	Warehouse Trucks and Tractors, Self Propelled	See Below	18.60
	Gasoline		
	Fork Truck (2,000 pounds to 6,000 pounds)	8	
	Fork Truck (over 6,000 pounds)	10	
	Tractor	8	
	Crane	12	
	Platform Truck	8	
	Straddle Truck	15	
	Electric		
	All types	15	
3940	Blocks, Tackle, Rigging and Slings		9.61
3950	Winches, Hoists, Craines and Derricks	13	10.23
3990	Misc. Materials Handling Equipment	30	8.71
4010	Chain and Wire Rope		5.11
4020	Fiber Rope, Cordage and Twine		6.81
4030	Fittings for Rope, Cable and Chain		13.16
4110	Refrigeration Equipment	11	7.07
4120	Air Conditioning Equipment	10	3.82
4130	Refrigeration and Air Conditioning Components	16	4.26
4140	Fans, Air Circulators and Blow Equipment	7	4.79
4210	Fire Fighting Equipment	14	6.55
4220	Marine Lifesaving and Diving Equipment	10	5.65
4230	Decontaminating and Impregnating Equip	17	5.87
4240	Safety and Rescue Equipment	19	2.53

FSC No.	Nomenclature	Expected Useful Life (Years)	Disposal Value Factor as a Percent of Acquisition Cost
4310	Compressors and Vacuum Pumps	10	7.59
4320	Power and Hand Pumps	15	4.27
4330	Certifuges, Separators and Pressure and Vacuum Filters	20	4.90
4410	Industrial Boilers	9	3.78
4420	Heat Exchanges and Steam Condensers		9.73
4430	Industrial Furnaces, Kilns, Lehrs and Ovens	10	6.59
4440	Driers, Dehydrators and Anhydrators	10	4. 55
4460	Air Purification Equipment	11	3.71

4510	Plumbing Fixtures and Accessories	15	5.91
4520	Space Heating Equipment and Domestic Water Heaters	8	8.36
4540	Misc. Plumbing, Heating and Sanitation Equipment	8	3.01
4610	Water Purification Equipment	14	4.55
4620	Water Distillation Equipment, Marine and Industrial	15	15.61
4710	Pipe and Tube		7.79
4720	Hose and Tubing, Flexible		6.13
4730	Fittings and Specialities, Hose, Pipe and Tube		4.83
4810	Valves, Powered		2.20
4820	Valves, Nonpowered		4.91
4910	Motor Vehicle, Maintenance and Repair Shop Specialized Equipment	11	6.63
4920	Aircraft Maintenance and Repair Shop Specialized Equipment	20	1.58
4925	Ammo. Maintenance, Repair and Checkout Specialized Equipment	21	1.67
4927	Rocket Maintenance, Repair and Checkout Specialized Equipment		
4930	Lubrication and Fuel Dispensing Equipment	15	5.00
4931	Fire Control Maintenance and Repair Shop Specialized Equipment	9	1.18
4933	Weapons Maintenance and Repair Shop Specialized Equipment	15	1.91
4935	Guided Missile Maintenace, Repair and Checkout Specialized Equipment	19	0.40
4940	Misc. Maintenance and Repair Shop Specialized Equipment	20	4.48

FSC No.	Nomenclature	Expected Useful Life (Years)	Disposal Value Factor as a Percent of Acquisition Cost
5110	Hand Tools, Edged, Nonpowered	10	9.26
5120	Hand Tools, Nonedged, Nonpowered	21	5.53
5130	Hand Tools, Power Driven	10	10.31
5133	Drill Bits, Counterbores and Countersinks, Hand and Machine	10	24.07
5136	Taps, Dies and Collets, Hand and Machine	10	8.08
5140	Tool and Hardware Boxes	20	26.42
5180	Sets, Kits and Outfits of Hand Tools	23	3.83
5210	Measuring Tools, Craftsmen	10	4.87
5220	Inspection Gages and Precision Layout Tools	12	3.17
5280	Sets, Kits and Outfits of Measuring Tools	25	1.01

5410	Prefabricated and Portable Building	8	2.48
5411	Rigid Wall Shelters	20	2.44
5420	Bridges, Fixed and Floating	17	7.25
5430	Storage Tanks	7	6.83
5440	Scaffolding Equipment and Concrete Forms	5	6.83
5445	Prefabricated Tower Structures	23	5.23
5450	Misc. Prefabricated Structure	25	1.30
5670	Architectural and Related Metal Products	10	59.16
5680	Misc. Construction Materials	69	9.59
5805	Telephone and Telegraph Equipment	23	2.37
5810	Communications Security Equipment and Components	16	0.40
5811	Other Cryptologic Equipment and Components	11	1.25
5815	Teletype and Facsimile Equipment	22	0.99
5820	Radio and Television Communications Equipment, except Airborne	8	2.44
5821	Radio and Television Communications Equipment, Airborne	24	1.01
5825	Radio Navigation Equipment, except Airborne	24	1.37
5826	Radio Navigation Equipment, Airborne	24	1.44
5830	Intercommunication and Public Address Systems, except Airborne	24	1.74
5831	Intercom munication and Public Address Systems, Airborne	25	0.61
5835	Sound Recording and Reproducing Equipment	22	1.43
5840	Radar Equipment, except Airborne	23	0.92
5841	Radar Equipment, Airborne	24	0.53

FSC No.	Nomenclature	Expected Useful Life (Years)	Disposal Value Factor as a Percent of Acquisition Cost
5845	Underwater Sound Equipment	13	1.14
5850	Visible and Invisible Light Communication Equipment	24	0.32
5855	Night Vision Equipment, Emitted and Reflected Radiation	25	1.18
5860	Stimulated Coherent Radiation Devices, Components and Accessories	25	0.71
5865	Electronic Countermeasures, Counter Counter measures and Quick Reaction Capability Equipment	20	0.27
5895	Misc. Communications Equipment	23	0.67
5905	Resistors	8	1.02
5910	Capacitors	8	2.32
5915	Filters and Networks	25	0.93
5920	Fuses and Lightning Arrestors	25	3.12
5925	Circuit Breakers	10	7.49

5930	Switches	10	1.55
5935	Connectors, Electrical	22	20.61
5940	Lugs, Terminals and Terminal Strips	8	1.66
5945	Relays and Solenoids	25	1.36
5950	Coils and Transformers	8	1.35
5955	Piezoelectric Crystals	8	0.65
5960	Electron Tubes and Associated Hardware	8	1.00
5961	Semitonductor Devices and Associated Hardware	8	1.04
5962	Microcircuits, Electronic	8	0.54
5963	Electronic Modules	8	--
5965	Headsets, Handsets, Microphones and Speakers	24	4.28
5970	Electrical Insulators and Insulating Materials	8	34.93
5975	Electrical Hardware and Supplies	23	3.73
5977	Electrical Contact Brushes and Electrodes	8	2.08
5985	Antennas, Waveguide and Related Equipment	8	2.02
5990	Synchros and Resolvers	14	1.65
5995	Cable, Cord and Wire Assemblies, Communications Equipment	24	4.16
5999	Misc. Electrical and Electronic Components	20	1.01
6105	Motors, Electrical	10	5.31
6110	Electrical Control Equipment	8	2.45
6115	Generators and Generator Sets, Electrical	19	6.50
6116	Fuel Cell Power Units, Components and Accessories	15	22.88
6120	Transformers: Distribution and Power Station	36	7.87

FSC No.	Nomenclature	Expected Useful Life (Years)	Disposal Value Factor as a Percent of Acquisition Cost
6125	Convertors, Electrical, Rotating	25	2.88
6130	Convertors, Electrical, Nonrotating	22	1.75
6135	Batteries, Primary	15	2.51
6140	Batteries, Secondary	25	6.91
6145	Wire and Cable, Electrical	25	16.29
6150	Misc. Electric Power and Distribution Equipment	15	2.55
6210	Indoor and Outdoor Electric Lighting Fixture	16	3.95
6220	Electric Vehicular Light and Fixtures	10	4.58
6230	Electric Portable and Hand Lighting Equipment	17	3.44
6240	Electric Lamps	10	6.92
6250	Ballasts, Lampholders and Starters	10	3.91
6310	Traffic and Transit Signal Systems	4	3.52
6320	Shipboard Alarm and Signal Systems	4	2.68
6350	Misc. Alarm, Signal and Security Detection Systems	6	1.38

6515	Medical and Surgical Instruments, Equipment and Supplies	9	2.54
6520	Dental Instruments, Equipment and Supplies	8	7.66
6525	X-Ray Equipment and Supplies: Medical Dental, Veterinary	9	3.57
6530	Hospital Furniture, Equipment, Utensils and Supplies	10	4.18
6540	Opticians' Instruments, Equipment and Supplies	10	6.23
6545	Medical Sets, Kits and Outfits	10	5.60
6605	Navigational Instruments	18	0.87
6610	Flight Instruments	17	2.30
6615	Automatic Pilot Mechanisms and Airborne Gyro Components	25	1.17
6620	Engine Instruments	15	3.04
6625	Electrical and Electronic Properties Measuring and Testing Instruments	15	1.55
6630	Chemical Analysis Instruments	5	1.70
6635	Physical Properties Testing Equipment	13	6.62
6636	Environmental Chambers and Related Equipment	10	2.20
6640	Laboratory Equipment and Supplies	20	2.12
6645	Time Measuring Instruments	25	5.54

FSC No.	Nomenclature	Expected Useful Life (Years)	Disposal Value Factor as a Percent of Acquisition Cost
6650	Optical Instruments	8	2.31
6655	Geophysical and Astronomical Instruments	25	2.02
6660	Meterological Instruments and Apparatus	10	1.05
6665	Hazard-Detecting Instruments and Apparatus	16	1.44
6670	Scales and Balances	18	4.77
6675	Drafting, Surveying and Mapping Instruments	19	2.44
6680	Liquid and Gas Flow, Liquid Level and Mechanical Motion Measuring Instruments	10	2.87
6685	Pressure, Temperature and Humidity Measuring and Controlling Instruments	10	2.53
6695	Combination and Misc. Instruments	8	2.06
6710	Cameras, Motion Pictures	25	5.29
6720	Cameras, Still Picture	24	1.82
6730	Photographic Projection Equipment	25	3.52
6740	Photographic Developing and Finishing Equipment	24	3.32
6750	Photographic Supplies	25	8.64
6760	Photographic Equipment and Accessories	24	1.36
6780	Photographic Sets, Kits and Outfits	22	3.24
6910	Training Aids	20	0.96

6920	Armament Training Devices	20	3.22
6930	Operation Training Devices	21	0.62
6940	Communication Training Devices	21	0.79
7010	ADPE Configuration	8	0.73
7021	ADP Central Processing Unit, Digital	15	0.73
7022	ADP Central Processing Unit, Hybrid	15	
7025	ADPInput/OutputandStorageDevices	13	1.01
7030	ADP Software	15	0.97
7035	ADP Accessorial Equipment	13	0.72
7040	Punched Card Equipment	15	0.87
7045	ADP Supplies and Support Equipment	11	1.50
7050	ADP Components	15	0.95
7105	Household Furniture	10	9.94
7110	Office Furniture	10	16.20
7125	Cabinets, Lockers, Bins and Shelving	20	9.47
7195	Misc. Furniture and Fixtures	10	6.17
7310	Food Cooking, Baking and Serving Equipment	12	5.40
7320	Kitchen Equipment and Appliances	18	5.60
7360	Sets, Kits and Outfits: Food Preparation and Serving	10	11.41

FSC No.	Nomenclature	Expected Useful Life (Years)	Disposal Value Factor as a Percent of Acquisition Cost
7420	Accounting and Calculating Machine	12 Electric/ 15 Manual	1.46
7430	Typewriters and Office Type Composing Machines	12 Electric/ 15 Manual	6.10
7450	Office Type Sound Recording and Reproducing Machines	12	1.17
7460	Visible Record Equipment		2.26
7490	Misc. Office Machines	12	3.30
7710	Musical Instruments	12	14.67
7910	Floor Polishers and Vacuum Cleaning Equipment		5.72
8140	Ammo and Nuclear Ordnance Boxes, Packages and Special Containers	15	12.33
8145	Specialized Shipping and Storage Containers	22	6.55
8340	Tents and Tarpaulins	5	4.86
8345	Flags and Pennants	5	8.30
8415	Clothing, Special Purpose	5	10.81

8820	Live Animals, Not Raised for Food	3	55.05
9320	Rubber Fabricated Materials	5	19.40
9340	Glass Fabricated Materials	5	4.14
9515	Armor Plate	10	19.00
9530	Metal Bar	10	47.51
9535	Metal Plate	10	52.44

Attachment

PART IV----COST COMPARISON HANDBOOK

APPENDIX D

TAX RATE TABLE *

CODE NO.	INDUSTRY	TAX RATE(%)
	Extractive Industries	
10-01-0400	Agriculture Production	0.9
10-01-0600	Agricultural Services	0.6
20-02-1010	Mining Iron Ores	2.7
20-02-1070	Mining COpper, Lead, Zinc, Gold and Silver Ores	0.6
20-02-1098	Mining Other Metals	0.7
20-03-1150	Coal Mining	0.9
20-05-1430	Sand, Gravel, Dimension, Crushed and Broken Stone	1.8
	Construction	
30-06-1510	General building (construction)	0.5
30-06-1531	Operative builders (construction)	1.2
30-07-1600	Heavy construction	0.7
30-08-1711	Plumbing, heating, air conditioning	0.5
30-08-1731	Electrical work	0.5
30-08-1798	Other special trades	0.6
	Manufacturing	
40-09-2010	Meat products	0.7
40-09-2020	Dairy products	1.2
40-09-2030	Preserved fruits and vegetables	1.8
40-09-2040	Grain mill products	1.3
40-09-2050	Bakery products	2.0
40-09-2060	Sugar and confectionary products	2.3
40-09-2089	Bottled soft drinks and flavorings	1.9
40-09-2096	Other food and kindred products	1.2
40-12-2315	Men’s and boy’s clothing	1.5
40-12-2345	Women’s and children’s clothing	1.2
40-12-2388	Other apparel and accessories	1.3

40-12-2390	Other fabricated textile products	1.2
40-13-2415	Logging, sawmills and planing mills	1.1

* Tax Rates are in relation to business receipts.

** Does not reflect revisions contained in the 1987 Standard Classification Manual.

CODE NO.	INDUSTRY	TAX RATE(%)
	Manufacturing	
40-13-2430	Millwork, plywood, related products	1.4
40-13-2498	Other wood products	1.0
40-14-2500	Furniture and fixtures	2.4
40-15-2625	Pulp, paper and board mills	1.6
40-15-2699	Other paper products	3.0
40-16-2710	Newspapers (printing and publishing)	4.5
40-16-2720	Periodicals (printing and publishing)	1.9
40-16-2735	Books, greeting cards and miscellaneous publishing	4.1
40-16-2799	Commercial and other printing and printing trade services	1.4
40-17-2815	Industrial chemicals, plastics materials and synthetics	2.4
40-17-2830	Drugs	0.7
40-17-2840	Soap, cleaners and toilet goods	2.0
40-17-2850	Paints and allied products	1.8
40-17-2898	Agricultural and other chemical products	2.7
40-18-2998	Petroleum and coal products,not elsewhere classified	0.8
40-19-3050	Rubber products; plastics, foot-wear, hose and belting	2.0
40-19-3070	Miscellaneous plastics products	1.5
40-20-3140	Leather footwear	1.8
40-20-3198	Leather and leather products not elsewhere classified	0.7
40-21-3225	Glass products	1.6
40-21-3240	Cement, hydraulic	0.8
40-21-3270	Concrete, gypsum and plaster products	2.4
40-21-3298	Other nonmetallic mineral products	2.5
40-22-3370	Ferrous metal industries; miscella-neous primary metal products	0.6
40-22-3380	Nonferrous metal industries	0.7
40-23-3410	Metal cans and shipping containers	1.9
40-23-3428	Cutlery, hand tools and hardware; screw machine products, bolts and similar products	3.4
40-23-3430	Plumbing and heating, except electric and warm air	3.2

40-23-3440	Fabricated structural metal products	1.4
40-23-3460	Metal forgings and stampings	1.4
40-23-3470	Casting, engraving and allied services	1.5

CODE NO.	INDUSTRY	TAX RATE(%)
	Manufacturing (continued)	
40-23-3480	Ordnance and accessories, except vehicles and guided missiles	3.0
40-23-3490	Miscellaneous fabricated metal products	1.9
40-24-3520	Farm machinery	0.6
40-24-3530	Construction and related machinery	0.8
40-24-3540	Metal working machinery	1.4
40-24-3550	Special industry machinery	1.5
40-24-3570	Office and computing machines	7.0
40-24-3598	Other machinery, except electrical	2.0
40-25-3665	Radio, television, communication equipment	1.3
40-25-3670	Electronic components and accessories	2.2
40-25-3698	Other electrical equipment	2.7
40-26-3710	Motor vehicles and equipment	2.4
40-27-3725	Aircraft, guided missiles and parts	1.2
40-27-3730	Ship and boat building and repairing	1.3
40-27-3798	Other transportation equipment, except motor vehicles	2.5
40-28-3815	Scientific instruments and measuring devices; watches and clocks	3.3
40-28-3845	Optical, medical and opthalmic goods	3.1
40-28-3860	Photographic equipment and supplies	3.3
40-29-3998	Miscellaneous manufacturing and manufacturing not allocable	1.9
	Transportation And Utilities	
50-30-4000	Railroad transportation	1.3
50-30-4100	Local and interurban passenger transit	1.7
50-30-4200	Trucking and warehousing	1.1
50-30-4400	Water transportation	0.9
50-30-4500	Transportation by air	1.4
50-30-4600	Pipe lines, except natural gas	1.5
50-30-4700	Transportation services not elsewhere classified	0.5
50-31-4825	Telephone, telegraph and other communication services	3.1
50-31-4830	Radio and Television broadcasting	3.8
50-32-4910	Electric services	3.7
50-32-4920	Gas production and distribution	1.5
50-32-4930	Combination utility services	3.8
50-32-4990	Water supply and other sanitary services	3.6

CODE NO	INDUSTRY	TAX RATE(%)
	Wholesale Trade	
61-33-5004	Groceries and related products	0.4
61-34-5008	Machinery, equipment and supplies	0.8
61-35-5010	Motor vehicles and automotive equipment	1.9
61-35-5030	Lumber and construction materials	0.6
61-35-5050	Metals and minerals, except petroleum and scrap	0.4
61-35-5060	Electrical goods	0.9
61-35-5070	Hardware, plumbing and heating	0.8
61-35-5098	Other durable goods	0.7
61-35-5110	Paper and paper products	0.5
61-35-5129	Drugs, chemicals and allied products	0.9
61-35-5130	Apparel, piece goods and notions	0.6
61-35-5150	Farm-product raw materials	0.1
61-35-5170	Petroleum and petroleum products	0.3
61-35-5180	Alcoholic beverages	0.7
61-35-5190	Miscellaneous nondurable goods; wholesale trade not allocable	0.6
	Retail Trade	
62-36-5220	Building materials dealers	0.9
62-36-5251	Hardware stores	0.7
62-36-5265	Garden supplies and mobile home dealers	0.5
62-37-5300	General merchandise stores	1.2
62-38-5400	Food stores	0.5
62-39-5541	Gasoline service stations	0.2
62-39-5598	Other automotive dealers	0.6
62-40-5600	Apparel and accessory stores	1.3
62-41-5700	Furniture and home furnishings stores	1.1
62-42-5800	Eating and drinking places	1.0
62-43-5912	Drug stores and proprietary stores	1.1
62-43-5921	Liquor stores	0.3
62-43-5995	Other retail stores	0.7
63-44-5997	Wholesale and retail trade not allocable	0.6
	Services	
80-52-7000	Hotels and other lodging places	1.1
80-53-7200	Personal services	1.3
80-54-7310	Advertising services	1.1
80-54-7389	Business services, except advertising	1.2
80-55-7500	Auto repair and services	0.8
80-55-7600	Miscellaneous repair services	0.7

CODE NO.	INDUSTRY	TAX RATE(%)
	Services	
80-56-7812	Motion picture production, distribution and services	0.9
80-56-7830	Motion picture theatres	2.0
80-56-7900	Amusement and recreation services, except motion pictures	1.0
80-57-8015	Physicians' services	0.5
80-57-8021	Dentists' services	0.3
80-57-8050	Nursing and personal care facilities	0.7
80-57-8071	Medical Laboratories	1.4
80-57-8099	Other medical services	1.7
80-57-8111	Legal services	0.5
80-57-8200	Educational services	1.2
80-57-8599	Miscellaneous services, not elsewhere classified	0.8

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D C. 20503
September 28, 1988

Circular No. A-76
Revised
Transmittal Memorandum No. 7

MEMORANDUM FOR HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: James C. Miller III
Director

SUBJECT: Performance Of Commercial Activities

This Transmittal Memorandum revises the treatment of retirement costs for both government and contractors and

updates certain other cost factors. Public Law 100-366 amends the "Federal Employees' Retirement System Act of 1986" to require that all employer paid retirement costs for the Federal Employees Retirement System and the contractor be included in the A-76 cost comparison process. Transmittal Memorandum No. 4 is rescinded by this memorandum. Therefore, all renumbered lines and added lines on the cost comparison forms at Illustrations 1-1 and 5-1, and added paragLaphs in the Supplement introduced by Transmittal Memorandum No. 4 are hereby deleted. In addition, this Memorandum updates the federal pay raise assumptions for 1989 through 1993, updates the cost factor for miscellaneous fringe benefits, deletes the mark-up rates applied to General Services Administration (GSA) materials, revises the mark-up rates applied to Defense Logistics Agency (DLA) materials, and revises contractor tax rates. This Memorandum also changes the instructions for publication of inventories and study schedules, and deletes all of Chapter 4, "Annual Reporting Requirement" in Part I of the Supplement.

Paragraph C.1.b, Chapter 1, Part I, of the Supplement

The requirement in this paragraph for agencies to publish their schedules for conducting cost comparison studies in the Commerce Business Daily and the Federal Register is deleted. Executive Order 12615 requires the Office of Management and Budget (OMB) to publish the schedules for public review. OMB will publish the schedules not later than 30 days before the start of each fiscal year in both publications cited above.

Chapter 4, Part I, of the Supplement

This chapter is deleted. Quarterly reporting is required by Executive Order 12615. It will be accomplished through the A-76 Management Information System.

Illustration, 1-1, Chapter 1, Part IV, of the Supplement

Lines 13 through 17 of the cost comparison form for in-house vs. contract performance should be changed back to the original nomenclature and format specified in the Supplement, dated August, 1983. Delete the Line - Social Security (OASDI) and Savings Plan Costs (Deduct), which was added by Transmittal Memorandum No. 4. Lines 13 through 17 should be as follows:

TOTAL CONTRACT COSTS ----------Line 13

CONVERSION DIFFERENTIAL ----------Line 14

TOTAL (Line 13 & 14) ----------Line 15

COST COMPARISON (Line 15 minus Line 6) ---Line 16

COST COMPARISON DECISION ----------Line 17

Paragraph C, Chapter 2, Part IV of the Supplement

The pay raise assumptions for Federal employees contained in the President's FY 1989 budget have been changed through discussions with Congress. Both military and civilian pay raises effective in January 1989 will be 4.1 percent. For military pay raises for 1990 and beyond the agencies will use their internal planning numbers. The following rates for civilian employees should be applied per paragraph C of the Supplement on page IV-6 and 7:

Federal Pav Raise Assumptions	Inflation Factors
Effective Date	Civilian
January 1989	4.1
January 1990	3.0
January 1991	3.0
January 1992	3.0
January 1993	3.0
January 1994	3.0

Paragraph D.3.g(1)(a), Chapter 2, Part IV, of the Supplement

The revised standard retirement cost factor to be used is 21.7 percent for all agencies except the Department of Medicine and Surgery (DM&S) within the Veterans Administration (VA). The factor for DM&S is 11.4 percent. The standard factor represents the Government's share of the full dynamic normal costs of the Civil Service Retirement System (CSRS) and the Federal Employees' Retirement System (FERS). This factor also includes the Government's contributions to the Old Age, Survivors and Disability Insurance (OASDI) portion of Social Security and thrift savings plan costs.

The revised retirement cost factors for special class employees are 26 percent for air traffic controllers and 25.5 percent for law enforcement and fire protection employees, except for fire

fighters within DM&S. The factor for DM&S is 15.6 percent.

Paragraphs D.3.g(1)(b). Chapter 2, Part IV, of the Supplement.

Revised standard fringe benefit cost factors to be applied under paragraph D.3.g. in the Supplement to the Circular are as follows:

Fringe Benefit Factor	Revised Cost
Federal employee miscellaneous fringe benefits (workmen's compensation, bonuses and awards and unemployment programs)	1.70

The factor for Federal employee insurance remains at 4.7 percent. The factor for FICA (Medicare) remains at 1.45 percent.

Paragraph D.3.g(2), Chapter 2, Part IV, of the Supplement

Add the following paragraph at the end of D.3.g(2) to Chapter 2, Part IV of the Supplement: (The original paragraph was deleted by Transmittal Memorandum No. 4)

"The Federal Insurance Contributions Act (FICA) cost factor listed below, will be applied to civilian employees not covered by either of the two

civilian retirement systems (normally intermittent and temporary employees). Be careful to apply the FICA rate only to wages and salaries subject to the tax; there is an annual salary limitation for FICA tax (See Transmittal Memorandum No. 6). Costs for employees covered by FICA are as follows:

FY 1989	7.51
FY 1990	7.62
FY 1991	7.65
FY 1992	7.65
FY 1993	7.65

Paragraphs E.3.a(1), (2), and (3), Chapter 2, Part IV of the Supplement

The material mark-up rates which are applied for GSA material and supply services under paragraph E.3.a.(1), (2), and (3) are deleted. Public Law 100-202, Section 619 provides for the inclusion of acquisition and storage costs in the price charged

by GSA.

Paragraphs E.3.b.(1) and (2), Chapter 2, Part IV, of the Supplement

The material mark-up rates which are applied for DLA material and supply services are revised as follows:

Material	Percent
Wholesale Stock Fund	13.6
Direct Delivery	6.2

Paragraphs H and I, Chapter 3, Part IV, of the Supplement

Delete these paragraphs which were added by Transmittal Memorandum No. 4. Add the following paragraph H as originally contained in Chapter 3, Part IV of the Supplement dated August,1983; this paragraph had been deleted by Transmittal Memorandum No.4:

"H. TOTAL--Line 13

Add lines 7, S, 9 and 10. If there is a number in parenthesis; i.e., a deduction, in line 11 add to line 12 and subtract this total from the total of lines 7 through 10 and enter the difference on line 13. If the number in line 11 is not in parenthesis, it should be added to the total of lines 7 through 10, and then subtract line 12 from

the total of lines 7 through 11 and enter the difference on line 13."

Chapter 4, Part IV, of the Supplement

Delete the renumbering of line numbers referenced by Transmittal Memorandum No. 4. Proper numbering is the original numbering contained in Chapter 4, Part IV of the Supplement dated August, 1983.

Illustration 5-1, Chapter 5, Part IV, of the Supplement

Lines 15 through 19 of the "Cost Comparison Form for Expansions, New Requirements and Conversion to In-House Performance" should be changed back to the original nomenclature and format specified in the Supplement, dated August, 1983. Delete the Line-Social Security (OASDI) and Savings Plan Costs (Deduct), which was added by Transmittal Memorandum No. 4. Lines 15 through 19 should be as follows:

TOTAL CONTRACT COSTS ----------Line 15

CONVERSION DIFFERENTIAL (For ----------Line 16
Expansions, note net difference,
Chapter V, E.)

TOTAL (Line 8 & 16) ----------Line 17
COST COMPARISON (Line 17 minus line 15) --Line 18

COST COMPARISON DECISION ----------Line 19

Appendix D, Part IV, of the Supplement

A revised Tax Rate Table, Appendix D, with new tax rates is attached. This tax table will be substituted for the Appendix D found in Part IV of the Supplement to the Circular.

This revision is effective as follows: all changes affecting retirement costing procedures shall be effective as of July 13, 1988 and shall apply to all cost comparisons in process where the Government's in-house cost estimate had not been opened before July 13, 1988. All other changes in the Transmittal Memorandum are effective upon the date of this signed memorandum and shall apply to all cost comparisons in process where the Government's in-house cost estimate has not been opened before this date.

Attachment

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON. D.C. 20503

February 12, 1990

M-90-03

Circular No. A-76
Revised
Transmittal Memorandum No. 9

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: FRANK HODSOLL
EXECUTIVE ASSOCIATE DIRECTOR

Subject: Performance of Commercial Activities

This Transmittal Memorandum updates the inflation factors used for computing Government personnel cost increases. The federal pay raise assumptions and the non-pay category rates are contained in the FY 1991 Budget. The following factors should be applied per paragraph C of the Supplement on pages IV-6 and IV-7:

Federal Pay Raise Assumptions Effective Date	Inflation Factors Military & Civilian
January 1990	3.6
January 1991	3.5
January 1992	4.0
January 1993	3.7
January 1994	3.4
January 1995	3.1

Non-Pay Categories (supplies, equipment, etc)

FY	1990	4.0
FY	1991	4.2
FY	1992	4.0
FY	1993	3.7
FY	1994	3.4
FY	1995	3.1

This revision is effective as follows: all changes in the Transmittal Memorandum are effective upon the date of this signed memorandum and shall apply to all cost comparisons in process where the Government’s in-house cost estimate has not been opened before this date.