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Management

Commercial Activities Study Guide

Headquarters
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SUMMARY of CHANGE

DA PAM 5–20
Commercial Activities Study Guide

This pamphlet--

- Provides guidance for managing and carrying out the Commercial Activities (CA) program. It provides standards for determining if an activity is included in the program, establishes procedures for review of activities to determine if they must be operated by government personnel, and provides instructions for studies to compare costs of contract vs in-house performance.

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Commercial Activities Study Guide

By Order of the Secretary of the Army:

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History. This printing publishes a revision of this publication. Because this publication has been extensively revised, the changed portions have not been highlighted. Changes have been made in this electronic edition of this publication to correct minor typographic errors which appear in the printed edition. With the exception of the inclusion of the text for paragraph C-6.c (which is missing in the printed edition), none of these changes substantively affect the content of this publication.

Summary. This pamphlet provides guidance for managing and carrying out the Commercial Activities (CA) program. It provides standards for determining if an activity is included in the program, establishes procedures for review of activities to determine if they must be operated by government personnel, and provides instructions for studies to compare costs of contract vs in-house performance. Decisions to perform work under contract are made under the authority of the Armed Services Procurement Act and the Federal Acquisition Regulation and their supplements.

Applicability. This pamphlet applies to the U. S. Active Army and the Active Army Reserve. It applies to all organizations that include commercial activities.

Proponent and exception authority. The proponent of this pamphlet is the Assistant Chief of Staff for Installation Management. The proponent has the authority to approve exceptions to this regulation that are consistent with controlling law and regulation. Proponents may delegate the approval authority, in writing, to a division chief, within the proponent agency in the grade of colonel or the civilian equivalent.

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Chapter 1
Army Commercial Activities (CA) Program Overview

1–1. Purpose

This pamphlet describes the procedures for conducting a CA study (cost competition) in accordance with AR 5-20, Commercial Activities Program, and the OMB Circular A-76 Revised Supplemental Handbook, Performance of Commercial Activities. It applies to commercial activities at all Army activities in CONUS, Hawaii, and Alaska, and may be used by other OCONUS commanders when doing so conforms with applicable laws, treaties, and international agreements. This pamphlet provides a basic “how to” manual, designed to assist relatively inexperienced analysts and functional personnel in conducting a CA study.

1–2. References

In 1983, the Office of Management and Budget issued OMB Circular A-76, establishing federal policy regarding the performance of commercial activities. In 1987, President Ronald Reagan signed Executive Order 12615, directing all executive agencies to, among other things, study 3 percent of their civilian personnel spaces under the criteria of OMB Circular A-76 until all commercial activities have been studied. Congress wrote CA policy into law as 10 USC 2461 on July 19, 1988. Congress has also issued various other legislative requirements that have modified the scope and effect of the CA Program. For example, the "Nichols Amendment" (formerly 10 USC 2468), which required DOD to delegate to installation commanders the right to select which activities to study, was in effect from 1988 through 1995. DOD Directive 4100.15 and DOD Instruction 4100.33 provide implementing guidance for the Department of Defense, and AR 5-20 provides guidance for managing and carrying out the CA Program within the Department of the Army. The OMB Circular A-76 Revised Supplemental Handbook, which updates guidance and procedures, was issued in March 1996. A complete list of required and related publications is at Appendix A. Abbreviations and definitions of special terms used in this pamphlet are explained int the glossary.

1–3. Policy

a. The concept of CA dates back to 1955 when the Bureau of the Budget announced a national policy to rely on the private sector for goods and services whenever proper and economical to do so. The program has changed and grown throughout the years and emphasis has fluctuated with various administrations, but the basic policy of relying on commercial sources for products and services has not changed.

b. With few exceptions, activities that provide products and services can be classified into one of two categories: commercial or governmental-in-nature (GIN). CAs are functions that provide products or services available from private sources. Governmental functions are those which are not suitable for performance by private sources due to law or exercise of governmental discretion.(App B)

c. The CA program emphasizes competition of CAs with the private sector to determine the most efficient and cost-effective means of providing required services. Within the Army, the CA program is used as a “tool” for managers to make their organizations more efficient and to make better use of dwindling resources. In addition to the encouragement of competition, a fundamental requirement of the CA program is that an activity may not be converted from in-house to contract performance or from contract to in-house performance without conducting a cost competition (unless it qualifies for one of many the many exceptions listed in AR 5-20).

1–4. Army CA Program Goals

The goals of the Army’s CA Program are to implement the national policy defined in OMB Circular A-76 and to obtain the most cost effective commercial services through competition. This doesn’t mean our goal is to "contract-out"; in fact, almost half of CA cost competitions result in an in-house decision, and the savings are almost as great for in-house decisions as they are for contract decisions. Where contractors are more cost-effective and win the competition against the government, the Army makes every effort to find its employees continued employment with the Federal Government or the contractor. (CA contracts must contain a provision requiring the contractor to provide affected government employees with "right-of-first-refusal" for jobs for which they are qualified.) The CA program succeeds in reducing costs of Army services because competition is a powerful motivator to accept changes that improve the efficiency of government operations. A March 1996 DOD report to Congress stated that savings from CA studies conducted in DOD have averaged 31 percent.

1–5. Procedure

a. A detailed and comprehensive process for making the "make-or-buy" determination has been developed and proven effective over the conduct of hundreds of CA studies.

b. Once a function is identified for review and a study plan is developed, Congress is notified of the intent to conduct the study if the CA is performed by more than 20 civilian employees (IAW 10 USC 2461). After announcement of the study to Congress (more than 20 employees) or MACOM approval (20 or fewer employees), the local work force is notified of the study and what to expect. Throughout the study process, the work force is kept informed about the progress of the study, and encouraged to provide suggestions on improving the organization to assist the team of analysts and functional experts organized to conduct the study. (10 USC 2462)

c. A performance work statement (PWS) is developed which describes what work is to be accomplished to successfully deliver the required levels of service. The PWS lists required tasks without specifying the method of performing them. Data are gathered on past workload levels to project future workload requirements, and performance requirements standards are developed to ensure that an acceptable level of performance (ALP) of service is maintained. The PWS also includes the nature and extent of government-owned facilities, equipment, and other property available to use in accomplishing the work.

d. A management study is performed to analyze the existing Army organization and operation. This study develops the most efficient organization (MEO) to perform the work in the PWS. It does this by identifying improvements, thus reducing the resources required to perform the work in the PWS. The MEO is the basis for the in-house cost estimate in the cost comparison. Organizations implement the improvements as they are approved.

e. Bids or proposals from prospective contractors or non-DOD Intragovernmental Support (IGS) providers are then solicited based on the requirements contained in the PWS. The solicitation provides for a common standard of performance upon which to base an equitable comparison of in-house costs with contract or IGS costs for performing the same work. From this solicitation, the Army identifies the bidder/offeror who can perform the work at the lowest cost and provide the best value to the government. (There are two kinds of solicitations, sealed bid and negotiated. An invitation for bid (IFB) solicits bids while a request for proposals (RFP) solicits proposals from contractors with whom the Army then negotiates to determine the best value proposal.)

f. Costs the Army will incur to convert the function to contract and administer the contract are also calculated. An Independent Review of all costs is then conducted — usually by the US Army Audit Agency (USAAA) or the installation Internal Review Office (IRO) — to ensure that the cost estimates are accurate and based on the work set forth in the PWS. Following the Independent Review, the in-house cost estimate is submitted to the Contracting Officer in a sealed envelope before the deadline for submission of bids or proposals from private industry.

g. After receipt of bids or selection of the one offeror with the most advantageous proposal, the cost of contract or IGS is compared with the in-house cost estimate. For a contract or IGS to be selected as more cost effective than the government, the cost of contract or IGS operations must be less than the in-house cost estimate by at least the amount of the "conversion differential,"

which is 10% of the personnel cost portion of the in-house cost estimate or $10,000,000, whichever is less.

h. The results of the cost comparison bid opening are announced locally and in the Commerce Business Daily. This "initial decision" is subjected to a review period that allows interested parties to examine the decision documents and appeal portions that do not appear to be in accordance with AR 5-20 procedures. After appeals are resolved (by a MACOM-level Administrative Appeals Board - AAB), the "final decision" is announced to Congress if the CA is performed by more than 10 civilian employees. If the in-house proposal was determined to be more cost effective, the solicitation is canceled. If the cost comparison results in a contract decision, a contract is awarded.

i. Many tasks must be completed to transition the current in-house operation to the new operation, whether contract or MEO. A transition plan is developed and executed to ensure that nothing "falls through the cracks." This plan covers equipment turnover, personnel actions, training, inventory and procedural changes, as well as telephone number changes and other "housekeeping" changes caused by the transition. Regardless of the outcome of a CA study, special care must be taken to avoid unnecessary trauma and turmoil in the organization under CA study.

j. The new operation is continually monitored to ensure the acceptable levels of performance (ALPs) set in the performance work statement (PWS) are met. The quality assurance surveillance plan (QASP), developed by the study team while working on the PWS, sets procedures for conducting surveillance of the new operation. The QASP is used to monitor the performance of the new operation, whether in-house MEO, contract, or IGS. The QASP is not part of the solicitation, does not become a part of the contract, and may be changed to better suit the needs of the government.

1–6. Terminology

a. In publishing the 1998 editions of this pamphlet and AR 5-20, we chose in some cases to use terms different from those in the OMB Circular A-76 Revised Supplemental Handbook, dated March 1996. When you read the new A-76 Handbook — and you should if you are going to be substantially involved in a cost competition or "A-76 study" — you need to be aware of these differences.

b. In one case, we invented two new terms to replace one term that had two meanings. In the A-76 Handbook (and in previous editions of this handbook and AR 5-20), the term "cost comparison" means both (1) the entire CA study process and (2) the event at which in-house and contract bids are compared. In this handbook and AR 5-20, (1) "cost competition" or "cost competition study" now means the entire CA study process and (2) "cost comparison bid opening" now means the event at which the the contracting officer opens the sealed envelopes with the in-house cost estimate and the contractors' bids (or the selected contractor's final proposal in the case of a negotiated procurement).

c. With the March 1996 publication of the A-76 Handbook, there is now a new kind of cost competition. It is the "Streamlined Cost Competition," in which the cost comparison between current in-house cost and projected contract cost precedes the solicitation for contractor bids. To differentiate between the Streamlined Cost Competition and the "full" cost competition, we now use the term "Full Cost Competition."

d. In some cases, we chose to retain the familiar term rather than change to a new term introduced in the new A-76 Handbook. In this pamphlet and AR 5-20, "Management Study" continues to mean the study that, among other things, determines the MEO and the in-house cost estimate or "in-house bid" ; the A-76 Handbook now uses the term "management plan." We retained the term "Initial Decision" to mean the decision made at cost comparison bid opening to convert to contract or to in-house MEO, subject to appeals and protests; the A-76 Handbook now uses the term "tentative decision." We still use the term "Final Decision" for the result of the cost competition after all appeals and protests are resolved; the A-76 Handbook does not use this term.

e. Another term new to this pamphlet and AR 5-20 is "Intragovernmental Support" (IGS). Its meaning, as defined in DODI 4000.19 (Interservice and Intragovernmental Support), is support provided by or to a non-DOD federal agency. While the requirement for a cost comparison before entering into a support agreement with another agency dates from the 1983 version of the A-76 Handbook, the new A-76 Handbook uses the term interservice support agreement (ISSA) or, in places, interagency support agreement. The problem with the term "interservice support agreement" is that it would seem to mean support provided between two military services, but that is not the case. We know this because a sentence in the draft A-76 Handbook that would have defined the Army as an "agency" was deleted from the final version. We therefore use the established term "Intragovernmental Support" for accuracy. (We invented the acronym "IGS" for convenience.)

1–7. Summary of Chapter 1, Army Commercial Activities (CA) Program Overview

a. What is CA?
(1) National policy.
(2) Rely on private sector for goods and services.
(3) Management tool to make organizations more efficient.
b. Authority.
(1) OMB Circular A-76
(2) 10 United States Code 2461 & 2462.
(3) Executive Order 12615.
(4) DOD Directive 4100.15.
(5) DOD Instruction 4100.33.
(6) Army Regulation 5-20.
c. CA Process.
(1) Notify Congress.
(2) Develop PWS.
(3) Conduct management study.
(4) Solicit bids or proposals.
(5) Cost MEO and conversion costs.
(6) Independent Review.
(7) Cost comparison bid opening/initial decision.
(8) Appeals.
(9) Final decision.
(10) Transition.
(11) Surveillance.

Chapter 2
Planning and Organizing the CA Study

Section I
Steps Before Congressional Announcement

2–1. Scope of the Study

a. Early in the study preparation, the CA office and the Commander will identify functions for CA study. These will be made a permanent part of the installation's CA inventory/database and the Army's CA Inventory.

b. Before actual Congressional announcement of a CA study, a number of steps must be taken to determine both the number of functions to be studied (the scope) and the study's size in terms of personnel affected.

c. Specifically, installation commanders and functional managers need to determine if the proposed study will be composed of a package of related functions forming one large umbrella study, or whether each of these smaller functions will be studied individually.

(1) Using the umbrella approach will allow you to treat all functions being reviewed as an integrated system of interrelated activities. However, in using this approach you should ensure that all the functions are interrelated, so that contractual or management study problems do not arise.

(2) For planning purposes, you should contact your local Small and Disadvantaged Business Utilization (SADBU) office and consider structuring your study to encourage small business participation in the solicitation, if possible.

(3) In determining which functions to include in your study, you must also determine which of these functions are GIN or exempt from CA review. Chapter 4 discusses the determination of GIN staffing in detail.

(4) To ensure consideration of workload being performed at nearby federal installations and activities, contact them to determine their interest in including their workload in your CA study. (Make these contacts early in the planning process, and do not let it delay your CA study.)

2–2. Steering Committee Concept

a. You should use the steering committee concept as a mechanism for assigning all tasks in the CA process to the appropriate officials. If used correctly, this tool will allow for well-ordered, timely completion of all CA studies. The steering committee is comprised of all the following top level managers at your installation.

b. The Garrison Commander functions as the chairman of the CA steering committee. He is usually the official who certifies the MEO and approves the implementation of CA study results.

c. The functional manager is directly responsible for identifying the CA functions that are eligible for CA study. He is also directly involved in development of the PWS, management study, and other technical documentation, and he reviews these documents prior to their completion.

d. The DRM serves as the main point of contact (POC) on all CA matters and coordinates CA program actions between the steering committee, installation staff, and higher headquarters at all stages of the study.

e. The DOC is responsible for all contracting aspects of the CA study, including preparation of acquisition planning documents, to include the solicitation for your CA study, determination of contract type, controlling negotiations, handling of protests and appeals, and contract award.

f. The Civilian Personnel Operations Center (CPOC) implements personnel actions in accordance with CA Program requirements. The Civilian Personnel Advisory Center (CPAC) coordinates with the CPOC, advises the commander concerning reductions-in-force (RIFs), counsels affected employees on placement rights, retraining and placement of displaced employees, prepares position descriptions identified in your management study, advises the CA study team on position/organization structure issues, and, if the CA study results in contract conversion, monitors the implementation of "right-of-first-refusal" offers by the contractor to affected employees (see Chapter 6).

g. The SJA reviews the PWS to ensure legal sufficiency, and provides advice on legal issues affecting the conduct of CA studies.

h. The IG reviews completed CA studies at the Commander's request, to ensure the in-house or contract activity is accomplishing its designated mission with monetary savings.

2–3. Installation CA Program Manager/Study Team

a. The Installation CA Program Manager's duties include -

(1) Develop and maintain the CA Inventory, which is a record of all commercial activities that are under the commander's direct control.

(2) Consult with the affected employees and the labor organizations representing affected employees at least monthly, or IAW local union agreement, during the development of the performance work statement (PWS), quality assurance surveillance plan (QASP), transition plans, and the most efficient organization (MEO).

(3) Coordinate the schedule of CA cost competitions and other efficiency studies at the installation.

(4) Coordinate actions involving commercial activities which require access to classified information with the installation security manager. The installation security manager will determine what is considered classified information.

(5) Coordinate DA Form 7375-R (Commercial Activities Proposed Action Summaries (CPASs) and other related actions with the installation small and disadvantaged business utilization (SADBU) specialist.

(6) Track cost competition progress against established milestone schedules.

(7) Coordinate with managers responsible for CA programs of tenant commands/activities and request advance notice of planned cost competitions.

(8) Document information about the CA study, including milestones, in the Army CA Management Information System (ACAMIS).

b. The CA study team is a group of individuals appointed by the installation commander, by memorandum, to perform the CA study. Primary members of the study team are CA management analysts (one of whom is typically the team leader); functional personnel who advise and assist in the preparation of the PWS, management study, cost estimate, and other technical documents; and procurement personnel who are responsible for solicitation matters.

c. The installation CA study team duties include -

(1) The CA management analyst serving as the team leader is the person charged with the overall study management and for assignment of duties and tasks to other team members. The team leader serves as the contact point between the team and the rest of the organization, monitors the milestones, sets up status briefings for the steering committee chairman or commander, and serves as the official keeper of team records. The team leader also facilitates team meetings and arranges logistical details, including determining that appropriate reference materials, office space, automation, supplies, and administrative support is always available for the study team throughout the full term of the study. You should include the logistical details as one of the general requirements the team will need when meeting with the functional division or directorate chief.

(2) The representative from your DOC on the study team is the primary individual responsible for preparing the solicitation for bids/proposals based on the specifics in the PWS, evaluating the resulting bids/proposals, and determining what type of contract should be used. The study team assists with the solicitation and the source selection process, as needed.

(3) At specific times in the study process, other ad hoc study team members are required to perform specific services as requested by the team leader. Ad hoc team members include, but are not limited to, representatives from the CPAC, JAG, Security, Safety, Budget, Manpower, and Internal Review offices. These ad hoc team members perform duties which conform to their major areas of concern. As such, you should solicit their input on all major study decisions prior to finalization.

(4) Under certain circumstances, actions of specific individuals are restricted based on CA program constraints. Individuals selected for the source selection evaluation board (SSEB) are precluded from performing activities related to the management study or in-house cost estimate due to the potential for conflict of interest. Likewise, the Procurement Integrity Act prohibits government procurement officials from accepting employment with a contractor if they were involved in procurement actions with that contractor during the two years prior to their separation from federal service (see chap 6).

(5) Team members should be completely knowledgeable on how to use this study guide. To maximize its benefit, it should be understood completely by all members of the study team. Team members should also be familiar with the requirements of AR 5-20 as it relates to the study. It is often important to know which procedures are mandatory (because they are included in the AR) and which are merely advisable. While all of the requirements of the OMB Circular A-76 Revised Supplemental Handbook have been incorporated into this study guide and AR 5-20, it may be useful to review the OMB Circular A-76 Supplement to see which requirements came from OMB and which came from HQDA. Also, AR 5-20 will indicate which requirements are mandated by law. There are some legal requirements, imposed on the Army and other DOD agencies, that are not imposed on other agencies and therefore do not appear in the OMB Circular A-76 Supplement.

(6) Management should direct that team members' participation be a priority duty and not "an intrusion on their real jobs." In that

regard, team members are responsible for fully contributing to the study process and carrying out their assignments between team meetings. If the study team includes a significantly diverse group of specialties, the team leader should have no difficulty in assigning tasks to the appropriate team member. If possible, to minimize conflicts with their "real jobs," team members should be assigned to the team on a full-time basis.

(7) As stated earlier, this study guide stresses the use of the team approach in accomplishing all required tasks in the study process. Through teamwork, major gains in quality and productivity result.

2–4. Milestones

a. Perhaps the most important step in planning for successful execution of your CA study is milestone management. The master milestone schedules provide overall completion times for each major requirement of the study plan and appropriate review and coordination, when required. Keep in mind that milestones may be changed for larger, more complex studies. (Figures 2-1 and 2-2)

b. Individual study teams must schedule and complete each of the requirements of their study plan so that master milestone schedules can be met.

c. To monitor study progress, the team leader should meet at least monthly with the rest of the study team to determine the progress being made in completion of all program requirements. When specific tasks are not being performed in accordance with scheduled times, the study team should discuss methods to accelerate the task's completion. When a consensus has been reached on what action to take, the team leader should implement these actions immediately so the overall milestone schedule remains in effect.

2–5. Commercial Activities Proposed Action Summary (CPAS)

a. The final step in the study plan is the preparation of the DA Form 7375-R (Commercial Activities Proposed Action Summary). This document serves as the initial monitored entry on the milestone schedule and defines the scope of the study. This document will be used for all cost competition studies (Direct Conversion, Streamlined, and Full) to include transfer of work from contract or IGS to in-house performance and in-house performance of new requirements and expansions. The DA Form 7375-R document delineates exactly which function or functions are to be studied. This document will be submitted to the MACOM for approval. DA Form 7375-R can be locally reproduced on 8 1/2-by 11-inch paper. A copy for reproduction purposes is located at the back of this pamphlet. Additionally, DA Form 7375-R may be electronically generated. The electronically generated form must contain all data elements and follow the exact format of the existing printed form. All required signatures must appear on the electronically generated form. The form number of the electronically generated form will be shown as DA Form 7375-R-E and the date will be the same as the date of the current edition of the printed form.

b. Preparation of the CPAS:

(1) Line 1 - Place: Enter installation or activity title and city and state where function is performed.

(2) Line 2 - Title of Study & CA Function Code(s): Enter title most descriptive of the commercial activity to be studied and appropriate CA Function Code(s) from Appendix E.

(3) Line 3 - Study Number: Leave Blank. MACOM will obtain study number from HQDA (OACSIM).

(4) Line 4 - Type Study: Indicate appropriate category using threshold/criteria for method of study selected. Check Direct Conversion, Streamlined, or Full only if the activity is currently performed in-house. If "Other" is checked, indicate one of the following after the word "Other": Direct Conversion Contract to In-House, Full Cost Competition Contract to In-House, Direct Conversion Contract to IGS, Full Cost Competition Contract to IGS, Direct Conversion IGS to Contract, Streamlined Cost Competition IGS to Contract, Full Cost Competition IGS to Contract, Direct Conversion IGS to In-House, or Full Cost Competition IGS to In-House.

(5) Line 5 - Personnel: (Authorized) Enter the numbers from the current TDA for authorized civilians and military. (On-Board) Enter the numbers of FTE civilian and military personnel currently on-hand as of the signature date of the DA Form 7375-R. For transfer of work from contract or IGS to in-house performance and for new requirements, leave blank.

(6) Line 6 - Estimated In-House Cost: For Direct Conversions Only. Total cost consisting of:

(a) Personnel Costs including fringe benefits.

(b) Material and Supply costs.

(c) Other in-house costs (if applicable).

(7) Line 7 - Estimated Contractor Cost: For Direct Conversion Only. Based on either similar contracts at other installations, or on the contracting officer's best estimate of fair and reasonable price. Cost consists of:

(a) Estimated Base Contract Cost.

(b) Contract Administration (if applicable).

(c) Other estimated contractor cost (if applicable).

(d) Conversion Differential (10% of in-house Personnel cost).

(8) Line 8 - Study Start Date: Leave Blank. MACOM will enter the date the study number is assigned for a study of an activity performed by 20 or fewer civilian employees or the date the study is announced to Congress for an activity performed by more than 20 civilian employees.

(9) Line 9 - Projected Cost Comparison/Bid Opening Date: For Full cost competitions, enter estimated Initial Decision date; this is the day when the in-house cost estimate will be compared with contractor bids or the selected contractor offer. For Streamlined cost competitions and Direct Conversions, enter the estimated date when contractor bids will be opened or final contractor offer selected.

(10) Line 10 - Comments: The following information is required:

(a) For transfer of work from contract or IGS to in-house performance:

Explanation for proposed change in current method of performance.

- Current contract or IGS price and estimated in-house cost.
- Additional manpower resources the MACOM is expected to furnish.

(b) For new requirements:

Explanation of why it is not likely that a cost effective contract can be obtained.

- Estimated contract or IGS and in-house costs.
- Dollars and manpower resources if the MACOM is expected to provide additional resources.

(c) For direct conversions, the number of TDA civilian and military authorizations as of 30 Mar 94.

(d) Provide any additional information, as required.

(11) Line 11- Installation Approval: The DA Form 7375-R must be approved by the installation commander or designee.

(12) Line 12 - MACOM approval: For a study of an activity performed by 20 or fewer civilian employees, immediately after MACOM approval, MACOM will obtain study number from HQDA (OACSIM), enter it in line 3 above, enter current date in line 8 above, and return DA Form 7375-R to the installation. For a study of an activity performed by more than 20 civilian employees, immediately after MACOM approval, MACOM will request HQDA (OCLL) to announce the study to Congress and also obtain study number from HQDA (OACSIM) and enter it in line 3; when notified of date of Congressional announcement, MACOM will immediately enter the announcement date in line 8 and return DA Form 7375-R to the installation.

Section II
The Announcement

2–6. MACOM approval and Congressional announcement

When the DA Form 7375-R is received by the MACOM it is reviewed for legal and regulatory sufficiency. Any inconsistencies are brought to the attention of the installation. Once inconsistencies are resolved, the MACOM will approve the DA Form 7375-R and either return it to the installation (copy furnished HQDA ACSIM) or request HQDA (OCLL) to notify Congress of the impending CA study if it involves more than 20 civilian employees. The MACOM

will prepare the Congressional Notification Memorandum (Figure 2-3) and transmittal memorandum (Figure 2-4). HQDA (OCLL) informs the MACOM when Congressional notification is made.

2–7. Local announcement

The local commander announces the intent to conduct a cost competition study or direct conversion immediately after HQDA announces the study to Congress (if required) and the MACOM returns the approved DA Form 7375-R to the installation. The initial local notification is made to union leadership consistent with local collective bargaining agreements. Also advised at this time are the installation CA manager, functional management, CPAC/CPOC, steering committee, affected work force, and the independent reviewer.

Section III
After Announcement

2–8. Briefing the Work Force

a. The affected work force should be briefed immediately after or as part of the local announcement. This meeting should take place before any announcement is made to the general public. Appropriate question and answer (Q&A) pamphlets and other handouts should be provided to further advise the affected work center.

(1) At this meeting, advise the attendees of the exact scope of the study. This is done to inform all employees exactly where they stand in relation to the study.

(2) Since a great deal of study preparation requires input from the in-house staff, they will also be advised at this time on what information they will be required to submit to the CA team throughout the course of the study. Workforce input includes valid, up-to-date workload data to be used in the PWS and operational data which will be used in performing the management study. Since much of the information is either procurement sensitive or important for the preparation of the in-house staff's competitive bid, affected employees should be strongly cautioned about talking with persons who have no official "need to know" or who could seriously compromise the fairness of the process.

b. At this meeting, the study team must make clear to the work force that there may be a change in the alignment of the activity, and some reorganization, regardless of whether it is decided to operate the function in-house, contract or IGS. Once the in-house staff realizes the benefits that can be achieved, they will be more likely to take an active interest in preparation of the study (especially in the case of the PWS and management study).

c. All members of the affected activity should be strongly encouraged to attend this briefing. Representatives from the installation commander's office, appropriate union offices, and other offices should also attend. The team leader must provide for all logistical support at these briefings. This includes adequate facilities; confirmation of the exact date and time; transportation for attendees, when required; and provision of appropriate Q&A's and other documents.

2–9. Work Force Involvement

The initial meeting with the affected work force, made immediately after the announcement of the CA study, serves as the initial step in preparing this function for change. Affected personnel are advised by the study team, at that time, on the study's scope and what duties they will be expected to perform. You are required by law (10 USC 2467) to consult with the affected work force at least monthly throughout the course of the study and to consider their views on the development and preparation of the PWS and management study. You might also want to establish a "hot line" telephone number that can be used by affected staff to ask questions on the status of the study. Through the use of such a system, in-house staff can find out about the status of the study while maintaining anonymity. Information about this service should be published in the post newspaper or special weekly newsletter developed especially to address CA issues and concerns. Also, you could develop suggestion boxes to allow individuals to provide input on how the study could be improved, and employee questionnaires (developed by qualified personnel) to gather appropriate ideas, comments, and suggestions relating to the CA study.

2–10. RIF Planning and Other Personnel Actions

a. Organizational changes. As stated earlier, the form and content of the organization undergoing a CA study will probably change, regardless of whether it results in a contract decision or an in-house decision. If it is determined that a function can be operated more economically through the use of a contractor, the changes will be obvious. But even if the cost comparison favors the in-house work force, significant changes will probably occur to bring the organization in line with the requirements of the most efficient organization (MEO). The greatest potential for savings in preparation of the in-house bid almost always relate to reductions in personnel costs. Therefore, it is vitally important that the CPAC members of the study team remain fully informed throughout the entire course of the study. These representatives have the responsibility of coordinating with the CPOC concerning RIF actions and providing suggestions regarding hiring actions that may arise while the function is under study. CPAC representatives are also extremely important in assisting affected personnel in reviewing and updating individual employee personnel files (201 Files).

(1) All RIF and RIF-planning actions should begin early in the study process and must be completed prior to implementation of the final decision. RIF-planning actions include position classification to determine the area the RIF will cover. An extremely important part of the RIF-planning are the actions that go into RIFs. Planning actions include an assessment of possible conversion costs, as well as development of retraining, placement, and possible retirement estimates. RIF-planning entails the development of mock-RIF schedules. This planning must be conducted so that the installation commander will know well in advance of the study's completion the amount of turmoil the decision may cause among the entire installation population and can estimate the amount of funds to allocate for retraining, placement, retirement, and severance pay.

(2) Timely completion of these steps will ensure that the conduct of any actual RIF actions will not be held up. This will help to minimize the amount of uneasiness among the entire installation work force, and will ensure that the final decision is implemented in a timely fashion.

b. Safeguarding documentation. It cannot be stressed too strongly that all RIF documentation must be safeguarded at all times to ensure that the rights of all affected parties are secured.

2–11. Summary of Chapter 2, Planning and Organizing the CA Study

a. You must determine the scope of your study and how it will be packaged as a function early in your planning stage.

b. The steering committee includes all the top level managers and assigns responsibilities in the CA process to the appropriate officials.

c. The CA team actually performs the study, with input from other individuals from various offices. These other individuals have specific information and can provide recommendations in their area of expertise that may affect the study.

d. Milestone management of the CA study is critical to timely completion.

e. The DA Form 7375-R is required for all cost competition studies and officially announces the beginning of a CA study at all levels, from Congress to the individual worker.

f. The work force must be constantly kept informed of the study status.

g. The work force will be a valuable and important source of information for the PWS and management study.

MILESTONE SCHEDULE – SEALED BID PROCUREMENT

No.	Milestone	Day
1.	Installation forwards CPAS to MACOM	1
2.	HQDA (OCLL) provides Congressional announcement/Installation makes public announcement; convenes study team; begins PWS and management study (MS).	30
3.	Installation submits acquisition plan; Issues Commerce Business Daily (CBD) synopsis; Notifies Independent Reviewer of projected MS completion date	60
4.	Installation completes first draft of PWS and PRS	90
5.	Installation completes PWS; submits to contracting officer for solicitation	120
6.	Installation completes MS & in-house cost estimate/Independent Reviewer begins Independent Review (IR)	180
7.	Installation issues solicitations	180
8.	Independent Reviewer completes IR. Installation submits in-house cost estimate to contracting officer, completes Transition and QA Plans	210
9.	Installation notifies MACOM of impending cost comparison (pre-notification)	210
10.	Installation receives bids; conducts public bid opening; begins evaluation of bids	240
11.	Installation opens in-house cost estimate, completes cost comparison form; announces cost comparison results; Installation notifies MACOM of initial decision (telephonic)	240
12.	Installation begins public review period	240
13.	Installation ends public review period; convenes Appeals Board	270
14.	Installation completes evaluation of bids; begins legal review and HCA/PARC review of bid evaluation	270
15.	Appeals Board renders decision	280
16.	Installation completes legal review and HCA/PARC review of bid evaluation	285
17.	Installation forwards final decision report to MACOM	285
18.	HQDA (OCLL) notifies Congress of final decision/award announcement	292
19.	MACOM provides authority to award contract or cancel solicitation	292
20.	Installation awards contract or cancels solicitation	296
21.	Installation issues RIF notices; begins transition period	297
22.	Contractor operational, or, MEO fully implemented	357

Figure 2-1. Milestone Schedule - Sealed Bid Procurement

MILESTONE SCHEDULE – NEGOTIATED BID PROCUREMENT

No.	Milestone	Day
1.	Installation forwards CPAS to MACOM	1
2.	HQDA (OCLL) provides Congressional announcement/Installation makes public announcement; convenes study team; begins PWS and management study (MS).	30
3.	Installation submits acquisition plan; Issues Commerce Business Daily (CBD) synopsis; Notifies Independent Reviewer of projected MS completion date	60
4.	Installation completes first draft of PWS and PRS	90
5.	Installation completes PWS; submits to contracting officer for solicitation	120
6.	Installation completes MS & in-house cost estimate/Independent Reviewer begins Independent Review (IR)	180
7.	Installation issues solicitations	180
8.	Independent Reviewer completes IR. Installation submits in-house cost estimate to contracting officer, completes Transition and QA Plans	210
9.	Installation receives proposals	270
10.	Installation begins source selection process (evaluate proposals and conduct negotiations	271
11.	Installation completes source selection	360
12.	Installation notifies MACOM of impending cost comparison (pre-notification)	375
13.	Installation completes legal review and HCA/PARC review of source selection	375
14.	Installation opens in-house cost estimate, completes cost comparison form; announces cost comparison results; Installation notitifies MACOM on initial decision (telephonic)	376
15.	Installation provides telephonic notice to HQDA (SARDA) (AFARS 5.303)	376
16.	Installation signs conditional award	380
17.	Installation makes public announcement of initial decision	380
18.	Installation begins public review period	381
19.	Installation ends public review period; convenes Appeals Board (upon receipt of first appeal)	411
20.	Appeals Board renders decision	421
21.	Installation forwards final decision report to MACOM	426
22.	HQDA (OCLL) notifies Congress of final decision/award announcement	433
23.	MACOM provides authority to proceed or cancel solicitation	433
24.	Installation issues notice to award contract or cancels solicitation	433
25.	Installation issues RIF notices; begins transition period	434
26.	Contractor operations, or, MEO fully implemented	494

Figure 2-2. Milestone Schedule - Negotiated Bid Procurement

DEPARTMENT OF THE ARMY
OFFICE, SECRETARY OF THE ARMY
Washington, DC 20310-1600

INFORMATION FOR MEMBERS OF CONGRESS:

Commercial Activities at (insert name of installation).

Section 2461 of Title 10, United States Code, requires the Secretary of Defense to provide notification to Congress of the intent to study a commercial activity being performed by Department of Defense employees for possible conversion to contract performance. A synopsis of the Army Commercial Activities study program and the savings resulting from competition for announced studies is enclosed.

Pursuant to this provision, please be advised that the Department of the Army plans to initiate during FY XX and complete during FY XX the study of the (name of function) at (name of installation). The study of this activity, which includes # authorized and # assigned civilian personnel, # authorized and # assigned military personnel, and # assigned non-appropriated fund personnel, will consist of a detailed cost comparison analysis of the activity.

The analysis will be performed in compliance with the basic procedures in OMB Circular A-76, which reaffirms the government's general policy of reliance on the private sector for goods and services, while recognizing that military essentiality and relative cost must be given appropriate consideration in decisions between in-house performance and reliance upon private commercial sources. In compliance with Section 2461, the Army's in-house cost estimate for this activity will be based on a most efficient and cost-effective organization. A subsequent decision to convert to contract performance will be considered only after this detailed cost-comparison analysis is completed and only if the solicitation of firm bids/offers indicates that contracting is more cost-effective. In any case, you will be notified of the final decision to retain the activity in-house or convert to contract.

Should contracting prove to be more economical at (installation), displaced employees will be assisted in obtaining other employment. They will be given the right-of-first refusal for employment openings with the contractor in positions for which they are qualified. Displaced career and career-conditional employees will be registered in the priority placement program and will be afforded preferential consideration within the Department of Defense and other Federal agencies for vacancies for which they are qualified. Other placement assistance may also be provided through such means as retraining for other Federal government jobs, soliciting cooperation of other Federal agencies in accepting employee referrals, and requesting assistance from the Department of Labor and State Employment services in locating positions in private industry.

PROVIDED BY:
Office, Chief of Legislative Liaison

Figure 2-3. Congressional Announcement of Intent to Study

(MACOM letterhead)

(Office Symbol) (5-20a)

MEMORANDUM FOR CHIEF, SPECIAL ACTIONS BRANCH, CONGRESSIONAL DIVISION, OFFICE OF THE CHIEF OF LEGISLATIVE
1600 ARMY PENTAGON, WASHINGTON, DC 20310-1600

SUBJECT: Congressional Announcement of Intent to Study the (function) at (installation) for Possible Contract Performance

1. The enclosed Information for Members of Congress is forwarded for transmittal to the appropriate congressional staffs in accordance with IAW 10 USC 2461.

2. This information concerns the decision at (installation) to conduct a cost comparison study IAW OMB Circular A-76, *Performance of Commercial Activities*, of their (function).

3. Please contact (POC and telephone and fax numbers) if you have any questions.

Encl (SIGNATURE BLOCK)

Figure 2-4. Transmittal Memorandum for Congressional Announcement of Intent to Study

Chapter 3
Preparing the Performance Work Statement (PWS)

Section I
Overview

3–1. The Performance Work Statement

a. Definition. A PWS accurately describes the work of the contractor and technical requirements for manufacture of items or materials, and performance of services.

b. Tells what work is to be done. A PWS describes the work to be done without prescribing how it should be accomplished. The PWS is written to exclude unnecessarily restrictive requirements to permit full and open competition, stating only minimum requirements. If at all possible, features that would restrict or limit the number of prospective bidders/contractors are avoided.

c. Basis for Solicitation. The PWS is the basic document your contracting officer will use to obtain bids and becomes section C of the solicitation. The PWS describes tasks that must be accomplished to satisfy stated requirements of the service to be provided, and lists specific quality control and delivery requirements. The PWS becomes part of the contract resulting from the solicitation, should the outcome of your CA study be conversion to contract.

d. Basis for contractor bids and the in-house cost estimate. The PWS is written by the CA study team. It is the basis for development of the MEO on which the CA study team will develop the in-house cost estimate. The PWS is also used by prospective bidders/offerors to prepare their respective bids/proposals. e. Office of Federal Procurement Policy (OFPP) guidance documents. Refer to the following OFPP documents in developing the PWS: OFPP Policy Letter 91-2, Service Contracting, dated April 9, 1991; OFPP Policy Letter 93-1, Management Oversight of Service Contracting, dated May 18, 1994; and the OFPP Guide to Best Practices for Performance-Based Service Contracting. These documents can be obtained by telephoning the OMB Publications Office, 202-395-7332.

3–2. PWS Elements

a. Description of required services. The PWS contains a complete description and workload count of all the contractible tasks or services that will be subjected to cost competition within the function under review. The PWS also contains a table of performance standards and performance indicators to measure the quality of services rendered.

b. Performance standards and indicators. The PWS not only discusses work to be performed, but also contains performance standards and indicators. Performance standards are "tools" the government uses to measure level of performance. A standard is an optimum performance level against which actual performance can be measured or evaluated. For example, in the statement "process customers' photographs and have them ready for pick-up in 2 days," the standard is 2 days. The number of days actually taken to finish this task is the performance indicator which determines if the work performed was below, met, or exceeded the standard.

c. Workload count. The PWS not only describes all the contractible tasks or services, but the output, or workload, of those tasks and services. Workload is defined as the total number of work units (outputs) produced by a function, within a specified time. Work units are established to allow for an accurate count of acceptable and authorized production.

d. Technical exhibits (TE). The PWS contains TEs containing PWS information too voluminous to fit into the body of the document, and various advisory technical publications for use by prospective bidders/offerors. TEs containing required information may include such things as a performance requirements summary, workload data, government-furnished equipment, supplies, facilities, and data submissions. Each of these is discussed in depth in paragraph 3-10.

e. General operating information. This section provides a broad overview of the PWS, and provides prospective bidders/offerors with information not otherwise contained in sections of the PWS describing specific tasks and services. It contains information such as:

(1) *Scope of work.* This should be a brief but complete description of the work required. Information needed for this section can be obtained from the activity analysis (see para 3-3c). Detailed, specific tasks do not belong in this section.

(2) *Background information.* This section contains information providing the bidder/offeror with a good perspective on the history of the organization, and special conditions if any, under which work is to be done. Information for this section can be obtained from the functional manager.

(3) *Personnel.* This section identifies special requirements and qualifications for key personnel, such as a site manager, customer service representative, and so forth.

(4) *Security of classified items, systems, and information.* This section includes requirements for security clearances and security procedures.

(5) *Contingencies.* This section includes requirements to cover mobilization and disaster relief. Additionally, the requirement to develop a strike contingency plan also should be in this section.

(6) *Quality control.* This section specifies quality control requirements.

(7) *Hours of operation.* This section specifies the hours when work is performed.

(8) *Holidays.* This section indicates that the ten recognized federal holidays do not normally require service; however, services on federal holidays may be required. List the ten holidays in a subsection.

(9) *Security badge requirements.* This section advises the bidder/offeror on the requirements for a security badge and indicates the information to be included on them, as well as information regarding who will bear the cost for them.

(10) *Vehicle registration.* This section advises the bidder/offeror of what the requirements are for registration of his/her privately owned vehicles and those of his/her employees.

(11) *Management plan.* This section specifies the requirement for the bidder/offeror to submit a management plan with his/her bid/proposal. There may also be a requirement to submit a management or work plan after contract that is different than that evaluated in source selection.

(12) *Safety.* This section informs the bidder/offeror of responsibility for the safety of personnel and property, including Occupational Safety and Health Administration (OSHA) requirements. This section also may require the development and implementation of a safety plan.

(13) *Conservation of utilities.* This section specifies contractor responsibility for utilities conservation, to include a utilities conservation plan.

(14) *Physical security and key control.* This section advises the bidder/offeror of responsibilities relating to physical security and key control.

(15) *Warranty repair.* This section indicates procedures used to obtain repair of equipment still under warranty.

Section II
How to Develop a PWS

3–3. Job Analysis

One of the first steps in developing the PWS is thoroughly reviewing the work being accomplished within the organization. Performing this analysis will assist you in sorting those tasks that are essential from those that are not. Tasks should be reviewed and analyzed by category. You then determine why these tasks are performed, and whether these tasks are required to complete the organization's mission successfully. Job analysis involves reviewing the total function and breaking down that function into sub-parts for further analysis. Job analyses consist of organizational analysis, tree diagramming, activity analysis, and data gathering.

a. Organizational analysis. Organizational analysis is the process

used to determine the accurate and complete mission statement of the function under CA study and, if prepared correctly, provides a foundation for determining what kinds of services are provided. Simply stated, the organizational analysis provides a framework for determining what services (outputs) are performed by the function under study. These services or outputs become the basis for writing the PWS.

(1) To ensure that the organization's mission statement correctly reflects all services or outputs performed, you must review all applicable U.S. laws, DOD and DA regulations, directives, and memoranda relating to the organization's requirements and compare these to the existing mission statement. The mission statement must be rewritten until it includes all the organization's major requirements enumerated in the above-mentioned documents.

(2) In capturing this data, analysts should use the format for an organizational analysis as shown in Figure 3-1. The data gathered and placed in the analysis sheet should show a complete picture of the function to include the organization's name, mission statement, organizational elements, and services performed.

Name of Organization:

Mission Statement:

Organizational Elements: [State each Div/Br]

Services Performed:

o **Normal**

o **Contingent**

Figure 3-1. Format for Organizational Analysis

(3) The mission statement should describe the organization's function and purpose for existence. The mission statement is critical since development of the PWS depends on a clear, comprehensive and accurate statement of the organization's mission. Being concise but comprehensive is the rule that governs. The mission statement must be general enough to cover all organizational responsibilities, yet specific enough to provide a clear understanding of where responsibilities begin and end.

b. Tree diagramming. Tree diagramming determines what services the function provides. It links these services in a logical flow of activities as shown in Figure 3-2.

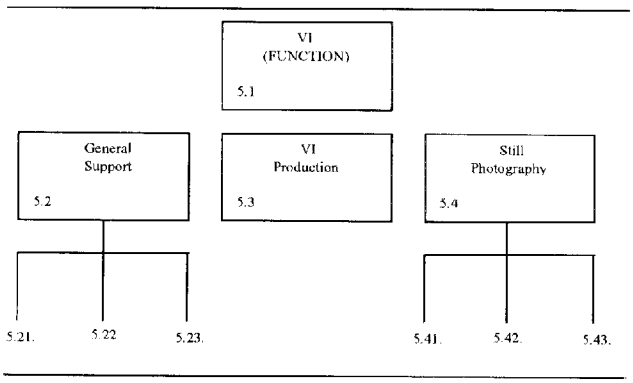

Figure 3-2. Sample Tree Diagram

(1) Tree diagramming is breaking work down into specific subdivisions of that work. The work break-out display resembles an organization chart, but the break-out of tasks is functionally, not organizationally oriented. Design the first level of the tree diagram using the general headings of work developed during organizational analysis. Your diagram should follow the flow of work from beginning to end of the work cycle. The flow of work may cross work center lines, but the functional alignment will highlight work flow, functional interfaces, bottlenecks, and redundancies. Inefficiencies will begin to show up while you track work flow and should become more apparent during your task analysis.

(2) The tree diagram only captures required work. Required work is work that the organization must do to fulfill its mission. Consult the mission statement, applicable directives, and memoranda to ensure that tasks performed are mission essential.

(3) Extraneous work is that work the organization performs, but it is outside the scope, and responsibility of the function's mission requirements. For example: mission directives state only one 8x10 picture will be printed for inclusion in a person's promotion folder, instead the photography branch prints two, and gives the individual one. This is work that is not required, and it should not be counted in the workload of approved tasks in your tree diagram.

(4) Each subsequent level in the tree diagram breaks the general work headings into parts and subparts of increasing specificity. The box numbers show the relationship of the lower parts to the higher level parts. For example, General Support, numbered 5.2, is related to Visual Information Support Center (VISC) 5.1. The work break down continues until all tasks are accounted for and placed under their respective category of work.

c. Activity analysis. Once the tree diagram has been completed, refer to sample in Figure 3-3 and perform activity analysis on each numbered task and subtask. This analysis should be performed in as much detail as possible based on the degree of subdivision of required work included in the tree diagram. The analysis simply states what starts a job, what takes place when doing the job, and the outcome of the job, such as input, work, output. Performing activity analysis will enable you to identify those activities necessary to produce the products and services of the organization, and those that are not.

ORGANIZATION: Visual Information Support Center (VISC)

INPUT	WORK ACTIVITY	OUTPUT	INCLUDE IN PWS?
Written portrait request	Determine validity of portrait request	Valid portrait request	Yes
Telephone request for portrait	Document portrait request	Valid portrait request	Yes
Valid portrait request	Portrait setting	Portrait: completed portrait request	Yes

Figure 3-3. Sample Activity Analysis

(1) Each activity analysis worksheet consists of three major sections:

(a) The input section where those things that initiate or are needed to perform a work process are listed;

(b) The work process section which lists, in sequence, the actions or changes that are required to achieve a result, and;

(c) The output section which lists those things or services produced by the work.

(2) In identifying inputs under the activity analysis process, you should determine those activities that are necessary to produce the required products or services of the organization under study. Inputs are simply the items, requests, directions or taskings that cause work to start. These inputs directly affect the work requirements of the PWS, since the inputs determine which specific tasks are to be performed. Note that the activity analysis shows the tasks, but not who performs the task. Each "input" must be related to some "output." An "output," in turn, can be an "input" for some other task.

(a) In determining the work generator ask yourself what drives the requirement to do this specific work. An input could be an item received that requires processing or repair. It could be a tasking from higher headquarters or an outside agency. Inputs are not the materials needed to accomplish work such as raw materials in a production environment.

(b) Record these inputs in the first column of the form for activity analysis. The inputs will be referenced later in the specific tasks section of the PWS. Remember, if valid input exists, then work must be done.

(3) In identifying work under the activity analysis process, describe each specific task necessary to perform the required work. Align the work in its normal flow, breaking it down just as in the tree diagram. Identify each step of the operation in detail.

(a) Within the "Work" column of the activity analysis work sheet, describe the specific work processes necessary to complete the work activity. First, describe the existing procedure and instruct the functional participants to detail the steps of work currently performed. List each action taken in the process.

(b) Align the work in its normal flow breaking it down just like in tree diagramming. Continue defining subdivisions of higher work. At this point, concentrate on the "how-to" procedures that the function uses to do the work in the activity.

(c) Do not assume that the organization is doing all the tasks listed. If draft reports are prepared, then write "prepare draft reports." If something is coordinated, then write "coordinate letter," or so forth. Identify each step in the operation in detail. Stop breaking down work just before the level of "pick up pencil, set tip of pencil on paper."

(4) Review each work process produced in the "Work" column and list outputs, or work units, in the "Output" column opposite the appropriate work process that produced it. You should include all outputs of each work process. Each activity may have several different outputs. Next, you must analyze each output for each work process to determine which of the outputs signifies that the work process has been accomplished. These are classified as significant outputs and are used to determine those work processes to be included in the PWS during performance analysis.

(a) The significant outputs should be the objective of the work activity. It normally is not one of the interim outputs, but it may have the same characteristics of one or a combination of interim outputs. The significant output may not be the final selected output for which performance standards will be developed. However, it is necessary to determine the significant output because each work activity will be reevaluated based on the need to produce that particular output. This analysis is used by the management study team in developing the MEO (see Chap 4). Once you have identified which of the outputs are significant, circle them on the activity analysis worksheet. These significant outputs become the objectives of the work processes and will drive the methods to be followed to do the work. Data on output, or work unit, volume ties into work control records covering work received, completed, and on hand.

1. The work unit must have the same meaning throughout the organization. It should be clear enough that all concerned visualize the same work count or end output when referring to the defined work unit. A work unit should relate to work of similar quality, over the same time frame, and have the same meaning throughout the organizational segments to which it applies. For example, the number of 8x10 studio photographs taken is the work unit. Quality will measure how many of those settings had to be redone. Sometimes, quality is determined by external requirements or by the very nature of the work.

2. The work unit should be expressed in terms familiar to the people working with it and reporting on it.

3. The work unit should be measured in quantities that facilitate determining completion times for units processed. If the work unit selected takes an extremely small time to complete it may be impractical to measure one unit at a time. If this is the case several units may be measured as a group and the total time used for that unit.

4. The work unit should be selected in such a way that allows existing management systems and planned systems to incorporate them. For instance you would not count each step in a process as a work unit because the product becomes a work unit at the end of the process.

5. Each work unit should be a single item readily identifiable so that all work units will be counted only once. Do not establish a work unit count at the micro level.

6. Each work unit must be selected so that the work unit count can be readily verified.

7. The work units should be selected in such a way that the anticipated work counts may be easily converted into staff-hours.

(b) To be of value for the PWS process, significant outputs must be measured against some predetermined level of quality. These standards can be derived from applicable directives, agency standards or work location specifications, and must be measurable, quantifiable, and attainable. Paragraph 3-4 below discusses how to determine these performance standards and indicators of performance.

(5) At the completion of activity analysis, general work headings must be developed for the contractible functions of the organization, and appropriate GIN tasks. General work headings are categories of work, such as Visual Information Productions, Still Photography, and so forth. The general work headings identified must be evaluated against the validated mission statement. If the work heading does not support the mission statement, either the mission statement is not accurate or performance of the work is not required. If the work is no longer required, it should be eliminated. Assumed work

from another organization should be transferred back to that organization.

3–4. Performance Standards

a. After you have completed job analysis, next you must establish performance standards for the tasks in the PWS. Performance standards state the characteristics of properly completed outputs. Performance standards must contain standards for both quality and timeliness. Good performance standards must be measurable, quantifiable, and attainable. If standards are unreasonably high, the costs to provide that level of service also would be unreasonably high. Performance standards must be attainable under normal operation at minimal Acceptable Levels of Performance without increases in the cost of service.

b. To develop performance standards you must first determine what level of service is currently being provided. The current level of service may be either high, low, or barely sufficient or satisfactory. Determine the purpose of the output and establish a realistic performance standard that is economical and allows the output to be completed with total quality within the designated standard.

c. When describing performance standards, remember that the objective is to describe acceptable, completed outputs. Use terminology that describes the characteristics or conditions of the output, and provides a quality sample of the product. Do not use phrases that allude work must be done, but use present or past tense descriptions. For example: "background spotlight will be positioned to avoid hot spots on the film." The light positioning description specifies particular characteristics that separate an acceptable output (area of maximum brightness) from an unacceptable one. The following is an example of an improperly worded standard: "position background spotlights to light the background behind the subject's head." This example characterizes a specific task to be included in the PWS much more closely than an output performance standard. It specifies work to be done; it does not describe a properly completed output.

d. Performance standards may be provided by agency directives or documented historical data of in-house performance.

e. The PWS must present the actual minimum requirements of the government. Therefore, you must avoid demanding more of a contractor than the government will provide if it were performing the service in-house. Remember, that in doing job analyses you removed the nice-to-have tasks from your activities list. Don't let them creep back into your performance standards.

3–5. Identifying Performance Indicators

a. For accurate assessment of outputs, you must determine characteristics of the output which are measurable and can be compared to an appropriate standard. These characteristics of output are called performance indicators. Performance indicators generally cover five areas: quantity, quality, timeliness, effectiveness, and cost. The following gives a brief example of each:

b. Quantity can be determined from measuring the amount and level of work actually done. Examples include number of pictures taken, photo orders completed, reference library items issued, and lines typed.

c. Quality measures how well outputs were produced against a standard. Examples include item reject rates, and number of customer complaints. Qualitative standards often require a written description of the results of the work.

d. Timeliness can be determined by measuring the average elapsed time to complete a work unit compared to a requirement. Examples are response time, average time to effect supply issue, and average time between submission of a work request and completion of work.

e. Effectiveness is the measure of mission performance. It includes such measures as percent of items inoperable due to non-availability of repair parts, and equipment downtime rates.

f. Total cost 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 a measure of performance, this could tend to dictate cost of the service.

g. In developing performance indicators the question to ask is what will allow you to measure how well the processes generate that output. To do this you must review each previously identified task to see what measures can be associated with it. For example, a performance indicator for studio photography might be turn around time for the proofs or picture. The standard might be three days (see Figure 3-4).

ACTIVITY: Still Photography

PERFORMANCE INDICATOR	STANDARD	ACCEPTABLE QUALITY LEVEL
Turn-around time	3 workdays	4%
Number of 8 x 10 photographs	112 per month	4%
Cost per 8 x 10 photograph taken and processed	$5.00 each	10%

Figure 3-4. Sample Performance Indicators

h. Agency directives may specify the performance indicators to use when evaluating the process. If no prescribed indicators exist, work with your functional management to decide what indicators will be used to measure the process. Indicators may be based on historical records, or agency imposed quality levels. Rates in terms of time and distance and accuracy are particularly useful for this purpose. Remember a reasonable standard bears some relation to the criticality of the service to be provided, and how well the government does the job in-house.

3–6. Acceptable Levels of Performance (ALPs)

a. No one is a perfect performer, therefore establishing perfect performance as the required standard for a service or product is not necessarily realistic. An allowable error rate for the critical outputs of each required service must be determined. The allowable error rate is referred to as an ALP. The error rate merely recognizes that people and systems are not perfect. Unexpected problems do arise that cause some outputs to not meet the requirements of the performance standards. How often this can happen before total service becomes unacceptable determines the allowable error rate or ALP.

b. ALPs are normally a percentage value of the total number of outputs expected during a specified time (normally a month). If the total number of outputs is stable, the ALP may be a fixed number of defects. Using performance indicators with their associated standards, you can determine what error rate to allow, based on agency directives, historical records of how well the government provided the service, or management decision.

c. You will be required to determine ALPs for work to be done, and if that work is critical, and sensitive in nature (for example, safety, health and issuing controlled assets), then the ALP should be a small number, possibly 0. The results of improper performance must be weighted against the cost of ensuring problems do not occur. Try to evaluate the impact of the ALP on the user of the output and the producer. Although a larger ALP may save resources in the function, it may cost the user significantly more in resources to replace or correct the output. Therefore, consider the effect on the whole system.

3–7. Data Gathering

a. The next important step in the PWS process is the collection of significant work center data including higher headquarters guidance, directives, SOPs and other available information that govern

the work center. Data collection marks the start of interaction between you and the functional personnel. It allows you to advise functional representatives about methods to be used in performing the study and how and why specific data are to be collected. This interaction should allow for increased accuracy in data collection and fact finding and should improve work force involvement by lessening their resistance to change.

b. There are several areas in which you must collect data and decide later if it will be included in the PWS based on subsequent analysis. For example, workload data associated with the tasks to be included in the PWS, and information on facilities that will be furnished for contractor use are two categories for which accurate data must be identified.

c. The most important data collection activity you will undertake is collecting workload data. The PWS must include a workload exhibit showing how often services are provided during the cost comparison period. It is the basis for bidder/offeror proposals and the in-house MEO. Historical information gathered from existing standard army data systems, manual data collection systems, or automated data collection systems will be used to estimate the service frequency. Projected changes in workload during the cost comparison period must also be shown.

d. You will need to collect workload, and the function under study usually will have that data, from existing reports or management information systems in the functional activity. While performing your analysis, reports or other documentation should be identified that will provide historical data. You also should research directives to find out which reports are required.

(1) You should use DA Form 7194-R (Historical Workload Data) to collect workload/work units. DA Form 7194-R will be locally reproduced on 8 1/2-by 11-inch paper. A copy for reproduction purposes is located at the back of this pamphlet. Compile workload by work unit, with at least 9 months of workload data.

(2) Peaks and valleys are essential in developing historical or other workload data to show projected workload for the cost comparison period, when the workload was at an abnormally high or low level. These aberrations must be analyzed to determine whether or not they are one-time events which will have no lasting effect on the development of workload projections for the cost comparison period or happen periodically.

(3) Projected changes in workload during the cost comparison period must also be included in workload frequency projections. These changes should be identified.

e. You should determine if the function under study has developed and established an automated data collection system to collect workload and resource data. Standard army data systems should be utilized to collect this data whenever possible. Your workload should be documented in a manner that shows the interrelationship between the PWS, management study, and cost comparison form for auditing purposes.

f. Developing a data collection system can be helpful if you discover that there is no automated or other type of data collection system in place to collect workload and resource data. Either a manual data collection system or an automated system using off-the-shelf software such as dBASE, Access , Lotus, or Excel. 1-2-3 on a PC is acceptable. Data collection should begin after the CA study is approved by the MACOM and updated continuously until the cost comparison decision is implemented. You must remember that relevant data should continue to be collected irrespective of any CA moratoriums or other suspensions. These types of actions do not apply to data collection activities for CA studies.

(1) The first nine months of workload that you analyze should be historical data, not current data. The initial nine months of historical data should be from the previous 12 months' activity, if available, and from the previous nine months at a minimum. You should start collecting current data at the beginning of the study and replace the oldest month of historical data with current data when 12 months of current workload has been gathered.

(2) You must remember that the historical data which you need probably has not been collected in exactly the same format as the data collection system which you established. Consequently, you must extract the historical workload from reports and other information, which the function has on file or that can be gathered from higher headquarters documents.

(3) It is conceivable that you will be unable to gather a full 12 months of workload data. In this event, you can extrapolate nine month's data into 12 months. Remember to document and keep for record the formula you used and your rationale for using it. Remember also to describe any peaks and valleys in the workload which may signify significant aberrations in performance of required tasks.

(4) Under no circumstances will data collection activities be used as a reason for milestone slippage.

g. You should collect and analyze copies of management reports and SOPs on manpower, funding, and other significant data which functions under study are required to submit to higher headquarters. Requirements for these reports should be spelled out in higher headquarters directives or SOPs approved by higher headquarters' commanders. You should also collect and analyze copies of this documentation.

Section III
Writing the PWS

3–8. Cautions

a. During your analysis of the function under study, you gather data to prepare a draft PWS, with input from the staff and personnel in the function under study. Before the PWS can be finalized, the functional personnel must be monitored and interviewed to determine the validity of the conclusions derived from your analysis. The functional staff and personnel may provide information on work performed which was overlooked.

b. You must prepare a list of activities to be included in the PWS for affected employees to review. You should group these activities together under functional headings and write them down in a logical sequence. The performance indicators, standards, and ALPs must also be grouped together in the same logical way for inclusion on the DA Form 5473-R (Performance Requirements Summary) which is a technical exhibit to the PWS. (See section IV of this chapter.)

c. Representatives of the affected work force should then review this activities list and inform you if any tasks should be added to or deleted from the draft PWS. At this time you should also be monitoring work center activities to determine if there are tasks being performed which were not included in the draft document. You must be certain that any potential changes recommended by the work center or noted during your monitoring efforts support the validated mission statement. When you have verified the recommended changes to the task list, modify the corresponding sections of the DA Form 5473-R accordingly.

d. Once you have completed this step, the PWS becomes part of the solicitation and is a legally binding document once it is incorporated into a contract. Therefore, you must define and express each requirement so that the meaning and intent of the written words are clear. Remember that the solicitation may result in a contract at final decision.

e. To help ensure that disagreements do not occur in the interpretation of statement in the PWS, you must ascertain that no imprecise, ambiguous language is used. This includes the use of vague terms and words with more than one specific meaning. If legal disagreements result from the use of such unclear language, courts generally rule against the party (Army) who prepared the contract.

f. You should use the term "shall" to specify that a particular requirement is binding upon the contractor. The term "will" should be used to declare a future action on the part of the government.

g. You should be careful of the terminology you use and how you use it. You should use the same words and phrases throughout the PWS to signify the same concepts/meanings. Several important examples of this include but are not limited to:

(1) References to important technical terms or items must be consistent throughout the document.

(2) References to particular sections of the PWS must be constant

and personnel must always be defined as either "government personnel" or "contractor personnel" . By specifically defining all important terms and concepts within the document and adhering to that specific definition, you will find it much less likely that disagreements will occur between the government and prospective bidders/offerors over what the PWS requirements are.

h. In describing what must be done, you should prepare the PWS in a narrative format indicating all requirements which must be met and actions taken to successfully perform a commercial activity. Simply put, it tells what must be done to meet the government's requirements. Unless it is essential to satisfy the government's minimum needs, or is authorized by law, it should not indicate how this is to be accomplished. Both the government and prospective bidders/offerors make determinations on how these requirement can be met in the most economical fashion, and this forms the basis for the CA cost comparison.

i. Acronyms (abbreviations) are used to simplify and shorten technical and functional terms used throughout the PWS. However, you must understand that not all parties reviewing this document will be as familiar with all of these terms as the individuals who are preparing it. This is especially true of prospective contractors who utilize the PWS as the basis for preparing their bid. Therefore, the first time you use an acronym, show it in parenthesis immediately after the spelled out word or phrase it represents. This will ensure that no one misunderstands what the acronym means. After this first instance, you can continue to utilize the acronym without further reference to the spelled out term it describes. Acronyms should also be located in Section C.2., Definitions, of the PWS.

j. Other important considerations.

(1) *Style.* Since the PWS is part of a contractual document, you must write in a technical style of writing, assembling all required technical information into an exact, orderly, and simple statement of the facts. You must use sentence structure which is exact and precise with a minimum of punctuation. Excessively long sentences tend to lose the reviewer and may cause a misinterpretation of what was said. Therefore, break excessively long sentences up into several simple declarative sentences when possible.

(2) *Language.* You should use the simplest words and phrases possible. Several rewrites of the PWS will be required to allow for progressive simplification of the terminology included in the document. This is time consuming but will ensure that all parties reviewing this document will understand exactly what is being said.

(3) *Consistent use of words and phrases.* For purposes of clarity and simplicity, you must determine a single meaning for all words and phrases used throughout the PWS and adhere to these interpretations. This is especially true when referring to technical terms and items. In those instances of words having more than one spelling, you should adopt the standard spelling and use it consistently throughout the document.

(4) *Unacceptable terminology.* You must never use the terms "any" , "either" , "and/or" , or "etc." when writing the PWS. These words are not specific enough for PWS requirements and imply to the bidder/offeror that a choice exists on which requirements must be met. For the same reasons, you should not use pronouns. They are not sufficiently precise and lead to misunderstandings on PWS requirements.

(5) *Use of numerals.* Whenever numbering is required in the body of the PWS or its exhibits, you should use the numeral format. Numbers should not be spelled out.

3–9. How to use the tree diagram

In writing the PWS, you will need an outline to link the services together in a logical flow of activities. Use the tree diagram you developed in your analysis as your outline. State the sequence of tasks as sub-parts of the major task heading, such as photography might have as subparagraphs, motion photography, and still photography. You can still break down these two subparagraphs into subsubparagraphs.

3–10. General hints for structuring

a. The PWS states the requirements which must be met to successfully perform the function under study. The following is a general discussion to give you an idea of what specific information must be provided in each section of the PWS to accomplish this task.

b. Section C-1 provides "general information." In this section, you should provide an overview of the PWS to include scope of work, contractor quality control responsibilities, (including submittal of a quality control plan) personnel matters, and any other pertinent information which cannot be properly placed in other sections of the document.

c. Section C-2 gives "definitions." In this section, you define all special terms and phrases, including acronyms, used in the PWS. These definitions must be stated in language which can be clearly understood by all disinterested parties.

d. Section C-3 is "government-furnished property and services." As part of your CA study, you will perform a cost benefit analysis to decide if it is more beneficial to provide prospective contractors with specific government-furnished items or services. If this analysis indicates that the function's work requirements can be performed more economically by providing specific items or services to the contractor, list them in this section. If the list of government-furnished property or services is extensive, make it a technical exhibit and reference it in section C-3. The government normally provides the contractor with the stock of expendable supplies on-hand for the functions(s) at the time of contract start. However, it might be more advantageous to exhaust the on-hand stock and require that the contractor provide all expendables, since products used are subject to change and keeping up with state-of-the-art improvements, and the stock remaining would have to be inventoried by both parties at the end of the contract. Also specify in this section that the contractor must return the same amount furnished by the government at the end of the contract.

e. Section C-4 states requirements for "contractor-furnished items." In this section you advise the contractor that he/she is required to furnish all property, services and equipment needed to perform the requirements of the contract, except for those items specifically enumerated in section C-3. The burden of determining exactly what items and services are required under this section is the responsibility of the contractor.

f. Section C-5 lists "specific tasks that must be performed." This section is the heart of the entire document. To prepare this section, you should refer to the tree diagram and activity analysis to determine those significant tasks which have been selected for inclusion in the PWS. After the selected activities have been grouped as they appear in the tree diagram, transfer them to this section of the PWS, using the tree diagram's logical progression to determine where each activity should be placed. At the same time this is being done, group the performance indicators, performance standards, and ALPs together in the same logical way for inclusion on the DA Form 5473-R.

g. Section C-6 lists specific "Applicable Documents." Your analysis of the function under review should have produced a list of applicable technical orders, specifications, regulations, and manuals. You should list the most current version of each of these documents in this section, indicating that these documents are available for review in a technical library. The technical library will be available for bidder/offeror review during the pre-proposal/pre-bid conference (see Chap 6).

h. TEs are used to include required items which are too large to incorporate in the body of the PWS, as well as documents, maps and large technical manuals required by, or which you feel might be helpful to, prospective bidders/offerors. If the items are too large and voluminous to include in the TEs, these items should be listed in Section C-6 of the PWS as references, and made available for review in the technical library. The following documents are standard required TEs in the PWS:

(1) The DA Form 5473-R, is a detailed outline of the major elements in the PWS. DA Form 5473-R will be locally reproduced on 8 1/2-by 11-inch paper. A copy for reproduction purposes is

located at the back of this pamphlet. Additionally, DA Form 5473-R may be electronically generated. The electronically generated form must contain all data elements and follow the exact format of the existing printed form. All required signatures must appear on the electronically generated form. The form number of the electronically generated form will be shown as DA Form 5473-R-E and the date will be the same as the date of the current edition of the printed form. It details output, performance standards, ALPs and method of surveillance for these required services.

(2) Workload data must be gathered and documented in a TE to provide an audit trail between the PWS, management study, and cost comparison.

(3) The equipment TE refers to government-furnished physical assets needed to accomplish the required tasks enumerated in section C-5. When the list of government-furnished equipment is not lengthy, you should include this information in section C-3 in the body of the PWS. A sample equipment list is illustrated in Figure 3-6.

GOVERNMENT FURNISHED EQUIPMENT

NOMENCLATURE	STOCK NUMBER	QTY	UNIT COST	ACQ DATE
Cabinet, Tool	7125-00-330-0130	16	235.00	79
Cart, Television	7420-29-350-7240	7	239.00	87
EQUIPMENT AVAILABLE FOR LOAN				
Projector, 16 MM	5210-72-123-1234	41	700.00	84
Camera, Video	517245A	3	1450.00	86
MEDIA AVAILABLE FOR LOAN				
Cassettes, Video	5210-23-321-5678	276	49.00	89
Film, 16MM	5210-10-A21-7890	145	190.00	87

Figure 3-6. Sample of Equipment List for Government Furnished Equipment TE

(4) The supplies TE lists those supply items used in the work center, and provides historical data on the types, and amounts of materials required to perform services. (Figure 3-7)

REPAIR PARTS - SUPPLIES

NOMENCLATURE	STOCK/PART NUMBER	QTY	AVAIL THRU GOV SUPPLY SYS?	60 DAY STOCK
Microphone switch	5246-42-534-2671	5	No	6
TV antenna, attached	5481-71-654-2314	6	No	6
Projector sprocket, 16 MM	5214-25-876-0987	4	No	3
TV cart caster	6910-00-000-0365	12	Yes	9

Figure 3-7. Sample of Supplies List for Repair Parts and Supplies TE

(5) The facilities TE lists all government facilities currently being used to meet mission requirements that will be offered to the contractor for use (Figure 3-8).

GOVERNMENT FURNISHED FACILITIES

The following is a list of buildings and space currently intended for use by the contractor. The VISC does not occupy the total floor space of each building. It should be noted building assignments may be modified as required by the government. As such, this listing is furnished for information purposes only. The contractor shall assume accountability for all government furnished facilities.

BUILDING NUMBER	APPROXIMATE SQUARE FEET
314	2141
322	8198
4022	9238
1060	800
2482	1924

Figure 3-8. Sample of Facilities List for Government Furnished Facilities TE

(6) The data requirements TE lists all data, forms, reports, and other documents that the contractor must deliver under the contract. The DD form 1423, Contract Data Requirements List and DD form 1664, Data Item Description, should be used for this purpose. Figure 3-9 is a sample of the report that the contractor will be required to submit. A team effort should be used to evaluate these requirements for accuracy.

CONTRACT DATA REQUIREMENTS LIST

SPECIFIC TASK PARAGRAPH	TITLE	FORMAT	REQUIRED DATE	FREQUENCY	NO CYS	DISTRIBUTION
C-1.2.2.4	Key Personnel Telephone Numbers	Written	Contract start date: immediately upon change	Upon change of personnel or numbers	—	Contracting Officer
C-1.2.2.4	List of Contractor Employees	Written	Upon request of Contracting Officer	As changes occur	—	Contracting Officer AV Manager
C-1.2.2.4	List of Contractor Supervisors and Assistant Supervisors	Written	Upon request of Contracting Officer	As changes occur	—	Contracting Officer AV Manager
C-1.2.2.4.1	Security Clearance Listing	Written	Contract start date, prior to Employment	Within __ working days upon change in personnel	—	Contracting Officer
C-1.4	Physical Security Plan	Written	When changes occur	__ working days as changes occur	—	Contracting Officer
C-1.5	Key Control Discrepancy Report	Written	Within __ hours of occurrence	Upon occurrence	—	Contracting Officer
C-1.8	Contingency Plan	Written	Contract start date	As required	—	Contracting Officer

Figure 3-9. Sample Contract Data Requirements List

3–11. Numbering

As stated above, the numbering of your paragraphs in section C-5 should follow the work breakdown of tasks as outlined in the tree diagram. The major paragraph headings in this section should be numbered 5.1, 5.2, 5.3, and so forth to denote major distinct work requirements necessary to accomplish the function being studied. Subsections of these major paragraph headings should be broken down further to denote tasks required to accomplish each of the major work requirements. For example, major requirement 5.1 should be broken down to 5.1.1, 5.1.1.1, and so forth to denote subsequent requirements necessary to accomplish the main requirement listed in paragraph 5.1. Each major work requirement must be broken down to the lowest echelon of tasks possible.

Section IV
Performance Requirements Summary (Summary 5473-R)

3–12. DA Form 5473-R

The DA Form 5473-R lists those tasks that are key performance indicators of the function. The DA Form 5473-R is the culmination of the major steps involved in developing a PWS. The result is a list of key required services, standards of performance, associated ALPs, the identification/description of the products/services to be counted (lot description), and the determination of appropriateness of the performance standards for evaluation.

3–13. DA Form 5473-R uses

The DA Form 5473-R is used primarily to determine if the Contractor is performing all required tasks, and if these required services are being performed at a high enough level to warrant full payment to the Contractor. The PRS also determines for prospective contractors the criticality of each required service. This is done mainly by listing the percentage of the Contractor's total payment that will be deducted for each required service not performed in a satisfactory fashion.

3–14. DA Form 5473-R contents

a. The following are the major elements of the DA Form 5473-R:

(1) *PWS paragraph reference.* This column lists the paragraph number(s) in the PWS which specify each required task. If more than one paragraph describes a required service, you should list all paragraph references sequentially.

(2) *Required service.* This column contains a brief summary of each required service to be monitored. The required service should be written in the active voice and state the action required to be performed. Examples are: Provide audio products; provide still photography; and maintain equipment.

(3) *Performance standards.* For each of the required services you must have a clear description of an appropriate performance standard which describes the characteristics of completed outputs emanating from the required tasks. These completed outputs should be measurable and described in terms of quality and timeliness, so that a distinction can be made between satisfactory and unsatisfactory performance. At Figure 3-10 is a sample of a performance standard.

REQUIRED SERVICE	STANDARD
Receipt for and inspect all supply items received.	All items received properly inspected and documented, including preparation of discrepancy reports, within two days of delivery.

Figure 3-10. Sample of a Performance Standard

(4) *ALPs.*

(a) This column lists the ALPs which denote the amount of deviation from the performance standard the Army is willing to except. It enables you to determine how far from perfect performance is allowable, taking into account that mistakes do unintentionally occur. As stated earlier, perfect performance (0% ALP) is probably unnecessary to attain, and the cost to do so may be unrealistically high except in special circumstances involving health, safety, and security. ALP levels are based primarily on the nature of the task performed. ALPs for the MEO will not differ from those for a contractor.

(b) Formal reduction percentages can be used when performance standards are independent of each other, performance oriented, and measurable. Reductions in contract payments are made under fixed price contract when contractor performance exceeds maximum ALP levels, resulting in unacceptable service.

(c) When using Request for Proposal (RFP) solicitations, (see Chap 6) you should negotiate the specific reduction percentages

based on required ALPs. This column should be left blank when the government initially issues the RFP. You should then ask prospective offerors to complete this column as part of their proposal.

(d) When a cost-plus award fee type contract is used, add the deduct analysis to show the relative importance of each required service.

(e) Also identified in column 4 with the ALP, is the description of the lot. An ALP has no significance without a quantity to be rated against. The lot description identifies the units of output to be counted. Lots are similar to work unit counts in that each should be a reflection of completed units of work. Each lot description should be directly representative of its corresponding "Required Service" from column 2. The lot size is the number of times the service will be done during a specified period (normally one month, but can be more frequent).

(f) The surveillance method column should show the method of surveillance used to monitor the service requirement stated in (col 2). Use one of the following surveillance methods: random sampling, planned sampling, 100 percent inspection, validated customer complaints, management information systems, periodic checklists, and unscheduled inspections. More than one method may be shown for each service requirement. If more than one method will be used, also show the criteria for applying both methods (such as switching from one method to the other). NOTE: Releasing information in this column could be detrimental to the Army, as the contractor could take advantage of the information and provide incomplete service. Disclosure of this information may restrict the contracting officer's flexibility in administering the contract. However, if payment analysis is specified in the contract, the method of surveillance must be shown in the PRS to be included as a technical exhibit in the solicitation. If payment analysis is not used, this column is usually left blank in the DA Form 5473-R included in the solicitation. Complete this column for the DA Form 5473-R to be included as part of the QASP.

(g) Proportion of required service to total contract price. This column shows the percentage of the contract price for a given task, which may be reduced if the service requirement is not satisfactory. The reduction percentage for each service requirement should be proportional to the cost of providing the service. This column doesn't apply for performance under the MEO.

3–15. Development of the DA Form 5473-R

As stated earlier, development of the DA Form 5473-Rbegins during job analysis when performance indicators, standards, and ALPs are initially developed. (See section II of this chap.) You must ensure that, whenever possible, requirements for items developed during job analysis and included in the DA Form 5473-R are based on historical data and source documents relating to in-house performance. When this is not possible, you must collect sufficient workload data to validate the items in the DA Form 5473-R. This is to ensure that both the in-house and contractor work force are measured against the same standards.

Section V
PWS Review

3–16. Reviewing the PWS

Once you have prepared the draft PWS, you must ensure that it is reviewed by functional and staff proponent offices prior to delivering the document to your Contracting Officer for inclusion in a solicitation (see Chap 6). Explanation of all appropriate review officials to include information on when their input is required is listed below:

a. Functional management is the first organizational element which should be given an opportunity to review the PWS and provide concurrence or recommend changes. Functional management may be able to provide you with local command management decisions and documented changes of directives and regulations which had not been completed at the time you were conducting your analysis. Management sometimes accepts change slowly, having difficulty accepting that you have found some of the tasks in their work center to be duplicative or unnecessary. You must be prepared to support your changes with specific, clear workload data. You should give management a definite suspense date for completing their review and providing you with written comments.

b. Your Contracting Officer will review your PWS and make recommendations that will improve the bid/ proposal. The Contracting Officer is responsible for preparing the solicitation that incorporates your PWS. Consequently, you must keep the Contracting Officer informed at each step in the PWS process from the initial draft onward. The DOC will review each change in the draft PWS as it occurs until the final document is incorporated into the solicitation.

c. In the early portion of the study, include your legal experts to provide their expertise on specific legal matters. Particular legal questions relating to the PWS should be given in writing to the legal office for their review and opinion prior to completion of the PWS' first draft. These include the use of certain functional employees as members of the PWS team and SSEB, and clarification of imprecise language or ambiguities in the PWS. While legal review is not as important during the initial stages of PWS development, it is mandatory for completing the PWS prior to its incorporation into the solicitation.

d. Your security office will review the PWS to ensure that you have properly referenced any installation security issues, such as access to secured areas, requirements for security clearances, safeguarding classified information/proprietary information from unauthorized disclosure. The security office will complete this review prior to forwarding the PWS to the DOC.

e. Your safety officer should review the PWS to ascertain that there are no potential hazards written into the PWS that would make the government liable for potential or current safety concerns. They are also responsible for reviewing the facilities listed in section C-3, or the TE containing government-furnished facilities to see if there are existing safety considerations which must be identified in the PWS.

f. The steering committee reviews the completed first draft of the PWS to determine that each of the steering committee member's specialties has been adequately addressed in the PWS. This committee also determines if the document in its entirety sufficiently addresses all major concerns adequately from section C-1 through C-5.

g. You should ask at least one disinterested party at your installation to review the document once it has been completed. The disinterested party should review the document to see if the thoughts flow in a logical progression and move smoothly from one major topic to the next. The directions and taskings described in the document should be easily understandable. The reviewer should also check all references to ensure that the references are stated correctly and are still valid. This is of particular importance when reviewing paragraph references to workload and the DA Form 5473-R. Lastly, you should advise the reviewer to indicate any terms used in the document which they did not understand. If the reviewer did not understand some of the terminology used, it is conceivable that potential bidders/offerors would also find it ambiguous.

h. Your MACOM may or may not wish to review your completed PWS. You should determine your MACOM's policy on this. If MACOM review is required, you must allocate sufficient time within your milestone schedule to accommodate this review.

3–17. When the PWS should be reviewed

a. During PWS development. During the initial development of the PWS including job analysis and initial drafting of the document, the PWS should receive careful continuous review from managers, and other designated support staff of the functional work center being reviewed, and from appropriate contracting office staff.

b. Final PWS review. During final review of the PWS, the functional manager and the DOC should be joined by representatives from the following organizations: legal staff, security personnel (if applicable), safety officer, steering committee, and disinterested parties. If your MACOM requires a final review of the completed

document, you should complete all installation final reviews prior to forwarding the completed PWS to your MACOM.

3–18. Time constraints

You should keep in mind the time required to perform each of the steps in the PWS process, and establish your milestones in a realistic and economical fashion.(Figure 3-5)

PERFORMANCE REQUIREMENTS SUMMARY

For use of this form, see DA PAM 715-15; the proponent agency is DCSLOG

REQUIRED SERVICE	PARAGRAPH NUMBER	STANDARD	MAXIMUM ALLOWABLE DEGREE OF DEVIATION FROM REQUIREMENT (AQL)	METHOD OF SURVEILLANCE	THE PROPORTION OF REQUIRED SERVICE TO TOTAL CONTRACT PRICE
(RS-1) Provide data requirements (CDR)	C-5.2.5	CDR submitted in accordance with DD Forms 1423 and 1664	No defect. Lot is number of CDR in a month	100% inspection.	_____%
(RS-2) Provide motion photography	C-5.4	a. Timeliness (1) Priority - completed by data and time required on work order form (DA Form 3903). (2) Routine - (a) Simple - working hours (b) Medium - working hours (c) Complex - working hours b. Quality - completed work shall meet or exceed samples referenced in contract and shall meet customer's needs.	___%. Lot is the number of motion photography work orders (DA Form 3902) completed during a month.	Random sampling	_____%

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Figure 3-5. Sample Performance Requirements Summary

3–19. Summary. Your PWS—

a. Is based on job analysis of existing organization.

b. It tells what not how work will be done.

c. The PWS is the basic document for:

(1) Contractors' proposals/bids.

(2) In-house cost estimate and In-House Technical Performance Plan.

d. Provides an overview and background of the function.

e. Includes a list of all acronyms used, and provides definition of functional unique terms.

f. Furnishes a description of the facilities, equipment and supplies, to be provided by the government.

g. Gives any known requirement for equipment and supplies that the contractor must furnish.

h. Furnishes a complete description of all the performance, performance standards and performance tasks to be done in the function, the frequency of task indicators to measure quality of performance.

i. Includes these TEs: DA Form 5473-R, workload data divided by category of work, contract data requirements list, required references, maps, schedules, drawings.

j. Staying within your milestone schedule for completing the PWS is critical to completing the overall study on time.

Chapter 4
Management Study Procedures

4–1. What the management study is and why we do it

a. By law, the in-house cost estimate must be based on a management study that identifies a most efficient organization to perform the required work. (10 USC 2461 and a recurring provision in each year's DOD Appropriations Act — Section 8015 of the FY 97 DOD Appropriations Act.) In the past, CA management studies have followed many different approaches and formats. Few management studies contained data on how the residual, or GIN, staff would interface with the MEO, with a contractor, or with the COR staff. Questions have been raised by USAAA, GAO, and contractors as to whether the MEO could perform the workload specified in the PWS. Inadequate documentation to support management study decisions and insufficient crosswalks between PWS and management study have caused delays in completing the independent review. To address this issue, a Technical Performance Plan (TPP) will be developed along with the management study. This plan will contain a description of management capabilities, personnel qualifications, performance history, delivery schedule compliance, and technical capability. The TPP reflects the MEO and is sealed prior to the consideration of any part of any contract offer.

b. The management study describes in detail the proposed organization and how it will perform the functions specified in the PWS. The study addresses the performance after final decision in the event of an in-house win, as well as if the functions convert to contractor or IGS operation. This includes the relationship between the MEO and the GIN staff, and relationships among the GIN staff, a contractor, and the COR and quality assurance evaluator (QAE) staff.

4–2. Scope of the management study

a. The management study covers all functions in the organization, both commercial and GIN, up to directorate or similar level. The management study also addresses overhead positions, such as DOC, which would be affected as a result of either implementation of the MEO or conversion to contract.

b. In most cases, assuming that the current organization is as streamlined as you can get will not make you competitive. When developing the MEO, you need to focus on creating an organization that will successfully compete with private industry. The completed management study must result in a streamlined organization with separate organizational entities to perform the commercial and the GIN functions. For the GIN functions, you should concentrate on eliminating unnecessary work and developing an organization and staffing which will perform the functions and workload in the management study in the most economic and efficient method. The organization must be structured so that the responsibilities of the MEO and the GIN staff are clearly separate.

4–3. Study objectives

The objectives of the management study are to:

a. Identify current operations and procedures.

b. Evaluate the organization's ability to accomplish its mission, as defined in the PWS.

c. Identify where organizational or operational improvements can be made.

d. Determine how improvements can be implemented to establish the MEO.

e. Develop the most efficient organization and staffing to perform the work described in the PWS.

4–4. Management study products

The expected results of the management study are:

a. The MEO, including staffing, operational procedures, and organizational structure.

b. Direct staffing requirements identified by workload contained in the PWS.

c. Indirect staffing requirements (supervision and clerical) with supporting workload data.

d. A cross-walk of MEO staffing to PWS requirements.

e. Rationale for changes in organization, staffing, procedures, or workload.

f. Staffing, organization, and workload for the GIN staff.

g. The TPP which describes the capability of the MEO to perform the work according to the PWS.

4–5. Components of the management study

a. The three major sections of the written management study document describe the current operation, justification to support changes in that organization, and the new organization or MEO. In addition, the management study report contains sections on overhead requirements to meet the PWS requirements, the GIN organization, and relationships after the cost competition. All of the sections are discussed in detail in paragraph 4-17; the three major sections are highlighted below:

b. Current operation. This section discusses everything about the organization as it exists at the outset of the study, including staffing, organization facilities, equipment, and any problems impacting efficient operation. Address all problems thoroughly to identify the cause, whether they are internal or external, and whether they can be corrected.

c. Rationale for change. This section discusses the changes that you will make to organize the MEO. This includes actions to take to correct the problems, how to work with them if they cannot be fixed, and all methods improvements which will enable the MEO to operate more efficiently. This section must be carefully and thoroughly written because it explains how the organization will be changed from the current format to the MEO. Especially important is discussion of changes in staffing levels. If you are decreasing the number of positions in an organization, this section must describe how the lesser number of positions can perform the prescribed level of work.

d. Proposed organization. This section is a detailed description of the MEO, including staffing, organization, facilities, equipment, and operating procedures. This section also gives the staffing and organization for the GIN functions and discusses the relationship between the MEO and the GIN operation (or between a contractor or IGS and the GIN operation). By law, Congress must be given a certification that the in-house bid is based on an estimate of the most efficient and cost effective organization to perform the work. The certifying official may be any technically competent individual (1) organizationally independent of the function under study or (2) at least two levels above the most senior official included in the in-house cost estimate.

4–6. Cautions

a. Because the management study is the basis for the in-house cost proposal, its contents are not to be made public knowledge. The management study shall be marked "FOR OFFICIAL USE ONLY - PROTECTIVE MARKING CANCELED UPON ANNOUNCEMENT OF FINAL AWARD OR CANCELLATION OF COST STUDY". Safeguarding the confidentiality of the in-house bid is required for the MEO to be competitive. During the cost study process, the management study may not be released outside the Army.

b. Always keep in mind that the management study analyzes the functions and the spaces to perform those functions. This is not a study of the individuals currently occupying those positions. In almost all cases the people filling positions in the MEO are different from those who filled the positions prior to the study. This is due to the RIF process used to move into the MEO. Therefore, do not get caught in the idea that a particular individual can do a task faster, because that individual might not perform that task in the MEO.

c. The MEO staffing recommended by the management study is limited to the staffing required to accomplish the known, funded, and approved workload. This is the same workload specified in the PWS, plus required supervisory and clerical positions. Both supervisory and clerical positions must be supported by quantifiable workload and associated workyears.

4–7. Relationships with other aspects of a CA cost study

a. Performance work statement.

(1) Required services identified in the PWS must track with the commercial functions and spaces outlined in the management study. Workload, performance standards, Acceptable Levels of Performance (ALPs), and so forth, used in the management study must be identical to the data contained in the PWS. If the management study recommends revisions to these data or identifies work that should be eliminated or reassigned, corresponding changes must be made to the PWS.

(2) The management study cannot be finalized until the solicitation has been issued. This ensures that any last minute changes made to the PWS prior to issuing the solicitation are reflected in the management study. However, amendments to the solicitation may occur that would require a change to the management study. You must review any amendments, make required changes to the management study, and recertify the study attesting to the impact or lack of impact. Such changes are permitted prior to the closing date/time for the contractors' bids/initial proposals. Occasionally, the PWS is modified after receipt of bids/offers. In such cases, the management study may require changes.

b. In-house cost estimate. The staffing required to accomplish the workload specified in the PWS is the basis for the in-house cost estimate. Definitive commercial workyears (spaces) are cited in the management study to enable the cost analyst to compute the in-house bid (see Chapter 5). Even though your management study will include your GIN spaces, they are not part of the in-house bid.

4–8. Who conducts the management study?

a. The management study team is primarily composed of management analysts and functional personnel. The team may also use manpower analysts.

b. A representative from the CPAC should be available to participate by providing position management advice on matters including structuring work to clearly define job assignments, avoid overlap and duplication of duties and responsibilities, and to strike an appropriate balance regarding the kind and level of positions. For example, advice on establishment of supervisor, leader and worker positions at senior, journeyman, assistant or helper, and trainee levels; and ratio of professional to technician to support positions, and the impact of organizational/position structure alternatives on personnel salary costs.

c. An individual who is a member of the management study team may not be a member of the source selection evaluation team nor may he/she serve on the administrative appeals board. Managers and supervisors need to consider these constraints when assigning analysts and functional personnel to the management study team.

4–9. When is the management study conducted?

a. The management study is conducted concurrently with development of the PWS. This may be done in one of two ways: separate PWS and management study teams working independently to develop workload and tasks, followed by thorough coordination to ensure documents agree; or, a joint team to develop the PWS requirements, with the management study effort splitting off once workload has been identified. In either case, there must be continual coordination between teams throughout the process; neither team can operate in a vacuum.

b. The management study must be completed before the costing analyst can complete the in-house cost estimate and cost comparison form using the COMPARE system. This must be completed before the independent review can be conducted.

4–10. Study techniques

a. There are many systematic techniques available for analyzing operations, identifying problems and solving them. Local circumstances will determine which combination of techniques will yield the best results. Such constraints as milestones, personnel resources, and the ability to obtain valid workload information will determine which techniques are most practical. Some of the techniques listed below may be useful in completing your management study. However, not all techniques will fit your situation, nor is the list all-inclusive. You may want to consult your management experts if you have additional questions regarding management study techniques.

b. Competitive benchmarking. This is the process of measuring your services and practices against your competitors or companies recognized as industry leaders. This is a structured approach for looking outside your organization by studying other organizations and adapting the best outside practices to complement your internal operations and creative new ideas. Through benchmarking, you can gather information to help you set performance goals that are realistic in the context of your competitive environment. In a benchmarking study, you can look at the competition and see how they do similar work. Do they do it better, faster? If so, how? What can you do to improve and make your operation more competitive?

c. Work distribution analysis.

(1) This technique is most useful in identifying situations where high graded work is distributed among too many positions. The work distribution analysis employs activity task lists and DD Form 1724, Work Distribution Chart (WDC), which will show you what work is being done in the organization and who is doing it. When all the data have been compiled on the DD Form 1724, you can identify indications of organizational problems. The chart may reveal an unbalanced workload distribution, a lack of specialization, poor use of employee skills, or duplication of effort. The DD Form 1724 may also identify invalid or unnecessary work that was not previously noted during the preliminary analysis.

(2) Using the DD Form 1724 in conjunction with the DD Form 2030, Activity and Task List, you can show how the workload is distributed. These forms are used to record the tasks performed by the employees, the number of hours devoted to various functions, and the ranking of the tasks performed in relation to their importance to mission accomplishment.

(3) While the DD Form 1724 is an excellent tool for assessing the organizational structure, position management, use of personnel, and so forth, it must be used carefully. Task lists must be completed by employees and provided directly to the management study team to ensure that the form reflects the employee's true perceptions.

(4) Note the use of the word " perceptions" in the above paragraph. You should review the information gathered during this process and compare with information provided by other employees and the organization manager. The employees' perception of how something is working, or not working, might not be what is actually occurring.

d. Process analysis is particularly useful in assessing workflow design. The charts depict the present process and can be analyzed to determine where necessary steps can be combined or eliminated. You can also use them to develop and present proposed procedures which show a simpler method of accomplishing the work. You can apply process analysis to personnel performing a task, to systems, or to items processed. Process analysis may be conducted using one or more of the following tools: DD Form 1723, the Flow Process Chart, DA Form 3820, the Procedure Chart, DD Form 2033, the Operations Chart, or a simple functional flow chart. Each type of chart uses symbols to display the sequence of steps in a process or procedure.

e. Linear responsibility analysis is an excellent method of evaluating working relationships and areas of responsibility for a large organization. It is also useful in identifying problems of coordination, conflicting policies and procedures, and duplication of effort. This technique uses a condensed, graphic format to show who is responsible for the various tasks within an organization. Work tasks, duties, or functions are listed down the left side and the persons or organizations responsible are shown across the top. The grid intersection shows the extent of responsibility that a person or organization has in relation to the work task or function.

f. A DD Form 3825, Layout Chart, illustrates the floor plan or sketch of a worksite. The completed chart shows the physical arrangement of the worksite, including placement of equipment, furniture, fixtures, doors, windows, and so forth. You can use the layout chart to analyze the workflow, assess the quality of the facilities, or

determine the most efficient use of the building or assigned floor space.

g. An equipment analysis is conducted to determine if equipment is fully utilized, if it is adequate to meet workload requirements, or if new or additional equipment is needed to improve productivity. The analysis process is primarily qualitative in nature and requires judgment on the use of and need for the equipment. Gather information describing the use of equipment from employee interviews, usage logs, or direct observation. Researching industry and trade journals may reveal technological improvements which can increase productivity by upgrading equipment in the operation.

h. Timeliness review is a relatively accurate measurement technique used to show average work process times. You can, on a sampling basis, record the date and time an item of work is recorded or logged into each work area and when it is completed. If the SOP for the function does not have a current procedure for recording or logging work received, you can use time sheets to track selected work through a work area by tasking those who process it to record the date and time they receive and complete it. By analyzing the data from these reviews, you can identify backlogs, bottlenecks, or problems with the workflow design. Properly documented timeliness reviews will indicate where improvements are needed in order to meet PWS performance standards.

i. Value engineering (VE). The VE technique identifies areas of excessive or unnecessary costs and attempts to improve the value of the product. Using this technique, you can develop methods improvements to provide the same or better performance at lower cost while maintaining necessary quality and reliability.

j. Forms analysis. When you make an assessment of your linear responsibility you should evaluate the need for and content of forms, records, or reports which document similar data items. The chart displays the names of the documents across the top and the data items appearing on them down the left side. By recording the frequency with which items are reported on various documents, you can determine if there are redundancies which can be eliminated through the combination, revision, or elimination of the documents reviewed.

k. Work sampling. Work sampling can be used to develop performance standards to determine staffing, identify excessive time spent on unnecessary activities, measure the amount of productive or nonproductive time spent on a work requirement, or identify underutilization of employee skills. This technique is used to systematically measure the proportion of time devoted to various activities within a work system. Intermittent, randomly spaced observations are made over a certain period of time and the results are used to estimate the overall time required for the work. The engineered standards that result from work sampling can very accurately determine required staffing for your MEO, but it requires a trained analyst.

l. Operational audit. The operational audit is a very flexible work measurement method. It is widely used to build statistical standards and to help in the development of engineered standards. It is also widely used for determining staffing requirements.

(1) Operational audits integrate four primary techniques - good operator, historical performance, technical estimate, and directed requirement, to make a systematic method of work measurement. The integration is done with the mathematical model $T = f(t)$, where T is the number of staff hours needed for a given activity under study, and f and t are the frequency of occurrence and unit time, respectively, of the subordinate activities.

(2) To find each separate frequency and unit, use the technique that gives the most accurate and realistic data. Find the staff hours by using the good operator technique. The technical estimate and directed requirement techniques should be used only when it is not practical or is not cost effective to get staff hours using the first two techniques. It is not uncommon to use one technique for figuring task frequency and another to figure task time. However, you should make every effort to find task frequencies by techniques other than technical estimate.

(3) The good operator technique is the best for getting unit time values. Functional managers normally accept staff hours' estimates from actual timed observations more readily than those from less objective means. This technique gets time values through the selection of a qualified individual (ideally one who does the task at a normal pace) and measuring the time that individual uses to do a given task. If at all possible, you should watch several qualified individuals doing the same task. Time found using the good operator technique is taken as representative of the time that others need to do the same work.

(4) Historical performance draws on documented past work performance of the work center. However, you should remember that historical data includes mistakes or inefficiencies of past operations in the data. The fact that " it was done that way" does not mean that the staffing was used to the best advantage, or that future work should be done under the same conditions. Also, staff hour accounting data are subject to worker bias, and should seldom be used in direct form for developing standards unless taken from a reporting system with very refined reporting categories and tight accuracy checks.

(5) You must rely on technical estimates when there are times and frequencies that cannot be attained using the other operational audit techniques. These time estimates are based on your experience and background combined with that of employee and supervisory personnel. You should make time estimates at the highest level of activity that gives a confidence in the validity of the estimate. There is no need to go into more detail if a task time can be estimated confidently. Some tasks that require many staff hours are made up of several sub-elements of work, each with varying frequencies and unit times. Occasionally, the tasks are not sufficiently broken down in the task definitions to measure separately. It is difficult, if not impossible, to estimate total task staff hours with any degree of confidence in these situations. You probably should use a more detailed measurement approach with tasks of this type.

(6) Many activities and some positions are directed requirements. The directed requirement may apply to a whole person position; to directed frequencies, such as inspections; or directed time values, such as the periodic run up of a standby electrical power generator. A directed requirement position cannot be one that is directed solely to establish responsibility (for example, a supervisor). In this case, study the incumbent's actual duties, using other techniques or methods, along with other positions in the work center.

4–11. The analysis process

a. The following guidance outlines the four general steps for identifying and solving problems. In the next section, specific types of problems will be discussed. However, experience has shown that analysts are likely to encounter one problem in every CA study that is so fundamental to the success of the effort that it is worth discussing first. NOTE: Organizations which are deeply entrenched in traditional structure and operating methods have little chance for competing effectively or adapting to new requirements. " Business as usual" or " We've always done it this way" reflect the normal human response to change - resistance. But the willingness of workers and managers to accept new ideas is essential to attaining a competitive operation. Where such resistance is found, you must make an extra effort to " sell" your new ideas. The study team's failure to work through such resistance will undermine all well-intentioned efforts and defeat every good idea.

b. Identifying problems, deficiencies, and good ideas. You should not only focus on the problems which affect the operation, but also seek out the good ideas which could be used in other areas. The best way to identify a problem or a solution is to pose questions about the individual organization; for example:

(1) What are the needs of the users?

(2) Is the organization meeting the needs of its users?

(3) Are waste and deficiencies prevalent?

(4) Are operations smooth and efficient?

(5) Are management controls adequate to assure timely, efficient delivery of the service? If not, what changes could bring this about?

(6) Are personnel configured in the best organizational structure

and in the right jobs to do the work? Are individuals cross-trained in other positions within the organization?

c. Determining the cause(s) of what works well and what doesn't. Once a failure or success has been identified and isolated, you can identify the underlying cause. Another series of questions will assist in identifying the cause or reason for problems or solutions:

(1) When did the problem begin? How long has the condition existed?

(2) Why is it occurring/continuing?

(3) Is the condition growing better or worse? Why?

(4) Do employees feel they know the cause?

(5) Who can change it? What needs to be done?

d. Developing alternative solutions. In this step, you need to consider various solutions to the problem. When developing alternatives, you must have a clear definition of the actual problem rather than just the symptoms, as well as knowledge of all of the factors influencing or causing the problem. Again a series of questions such as the following will help you to develop as many solutions as possible:

(1) How do employees think the problem can be solved?

(2) Have any other organizations experienced similar problems? (It may be helpful to seek the advice of other commands, agencies, or industry.)

(3) Is the problem part of a larger problem or a problem at a higher level?

(4) What changes can be made to avoid the problem?

e. Selecting the optimum solution. In this step, the variables related to each of the alternative solutions must be considered and weighed. In determining the best solution, you should select the alternative which contributes most to efficient mission accomplishment. Each of the alternatives should be tested from a judgmental point of view, asking such questions as:

(1) Is the solution technically sound?

(2) Is the solution in concert with overall management and mission objectives?

(3) Is this solution a significant improvement over the current way of doing business?

(4) Is the solution practical? Can it be implemented?

(5) Will the solution be readily acceptable to those who must implement it? If not, what can be done to encourage its acceptance?

4–12. Typical problems

a. As the management study progresses, problems and deficiencies will surface. The following are areas which frequently yield problems.

b. Layering supervision. A common organizational problem is excessive levels of supervision. Fragmentation of first level supervisory positions so that each supervises a small number of people indicates poor position management, permits and encourages over control, and may create morale problems. Work must be approved by so many levels of supervisors or team leaders that completion of the final product is delayed. There are several causes of this problem: delegating authority to unnecessary subordinate managers, a tendency to reward superior employees through promotion to unneeded supervisory positions, failure to conduct organizational reviews to monitor the supervisor to employee ratio. Regardless of the cause, this situation results in increased labor costs and inhibited productivity.

c. Work bottlenecks. Indications that any personnel receive, process, or review the same piece of work more than once may suggest problems with the design of the workflow, lack of management controls, lack of training, or inadequate procedural guidance to define the work. As a general rule, the employee assigned a piece of work should also be assigned a specific action to take on that work, and one technical review should be sufficient.

d. Invalid work generators. All organizations occasionally perform work that is unexpected or outside the scope of the mission statement; however, frequent occurrences of this situation may indicate problems. A seemingly simple requirement for a special report or project, or repeated requests for small tasks can result in the expenditure of large amounts of resources during the year. You must examine work generators and evaluate all work performed to determine whether it is valid and assigned to the correct work center. If work is being performed which is not required as mission essential or which actually belongs to another work center, the management study will make the appropriate recommendation for elimination or reassignment of the work. If the recommendations are approved, the PWS will be changed accordingly.

e. Complex systems. Administrative, automated, or management systems which require a great deal of supervision, oversight, or extensive training to operate, may be too complex to serve a useful purpose. Further analysis may show that the systems were developed without adequate planning and actually waste resources. If this is the case, the system should be revised, replaced, or eliminated.

f. Overstated acceptable levels of performance (ALPs). Many organizations have an unwritten commitment to produce a level of quality that is not required by the user, or the user may ask for a quality level higher than needed. This can result in considerable resources being expended in unnecessary effort. The stated ALP should be evaluated by both the PWS and the management study teams to ensure the required level is established, that it can be met by the MEO, and that it represents a reasonable level of effort and resources. For example, the level of effort required to perform at an ALP of 100 percent is substantially and disproportionately greater than the effort needed to perform at an ALP of 97 percent. NOTE: Remember, if the quality level is adjusted during the management study, the PWS must be revised to reflect the new ALP.

g. Backlogs. One of the most easily detectable indicators of a problem in an organization is an excessive backlog. This may be discovered through observation, management reports, or interviews. Excessive or continual backlogs may indicate poor planning, under utilization of resources, poor workflow design or procedures, poor leadership, or an inability to determine workload priorities. Although there are some functions which continually maintain a backlog of work due to funding, an existing backlog becomes a problem if it affects the customer's function as a result of the work not being done.

h. Misuse of overtime. The Army encourages the judicious use of overtime as an economical alternative to hiring additional full-time personnel. However, overtime use must be within authorized funding levels. The cost effectiveness of paying premium rates for extending the operations of existing workers versus adding additional workers at regular pay depends on the amount and frequency of the additional work to be accomplished. The cost effectiveness of overtime versus additional workers also depends on the affect the overtime has on productivity. An overextended workforce will produce less per hour than it did without the overtime. This condition suggests poor utilization of personnel, lack of organizational planning, poor position management. Overtime can be a cost effective way to handle peak workload requirements. However, overtime can be misused as a means to reward employees with premium pay. Before deciding to program overtime for the MEO, you should confirm that rescheduling the work to normal operating hours is not possible. An alternative may be the use of part-time or temporary positions.

i. Excessive administrative positions. The existence of several administrative positions such as deputies, administrative assistants, executive officers, on a staff may be an indicator of poor position management. These positions may have been created to perform tasks and duties more appropriately assigned to the secretary or the supervisor. According to AR 570-4, the use of deputy, assistant and executive positions will be limited to either of the following circumstances: where the commander or civilian head of an organization is frequently absent on official duties, or where the workload justifies the additional position.

4–13. Common causes of problems

a. After applying the general problem solving techniques described above, you can begin to identify organizational and operational failures and successes. If problems are identified, they must

be further analyzed to determine the conditions causing their occurrence. Through this process, you not only begin to associate findings with the broad management areas described below, but also to consider constraints or limitations which may influence problem resolution or serve as obstacles to developing the MEO. Regardless of their magnitude, conditions causing management problems can usually be alleviated, changed, or eliminated. If not, there may be creative or innovative methods of compensating for them. Some common causes of management problems are discussed below with a note about how they may be overcome.

b. The management study may show that the structure of the organization or its positions is the cause of numerous problems. Employees may be diffused in their efforts or performing tasks duplicated by others; they may be performing at their highest skill (grade) level but for only a small percentage of the time. Excessive layers of supervision may slow the review or approval process; unnecessary deputies or assistants may not have adequate responsibilities to fill their day. Or, employees may feel a lack of team unity because of unnecessary organizational barriers. Many of these problems can be reduced or removed by removing unnecessary layers of supervision to create a more straight-lined organization. The use of multi-skilled positions and helpers enables people to cross-train in all tasks and provides a progression for promotion within the function.

c. Serious problems can arise from an unclear statement of the mission that the organization is to perform. If the mission statement is incorrect, the organization will perform work which should be performed elsewhere, therefore overstating the work and staffing for the organization. If the mission statement is ambiguous, the employees may not know for sure just what they are supposed to be doing. Again, this can lead to performing more work than is appropriate or performing the wrong work.

d. Inadequate physical facilities or old, dilapidated furniture and equipment may be the cause of a non-motivated, under-productive work force. In addition, automated equipment which is outdated and frequently non-operational may result in ineffective work systems which do not meet operational requirements. Requests for new equipment or upgraded facilities should be considered when developing the MEO, whether they can be approved and funded prior to completion of the cost study or not.

e. If the flow of communication is blocked or inadequate in either direction, the quality, volume, or timely communication may cause poor coordination between organizations, within the organization, or between layers of management. There are several ways to eliminate or improve this condition. Unnecessary levels can be eliminated. Upper level management can provide clearer direction which defines the mission and objectives of the priorities, objectives, and other factors influencing their jobs; supervisors can ask for and implement suggestions made by employees; or programs such as Quality Circles or Idea Interchange can be used to encourage employee participation in the management process.

f. There are occasions when an organization makes every effort to meet mission requirements but is hampered by a lack of definitive guidance or conflicting direction from higher management levels. In this situation, you may need to address the problem to upper level management or assist the supervisor of the organization under review to develop techniques for apprising upper level management of the problems resulting from their direction.

4–14. Categorizing problems

a. There are several broad categories of management characteristics which apply to nearly every organization. By categorizing review results into these broad areas, you begin to integrate related findings and concentrate on larger issues which significantly impact the organization. Conclusions about the overall management process can then be developed which lead to improvements with wide applicability. Although not all-inclusive, the following are the management areas usually evaluated during a CA management study. A general description of each is included to clarify the meaning.

b. The resource utilization of an organization includes not only manpower, which is probably most important and difficult to assess, but also supplies, utilities, space, time, funding, equipment, facilities, communication systems and so forth. Poor or under-utilization of resources reduces the productivity ratio of inputs to outputs and has negative effect upon Army readiness. For example, distribution of one work year of WG-10 automotive repair work among ten positions which perform WG-9 work for 90% of the time in order to upgrade the positions to WG-10s, is costly under-utilization of personnel. Under-utilization of resources is readily identified in the management study and impacts the competitiveness of the in-house bid.

c. Management's ability to plan effectively falls into two categories: how well they anticipate and adjust for workload changes and how well they adapt program content to changes within the command. An organization which is frequently reorganizing without adequate regard to workload fluctuations or changes in program requirements may require improvement.

d. Organization structure, position management, and position classification which refers to the manner in which functions are distributed to form organizational elements. This includes the manner in which duties and responsibilities are distributed to individual positions within those organizational elements. Position classification, such as assignment of title, series, and grade levels, results from an analysis of the difficulty, complexity, and responsibility inherent in the work assigned to individual positions. You must consider such issues as whether duties assigned at the higher graded levels are concentrated in as few positions as possible, if employees are performing duties at appropriate grade levels or if job descriptions can be combined under a broader job series.

e. Procedures, or a system may take a number of different forms, such as a work system which transforms resources into desired products or services; an administrative system which is a grouping of personnel, equipment, and furniture arranged to accomplish a given task; an automated system which combines a network of hardware and software to process data; a management system which monitors the quality or output of the organization; or any other configuration of personnel, equipment, facilities and processes designed for the purpose of accomplishing work. In this area, an analysis of the system in question must address the complexity and effectiveness of the design, the volume of the output produced, the logical sequence of the workflow and the value of the output for the resources assigned.

f. The workflow design is the way in which a product is processed through a work system or a service is provided. It includes the layout of the work area and how it is assigned, performed and moved. It also includes how frequently the work is reviewed and the type of reviews that are conducted. The management study will address whether the workflow can be streamlined by eliminating unnecessary or redundant work and excessive quality reviews.

g. Although workload is documented in the PWS, the validity of the work performed must be analyzed during the management study as well. If work is performed which proves to be invalid, it should be identified and eliminated. Also, required work that is being performed inappropriately by the organization under review should be identified for reassignment.

h. Another problem arises when work is being performed at an incorrect quality level. While we want the best quality work possible, it is not always practical to perform at 100 percent accuracy. The current operation normally does not perform most non-critical services at this level, and yet it is able to satisfy the customer. The resources required to perform at 100 percent accuracy may be prohibitive in both cost and number.

i. Policies and directives refers to the adequacy, clarity, need for, or lack of regulations, policies, procedures, technical guidelines or other written direction which affect the organization under review. The analysis of policies or procedures is not limited to only those generated by the work center reviewed. Guidance directed by a higher organizational level may and should be addressed if it has an adverse impact on the efficiency of the organization. Governing directives sometimes mandate processes and procedures that create

unnecessary work or preclude other simpler methods of performance. Report such problems as soon as they are found to seek relief from such procedures.

j. Management reporting is the ability of the manager to monitor, improve, or modify the organization's performance with the use of reports. Management reports usually document the status of operational or program achievements. With the wealth of automated data available, you must not only determine the value and need for reports, but should also use the data available to evaluate outputs, costs, funding, and the quality of the organization under review.

k. Communications is a broad category which may include the effectiveness of electronic equipment, telephones, public announcement systems, computer systems, and so forth, or simply the verbal transactions among personnel. Regardless of their nature, communications must effectively and efficiently convey information necessary for performance of the job.

l. Mission accomplishment covers the likelihood that an organization is operating with two missions, the official mission stated in the Mission and Functions Manual and the unofficial mission which has come into being over the years. The first item of business should be to examine the functions in the unofficial mission to determine if any truly belong to the organization. Any tasks which are not required work should be eliminated. In addition to the organization's mission, the study team must take note of the installation mission to ensure the work is compatible with the overall mission. The fact that an organization is performing its mission does not necessarily mean it is effective or efficient. The focus of the management study, therefore, is to determine whether the valid mission is being accomplished both effectively and efficiently. If it is not, the management study must produce an MEO that can accomplish the required organizational mission at acceptable levels of performance with minimum resources.

4–15. Developing conclusions

Conclusions are the logical results derived from the analysis. Conclusions are formulated for the following reasons:

a. To show whether or not the management study confirmed the existence of problems or successful accomplishments.

b. To dispense with problems that were identified before or at the outset of the study, but were not confirmed through fact gathering and analysis.

c. To summarize the nature of problems or accomplishments confirmed during the study.

d. To summarize the best alternative solution(s) to problems identified.

e. To show whether the solutions to the problems identified are cost effective.

f. To determine the overall condition of management in the organization and the degree to which improvements are needed to create the MEO.

4–16. Recommendations

a. Each conclusion requires a recommended action. Problem resolution and recommendations are not always the same. A particular action may solve a problem, but it may not be possible or practical, given organizational, operational, or administrative constraints. Therefore, recommendations must represent logical, practical improvements. Virtually any aspect of an organization can be improved. Therefore, recommendations are possible in every management area. Regardless of their scope or magnitude, recommendations must be based on adequate facts, data, and analysis to assure their acceptance. The following illustrates the scope of the recommendations which may be appropriate.

b. You may recommend everything from reducing the size of the staff to investing in productivity enhancing equipment. The findings and analysis may show that additional resources are needed in some functional areas. If this change would result in greater productivity or the ability to meet minimal mission requirements, the recommendation should be made.

c. A recommendation in the area of facility and equipment utilization might present an improved layout which would facilitate the flow of work, reduce unnecessary movement, better utilize space, and so forth. A recommendation to improve equipment utilization could suggest time sharing, shift work, or the removal or transfer of equipment which is not utilized fully. Outdated equipment may be recommended for upgrading, replacement or modernization.

d. Recommendations in management effectiveness should result in the manager of the organizations having a better capability to adapt to mission and workload changes when developing short and long range plans. For example, you may recommend management reporting systems for monitoring trends, more frequent meetings with customers and/or suppliers, or better communications with other organizational elements to determine workload demands.

e. The management study recommends improvements to the position structure of an organization. This may involve changes in the types of positions used in the organization, the numbers of subelements and supervisory positions, and the grade structure within the organization. It may even involve a change in where the organization falls within the total installation structure. All recommendations must be documented to show how the reorganization will improve the efficiency of the organization under study and reduce the cost.

f. Improvements in the operating procedures may take various forms. You may recommend a new workflow design which will eliminate, consolidate, or rearrange steps in the workflow. Or, you may recommend revisions to standard operating procedures to streamline the process. If regulatory requirements impede an efficient workflow, you may need to recommend a deviation from or revisions to the regulations. Or, you may recommend new or improved automation to speed the work process and eliminate bottlenecks. Again each of these improvements must be thoroughly documented to show how it will improve the efficiency of the organization.

g. Even though one of the major purposes of the PWS is to identify which work is valid, the management study may further identify work that is not required. If this occurs, you should recommend eliminating the work, and the PWS should be revised accordingly. Also, if additional required work is identified, this must be addressed with a recommendation on how the work will be resourced and accomplished.

h. Determine whether lower quality levels could be recommended or if the number and frequency of quality reviews could be reduced. This will result in a recommendation to that effect and a revision to the ALPs in the PWS.

i. If you recommend significant changes in procedures, or even in the staffing and organization, this may require revisions to the current policies and directives. In addition, the study may determine that existing regulations are inadequate, overly restrictive, or completely unnecessary. Overly restrictive and unnecessary regulations can cause serious waste of resources by requiring unnecessarily high quality levels, or steps which are not required to accomplish the organization's mission. Recommendations to change these regulations must comply with the other study recommendations.

j. It is not unusual to find employees completing monthly, quarterly, or annual reports that are required by a regulation but which are seldom or ever used. If you identify reports that are not needed or are not needed as frequently as currently required, recommend that the report be deleted or a change in the frequency of the report to avoid wasted resources.

k. Effective communication is essential in an efficient organization. Effective communication may occur through the proper use of communication systems, the availability of the proper equipment, or it may be through the efficient flow of information within the organization. A breakdown in any of these areas can slow or stop the efficient operation of the organization. Recommendations to correct these problems must address the cause of the problem and how to fix it.

l. The recommendations should include changes to the organization's official Mission and Function Manual so it is consistent with the other changes in the proposed organization. You should address

changes to the installation mission statement if it is affected by the MEO. If there is an unofficial mission statement in the organization, you need to make sure any valid requirements are added to the official mission statement and eliminate the invalid work.

m. The most important consideration in developing recommendations is their practicality. This step in the CA process is critical because you must thoroughly evaluate proposed recommendations. The following is a series of questions which you, and the functional experts, must address to ensure that the recommendations will really work:

(1) Is the recommendation valid, practical, and can it be implemented?

(2) Is it cost effective?

(3) Will it improve productivity or result in some type of savings?

(4) Is the timeframe for implementation realistic?

(5) Will the recommendation permanently correct the problem or deficiency identified, and will it enhance the development of the MEO?

4–17. Format for the management study

a. Organizing the Management Study. The following is the recommended format for Army CA studies. When the study is initiated, it may be divided by functional areas (PWSs) or organizations, depending on the size and the experience of the study team. However, when the study is completed, it must be a single, cohesive document which ties together everything covering the entire organization (GIN, commercial functions, COR, and so forth).

b. Purpose of management study. The following are statements that must be included in your management study report:

(1) To develop the most efficient and cost effective organization to accomplish essential functions.

(2) To determine and document the specific management improvements on which the most efficient and cost effective organizational structure is based.

(3) To provide a basis for the installation commander to certify to Congress that the Army in-house cost estimate for the performance of function is based on an estimate of the most efficient and cost effective organization for the in-house operation.

c. Job analysis. This section describes in detail the authorized organization and operations at the start of the management study. This is the job analysis as discussed in Chapter 3. Use the most current documents for each of the following paragraphs.

(1) Include a chart which depicts the organization and the location of commercial and GIN functions within the organization. The chart should depict the organizational structure at directorate level and below.

(2) Cite current authorized functions by extracting information from the mission statement of the installation organization and function manual. The extract from the functional manual will be at the same level as the organization chart, such as directorate, division, branch. The functions should be annotated as commercial, GIN, operations overhead, or G&A. Those functions identified as commercial will be the same functions the PWS team will work with to develop the PWS.

d. Baseline TDA. Include the baseline table of distribution and allowances (TDA) to indicate the commercial and GIN spaces. The TDA will be at the directorate level. The TDA will be annotated to reflect all positions in the function, including full-time, part-time, temporary, intermittent, summer hire, overhire, and so forth. To portray the complete impact on the installation, all organizations that will be affected by the outcome of the study will be considered. This is shown by annotating the TDA for direct and indirect impact as follows:

(1) All direct labor; that is, those personnel directly involved in producing the outputs of the function under study and whose efforts can be directly traced to a unit of output.

(2) All indirect labor; that is, those personnel involved in support of producing the outputs of the functions under study whose efforts cannot be traced directly to a unit of output. Indirect labor falls into the following categories:

(a) All personnel in the first supervisory work center level above the organization under study who support the functions being studied are considered operations overhead. For example, the division chief and secretary are operations overhead if the branches under them are under study. And all other personnel in the organization under study, whose functions are not subject to study, who support the functions being studied are included as well.

(b) All personnel outside the organizations under study and exclusive of the first supervisory level above the organization under study are considered general and administrative overhead. This includes such functions as civilian personnel, resource management, legal, contracting, and so forth.

(3) Describe the current operating procedures of the functions under study. Include all current SOPs, governing regulations, and required reports.

(4) List all equipment for which the organization is responsible. Consider the condition of equipment and whether it is adequate to perform the functions under study.

(5) Indicate the buildings in which the functions are located, including indoor or outdoor storage areas, administrative areas, shop areas, and distances between facilities. Floor plans will be annotated to show which areas are used by the commercial functions and which are used for GIN functions, if applicable. For functions such as installation bus service and messenger service, include an installation map showing routes.

(6) Show the detailed workload volume for each commercial function. In gathering this workload data, consider the volume and frequency of work, e.g. by manhours, job order, specific task.

e. Rationale for change. This section of the management study report discusses in detail all changes which will be made in the function(s) under study. Include analyses of the function(s), discussion of problems which currently impede efficient operation, and resolution of the problems. If the problem cannot be overcome, discuss how the function will cope with the continued problem. If proposed changes require approval/coordination from ancillary offices, including a Memorandum for Record signed by the office chief will serve as a reminder and may help ensure that the changes can be implemented when the time comes. The following are some questions which should be considered when addressing each section of the study.

(1) Is the organization appropriately located? Is it adequate to perform the function? Could the organization be combined with other organizations to improve the operation or gain efficiencies?

(2) Are the functions listed in the organization and function manual being performed? Are there functions which are not being done or which are not in the manual which should be performed? Are functions being done which do not belong to the organization? Are functions required by regulation or directive? Are there " nice to have"" tasks which should be eliminated? Are there other functions which could be eliminated which would save manpower without impacting on the installation mission?

(3) Are all authorizations filled? What is the turnover rate? Are there recruiting problems? Are overhires and temporary positions used in the organization? To what extent has overtime been required? Could multi-discipline positions be used effectively? Is shift work required?

(4) How is workload received by the organization? How is it assigned within the organization? Are there time limits or suspenses on the work? How is completed work returned to the user, or passed from the organization? What reports are required, and what is the frequency? Are there inspection requirements?

(5) Is equipment used to capacity? Is it obsolete? Are there more efficient ways to do the work?

(6) Is the facility adequate? Are storage areas adequate and convenient? Can the facility be rearranged to provide more efficient work flow?

(7) What workload is - volume, quantity, and so forth. If workload is being shifted to another organization, ensure that it is picked

up in the new organization and that there is adequate staffing to cover it.

f. The most efficient organization to perform PWS. This section of your report describes in detail the organization upon which the in-house bid will be based. This is the organization, staffing, operations, and so forth which will be implemented if the Army is the low bidder in the cost comparison.

(1) Prepare an organization chart for the complete MEO, showing each level involved from directorate downward through branch, section, and so forth. The MEO should be a stand-alone organization, either the entire directorate or complete divisions within the directorate. Where the MEO is less than a full directorate, the organizational elements above the MEO elements which will provide support to the MEO will be shown and annotated accordingly.

(2) Include a revised mission statement which incorporates all function realignments, deletions, or additions resulting from the management study. In the event of an in-house win, this statement will be inserted into the installation mission and function statement.

(3) A proposed TDA reflecting the organizational alignment and structure for the MEO will be included in this section of the management study. This TDA will be implemented if the government is the low bidder. The TDA will reflect all positions required to perform the work, including part time, when actually employed (WAE), and so forth.

(4) This section of your management study describes in detail how the MEO will operate and serves as the basis for the TPP. This includes assigning, performing, controlling, monitoring, and scheduling the workload described in the PWS. Also, discuss how the organization will accommodate emergency situations and how overtime and shift work will be handled. Each functional area is covered separately to ensure all tasks are included. Copies of existing SOPs which did not require changes are included as part of the management study. If new or revised SOPs were required, they should be completed and incorporated into the study if possible. If this is not done, they must be completed in time for implementation of the MEO.

(5) This section of your report discusses management improvements relating to equipment usage. If new equipment is funded, discuss projected installation dates and any training required for personnel.

(6) If facility layouts will change from those shown in the current organization, include the revised floor plans here. If a facility will be used by both MEO (or contractor) and residual staff personnel, illustrate how the two staffs will be separated.

(7) The workload depicted in this section must exactly match the workload shown in the PWS, plus required clerical and supervision support. The DA Form 7196-R (Analysis of Most Efficient Organiztion (MED) Tasks and Staffing) is mandatory to fulfill the requirements of the cross-walk for the independent review. If your study does not cover all of the functions listed, delete those that do not apply. If your installation performs functions which are not on the task list, add those functions as appropriate. Most important is to remember that this list must match exactly the workload exhibit in the PWS as to listed tasks and workload count. DA Form 7196-R will be locally reproduced on 8 1/2-by 11-inch paper. A copy for reproduction purposes is located at the back of this pamphlet. Additionally, DA Form 7196-R may be electronically generated. The electronically generated form must contain all data elements and follow the exact format of the existing printed form. All required signatures must appear on the electronically generated form. The form number of the electronically generated form will be shown as DA Form 7196-R-E and the date will be the same as the date of the current edition of the printed form.

(8) This section of your study includes documentation from test surveillance which validates performance standards and ALPs used in the PWS/DA Form 5473-R. The summary-level workload format for the complete MEO is a mandatory part of all studies. It will be used by USAAA to conduct their review of the study. Staffing must be shown for all workload requirements as follows:

(a) Multiply workload times productive manhours required to perform each service. Divide the total manhours for the service by the productive workyear, 1776 hours for civilian employees and 1740 hours for military personnel. Do this for all services within each proposed organizational element.

(b) Add the workyears together to determine the total direct staffing needed for each branch, division, and so forth.

(c) Add supervision and clerical positions as justified with workload from previous sections.

(9) By law, Congress must be provided certification that the in-house cost estimate is based on the estimate of the most efficient and cost effective organization to perform the work. Therefore, once the in-house cost estimate is developed and approved by the functional manager, you need to get the installation commander or designee to sign the MEO certification (item 19 of the DA Form 7376-R (The Generic A-76 Cost Comparison (GCCF) In-House vs. Contract or ISSA Performance). DA Form 7376-R will be locally reproduced on 8 1/2-by 11-inch paper. A copy for reproduction purposes is located at the back of this pamphlet. Additionally, DA Form 7376-R may be electronically generated. The electronically generated form must contain all data elements and follow the exact format of the existing printed form. All required signatures must appear on the electronically generated form. The form number of the electronically generated form will be shown as DA Form 7376-R-E and the date will be the same as the date of the current edition of the printed form.(See Chapter 5, Section I for instructions on completing DA Form 7376-R).

g. Overhead requirements for PWS. In addition to the direct labor and operations overhead positions that are impacted by proposed efficiencies, there may be an impact on general and administrative positions. If the reductions to reach the MEO are large enough to affect the workload in other offices, these organizations will be reduced accordingly. If the CA is converted to contractor or IGS operation, there may be larger reductions to these same support functions. Conversely, there may be a need for an increase in staffing in the contracting office, or other related organizations. Staffing ratios or other staffing standards should be used in determining the need for G&A-type positions.

h. GIN staff requirements.

(1) This section of the report describes the organization, functions, staffing (TDA), procedures, workload, and so forth, for the residual (GIN) staff. These are, for the most part, those functions which were pulled out of predominantly contractible organizations and combined into one or more non-contractible organizations, as well as those purely governmental-in-nature organizations within the directorate. Staffing for the GIN organization includes positions to monitor or surveil the contractor, IGS, or the MEO operation. The residual staff should not vary significantly for either contractor, IGS, or in-house performance. If it does, the reasons for differences and the alternative organization and staffing will be discussed in detail.

(2) This section also addressed the placement of the GIN functions and positions. You need to remember that the MEO is a stand-alone organization. The GIN work and positions to perform that work must be in totally different organization elements than the MEO.

(3) It is imperative that the GIN tasks be properly identified and their corresponding work years of effort enumerated. The only way to ensure this is to perform a complete functional analysis of all positions in the function under study. There are no short cuts. Almost all positions within the function perform both GIN and commercial tasks to some extent. Frequently the GIN work may be only a few hours of work or one small report per year in any given position. In any event, each of these pieces of work must be identified and quantified early on in the management study to ensure they do not accidentally wind up in the PWS.

(4) Once identified, quantified, and isolated, you must determine the number of work hours required for each GIN task. The next step is to consolidate the GIN work hours into as few positions as possible. These positions perform purely GIN work and constitute the total GIN staffing.

(5) The DA Form 7197-R, Analysis of Governmental-in-Nature Tasks and Staffing, should list GIN tasks found in most, if not all,

organizations performing a like function. Compile workload by work unit, with at least 9 months of workload data. You need to review the work being done to ensure that unnecessary work is eliminated or that work which is really commercial has not been included in your GIN task list. GIN positions normally range from one to three, depending on the activity size, the number of functions performed, and the scope of responsibilities. Additional positions may be approved by your MACOM if appropriately justified. DA Form 7197-R will be locally reproduced on 8 1/2-by 11-inch paper. A copy for reproduction purposes is located at the back of this pamphlet. Additionally, DA Form 7197-R may be electronically generated. The electronically generated form must contain all data elements and follow the exact format of the existing printed form. All required signatures must appear on the electronically generated form. The form number of the electronically generated form will be shown as DA Form 7197-R-E and the date will be the same as the date of the current edition of the printed form.

i. Relationships after cost study

(1) For an in-house win, relationships with other organizations, as well as any with existing contractors, are covered in the discussions of operational procedures in sections II, III, and IV of the management study report (Current Operations, Rationale for Change, and Proposed Organization).

(2) In the event of a conversion to contractor or IGS operation, this section of the report describes any interfaces between the contractor and the residual staff. This section also discusses how the residual staff will or will not interface with the QAE/COR staff.

4–18. Summary of Chapter 4, Management Study Procedures

a. The management study is conducted by a team that includes management analysts and functional personnel.

b. The management study is conducted concurrently with PWS development and is completed prior to developing the in-house cost estimate.

c. Required services identified in the PWS must track with the commercial functions and spaces outlined in the management study.

d. The management study isn't finalized until the solicitation is issued.

e. MEO must be certified to Congress.

f. Contents of the management study are not to be made public knowledge prior to cost comparison.

g. Base analysis on positions, not on the people occupying those positions.

h. Support MEO, supervisory and clerical staffing by quantifiable workload and associated workyears. Note: Status quo usually does not make an organization competitive.

i. The management study describes the MEO in detail and how it will perform the functions specified in the PWS.

j. It covers all functions in the organization, both commercial and GIN, up to the directorate or similar level.

k. It addresses overhead positions affected by either implementing the MEO or converting to contractor or IGS.

l. It results in a streamlined organization with separate organizational entities to perform the commercial and GIN functions.

m. Management study objectives are to:

(1) Identify current operations and procedures.

(2) Evaluate the organization's ability to accomplish its mission, as defined in the PWS.

(3) Identify where organizational or operational improvements can be made.

(4) Develop staffing, organization, and workload for the GIN staff.

n. Management study products are:

(1) The MEO, including staffing, operational procedures, and organizational structure.

(2) Direct staffing requirements identified by PWS workload.

(3) Indirect staffing requirements (supervision and clerical) with supporting workload data.

(4) Rationale for changes in organization, staffing, procedures or workload.

(5) Staffing, organization, and workload for the GIN staff.

(6) Technical Performance Plan that describes the capability of the MEO to perform the work in the PWS.

o. Choice of study techniques to use in the management study depends on milestone constraints, personnel resources, and the ability to obtain valid workload information.

Chapter 5
Cost Estimating Process

Section I
Overview

5–1. Introduction

a. This chapter describes the process by which cost estimates are developed for the cost comparison (Chapter 7) that determines whether a CA will be performed in house or by contract or IGS.

b. 10 USC 2462 requires that, except as otherwise provided by law, supplies and services must be obtained from a source in the private sector if such source can provide the supply or service at a cost that is lower than the in-house cost. Except when direct conversion is authorized, Federal policy requires that a formal cost competition be held to determine the least costly mode of performance: in-house, contract or IGS. This mode of performance is used for future work unless a later cost competition changes the determination.

c. In the competition, the in-house cost estimate or "in-house bid" is based on the MEO to accomplish the requirements of the PWS. The competing contractor bid or proposal represents the best response to a solicitation containing the PWS used for the in-house cost estimate.

d. The decision to contract or not to contract a CA is determined by a cost comparison of in-house "bids" and contractor bids or proposals. Consequently, the in-house cost estimate and contract prices are not disclosed until cost comparison bid opening, when the "initial decision" is announced. This ensures the absolute independence of the competing costs so that a fair decision can be made.

(1) The in-house cost estimate is protected by strictly limiting access to procurement-sensitive information. Before the initial decision, only a single preparer (cost analyst, budget analyst, or CA manager) and the reviewer(s) have access to DA Form 7376-R data. Excluded at this stage are the workforce, union officials, the contracting officer, and contractors.

(2) No changes to the in-house cost estimate are permitted after the deadline in the solicitation for receipt of contractor bids or proposals.

e. A cost competition study is required before providing Aircraft or Aviation Management Support services or Motor Vehicle Fleet Management Services. Unique cost competition study procedures are at Appendixes C and D, respectively.

5–2. Cost estimating process

a. The process consists of three phases: costing, independent review, and (if necessary) cost revision.

b. The cost estimating process develops the costs for the DA Form 7376-R as shown in format at the end of this pamphlet. Completion of this form has been automated through use of personal computer software (COMPARE) developed by the Air Force and approved for use by all services. COMPARE, along with a detailed user manual, is available through HQDA, ACSIM. This software is used for all full cost competition studies unless an alternative method is approved by your MACOM and the Army Audit Agency.

c. The cost estimating process begins as soon as the management study is finished. Costing concludes before the date that Independent Review is scheduled to start. Independent review validates the costing or compels cost revision. Cost revision may also occur after independent review because of HQDA-directed changes in costing

guidance or changes in mission/work requirements. Under all circumstances, independent review and cost revision are accomplished before receipt of contractor bids or proposals.

5–3. Cost estimating principles

a. The cost estimating process is governed by certain basic rules.

b. The in-house cost estimate is based on an MEO that has been certified by the certifying official in item 19 of the to DA Form 7376-R. The certifying official may be any technically competent individual (1) organizationally independent of the function under study or (2) at least two levels above the most senior official included in the in-house cost estimate. The certifying official must also be able to commit to the provisions of necessary resources to perform the activity. Such certification is made before the review of bids or proposals. The certifying official is normally the garrison commander or installation commander.

c. The cost estimating process recognizes three categories of cost and deals with each differently.

(1) Operations Overhead and General and Administrative Overhead (para 5-10)

(2) Common or "wash" costs. Costs that will be incurred by the Army whether the CA is performed with Army or contractor personnel are "common" costs and, as such, are not included in the cost comparison. Examples of common costs are: government furnished property, security clearance processing, quality assurance, utilities and other facilities support services, and the cost of performing the cost competition study. The to DA Form 7376-R preparer identifies and documents all common costs in memo entries under to DA Form 7376-R comments, as provided for in the COMPARE software.

(3) Significant and unique costs. The to DA Form 7376-R and supporting documentation identify and quantify all significant, measurable costs that are unique either to in-house or to contractor performance. Values are rounded to the nearest dollar.

d. Cost comparisons cover approximately five years' performance.

(1) Costs are displayed for an initial period of performance (PoP) of twelve or fewer months, terminating at fiscal year's end. PoPs two through five coincide with the next four fiscal years.

(2) When the PoP is less than a full fiscal year, all costs (except one-time costs) are prorated over the number of months in the PoP.

e. Standard procedures and factors are used in making cost estimates.

(1) Standard procedures. Adherence to the standard procedures described in Sections II and III of this chapter will expedite costing and independent review without compromising quality.

(2) Standard factors. Because actual installation costs are often difficult and time-consuming to determine, or do not reflect the total cost to the government, many of the factors affecting costs are standardized to provide an accurate estimate with a reasonable expenditure of time. Most of these standard factors are based on government-wide experience or averages. Standard cost elements have been incorporated into the COMPARE software. Standard factors are provided for the following:

(a) Civilian average grade steps and fringe benefit rates;
(b) Military pay and benefits (composite rates) by grade/rank;
(c) Severance pay for civilians;
(d) Asset useful life and disposal values;
(e) Supply systems' overhead;
(f) Material transportation;
(g) Packing, crating, and handling (PCH);
(h) Inflation;
(i) Asset acquisition;
(j) Federal, state and local taxes;
(k) Casualty and liability insurance;
(l) Contract administration staffing
(m) Productive hours; and,
(n) Overhead.

f. Cost estimates are based on current data (See para 5-4). Inflation is used to extrapolate current costs into the outyears (See para 5-5).

5–4. Currency of cost data

a. In-house cost elements are based on the most current cost factors/estimating procedures and the latest PWS/MEO.

(1) Personnel costs are based on current general schedule (GS), wage board (WB), and composite military rates in effect when the cost estimates are developed. Cost estimates use the last full fiscal year's accounting reports or more recent cost data, such as the current Army Master Data File (AMDF) unit price. If this information does not reflect a normal operating level from which to project CA estimates, the normal operating level is used for costing. Rationale and data sources are shown under DA Form 7376-R comments, as provided for in the DA Form 7376-R software.

(2) If independent review results in PWS/MEO revisions after costing, the CCF is recalculated to reflect the review changes.

b. HQDA-mandated changes to inflation factors, pay rates or other mathematical changes (such as fringe benefit rates) may occur after the independent review is completed but before the cost comparison is conducted.

(1) The ACSIM will provide guidance on the application of program-wide cost calculation changes on a case-by-case basis. Such changes are normally accomplished automatically by the COMPARE software.

(2) Cost comparison schedules are coordinated with locally-occurring, regularly scheduled changes such as wage board rate changes. When unanticipated local changes in wages or other mathematical factors affecting the in-house estimate occur, special procedures apply (see para 5-4c(1) through 5-4c(3)).

c. When HQDA-mandated changes occur after independent review and before cost comparison:

(1) The DA Form 7376-R preparer amends the cost estimate by producing a new software-generated DA Form 7376-R.

(2) The preparer obtains independent review certification that the recalculation is correct and is limited to the HQDA-mandated mathematical change.

(3) The preparer submits the revised DA Form 7376-R certified by the independent reviewer (in a sealed and dated envelope) to the contracting officer to be opened with the original DA Form 7376-R at the cost comparison.

5–5. Inflation

a. Except as noted below, in-house cost elements are adjusted for estimated price inflation throughout the performance period, using the current annual inflation rates in the COMPARE software.

b. Costs of augmentation contracts are inflated using the "other commodities" inflation rates published periodically by HQDA and contained in the COMPARE software. These costs are included in line 3 of the DA Form 7376-R.

c. Costs of contract administration (line 8) and other recurring costs to the Army under contract performance are inflated for all terms of the performance period by the inflation factors used to adjust the in-house estimate.

d. The costs below are not inflated beyond the first term of the performance period:

(1) Depreciation costs for facilities and equipment, minor equipment, and nonrecurring costs. These elements are excluded from outyear inflation adjustments for specifically attributable costs (line 3), overhead (line 4), and additional costs (line 5).

(2) Wages subject to the Fair Labor Standards Act (FLSA). Certain elements of the contractor's labor costs that are subject to future wage determination adjustments by the Department of Labor. For that reason, the contractor's applicable outyear labor costs do not reflect inflation. In developing the in-house estimate, outyear inflation does not apply to wages for government positions in occupational categories subject to the FLSA The CPAC identifies FLSA positions for the DA Form 7376-R preparer.

5–6. Cost estimate

The cost estimate documented on the DA Form 7376-R consists of three elements: in-house performance costs, contract performance costs or IGS performance costs, and decision computations. Sections II, III, and IV of this chapter deal with each respectively. A separate paragraph is devoted to each line item on the DA Form 7376-R. The paragraphs describe what the costs are and where that information can be obtained.

Section II
Instructions For DA Form 7376-R, The Generic A-76 Cost Comparison Form

5–7. Personnel costs - line 1

a. Personnel requirements of the MEO are expressed in FTE for cost comparison purposes. For civilian personnel, use the following productive hours per year to convert workhours into numbers of FTEs: 1,776 for full time positions and 2,007 for intermittent positions. For military personnel use 1,740 productive hours per year.

b. Base pay.

(1) The preparer calculates direct labor cost using the latest approved civilian pay rates with adjustments for budgeted or known pay increases. Base pay for WB employees includes any applicable shift/hazardous duty differentials.

(2) Personnel costs are based on the positions established in the MEO. Government-wide average steps for all pay grades (step 5 for GS and step 4 for WB) are used in developing MEO personnel costs.

(3) When computing the annual cost of a WB employee, the hourly rate is multiplied by 2,087 hours. In calculating an hourly rate for GS or merit pay (GM) employees, the scheduled annual wage is divided by 2,087.

c. Fringe benefits. Fringe benefits are calculated using standard percentage rates (in the COMPARE software) applied to civilian base pay for the categories shown below.

(1) Full/part-time permanent positions: retirement (combined civil service retirement system (CSRS) & federal employees retirement system (FERS)), health insurance, life insurance, other benefits (disability, unemployment compensation, bonuses, awards, and so forth), and MEDICARE tax.

(2) Intermittent permanent positions: Same as for (1) above, except that retirement is all FERS and there is no health or life insurance.

d. Other pay and entitlements. The CPAC advises the DA Form 7376-R preparer as to which entitlements apply and how they should be computed. The preparer shows rationale and computations under DA Form 7376-R comments, as provided for in the COMPARE software.

(1) Additional entitlements. These consist of any applicable off-site location allowances, hardship pay, uniform allowances, incentive pay, and cost-of-living differentials for all employees. Any applicable hazardous duty pay and shift differentials for GS/GM employees are also included in this category.

(2) Overtime and premium pay. The preparer includes in the cost estimate the expected annual cost to be incurred for overtime, holiday pay, Sunday pay, and any other applicable premium pay.

5–8. Material and supply costs - line 2

Bench stock and other supplies on-hand are offered for use by the contractor and are treated as a common cost. Replenishment of supplies is required of the contractor. Therefore, the cost of replenishments for the MEO is included on the(line 2). The cost of supplies is based on the latest price lists and reflects source of supply mark-ups (if any). Potential sources of supply are: GSA wholesale and stores direct delivery, GSA retail, GSA nonstores direct delivery, DLA wholesale stock fund, DLA direct delivery, and local procurement. Army-unique supply items which will be replenished by the Army under contractor operation are excluded from the cost estimate as a common cost.

5–9. Other specifically attributable costs - line 3

a. This applies to all other cost elements that are 100 percent attributable to the activity under study.

b. Depreciation. Depreciation is the method used to spread the cost of a capital asset over the asset's useful life.

(1) Capital assets are structures, machinery and equipment having an original acquisition cost of $5,000 or greater. Land is not a depreciable asset. Assets with remaining useful service and still in use are always depreciated regardless of their age

(2) Capital assets on-hand and intended for use by the MEO are offered to the contractor. The cost of these capital assets is a common cost. Therefore, depreciation is not applicable under normal circumstances. However, in rare cases where the estimated useful life of a capital asset does not extend to the end of the fifth period of performance (PoP) and the replacement asset will not be offered to the contractor (since the contractor is, usually, responsible for replacing GFP), the DA Form 7376-R preparer uses the asset's replacement cost to determine annual depreciation for each PoP in which the replacement asset will be used by the government but not by the contractor.

(3) The basis for depreciation is the acquisition cost (purchase price plus transportation and installation costs) plus the cost of capital improvements minus the residual value (disposal value less dismantling and removal costs). The basis for depreciation is then divided by the useful life (as projected for the CA study) to determine the annual depreciation cost.

c. Rent. The DA Form 7376-R preparer records the cost of renting or leasing commercial facilities and equipment. Rentals may include the facilities and equipment of other military departments and federal agencies. Unless the actual charges are available from the agency providing the asset, the Standard Level User Charge (SLUC) set by the GSA becomes the rental cost.

d. Maintenance and repair. The DA Form 7376-R preparer records those costs incurred to maintain facilities and equipment in operating condition. Only included are maintenance and repair costs which would be discontinued if the CA work center were converted to contract performance. Maintenance and repair costs are divided into two categories:

(1) *Real Property.* The DPW distributes annual costs of maintenance and repair of real property to organizational elements and tenant activities based on square feet occupied. The DPW provides the preparer with the cost per square foot and the number of square feet occupied by the organization under CA review. The preparer multiplies the two quantities to determine property maintenance cost.

(2) *Equipment.* The annual costs of maintaining equipment in operating condition (without materially prolonging the useful life of the equipment) will be distributed to the organizational elements and tenant activities using the equipment. Generally, these costs will be incurred by the DOL, who provides the preparer with these maintenance costs.

e. Utilities. Normally, utilities provided to the MEO facilities are offered to the contractor. Thus, utility costs are common costs. Typical utilities costs incurred by the DPW are for: water, sewer, electricity, and plants (heating, air conditioning, and cold storage). The DPW provides the preparer with the cost factors (cost per allocation unit) and the number of cost allocation units assigned to the organization under CA review. The preparer multiplies the factors to determine utility costs.

f. Insurance.

(1) Casualty losses - supplies. The preparer multiplies the average inventory value of supplies and materials that are not provided to the contractor by 0.005. The average inventory value may be determined, assuming a 30-day stockage level, by dividing the annual value of supplies and materials by 12.

(2) Casualty losses - facilities and equipment.

(a) For facilities and minor equipment (items less than $5,000 original acquisition cost), the preparer multiplies the estimated replacement cost by 0.005.

(b) For capital equipment, the preparer multiplies the net book

value (depreciable basis less the accumulated depreciation) by 0.005.

(3) Liability losses. The preparer multiplies total personnel costs (line 1 and personnel cost portion of line 4) by 0.007.

g. Travel. Expected annual cost of travel/transportation incurred by the MEO - which will not be provided to the contractor - is captured here. The preparer consults with the organization's budget officer in developing this estimate.

h. Other costs.

(1) *Minor items.* As with facilities and capital equipment, minor items on-hand and intended for continued use by the MEO are offered to the contractor. Therefore, the cost of minor items is a common cost. The preparer includes in the in-house estimate any minor item that is not offered to the contractor but will be used by the MEO. The cost of a minor item is calculated as 10 percent of the original acquisition cost of the item.

(2) *Augmentation contracts.*

(a) Purchased services supporting the MEO (such as printing, packing and crating, consultants, or other work required in the PWS but not staffed with Army personnel in the MEO) may contain labor costs subject to economic price adjustment clauses. If so, the applicable labor portion is not escalated by outyear inflation factors.

(b) The cost of purchased services is adjusted for federal income tax revenue by applying the industry-specific tax rate in the DA Form 7376-R software to the total cost of augmentation contracts supporting the MEO.

(c) The contract administration costs for augmentation contracts are included in line 3.

5–10. Overhead - line 4

Overhead includes two major categories of costs: Operations and General and Administrative Overhead.

a. Operations overhead. The first supervisory work center one level above and in support of the CAs is considered operations overhead. This includes the administrative, clerical, budgetary, and other support services provided by the division and directorate in which the CAs are located.

b. General and administrative (G&A) overhead. This includes all other work centers that provide support services to the CAs. These may include work centers located off post, such as regional medical centers or central payroll offices. Some examples of G&A support services are: personnel office services, finance and accounting office services, procurement office services, and administrative support branch services.

c. For each year of the cost comparison, Line 4 is calculated by multiplying Line 1, including fringe, by 12 percent (.12) and entering the total on Line 4. If military personnel are included in Line 1, apply the 12 percent factor to civilian MEO Line 1 costs only. The composite military rate should include all military related overhead.

5–11. Additional costs - DA Form 7376-R line 5

a. This cost element includes any costs incurred by the Army which are not reflected in the cost elements above. Shown here are the costs resulting from unusual or special circumstances that may be encountered in particular cost studies.

b. Examples include office and plant arrangements, transport, employee recruitment, training, relocation, and other expenses.

c. Under DA Form 7376-R comments, as provided for in the DA Form 7376-R software, the preparer supports line 5 entries by defining the type of cost reported, justifying its inclusion, explaining the underlying assumptions and methods of computation used to determine the cost, and identifying in detail the specific components or elements of cost which comprise the total amount reported.

Section III
Contract Performance Costs

5–12. Contract price - DA Form 7376-R line 7

a. The contract or IGS price reflects the cost to perform the requirements of the PWS as presented by the offeror selected to compete with the in-house work force. The solicitation for bids or proposals will notify the offerors that a comparison will be made between the cost of contracting, the cost of the in-house performance and if appropriate, the cost of performance through an IGS agreement. A contract may or may not be awarded as a result.

(1) For an advertised firm fixed price contract, the price of the low bidder or offeror is entered here. If a firm fixed price contract is negotiated, the negotiated price is the contract price.

(2) For a fixed price contract with flexible pricing arrangements (such as fixed price incentive fee), the target price is entered here.

(3) For a cost reimbursement-type contract, the ceiling price of the low negotiated offer and the fee, if applicable, to be earned if the contractor provides the minimum acceptable performance comprise the contract price.

(4) For a time and material or labor-hour contract, the estimated total cost of performance is entered here.

b. State and local taxes. When legal counsel determines that the contractor will be liable for sales, special use, or other taxes, the contractor includes estimates of these taxes in the contract price.

c. Tax-exempt competitors.

(1) If the apparent low bidder or offeror is a tax-exempt organization, the DA Form 7376-R preparer adjusts the contract price to include the federal, state, and local income taxes that would be paid by the lowest priced bidder or offeror who is subject to taxes. This adjustment identifies which bidder or offeror has the lower overall cost to the government.

(2) The federal income tax estimate for the taxable competitor is made in accordance with the procedures in paragraph 5-17b. State and local taxes are estimated for the taxable competitor by multiplying the bid or offer by the applicable tax rate found in COMPARE software.

(3) The preparer adds 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 taxable competitors.

(4) The preparer compares the tax-exempt competitor's tax-adjusted price to the taxable competitor's price. The lowest cost bidder or offeror after this comparison competes with the Army's MEO. If the tax-exempt competitor's tax-adjusted price is lower than the taxable competitor's price, the preparer enters the unadjusted price of the tax-exempt competitor on line 7 of the DA Form 7376-R.

5–13. Contract administration - line 8

a. Contract administration costs are the costs incurred by the Army to ensure that a contract or IGS agreement is faithfully executed. These efforts include reviewing contractor or IGS performance and compliance with the terms of the contract or IGS agreement (quality control plan), processing payments, negotiating change orders, and monitoring the closeout of contract or IGS operations. (The majority of quality assurance work is a common cost.)

b. Contract administration provided by civilians is costed as in line 1. For contract administration provided by military personnel, FTEs are costed using the current military standard composite rates contained in the COMPARE software. Contract administration FTEs (civilian/military) may not exceed the ceilings shown in table 5-1. Material/supply costs and other costs specifically related to the contract administration FTEs are costed as in lines 2 and 3, respectively.

Table 5–1
Contract administration ceilings

MEO Staffing FTEs	Contract Administration FTEs
10 or less	.5
11 - 20	1
21 - 50	2
51 - 75	3
76 - 100	4
101 - 120	5
121 - 150	6
151 - 200	7

Table 5–1
Contract administration ceilings—Continued

MEO Staffing FTEs	Contract Administration FTEs
201 - 250	8
251 - 300	9
301 - 350	10
351 - 450	11
451 and above	2.5% of in-house MEO staffing

5–14. Additional costs - line 9

a. The categories of cost on the DA Form 7376-R substantially reduce the need to include elements of additional costs. Additional costs are those costs not reflected in other cost elements which will be incurred by the Army only under contractor operation.

b. This category encompasses 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.

c. Under DA Form 7376-R comments, as provided for in the COMPARE software, the preparer supports line 9 entries by defining the type of cost reported, justifying the cost's inclusion, showing the methods of cost computation, and (if applicable) listing in detail the cost components. For example: the supporting documentation for additional costs of transportation would 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.

d. When an in-house activity is terminated in favor of contract or IGS performance and the agency elects to hold MEO equipment and facilities on standby, solely to maintain performance capability, the standby costs are not to be charged to the cost of the contract.

5–15. One-time conversion costs - line 10

a. These costs are one-time expenses incurred by the Army in converting from in-house, to contract or IGS performance.

b. Material-related costs. When material is disposed of or transferred to another government facility, the estimated recovery cost, or original material cost in the case of an intergovernmental transfer, less the cost of disposal or transfer is included as a one-time (gain or loss.) The cost of disposal or transfer of excess material that results from a conversion is estimated by multiplying current replacement cost by 0.035 to obtain the cost of packing, crating and handling, and by 0.0375 to obtain the cost of transportation. If the transfer of existing materials to the contract or IGS offeror is feasible, and the agency elects not to provide the material, no charge for conducting the inventory is permitted.

c. Labor-related costs.

(1) Separation costs. For cost estimating purposes, the DA Form 7376-R preparer uses 4 percent of the annual basic pay (performance period 1 only) entered on Line 1, without fringe benefits

(2) Other costs of homeowner assistance, relocation, retraining, and unusually high retirement are estimated with the help of the CPAC. Rationale and computations are included under DA Form 7376-R comments, as provided for in the COMPARE software.

d. Other transition costs.

(1) Certain pre-conversion tasks are normally required after contract or IGS award and before contractor or IGS start date to ensure an orderly transition from one work force to another. Among these tasks are inventories, employee interviews and security clearance processing. The costs for these tasks are included in the bid or offer (line 7).

(2) Costs incurred by the Army during the pre-conversion period, including time spent indoctrinating the contractor or IGS offeror and conducting inventories, are included in the cost comparison. The costs of transition to the MEO are excluded because these costs would be incurred regardless of the outcome of the cost competition.

(3) The contractor or IGS offeror is expected to perform fully from the first day of contract performance. Thus, no transition costs are incurred by the Army after contract or IGS start date.

5–16. Gain/loss of assets on disposal/transfer - line 11

a. When developing the MEO, certain assets may be found to be no longer needed. These assets may be disposed of or transferred without consideration in a cost comparison. Only those assets that are used by the MEO and not made available to the contractor or IGS are considered. MEO assets should not be disposed of or transferred unless there is an economic advantage to do so.

b. The estimated disposal value, minus the estimated cost of disposal or transfer, constitutes a revenue or an outflow of funds. The disposal value of an asset is derived from the useful life and disposal value table in the COMPARE software. The table provides a percentage by FSC which is multiplied by the acquisition cost to determine value at time of disposal. From the disposal value, the CCF preparer subtracts the estimated cost of disposal or transfer obtained as described in para 5-15b, above. If the resulting net disposal value is a positive number, the gain reduces the cost of contracting and is entered in parenthesis on CCF line 11. Otherwise, the value is entered without parenthesis.

c. 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.

d. Normally, a gain or loss on disposal/transfer of assets will occur during the first PoP. However, there may be cases where the contractor will be furnished Government equipment through the first PoP or longer, and disposal/transfer will result in a gain/loss in a PoP other than the first.

5–17. Federal income tax (deduct) - DA Form 7376-R line 12

a. A contract with the Army provides the contractor with income subject to federal income tax and those taxes provide additional revenue to the Treasury. The estimated tax is deducted from the contractor's costs (again to the government) on the DA Form 7376-R. This adjustment does not apply to tax-exempt contractors.

b. The tax is computed by multiplying the industry-specific tax rate in the DA Form 7376-R software for the CA's services by the contract price (line 7) for each term of the performance period. The estimated tax is then entered on Line 12 as a deduction from the contract price.

Section IV
Decision Computations

5–18. Conversion differential - line 14

The conversion differential is the minimum savings to be gained from converting from one method of operation to another. The differential reflects the unpredictable costs inherent in changing the status quo. These include such costs as retained pay and the temporary loss of productivity associated with a conversion. The conversion differential is the lesser of 10 percent of personnel costs (line 1) or $10 million over the performance period.

5–19. Total adjusted in-house costs - line 15

If the cost comparison is being conducted to determine if an activity should be converted from contract or IGS performance to in-house operation, the conversion differential as calculated above (line 14) is added to the in-house performance cost estimate (line 6, total column only) and the sum is entered under adjusted total cost of in-house performance (line 15). The amount in the total column for Line 13 is replicated on line 16.

5–20. Total adjusted contract or IGS costs - line 16

If the cost comparison is being conducted to determine if an activity should be converted from in-house operation to contract of IGS performance, the conversion differential as calculated above (line 14) is added to the contract performance cost estimate (line 13, total column only) and the sum is entered under adjusted total cost of contract or IGS performance (line 15). The amount in the total column for line 6 is replicated on line 15.

5–21. Cost comparison decision - lines 17 and 18

Subtract line 15 from line 16 and enter the result on line 17. A positive amount on line 17 supports a decision to perform the activity with in-house resources. A negative amount on line 17 supports a decision to accomplish the work with contract resources. Indicate in the appropriate block on line 18 the decision supported by line 17.

Section V
Streamlined Cost Competition for Activities with 65 Civilian FTE or Less

5–22. General

a. The Streamlined Cost Competition process assumes that the activity being considered is regularly performed by contract. Thus, it assumes that existing fixed price contracts can be used, with only minor modification, to define the scope of the competition and to avoid the need for the development of a new or original Performance Work Statement (PWS) or a formal solicitation. (The Streamlined Cost Competition process may not be used in determining whether contracted activities should be converted to in-house performance; use the Transfer Cost Study procedures in Chapter 9 instead.)

b. The in-house cost will be based on the current work force. c. See DA Form 7377-R (Streamlined A-76 Cost Comparison Form (SCCF) Limited to 65 FTE or Less)). DA Form 7377-R can be locally reproduced on 8 1/2-by 11-inch paper. A copy for reproduction purposes is located at the back of this pamphlet. Additionally, DA Form 7377-R may be electronically generated. The electronically generated form must contain all data elements and follow the exact format of the existing printed form. All required signatures must appear on the electronically generated form. The form number of the electronically generated form will be shown as DA Form 7377-R-E and the date will be the same as the date of the current edition of the printed form.

5–23. Instructions For DA Form 7377-R, Streamlined Cost Comparison Form Personnel and Material and Supply Cost (lines 1 and 2)

Based on current organization. Compute in accordance with paragraphs 5-7 and 5-8.

5–24. Overhead (line 3)

Compute in accordance with paragraph 5-10.

5–25. Other (line 4)

Compute in accordance with paragraph 5-11. No other in-house costs will calculated.

5–26. Total In-house Cost (line 5)

Compute by adding lines 1 through 4.

5–27. Highest Contract or IGS Price (line 6)

Upon receipt of the sealed in-house cost estimate, the contracting officer will develop a range of contract cost estimates, based upon not less than four comparable service contracts or IGS offers adjusted for size and scope. Enter the highest contract or IGS price. If, however, the contracting officer finds that four comparable contracts or IGS offers are not available, a Full Cost Competition Study may be conducted IAW AR 5-20.

5–28. Contract Administration (line 7)

Compute by using table 5-1 above.

5–29. Federal Taxes (-) (line 8)

Tax adjustment computation will be made to contract price in accordance with paragraph 5-12c. However, no adjustment will be made to an IGS price.

5–30. Total Contract or IGS Price (line 9)

Compute by adding lines 6 through 8.

5–31. Minimum Conversion Differential (line 10)

Enter the lesser of 10 percent of line 1 or $10M over the performance period.

5–32. Total Cost of In-house Performance (line 11)

Enter amount in line 5.

5–33. Adjusted Total Cost of Contract or IGS Performance (line 12)

Compute by adding lines 9 and 10.

5–34. Cost Comparison (line 13)

Line 12 minus line 11. (Enter negative number in parentheses.)

5–35. Cost Comparison Decision (line 14)

Perform in-house: If line 13 is positive (adjusted total contract or IGS cost is greater than adjusted total in-house cost), the activity will continue to be performed in-house.Convert to Contract or IGS: If line 13 is negative, an initial decision is made that the activity will be performed by contract or IGS and a solicitation is issued or IGS agreement initiated.

Section VI
The Independent Review

5–36. Documents provided to the Independent Reviewer

a. Full Cost Competition Study - The independent reviewer receives the following documents:

(1) The DA Form 7376-R, signed and dated by the preparer of the in-house estimate and by the MEO certifying official;

(2) The COMPARE software that the DA Form 7376-R was based on; and,

(3) A copy of the PWS and management study.

b. Streamlined Cost Competition Study - The independent reviewer receives the following documents:

(1) The DA Form 7377-R, signed and dated by the preparer of the in-house cost estimate.

(2) An MEO certificate, signed and dated by the installation commander or his designee (Figure 7-5); and,

(3) A copy of the PWS.

5–37. Performing the Independent Review

a. The independent review verifies the cost estimate before the CCF is submitted to the contracting officer. The reviewer verifies that:

(1) The in-house cost estimate is based on the most current standard cost factors and is consistent with the estimating procedures in the preceding sections.

(2) The MEO is a reasonable estimate of the resources needed to perform the same quantity and quality of work required of the contractor in the PWS.

b. The USAAA reviews all cost competitions of functions with more than 65 FTEs. The study team should verify that all of the items listed in the DA Form 7378-R (Pre-Audit Cost Study Checklist) are complete. DA Form 7378-R can be locally reproduced on 8 1/2-by 11-inch paper. A copy for reproduction purposes is located at the back of this pamphlet. Additionally, DA Form 7378-R may be electronically generated. The electronically generated form must contain all data elements and follow the exact format of the existing printed form. All required signatures must

appear on the electronically generated form. The form number of the electronically generated form will be shown as DA Form 7378-R-E and the date will be the same as the date of the current edition of the printed form. The installation selects an independent reviewer — usually the Internal Review Office for cost competitions of functions with 65 or fewer FTEs.

c. The review is scheduled to provide no more than 30 days to review a single function activity study and no more than 60 days to review a multi- function activity study.

d. The reviewer notifies the CA manager of apparent deviations from the cost estimating procedures as soon as the discrepancy is discovered. Such discrepancies are normally resolved informally as the review proceeds. When local resolution of a cost estimating issue fails, the reviewer provides a written report of the issue to the CA manager and temporarily suspends local review pending expeditious resolution by higher headquarters, as explained below.

e. The MACOM and the USAAA attempt to resolve cost-related discrepancies that cannot be resolved locally. If their resolution efforts fail, the major command (MACOM) and USAAA report the cost estimating issue through command channels, with recommendations, to HQDA (the Auditor General and the Assistant Chief of Staff for Installation Management (ACSIM)) for resolution. MACOM/USAAA or HQDA resolution is conducted expeditiously so as not to delay the cost competition.

f. Although the independent review is not a program audit of the installation's management practices, apparent discrepancies beyond the scope of the review, found during that review, cannot be overlooked. Such issues are resolved through command channels. Resolution of these issues must not delay the completion of the independent review or the cost competition.

g. Upon completion of the review, the reviewer provides the CA manager with a written report describing any cost estimating errors found and resolved. The reviewer certifies the accuracy and reasonableness of the cost estimate by signing the DA Form 7376-R after any and all cost-related discrepancies are corrected.

h. The CA manager delivers the DA Form 7376-R signed by the reviewer, the reviewer's report, and the documentation supporting the cost estimate to the contracting officer. These documents are delivered in a sealed and dated envelope before the time established for receipt of contractors' bids/initial proposals. If the CA manager determines that more time is needed to develop the Army's cost estimate (see also para 5-4c), the CA manager notifies the contracting officer. The contracting officer then postpones the date for receipt of bids or initial proposals. Without exception, the contracting officer allows no one to open the sealed in-house estimate, or any subsequent amendments to the estimate, until the cost comparison bid opening is conducted.

5–38. Summary of Chapter 5, Cost estimating process

a. Consists of costing, independent review, and (if necessary) cost revision.

b. Develops costs shown on the computer-generated DA Form 7376-R-E or identified in supporting documentation for both full and streamlined cost comparison. Cost estimates:

(1) Are based on a MEO certified typically by the installation commander or his designee.

(2) Distinguish between operational and general and administrative overhead.

(3) Cover approximately five fiscal years of performance.

(4) Are made using standard procedures and cost factors.

(5) Use current data, and inflate current values for the outyears.

c. The independent reviewer verifies that:

(1) The cost estimate is based on the most current standard cost factors, using standard costing procedures.

(2) The MEO is a reasonable estimate of the resources needed to perform the same quantity and quality of work required of the contractor in the PWS.

d. Concludes before the deadline specified in the solicitation for receipt of contractor bids or initial proposals when:

(1) The independent reviewer certifies the accuracy and reasonableness of the cost estimate by signing the DA Form 7376-R after any and all cost-related discrepancies are resolved; and

(2) The CA manager delivers (in a dated, sealed envelope) the cost comparison package to the contracting officer. The package consists of the DA Form 7376-R, the reviewer's report, and the documentation supporting the cost estimate.

Chapter 6
Solicitation and Source Selection

Section I
Solicitation

6–1. Overview

This chapter describes the solicitation process that follows preparation of the PWS (Chapter 3) and precedes completion of the management study (Chapter 4). It also describes the activities involved in planning for the solicitation, soliciting for contractor bids/proposals, and source selection. These activities are called the acquisition process.

6–2. Solicit for bids/proposals

The purpose of the CA program is to identify the least costly method of performance of a commercial activity. Since the least costly mode of performance is not known in advance, the Army compares the cost of in-house and contract or Intragovernmental Support (IGS) performance. To compare these costs requires soliciting for bids/proposals.

6–3. Solicitation

a. A solicitation is a formal document containing the PWS, attachments to the PWS such as maps and technical exhibits, and the terms and conditions prospective bidders/offerors must meet for procuring services by contract or IGS. These terms and conditions include the type of contract that may result from the solicitation, evaluation criteria for selection, and special clauses and provisions governing the procurement. Government solicitations generally take one of two forms: Invitation for Bids (IFB) or Request for Proposals (RFP). Both the IFB and the RFP are based upon the specifics in the PWS and its attachments.

b. The IFB is a solicitation document used in sealed bid contracting. There are two key considerations in selecting the sealed bid method. The PWS requirements must be clearly stated, and these requirements must remain relatively stable during the life of the contract. The sealed bid process permits no discussion of PWS requirements. Under sealed bidding, a contract is awarded to the responsible bidder who was responsive to the requirements stated in the IFB and whose bid was the lowest price offered.

c. If your Contracting Officer determines that sealed bidding is not appropriate, then the negotiation method is used. The solicitation document used in the negotiation method is the RFP. The RFP has the same purpose as the IFB — that is, to communicate the government's requirements to prospective offerors and solicit offers from them. The RFP usually calls for separate technical (how the offeror will perform the PWS requirements), management, and cost (how much) proposals from the offeror. Considerations in selecting the negotiation method are the PWS requirements and the need for the government to conduct discussions with the offerors. The PWS in this case may not be as detailed and specific as the PWS in the IFB.

6–4. When solicitation occurs

The solicitation phase begins after you have finished writing the PWS and QASP, and while you are completing the management study. It cannot proceed until the Contracting Officer has reviewed your PWS to ensure that it is adequate and appropriate to serve as a basis for solicitation and award and the JAG office has reviewed the document for legal sufficiency. The solicitation phase will continue while you are developing the government "bid" and having that reviewed by the independent reviewer. The solicitation process ends

at cost comparison bid opening, where bids or best value proposal are compared against the in-house "bid" (in-house cost estimate) and the apparent low bidder/offeror is identified (see Chapter 7).

6–5. Conducting solicitations

a. The solicitation process and the activities encompassing planning for solicitation and selecting a bidder/offeror (that is, the acquisition process) are the responsibility of your installation contracting office. The DOC representative on your CA study team will guide you through the acquisition process. However, you play a vital role in assisting your DOC in completing the following acquisition milestones (including solicitation):

b. Acquisition Planning (AP).

c. Purchase Request (PR).

d. Independent Government Estimate (IGE).

e. Determination of Personal/Nonpersonal Services.

f. Wage Determination, Standard Form 98/98A Notice of Intention to Make a Service Contract and Response to Notice.

g. Source Selection Plan (SSP) (paragraph 6-21).

h. Synopsis in the Commerce Business Daily (CBD).

i. Evaluation Factors: Price and Technical.

j. Award Fee Rating Plan (if applicable).

k. Standard CA Clauses and Provisions (Boilerplate).

l. Issuance of Solicitation: IFB or RFP.

m. Pre-Award Inquiries.

n. Pre-Bid or Pre-Proposal Conference.

o. Evaluation of RFP Proposals.

p. Source Selection.

6–6. Precautions in participation

The amended Procurement Integrity Act prohibits all federal government employees from disclosing unauthorized proprietary and source selection information. Individuals participating in PWS development, management study, in-house cost estimate, and the source selection process could be prohibited from employment consideration on contracts resulting from a CA study. These individuals could be considered to be "procurement officials." Additionally, individuals may be subject to other statutes and regulations concerning acceptance of gratuities, employment discussions, post-federal employment restrictions, and disclosure of proprietary and source selection information. If you believe that your involvement in the acquisition process makes you a procurement official, consult your Staff Judge Advocate Office for guidance on prohibited conduct and employment restrictions.

6–7. Acquisition Planning

a. FAR 7.1 requires government agencies to develop a strategy for managing the acquisition process. This strategy is called acquisition planning. When you conduct CA studies you must develop either a formal AP or establish an advance acquisition planning (AAP) system to start the acquisition process. Acquisition planning occurs while you are developing the PWS.

b. AFARS 7.103 requires a written AP for base support when the estimated cost of the contract is $30,000,000 totaled over the life of the contract, or $5,000,000 for any fiscal year. Your MACOM may establish separate monetary thresholds governing AP development for dollar thresholds lower than the limits prescribed by AFARS.

c. Your DOC representative on the CA study team will prepare and maintain the AP for your CA study. SARDA Lessons Learned Bulletin Number 7 outlines required AP contents. The written AP will address all the technical, business, management, and other significant considerations that will control acquisition.

d. AAP system. While APs apply to planning for the more complex and costly CA studies, acquisition planning principles apply to all services. AFARS 7.1 requires all MACOMs to establish an AAP system affecting, as a minimum, all significant or sensitive contracting requirements under AP dollar thresholds. Although any acquisition strategy developed under AAP is a less formal document than an AP, you should still incorporate the principles of acquisition planning. Your DOC representative will prepare this acquisition strategy.

e. Approvals. AP and AAP system approval is required prior to soliciting for bids/offers. AFARS 7.1 delegates approval to the PARC for the above cited dollar thresholds. Note that you don't have to wait for approvals prior to starting work on the PWS.

6–8. Proceeding with solicitation

a. Once you have completed the PWS and acquired acquisition plan/acquisition strategy approval, you are now ready to proceed with solicitation. To begin the solicitation process, you must provide your DOC with a DA form 3953, Purchase Request and Commitment (PR).

b. The DA Form 3953 is prepared by the functional manager of the function you are studying and provides the DOC with the information and approvals necessary for initiating a procurement. The DA Form 3953 directly contains or contains by attachment the following elements:

(1) Certification of funds availability.

(2) Independent Government Estimate (IGE).

(3) Acquisition plan (if required).

(4) Technical evaluation factors for award (if factors in addition to price apply).

(5) PWS and attachments.

(6) Inspection and acceptance requirements.

(7) Service delivery and performance requirements.

(8) Special contracting clauses and provisions that apply to CA-related procurements.

c. Certification of funds availability is vital to procurement to avoid violation of the Anti-Deficiency Act, which says that you can not commit the government to buy anything without sufficient funds to cover the procurement. Severe civil and criminal penalties are invoked if the Anti-Deficiency Act is violated.

d. Before issuing the solicitation, an IGE is prepared by individuals who have knowledge of the work to be contracted and the manner in which private industry would perform this or similar work. For your CA study, these individuals are typically the functional manager and the DOC representative on the CA study team. The IGE is prepared as soon as you have identified the work to be included in the PWS.

(1) The IGE is prepared in as much detail as if the government were competing for award (which, for CA studies, it is). Estimates range from very simple to very complex depending on how difficult the services you want to buy are and if you have data available to you to develop the IGE. The simple estimate may be based on budget history and the preparer's technical knowledge. The complex estimate may be based on drawings, specifications, performance standards, industry standards, workload, prior contracts, special studies, and any other historical data available.

(2) Before beginning development of the IGE, check with your DOC for local and MACOM guidance on any specific format or form requirements.

(3) The IGE should have cost estimates for all of the elements that contribute to the contract price. Some of the elements to be estimated are:

(a) Labor by categories of work.

(b) Labor hours required for each category.

(c) Equipment and materials.

(d) Travel.

(e) Other costs.

(f) To quantify the estimate in terms of dollars, apply an overhead cost to the estimated labor costs to cover G&A, profit, or award fee. The estimate should not be based on discussions with a contractor; hence the term "independent" government estimate. Document the rationale explaining the estimate for every element of cost.

(4) Access to information concerning the IGE will be limited to government personnel whose official duties require knowledge of the estimate. NOTE: The IGE is in no way associated with the in-house cost estimate based on the MEO used in CA cost comparisons.

(5) Avoiding conflict of interest. The following individuals should not participate in IGE preparation:

(a) Personnel who participated in development of the MEO or the in-house cost estimate.

(b) Personnel who have knowledge of the MEO or the in-house cost estimate.

(c) Members of the SSEB and other individuals involved in the source selection process (paragraph 6-18).

6–9. Determination of personal/nonpersonal services

In reviewing the PWS you forward with the purchase request, the DOC will determine if it contains any personal services. Personal service contracts are strictly prohibited unless specifically authorized by law. A personal services contract, by its expressed terms or how it is administered, makes contractor personnel appear to be government employees. This happens when it appears that contractor personnel are subject to relatively close and continuous government supervision. Your DOC representative will advise you to either omit those PWS tasks identified as personal services, or rewrite the task descriptions to omit any personal service-type references.

6–10. Wage determination, SF 98/98A

a. For every solicitation involving the purchase of services (vice materials) where the contract amount is expected to exceed $2,500, your Contracting Officer must submit to the Department of Labor (DOL) a SF 98/98A (Request for Wage Determination). The SF 98/98A is referred to as a request for DOL wage determination. The wage determination sets the minimum wages and fringe benefits that contractors and/or their subcontractors must pay their employees subject to the Service Contract Act and Davis-Bacon Act. The wage determination becomes part of the solicitation.

b. Application to CA studies. Since CA studies involve potential procurement of services in excess of $2,500, a Department of Labor wage determination is required. Your Contracting Office representative fills out the SF 98/98A with assistance from the functional manager. Completing the SF 98/98A and filing the forms with the Department of Labor is the DOC's responsibility. Both forms must be filled out completely or else the Department of Labor will return the forms without processing. The CA manager is responsible for ensuring that your DOC is aware of current cost study milestones to allow them enough time to request and receive wage determinations prior to solicitation.

c. Tips for completing the SF 98/98A. Block 8c of the SF 98 and blocks 12 and 13 of the SF 98A are of particular importance. The Department of Labor needs to know whether there is a collective bargaining agreement in place if the PWS requirements are currently being performed by union members. Wage determinations may be based on the rates contained in collective bargaining agreements in place at the site where the PWS requirements will be performed. In completing blocks 12 and 13 of the SF 98A, keep in mind that the Department of Labor is interested in the types of positions a contractor might use to perform the work in the PWS. NOTE: Under no circumstances will anyone list the MEO positions on the SF 98A. The MEO only applies to how the government will perform the work in the PWS; the MEO has no bearing on how the contractor may perform the work in the PWS. Refer to the Department of Labor Service Contract Act Directory of Occupations for industry titles and title descriptions when completing block 12 of the SF 98A. If the job title/description doesn't match the type of position you believe the contractor may use to perform the work in the PWS, submit a job description for the position in question to your Contracting Officer. Your DOC will forward it along with the SF 98/98A to the Department of Labor. The Department of Labor will match your job description against their index for a "best fit" . Refer any questions concerning SF 98/98A preparation to the HQDA Labor Advisor (DAJA-KLL).

d. Submittal deadlines. The SF 98/98A must be submitted to the Department of Labor no less than 60 days (but not more than 120 days) prior to solicitation to ensure that you have the most current wage determination for inclusion in the solicitation, and that you will receive the wage determination in time to include it in the solicitation. If the wage determination from the Department of Labor is not received in time for solicitation, the wage determination will be issued as an amendment to the solicitation.

e. Basis for wage determinations. The Department of Labor bases wage determinations on all available wage rate information. Determinations are generally based on surveys of the private sector conducted by the Department of Labor Bureau of Labor Statistics, or on wage rates and fringe benefits contained in collective bargaining agreements when the Department of Labor determines these agreements prevail in a locality for specified occupational classes of employees. Wage determinations may also be based on the rates contained in a contractor's collective bargaining agreement in effect during a previous contract period. The Service Contract Act requires that the collective bargaining agreement rates become the minimum rates under the new contract or option period (extension of existing contract). If a collective bargaining agreement is in place, the Department of Labor will issue a wage determination containing these rates.

f. Challenging wage determinations. If the functional manager suspects the wage determinations are wrong — for example, if information is available showing that the collective bargaining agreement rates are substantially higher than locally prevailing rates — you can request your DOC to challenge the wage determination. However, experience shows that such a challenge will routinely take far more time than is available in a typical cost competition. Requesting a "substantial variance" hearing and receiving a decision have taken well over a year in some cases.

6–11. Synopsis in the Commerce Business Daily (CBD)

a. Before issuing the solicitation, public announcement of the Army's intention to conduct a CA cost comparison at your installation must occur. The purpose of this public announcement is to ensure that all bidders/offerors who might be interested in bidding/submitting a proposal are given the opportunity to do so. This public announcement is made by forwarding to the CBD a synopsis of the services/functions in your CA study. It is your DOC's responsibility to prepare the synopsis; however, they may ask you to provide a paragraph(s) describing what the PWS covers.

b. Specifically, your DOC will prepare the synopsis, submit the synopsis to the CBD, and ensure that the CBD publishes the synopsis for a minimum of 30 days. If your DOC determines that there are not enough offerors/bidders during the lst CBD, a 2d CBD will be published, and a 3rd if necessary over a 30 day period with a minimum of 15 days between notices. The synopsis should also be published in mass media in nearby cities if notices in the CBD fail to produce interested bidders/offerors.

c. Your SADBU Office will also assist in identifying potential bidders/offerors.

6–12. Selecting a solicitation method

a. Deciding which method is appropriate to your solicitation (IFB or RFP) is an important decision and ultimately a contracting officer responsibility. Contracting Officers consider many factors in selecting the appropriate method to use in any acquisition, such as the type and conditions of work to be performed.

b. The two main types of government contracts are fixed-price and cost-reimbursement. A fixed-price contract, which best uses the basic profit motive of business enterprise, is used when the risk involved is minimal to the government or can be predicted with an acceptable degree of certainty. Cost-reimbursement type contracts should be considered when a reasonable basis for firm pricing doesn't exist. The FAR requires contracts resulting from sealed bidding (IFB) be fixed-price while contracts resulting from negotiation (RFP) may be fixed-price or cost-reimbursement or a combination of both.

c. Selecting the contract type is generally a matter of discussion between the CA analyst, the functional manager, and the DOC's representative on your CA study team. Final selection of a contract type is made by the Contracting officer. Negotiating the contract

type and negotiating prices are closely related and should be considered together. Negotiations should be directed toward selecting a contract type (or combination of types) that will appropriately tie profit to contractor performance. The objective is to choose a contract type and price (or estimate and fee) that will result in reasonable contractor risk and provide the contractor with the greatest incentive for efficient and economical performance. Note: The contract type should match the conditions of your procurement. Don't force your procurement to fit a particular contract type.

6–13. Evaluation factors

a. Evaluation factors state the criteria against which proposals are evaluated in negotiated procurements. The factors that will be considered in evaluating proposals are tailored to the requirements and include only those factors that will affect the source selection decision. The evaluation factors that apply, and the relative importance of those factors are within the broad discretion of your DOC.

b. Past performance, price, and quality must be included in the evaluation factors. Quality may be expressed in terms such as: the offeror's technical excellence, management capability, personnel qualifications, prior experience, past performance on other contracts, and delivery schedule compliance.

c. The lowest price of a technically acceptable offer is the deciding factor in many source selections. In certain acquisitions, the government may select the offeror whose proposal presents the greatest value to the government in terms of performance at a higher cost.

d. The solicitation for your CA study will clearly state the evaluation factors, and will be considered in making a source selection. The solicitation will also state the relative importance of each evaluation factor. However, numerical weights which may be used in evaluating proposals should not be disclosed in the solicitation. The solicitation informs offerors of minimum requirements that apply to evaluation factors/subfactors.

6–14. Award fee rating plan

a. One kind of cost-reimbursable type contract is a cost-plus-award-fee contract. Should the contracting officer decide on a cost-plus-award-fee contract, the CA team will need to develop an award fee rating plan. Your DOC's representative will solicit your advice in developing an award fee rating plan.

b. The award fee consists of the following:

(1) A base fee amount (which may be zero) fixed at the inception of the contract. The base fee will not exceed three percent of the estimated cost of the contract.

(2) An award amount, based upon a judgmental evaluation by the government, sufficient to provide motivation for excellence in contract performance. The maximum fee (base fee plus award fee) will not exceed regulatory profit limitations.

c. The rating plan criteria is structured to motivate the contractor to improve performance in the areas rated, but not at the expense of at least minimum acceptable performance in the areas not rated. Typical award fee rating plans focus on timeliness of delivery of services, quality of work, and effectiveness in controlling and/or reducing costs.

6–15. Standard CA clauses and provisions

a. Assisting your DOC in preparing the solicitation will ensure that standard clauses pertaining to CA studies are included in the solicitation. Standard clauses and provisions are paragraphs lifted from the FAR that tell prospective bidders/offerors of specific standard contracting requirements that they must be aware of and meet to be considered in the evaluation process.

b. These standard clauses, often referred to as "boilerplate" clauses, are usually contained in Part II and Sections I of the Uniform Contract Format. The Uniform Contract Format is a prescribed format for preparing IFBs and RFPs. Your PWS is Section C of the Uniform Contract Format.

c. One of the most important standard clauses is the "Inspection of Services" clause. This clause permits the government to inspect services at all times and places during the life of the contract. The clause provides rights, and remedies, to ensure the government receives full value for monies paid. There are two different "Inspection of Services" clauses, one for fixed-price contracts and one for cost-reimbursement contracts.

d. There are two other basic standard clauses that pertain to procurements under the CA Program. They are called the "Notice of Cost Comparison" clause and the "Right of First Refusal" clause. The "Notice of Cost Comparison" clause has two separate versions, one for sealed bid procurements and one for negotiated procurements. The "Notice of Cost Comparison" clause notifies bidders/offerors that the award of a contract resulting from the solicitation is contingent on the outcome of a CA cost comparison. The "Right of First Refusal" clause requires that government employees displaced as a result of a CA study have the right of first refusal for jobs for which they are qualified that are created by the award of the contract. The contractor determines whether the government employees are qualified.

e. In addition to the standard clauses, your solicitation also should include a requirement for a strike contingency plan describing the actions the contractor will take to avoid interruption of service. Your solicitation should have a requirement for the contractor to participate in mobilization planning and exercises. Remember the contractor may require a security clearance to control sensitive information or gain access to secure areas within the worksite. It is important that contractor employees not supervise government personnel. Ensure that your solicitation reflects this requirement as a condition of employment.

6–16. Pre-award inquiries

Once the DOC issues the solicitation, you may receive pre-award inquiries from prospective bidders/offerors. Pre-award inquiries are questions and comments about PWS specifications, terms, and conditions in the solicitation. All inquiries must be in writing and referred to the Contracting Officer for response to avoid situations that might be construed as improper disclosure of information, or giving one bidder/offeror an improper advantage over another. The Contracting Officer may ask you to prepare a written response to the inquiry. Note that most inquiries can be avoided by ensuring that the solicitation document is complete, clear, and unambiguous.

6–17. Pre-bid or pre-proposal conference

a. For complex procurements, your Contracting Officer may decide to hold a pre-bid or pre-proposal conference sometime before the closing date for submission of offers.

b. The pre-bid or pre-proposal conference is a meeting held to:

(1) Provide an opportunity for bidders/offerors to view the publications library which has been assembled for their use and photocopy documents required in preparing a realistic bid or proposal. The contracting officer will arrange a date and time for bidders/offerors to view the publications library, designate an individual to safeguard documents in the publications library while being inspected/photocopied by bidders/offerors, and determine whether fees should be charged for photocopied documents.

(2) Explain any revisions that have been made to the PWS and/or solicitation requirements.

(3) Address any inquiries from bidders/offerors.

c. The contracting officer will ask you to prepare written answers to questions raised during the conferences.

d. The pre-proposal conference is not usually held at the same time as the site visit and publications library visit. Prior to the pre-proposal conference, the contracting officer will announce to prospective offerors a date for a site visit for inspection of the worksite and government-furnished property (GFP). The Contracting Officer will arrange the date and time for the site visit with the manager of the function under study and CA manager to ensure that the site visit will not interfere with normal operations of the organization.

Section II
Source Selection

6–18. Source selection

The entire process by which the government examines and evaluates bids/proposals leading to the award is called "source selection." The source selection process can be formal or informal. The source selection process is considered "formal" when a specific evaluation group structure is established to evaluate proposals and select the source (an offeror) for award. It involves developing a source selection plan to evaluate proposals and evaluating proposals submitted in response to an RFP.

6–19. When source selection occurs

Source selection begins early in the acquisition process. Before issuing the solicitation, a source selection authority (SSA) must be appointed by the HCA, the source selection plan must be developed, and the SSA must approve the source selection plan. Evaluation of proposals occurs after the closing date for receipt of offers and before cost comparison.

6–20. Source selection team

a. If your DOC decides on a formal source selection process, a source selection team or source selection organization will be formed. This typically consists of a SSA, a Source Selection Evaluation Board (SSEB), and a Source Selection Advisory Council (SSAC).

b. The SSA is a manager at a level in an installation hierarchy above the CA manager. Usually, the SSA is a top executive with thorough understanding of all factors bearing on the source selection. In most cases, the SSA is the commander or Contracting Officer.

c. The SSEB consists of technical experts (one member being appointed as chairman) who evaluate the proposals. The SSEB prepares the SSA for source selection. The size of the SSEB will vary depending on the number of proposals received and the size (estimated contract or IGS cost and complexity of PWS requirements) of the solicitation. The SSEB cannot include any members who may be directly affected by the cost comparison decision, including members of the following:

(1) Management study team.

(2) Preparer of the in-house cost estimate.

(3) Preparer(s) of the IGE.

(4) The function under CA study.These individuals can serve on the SSAC as advisors to the SSEB, but not as actual members of the SSEB to avoid the appearance of impropriety.

d. To the SSEB's evaluation is added the judgment of senior military and civilian officials who represent the various functional areas involved in the CA study. This body of functional advisors is called the SSAC. SSAC members are not full-time SSEB members, but can oversee and provide guidance to the SSEB. However, it is preferable to have representatives from your MACOM serve on the SSAC to avoid conflict of interest problems.

e. In addition to the restrictions discussed in para 6-6 above, additional considerations remain in designating individuals as "procurement officials" for CA studies. Participation on a SSAC assisting the SSEB usually would be considered "personal and substantial" involvement, if participation involved ranking individual proposals. However, providing general technical information about a functional area to the SSEB may not constitute personal and substantial involvement. The determination of what positions may pose a problem with the Amended Procurement Integrity Act must be made on a case by case basis by the local Ethics Counselor, who is usually the installation SJA or Legal Counsel. When local functional experts excuse themselves because of a desire to discuss employment with an offeror, it may be necessary to seek functional expertise to assist the SSEB from other installations or your MACOM.

f. A clear separation, but not isolation, of the functions of evaluation and selection is a principle of the formal source selection procedure. The SSA is intended to have maximum latitude in selecting the source. For this reason, the SSAC doesn't make selection recommendations to the SSA, unless specifically requested. After the SSEB evaluates proposals, the SSAC provides the SSA with a comparative analysis of each proposal, and the members of both the SSAC and the SSEB remain available for consultation with the SSA.

6–21. The source selection plan (SSP)

a. The SSP is the written guide for the source selection process. It describes how proposals will be solicited and evaluated. It also reflects who will evaluate proposals, composition of the SSEB, functional areas required to be presented, determination of security needs, and a milestone schedule for completion of evaluations. In substance, the SSP is the government's description of how it intends to determine the best offeror for the government to compare the in-house cost with. The cost comparison decision determines how the government will purchase the services required of the function. It emphasizes what is important and gives the relative importance of selection criteria.

b. Your Contracting Officer will oversee the preparation of the SSP. It will be reviewed by your CA manager, attorney advisor, key SSEB and SSAC members, and approved by the SSA before issuance of the solicitation. While the selection process is formally set in motion by the designation of the SSA, most basic planning and preparation for evaluation must be completed prior to that time. Preparation of the SSP should be initiated in advance of the SSA appointment and prior to holding pre-proposal conferences to ensure timely completion of the selection process. Preparation occurs after completion of the AP or acquisition strategy and prior to synopsis in the CBD.

c. The SSP is used to perform the following activities:

(1) Translate the objectives stated in the AP or the acquisition strategy into a specific approach for evaluating proposals.

(2) Communicate selection approach to CA manager, Contracting Officer, attorney advisor, and SSA through the SSEB and SSAC.

(3) Serve as a directive to the SSEB.

(4) Describe the criteria and techniques used to evaluate proposals.

(5) Schedule milestones for procurement.

6–22. Evaluation of RFP proposals

a. Your Contracting Officer will compare each proposal with RFP requirements to ensure the offerors have complied with the requirements and have provided the information necessary for evaluation. Offerors who have not addressed the RFP requirements may be eliminated from further consideration. The SSEB will then give each responsive proposal a comprehensive evaluation. The evaluation is an assessment of both the proposal and the offeror's ability to successfully accomplish PWS requirements and will be based only on those factors specified in the solicitation.

b. The evaluation determines the offeror's understanding of PWS requirements and ability to perform the work in the PWS. The SSEB will look at the offeror's technical work experience, qualifications of key personnel, proposed staffing, corporate and government experience, financial management capabilities, and quality control techniques. The SSEB will also evaluate whether the offeror's price for performing the PWS requirements is reasonable. Evaluation of proposals are a full-time effort for the SSEB.

c. After evaluating all proposals, the SSEB will compile and document the cumulative strengths and weaknesses of each proposal and provide a final report to the SSA. The SSA will select proposals which are most advantageous to the government in terms of technical capability and reasonableness of cost. The proposals selected are not necessarily the least expensive proposals.

d. Your Contracting Officer will determine which proposals are in the competitive range for the purpose of conducting written or oral discussions with the offerors. The competitive range includes proposals with a reasonable chance of being selected for award, and/or proposals that after discussions could be strengthened to have a reasonable chance of being selected for award.

e. After establishing the competitive range, your Contracting Officer determines whether to conduct discussions or if a contract can be awarded from the initial proposals. Any discussions must be conducted with all responsible offerors. The discussions are not public and may take the form of oral or written communication. Discussions, or written communications, will determine the acceptability of the offers to the government. Discussions will also provide the offeror a chance to revise or modify his/her proposal, and allow the government to revise or modify contract requirements before award. If the discussions are successful, then each offeror will submit a "best and final offer" based on government's expectations for reasonableness.

f. Source selection evaluation and discussions with offerors should be completed within 90 days of the closing date for receipt of proposals.

6–23. Source selection decisions

Once your Contracting Officer receives best and final offers, the SSA uses the factors established in the solicitation to make the source selection decision. The SSA uses the rankings, ratings, and recommendations prepared by the SSEB and SSAC in making the decision. The SSA selects the one offeror who will participate in the CA cost comparison and enter into competition with the government's in-house cost estimate.

6–24. Summary of Chapter 6, Solicitation and Source Selection

a. Solicitation.

(1) Soliciting for bids/proposals is required to set up the cost competition.

(2) A solicitation is a formal document containing the PWS, attachments to the PWS such as maps and technical exhibits, and the terms and conditions for procuring services.

(3) The DOC is responsible for conducting the solicitation after PWS/QASP development and while the management study is finalized. The Contracting Officer (KO) and Judge Advocate General (JAG) review the PWS while the in-house cost estimate is being prepared. Solicitation ends with cost comparison bid opening.

(4) The IGE is not the in-house cost estimate (in-house bid).

(5) Several statutes, including the amended Procurement Integrity Act, prohibit federal government employees from disclosing unauthorized proprietary and source selection information.

(6) Acquisition planning is a strategy for managing the acquisition process which requires preparing either a formal AP or establishing an AAP system, depending on the size and complexity of the proposed acquisition.

(7) A DA Form 3953 is prepared by the functional manager and contains the information and approvals necessary for initiating a procurement.

(8) The Department of Labor wage determination sets the minimum wages and fringe benefits that contractors must pay their employees, subject to the Service Contract Act and Davis-Bacon Act. The wage determination can be challenged if you suspect that the wage determination is wrong.

(9) A synopsis in the CBD results in the compilation of a list of potential bidders/offerors and alerts small businesses to potential contracts and subcontracts.

(10) The two main types of government contracts are fixed-price and cost-reimbursement. The contract type should match the conditions of your procurement.

(a) A fixed-price contract usually results from an Invitation for Bids (IFB) solicitation and is used when the risk involved is minimal or can be predicted with an acceptable degree of certainty.

(b) A cost-reimbursement contract results from a Request for Proposals (RFP) solicitation and is used when a reasonable base for firm pricing doesn't exist. Fixed-price contracts can also result from RFPs.

(11) Evaluation factors state the criteria against which proposals are compared in negotiated procurements and must include both price and quality. The lowest price or total cost of a technically acceptable offer is the deciding factor in many source selections; however, the government may select the offeror whose proposal presents the greatest value to the government in terms of performance.

(12) An award fee rating plan is developed for a cost-plus-award-fee contract. It consists of a base fee and an award fee sufficient to provide motivation for excellence in contract performance. Rating plan criteria are structured to motivate the contractor to improve performance in the areas rated, but not at the expense of at least minimal acceptable performance in the areas not rated.

(13) Standard CA clauses and provisions lifted from the FAR tell prospective bidders/offerors of specific standard contracting requirements that they must be aware of and meet to be considered in the evaluation process.

b. Source selection. Source selection is the entire process by which the government examines and evaluates bids/proposals leading up to awarding a contract or IGS.

(1) Source selection can be formal or informal. In a formal source selection for a negotiated (RFP) procurement, a Source Selection Evaluation Board (SSEB) and a Source Selection Advisory Council are typically formed. The SSEB consists of technical experts who evaluate proposals and prepare the SSA for source selection. The SSAC is made up of senior military and civilian officials representing the various functional areas involved in the CA study who provide guidance to the SSEB and advise the SSA.

(2) The SSP is the written guide for the source selection process. It describes how proposals will be solicited and how they will be evaluated. It reflects who will evaluate proposals, composition of the SSEB (if a formal source selection), functional areas required to be presented, determination of security needs, and a timetable for contract execution.

(3) RFP proposals are evaluated to determine the offeror's technical work experience, qualifications of key personnel, proposed staffing, corporate and government experience, financial management capabilities, and quality control techniques.

(4) The SSA — usually the commander or contracting officer — selects the one offeror who will participate in the cost comparison and enter into competition with the government's in-house cost estimate.

Chapter 7
Cost Comparison

Section I
Cost Comparison Bid Opening, Appeals and Protests, and Final Decision for Full Cost Competition Studies

7–1. The cost comparison bid opening

The cost comparison bid opening for a Full Cost Competition Study is the actual comparison of the estimated in-house costs to those of the selected offeror (contractor or IGS). At this time, the in-house cost estimate ("in-house bid") is opened and the selected contractor or IGS offer (bid or proposal) is entered on line 7 of the DA Form 7376-R. The result of the cost comparison bid opening is the Initial Decision. Section I of this chapter covers the cost comparison bid opening, appeals and protests, and Final Decision processes for a Full Cost Competition Study. Section II covers those processes for a Streamlined Cost Competition Study. Section III covers appeals/protests and Final Decision for a Direct Conversion Study.

7–2. When to conduct the cost comparison bid opening

a. Sealed bid procurement. The cost comparison is performed on the date specified in the solicitation as the bid opening date.

b. Negotiated procurement. The cost comparison is conducted after all negotiations have been completed and the offerors have submitted their best and final proposal. For a formal source selection, the Source Selection Evaluation Board (SSEB) provides an evaluation of proposals to aid in the final selection of the best and final proposal and the Source Selection Authority (SSA) selects the

offer that provides the best value to the Army. This proposal is compared to the in-house cost estimate.

c. Notify your MACOM of the date of the cost comparison bid opening so the MACOM can begin publishing orders to establish the Administrative Appeals Board (AAB) (paragraph 7-6c).

7–3. Participants in the cost comparison bid opening

a. The cost comparison bid opening is normally conducted by the contracting officer and a representative from the CA management office. The latter participant may be the CA program manager, the CA study team leader, or the individual who prepared the in-house cost estimate, or any combination of the three.

b. Who attends the cost comparison depends on the type of acquisition you have chosen.

(1) Sealed bid is an open procedure which may be attended by all interested parties. This includes any or all of the bidders, the employees of the function under study, union representatives, and any other parties involved in the decision. The only constraint on the number of participants is the location where the bid opening and cost comparison are held. In many cases, this is a conference room in the procurement office. You should be aware of any space constraints and consult with the Contracting Officer before announcing the cost comparison. If the room is small, the employees will have to nominate two or three individuals to represent them rather than all attending.

(2) Under a negotiated procurement, only the Contracting Officer and the CA office representative may attend the cost comparison. The name of the low bidder is not released until after certain formalities are completed by the Contracting Officer. Therefore, all information pertaining to the cost comparison is regarded as sensitive until these formalities and other required announcement discussed below are accomplished.

7–4. Actions following the cost comparison bid opening

a. Sealed bid procurement.

(1) At the public cost comparison bid opening, the Contracting Officer or his/her designee records all bids received. If no acceptable bids are received, the in-house cost estimate remains sealed.

(2) After recording the bids, the Contracting Officer opens the sealed envelope containing the DA Form 7376-R and enters the price of the apparent low bidder. Following this, the CA office representative performs the calculations necessary to complete the DA Form 7376-R. These calculations are then checked by the independent reviewer or a representative from your Internal Review Office.

(3) Once the calculations have been verified, the Contracting Officer or his/her designee announces the initial decision. The decision is, at this point, only tentative. It is subject to review by the contracting officials, including further evaluation of the bids to ensure they are responsive and responsible. It is also subject to appeals and protests. The Contracting Officer advises the attendees of this. At this time the contracting officer also sets the dates for the public review period and for receipt of Administrative Appeals.

(a) Responsive means that the bid complies in all material respects with the invitation for bids (IFB) (for example, is submitted on time and with all forms completed correctly).

(b) Responsible means ensuring that the offeror has or will have the capacity, capability and financial resources to complete the job. Also, the contractor must not appear on the list of parties excluded from procurement actions.

(4) Employee meeting.

(a) It is a good idea to convene a meeting of the affected employees to confirm the initial decision and make sure everyone hears the same thing at the same time. Make arrangements for the meeting in advance and secure a meeting place that will accommodate the entire affected workforce. If the meeting will be held in a central location, such as the post theater, you will also need to arrange for transportation to and from the meeting site.

(b) This is the time to remind the employees of the administrative appeals procedure and of the dates for public review and submitting appeals. You should also remind them of their employment rights and that now is the time to make sure their personnel files are in order. Be sure you let them know that, even if the initial decision is for the MEO, there will be changes in the future, and in all likelihood a RIF. One of the most frequent misconceptions we have observed is that a decision to implement the MEO means "business as usual." If the employees have this idea, the realization down the road that they are being reassigned or otherwise impacted by the cost competition will be more disruptive than if this is made clear from the outset.

b. Negotiated procurement.

(1) Prior to the time set for the cost comparison, the Contracting Officer will have received the source selection decision from the SSA. At the cost comparison, the Contracting Officer, in the presence of your CA office representative, opens the sealed envelope containing the DA Form 7376-R and enters the amount of the selected cost proposal. Your CA representative then completes the calculations on the DA Form 7376-R. As in the sealed bid procedure, the calculations are then verified by the independent reviewer or a representative from your Internal Review Office.

(2) You must publicly announce the initial decision to the affected employees. The best way to accomplish this is to convene a meeting of all the affected employees so they all hear the same message. Again, you need to make the arrangements for the meeting, transportation, and so forth well in advance of the scheduled announcement date. As for the sealed bid procedure, be sure you tell the employees about the Administrative Appeals process, give them the dates for the public review period and submitting appeals, and advise them of their employment rights and that, regardless of the initial decision, it will not be "business as usual" (see paragraph 7-4a(4) above).

7–5. Public review

a. The public review period provides all interested parties an opportunity to review the documentation supporting the in-house cost estimate and the completed cost comparison form. The purpose of the review is to ensure that there were no errors in computing the in-house cost, or in completing the DA Form 7376-R. You will need to make available the following documentation for the public review period:

(1) The completed DA Form 7376-R.

(2) Back-up documents for the in-house cost estimate, such as the DA Form 7376-R audit trail and materials lists.

(3) The complete management study report.

b. You will need to plan for the public review period prior to the cost comparison bid opening date. You should arrange for a facility for the review period with necessary furnishings for the reviewers. Be prepared to move the appropriate documentation to that location immediately following the cost comparison bid opening..

c. Interested parties include the employees of the activity under study, unions and other employee organizations representing affected federal employees, and contractors who responded to the solicitation. Any of these persons may review the study documentation and submit an appeal if they feel it is warranted.

d. For sealed bid procurement, the Contracting Officer will announce the dates for the public review period at the cost comparison bid opening. These dates will correspond with those specified in the solicitation. The public review period will begin on the date of bid opening and will last for a period of 20 calendar days. MACOM may extend the period to a maximum of 30 days if the cost comparison is particularly complex.

e. For negotiated procurement, the public review period will begin on the day following MACOM notification of the initial decision. It lasts for 20 calendar days from that date. MACOM may extend the period to a maximum of 30 days if the cost comparison is particularly complex.

f. If any interested party finds what is believed to be an error, he/she may file an administrative appeal following published procedures. If no errors are identified, you can complete the Final Decision Report and proceed with the cost study process.

7–6. Administrative appeals

a. An appeal of a cost competition must address specific line items on the DA Form 7376-R and explain the deviation from established costing procedures. It must also identify documentation to support the claim. Appeals based on factors other than cost or compliance with OMB Circular A-76 procedures, such as the selection of one contractor over another, the decision to conduct the study, or management decisions within the management study, will not be considered.

b. Administrative appeals must be submitted in writing to the Contracting Officer. They must be received by the close of the public review period in order to be considered. If an appeal is filed late, or otherwise does not comply with the established procedures, there will be no further opportunity to appeal. It is important that you make this clear to the employees in the function. Any appeal they wish to submit must address costing issues or noncompliance with OMB Circular A-76 procedures. It also must be submitted in writing and on time. The Contracting Officer will forward the appeal to the MACOM within five calendar days of receipt.

c. The MACOM appoints the Administrative Appeals Board (AAB) on formal orders. The AAB's duty is to address all appeals that comply with the submission procedures. The AAB may be appointed to render a decision on one specific cost competition decision or it may be a standing board to consider appeals of all cost competition decisions over a given period of time.

(1) The AAB is made up of at least three individuals. These individuals should be senior military or civilian personnel who have some knowledge or experience in CA program requirements and costing procedures, contracting, or management. A legal advisor experienced in the procurement process should be available to the board, as needed. The AAB members must be impartial and avoid any and all appearance of conflict of interest. The Staff Judge Advocate will review AAB candidates for potential conflict of interest prior to official appointment.

(2) The following lists categories of personnel who are not eligible to serve as members of the AAB:

(a) Anyone who took part in the cost study under appeal.

(b) Anyone directly associated with the function in the cost study under appeal.

(c) Anyone working in the activity or anyone having spouses, children, parents, siblings, or household members working in the activity in the cost study under appeal.

(d) Anyone working for the command or organization having direct jurisdiction or control over the activity in the cost study under appeal.

(3) The AAB chairperson must meet the following criteria:

(a) Be from an organization that neither supports nor receives support from the activity in the cost study under appeal.

(b) Be from another installation or command or from the MACOM.

(c) Be of the same or higher rank or grade as the official who approved the initial decision.

(4) The AAB is activated as soon as the first appeal is received. This means that the members must be selected and appointed prior to the initial decision. The AAB reviews all issues raised in each appeal. They also review all of the documentation supporting the in-house cost estimate and the initial decision. The AAB may also ask personnel involved in the study to provide additional information or explanation of cost study materials.

(5) The AAB prepares a written decision on each valid appeal. The decision must address each allegation in the appeal, including what consideration was given the claim and explanation if the allegation is disallowed. With the exception of invalid appeals, the AAB must render its decision within 30 calendar days of receipt of the individual appeal.

(a) If the AAB determines that an appeal is not in compliance with submission criteria, it will return the appeal to the appellant immediately with an explanation of why the appeal is non-compliant.

(b) Appeals may be upheld in their entirety, meaning that the AAB finds in the appellants' favor on all allegations within the appeal. Appeals may also be denied if the allegations are not substantiated by the documentation supporting the cost estimates. In many cases, however, the AAB will uphold some of the allegations and deny others within the same appeal. The total effect of the AAB findings on the initial decision is determined by the AAB.

(6) If the AAB determines that errors were made in the cost estimates, the AAB chairperson will direct the cost estimating official to correct the errors on the DA Form 7376-R. The installation Internal Review Office will then verify the revised calculations.

(a) If the decision of the AAB does not reverse the initial decision, a copy of the written decision on each appeal is provided to the appellant and qualified interested parties. A copy is also provided to the installation Contracting Officer and CA program manager and to the MACOM CA program manager. The installation CA office will forward a copy of the findings to the MACOM with the final decision report. At this point, the installation will continue with the remainder of the CA process.

(b) If the decision changes the results of the initial decision, the AAB chairperson will notify the CA manager so he/she can notify the MACOM of the new decision and then to the local community. A copy of the written decision on each appeal is provided to the appellant and to affected parties. Copies are also given to installation managers as noted in paragraph (a) above.

(c) The decision of the AAB is final. No further appeals will be considered, even if the AAB findings reverse the initial decision. AAB decisions are not subject to negotiation, arbitration, or agreement.

7–7. General Accounting Office (GAO) protests

a. Contractors participating in any government procurement may protest to the GAO.

b. Private contractors are the only parties who may file protests to the GAO regarding the results of a CA cost competition. Contractors may also use the administrative appeals process as discussed above, but this is not required. The protest must be filed with the GAO within 10 working days after the AAB has rendered their decision.

c. If a protest is filed, the GAO will notify the installation contracting office that a contractor has filed a protest. At this point, you must stop the CA process until the GAO renders their decision. The contracting officer and the CA office will need to furnish the GAO with whatever supporting documentation they require to reach their decision. Once they have received the supporting documentation, the GAO has 100 working days (or 65 calendar days under the express option) to render a decision on the protest, unless GAO establishes a longer period of time. The GAO will provide a written decision on all points of the protest, including instructions to the installation regarding corrective action, as required.

d. The installation Contracting Officer and CA office will take the necessary action to implement the GAO recommendations or directions. Once this is accomplished, the CA study process should continue to completion.

7–8. Final decision for a full cost competition study

a. The final decision is just what it implies: the decision to contract, perform the work by IGS, or continue in-house performance is now final. The final decision incorporates any changes resulting from the administrative appeals and GAO protest processes.

b. After any and all appeals and protests have been resolved, you must submit the DA Form 7379-R (Commercial Activities Final Decision Report) and supporting documentation to your MACOM.

c. You cannot publicly announce or implement the final decision until the MACOM has made the proper notification thru HQDA (OCLL) to Congress (figures 7-2 and 7-3). The Congressional final decision announcement is required for any Cost Competition Study of more than 10 civilian employees. The following documents must accompany the DA Form 7379-R. DA Form 7379-R can be locally reproduced on 8 1/2-by 11-inch paper. A copy for reproduction purposes is located at the back of this pamphlet. Additionally, DA

Form 7379-R may be electronically generated. The electronically generated form must contain all data elements and follow the exact format of the existing printed form. All required signatures must appear on the electronically generated form. The form number of the electronically generated form will be shown as DA Form 7379-R-E and the date will be the same as the date of the current edition of the printed form.

(1) A complete copy of the cost comparison form (with any adjustments after initial decision), the summarized backup data (audit trail for each line of the cost comparison), and independent review summarized findings.

(2) The AAB findings and GAO protest resolution, if applicable.

(3) A floppy disk with an electronic copy of the PWS for others to use. (This may be provided by E-mail.).

(4) The executive summary of the management study. (The entire management study or any portion of it may be provided via floppy disk or E-mail if desired.).

(5) The GIN manpower audit trail, to include residual work force and levied manpower reductions.

(6) If the work of more than 75 military and civilian employees will be converted to contract, an Economic Effects Analysis (Appendix G).

d. Final decision notification "closes the notification loop" with Congress. MACOM notifies Congress thru HQDA of the final decision within seven calendar days of receipt of the DA Form 7379-R from the installation.

e. Once Congress has been notified, your MACOM will authorize announcement and implementation of the final decision. For in-house decisions, this is authorization to cancel your solicitation and implement the MEO. For contract conversions, this is authorization to award a contract. You may make the final decision announcement when notified by the MACOM.

Section II
Cost Comparison, Appeals and Protests, and Final Decision for Streamlined Cost Competition Studies

7–9. The cost comparison

The cost comparison for a Streamlined Cost Competition Study is the actual comparison of the current in-house cost with the highest adjusted contract or IGS price in the range of adjusted prices of at least four comparable existing contracts and/or IGS agreements (see Section V, Chapter 5). The DA Form 7377-R is used. (This is not a "cost comparison bid opening" because no bids are opened at this point in a Streamlined Cost Competition Study.)

7–10. When to conduct the cost comparison.

The cost comparison is conducted after the sealed in-house cost estimate is received and the contracting officer has developed a range of adjusted cost estimates of not less than four comparable existing service contracts or IGS agreements.

7–11. Participants in the cost comparison.

The cost comparison is conducted by the contracting officer and a CA management office representative.

7–12. Actions following the cost comparison.

a. In-house Performance. If the adjusted total cost of in-house performance is less than the adjusted total cost of contract or IGS performance, the contracting officer will announce the initial decision to perform the activity in-house. Upon notification of Federal employees and publication of the initial decision in the Commerce Business Daily (CBD), the Administrative Appeals process will be initiated.

b. Contract or IGS Performance. If the adjusted total cost of in-house performance is more than the adjusted total cost of contract or IGS performance, the contracting officer will announce the initial decision to convert to contract or IGS. Upon notification of Federal employees and publication of the initial decision in the Commerce Business Daily, the Administrative Appeals process will be initiated.

7–13. Public review

a. The public review period provides all interested parties an opportunity to review the documentation supporting the in-house cost estimate and the completed DA Form 7376-R. The purpose of the review is to ensure that there were no errors in computing the DA Form 7377-R. You will need to make available the following documentation for the public review period:

(1) Completed DA Form 7377-R.

(2) Back up documents for the in-house cost estimate, such as the SCCF audit trail and materials lists.

(3) Contract or IGS cost estimates and adjusted cost estimates in the range.

b. You will need to plan for the public review period prior to the cost comparison date. You should arrange for a facility for the review period with necessary furnishings for the reviewers. Be prepared to move the appropriate documentation to that location as soon as the cost comparison is completed.

c. Interested parties include the employees of the activity under study, unions and other employee organizations representing affected federal employees, and interested contractors and IGS providers. Any of these persons may review the study documentation and submit an appeal if they feel it is warranted.

d. If any interested party finds what is believed to be an error, he/she may file an administrative appeal following published procedures. If no errors are identified, in-house performance will continue (if an in-house decision) or contracting officer will solicit for award to contract or IGS performance.

7–14. Administrative appeals and GAO protests.

See paragraphs 7-6 and 7-7. In a Streamlined Cost Competition Study, the administrative appeals process follows the cost comparison, and GAO protests, if any, follow the opening of contractor bids.

7–15. Final Decision for a Streamlined Cost Competition Study

a. The final decision is just what it implies: the decision to perform the work by contract or IGS, or continue in-house performance, is now final. The final decision incorporates any changes resulting from the administrative appeals following cost comparison and any changes resulting from GAO protests following solicitation and conditional contract award.

b. After any and all appeals and protests have been resolved, you must submit the DA Form 7379-R supporting documentation to your MACOM.

c. You cannot publicly announce or implement the final decision until the MACOM has made the proper notification thru HQDA (OCLL) to Congress (figures 7-1 and 7-2). The Congressional final decision announcement is required for any Cost Competition Study of more than 10 civilian employees. The following documents must accompany the DA Form 7379-R for a Streamlined Cost Competition:

(1) A complete copy of the DA Form 7377-R (with any adjustments after initial decision), the summarized backup data (audit trail for each line of the cost comparison), the independent review summarized findings, and, if a contract decision, the cover page of the conditionally awarded contract showing the price of the contract.

(2) The AAB findings and GAO protest resolution, if applicable.

(3) The installation commander's MEO certification statement (Figure 7-3).

(4) A floppy disk with an electronic copy of the PWS for others to use. (This may be provided by E-mail.)

d. Final decision notification "closes the notification loop" with Congress. MACOM notifies Congress thru HQDA (OCLL) of the final decision to convert to contract within seven calendar days of receipt of the DA Form 7379-R from the installation.

e. Once Congress has been notified, your MACOM will authorize announcement and implementation of the final decision. For in-house decisions, this is authorization to continue in-house performance. For contract decisions, this is authorization for contracting

officer to award the contract or IGS agreement. You may make the final decision announcement upon notification by the MACOM.

Section III
Administrative Appeals and Final Decisions for Direct Conversions

7–16. Administrative Appeals and Final Decisions for Direct Conversions

For a direct conversion, the public review, administrative appeals, and GAO protest processes are the same as for a cost competition (paragraphs 7-5 and 7-6). However, these processes follow solicitation and, because there is no cost comparison, the only grounds for appeal is noncompliance with OMB Circular A-76 procedures. After any and all appeals and protests have been resolved, the conversion to contract, in-house, or IGS performance may be implemented as soon as you forward the DA Form 7379-R to your MACOM. (You must have submitted a DA Form 7375-R before beginning the direct conversion study.) For a direct conversion, submit the DA Form 7379-R only no enclosures are required. No Congressional pre-study announcement or final decision notification is required for a direct conversion or cost competition of an in-house activity performed by 10 or fewer civilian employees.

7–17. Summary of Chapter 7, Cost Comparison

a. The cost comparison bid opening is conducted by the Contracting Officer and a CA representative.

b. Anyone may attend the sealed bid cost comparison.

c. Only the Contracting Officer and CA representative attend a cost comparison for a negotiated procurement.

d. The initial decision is announced to the public.

e. A public review period of the documentation is held.

f. Proceed with the remainder of the process only after the public review period is over.

g. An AAB rules on any appeals filed in the cost comparison.

h. Contractors participating may file protests with the GAO.

i. MACOM notifies Congress thru HQDA (OCLL) of final decision.

j. MACOM gives authority for local announcement and implementation of final decision.

k. The cost comparison for a Streamlined Cost Competition Study is conducted after the sealed in-house cost estimate is received and the contracting officer has developed a range of contract cost estimates of not less than four comparable service contracts or IGS offers.

l. For a Streamlined Cost Competition Study, administrative appeals and solicitation follow cost comparison.

m. For a Direct Conversion, the public review, administrative appeals, and GAO protest processes follow solicitation and are similar to those processes for a cost competition study.

DEPARTMENT OF THE ARMY
OFFICE, SECRETARY OF THE ARMY
WASHINGTON, DC 20310-1600

INFORMATION FOR MEMBERS OF CONGRESS:

Commercial Activities at (Installation).

Section 2461 of Title 10, United States Code, requires the Secretary of Defense to provide notification to Congress of any decision to contract performance of a commercial activity or industrial-type function being performed by Department of Defense employees. A synopsis of the Army Commercial Activities study program and the savings resulting from competition for announced studies is enclosed.

A cost comparison study of the (function) at (installation) has resulted in a decision that (contract/in-house) performance is more cost effective and will result in a savings of ($) over a 60-month (or: X month) period. An offer from (contractor name and address) in the amount of ($) was selected to compare to the cost of in-house performance of ($). The Department of the Army certifies that the government in-house cost is based on the installation commander's estimate of the most efficient and cost-effective organization. The performance of these activities by contractor personnel will have no effect on the military mission of the installation.

There will be (#) civilian employees and (#) military personnel affected by this decision. The Army will make every effort to minimize adverse impact on affected employees. (Award of contract/Implementation of MEO) is projected for (month/date/year). Performance is scheduled to begin during (Quarter/FY).

Enclosure (synopsis)

PROVIDED BY:
Office, Chief of
Legislative Liaison

Figure 7-1. Congressional Notification of Final Decision

(MACOM letterhead)

(Office Symbol) (5-20a)

MEMORANDUM FOR CHIEF, SPECIAL ACTIONS BRANCH, CONGRESSIONAL DIVISION, OFFICE OF THE CHIEF LEGISLATIVE LIAISON, 1600 ARMY PENTAGON, WASHINGTON DC 20310-1600

SUBJECT: Congressional Notification of Final Decision for (function) at (installation)

1. The enclosed Information for Members of Congress is forwarded for transmittal to the appropriate congressional staffs IAW 10 USC 2461.

2. This information concerns the final decision at (Installation) to (contract/implement the MEO of) their (function).

3. Please contact (POC and telephone and fax numbers) if you have any questions.

Encl

(SIGNATURE BLOCK)

Figure 7-2. Sample Transmittal Memorandum for Congressional Notification of Final Decision

(Letterhead)

I certify that, to the best of my knowledge and belief, the in-house organization reflected in this cost comparison is the most efficient and cost effective organization that is fully capable of performing the scope of work and tasks required by the Performance Work Statement.

(Commander's signature block)

Figure 7-3. Sample format for Most Efficient Organization (MEO) Certification for a Streamlined Cost Competition

Chapter 8
Contract Administration

Section I
General

8–1. Contract administration

Contract administration refers to those actions taken by the Army to monitor and administer the contract. This includes the actions performed by DOC personnel, such as preparing and negotiating modifications and processing contract payments. It also includes government inspection, or surveillance, of contractor operations.

8–2. Contract administrators

a. A variety of people are involved in contract administration, including the contracting officer (KO), the contracting officer representative (COR), quality assurance evaluators (QAEs) who inspect performance, the property administrator, and even the customers.

b. Contracting Officer. The Contracting Officer is the only official at the installation who has the authority to create or modify a contract. He/she is the only person who can sign contracts on behalf of the government.

c. Contracting Officer's Representative (COR). The Contracting Officer appoints the COR in writing.In this letter of appointment, the Contracting Officer delegates certain responsibilities to the COR to act as his/her designated representative. The COR is frequently the supervisor of the QAEs. The COR appointment letter cautions the COR not to overstep his/her authority to avoid risking contractor claims.

(1) Duties most commonly delegated to CORs include:

(a) Verify that the contractor performs the technical requirements of the contract in accordance with the contract terms, conditions, and specifications.

(b) Perform, or cause to be performed, necessary inspections and verify that the contractor has corrected all deficiencies.

(c) Maintain liaison and direct communications with the contractor. All written correspondence should be signed "Contracting Officer's Representative" with a copy furnished to the Contracting Officer.

(d) Monitor the contractor's performance, notify the contractor of discrepancies observed during surveillance, and direct corrective action. Record and report to the Contracting Officer incidents of faulty or non-conforming work, delays or problems. Submit monthly reports concerning performance of services to the Contracting Officer.

(e) Coordinate site entry for contractor personnel and ensure that the Government Furnished Property (GFP) provided for in the PWS is available when required.

(f) Maintain complete records to describe the performance of duties as COR.

(g) Direct actions of QAEs.

(2) A COR cannot:

(a) Award or sign any contract, delivery orders, or modifications.

(b) Obligate payment of monies.

(c) Change delivery order schedules, funds, or scope of the contract.

(d) Make any contractual agreements, commitments, or modifications involving prices, quantities, quality, or delivery schedules.

d. QAE.

(1) The QAE is the inspector for the contract. His/her primary duty is to monitor the contractor's performance of the required services using the plans and formats included in the QASP. The QAE is someone who is technically proficient in the functions being performed by the contractor. The QAE often works directly for the COR in performing his/her duties.

(2) The QAE's job is to surveil the contractor's work. He/she is not authorized nor expected to offer advice to the contractor or his/her personnel on how the work should be performed. Since QAEs are frequently employees who performed the work before the cost competition, QAEs may be inclined to tell the contractor how they did the work. This must be avoided. If the contractor were to follow the QAE's advice and the work did not meet the PWS standards, the contractor could be relieved of responsibility by stating that he/she did as the QAE instructed. Also, the contractor could file a claim for additional payment if the method recommended by the QAE required more people or work hours. Although the QAE may mean well, the results could be damaging to the government.

e. Property Administrator. Since Army policy is to offer to the contractor all equipment which would be used by the MEO for performance of the PWS, we need someone to administer that property when it is turned over to the contractor. Although the contractor will have a property administrator or manager appointed to maintain accountability of the property in his/her care, the Army must also keep certain records and monitor the contractor to ensure he/she maintains the property properly. The property administrator must work with both the COR and the contracting officer in fulfilling his/her responsibilities to ensure all actions comply with the contract. The property administrator may or may not be a full time position, depending on the quantity of equipment provided to the contractor. Since this position is part of the allotted contract administration staffing, you should carefully review the workload to ensure efficient use of your contract administration resources. The following duties and responsibilities are most commonly assigned to the property administrator:

(1) Evaluate the contractor's requests for decreases or changes to existing GFP.

(2) Assure timely submission of contractually required reports.

(3) Verify any nonconformance to OSHA standards of GFP or facilities reported by government representatives or contractor management personnel.

(4) Obtain a written statement from the contractor reporting incidents of loss, damage, destruction, or unreasonable consumption of government property.

(5) Provide information regarding damage, destruction, or unreasonable consumption of government property to the SJA for determination of contractor responsibility.

(6) Make recommendations to the Contracting Officer concerning the contractor's liability. (The Contracting Officer makes the final written determination.)

(7) Provide, in the case of cost-plus-award-fee contracts, any recommendation needed to determine the part of the award fee which may be predicated on the contractor's control and usage of GFP.

(8) Develop plans for monitoring the administration of GFP in the possession of the contractor.

(9) Maintain property control data files.

f. The Customer. One of the most important persons to monitor the work performed by the contractor is the customer who requests that work. The customer is the best person to recognize errors in the work. Through use of an effective customer complaint program, which is discussed in greater detail below, the customer can provide excellent testimony of the contractor's performance.

8–3. Customer complaint program

a. A good customer complaint program depends largely on how well you publicize it and how well you educate the customer as to his/her responsibilities and recourse. If you plan to use customer complaints as a surveillance method, you must familiarize the customers with the procedures and forms they have to complete. Most people will be reluctant to participate in the customer complaint process if they think it will take a lot of their time or be a continuing problem. It is your responsibility to make sure they know how important it is to do it properly and that the QAEs will work with them to keep it simple.

b. As soon as the final decision is made to award a contract or implement the MEO, you should provide the information on the customer complaint procedures to all customers of the function. You should also issue instructions and contact numbers in the installation newspaper and bulletin. This information should include several copies of the DA form 5477-R, Customer Complaint Record, instructions for filling out the DA form, and telephone numbers for the COR/QAEs. If you know the names of the surveillance personnel, provide these also. If this is not available, you should publish them to the customers as soon as you get the names.

c. If the customers are told how to properly complete the DA form 5477-R and the importance of accurate customer complaint reporting, the job will be easier and less time consuming for the QAE. Remember the QAE must validate each customer complaint before corrective action can be taken. Properly educated customers are less likely to file numerous invalid complaints than those who do not understand the process. This will mean that the QAEs waste less time following up on invalid complaints.

d. In addition, you may design a customer survey questionnaire to be used as an essential part of a well publicized customer complaint program. In time of resource constraints, the use of customer surveys provides an effective and efficient means of monitoring contractor performance. Customer surveys should only supplement other surveillance efforts and be analyzed by surveillance personnel trained in validating customer complaints. Preparation of the proposed customer survey should be crafted by people knowledgeable in research methods and questionnaire writing. Customers should be made aware of minimal contractor performance requirements to be sure that customer responses to survey are valid indicators of actual contractor performance. The survey form should contain a statement of minimal contractor performance requirements as specified in the PWS during contract formation. Customer expectations may exceed the requirements of the contract. Despite its advantages, customer survey techniques cannot entirely replace other surveillance procedures which provide the necessary basis for measuring acceptability of contractor performance and taking deductions for poor or omitted performance.

8–4. Recruiting and training surveillance personnel

a. The CPAC should begin recruiting and training the QAEs and the COR as soon as the initial decision to contract is announced. The job descriptions for COR and QAEs are developed as part of the management study, and should have been approved by the functional manager and the contracting officer (for the COR position) at that time. Since the QAEs will be working for the COR, the COR position should be filled first, if possible, to allow the COR to participate in the selection of personnel to fill the QAE positions. If this is not possible, the functional manager, or a panel of managers will make the selections.

b. The COR needs to be familiar with all aspects of the functions covered by the contract. He/she should also have had some management or supervisory experience since he/she will be managing the surveillance operations and supervising the QAEs.

c. The QAEs must be technically experienced in the functions they will inspect. They should also be skilled in preparing reports since quite a bit of their time will be involved in completing paperwork.

d. In most cases, the COR and QAE positions will be filled by personnel who worked in the function prior to the conversion to contract. They are the most natural nominees for the positions since they are familiar with the work to be performed and the installation. The COR and QAE can have a significant impact on the smooth transition to contractor operations and this corporate knowledge can help.

e. In some instances, there may be military positions assigned as permanent COR and/or QAEs. This is an acceptable alternative; however, remember some of the drawbacks. The military personnel will probably not be at the installation for the duration of the contract. This means that the surveillance effort could lose some of the continuity that occurs with civilian employees who are not required to relocate periodically. Also, military personnel are frequently required to perform other services in conjunction with their military status. This may conflict with the inspection schedule and cause frequent schedule revisions. Lastly, in the event of mobilization, there may be no one to monitor the contract at a crucial time. The bottom line is that you should carefully consider all of these issues in determining whether to use military personnel in surveillance positions.

f. Once the COR and QAE positions have been filled, the next step is to train the people. They should all receive as much training as possible before the contract or MEO start date. If the surveillance staff is not familiar with what is required of them, they will not be able to adequately monitor the contractor's performance.

(1) There are various formal courses available on contract administration for CORs and QAEs. Unfortunately, most do not focus on surveillance of service contracts. As part of your early planning, you should have made arrangements to get the inspection personnel into formal courses at the appropriate time. If this was not done, you should get the CPAC training office to see if at least some of the personnel can get in scheduled classes on a space available basis. The rest of the surveillance staff should be scheduled for training in the next available class. Remember, however, that while they are in class the other inspectors will have to cover their areas of inspection.

(2) The most important training for the COR and QAE personnel is to become familiar with the requirements of the contract. The second most important is to become familiar with the QASP.

(a) The COR needs to be given at least one complete copy of the contract as soon as he/she is appointed. It is a good practice to give him/her one for his/her own use and a second one to use as an office copy. Since he/she will monitor the entire contract surveillance effort, he/she needs to be familiar with the required services and other contract clauses.

(b) At a minimum, each QAE should be provided with a copy of the section of the PWS he/she will be monitoring. Every reviewer of the contract should receive entire copies of the contract. Everyone needs to become thoroughly familiar with all requirements of their section as quickly as possible to perform their duties. The QAEs should be encouraged to ask questions about any part of the PWS or contract they do not understand. This will prevent problems later on.

(c) Both the COR and the QAEs receive a copy of the QASP. This is the document they will work from during the performance of their duties. It contains instructions for conducting surveillance and the forms to report the results of their inspections. They must be able to use this document to do their jobs. It may be helpful if the team who develops the QASP is available to discuss it with the COR and QAE staff and to clarify any problems before the contractor or MEO starts to work.

Section II
Quality Assurance

8–5. Quality assurance

a. QA is a structured program the Army uses to monitor the actions of either the contractor or the MEO to ensure the Army gets the work required by the PWS. The information gained in QA evaluations also supports decisions related to contract payments, deductions, and award fee determinations.

b. QA versus quality control (QC). QA and QC are frequently confused or used interchangeably. However, they refer to distinctly different actions performed by different organizations. QA involves those actions taken by the government to inspect goods or services to determine whether they meet the requirements of the PWS. QC, on the other hand, refers to those actions taken by a contractor or the MEO to control their production of goods or services so that they will meet the requirements of the PWS. QC is performed by the contractor's management team or by the supervisors in the MEO.

c. Who performs QA.

(1) QA for CA contracts may be performed by a separate organization comprised of the COR and the QAEs. This staff may be augmented by a clerical position to assist in completing the surveillance forms and correspondence. QA is also performed by the customers of the function through use of the customer complaint program.

(2) The positions in the GIN staff are not intended to perform QA. Those positions are fully workloaded and justified in the management study. GIN staff are not to have the added responsibility of QA, except as appropriate as a customer.

(3) QA for CA MEOs may be conducted by a separate organization also. DRM personnel frequently perform QA. Do not confuse the supervisor's quality control of his/her employee's work with QA.

8–6. Quality Assurance Surveillance Plan (QASP)

a. The QASP is a formal document the Army prepares to ensure a systematic inspection of the required services. The QASP is not a part of the PWS, and should not be issued with the solicitation for two reasons: the QASP is subject to unilateral changes throughout the life of the contract and should not be made a part of that document; and you do not want the contractor to use the QASP as a format for his/her QC plan. Since the contractor's QC plan is an evaluation item during source selection, it should reflect the contractor's understanding of the requirements, not the Army's position. For this second reason, many installations prefer to regard the QASP as a procurement sensitive document.

b. The QASP has several uses:

(1) It provides the QAEs with a guide to systematically and effectively monitor the contractor or MEO's performance.

(2) It outlines the corrective procedures to be taken against the contractor or the MEO for deficient performance. These measures include issuance of discrepancy reports requiring corrective action responses and determinations affecting contract payments and award fee determinations.

(3) It provides a means whereby the Contracting Officer or COR can evaluate the performance of the QAEs in monitoring PWS execution.

c. You need to develop QASPs for both an in-house and a contractor win. Either method of operation requires surveillance to ensure the contractor or the MEO perform to the performance standards and required services specified in the PWS.

d. How and when and who develops the QASP

(1) The QASP is usually developed by the PWS team. Since they have written the PWS, they are intimately familiar with the required services and can best use that knowledge in writing the QASP.

(2) The QASP is based on the performance requirements summary (PRS) and the workload contained in the PWS. The PRS is key to developing the QASP since it lists the required services, the standards which must be met, the Acceptable Level of Performance (ALP) (formerly known as acceptable quality level or AQL), the lot composition, the planned method of surveillance, and, if appropriate, the contract deduction percentage. All of this information is required by the COR and QAEs to complete their surveillance forms and compile reports of contractor or MEO performance. SARDA Acquisition Letter 88-5 issued GAO Decision B-224230 of 9 Jan 87 requiring the PRS to contain ALPs and deduction percentages from contractor billings for exceeding ALPs. Since such information could significantly affect the performance cost, this requirement benefits the government by maximizing competition and allowing contractors to bid lower prices.

(3) The QASP is a detailed, step-by-step plan for inspecting the services. When designing the plan, you need to keep in mind the number of contract administration personnel allowed by regulatory guidance (Table 5-1). Whenever possible, you should plan surveillance activities to conserve inspection resources.

(4) Your PWS team writes the QASP once they have completed the PWS. Since the milestones for completing the PWS are fixed, your PWS team will probably not have time to devote much effort to the QASP until the PWS has been submitted to the DOC. Although the QASP will not be used until a final decision is reached, it is not a good idea to postpone work on it. The QASP should be completed as soon as possible after the PWS is out of the way. This will allow time for test surveillance and revision to the plan if necessary.

8–7. QASP components

a. Although your QASP must be tailored to meet your specific PWS requirements and operating conditions, certain regulations govern the basic methodology and procedures.

b. The following is the recommended format for the QASP, based on ANSI/ASQC Z1.4-1993, OFPP Pamphlet No. 4, AFARS, and Army experience.

(1) Introduction.
(a) Purpose.
(b) Functions surveyed.
(2) How to use the plan.
(a) Scheduling.
(b) Sampling procedures.
(c) Inspection procedures.
(d) Documentation/reporting procedures.
(3) Types of surveillance forms.
(a) DA form 5475-R, Surveillance schedule.
(b) Sampling guide.
(c) DA form 5481-R, Tally Checklist.
(d) DA Form 5476-R, Surveillance Activity Checklist.
(e) DA form 5477-R.
(f) DA Form 5478-R, Decision Table.
(g) DA Form 5479-R, Contract discrepancy report.
(h) Work statement discrepancy report.
(4) Annexes.
(a) DA Form 5473-R.
(b) Table of inspection sample sizes.
(c) Inspection sampling plans.
(d) Random number tables.
(e) Contract deduction formula.

c. Use this structural guide to formulate both the in-house and contractor QASPs. The surveillance procedures are essentially the same, with emphasis placed on the use of random sampling to monitor a contractor operation and planned sampling and customer complaints for performance by the MEO. Reduced inspection for the latter is recommended based on the restricted PWS surveillance staffing for in-house wins and the reporting channels already established within the government, such as performance appraisals, document flow, status reports. Reporting procedures will differ in that reports will not be forwarded through the Contracting Officer for in-house operations, but through an individual or office specifically designated for that purpose. Notifications to correct deficiencies will be processed similarly for both; however, contract deductions and award fee payments do not apply to the MEO. DA Form 5475-R can be locally reproduced on 8 1/2-by 11-inch paper. A copy for

reproduction purposes is located at the back of this pamphlet. Additionally, DA Form 5475-R may be electronically generated. The electronically generated form must contain all data elements and follow the exact format of the existing printed form. All required signatures must appear on the electronically generated form. The form number of the electronically generated form will be shown as DA Form 5475-R-E and the date will be the same as the date of the current edition of the printed form.

d. Sampling techniques.

(1) Before selecting the most effective surveillance method, review the lot composition previously determined by your PWS study team. The primary factor to consider when selecting the appropriate lot is whether monitoring it will measure the required service. The ideal lot is one that is homogeneous, can be readily batched, and does not require observation while the contractor or in-house work force is performing the actual work, but can be inspected later on a random basis. Examples include work orders, manifest entries, inventory data cards, purchase orders.

(2) Changes to the DA form 5473-R may be necessary as the appropriate surveillance technique is tested and the ALP is verified for each required service during the test surveillance period.

(3) You can use various surveillance methods to monitor contractor or MEO performance. In selecting the surveillance method for each requirement, keep in mind the type of requirement to be monitored, other surveillance requirements, and availability of surveillance resources. Also consider the geographical layout of your installation. Travel to and from inspection sites may dictate which surveillance method you choose. The following paragraphs discuss the preferred methods of surveillance and the considerations for their use.

(4) Random sampling.

(a) Random sampling is a method whereby some part, but not all of contractor or MEO performance is evaluated. What distinguishes it as random sampling is that each service output in the lot has an equal chance of being selected for inspection. In this manner, the QAE need only make a few observations from which to project the quality of the entire lot. The organization performing the work does not know which service output will be observed, consequently all must be done correctly. Also, the QAE is prevented from biasing the sample by his/her own judgment. The disadvantage to random sampling is that it may fail to focus attention on a specific problem area.

(b) Random sampling is preferred when surveillance resources are limited, the surveillance lot is large and relatively homogeneous, the service requirements occur continuously or frequently (otherwise an inspector may have to be devoted full time to one activity), the activities are located in the same general geographical area, and a well documented performance audit trail is available to use for evaluation, such as completed work orders, tape library logs.

(c) Random sampling is the preferred method for CA service contracts because it provides a non-biased, comprehensive evaluation of contractor or MEO performance with an efficient use of limited inspector personnel.

(5) Planned sampling.

(a) Planned sampling also inspects some part, but not all of the activities being monitored. Work outputs are selected in accordance with subjective criteria established in the QASP. This criteria must be documented and applied consistently throughout the observation period and from one period to the next. Surveillance consistency enables the QAE to detect trends in performance and requires less inspector training time and document/report revisions. The advantages to this method are that the QAE can focus attention on known problem areas, and the contractor or MEO has greater incentive to improve those deficient areas. However, because the observations are not selected randomly, you cannot compare the quality of the sampled output and the lot as a whole.

(b) Planned sampling is preferred when specific services must be monitored due to individual importance or cost and/or where the contractor or MEO has a record of poor performance, the surveillance population (lot) is small, the services to be monitored are at several sites and can be scheduled to conserve inspection travel time, or the activity does not need to be monitored as rigorously as in 100 percent or random sampling.

(c) Planned sampling is especially useful for CA service contracts when you have a large installation or activities in more than one geographical area to surveil. You can use planned sampling to determine the dates or days, or even part of the day you will surveil a certain activity so that the QAEs do not have to travel from one end of the post to the other. You can still get a random sampling of the work, however, by randomly selecting which output you surveil within the activity.

(6) 100 percent inspection.

(a) This is an inspection method whereby all outputs are monitored. This method provides the best indication of contractor or MEO performance and the most documented basis for taking contract payment actions. However, it requires extensive COR and QAE resources and therefore is not practical for most service requirements.

(b) 100 percent inspection is preferred when the PWS requirement is so critical that nonperformance would pose a direct risk to the safety of personnel or property, or when the work occurs infrequently and the output population is small. A list of the services considered so critical as to require 100 percent inspection is listed in the DA form 5473-R. You should use one of the other surveillance techniques for all other required services.

(7) Customer complaints

(a) This inspection method which is initiated by the receipt of a customer complaint or observation concerning contractor or MEO performance. A QAE must investigate each customer complaint and validate the accuracy before any action can be taken. If the complaint proves valid, the Contracting Officer can issue a discrepancy report documenting the unsatisfactory performance.

(b) For this method to be successful, you must establish a well publicized customer complaint program to mediate justifiable grievances and provide an avenue for action.

(c) Customer complaints are seldom used to take action regarding contract payment. Since the work output observed is not selected in accordance with established criteria as in random or planned sampling, the results tend to be biased. However, this method is useful in focusing on problem areas that might not be observed during normal surveillance or because of limited surveillance resources.

e. Surveillance forms.

(1) *Sampling guide.* The first document you need to prepare is the sampling guide. You will need a sampling guide for each required service you plan to surveil. The sampling guide identifies the ALP associated with the requirement, the lot and sample size, how the output sampling and inspection will be performed, the number of defects that will be allowed before the performance is considered unsatisfactory, and, if applicable, the contract deduction computation. (Contract deduction computations are only used with firm fixed price contracts.) All of the information you need to complete the sampling guide is on the DA Form 5473-R. A sample sampling guide is provided at figure 8-1.

(a) The ALP is the maximum percent defective or the maximum number of defects per hundred units that can be considered average. Exceeding this allowable variance from the standard will cause the service to be rejected. As stated previously, an ALP is the maximum allowable degree of deviation from perfect performance of each requirement before the government considers contractor performance unsatisfactory. An ALP must equal but not exceed the level of quality normally achieved by an in-house operation. An ALP does not say the contractor may knowingly offer defective service to the government. An ALP implies defective performance sometimes happens unintentionally.

(b) The lot is the group of service output, such as work orders, from which a sample will be drawn and inspected to determine conformance with contract requirements. The number of outputs in the lot is the lot size. The QAE fills in the lot size each month based on the amount of work performed.

(c) The sample is the representative outputs drawn from the lot for inspection. The number of outputs in the sample is the sample

size. The sample size is determined by using the sample size table (table 8-1). A detailed discussion on how to use the sample size table is provided below in paragraph 8-8a.

Table 8–1
MIL-STD 105E SAMPLE SIZES

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
500,001-Over	1250	500	125

(d) The sampling procedure for random sampling uses the random number table from MIL STD 105E (Figure 8-2) to determine which outputs will be inspected. A detailed discussion on the use of the random number table is provided in paragraph 8-8b

(e) The inspection procedure is a brief description of how the QAE will conduct his/her inspection. It lists the standards of performance for the specific required service.

(f) Performance criteria indicates at what level of defects the service will be rejected. Performance may be acceptable with two defects, but unacceptable with three. The acceptance/rejection levels are based on the ALP and the sample size. Actual acceptance/rejection numbers are found in the acceptance tables in MIL-STD-105E.

(2) *DA Form 5481-R.* You need to prepare a DA form 5481-R for each sampling guide and, if applicable, for each surveillance checklist. The DA form 5481-R is used to tally information on inspection observations and defects. The information listed below are found on the DA Form 5481-R. However, only the first item is completed before the actual inspection occurs.

(a) The title of the service requirement being surveilled.

(b) An identifier for each observation recorded, such as the work order number.

(c) The date and time the observation occurred.

(d) Whether the performance was satisfactory or unsatisfactory.

(e) Space for the contractor's official or the MEO supervisor initials if an observation is found defective.

(3) *DA Form 5476-R.* You will use this checklist for those required services which cannot be feasibly surveilled using random sampling techniques. Such requirements include those which occur infrequently or are not important enough to monitor on a regular basis. The following items are normally listed on the DA form 5476-R: the required service, the PWS paragraph number, method of surveillance, and compliance entries such as dates or noteworthy actions.

(4) *DA Form 5477-R.* This record is used to document customer complaints of unsatisfactory performance, the validity of the complaint, time and date the responsible official was notified, and the actions taken to correct the problem.

(5) *DA form 5479-R.* Your QAEs will use the DA form 5479-R to document unsatisfactory performance by the contractor. This report includes a description of the deficiency signed by the Contracting Officer, the contractor's explanation for the problem and the corrective action he/she intends to take, the Army's evaluation of the contractor's response, and the action the Army intends to take (such as payment or fee deductions, issuance of cure notice. When completed and signed, the DA form 5479-R, along with the associated DA form 5481-R, becomes the documentary base supporting any action deemed necessary to ensure the contractor's compliance with the contract provisions.

(6) *Payment analysis.*

(a) As long as the percent of defective performance does not exceed an ALP, the service will not be rejected by the government. Under the inspection clause for fixed price contracts the contractor must reperform the defective service when directed at no increase in contract price. 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 contractor met the ALP. Any government-caused discrepancies (delay, disruption) are not counted against the contractor's performance.

(b) It must be emphasized an ALP does not relieve a contractor from performing a certain percentage of the required service. While overall performance may be satisfactory, the government has the contractual right to receive full value for money paid at least at the contractual standard. Conversely, the government has the right to withhold payment for all contracted services which fail to meet established criteria.

(c) An ALP identifies the point of demarcation between satisfactory and unsatisfactory performance. In a fixed price contract, an ALP represents the maximum deviation from expected performance before proportionate deductions for documented defects. In a cost reimbursement contract, an ALP represents average performance. Consistent performance better than an ALP could earn a contractor an increased award fee or other incentive payments.

(d) When the defective service cannot be corrected by reperformance, the government may reduce the contract price or award fee in accordance with the DA form 5473-R to reflect the perceived reduced value of those services received below acceptable levels of quality.

(e) Where performance is unsatisfactory and efforts to obtain satisfactory performance fail, the Contracting Officer may consider termination for default. We emphasize the Contracting Officer's discretionary right under the default clause to default a contractor for an overall pattern of deficient performance. Oftentimes the contractor may improve in one area of performance after receiving deductions or reduction of award fee but then reduce services in other areas to minimize overall contract costs.

8–8. How to use the surveillance tables

a. Inspection sample sizes table (table 8-1 above).

(1) This table gives you the number of items required in a sample based on the total number of items in the lot. To determine the sample size, you must first know the lot size. The lot is the number of occurrences or how often a service is provided in a given time (usually a month). Because the lot size may vary each month, you must use the sample size table each month to get the corresponding

number of samples to inspect. To determine the lot size, count the frequency of the service to be sampled during the sample period.

(2) To determine the sample size, find the lot size in the left hand column of the inspection sample size table. Use that number to find the corresponding sample size. You should use the normal sample size unless circumstances warrant a smaller sample. You may want to use the smaller sample size if the contractor or MEO's performance has been satisfactory in the past and you prefer to devote your surveillance resources to another area. You may also consider using the smaller sample size if you have limited surveillance resources.

b. Random number table (figure 8-2).

(1) The random number table is used to select which outputs you will sample. To use the table, begin by picking at random a group of numbers on any page of the table. You usually do this by closing your eyes and pointing with a pencil or finger to some initial group of numbers. The number you pick first is the first output you will surveil.

(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 you still need to select more numbers, go back to the beginning of the table and continue using the same pattern. Alternate various patterns; for example, use lines across for one sample, columns for the next sample, and a diagonal pattern for the third.

(4) The use of variety in random number tables ensures that detectable patterns do not occur. For each new sample, you should start at a different point on the tables (close your eyes and pick again), vary the pattern for number selection, and alternate the set of digits which you will use from the random number grouping (for example, with the random number 77921, you could use 779 or 921 for a three-digit sample).

(5) Random sample selection of consecutively numbered observations.

(a) For this example we will use work orders. However, this procedure works equally well with any type of output that can be identified with consecutive numbers. If the lot size for the function is 200 work orders, a random sample of 32 work orders must be selected for inspection. This can be done at the beginning of the month (before the work orders are written) or at the end of the month (to select work orders already completed and on file).

(b) If there are, or might be, 200 work orders to select from, begin by listing the lowest work order number. This could be #001 or any initial number.

(c) Next list the highest work order number. In this case, it could be #200, or the last number in the group depending on the number you start with.

(d) To illustrate this procedure, the work order numbers used will range from #445 to #645. This means that the sample size of 32 must be selected from within these two boundaries.

(e) Since the random number table number groupings are five digit and you need only three digits for work order numbers, you will use only the last three digits of any number grouping. The numbers omitted can be at the beginning or end of the grouping, the only requirement is that you apply your choice consistently throughout the sample selection.

(f) Now take the random number table and, following the procedure outlined above find the first number grouping of your selection. If the last three digits of that number do not fall within the work order numbers (#445 to #645) you cannot use that number for the sample. If the next grouping also does not fit, you move on to the next one in the row or column. Continue moving through the table until you reach a number in which the last three digits do fall within the work order range. That number (for instance 587) will be your first sample. Continue through the process until you have identified 32 of the work orders to make up your sample. The actual work order numbers corresponding to these number are the ones you will inspect during the month.

(6) Random sample selection of observations not consecutively numbered.

(a) If the service outputs to be sampled are not consecutively numbered, you may list the numbers of the lot, by identification number, on a sheet of paper. You may also use automated data processing listings of the observations, such as processed supply requests, if they are available.

(b) The next step is to number the items consecutively beginning with the number 100. The random number table can then be used, as described in the previous example, to draw the sample required from within the parameters of the assigned numbers. When the random numbers are selected, they are matched to the identifiers you have listed on the paper. Those items identified are the samples you will inspect.

(7) Random selection of days.

(a) You may have some service requirements which can best be sampled by using the days in the month as the lot. This method could be applied to the media library so you could surveil all requirements within the library function on the given day. Days can be randomly selected by numbering them from 01 to 31, or less as appropriate. Because only two significant digits are needed, use only the first two or last two numbers of the random number grouping when selecting the sample.

(b) Select the required number of days in the sample from within the range of the lowest to the highest numbered day. If it is not feasible to sample on weekends or holidays, disregard those observations selected that happen to fall on those dates and continue the selection process until the proper number of days has been chosen.

(c) Acceptance/rejection tables (Figure 8-3). You may use these tables to determine the acceptability of the lot. The first page of the table is for Normal Inspection, the second page for Tightened Inspection, and the third page for Reduced Inspection.

(1) Find the selected sample size in the sample size column at the left of the table. Then read across that line to the column for the appropriate ALP. At that point you will find either two numbers or an arrow pointing up or down.

(2) If the point at which your sample size and ALP meet contains two numbers, the number on the left ("Ac" or accept) indicates the maximum number of defects which can occur in the sample and still allow you to judge the lot acceptable.

The number on the right ("Re" or reject) indicates the minimum number of defects which will cause you to reject the lot as unacceptable.

(3) If there is an arrow at the point your sample size and ALP intersect, follow the direction of the arrow until it leads to a pair of numbers which will denote the acceptability and unacceptability levels. You need to be aware that the level at which the arrow stops is at a different sample size than your original. You must adjust your sample size to fit the new level. For example, if you are conducting a normal inspection with a sample size of 20 and an ALP of 1.5, you will find an arrow at the intersect point. You must move down to the next level which has an accept/reject rate of 1 and 2 respectively and requires a sample of 32. You will now need to revise your sampling guide for the higher sample size.

d. Decision table DA Form 5478-R.

(1) The DA form 5478-R assists the COR and QAE personnel to identify problem areas by listing the symptoms and possible sources of the problems observed. The table establishes questions for each potential source to determine contributing factors followed by suggested review procedures and preventive measures. In this manner, you can determine whether Army practices contributed to the problem or whether the contractor or the MEO is at fault. Additionally, this table provides you with a means to evaluate the corrective action taken by the contractor or MEO.

(2) If, at the end of the month's inspection you determine that the number of defects exceeds the ALP as defined in the sampling guide, that month's service is considered unsatisfactory. The COR and/or QAE then go to the appropriate DA form 5478-R and find the specific task which is unsatisfactory. The DA form 5478-R identifies the possible causes of the unsatisfactory performance and lists a number of questions which, when answered will probably

pinpoint the source of the problem. If you determine, based on the DA form 5478-R, that government action has not directly contributed to the problem, you should issue a DA form 5479-R for that required service or performance area. If you determine that the government did directly contribute to the problem (for example, if government furnished materials are not provided on time) no action is taken against the contractor.

(3) The identification of problems you made using the DA form 5478-R can also be used to perform a meaningful evaluation of the contractor's explanation and corrective action as documented in his/her reply on the DA form 5478-R. DA Form 5478-R can be locally reproduced on 8 1/2-by 11-inch paper. A copy for reproduction purposes is located at the back of this pamphlet. Additionally, DA Form 5478-R may be electronically generated. The electronically generated form must contain all data elements and follow the exact format of the existing printed form. All required signatures must appear on the electronically generated form. The form number of the electronically generated form will be shown as DA Form 5478-R-E and the date will be the same as the date of the current edition of the printed form.

8–9. How to Use the QASP

a. The paragraphs in this section of Chapter 8 are addressed to the personnel who will be assigned as the COR and QAEs. These instructions should help these individuals by acquainting them with the various forms they will use to surveil the required work and explaining how to complete those forms. They may also be useful to those of you who are writing the QASP in that these discussions may help you to better understand what you are writing about.

b. Surveillance schedule

(1) One of your duties as the COR is to develop a monthly schedule for inspections based on the QASP requirements. This schedule indicates when the various PWS requirements will be monitored. You must complete the monthly schedule by the last workday of the preceding month before the inspection. Include in the schedule all required services on the DA form 5473-R and those areas considered essential to adequately monitor performance. Remember that surveillance must cover all hours of operation. You need to schedule random observations at night, on week-ends, and on holidays if the service is performed during these periods.

(2) This monthly schedule shows where to add what the QAEs are monitoring at all times. You need to give copies of the surveillance schedule to the QAEs as soon as you finish it so they can use the information to plan their activities and perform their inspections.

(3) Mark the surveillance schedule "FOR OFFICIAL USE ONLY" , and do not show it to the contractor or the MEO to preserve the anonymity of the inspection procedures.

If the schedule is shown to the contractor or the MEO, they will have advance warning of the areas you plan to inspect and may use this information to skew their performance. You must submit a copy of the surveillance schedule to the Contracting Officer for his/her information and review.

(4) When you prepare the surveillance schedule, first program those functions involving planned sampling or 100 percent inspection. The remaining days are designated to examine the logs, documentation, reports, working days of the randomly sampled functions.

(5) You must document and explain the reasons for any changes to the surveillance schedule, post the changes, and send a copy of the revised schedule to the Contracting Officer. Actual surveillance activity recorded on the checklists must be comparable to the monthly schedule. Also, the Contracting Officer and the COR must be able to monitor the QAE's performance by using the monthly schedule as updated.

c. Surveillance forms (DA Form 5475-R and 5476-R).

(1) Sampling guide.

(a) The criteria used to determine what outputs the QAE will observe and whether surveillance occurs on a random or planned sampling basis, is specifically described in the applicable sampling guide. The QAE can use the sampling guide as an outline for surveillance of a specific required service. It tells him/her, in a one-page format the ALP, what his/her lot and sample sizes are, how he/she is to select his/her sample, what to look for when inspecting the samples, and at what level of defects he/she must reject the sample.

(b) The ALP, sampling procedures, and inspection procedures should be typed on the form in the original QASP. The lot size, sample size, and performance criteria (accept/reject rate) will vary from month to month depending on the actual number of outputs. The COR or the QAE will fill in this information before the first of each month to be ready to begin the monthly inspections.

(2) *DA form 5481-R.*

(a) The QAE will prepare DA form 5481-R for each sampling guide and DA form 5476-R and will use the DA form 5481-R to record information resulting from his/her inspections. The QAE will write the title of the service requirement being inspected and an identifier for each observation, such as the work order number, on the form prior to beginning his/her inspection. At the actual time of the inspection, he/she will note the date and time the observation occurs and whether the performance is satisfactory (based on the standards noted on the sampling guide and the DA form 5473-R). If the QAE finds that a particular service is unsatisfactory or defective, he/she will obtain the contractor's manager or the MEO supervisor's initials on the DA form 5481-R. This signature does not signify that the manager or supervisor agrees with the annotation, only that he/she has been informed of the deficiency.

(b) The QAE will compare the tally of observations and defects at the end of each month to the acceptable number of defects specified in the appropriate sampling guide. (Any errors detected during the course of surveillance, even if not of sufficient degree to render the service unsatisfactory in terms of the ALP parameters, will require corrective action, if possible.) If contractor performance is judged unsatisfactory on any service requirement, the COR or the QAE will prepare a DA form 5479-R for that service. In any event, the DA form 5481-R becomes the supporting documentation for any further action against the contractor or the MEO. DA Form 5481-R can be locally reproduced on 8 1/2-by 11-inch paper. A copy for reproduction purposes is located at the back of this pamphlet. Additionally, DA Form 5481-R may be electronically generated. The electronically generated form must contain all data elements and follow the exact format of the existing printed form. All required signatures must appear on the electronically generated form. The form number of the electronically generated form will be shown as DA Form 5481-R-E and the date will be the same as the date of the current edition of the printed form.

(3) *DA form 5476-R.*

(a) You should use the DA form 5476-R when inspecting those services which cannot be feasibly monitored using random sampling techniques, such as those which occur infrequently or are not important enough to monitor on a regular basis.

(b) Before beginning your inspections for the month, you should write the title of the service on the DA form 5476-R and complete the first three columns. You should find all of this information in the DA form 5473-R and the PWS. Under the column entitled "Method of Surveillance" , you should specify exactly how you will conduct the inspection, including when (such as quarterly), what you will inspect (such as physical inventory), what date to begin the inspection (such as first working day following the end of the quarter), and how you will determine if performance is satisfactory (based on the percent deviation or ALP specified in the DA form 5473-R).

(c) The two remaining columns on the form are completed at the time of the actual inspection. Here you note the date the inspection is completed and any remarks relative to your observations. Again, if you deem performance is unsatisfactory, you need to get the contractor's manager or the MEO supervisor's initials on the DA form 5476-R.

(d) Depending on the service you are inspecting using the DA form 5476-R, you may also need a DA form 5481-R. Complete DA form 5481-R as outlined in paragraph 8-10b(2) above.

(4) *DA form 5477-R.* During the course of the month, you may receive customer complaints about the quality of service. You must

validate each complaint received to ensure that the service was required and that the standard was not met. You may receive customer complaints in writing on the DA form 5477-R or you may receive telephonic complaints, depending on how you have structured your customer complaint program. DA Form 5477-R can be locally reproduced on 8 1/2-by 11-inch paper. A copy for reproduction purposes is located at the back of this pamphlet. Additionally, DA Form 5477-R may be electronically generated. The electronically generated form must contain all data elements and follow the exact format of the existing printed form. All required signatures must appear on the electronically generated form. The form number of the electronically generated form will be shown as DA Form 5477-R-E and the date will be the same as the date of the current edition of the printed form.

(a) Telephonic complaints.

1. If you elect to accept telephonic, as well as written complaints, you will need to maintain an adequate supply of forms to fill out during the conversation. When you receive a complaint you need to record the date and time of the call and the individuals name and the organization where he/she works. Next you will record the nature of the complaint. Be certain to get all details from the individual calling, such as what the service is, when he/she observed the unsatisfactory performance, where, and in what way the service is defective. If possible (if providing PWS paragraphs was part of your customer complaint program), ask the customer for the PWS paragraph which outlines the service and the performance standard. If the individual does not have this last information, you will need to research the PWS for it.

2. You should take action to validate the complaint as soon as possible following the call. To do this you may need to view the service site or the products which are unsatisfactory. If the complaint is valid (the service or products do not meet the PWS requirements or performance standards) you need to inform the contractor's manager or the MEO supervisor of the complaint as soon as possible and note the date and time you provide this notification on the DA form 5477-R. Next you need to describe the action taken by the manager or supervisor to correct the defect. Also note if the service cannot be corrected, such as arriving late for scheduled production support. Lastly, you need to insert your name as the validating official.

(b) Written complaints. DA form 5477-R should be submitted with the first three or four blocks of information provided. Again, if the complainant does not have the PWS reference you will have to complete that information. Validation procedures for written complaints are the same as those for telephonic complaints.

(5) *DA form 5479-R.*

(a) DA form 5479-R documents unsatisfactory performance by the contractor. The COR or QAE will initiate the DA form 5479-R by filling in the contract number and title and a description of the problem. You need to describe the problem in detail, including a clear statement of what was wrong (how the service failed to meet the PWS requirements or performance standard) and the PWS reference for the service. You may attach a continuation sheet if necessary to fully describe the problem.

(b) The DA form 5479-R is then forwarded to the Contracting Officer for signature. Only the Contracting Officer can sign this report. The Contracting Officer will then forward the DA form 5479-R to the contractor's manager who will provide a response to the finding, describe the action he/she will take to prevent recurrence, and return the form to the Contracting Officer.

(c) Once the Contracting Officer has made his/her evaluation of the contractor's response and the action the Army intends to take, (such as payment deduction, cure notice) the DA form 5479-R and the associated DA form 5481-R become the documentary base supporting any action deemed necessary to ensure the contractor's compliance with contract provisions. The COR maintains a copy of the DA form 5479-R and the supporting documentation in the contract files. DA Form 5479-R can be locally reproduced on 8 1/2-by 11-inch paper. A copy for reproduction purposes is located at the back of this pamphlet. Additionally, DA Form 5479-R may be electronically generated. The electronically generated form must contain all data elements and follow the exact format of the existing printed form. All required signatures must appear on the electronically generated form. The form number of the electronically generated form will be shown as DA Form 5479-R-E and the date will be the same as the date of the current edition of the printed form.

8–10. Changes to the QASP

a. The QASP is a tool for you to use, and therefore it remains a living document through the performance period. You may make unilateral changes to the QASP as needed. This means that you do not have to inform the contractor or the MEO of planned revisions. (This is also why you do not include the QASP in the solicitation).

b. Levels of surveillance. As the performance period progresses, you may find you need to increase or decrease the level at which you are inspecting some services. This may occur when performance is consistently good or consistently bad.

(1) Reduced inspection. If your observation of the contractor or the MEO reveals consistently good performance, you may recommend the amount of surveillance be reduced, providing the following conditions are met.

(a) The preceding four lots (usually months) have been acceptable and the number of defects in each of the lots was less than one half of the acceptance level (such as 2 defects or less are found in a sample with an acceptance level of 5 defects).

(b) A normal sample size was used for each of the preceding lots.

(c) The Contracting Officer determines that reduced inspection is advisable.

(2) Reduced inspection decreases the sample size and changes the acceptance/rejection levels. Therefore, you must make the appropriate adjustments to the sampling guide using the reduced sample size on the Sample Size Table and the acceptance/rejection rate indicated on the table for reduced inspections.

(3) You will continue to use the reduced level of inspection indefinitely unless the number of defects exceeds the acceptance level in any one month, or unless the Contracting Officer directs a return to normal inspection. (Remember to re-adjust your sampling guide when you return to normal inspection.)

(4) Increased inspection.

(a) You may recommend tightened surveillance when the preceding four lots (usually months) have been rejected on original inspection.

(b) Tightened inspection increases the acceptance/rejection levels. As for reduced inspection, you must make the appropriate adjustments to the sampling guide using the acceptance/rejection rate indicated on the table for tightened inspections.

(c) You will continue to use tightened inspection unless your observations reveal that the last five consecutive samples have been acceptable on original inspection.

c. Relaxed surveillance. At the outset of the performance period, usually during the first 30 to 60 days of operation, you may wish to relax surveillance somewhat. This is the time when the contractor or the MEO will be working out the kinks in their operation and can normally be expected to perform a little below standard. In this case, you can either conduct reduced inspections, as described below, or you may choose to relax the ALP during this period. Before taking any action, you need to review the PWS or contract to ensure compliance with any requirements.

8–11. Test surveillance

a. Once you have completed the QASP you need to perform test surveillance. Test surveillance will allow you to validate the effectiveness of the plan for monitoring contractor or MEO performance. This is also the time to assess the accuracy of the ALPs and to ensure that checklists fully cover the required services and performance standards. By seeing the plan in operation, you can determine if any changes are needed and can make revisions before actual surveillance begins.

b. Test and revise your QASP during the period the solicitation is on the street and negotiations are going on. Normally, you should

allow for 30 days of test surveillance and time after that for revisions. At any rate, you should finish the plan and incorporate any changes before implementing the initial decision.

c. Your CA team can conduct the test surveillance providing they have completed all other cost study requirements. Although they may not be fully qualified technical experts, they can generally tell whether the plan will work. If possible, you should have some technical expertise in the function under study involved with the test surveillance effort. You may also want to borrow from the experience of other QA personnel available at the installation.

d. While conducting the test surveillance, be aware of opportunities to consolidate surveillance requirements and reduce the time and resources needed. Watch for duplication of effort among required services.

e. This is also a good time to review the methods of surveillance you plan to use and the services you plan to surveil. If you find you cannot truly get a random sample because of the structure of the service or output, take a look at the other surveillance methods to see if one will work better. You may also find that the output you are surveiling does not fully or properly reflect the required service. With this information available, you can reconsider the outputs or restructure the checklists to ensure adequate inspection of the service.

f. When analyzing test surveillance results, keep in mind that your inspectors may not know much about the function and consequently may take longer to conduct an inspection than the QAEs will once they become familiar with the plan. Don't be overly quick to revise the plan based on these timeframes. Instead you should focus on the performance standards and service requirements. If the QASP does not reflect what you really want to inspect, now is the time to change it.

Section III
Contract Administration Documentation

8–12. Documenting contract administration

a. One of the most critical factors in administering your contract is maintaining accurate and complete contract administration files. We cannot overemphasize the importance of keeping adequate accurate documentation of all surveillance activities. This is the only way you will be able to substantiate claims of nonperformance against the contractor or the MEO. This is especially critical under the contract mode because the Contracting Officer cannot properly determine which steps he/she should take regarding payments or any remedial actions which may be warranted without proper documentation of surveillance findings.

b. Records for the contract inspection file must be completed in a timely manner in order for the Contracting Officer to take necessary action. If you submit records of unsatisfactory performance that occurred three or four months previously, there will be little chance that the claims can be substantiated and that the Contracting Officer can use the information. Therefore, you must complete and file all DA form 5476-R and other reports as soon as possible after the observation.

c. It is equally important that all information regarding an observation be recorded accurately. If you accidentally write in the wrong date, the wrong service, or even record the name of the contractor's representative incorrectly, the observation cannot be validated or be used by the Contracting Officer.

d. Every inspection made by the COR or QAE must be scheduled, documented, and filed for future reference, audit, and proof of inspection. You also need to document and file records of other interactions between the COR/QAE and the contractor or MEO, such as customer complaints, equipment breakdowns, meetings. Documentation may take the form of DA form 5476-R, DA form 5479-R, minutes of meetings, or correspondence between the Army and the contract manager or MEO supervisor.

e. Retain all documentation related to the contract or PWS execution in the COR contract files. During the performance period, individual QAEs may retain extra copies of surveillance reports, or so forth for reference. At the conclusion of the contract period, you will forward the complete file to the Contracting Officer for inclusion in the official contract files. At the conclusion of MEO operation, you should forward the documents to the appropriate office at your installation which maintained oversight of the operation.

f. Forward copies of documentation concerning unsatisfactory performance to the Contracting Officer (or designated oversight office for the MEO) within five working days after the end of the inspection period (usually each month). If the unsatisfactory performance is serious enough to warrant issuing a contract discrepancy report before the end of the inspection period, you should forward it to the Contracting Officer within five working days of the incident.

g. At a minimum, the COR files will include the following:

(1) Copies of letters of appointment for the COR and QAEs.

(2) A copy of the contract (or the PWS for the MEO) and all modifications.

(3) A copy of the complete QASP.

(4) All correspondence initiated by the functional representative regarding contract or MEO performance.

(5) The names and position titles of individuals on the contract administration staff.

(6) Record of all inspections performed and their results.

(7) Memoranda for record or minutes of any pre-performance meetings or conferences.

(8) Memoranda for record or minutes of any meetings and discussions with the contractor, or others, pertaining to the contract or contract performance or to the PWS or MEO performance.

(9) Applicable laboratory test reports, if applicable.

(10) Records regarding the contractor's QC plan and system and the results of his/her QC effort.

(11) A copy of approved surveillance schedules.

Section IV
Annual Contract Cost-effectiveness Review

8–13. Annual review of contract cost-effectiveness

In 1989, USAAA conducted an audit of ten large CA contracts. The audit concluded that closer scrutiny of CA contracts could yield greater opportunities for efficiency and economy. It recommended that installations conduct annual cost-effectiveness reviews of their CA contracts to ensure costs remain reasonable. This recommendation was adopted as a requirement for all installations. The cost-effectiveness review focuses on identifying changes in workload and inflation that have occurred since the contract began. The fact that contract costs have grown does not necessarily indicate a problem in contract operations.

8–14. How to conduct the annual cost-effectiveness review

a. To perform the review, you need to identify cost increases and decreases that are the result of changes in the work, as well as those that are caused by increases in Department of Labor wage rates and true cost overruns. The following procedures will enable you to identify these various factors in cost growth and determine when conducting a transfer study may be warranted.

b. Get a listing of all contract modifications for the first year of the contract. The listing should include modification number, amount, and a brief description of what caused the modification, such as "budget reduction - reduced work in supply activity," "workload increase for equipment painting," "increase in Department of Labor wage rates," or "cost overrun - contractor personnel worked additional overtime not in original bid." Sort the mods into three categories: work related, wage increases, and true cost overruns. The total of all modifications added to the contractor's original bid should equal the actual amount paid to the contractor for that year. (Award fees are excluded for analytical purposes.)

c. Determine the percentage of cost growth or decrease attributable to changes in work. To do this, divide the cost of work-related mods by the original contractor bid and multiply by 100. This

percentage represents the percentage of work-related cost growth or decrease.

d. Multiply the annual total in-house cost from the cost comparison form (line 6, first year) by this percentage to determine the amount that MEO costs would have increased or decreased to perform the additional or reduced work. (See subparagraph j below if cost comparison data from the original cost study are considered unreliable or if no previous cost study was done.)

e. Compute the dollar amount that in-house costs would have increased due to the federal pay increase. Do not use the amount for workload changes in paragraph c above because that amount already includes current pay rates for that work.

f. Add together the total annual in-house cost (line 6, first year), the amount for workload increases or decreases, and the amount for the federal pay increase. This total amount represents what the MEO operation would have cost given the changes in workload and inflation.

g. Compare this amount to the actual costs paid to the contractor (not including award fees). If the contract costs are less, you can assume that the contractor is still cost-effective.

h. Repeat these steps for each subsequent year, using contract data and cost comparison form data for the corresponding year.

i. A more accurate projection of in-house costs can be obtained by adjusting in-house work-years and appropriate non-labor costs for workload as shown above, and entering these adjusted data into the automated CCF software provided by the ACSIM. Doing so should simplify performing the review for each subsequent year.

j. The example in Figure 8-4 illustrates the calculations for conducting the annual cost-effectiveness review.

k. The above procedures cannot be used if in-house cost data from the original cost study are considered unreliable or if no previous cost study was done. If that is the case, follow the procedures in Chapter 4, paragraph 4-17d(7) to determine MEO staffing.

8–15. Attempting to develop competitive contract price

Even when the annual contract cost-effectiveness review shows that in-house costs probably would be lower than contract costs, the feasibility of in-house performance should not be considered until the Contracting Officer has exhausted all efforts to develop a competitive contract price through negotiations, repackaging, and so forth. If these efforts fail, then you should consider conducting a transfer cost study. (See Chapter 9). Note: During these efforts, the projected in-house cost determined in the annual contract cost-effectiveness review should be safeguarded to avoid compromising a possible future cost comparison.

8–16. Summary of Chapter 8, Contract Administration

a. Contract administration refers to all the actions needed to oversee and administer a contract.

b. The Contracting Officer has the authority to create or modify a contract, and acts on behalf of the government.

c. The COR is designated by the Contracting Officer to perform specific duties on behalf of the government.

d. The QAE monitors contract performance and works directly for the COR. He/she must not give instructions to the Contractor, and is not empowered to change any conditions of a contract.

e. CORs and QAEs are recruited by your CPAC. Both assure that quality work is performed in accordance with the contract.

f. The government uses a QASP for systematic inspection of contracted services. Various techniques such as random sampling, planned sampling, and 100% inspection help evaluate performance.

g. Formal checklists and surveillance findings are kept. If needed, they are used to document customer complaints and validate unsatisfactory performance.

h. Inspection can be reduced or increased, as necessary, during the life of a contract.

i. In conjunction with the Contracting Officer, an annual cost-effectiveness review must be conducted to ensure costs remain reasonable.

j. Should costs become unreasonable and the Contracting Officer is unable to develop a competitive contract price, you should consider conducting a transfer cost competition study (Chapter 9).

SAMPLING GUIDE #1
(Name of Organization) (PRS #)

1. ACCEPTABLE LEVEL OF PERFORMANCE (ALP): ___ %

2. LOT SIZE FOR SAMPLING: Lot size is the number of graphic art work orders in each month.

3. SAMPLE SIZE:

4. SAMPLING PROCEDURE:

a. By the last day of the month, the COR/QAE must estimate the number of graphic art requests that will occur the next month. This is the lot size.

b. Using the lot size, determine the sample size. Divide this sample size by 4 to find the number of work orders that will be inspected each week. Add 20% to the number of weekly samples to inspect. These are the overdraw samples.

c. On the first work day of the week, or shortly thereafter, gather all graphic art work orders completed the previous week. Number them starting at 01 until each work order has been chronologically numbered. If there are "blanket" work orders, then separately number each line item. Go to the random number table and select a group of numbers equal to the sample size for that week. The resulting numbers selected are those work orders which will be subject to inspection. When, in the random number selection process, the same number is selected more than once, the COR/QAE should disregard the duplicate selection(s).

5. EVALUATION PROCEDURES:

a. Customers whose names appear on the work orders selected each week will be contacted in the most convenient manner to determine if the graphic art products were accomplished on time (i.e., verify that due dates on the selected work orders were met and the customer notified on or before the due date to pick up the completed work) and were of satisfactory quality. Customers may be interviewed in person, by telephone, or by a form letter questionnaire. Alleged unsatisfactory quality products may be compared against the technical quality samples maintained by the COR/QAE to verify discrepancies. All unsatisfactory quality work will be rejected and, when possible, returned for reaccomplishment.

b. Both timeliness and quality criteria must be met in order for performance to be acceptable. If proper work order authorization is a contract requirement, then timeliness, quality, and proper work order approval criteria must be met in order for performance to be acceptable.

c. Sometimes the COR/QAE will find it impossible to reach the person named on a work order after numerous tries during a reasonable period of time. In those cases, use an overdraw sample.

d. Record all findings an the graphic art tally checklist.

6. PERFORMANCE CRITERIA:

a. Performance is acceptable if ___ or less sample items were rated unacceptable during the month.

b. Performance is unacceptable if ___ or more sample items were rated unacceptable during the month.

Figure 8-1. Sample Format for Sampling Guide

Line \ Column	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1	63000	10224	64228	90208	61121	300	60185	39379	44478	92253	15454	20711	34569	91346
2	31396	49921	52839	47259	45589	55852	53603	43441	95857	13551	83259	88388	77941	45256
3	70431	33788	43877	43216	80177	38943	74800	69143	74152	29657	55036	32740	96905	64064
4	24698	1329	13969	71845	76657	82125	62006	24350	42338	66787	33545	81611	41805	95134
5	52592	70387	80241	49787	48684	584	56947	26386	14175	65675	11837	43253	83476	62189
6	61046	85524	70396	97754	56662	9586	80326	21176	63445	48523	92141	51499	58520	8374
7	98694	21391	75796	29260	6630	33274	72855	62392	46262	81989	44157	85227	85802	20759
8	11008	35454	8311	49220	90777	28243	80002	77095	68939	27732	18054	8370	65460	72685
9	93824	38517	84168	91758	42671	12619	26952	9084	11281	34049	37126	88699	64878	23282
10	64749	51313	90329	33986	79433	76627	65997	27568	97617	46408	27750	52724	59335	18200
11	64626	53634	43645	65596	26703	2557	7849	97921	6729	74685	89232	51030	87193	61854
12	31590	45098	33726	96192	64319	72715	77196	46763	74210	71362	80811	60377	1909	28641
13	21272	67528	31916	92272	44453	56229	18658	24010	28470	78648	34636	8270	58984	35724
14	69892	72441	33363	858	87045	5129	23225	36382	69139	30287	5042	68148	6237	74817
15	37263	726	82066	84966	64358	98985	43405	54579	54906	12080	17442	3870	49352	59457
16	47575	16346	74991	51212	33880	95194	29	467	36654	62887	32679	50261	97059	57446
17	58073	80229	50805	54794	65791	70924	95891	77626	10209	57977	26437	68048	26520	70726
18	30603	52083	86480	83735	98285	54320	18139	66856	41406	30417	19338	94338	78482	90271
19	39504	96773	76914	709	54300	18220	65665	35225	34102	25661	79228	52730	63469	90544
20	32224	42594	42778	49681	55201	53328	53878	70250	87	27847	37624	51860	15572	72110
21	15564	43987	9737	38366	73375	72350	90586	44056	54783	66605	32934	61797	71819	36264
22	96528	89601	2594	34862	1723	17482	19245	96109	26014	96375	55623	73040	43473	57929
23	12946	43366	93169	42274	62012	91623	74398	46620	940	3155	58057	56474	92987	53586
24	11632	40209	23778	32635	41586	72581	31499	77528	3000	15985	71479	3692	31319	33827
25	34275	34896	52725	87692	7451	36635	33471	11640	62640	78041	89650	16869	83717	55123
26	50385	75708	1544	32918	80471	66272	31753	11640	42785	56341	19931	98431	98042	10883
27	70623	50142	48063	32576	56808	67827	22956	36972	26211	67834	52240	81562	33567	40038
28	96437	77341	98457	52151	31416	58396	99504	11464	33509	55698	41232	98260	97197	7941
29	65440	64326	58410	93293	18937	54699	64976	42628	98036	32469	27239	61175	91664	67169
30	3284	88878	52028	56403	97233	84785	94813	599	51266	78233	62474	47494	5023	50319
31	10054	42541	41597	92782	25891	46493	97599	5843	65175	81574	83062	79560	36601	56146
32	50436	64395	64723	89312	34790	60168	8191	84175	28874	20366	57957	53226	81186	19180
33	55350	6735	70470	34859	81693	58177	53033	20114	21342	63028	17264	70715	49939	11540
34	42866	21946	62173	53318	66381	91838	88480	4997	72435	34768	62928	77552	30309	73160
35	33668	30660	95785	49616	9046	97534	86108	62831	78051	98722	31757	50363	55527	43176
36	64863	53604	36202	93352	25311	11568	42754	60271	21795	67824	63328	42587	65800	60324
37	70689	2989	27694	57103	68947	77196	19638	38520	48194	44835	42962	97038	34923	3434
38	78981	89161	40645	90633	19222	13563	48121	16051	63282	18893	65685	36620	44885	32800
39	43551	24277	93218	7462	99957	82392	37976	96518	17451	39191	47757	78355	70986	2786
40	48649	64090	96460	80610	37284	77264	80883	78124	71118	31082	71134	61180	44888	31598
41	71358	70934	96084	52701	47157	15429	50045	28402	98116	79836	57811	31681	16049	97412
42	95720	42570	79780	69937	48921	45477	79780	30095	65483	22569	15967	20578	41971	88383
43	32204	29795	25712	56115	50793	4484	32755	33807	29805	20519	7210	80621	69937	84130
44	97114	41501	82702	86158	7390	21026	50799	27068	3525	78829	96747	97023	62934	76350
45	99384	58525	28820	56787	85320	28680	41585	82417	62321	5870	39720	79993	59684	37709
46	60067	5839	39353	50740	65271	24208	46615	4290	70917	89751	59553	55161	43421	56269
47	97824	25973	19184	69911	58125	61861	73051	8824	72761	27976	66297	21266	32543	34183
48	31587	30721	98483	13083	38264	73120	26195	19388	58252	10767	20588	21505	11385	2362
49	15415	47062	63723	96460	29414	39366	57104	392	37652	39438	97527	89336	90160	45736
50	35447	1367	67924	18333	8248	651	41246	36811	52695	89311	1291	58149	59784	8965

Figure 8-2. Random Number Table from MIL-STD-105E

Line \ Column	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
51	77557	1035	60338	22803	84726	26012	25864	20131	8238	67537	39594	62551	91980	40400
52	44773	76175	33251	57826	11297	4735	68168	87745	64694	52423	3904	32836	24643	48519
53	60618	54469	3242	52091	89087	31674	80878	53646	11785	60583	18964	43651	30957	45587
54	82020	41031	30732	81306	8173	99173	68595	97896	45502	90695	52303	62003	1695	43201
55	75758	33241	17302	92494	63086	36508	60016	7804	78432	35624	83658	54380	89617	4305
56	76395	18457	2088	56723	16459	53202	99432	2789	97014	51194	82519	8764	19132	73016
57	14108	42001	83343	65997	14332	49617	91317	41968	96315	71680	8447	3655	81048	78165
58	42822	18962	95223	61742	50529	52106	77877	74224	47088	74699	48371	20032	60503	99952
59	50095	1857	65846	2571	25271	84553	54400	75545	19821	19377	56715	70638	79986	80476
60	7470	15975	86151	55775	52116	47137	96509	59614	45590	69832	89323	79713	35726	97964
61	86068	70294	32741	50281	13617	50289	208	70	6882	84755	57383	37251	73049	3896
62	63729	88803	96564	14905	76345	7063	70297	81361	13040	33133	62673	21622	92994	25545
63	38846	43073	75014	56802	3803	57752	29736	38551	35915	27056	61277	12397	53588	4698
64	74858	26246	37757	81571	63706	59275	36436	39112	92782	54625	21336	13757	56063	86002
65	31765	81795	93478	44107	26680	25396	78291	8753	92270	31736	10948	78025	89670	17562
66	9562	13206	77078	55723	50161	28422	70238	16857	86945	65682	89241	62383	36661	33410
67	25447	68201	51619	95644	45421	78772	25106	53080	92529	15943	30292	25793	68313	25349
68	92740	4590	6037	5233	69298	12235	41024	83282	37355	50190	4708	67700	28067	43785
69	53225	6877	85325	11798	13084	21678	37390	61024	77012	90352	97257	66202	94617	93164
70	53199	38930	18107	59647	27863	9685	56520	16072	11241	71529	72961	16043	83860	80191
71	8458	80794	96808	11820	75928	47852	33340	12	95955	7849	12300	79247	95596	42447
72	30997	42258	55506	9046	79410	86259	72901	89995	97379	12757	61042	39471	56228	81909
73	9894	17503	22941	22432	50952	54885	7824	68830	92612	74134	86045	5638	5090	58404
74	92611	37407	65942	32456	80909	65152	84700	7053	41634	73456	48809	81369	14842	72456
75	22804	75145	45592	44306	12904	68739	9770	39048	40487	84158	70661	29351	84279	51671
76	8740	5580	27929	32594	63976	92764	93490	63748	19667	85561	31297	70228	53340	90726
77	53138	53847	96846	13286	7097	67995	93467	19548	17229	75053	52862	78885	81911	61232
78	49001	51179	60984	3406	99386	60154	45397	80004	42741	77713	52567	2142	41012	79230
79	87440	54298	788	74633	2542	78421	44136	88027	17776	27024	33989	48713	63642	98608
80	51866	9626	98359	95741	55928	39979	30060	23024	55524	41089	89778	24832	53223	31202
81	26832	78271	69927	17713	31524	83831	73766	72869	15391	62600	10116	77088	37782	22057
82	26057	37278	57104	89332	65692	83274	92491	26166	78139	28048	18248	30740	165	13327
83	52000	40804	18565	44700	32820	88494	70244	89578	36348	35619	64465	11287	34436	17729
84	60788	30745	59659	8507	7758	74084	1188	7035	33315	34652	86967	41876	97619	14192
85	96832	32561	46687	9901	48609	6622	8145	59911	82123	37548	1713	36471	41739	51168
86	20684	8401	27634	50698	77489	91890	12542	13094	42205	59965	63541	28607	88616	90139
87	71985	10443	90111	44789	23331	49893	16621	7271	54423	72725	4853	63138	99616	77393
88	92541	568	92452	46703	2977	81629	45613	85991	19883	58751	84801	21644	2363	31818
89	99450	63535	40632	98433	73055	5342	11464	45137	7273	25628	71459	42374	64344	47352
90	52991	1796	89947	62933	11144	20140	75684	26144	33378	57490	57228	50752	70963	18476
91	64148	99077	30698	87853	79448	57149	1359	1160	44067	70270	55977	8893	30057	50576
92	83365	12949	23337	68078	38728	10847	13827	17228	11506	51908	35316	34856	98086	73727
93	74610	51752	71177	18619	82628	72188	5790	63495	77623	5576	16576	78962	25197	6131
94	22583	59597	56424	90706	76954	41478	26538	35781	57368	24146	80358	516	5548	42357
95	47014	53297	63143	76238	41794	87487	99171	80254	63044	37068	79575	64734	46700	74832
96	88254	35828	12618	69595	63002	87988	27795	73078	50489	81074	74071	87430	45603	91041
97	96768	53872	71655	71851	52759	18261	26362	7770	47336	11652	75653	88835	83766	79743
98	50663	35499	55882	89810	56651	92987	73584	98233	11107	95630	90812	78552	78063	27447
99	21109	82364	49624	57390	45865	64405	49012	10909	8390	39262	38359	7018	52366	66676
100	77125	38963	19267	38845	97048	1984	59452	49999	27577	16323	30862	94217	78767	97083

Figure 8-2. Random Number Table from MIL-STD-105E--Continued

Line \ Column	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
101	74674	64571	3182	72078	69865	4629	80051	29769	66145	8436	84460	1871	61387	44735
102	96417	44433	39998	94340	84906	5048	27684	72875	39726	97303	58189	37149	2793	22115
103	15732	20792	66877	4761	70541	72960	74132	27304	30253	50759	44978	84016	62159	65415
104	37985	76938	96563	28244	20610	23552	27656	97668	42427	81439	95902	39301	5878	73931
105	49410	91887	53881	50904	61381	52494	32729	71246	66912	3325	8410	92514	80589	6279
106	53038	86195	43485	52645	63897	98619	79439	46773	19869	47347	32291	81774	70691	97764
107	48710	92477	76842	83846	19791	12698	65338	4893	72669	97673	78950	29657	24276	74860
108	30471	93718	31501	68313	12102	97473	49891	38482	27250	78067	55988	56138	47158	13312
109	50941	43879	83343	81403	83225	80609	94731	26848	52897	84149	21044	84064	45124	97822
110	98632	88369	64165	92357	30901	26312	81611	47557	7325	20842	39640	94951	79286	76230
111	43627	18474	65919	62248	38239	24786	22483	62407	19025	26352	44833	81847	75253	52587
112	68621	93874	37214	45547	8780	67741	8345	5895	53180	92732	50033	38533	70483	49664
113	73406	84782	13397	22034	39110	52145	28901	52989	49947	1674	90253	29974	61247	82948
114	99313	37438	3770	65714	25074	97454	57252	79720	13926	51471	74771	62382	2551	85091
115	92440	46856	4372	5284	68993	108	84734	95851	32164	20458	66093	27966	11619	89236
116	51998	90390	19435	86538	6402	15313	99510	42305	75686	91065	82137	39473	56340	81644
117	29820	81917	57088	27965	88199	2289	93847	29404	47919	91245	43068	1622	8868	33071
118	20845	96924	54666	28667	39213	78639	73277	66811	56058	51088	11530	85458	55001	40101
119	64802	64438	84180	65712	80485	87563	13570	85530	46448	42707	55434	91847	31929	68476
120	4679	83462	51854	35947	82070	15749	47551	30346	58131	8548	60013	24564	82761	68288
121	50264	84006	47161	78609	92521	14406	45901	28422	49945	43716	75513	9252	19112	32879
122	81123	91411	17257	92433	83124	91860	38741	3353	38457	88841	59624	87184	9548	22095
123	58477	54754	422	69420	70792	65355	76615	41356	97089	3634	18164	9236	66560	63603
124	1645	1608	80254	35105	44457	29562	13473	94235	67495	94210	81322	85964	98987	30565
125	48621	21203	33734	42899	71990	16664	97728	640	80977	21186	75511	24637	97576	64889
126	45020	35193	58519	58623	94810	55083	42789	26324	30955	93850	90731	4845	43151	49081
127	21081	43265	11112	94367	76679	91268	1831	98918	90721	89732	15688	25761	31179	12373
128	58364	96948	40543	95755	38191	89523	51376	90665	69032	61383	11042	23225	69545	56588
129	16174	54240	61046	26346	29672	24897	36932	33909	75950	81361	33740	4645	41807	14899
130	90427	3653	33040	5949	20577	96435	6953	32653	78781	45460	1358	81690	65071	64631
131	12794	49923	81277	95281	60480	10095	41237	22852	21383	64046	55834	36609	96264	11056
132	48568	5136	46318	57023	36701	94095	60510	1166	11637	23806	13584	52092	78101	44156
133	13047	59382	69029	47495	62511	98842	65938	30857	16589	87190	68513	86044	2217	23194
134	8605	90467	58260	13435	18308	63211	95951	45237	75626	86646	26542	64597	57901	80250
135	21827	93951	36002	54629	34318	30080	6508	54962	25847	9613	30037	44192	60862	63653
136	30582	30721	84421	27397	47572	63896	13069	68861	76219	13885	69625	60426	62248	73774
137	33811	98738	54493	9199	90152	37712	15846	68465	33780	89238	17908	56552	68112	58420
138	78753	94120	8857	68250	21042	17148	21189	55025	49082	59986	50284	43553	59293	40621
139	83048	6422	77465	20361	30333	95723	74460	56659	18709	77028	60671	22823	68333	84150
140	59522	59875	98903	46011	49499	86562	71201	84558	37498	83017	67535	16378	2017	68748
141	80373	91992	1546	89092	38842	81459	96340	42488	25611	94471	29353	16497	48946	58204
142	9688	64096	28149	47450	53541	31895	81275	54522	85004	72504	22213	98899	43700	47391
143	28697	10489	89989	20749	39120	45659	68987	74630	24067	25355	60941	4007	33427	18992
144	46044	92080	94498	55969	25093	69433	59683	23790	4196	59666	53288	19035	41330	80441
145	70905	31438	3593	26333	21638	57061	30775	49802	6439	42499	80136	43179	4626	5549
146	54107	91999	27724	65370	73255	45367	3516	26391	97271	12360	83401	12043	50961	20857
147	56674	81044	92124	59726	24910	79554	32447	277	74511	90922	84682	65101	53421	92274
148	11127	98471	63993	5982	19722	25629	2394	67292	65517	86156	2686	59279	87296	16645
149	27044	1030	80590	66353	70394	62911	24249	62662	26764	5816	62925	81859	27611	79982
150	56344	6633	17472	13074	98573	4998	42438	79423	15545	75979	25187	99765	28845	31454

Figure 8-2. Random Number Table from MIL-STD-105E--Continued

Line \ Column	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
151	5449	64299	71606	77868	12694	82902	25310	97566	73167	37110	60372	35815	65595	96389
152	38538	10032	20303	83484	84977	36205	57480	9046	5172	95578	75162	87725	60835	647
153	76619	47048	46648	30519	25253	77965	44329	90359	14996	29416	54690	10685	77007	25380
154	29458	20600	99805	49199	84169	13132	60695	80840	43994	46230	1093	47366	42351	56025
155	70200	49043	84179	19252	33052	23676	44955	59507	17141	22727	56277	26356	56033	12467
156	47459	14442	7566	42428	89178	14487	47591	69792	22325	23685	25365	49955	33483	93453
157	81373	7399	39404	69139	86126	64073	59652	45763	16529	63944	46069	23972	57713	82357
158	51590	10176	89643	69735	41009	20143	2465	33926	22393	26800	94237	45991	86276	69582
159	36682	57653	22191	39182	23574	51441	14066	72110	29432	10795	81538	50195	3059	90619
160	39514	40273	32952	5755	20353	28002	94430	20087	43814	81582	9792	6089	71366	4303
161	46959	78171	19292	28551	30864	87995	21156	86722	29739	22066	25456	14694	38122	71328
162	36998	48989	2437	12452	33845	10602	13919	65634	74375	42425	20937	83840	10210	3971
163	47723	21549	10489	50238	39867	34846	43225	67541	78570	77309	24250	73719	11736	6842
164	50574	57492	19850	67182	1543	46124	49499	35509	86326	49360	91164	21217	28847	6264
165	62680	66077	50804	70158	92347	37855	3353	35616	2945	23387	23257	2506	16525	46247
166	74964	54124	33096	60361	52718	81410	10770	14662	43356	17241	26698	54985	25623	5571
167	47723	78070	71495	71352	53910	36151	47013	35101	6336	75459	93834	88216	19690	56440
168	70587	64652	63939	53105	27974	58976	52524	8740	77526	92745	52650	8649	46827	87936
169	13418	9877	64860	63195	24941	85653	29912	82263	46346	21172	56980	74751	99628	35117
170	15500	30506	32422	95938	24547	26179	33928	29540	19378	37725	70259	57036	3120	27185
171	20203	42440	56575	23973	20162	36870	43745	96987	84530	6249	52274	20409	97209	33986
172	88586	88480	4692	83553	57953	84618	4202	10853	14010	83788	76128	81707	66333	98395
173	81425	50979	20429	40057	46046	59121	37383	11071	48059	5584	14488	61693	49979	28646
174	20203	1253	78645	93478	49045	56972	11286	33774	37146	67968	59713	76004	77838	8977
175	39852	65972	74772	70436	47210	29409	6600	51643	58948	46853	70280	18018	46848	44794
176	25795	19215	39049	94197	22694	5866	64055	52698	26111	99053	57364	63897	20879	72731
177	38260	6804	30984	43337	20500	12525	43864	3109	77586	63410	26061	54801	56525	65791
178	91888	20311	99195	86027	34474	32025	54191	66951	576	51775	22649	20834	84858	66211
179	15523	98410	35687	84850	85262	67647	99871	82901	34779	60066	82337	86046	22215	65319
180	98079	4102	86862	54339	72796	14485	15589	79217	6890	18388	43152	86072	35288	41698
181	95755	38833	8148	26239	8137	60929	21062	67060	21042	92454	8083	65725	12428	28632
182	23869	17352	90855	94223	46938	62348	62268	67013	26550	17963	39823	16895	50392	37148
183	27606	65493	42017	47380	30815	43184	23269	80256	70406	47913	66411	38412	29877	54914
184	58480	50711	69507	47963	42402	87895	67423	40744	91468	5649	39557	28777	56706	19615
185	13787	56042	1206	67944	1146	64899	53135	84220	99883	91454	47375	37596	35396	29989
186	50149	12090	29915	68028	72746	85821	86728	79692	34962	10836	70012	11390	92993	955
187	68993	61964	35948	29225	76245	72615	53533	38075	11447	3920	79776	67015	7489	76538
188	53442	22242	38031	37544	66410	79507	85750	37101	20407	34559	63498	88345	57333	48390
189	54417	18414	50585	51342	39174	62592	25807	5653	77872	46936	55170	7773	49902	30031
190	99175	70102	41691	71563	38535	11702	70521	45591	24817	60656	40153	29154	91477	80508
191	44625	17476	22422	89176	3103	31248	31587	65921	22864	87475	27143	36199	12628	36513
192	23431	79055	73114	67289	55518	82836	30757	65014	32832	89879	19222	71632	69499	65497
193	2195	63637	63949	45825	20256	6650	63159	41691	17048	63781	68520	87012	28864	70411
194	46090	74251	36743	67846	49267	62685	21123	86538	45338	53836	29960	70696	96613	69797
195	70720	62890	82073	36082	76745	38556	81459	45877	82193	72687	38179	82141	22734	61694
196	33728	12709	77058	17072	27207	18594	82557	98335	91179	84153	22326	14419	88228	93683
197	42559	33146	84697	11646	17147	76763	98905	36328	46616	63448	16958	27197	71042	50937
198	29033	40211	79311	96380	36654	78516	35685	6275	37225	42055	41057	84830	67148	82704
199	26246	46534	47483	86246	52710	50568	30031	6997	99020	75835	23731	7974	23378	8004
200	49973	80575	70477	9455	53781	3222	38630	29317	33654	16416	8289	244	97156	63036

Figure 8-2. Random Number Table from MIL-STD-105E--Continued

Line \ Column	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
201	73286	26133	15000	83605	29729	79106	55194	8079	14051	57407	82846	14843	64290	47617
202	12752	51	99274	8379	48996	17680	43549	36638	35864	38409	37432	54141	91796	2085
203	19294	89623	64359	93589	83990	71709	25441	39671	76623	37517	3088	60195	26183	31902
204	23156	78576	78093	536	83665	64887	51985	25653	87435	23447	44130	79210	81209	89772
205	80731	47995	7009	24121	86111	38496	76643	9242	58404	23770	74605	59521	23525	94786
206	44148	41679	502	4041	21483	28928	93076	9131	39028	99400	58006	40478	65993	45692
207	25734	39711	96376	17451	79808	69062	78754	6024	45961	82366	52353	19096	81254	90139
208	29037	66430	66983	98548	23896	80776	64755	50732	93872	48954	88150	59817	43951	5430
209	54911	47738	62114	42169	87100	31063	56614	38075	99380	32245	48723	21814	34569	88148
210	91249	93510	31634	53112	67959	16134	24488	15112	73769	70456	47943	28249	42043	21182
211	44700	92915	95933	35717	47828	59854	76431	13233	77262	60651	77949	68593	87236	6422
212	28570	9491	94011	3032	20496	77069	56405	73326	69438	51497	14646	65196	85606	27051
213	21577	72579	82766	48036	10766	18073	13757	98858	18326	79054	42782	45660	96112	91372
214	48556	87987	45797	49203	20643	62702	96918	4804	47478	38217	359	60694	7692	12401
215	60980	92937	7115	1313	64044	19596	32522	76999	89181	89742	43577	44977	98209	37245
216	61238	51139	48939	92905	50063	83507	58310	51190	66635	46466	46780	48246	6337	86262
217	10617	73189	55580	1909	84571	99568	192	23519	21068	93	33437	77640	85882	74489
218	8498	58007	22517	29295	94481	64553	6797	20089	72528	37130	48520	1653	61254	55131
219	70505	68776	90871	13662	24447	84665	9497	26178	13452	61693	57880	62889	44104	75768
220	48524	70840	95056	92492	30320	31678	96671	59635	96684	60521	8303	76009	6472	80479
221	52129	76013	71607	68012	19240	20406	35170	71216	36590	55872	96469	8582	32134	1692
222	59432	27334	37085	28716	70828	21948	60197	24737	56298	32546	99786	4764	82606	79071
223	24444	91956	77321	54715	83049	14354	85906	3826	295	54341	33921	46697	56860	19880
224	62763	90972	96911	57548	15176	92525	67067	86747	96768	87086	67179	13578	91405	52100
225	31589	90999	49228	1450	48405	1277	37876	80787	6799	77281	15809	60187	53420	27618
226	87476	98387	57507	31763	60484	26947	61756	58644	34410	75971	64581	53166	7213	81273
227	82736	21318	62641	47779	92996	35523	46850	43338	93485	11412	61978	46099	4046	59554
228	65017	1706	99946	78217	86371	80721	7796	63678	7560	6689	80886	57902	69121	71219
229	19423	29834	6671	32888	90307	89905	91311	73329	41417	66726	65548	97265	31145	80023
230	70131	62534	10340	77567	81219	33333	22209	2872	23224	29468	27096	71785	50876	57003
231	57523	84709	8825	71783	38545	19939	45942	32932	47227	44947	94686	31054	35639	15479
232	99377	26798	7760	36818	77559	18762	34477	31536	66297	55091	23332	28806	54761	60842
233	48573	14167	30394	48774	86673	6972	83055	51305	45243	55435	31640	80074	59246	40489
234	1001	36705	74026	56792	32832	64668	27466	40007	14339	32593	45913	97782	20098	13238
235	72843	24677	60686	7794	47041	43705	32056	82864	5536	35596	75105	88000	64094	91756
236	40665	98189	81710	71282	97723	38660	23483	7577	13134	93970	6148	26127	35618	980
237	97706	83777	10688	23816	37940	6428	26778	4461	79735	1555	76924	19943	33266	23950
238	28898	96772	97767	17074	91334	9060	58251	98068	18479	30598	36545	83903	23548	63517
239	28882	69057	13792	90895	68096	51883	60720	9016	69401	5423	62181	82317	34188	69128
240	5199	64391	57229	70251	80495	56538	56362	83874	58941	82704	64592	35673	17750	64392
241	11664	19672	34579	97149	46001	56015	56057	90289	75661	56456	11032	13053	61907	21398
242	48162	98271	28926	15896	61480	78600	94731	3409	84083	8377	49373	16621	70155	86360
243	25982	55076	93791	35442	20041	25303	64230	30572	78781	61924	22833	12617	55716	31671
244	83352	86514	40013	80482	91758	45186	40111	60148	36874	31343	78424	97307	45553	26640
245	14032	30648	70808	28292	58182	24279	52	72444	53004	36415	97272	45115	60566	93904
246	83929	4151	82240	49757	97752	91311	52873	36354	73975	64041	98578	48995	54977	30887
247	28634	37064	65565	55009	88894	45674	84219	29973	26037	94308	96209	70754	27213	29957
248	89512	78288	49451	87386	87309	77351	50581	34043	98310	22124	86253	24170	31444	32320
249	90368	91087	8826	83992	82441	62607	37720	51768	9575	14764	40779	74811	82522	79692
250	12541	1151	91770	15414	20477	75022	64632	74569	82593	94690	89702	12288	27023	39467

Figure 8-2. Random Number Table from MIL-STD-105E--Continued

Line \ Column	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
251	81673	13661	86405	99680	50868	27384	9573	60349	26091	73129	96715	6281	76701	3917
252	22665	14439	58242	91501	70600	66240	91726	60266	20563	28338	74809	81728	83286	94741
253	56061	26427	75349	58737	81512	74326	79019	71373	30522	96375	87534	17093	41197	7018
254	41868	17873	22503	53009	34664	37462	43093	3160	75886	53208	86043	38567	27505	91549
255	34454	26669	66266	81024	16828	97310	32021	96956	11637	3554	95863	19762	44160	66350
256	94017	12899	38112	64384	25053	2985	70551	77369	87094	48719	34287	91692	10699	98328
257	71925	69112	50682	58866	77114	66852	65130	65985	94668	46530	17568	95498	94539	23712
258	73261	71545	1717	24029	1946	24568	55290	18770	83392	92746	4600	22390	23501	89654
259	74388	61313	45234	99676	31808	14379	24142	54720	24136	80175	85516	66272	5372	63627
260	54907	72837	23201	39141	75605	21318	6752	5803	73188	1401	26065	46910	75768	89700
261	62903	46792	8465	91221	85904	82859	96635	59075	85392	25106	34702	26649	37584	62215
262	40112	84667	4488	87209	35910	57735	66982	76768	21786	53874	70403	49277	65495	13711
263	7993	64198	9617	11811	68210	99851	36888	92558	19873	45016	67236	39777	30651	21527
264	78993	49736	74567	94730	62089	34848	58539	98048	19039	88412	70122	92815	27958	1112
265	72139	13752	98705	37031	86163	82900	38037	52583	92203	22175	63405	63745	85484	43902
266	31130	42064	41251	77132	88815	54502	80758	17388	74920	74325	64846	10686	89531	54574
267	19187	37420	8158	90437	84672	55917	30938	84971	73553	47475	74883	88315	40410	26110
268	40862	99319	37621	99512	48292	57084	62899	15940	86884	70101	31163	59964	98017	87177
269	87553	81403	10383	97401	59329	73662	74234	79661	50174	76858	84732	44880	54844	26315
270	62204	60914	33585	71552	75771	99760	87503	96106	26849	49629	67725	36111	62042	40092
271	6876	32144	99868	4988	97513	73890	70884	60487	54744	88680	39881	72896	28292	74066
272	86595	53484	63825	58847	10553	19448	25924	19653	60706	60100	14199	89979	98611	36491
273	36393	49986	48002	65485	87266	82411	13661	5142	82413	53219	39816	26731	78006	79742
274	70833	71708	8936	95660	73900	85403	81403	56263	4505	24110	68129	6329	23805	18298
275	97820	47712	94544	26747	52297	24431	87567	39891	38033	97526	68819	76137	3570	48792
276	17914	43672	96173	96178	40095	47940	57512	49113	8282	5529	83024	55846	77958	86412
277	40766	45649	51963	25021	94196	16727	55686	4973	3288	77057	45826	8404	98073	76120
278	12561	6232	72109	87297	52181	46312	26171	55076	19615	80113	57729	40203	46535	66869
279	21622	13116	74686	5759	14234	57193	54041	88395	33364	33919	50994	74852	4955	22451
280	94969	55653	37138	62093	60731	58694	8089	9398	63739	60650	81227	5210	52905	62003
281	66504	42933	61248	11633	88116	54278	96021	17736	55982	65210	72807	34198	23248	14144
282	25007	90388	5150	3594	82932	27967	78006	35328	20265	93605	40360	95236	57293	8089
283	64320	89658	54451	22344	53752	36741	5521	40025	54436	39847	80899	43637	43379	89168
284	61161	96653	22817	37960	69007	60579	64162	6481	27888	73516	77217	67096	59774	84211
285	29138	67122	35185	56340	15491	51328	86419	36419	28298	21384	80113	48901	50822	38095
286	68762	61455	80912	14028	58130	12967	70470	43147	66329	32354	39946	95521	6250	38091
287	78954	51375	51647	20501	70990	36661	76419	99689	52620	51434	6928	50849	37617	11254
288	99743	12553	32471	57755	69894	27650	13330	55024	50334	84261	62189	95696	15750	3361
289	92045	33426	95184	65102	58155	26030	95112	45614	45853	69180	48503	28707	57367	9474
290	99977	30240	52755	68397	5026	80845	39717	32107	82609	84030	28120	14043	55798	17782
291	55503	52636	50874	21437	16435	94286	21299	7617	55889	63907	80800	19770	87271	61365
292	38045	38562	77000	86992	40787	85665	97399	50858	53460	64905	44033	11102	78259	96859
293	60286	20410	56623	66137	15034	36523	98086	9163	28021	71724	78775	7409	37093	22902
294	33704	41097	18830	27391	56237	57238	84668	23182	1834	78004	80221	57882	96887	41409
295	59232	28392	81529	50174	22822	39406	50628	28208	79788	61944	73061	56486	68061	28811
296	21303	82924	11951	71865	32772	44925	75025	2501	27582	80888	27193	71632	94699	24466
297	92984	17175	56725	12854	69075	29625	61053	29319	17210	31830	98788	86027	81210	53066
298	48155	62583	8874	39669	37748	14492	47836	9208	30271	73150	95534	37601	27219	47481
299	7976	58862	91012	76526	64622	10096	78463	43800	30682	10968	74217	63094	96928	15027
300	3442	15659	2943	84795	34769	39000	81052	70141	28526	17403	856	92941	52263	15237

Figure 8-2. Random Number Table from MIL-STD-105E--Continued

Line \ Column	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
301	1049	84306	40899	33604	31180	11243	85051	24220	23939	4013	20832	22554	9532	61062
302	90748	43119	35030	39448	55648	52564	62553	3009	36227	26008	57398	47260	46505	37168
303	9645	35525	6814	66213	96277	6434	79929	26521	97566	52915	90095	48363	52808	33941
304	3902	76741	63023	31315	64729	34482	88922	60408	71442	85871	44350	37534	55291	68346
305	32242	27881	76184	21908	38143	64862	24076	53610	33330	53377	93465	37377	36414	86000
306	59858	80840	95199	88806	95424	66192	76228	3988	82199	93153	92258	11850	15436	97015
307	26523	41514	53235	83497	23579	24265	66948	66932	74742	84110	85364	44493	38980	91916
308	17399	26973	34173	34957	46402	19156	33734	8698	80031	8326	60603	7509	94173	99049
309	32938	44813	75717	18375	37287	54212	46750	72388	85352	10851	29436	19164	30068	6050
310	51256	34267	29540	13188	68179	95116	72108	47516	89809	33293	83994	81566	1809	50176
311	22435	41269	1103	85712	27133	56532	40366	56065	44521	19879	94562	29557	82222	80659
312	14068	29172	96131	45675	2468	93623	89926	82574	94629	11463	33183	14196	20263	57764
313	62329	19789	84156	51834	33605	42349	1551	93216	50460	51454	7325	51562	94748	87666
314	7125	79216	62504	75464	87684	25952	99378	46185	45090	2437	19691	16516	53915	84689
315	68309	27630	6406	91190	64450	95951	95119	87411	23946	44904	66350	9098	72567	11624
316	65145	16215	89633	22134	39283	78130	16502	4969	2209	4632	6933	24406	2333	73463
317	41855	24369	8178	67782	1258	91363	62312	73774	57484	75382	63522	66189	92347	11881
318	64544	92357	90252	71466	90372	66039	92937	43302	6031	9408	97350	28386	40486	82498
319	13845	886	1995	32205	99440	20587	8646	41044	70381	50102	20470	27900	32992	21293
320	46278	40508	40283	82569	73338	68226	40642	9197	16057	1569	16097	79848	88123	90598
321	62556	24137	49914	31120	67937	50132	65648	15513	1385	23968	50881	18372	204	2667
322	75855	44604	14554	65542	33698	55596	34512	71959	35552	59445	68530	57758	45956	11947
323	16454	31158	49171	6877	35545	11386	71162	15340	25863	90632	25015	21282	74574	7429
324	43273	53276	37057	4554	41919	87579	57648	26621	47817	60811	98354	67608	31835	44712
325	96641	29	60653	79781	51233	49275	81868	38577	43236	15348	43071	81368	86046	83246
326	74703	23527	83769	12684	10223	15466	72537	91451	28722	73893	88855	87920	60673	90065
327	68676	65588	30664	39651	94482	2890	41827	43226	29185	97688	39006	87986	8907	1731
328	49820	86979	58107	63103	85249	90658	56142	52065	17242	12718	43885	49529	46434	889
329	41552	86215	31694	45231	49142	40671	80991	71994	96247	44779	86938	21879	67620	62737
330	95941	29954	93229	69837	57718	7672	50472	66330	50366	69211	29727	79422	18345	6293
331	21199	6487	40921	24043	40852	89055	88806	80497	95382	32866	94543	79143	69785	63410
332	61220	62452	62900	35816	49589	46302	37015	25712	22595	12464	94367	5710	76212	63848
333	84527	73950	49797	3079	16453	97952	71487	15524	9460	65022	24117	72976	60824	10024
334	13216	39069	17119	77822	45123	61656	6603	96811	77352	41794	13983	97534	81893	23507
335	35689	55006	16255	47836	48246	84036	242	83186	78195	31612	16914	5071	50930	88089
336	56009	99453	58291	87703	81088	75161	88081	46418	93017	10211	54952	25246	82670	87858
337	37855	32575	86509	36531	54904	23352	86152	86311	49584	80697	53453	95563	23560	66113
338	43218	64476	55711	47769	73997	44767	86612	14283	30862	24286	9053	86608	73318	86289
339	69307	49633	86317	41388	80054	98274	97808	4978	51480	1104	92411	99243	9346	87861
340	45634	20388	27961	76917	49420	2437	67079	96460	37560	95846	62771	90727	89447	22989
341	64586	43951	16091	18756	67895	47240	69557	87032	87186	5251	97523	92095	42559	59456
342	48135	99635	18459	30628	6274	61082	78936	24169	80959	74255	40500	1001	4143	19050
343	16659	95712	76191	94832	21228	92892	89794	89742	8785	64238	28118	21394	99266	26716
344	5388	34130	85379	8214	37867	9553	67833	76595	86605	88653	34851	67438	17091	77099
345	98335	8144	22797	42175	28431	89818	47915	22730	88514	21431	61317	52911	65648	77267
346	73226	17224	2220	44352	89219	14344	26097	36545	31190	24408	96527	92920	83186	52313
347	21672	51084	17415	68200	42760	58519	38442	20713	85500	77503	37640	68884	13467	22024
348	16608	13930	73769	2898	41562	16427	35312	3566	27562	56746	14728	75317	11991	53680
349	11042	93634	32377	18320	60309	76085	80241	96065	35442	33471	81367	31846	80878	5230
350	33549	73547	8875	11251	87698	22836	9175	60206	60211	21418	40515	62470	56892	46852

Figure 8-2. Random Number Table from MIL-STD-105E--Continued

Acceptable Quality Levels (Normal Inspection)

Sample Size Code Letter	Sample Size	0.010 Ac Re	0.015 Ac Re	0.025 Ac Re	0.040 Ac Re	0.065 Ac Re	0.10 Ac Re	0.15 Ac Re	0.25 Ac Re	0.40 Ac Re	0.65 Ac Re	1.0 Ac Re
A	2	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
B	3	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
C	5	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
D	8	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
E	13	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	0 1
F	20	↓	↓	↓	↓	↓	↓	↓	↓	↓	0 1	↑
G	32	↓	↓	↓	↓	↓	↓	↓	↓	0 1	↑	↓
H	50	↓	↓	↓	↓	↓	↓	↓	0 1	↑	↓	1 2
J	80	↓	↓	↓	↓	↓	↓	0 1	↑	↓	1 2	2 3
K	125	↓	↓	↓	↓	↓	0 1	↑	↓	1 2	2 3	3 4
L	200	↓	↓	↓	↓	0 1	↑	↓	1 2	2 3	3 4	5 6
M	315	↓	↓	↓	0 1	↑	↓	1 2	2 3	3 4	5 6	7 8
N	500	↓	↓	0 1	↑	↓	1 2	2 3	3 4	5 6	7 8	10 11
P	800	↓	0 1	↑	↓	1 2	2 3	3 4	5 6	7 8	10 11	14 15
Q	1250	0 1	↑	↓	1 2	2 3	3 4	5 6	7 8	10 11	14 15	21 22
R	2000	↑	↓	1 2	2 3	3 4	5 6	7 8	10 11	14 15	21 22	↑

Sample Size Code Letter	Sample Size	1.5 Ac Re	2.5 Ac Re	4.0 Ac Re	6.5 Ac Re	10 Ac Re	15 Ac Re	25 Ac Re	40 Ac Re	65 Ac Re	100 Ac Re	150 Ac Re	250 Ac Re	400 Ac Re	650 Ac Re	1000 Ac Re
A	2	↓	↓	↓	0 1	↓	↓	1 2	2 3	3 4	5 6	7 8	10 11	14 15	21 22	30 31
B	3	↓	↓	0 1	↑	↓	1 2	2 3	3 4	5 6	7 8	10 11	14 15	21 22	30 31	44 45
C	5	↓	0 1	↑	↓	1 2	2 3	3 4	5 6	7 8	10 11	14 15	21 22	30 31	44 45	↑
D	8	0 1	↑	↓	1 2	2 3	3 4	5 6	7 8	10 11	14 15	21 22	30 31	44 45	↑	↑
E	13	↑	↓	1 2	2 3	3 4	5 6	7 8	10 11	14 15	21 22	30 31	44 45	↑	↑	↑
F	20	↓	1 2	2 3	3 4	5 6	7 8	10 11	14 15	21 22	↑	↑	↑	↑	↑	↑
G	32	1 2	2 3	3 4	5 6	7 8	10 11	14 15	21 22	↑	↑	↑	↑	↑	↑	↑
H	50	2 3	3 4	5 6	7 8	10 11	14 15	21 22	↑	↑	↑	↑	↑	↑	↑	↑
J	80	3 4	5 6	7 8	10 11	14 15	21 22	↑	↑	↑	↑	↑	↑	↑	↑	↑
K	125	5 6	7 8	10 11	14 15	21 22	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑
L	200	7 8	10 11	14 15	21 22	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑
M	315	10 11	14 15	21 22	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑
N	500	14 15	21 22	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑
P	800	21 22	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑
Q	1250	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑
R	2000	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑

Figure 8-3. Acceptance/rejection tables from MIL-STD-105E

Acceptable Quality Levels (Tightened Inspection)

Sample Size Code Letter	Sample Size	0.010	0.015	0.025	0.040	0.065	0.10	0.15	0.25	0.40	0.65	1.0	1.5	2.5	4.0	6.5	10	15	25	40	65	100	150	250	400	650	1000
		Ac Re	Ac Re	Ac Re	Ac Re	Ac Re	Ac Re	Ac Re	Ac Re	Ac Re	Ac Re	Ac Re	Ac Re	Ac Re	Ac Re	Ac Re	Ac Re	Ac Re	Ac Re	Ac Re	Ac Re	Ac Re	Ac Re	Ac Re	Ac Re	Ac Re	Ac Re
A	2																			1 2	2 3	3 4	5 6	8 9	12 13	18 19	27 28
B	3															0 1			1 2	2 3	3 4	4 5	6 8	9 12	13 18	27 28	41 42
C	5														0 1			1 2	2 3	3 4	5 6	8 9	12 13	18 19	27 28	41 42
D	8													0 1			1 2	2 3	3 4	5 6	8 9	12 13	18 19	27 28	41 42		
E	13												0 1			1 2	2 3	3 4	5 6	8 9	12 13	18 19	27 28	41 42			
F	20											0 1			1 2	2 3	3 4	5 6	8 9	12 13	18 19						
G	32										0 1			1 2	2 3	3 4	5 6	8 9	12 13	18 19							
H	50									0 1			1 2	2 3	3 4	5 6	8 9	12 13	18 19								
J	80								0 1			1 2	2 3	3 4	5 6	8 9	12 13	18 19									
K	125							0 1			1 2	2 3	3 4	5 6	8 9	12 13	18 19										
L	200						0 1			1 2	2 3	3 4	5 6	8 9	12 13	18 19											
M	315					0 1			1 2	2 3	3 4	5 6	8 9	12 13	18 19												
N	500				0 1			1 2	2 3	3 4	5 6	8 9	12 13	18 19													
P	800			0 1			1 2	2 3	3 4	5 6	8 9	12 13	18 19														
Q	1250		0 1			1 2	2 3	3 4	5 6	8 9	12 13	18 19															
R	2000	0 1			1 2	2 3	3 4	5 6	8 9	12 13	18 19																
S	3150			1 2																							

Figure 8-3. Acceptance/rejection tables from MIL-STD-105E--Continued

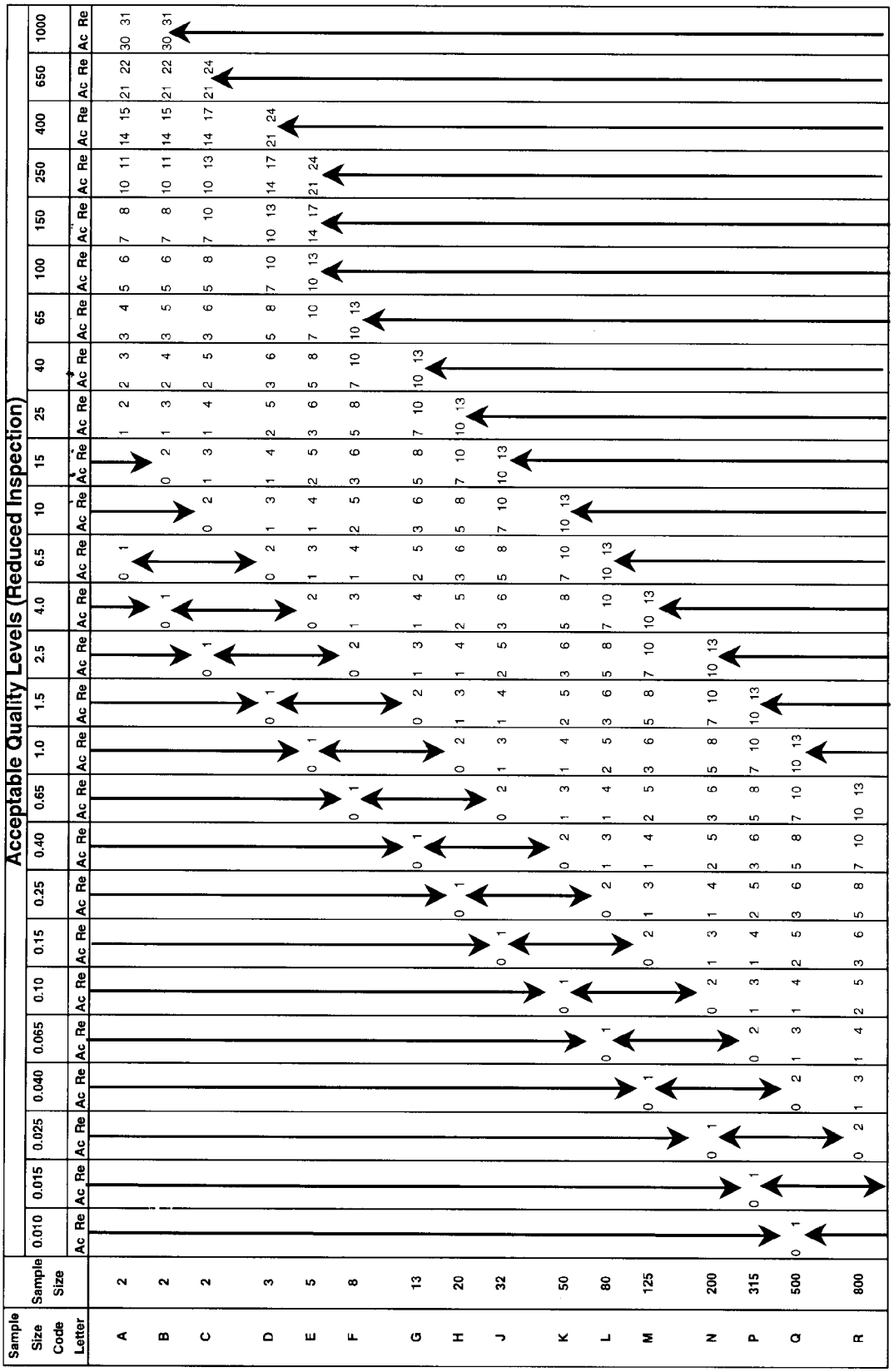

Figure 8-3. Acceptance/rejection tables from MIL-STD-105E--Continued

Original Contract Bid	$10,000,000
Workload-related Modifications	2,000,000
Wage Rate Modifications	300,000
Cost Overrun Modifications	10,000
Original In-house Cost	12,000,000
MEO Personnel Cost	11,000,000
Federal Pay Increase	4%

STEP 1:

Cost of workload-related modifications	$ 2,000,000
(Divided by) Original Contract Bid	10,000,000
(Times 100) equals	20%
(Times) Original In-House Cost	12,000,000
(Equals) Workload-related increase for in-house cost	$ 2,400,000

STEP 2:

MEO Personnel Cost	$11,000,000
(Times) Federal Pay Raise	4%
(Equals) Pay raise increase for in-house cost	$ 440,000

STEP 3:

Original In-house Cost	$12,000,000
(Plus) Workload-related increase for in-house cost	2,400,000
(Plus) Federal pay increase for in-house cost	440,000
(Equals) Adjusted In-house Cost	$14,840,000

STEP 4:

Adjusted In-House Cost	$14,840,000
(Minus) Original Contract Bid plus modifications	12,310,000
(Equals) Savings from Contract Operations	$ 2,530,000

Figure 8-4. Example of Calculations for Annual Cost-Effectiveness Review

Chapter 9
Transfer Cost Competition Studies of Contracted Activities

Section I
Overview

9–1. Transfer cost competition study

A transfer cost study is a full cost competition study of a function currently performed by contract or IGS. A transfer cost study is performed to determine whether it is more economical to continue acquiring services by contract or IGS or to obtain the services from an in-house work force — that is, transfer the function in-house.

a. The transfer cost study is a valuable but labor-intensive tool that the government can use when it has exhausted all other efforts to obtain cost-effective contract or IGS performance. A transfer cost study can result in lower cost even if the function remains contracted. In fact, just the proposal to conduct a transfer study can help reduce costs.

b. The transfer cost study process includes the following steps:

(1) As part of normal contract administration, the installation performs a cost-effectiveness review of the contract or IGS each year (para 8-14).

(2) When the annual contract or IGS cost-effectiveness review shows that in-house performance may cost less, the installation submits a CPAS to the MACOM for approval (paragraph 2-5).

(3) When the MACOM approves the CPAS, the installation performs a full cost competition study.

9–2. When and why a transfer study is done

A transfer cost study will be performed if contract or IGS costs have become unreasonable and in-house performance is feasible.

a. Unreasonable costs or unacceptable quality. The determination of whether contract or IGS costs have become unreasonable or quality unacceptable should have been made during the annual review.

b. In-house performance is feasible. This mainly involves resources - either ensuring that manpower resources, equipment, and facilities will be available, or obtaining a commitment from higher headquarters to provide the resources if the transfer study results in an in-house decision.

9–3. Functions on which a transfer cost study can be performed

Any recurring service can be transferred in-house if it is more economical to do so as determined by a transfer cost study. (The CPAS must be approved by your MACOM before the study is performed.)

9–4. Resolicitation before conducting a transfer study is optional

9–5. How transfer cost competitions differ from cost competitions of in-house activities

The procedures are very similar. Most of the differences result from having an existing contract or IGS but no existing in-house work force. There is one significant difference in costing procedures: the 10% "Conversion Differential" is added to in-house costs rather than to contract costs.

a. Existing contract

(1) Because a PWS already exists at the beginning of a transfer study, the study can be completed in much less time.

(2) The knowledge that a transfer study is being proposed can reduce costs enough that a transfer study may not be required.

(3) The current contractor will be observing the government's actions much more closely. This enhances the importance of performing each step properly and "by the book."

b. No existing in-house work force

(1) It may be more difficult to develop the in-house cost estimate (the government's "bid") - especially if much has changed since the original MEO was developed. On the other hand, learning from "20-20 hindsight" is very instructive. That is, you have a chance to correct errors in the original MEO. Also, if you observe the contractor's productivity improvements, you can adopt them into the MEO.

(2) Contract or IGS employees' jobs are in jeopardy rather than those of the in-house work force. While opposition from the contractor can be expected, this should cause few delays compared to the delays often generated by affected government employees. This is another reason why transfer studies can be completed in much less time.

(3) If the installation is undergoing staffing reductions to meet budget cuts, a new in-house organization can make it easier to place excess employees.

(4) You will be working with your CPAC to "build up" rather than "build down" to an MEO. That is, you will be designing new positions and planning to fill them rather than reducing grades and positions and planning to place or terminate excess employees.

c. Costing procedures. The one difference is that the "Conversion Differential" (10% of in-house personnel cost over the performance period or $10,000,000, whichever is less) is added to in-house costs rather than to contract costs (paragraphs 9-7c & d).

d. The Streamlined Cost Competition process may not be used to perform a Transfer Cost Competition. The reason is that the Streamlined Cost Competition requires projecting contract cost based on at least four similar contracts and then conducting the solicitation with no further "in-house bid" only if the adjusted cost of each of the 4+ contracts is less than current in-house cost.

9–6. Who does the transfer cost study

The following installation personnel are normally involved in the transfer cost study process. The responsibilities indicated below are suggestions; except as required by law, commanders may assign responsibilities to those best suited to perform the job.

a. Typically, the DRM is responsible for performing this mandatory cost effectiveness review each year in conjunction with the functional manager and Contracting Officer.

b. The DRM prepares the CPAS with assistance from the functional manager and Contracting Officer. Various other staff offices provide data input. Submission of the proposal to higher headquarters represents a commitment to conduct the transfer cost study. For this reason, you should establish a steering committee as soon as it becomes apparent that a transfer cost study may need to be performed. This would happen during or just before development of the transfer cost study proposal. The steering committee would then assign responsibilities for the remainder of the study. If a steering committee is not established, the DRM and functional manager should solicit the support of the installation staff before presenting the proposal to the commander for signature.

Section II
Developing the Transfer Study Cost Estimate

9–7. Completing the cost comparison form

Use the DA Form 7376-R at the end of this pamphlet. It is the same one used for Full Cost Competitions. (This is a change in the March 1996 OMB Circular A-76 Revised Supplemental Handbook; the Expansions, New Requirements and Conversion to In-house performance (ENRC) CCF is no longer used.) Completion of this form has been automated through the use of personal computer software (COMPARE) developed by the Air Force and approved for use by all services. COMPARE, along with a detailed user manual is available through HQDA, ACSIM. This software is used for all cost competition studies and is mandatory unless an alternative is approved by your MACOM.

a. The projected in-house cost developed during the annual contract or IGS cost-effectiveness review should provide a reasonable estimate of how much an in-house operation will cost. Typically, this estimate adjusts the original MEO for subsequent and projected workload changes and inflation. If you do not have an original MEO — for example, if the function has always been performed by contract — see para 9-11.

b. The current contract or IGS price is normally used to project contract or IGS cost. Adjust for projected workload changes and inflation.

c. The costing procedures are the same as those in paragraph 5-7 with the exception that the Conversion Differential (line 14) (10% of in-house personnel cost or $10,000,000, whichever is less) is added to Total In-house cost (line 6), rather than to Total Contract cost. The sum of line 6 and line 14 is entered in line 15, Adjusted Total Cost of In-house Performance. (This 10% margin is the same as the margin favoring the status quo in studies of in-house functions, and includes the government's contract termination costs.)

d. Cost Comparison Decision. - Lines 17 and 18. Subtract Line 15 from Line 16 and enter the result on Line 17. If the result is negative, enter the number in parentheses. A positive amount on Line 17 supports a decision to perform the activity with in-house resources. A negative amount on Line 17 supports a contract decision. Indicate in the appropriate block on Line 18 the decision supported by Line 17.

9–8. Determining resource requirements

Before conducting the transfer study, you must ensure that sufficient resources - dollars, manpower authorizations, equipment, facilities, and personnel - will be in place in the event of an in-house decision.

a. Normally, funding should not be a problem. After all, the transfer cost study will result in an in-house decision only if in-house costs are lower. However, the transfer may require high start-up costs. Also, the costs in the cost comparison do not correspond with funds paid out of the installation budget. Following are procedures for determining if budgeted dollars are adequate for an in-house operation.

(1) Using the projected cost comparison, extract those in-house costs that will be paid out of the installation budget.

(2) Add the GIN staff and common or "wash" costs. These are costs that are excluded from the cost comparison because they are incurred regardless of whether a contract, IGS, or in-house decision results.

(3) Adjust for costs that are "spread" across the periods of performance in the cost comparison. Examples: exclude depreciation but include the cost of new capital assets in the year they will be purchased; exclude One-Time Conversion Cost from years 2-5 and include them in year 1.

(4) Compare the results year-by-year with funds available in the budget. If the budget is insufficient, the installation will either have to identify cuts elsewhere or obtain a commitment from higher headquarters to provide the funds if the transfer study results in an in-house decision.

b. If the in-house transfer will cause you to exceed your civilian authorization/FTE ceiling, the installation will either have to identify cuts elsewhere or obtain relief from the MACOM. For this reason, unless the size of the function studied is relatively small, a request to higher headquarters to provide authorizations/FTEs in the event of an in-house decision is required.

c. Approvals to obtain equipment and facilities must be obtained before the in-house cost estimate is completed. These approvals can be conditional on an in-house decision. However, because obtaining equipment and facilities usually takes a long time, you must make sure that they can be operational before the in-house transfer takes effect. Then there is the "color of money" problem. That is, equipment and facilities needed for in-house performance are usually purchased from funding sources other than the "normal" Operations and Maintenance, Army (OMA) appropriation (such as Other Procurement, Army (OPA)). You probably pay for your service contract out of OMA funds. Find out what financial transactions took place when the current contract initially took effect. If contractor-furnished equipment is involved, chances are the installation had to "trade" OPA funds for OMA funds, and will have to make the opposite transaction if the function is brought back in-house. Obtaining equipment and facilities by lease rather than purchase can avoid high up-front costs and other difficulties. However, leasing should not be considered unless an economic analysis proves it cost-effective.

d. Make sure you will have an effective work force in place when the contract terminates. If hiring restrictions are in effect, an exemption must be obtained.

e. If you need to obtain a commitment from higher headquarters to provide resources in the event of an in-house decision, the requirement will be included in the DA Form 7375-R.

Section III
Conducting the Transfer Cost Study

9–9. Planning and organizing the study

Chapter 2 applies to a transfer cost study except as discussed below:

a. Up to this point, this chapter has been written assuming that you are considering transferring the entire contract or IGS agreement to in-house performance. However, you may want to consider studying only a portion of the contract or IGS. The provider may be performing part of the work well and part poorly, or you may want to study only a portion so that the study is not too complex. GIN functions should be identified as described in para 2-1c(3).

b. As indicated in para 9-6b, a steering committee should have been established as soon as it becomes apparent that a transfer study needs to be performed.

c. See para 2-3 regarding organizing the CA study team.

d. Your MACOM will approve the DA Form 7375-R and authorize you to proceed. When so advised, you will inform the provider and installation personnel of your intent to perform the transfer study. While a transfer study will not threaten installation personnel like a "traditional" cost study, they still should be kept apprised of the status of the transfer study at each step. It is important that the current provider be kept apprised.

9–10. Preparing the PWS

When preparing the PWS, Chapter 3 applies except for references to the function currently being performed in-house. In addition to revising the contract or IGS agreement to correct any deficiencies, workload data must be updated. The provider's reports submitted under the terms of the contract or IGS agreement should be useful in updating workload data. If the reports are not as useful as they should be, the reporting provisions of the contract or IGS agreement should be corrected. Note: If one or more option years remain on the current contract, the contracting officer should notify the provider that the government does not intend to exercise the next year's option.

9–11. Conducting the management study

Chapter 4 applies to a transfer study with the following modifications. The study objectives, products, and components in paragraph 4-3a through d, 4-4e, and 4-5a & b and the study procedures and techniques outlined in paragraph 4-10 through 4-16 refer to identifying and improving current operations. For a transfer study, consider these paragraph to apply to studying the contractor's operations and the GIN staff. Because you are developing a "zero base" MEO, the contractor or IGS operations provide an important basis for the management study (see b below). The following supplements the management study procedures in chapter 4:

a. The management study performed during the original cost study (which resulted in conversion to contract or IGS) is an obvious starting point. While the MEO that resulted from that study may have been the basis for the annual cost-effectiveness review and the transfer proposal, you probably can do better. Nevertheless, the starting point for the management study is to update the MEO for workload changes and inflation as in the annual cost-effectiveness review. Then, review the previous management study for identification of problems and recommended changes. In analyzing the contractor or IGS operations, you may find that these problems persist and receive fresh insights on how to fix them. This subparagraph does not apply if a previous management study does not exist - for instance if the function has never been performed in-house; proceed to subparagraph b.

b. You will also need to analyze contractor or IGS operations.

(1) Unless the contract or IGS agreement precludes it, there is no bar to observing and analyzing the way the contractor or IGS does business, especially if the work is being performed in government facilities. Of course, you may expect resistance. After all, you will be observing with a view toward converting from contract or IGS to in-house performance.

(2) Interview installation personnel who use the services provided by the contractor or IGS. Ask what the contractor or IGS does well and what the contractor or IGS does poorly. Then observe the contractor or IGS operations to incorporate good aspects and avoid incorporating bad aspects into the MEO. Review the study procedures and techniques outlined in para 4-10 through 4-16 to see which you might use to improve on the contractor or IGS operations in the MEO you develop. Like in a management study of an in-house function, analyze all aspects of the operation: organization, functions, staffing, operating procedures, equipment, facilities, and workload; see para 4-17b through d.

(3) Compare the contractor or IGS staffing of each sub-function with the staffing in the original MEO. Pay particular attention to areas with the largest differences.

c. Use information from other sources to determine MEO staffing.

(1) Use DA Form 7196-R, to determine MEO staffing and fulfill the requirements of the cross-walk for the independent review. This involves multiplying workload frequency times the productive manhours required to perform each service (see para 4-17f(8)).

(2) Work measurement techniques such as work sampling and operational audit can measure required manhours accurately. There are other good work measurement techniques as well. Operational

audit is a very flexible technique, and much of the initial work has been done with the development of the MEO Staff Task Analysis chart. Work sampling has the advantage of not requiring contact with, just observation of, contractor or IGS employees; this technique requires that you obtain a workload count for each observation period. For more information about work measurement techniques, see paragraph 4-10.

(3) Compare the results with the updated previous MEO and contractor or IGS staffing (a and b above, respectively). Pay particular attention to areas with the greatest differences in checking your work. The resulting MEO is used to determine the government in-house cost estimate, which is used in the cost comparison.

(4) Remember to have your installation commander certify the MEO (para 4-17f(9)).

d. Whereas the original cost study determined requirements for overhead positions or overtime that would be eliminated in a contract or IGS conversion, the opposite is done in a transfer study. That is, you identify additional overhead required if the function is transferred in-house.

e. Use DA Form 7197-R, to determine GIN staffing. This involves multiplying workload frequency times the productive manhours required to perform each service (see para 4-17h(5)). See c(2) above regarding use of work measurement.

f. Determine changes in relationships in the same way as discussed in paragraph 4-7. Remember, though, that you may have to establish different types of relationships since the function has previously been converted to contract or IGS.

g. Prepare the management study report following the format in paragraph 4-17.

9–12. Cost estimating process

All of the procedures in chapter 5 apply to a transfer cost study except the changes specified in paragraph 9-7.

9–13. Solicitation and source selection

All of the procedures in chapter 6 apply.

9–14. Cost comparison bid opening, public review, administrative appeals and protests, and final decision

All of the procedures in chapter 7 apply.

9–15. Contract administration

All of the procedures in chapter 8 apply.

9–16. Transition planning

All of the procedures in para 10-1 through 10-4, 10-7 through 10-8 apply.

9–17. Summary of Chapter 9, Transfer Cost Competitions of Contracted Activities

a. A transfer cost competition study is a cost competition of a function currently performed by contract or IGS. The study is performed to determine whether it is more economical to continue acquiring services by contract or IGS or to obtain the services from an in-house work force — that is, transfer the function back in-house. Except for functions that can be performed in-house with 10 or fewer civilian FTEs, a transfer cost competition must be performed before converting the work to in-house performance.

b. When the annual cost-effectiveness review shows that in-house performance may cost less, the installation develops and submits the CPAS.

c. When the MACOM approves the CPAS, the installation performs the transfer cost study. You may not begin the study before receiving approval from your MACOM.

d. Any contract or IGS agreement for recurring services can be transferred in-house if it is more economical to do so as determined by a transfer cost study.

e. You are not required to resolicit the contract before conducting the transfer study.

f. You can complete a transfer study more quickly than a traditional cost study because a PWS already exists and because contract or IGS employees' jobs are in jeopardy rather than those of the in-house work force.

g. The "Conversion Differential" is added to in-house costs rather than to contract or IGS costs.

h. You should establish a steering committee as soon as it becomes apparent that a transfer cost study may need to be performed. This would happen during or just before development of the DA Form 7375-R.

i. The DA Form 7375-R can be used to request a commitment from your MACOM to provide resources needed in the event of an in-house decision.

j. Because you are developing a "zero base" MEO, the contractor or IGS operations provide an important basis for the management study. This is especially true if the function has always been performed by contract and a previous MEO does not exist.

Chapter 10
Transition Planning

Section I
Understanding Transition

10–1. Elements of transition

a. In any conversion or change from one method of operating to another, an important element is the transition plan. It should ensure a smooth changeover from one method of operation (by government, contract or IGS employees) to a new method (by either government, contract or IGS employees) that results from implementing a final decision of a CA cost competition.

b. Transfer of facilities, functions, equipment, and materials, and placing employees affected by the final decision, must be individually addressed in a specific transition plan.

10–2. Planning for transition

a. By mitigating work disruption, and easing employee turmoil as much as possible, transitioning to a new organization can be made smoothly.

b. Early planning for transition. Since a transition will occur regardless of whether there is a conversion because of changes from in-house operations to contractor or IGS operations, from current in-house operations to MEO, or from contract or IGS to in-house operations, plans should be made early within your study to avoid problem areas.

10–3. Determining responsibilities

a. The management study team is responsible for transition planning and ensuring that actions necessary for transition are timely and conducive to final implementation.

b. Transition planning starts at the beginning of your management study and is completed before implementation of the final decision. Actual transition, however, doesn't take place until you have received clearance from your MACOM to implement the results of the cost comparison, after the final decision. Note. Don't wait for final decision to start planning for transition.

c. Although actual transition is the responsibility of your functional manager and Contracting Officer (if the final decision is to convert to contract or IGS), study team members will still play a vital role in the transition. They will assist functional managers/ Contracting Officer by preparing information for use in public affairs announcements and articles for installation newspapers and bulletins announcing future changes in operation. The transition plan must clearly delineate who is responsible for carrying out the listed actions.

10–4. Cautions

There are some cautions that each member of the CA team must remember during transition. A CA study is difficult and, at best, disruptive to the work force. Since very few people accept change

well, team members should be aware of feelings and possible reactions to the study. Be alert to efforts to sabotage the study. Keys, buildings, vehicles, and information should be kept in a locked area. Equipment, files, vehicles and buildings should be secured daily. It is unlikely that you will have any problems with damage in these areas, but it is easier to prevent than to replace, repair, or start from scratch.

Section II
Transitioning into a different operation

10–5. Current in-house operation to MEO

The transition plan for converting from the current in-house operation to a MEO covers the following:

a. Conducting a mock RIF and identifying who in the current organization will be RIF'd during transition to the MEO. The actual RIF will not be effected until a final decision is reached. Preparation of the mock RIF, as well as conducting the actual RIF is the CPAC's responsibility.

b. Retraining efforts for displaced employees for new jobs at your installation. It will be important to train new employees to fill vacancies in the MEO. This is the CPAC's responsibility.

c. Conducting employee counseling, briefing sessions, and providing handouts explaining transition. The CPAC is responsible for informing affected employees of their rights, benefits and placement opportunities, severance pay entitlements, unemployment benefits, and RIF procedures.

(1) Displaced employees who previously worked in the activity being studied, as well as others who were "bumped" by displaced employees from the activity being studied, are eligible for consideration under the DoD priority placement programs. Your CPAC can assist them in obtaining placement assistance in other organizations at your installation and/or government agencies within the local geographic area.

(2) If an employee cannot be placed, he/she may be eligible for severance pay or unemployment benefits. Normally, an employee receives severance pay after attaining tenure. Your CPAC should determine employee tenure based on the projected date for final decision.

(3) Unemployment benefits vary from state to state; however, even temporary employees can be considered for unemployment benefits. The CPAC is responsible for conducting discussions on unemployment benefits and recommending alternative offices that employees may consult for assistance, such as their state employment office.

d. Employee counseling, that covers government job application procedures, including completion of Optional Form 612 (Optional Application for Federal employment). Employees should be advised to update their 201 file and keep it current. At any time, employees can file a continuation sheet or change to their 201 file. During counseling sessions, CPAC should encourage employees to review their file and update any missing or wrong information. Employees can help themselves by maintaining a OF 612 that includes all training, awards, additional duties, and positions held during their career. They also have the opportunity to file for positions of interest at other local government installations, state and local governments, and private industry.

e. Transfer and/or realignment of responsibilities as specified in the management study. These activities are carried out by the functional manager.

f. New job descriptions, as necessary, for MEO positions, developed by your CPAC.

g. Security clearances for all newly hired personnel, as necessary, including keys, badges, and vehicle registration. Your installation Security Officer is responsible for obtaining and verifying security clearances for all newly hired personnel, and should begin preparation to obtain the necessary clearances following initial decision. As necessary, the functional manager will prepare requests for vehicle registration, identification cards or security badges.

h. Fulfill all requirements for licenses or certifications and arrangements for any physical examinations specified in the PWS or the management study. This is your functional manager's responsibility.

i. Updated mission statement in AR 10-1 to reflect the MEO organization. This is the responsibility of your DRM.

j. Transfer facilities no longer required and relocation of functions outlined in the management study. These activities are the joint responsibility of the functional manager and your DPW.

k. Full inventory of the facilities, equipment and supplies to identify stockage levels of supplies, facilities to be used, and equipment that will be used or identified for disposal. This will be done by the functional manager.

l. Disposal of equipment no longer needed, or transfer of excess equipment to other installation organizations. This is the joint responsibility of your functional manager and Property Disposal Office.

m. Updated installation telephone directory. Reassign telephone numbers as necessary. This is done by your Director of Information Management (DOIM).

n. Updated list of points of contact. An updated list should be published in your installation newspaper and/or bulletin. This is a responsibility you share with your functional manager.

o. Changes regarding use of utilities, to include changing any accounts or payment requirements. This is done by your DPW.

p. Transfer funds and correct budget accounts. Since it is necessary for the new organization to have access to funds for any budget requests, the DRM needs to ensure that appropriate actions are taken to establish new cost centers and obtain or transfer any funds immediately following the final decision.

q. Public affairs notification prepared by you which carries your commander's message of support and endorsement for the MEO.

r. Provide information and documents to the functional managers to ensure that the new organization is able to function correctly from the very start. Among these will be copies of the PWS, new standard operating procedures (SOPs) that describe any changes to previous procedures, and a technical library that contains a complete set of regulations and directives governing the methods to be used by the new organization. This is your responsibility.

s. Transition milestones prepared by you and the functional manager covering when each transition action must be completed. Transition from the current operation to the MEO must be completed within 6 months of the final decision.

10–6. Current in-house operation to contract or IGS

When the Army starts its transition from the in-house work force to a contract or IGS operation, the transition plan must cover the following:

a. Mock RIF identifying who in the current organization will be RIF'd in transition to contract or IGS operations. The actual RIF will be effected once final decision is reached. Preparation of the mock RIF, as well as conducting the RIF itself is the CPAC's responsibility.

b. Retraining displaced employees for new jobs at your installation. This is your CPAC's responsibility.

c. Employee counseling, briefing sessions, and handouts explaining transition. The CPAC is responsible for informing employees affected by transition to contract or IGS operations of their rights, benefits and placement opportunities, their right of first refusal to employment opportunities with the contractor, severance pay entitlements, unemployment benefits, and RIF procedures following announcement of the final decision.

(1) Employees who previously worked in the activity being studied, but were displaced as a result of the CA study, as well as employees "bumped" by displaced employees from the activity being studied, are eligible for DoD priority placement programs. Your CPAC can assist them in obtaining placement assistance in other organizations and/or government agencies within the local geographic area of your installation.

(2) If an employee cannot be placed, he/she may be eligible for severance pay or unemployment benefits. Normally, an employee

receives severance pay after attaining tenure in a particular job. Your CPAC should determine employee tenure based on the projected date for final decision.

(3) Unemployment benefits vary from state to state; however, even temporary employees can be considered for unemployment benefits. Discussions that your CPAC conducts on unemployment benefits should include recommending employees consult their state unemployment office for assistance in determining individual unemployment benefits eligibility.

(4) Employee counseling should cover government job application procedures to include completing the OF 612. Employees should be advised to update their 201 file. At any time, employees can file a continuation sheet or a change to their 201 file. During counseling sessions, CPAC should encourage employees to review their file and update any information that is missing or wrong. Advise employees to help themselves by maintaining a OF 612 that includes all training, awards, additional duties, and positions held during their career.

(5) Employees also have the opportunity to file for positions of interest at other local government installations, state and local government, and private industry.

d. Your DOC should provide a list of affected employees to the provider a minimum of 45 calendar days before contract start to ensure that employees are offered the right-of-first-refusal. The provider benefits by hiring a staff that is trained and familiar for his/her new organization. The CA team should ensure that the provider is assisted in interviewing potential employees by providing a location(s) for interviews.

e. New job descriptions, as necessary, for the GIN positions identified in your management study, and COR and QAE positions for contract or IGS.

f. It will be necessary to advertise and make selections for COR/QAE positions for this particular contract or IGS agreement. Make sure that your CPAC starts recruitment immediately following initial decision based on the job descriptions developed during your management study. COR/QAE positions must be filled before start of contractor or IGS operations. Also make sure that you provide the COR and QAEs a copy of the PWS and surveillance plan so that they become familiar with their duties and responsibilities prior to transition to contractor or IGS operations.

g. Transfer and/or realignment of responsibilities as specified in the management study. These activities are carried out by the functional manager.

h. Updated mission statement in AR 10-1 to reflect the residual organization and PWS functions performed by contract or IGS. This is the responsibility of your DRM.

i. Transfer facilities no longer required and relocate functions as outlined in the management study. These activities are the joint responsibility of the functional manager and your DPW.

j. Joint inventory conducted by the Army and contractor or IGS representatives to determine the quantity and operational condition of each inventory item identified for transfer to the contractor or IGS. Should any discrepancies be found in quantity, working order or suitability, they will be resolved in accordance with the applicable government property clauses in the contract. This will be done by your Contracting Officer. The functional manager will participate in the joint inventory.

k. Disposal of equipment no longer needed, or transfer of excess equipment to other installation organizations. This is the joint responsibility of your functional manager and your Property Disposal Office.

l. Updated installation telephone directory. The DOIM updates and makes any required changes in the directory, to include reassigning telephone numbers to the contractor or IGS, and arranging for telephone charges to be billed to the contractor or IGS.

m. Introductions are arranged between the contractor or IGS project manager and appropriate installation managers by either the CA manager or functional manager. This is usually an informal introduction done at a routine staff meeting. A listing of points of contact, such as the COR, QAE(s), functional manager, and other individuals with whom the provider will come into daily contact is also provided for future reference during this meeting.

n. Updated list of points of contact. An updated list should be published in the installation newspaper and/or bulletin of all new points of contact, location, and phone numbers.

o. Changes in the use of utilities, to include changing any accounts or payment requirements, if the government isn't providing utilities to the contractor or IGS provider. This is done by your DPW and your budget office. The transition plan needs to address any special procedures to transfer use of utilities and communication services specified in the contract or IGS agreement as government-furnished. It will be easiest to remember to include these special procedures if the procedure is compared to starting up a new company. Considering what would be needed for this company, there is a crosswalk between what the previous owner had and what will be needed at this time.

p. Establish new cost centers for the GIN organization and obtain or transfer any necessary funds immediately after the final decision. This is your DRM's responsibility.

q. Providing information and documents to the contractor or IGS provider. Among these will be copies of the performance work statement, new SOPs that describe any changes to previous procedures, and a technical library that contains a complete set of regulations and directives governing operations of the function under study.

r. Ensuring that the contractor or IGS provider has obtained all licenses or certifications specified in the solicitation, and has made arrangements for any necessary physical examinations of his/her employees. This is the responsibility of your Contracting Officer.

s. Identify methods for contractor or IGS personnel to ensure security is provided for facilities available for the contractor or IGS provider use and methods these individuals can use to obtain security badges and automobile decals. Identify information for specific requirements and office hours in addition to any requirements for security clearances required by the solicitation. Representatives from the security office can provide specifics relating to your installation. Your transition plan should include where/how keys are obtained for federal facilities, who is an authorized user, and the number of keys for each facility.

t. Public affairs notification prepared by you which carries your commander's message of support and endorsement of the contractor or IGS organization.

u. Transition milestones prepared by you and the functional manager covering specific times when each transition action must be completed. Transition from the current operation to contract or IGS operation must be completed within 60 days after final decision.

v. Within the transition plan, the CA team must address the transfer of accountability for any buildings, office space, storerooms, or furniture that were not identified for contractor or IGS provider use.

w. Any facilities or equipment not identified for contractor or IGS provider use may be retained for the use of the GIN organization, transferred to other organizations at your installation, or disposed.

10–7. Current contract or IGS to MEO

Transition from current contractor or IGS operation to a new in-house organization must cover the following:

a. Transfer and/or realignment of responsibilities as specified in the management study. These activities are carried out by the functional manager.

b. New job descriptions for MEO positions, which are developed by your CPAC.

c. Recruiting for positions in the MEO. The CPAC plays a key role in this transition action. The CPAC ensures that recruitment actions are initiated promptly, so that the MEO is in place by the date set for completing transition from contractor or IGS operations. As with any transition, the Army must provide the quality assurance evaluation of the MEO operation, in accordance with the QASP and the staffing and procedures outlined in the management study.

d. Retraining QA personnel, displaced due to contract or IGS

agreement cancellation, and training the new work force. This is your CPAC's responsibility.

e. Fulfill all requirements for licenses or certifications and arrangements for any physical examinations required by the PWS or the management study. This is your functional manager's responsibility.

f. Security clearances for all newly hired personnel, keys, badges, and vehicle registration. Your installation Security Officer is responsible for obtaining and verifying security clearances for all newly hired personnel, and should begin preparation to obtain the necessary clearances following initial decision. As necessary, the functional manager will prepare information and requests for vehicle registration, identification cards, or security badges.

g. Update the mission statement in AR 10-1 to reflect the new organization. This is the responsibility of your DRM.

h. Transfer of accountability for buildings, office space, storerooms, or furniture that will be used by the new MEO. Prior to the Army taking over the operation, the Contracting Officer, functional manager, and contractor or IGS representative must conduct a joint inventory of all government-furnished equipment and supplies, and inspect all contractor or IGS-occupied buildings. The Army is responsible for clearing the contractor or IGS provider of any responsibility for the equipment, property, supplies or materials, and acquiring (and having in place) any new equipment needed to perform the mission under MEO.

i. Disposal of government-furnished equipment no longer needed, or transfer of excess equipment to other installation organizations. It is the joint responsibility of your functional manager and your Property Disposal Office to ensure that all equipment and property is inventoried and transferred or disposed/assigned to the appropriate organization.

j. Changes regarding use of utilities, to include canceling contractor or IGS accounts and establishing MEO accounts. This is done by your DPW.

k. Establish new cost centers for the MEO and obtain or transfer any funds immediately following the final decision. This is the DRM's responsibility.

l. Updated installation telephone directory. Reassign telephone numbers to the MEO and cancel contractor accounts. This is done by your DOIM.

m. Updated list of points of contact. An updated list should be published in your installation newspaper and/or bulletin.

n. Providing information and documents to the functional manager to ensure that the new organization is able to function correctly from the very start. Among these will be copies of the PWS, new SOPs that describe any changes to previous procedures, and a technical library that contains a complete set of regulations and directives governing the methods to be used by the new organization.

o. Public affairs notification prepared by you which carries your commander's message of support and endorsement for the MEO.

p. Transition milestones prepared by you, the functional manager, and the Contracting Officer, covering when each transition action must be completed. Transition from contract to the MEO must be completed within 60 days after final decision.

10–8. Team review

When you have completed all of the transition plans, have them reviewed by other members of your team. Include the functional manager, installation security officer, installation safety officer, civilian personnel officer, staff judge advocate, or other members of your steering committee.

10–9. Transition to a new organization

Transition to a new organization should be as smooth as possible. It will be helpful to keep the transition process clearly in mind throughout the study. It will be important to respect each worker's feelings who are part of the function under study. It is imperative to assure that all QA and COR personnel are adequately trained and ready to take on the job that awaits them. Considerations for negotiations and transfer must start early in the study. Supplies, keys, and reference materials should be secured before changeover to the new organization. Anyone connected with the RIF process must be included early in the study. Finally, all actions must tie together and assist in eliminating problem areas for a smooth transition to occur.

10–10. Post-MEO Performance Reviews

a. When services are performed in-house as a result of a cost competition study, including those involving IGS, a formal review and inspection of the Most Efficient Organization (MEO) should be conducted. Typically, this review should be conducted following the end of the first full year of performance.

b. The Post-MEO Performance Review confirms that the MEO has been implemented in accordance with the Transition Plan, establishes the MEO's ability to perform the services of the PWS, and confirms that actual costs are within the estimates for formal mission or scope of work changes.

c. MEO implementation may be measured in terms of the FTE, grade structure and the contract support included in the Transition and Management Plan.

d. MEO performance may be measured in terms of workload, responsiveness and quality of work. Special inspections and a review of the activity's implementation of the Quality Assurance Surveillance Plan may be necessary.

e. Cost conformance may be determined by an analysis of actual labor and material costs against the Personnel, Material, and Other Specifically Attributable costs on the final DA Form 7376-R. Care should be taken to assure that adjustments are made for retained or saved pay and for fringe benefit factors when using actual cost records.

f. Minor cost or performance deficiencies may be corrected to maintain the integrity of the cost comparison process. A period of time consistent with that given to the contractor may be given to the in-house or IGS activity to correct any deficiencies found. Failure to correct deficiencies that would individually or in aggregate invalidate the original cost competition study, or any finding of a significant deviation from the requirements of the PWS, shall result in the following: As with a contract default, if an in-house or IGS failure to perform is identified, including failure to implement the MEO as provided by the Transition Plan, the contracting officer will award the work to next lowest offeror who participated in the solicitation, if feasible. If award to the next lower offeror is not feasible, a cost competition study will be initiated.

10–11. Summary of Chapter 10, Transition Planning

a. Transition should be a smooth changeover from one method of operation to another.

b. Work disruption should be held to a minimum and planning must take place early in the study.

c. Responsibilities must be established that provide each team member with specific tasks, even through actual transition doesn't take place until clearance is received from MACOM and final decision is implemented.

d. Once the responsibilities are established, transition milestones must be planned early and constantly monitored until the study is completed and ready for full implementation.

e. Regardless of the outcome, transition can be effected smoothly, with proper planning and cooperation.

f. Each team member has specific jobs to perform throughout the study process and transition finalizes the study effort and concludes with a new organization.

g. A formal review and inspection of the MEO should be conducted at the end of the first full year of performance.

Appendix A
References

Section I
Required Publications

OMB Circular A–76
Revised Supplemental Handbook (Performance of Commercial Activities), March 1996 (Cited in para 1-1)

AR 5–20
Commercial Activities Program (Cited throughout)

Section II
Related Publications

AR 1–35
Basic Policies and Principles for Interservice Support Agreements

AR 25–55
Freedom of Information Act

AR 5–14
Managing Analytical Support Services

AR 570–4
Manpower Management

DFARS
Defense Federal Acquisition Regulation Supplement

FAR
Federal Acquisition Regulation

DODI 4100.15
Commercial Activities Program Procedures

DODI 4100.33
Operation of Commercial and Industrial-Type Activities

DODD 5400–7–R
Defense Freedom of Information Act

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

10 USC 2462
Contracting for certain supplies and services required when cost is lower

10 USC 2464
Core logistics functions

10 USC 2465
Prohibition on contracts for performance of firefighting or security-guard functions

10 USC 2466
Limitations on the performance of depot-level maintenance of materiel

10 USC 2467
Cost comparisons: requirements with respect to retirement costs and consultation with employees

10 USC 2468

10 USC 4532
Factories and arsenals: manufacture at; abolition of Section 8015 of the FY 97 DOD Appropriations Act

Section III
Prescribed Forms
This section contains no entries.

Section IV
Referenced Forms

DA Form 3820
Procedure Chart

DA Form 3953
Purchase Request and Commitment

DA Form 5473–R
Performance Requirements Summary

DA Form 5475–R
COR/QAE Surveillance Activity Schedule

DA Form 5476–R
Surveillance Activity Checklist

DA Form 5477–R
Customer Complaint Record

DA Form 5478–R
Decision Table

DA Form 5479–R
Contract Discrepancy Report

DA Form 5481–R
Tally Checklist

DA Form 7194–R
Historical Workload Data

DA Form 7196–R
Analysis of Most Efficient Organization Tasks and Staffing

DA Form 7197–R
Analysis of Governmental-in-Nature Tasks and Staffing

DA Form 7375–R
Commercial Activities Proposed Action Summary (CPAS)

DA Form 7376–R
The Generic A-76 Cost Comparison Form (GCCF)

DA Form 7377–R
Streamlined A-76 Cost Comparison Form (SCCF)

DA Form 7378–R
Pre-audit Cost Study Checklist (See para 5-37, DA Pam 5-20)

DA Form 7379–R
Commercial Activities Final Decision Report (See para 7-8, DA Pam 5-20)

DA Form 7384–R
Aircraft and Aviation Cost Comparison (See appendix C, DA Pam 5-20)

DA Form 7385–R
A-76/MV Cost Comparison For Motor Vehicle Fleets (See Appendix D)

DD Form 1423
Contract Data Requirements List

DD Form 1664
Data Item Description

DD Form 1723
Flow Process Chart

DD Form 1724
Work Distribution Chart

DD Form 2030
Activity and Task List

DD Form 2033
Operations Chart

DD Form 3825
Layout Chart

OF 612
Optional Application for Federal Employment

SF 98
Request for Wage Determination

Appendix B
Office of Federal Procurement Policy (OFPP) Policy Letter 92-1

September 23, 1992

POLICY LETTER 92-1
TO THE HEADS OF EXECUTIVE AGENCIES AND DEPARTMENTS

SUBJECT: Inherently Governmental Functions

1. Purpose. This policy letter establishes Executive Branch policy relating to service contracting and inherently governmental functions. Its purpose is to assist Executive Branch officers and employees in avoiding an unacceptable transfer of official responsibility to Government contractors.

2. Authority. This policy letter is issued pursuant to section 6(a) of the Office of Federal Procurement Policy (OFPP) Act, as amended, codified at 41 U.S.C. Section 405.

3. Exclusions. Services obtained by personnel appointments and advisory committees are not covered by this policy letter.

4. Background. Contractors, when properly used, provide a wide variety of useful services that play an important part in helping agencies to accomplish their missions. Agencies use service contracts to acquire special knowledge and skills not available in the Government, obtain cost effective services, or obtain temporary or intermittent services, among other reasons.

Not all functions may be performed by contractors, however. Just as it is clear that certain functions, such as the command of combat troops, may not be contracted, it is also clear that other functions, such as building maintenance and food services, may be contracted. The difficulty is in determining which of these services that fall between these extremes may be acquired by contract. Agencies have occasionally relied on contractors to perform certain functions in such a way as to raise questions about whether Government policy is being created by private persons. Also, from time to time questions have arisen regarding the extent to which de facto control over contract performance has been transferred to contractors. This policy letter provides an illustrative list of functions, that are, as a matter of policy, inherently governmental (see Appendix A)(, and articulates the practical and policy considerations that underlie such determinations (see Section 7).

As stated in Section 9, however, this policy letter does not purport to specify which functions are, as a legal matter, inherently governmental, or to define the factors used in making such legal determination. Thus, the fact that a function is listed in Appendix A, or a factor is set forth in Section 7(b), does not necessarily mean that the function is inherently governmental as a legal matter or that the factor would be relevant in making the legal determination.

5. Definition. As a matter of policy, an "inherently governmental function" is a function that is so intimately related to the public interest as to mandate performance by Government employees. These functions include those activities that require either the exercise of discretion in applying Government authority or the making of value judgments in making decisions for the Government. Governmental functions normally fall into two categories: (1) the act of governing, i.e., the discretionary exercise of Government authority, and (2) monetary transactions and entitlements. An inherently governmental function involves, among other things, the interpretation and execution of the laws of the United States so as to:

(a) bind the United States to take or not to take some action by contract, policy, regulation, authorization, order, or otherwise;

(b) determine, protect, and advance its economic, political, territorial, property, or other interests by military or diplomatic action, civil or criminal judicial proceedings, contract management, or otherwise;

(c) significantly affect the life, liberty, or property of private persons;

(d) commission, appoint, direct, or control officers of employees of the United States; or

(e) exert ultimate control over the acquisition, use, or disposition of the property, real or personal, tangible or intangible, of the United States, including the collection, control, or disbursement of appropriated and other Federal funds.

Inherently governmental functions do not normally include gathering information for or providing advice, opinions, recommendations, or ideas to Government officials. They also do not include functions that are primarily ministerial and internal in nature, such as building security; mail operations; operation of cafeterias; housekeeping; facilities

Figure B-1. Office of Federal Procurement Policy (OFPP) Policy Letter 92-1

operations and maintenance, warehouse operations, motor vehicle fleet management and operations, or other routine electrical or mechanical services.

The detailed list of examples of commercial activities found as an attachment to Office of Management and Budget (OMB) Cir. No. A-76 is an authoritative, nonexclusive list of functions that are not inherently governmental functions. These functions therefore may be contracted.

6. Policy.

(a) Accountability. It is the policy of the Executive Branch to ensure that Government action is taken as a result of informed, independent judgments made by Government officials who are ultimate accountable to the President. When the Government uses service contracts, such informed, independent judgment is ensured by:

(1) prohibiting the use of service contracts for the performance of inherently governmental functions (See Appendix A);

(2) providing greater scrutiny and an appropriate enhanced degree of management oversight (see subsection 7(f)) when contracting for functions that are not inherently governmental but closely support the performance of inherently governmental functions (see Appendix B);

(3) ensuring, in using the products of those contracts, that any final agency action complies with the laws and policies of the United States and reflects the independent conclusions of agency officials and not those of contractors who may have interests that are not in concert with the public interest, and who may be beyond the reach of management controls otherwise applicable to public employees; and

(4) ensuring that reasonable identification of contractors and contractor work products is made whenever there is a risk that the public, Congress, or other persons outside of the Government might confuse them with Government officials or with Government work products, respectively.

(b) OMB Circular No. A-76. This policy letter does not purport to supersede or otherwise effect any change in OMB Circular No. A-76, Performance of Commercial Activities.

(c) Drafting of Congressional testimony, responses to Congressional correspondence, and agency responses to audit reports from an Inspector General, the General Accounting Office, or other Federal audit entity. While the approval of a Government document is an inherently governmental function, its drafting is not necessarily such a function. Accordingly, in most situations the drafting of a document, or portions thereof, may be contracted, and the agency should review and revise the draft document, to the extent necessary, to ensure that the final document expresses the agency's views and advances the public interest. However, even though the drafting function is not necessarily an inherently government function, it may be inappropriate, for various reasons, for a private party to draft a document in particular circumstances. Because of the appearance of private influence with respect to documents that are prepared for Congress or for law enforcement or oversight agencies and that may be particularly sensitive, contractors are not to be used for the drafting of Congressional testimony; responses to Congressional correspondence; or agency responses to audit reports from an Inspector General, the General Accounting Office, or other Federal audit entity.

7. Guidelines. If a function proposed for contract performance is not found in Appendix A, the following guidelines will assist agencies in understanding the application of this policy letter, determining whether the function is, as a matter of policy, inherently governmental and forestalling potential problems.

(a) The Exercise Of Discretion. While inherently governmental functions necessarily involve the exercise of substantial discretion, not every exercise of discretion is evidence that such a function is involved. Rather, the use of discretion must have the effect of committing the Federal Government to a course of action when two or more alternative courses of action exist (e.g., purchasing a minicomputer than a mainframe computer, hiring a statistician rather than an economist, supporting proposed legislation rather than opposing economist, supporting proposed legislation rather than opposing it, devoting more resources to prosecuting one type of criminal case than another, awarding a contract to one firm rather than another, adopting one policy rather than another, and so forth).

A contract may thus properly be awarded where the contractor does not have the authority to decide on the course of action to be pursued but is rather tasked to develop options to inform an agency decision maker, or to develop or expand decisions already made by Federal officials. Moreover, the mere fact that decisions are made by the contractors in performing his or her duties (e.g., how to allocate the contractor's own or subcontract resources, what techniques and procedures to employ, whether and whom to consult, what research alternatives to explore given the scope of the

Figure B-1. Office of Federal Procurement Policy (OFPP) Policy Letter 92-1—Continued

contract, what conclusions to emphasize, how frequently to test) is not determinative of whether he or she is performing an inherently government function.

(b) Totality Of The Circumstances. Determining whether a function is an inherently governmental function often is difficult and depends upon an analysis of the factors of the case. Such analysis involves consideration of a number of factors, and the presence or absence of any one is not in itself determinative of the issue. Nor will the same emphasis necessarily be placed on any one factor at different times, due to the changing nature of the Government's requirements.

The following factors should be considered when deciding whether award of a contract might effect, or the performance of a contract has effected, a transfer of official responsibility:

(1) Congressional legislative restrictions or authorizations.

(2) The degree to which official discretion is or would be limited, i.e., whether the contractor's involvement in agency functions is or would be so extensive or his or her work product is so far advanced toward completion that the agency's ability to develop and consider options other than those provided by the contractor is restricted.

(3) In claims adjudication and related services, (i) the finality of any contractor's action affecting individual claimants or applicants, and whether or not review of the contractor's action is *de novo* (i.e., to be effected without the appellate body's being bound by prior legal rulings or factual determinations) on appeal of his or her decision to an agency official; (ii) the degree to which contractor activities may involve wide-ranging interpretations of complex, ambiguous case law and other legal authorities, as opposed to being circumscribed by detailed laws, regulations, and procedures; (iii) the degree to which matters for decision by the contractor involve recurring fact patterns or unique fact patterns; and (iv) The contractor's discretion to determine an appropriate award or penalty.

(4) The contractor's ability to take action that will significantly and directly affect the life, liberty, or property of individual members of the public, including the likelihood of the contractor's need to resort to force in support of a police or judicial function; whether force, especially deadly force, is more likely to be initiated by the contractor or by some other person; and the degree to which force may have to be exercised in public or relatively uncontrolled areas. (Note that contracting for guard, convoy security, and plant protection services, armed or unarmed, is not proscribed by these policies.)

(5) The availability of special agency authorities and the appropriateness of their application to the situation at hand, such as the power to deputize private persons.

(6) Whether the function in question is already being performed by private persons, and the circumstances under which it is being performed by them.

(c) Finality Of Agency Determinations. Whether or not a function is an inherently governmental function, for purposes of this policy letter, is a matter for agency determination. However, agency decisions that a function is or is not an inherently governmental function may be reviewed, and, if necessary, modified by appropriate OMB officials.

(d) Pre-Award Responsibilities. Whether a function being considered for performance by contract is an inherently governmental function is an issue to be addressed prior to issuance of the solicitation.

(e) Post-Award Responsibilities. After award, even when a contract does not involve performance of an inherently governmental function, agencies must take steps to protect the public interest by playing an active, informed role in contract administration. This ensures that contractors comply with the terms of the contract and that Government policies, rather than private ones, are implemented. Such participation should be appropriate to the nature of the contract, and should leave no doubt that the contract is under the control of Government officials. This does not relieve contractors of their performance responsibilities under the contract. Nor does this responsibility to administer the contract require Government officials to exercise such control over contractor activities to convert the contract, or portion thereof, to a personal service contract.

In deciding whether Government officials have lost or might lose control of the administration of a contract, the following are relevant considerations: the degree to which agencies have effective management procedures and policies that enable meaningful oversight of contractor performance, the resources available for such oversight, the actual practice of the agency regarding oversight, the duration of the contract, and the complexity of the tasks to be performed.

(f) Management Controls. When functions described in Appendix B are involved, additional management attention to the terms of the contract and the manner of performance is necessary. How close the scrutiny or how extensive or

Figure B-1. Office of Federal Procurement Policy (OFPP) Policy Letter 92-1—Continued

stringent the management controls need to be is for agencies to determine. Examples of additional control measures that might be employed are:

(1) developing carefully crafted statements of work and quality assurance plans, as described in OFPP Policy Letter 91-2 Service Contracting, that focus on the issue of Government oversight and measurement of contractor performance;

(2) establishing audit plans for periodic review of contracts by Government auditors;

(3) conducting pre-award conflict of interest reviews to ensure contract performance in accordance with objective standards and contract specifications;

(4) physically separating contractor personnel from Government personnel at the worksite; and

(5) requiring contractors to (a) submit reports that contain recommendations and that explain and rank policy or action alternatives, if any, (b) describe what procedures they used to arrive at their recommendations, (c) summarize the substance of their deliberations, (d) report any dissenting views, (e) list sources relied upon, and/or (f) otherwise make clear the methods and considerations upon which their recommendations are based.

(g) Identification Of Contractor Personnel And Acknowledgment Of Contractor Participation. Contractor personnel attending meetings, answering Government telephones, and working in other situations where their contractor status is not obvious to third parties must be required to identify themselves as such to avoid creating an impression in the minds of members of the public or the Congress that they are Government officials, unless, in the judgment of the agency, no harm can come from failing to identify themselves. All documents or reports produced by contractors are to be suitably marked as contractor products.

(h) Degree Of Reliance. The extent of reliance on service contractors is not by itself a cause for concern. Agencies must, however, have a sufficient number of trained and experienced staff to manage Government programs properly. The greater the degree of reliance on contractors the greater the need for oversight by agencies. What number of Government officials is needed to oversee a particular contract is a management decision to be made after analysis of a number of factors. These include, among others, the scope of the activity in question; the technical complexity of the project or its components; the technical capability, numbers, and workload of Federal oversight officials; the inspection techniques available; and the importance of the activity. Current contract administration resources shall not be determinative. The most efficient and cost effective approach shall be utilized.

(i) Exercise Of Approving Or Signature Authority. Official responsibility to approve the work of contractors is a power reserved to Government officials. It should be exercised with a thorough knowledge and understanding of the contents of documents submitted by contractors and a recognition of the need to apply independent judgment in the use of these work products.

8. Responsibilities.

(a) Heads of Agencies. Heads of departments and agencies are responsible for implementing this policy letter. While these policies must be implemented in the Federal Acquisition Regulation (FAR), it is expected that agencies will take all appropriate actions in the interim to develop implementation strategies and initiate staff training to ensure effective implementation of these policies.

(b) Federal Acquisition Regulatory Council. Pursuant to subsections 6(a) and 25(f) of the OFPP Act, as amended, 41 U.S.C. Sections 405(a) and 421(f), the Federal Acquisition Regulatory Council shall ensure that the policies established herein are incorporated in the FAR within 210 days from the date this policy letter is published in the Federal Register. Issuance of final regulations within this 210-day period shall be considered issuance "in a timely manner" as prescribed in 41 U.S.C. [[section]] 405(b).

(c) Contracting Officers. When requirements are developed, when solicitations are drafted, and when contracts are being performed, contracting officers are to ensure:

(1) that functions to be contracted are not among those listed in Appendix A of this letter and do not closely resemble any functions listed here;

(2) that functions to be contracted that are not listed in Appendix A, and that do not closely resemble them, are not inherently governmental functions according to the totality of the circumstances test in subsection 7(b), above;

Figure B-1. Office of Federal Procurement Policy (OFPP) Policy Letter 92-1—Continued

(3) that the terms and the manner of performance of any contract involving functions listed in Appendix B of this letter are subject to adequate scrutiny and oversight in accordance with subsection 7(f), above; and

(4) that all other contractible functions are properly managed in accordance with subsection 7(e), above.

(d) All Officials. When they are aware that contractor advice, opinions, recommendations, ideas, reports, analyses, and other work products are to be considered in the course of their official duties, all Federal Government officials are to ensure that they exercise independent judgment and critically examine these products.

9. Judicial review. This policy letter is not intended to provide a constitutional or statutory interpretation of any kind and it is not intended, and should not be construed, to create any right or benefit, substantive or procedural, enforceable at law by a party against the United States, its agencies, its officers, or any person. It is intended only to provide policy guidance to agencies in the exercise of their discretion concerning Federal contracting. Thus, this policy letter is not intended, and should not be construed, to create any substantive or procedural basis on which to challenge any agency action or inaction on the ground that such action or inaction was not in accordance with this policy letter.

10. Information contact. For information regarding this policy letter contact Richard A. Ong, Deputy Associate Administrator, the Office of Federal Procurement Policy, 725 17th Street, N.W., Washington, DC 20503. Telephone (202) 395-7209.

11. Effective date. This policy letter is effective 30 days after the date of publication.

(signed by)
Allan V. Burman
Administrator

Figure B-1. Office of Federal Procurement Policy (OFPP) Policy Letter 92-1—Continued

APPENDIX A

The following is an illustrative list of functions considered to be inherently governmental functions*:

1. The direct conduct of criminal investigation.

2. The control of prosecutions and performance of adjudicatory functions (other than those relating to arbitration or other methods of alternative dispute resolution).

3. The command of military forces, especially the leadership of military personnel who are members of the combat, combat support or combat service support role.

4. The conduct of foreign relations and the determination of foreign policy.

5. The determination of agency policy, such as determining the content and application of regulations, among other things.

6. The determination of Federal program priorities or budget requests.

7. The direction and control of Federal employees.

8. The direction and control of intelligence and counter-intelligence operations.

9. The selection or non-selection of individuals for Federal Government employment.

10. The approval of position descriptions and performance standards for Federal employees.

11. The determination of what Government property is to be disposed of and on what terms (although an agency may give contractors authority to dispose of property at prices with specified ranges and subject to other reasonable conditions deemed appropriate by the agency).

12. In Federal procurement activities with respect to prime contracts,

(a) determining what supplies or services are to be acquired by the Government (although an agency may give contractors authority to acquire supplies at prices within specified ranges and subject to other reasonable conditions deemed appropriate by the agency);

(b) participating as a voting member on any source selection boards;

(c) approval of any contractual documents, to include documents defining requirements, incentive plans, and evaluation criteria;

(d) awarding contracts;

(e) administering contracts (including ordering changes in contract performance or contract quantities, taking action based on evaluations of contractor performance, and accepting or rejecting contractor products or services);

(f) terminating contracts; and

(g) determining whether contract costs are reasonable, allocable, and allowable.

13. The approval of agency responses to Freedom of Information Act requests (other than routine responses that, because of statute, regulation, or agency policy, do not require the exercise of judgment in determining whether documents are to be released or withheld), and the approval of agency responses to the administrative appeals of denials of Freedom of Information Act requests.

14. The conduct of administrative hearings to determine the eligibility of any person for a security clearance, or involving actions that affect matters of personal reputation or eligibility to participate in Government programs.

15. The approval of Federal licensing actions and inspections.

16. The determination of budget policy, guidance, and strategy.

17.The collection, control, and disbursement of fees, royalties, duties, fines, taxes and other public funds, unless authorized by statute, such as title 31 U.S.C. Section 952 (relating to private collection contractors) and title 31 U.S.C. Section 3718 (relating to private attorney collection services), but not including:

(a) collection of fees, fines, penalties, costs or other charges from visitors to or patrons of mess halls, post or base exchange concessions, national parks, and similar entities or activities, or from other persons, where the amount to be collected is easily calculated or predetermined and the funds collected can be easily controlled using standard cash management techniques, and

(b) routine voucher and invoice examination.

18. The control of the treasury accounts.

19. The administration of public trusts

* With respect to the actual drafting of Congressional testimony, of responses to Congressional correspondence, and of agency responses to audit reports from the Inspector General, the General Accounting Office, or other Federal audit entity, see special provisions in subsection 6(c) of the text of the policy letter)

Figure B-1. Office of Federal Procurement Policy (OFPP) Policy Letter 92-1—Continued

APPENDIX B

The following list is of services and actions that are not considered to be inherently governmental functions. However, they may approach being in that category because of the way in which the contractor performs the contract or the manner in which the government administers contractor performance. When contracting for such services and actions, agencies should be fully aware of the terms of the contract, contractor performance, and contract administration to ensure that appropriate agency control is preserved.

This is an illustrative listing, and is not intended to promote or discourage the use of the following types of contractor services:

1. Services that involve or relate to budget preparation, including workload modeling, fact finding, efficiency studies, and should-cost analyses, etc.

2. Services that involve or relate to reorganization and planning activities.

3. Services that involve or relate to analyses, feasibility studies, and strategy options to be used by agency personnel in developing policy.

4. Services that involve or relate to the development of regulations.

5. Services that involve or relate to the evaluation of another contractor's performance.

6. Services in support of acquisition planning.

7. Contractors' providing assistance in contract management (such as where the contractor might influence official evaluations of other contractors).

8. Contractors' providing technical evaluation of contract proposals.

9. Contractors' providing assistance in the development of statements of work.

10. Contractors' providing support in preparing responses to Freedom of Information Act requests.

11. Contractors' working in any situation that permits or might permit them to gain access to confidential business information and/or any other sensitive information (other than situations covered by the Defense Industrial Security Program described in FAR 4.402(b)).

12. Contractors' providing information regarding agency policies or regulations, such as attending conferences on behalf of an agency, conducting community relations campaigns, or conducting agency training courses.

13. Contractors' participating in any situation where it might be assumed that they are agency employees or representatives.

14. Contractors' participating as technical advisors to a source selection board or participating as voting or nonvoting members of a source evaluation board.

15. Contractors' serving as arbitrators or providing alternative methods of dispute resolution.

16. Contractors' constructing buildings or structures intended to be secure from electronic eavesdropping or other penetration by foreign governments.

17. Contractors' providing inspection services.

18. Contractors' providing legal advice and interpretations of regulations and statutes to Government officials.

19. Contractors' providing special non-law enforcement, security activities that do not directly involve criminal investigations, such as prisoner detention or transport and non-military national security details.

Figure B-1. Office of Federal Procurement Policy (OFPP) Policy Letter 92-1—Continued

Appendix C
Aviation Competitions

C–1. General

a. This Appendix provides guidance for use in cost comparisons involving- the provision of aircraft or aviation management support services. It has been prepared to ease completion of cost comparisons conducted in accordance with OMB Circular A-76 and OMB Circular A-126, "Improving the Management and Use of Government Aircraft,"dated May 22, 1992.

b. In accordance with OMB Circular A-126, agencies should conduct approved cost comparisons before retaining, purchasing or otherwise providing Federal aircraft or aviation services not otherwise exempt from Circular A-76 (see Part I). In reviewing aviation programs, agencies should consider that although an activity or mission may be inherently governmental, the tools needed to perform the activity are not necessarily inherently governmental. Related aviation support services should be reviewed, in accordance with this Supplement, for possible conversion to or from in-house, contract or interservice support agreement (ISSA) performance. Leases for aircraft of 90 days or more are subject to these principles and procedures.

c. Agencies may estimate lease, charter, or other contract aviation support costs through the General Services Administration's (GSA) Federal Aviation Management Information System (FAMIS) or other pre-approved data sources. This approach avoids the need for formal solicitations to acquire commercial bids for comparison with an in-house Government cost estimate. Other aspects of the process described in this Supplement are maintained.

d. When an aviation cost comparison is conducted, the agency will notify affected Federal employees and announce the tentative cost comparison decision in the Commerce Business Daily. The announcement will initiate the A-76 Administrative Appeal process. The Performance Requirements Summary, the Management Plan, including- the calculation of commercial costs, and the DA Form 7384-R (Aircraft and Aviation Cost Comparison) will be made available to the public upon request. DA Form 7384-R can be locally reproduced on 8 1/2-by 11-inch paper. A copy for reproduction purposes is located at the back of this pamphlet. Additionally, DA Form 7384-R may be electronically generated. The electronically generated form must contain all data elements and follow the exact format of the existing printed form. All required signatures must appear on the electronically generated form. The form number of the electronically generated form will be shown as DA Form 7384-R-E and the date will be the same as the date of the current edition of the printed form.

e. Appeals of tentative aviation cost comparison decisions will be directed to the agency's A-76 Administrative Appeal Authority, who will conduct the appeal as provided in Part I and Part 11 of this Supplement.

f. These instructions incorporate the cost element definitions used elsewhere in Parts I and II of this Supplement. In addition, there are several cost definitions that pertain to only aircraft and aviation services as provided by this Appendix.

g. Agencies will provide copies of each aircraft or aviation cost comparison to the GSA Office of Aircraft Management Division, when completed, and to the Office of Management and Budget (OMB) upon request or as required by OMB Circular A-11 to justify aircraft purchases.

C–2. Policy

a. Agencies should rely on commercial airline or other aviation services to meet their aviation mission and transportation support needs.

b. In general, the operations of aircraft and aviation services are commercial in nature and are not inherently governmental. Certain Government officials or missions may require enhanced levels of security, both on the ground and in the air. In most cases, however, the aviation industry can accommodate the Government's need for services and for onboard security devices, special flight profiles, testing equipment, etc.

c. The number of aircraft owned or leased by an agency may not exceed the number necessary to carry out direct mission requirements and, then, only where commercial operations are not as cost effective or are not available, as demonstrated by the procedures of this Supplement.

d. The size and capacity of agency aircraft acquired or leased should not exceed that necessary to cost-effectively meet mission requirements, including the crew and equipment for the mission flight profiles.

C–3. The Aviation Management Plan

a. The Management Plan for aircraft or aviation support services should conform to the principles and procedures in Part I of this Supplement. The Management Plan is structured to identify the lowest overall cost to the taxpayer and to fully consider Government Owned Contractor Operated (GOCO) options.

b. A Performance Work Statement (PWS) or a DA Form 5473-R is a part of the Management Plan. It should define the scope of services, workload data and performance criteria needed to meet agency mission requirements. It may not describe a specific kind or make or model of aircraft.

c. Agencies should determine if equipment and/or personnel can be fitted to a contract or charter/rental aircraft agreement that results in a lower total service cost to the Government. Equipment requirements include, but are not limited to, aircraft, unique navigation, secure communication, and flight test devices.

d. GSA FAMIS data assume that the contractor will provide all related equipment, including aircraft. Agencies that wish to use these aircraft cost comparison procedures, under a GOCO arrangement, may need to solicit adjusted rate schedules from a variety of sources. If acceptable information sources are not available, a formal competition with commercial and/or ISSA sources may be necessary.

e. If the scope of the competition includes non-aviation support (ground support activities), the cost of such in-house, contract or ISSA support is calculated as provided in Part II of this Supplement.

C–4. The cost of government performance

Part ll labor, material and fuel costs are estimated andescalated as provided in Part II of this Supplement.

C–5. Standard aviation operation cost elements-variable

The variable costs of operating aircraft are those costs that vary depending on how much the aircraft are used.

The specific variable cost elements include:

a. Fuel and other fluids. These are the costs of aviation gasoline, jet fuel, and other fluids, e.g., engine oil, hydraulic fluids, and water-methanol, consumed by aircraft. Fuel costs are the cost per gallon times gallons per hour. Engine oil and other lubricants can be estimated using manufacturers' estimates or on the basis of an historic percentage of engine fuel cost per hour.

b. Crew. The crew costs that vary according to aircraft usage consist of travel expenses, particularly reimbursement of subsistence, i.e., perdiem and miscellaneous expenses, overtime charges, and wages plus benefits of crew members hired on an hourly or part-time basis.

c. Aircraft lease or rental. When aircraft are obtained under an open-ended arrangement, such as an on-call (hourly/availability rate basis, the associated lease or rental costs are considered variable costs.

d. Landing and tie down fees (if applicable). Landing and tie down fees that are not common costs and are associated with aircraft usage are considered variable costs. Tie down fees for storing an aircraft at its base of operations should be considered a fixed cost. Include the historic fees paid or assessed per landing, times landings, divided by projected flight hours.

e. Variable maintenance and spares. All maintenance activities and parts costs based on aircraft use are variable costs. All non-

scheduled maintenance and all non-scheduled maintenance inspections are also variable costs. Maintenance and inspection activities scheduled on a calendar interval basis will be considered fixed. In addition to the costs of normal maintenance activities, variable maintenance costs include aircraft refurbishment, such as painting and interior restoration, and costs of or allowances for performing overhauls and modifications required by service bulletins and airworthiness directives.

(1) Maintenance labor. All labor expended by mechanics, exclusive of the overhaul or major repair of components and engines.

(2) Maintenance parts. This includes materials and parts consumed in aircraft maintenance and inspections, exclusive of materials and parts for engine overhaul, aircraft refurbishment, and/or repair of major components. Typical items in this category are tires, instruments, avionics, generators, relays, pumps, brakes, filters, airframe hardware, windows, interiors, paint, shafting, and bearings not inside components covered under an overhaul.

(3) Maintenance contracts. This includes all contracted costs for unscheduled maintenance and for maintenance scheduled on a flying hour basis or based on the condition of the part or component.

(4) Engine overhaul, aircraft refurbishment, and major component repairs. These are the materials and labor costs of overhauling engines, refurbishing aircraft, and/or repairing major aircraft components.

(5) Reserves. This is for overhauling components of engines, and other major work including painting, refurbishment of the aircraft interior, and expenses not recognized in other maintenance accounts.

(6) Add lines 5a through 5e and enter on line 5f for the total cost of direct variable maintenance and spares.

f. Add lines 1 through 4 and 5f to find the total direct operations cost per flight hour.

g. Enter the annual number of flight hours from the PWS/DA Form 5473-R.

h. Multiply the total direct operating cost per flight hour (line 6) by the number of flight hours (line 7) to find the total direct operating cost.

C–6. Standard aviation operation cost elements-fixed

The fixed costs of operating aircraft are those that result from owning and supporting the aircraft and do not vary according to aircraft usage.

a. Crew. Federal pilots/crew are often paid whether or not the aircraft are flown. These fixed crew costs include the salaries, benefits, and training costs of crew members who perform minimal aircraft maintenance or other administrative tasks that could be impacted by a conversion to contract performance. Also included in fixed crew costs are the costs of their charts, personal protective equipment, uniforms, and other personal equipment when the agency is authorized to purchase such items. Non-aviation activities performed by pilots/crew that would continue even if operations were converted to contract should not be included.

b. Fixed maintenance. Maintenance and inspection activities are scheduled on a calendar interval basis and take place regardless of whether or how much the aircraft are flown. These are fixed costs, including labor and material.

c. Maintenance labor. This includes all projected labor expended by mechanics, technicians, and inspectors associated with maintenance scheduled on a calendar interval basis. This category also includes costs associated with non-allocated maintenance labor expenses; i.e., associated salaries, benefits, travel expenses, and training costs. These costs should be evenly allocated over the number of aircraft in the fleet.

d. Maintenance parts. This includes all parts and consumables used for maintenance scheduled on a calendar interval basis.

e. Maintenance contracts. This includes all contracted costs for maintenance or inspections scheduled on a calendar interval basis.

f. Aircraft lease. When aircraft are leased for 90 days or more, with a known fee, utilization rate or minimum reimbursement guarantee, the associated lease costs are considered fixed. Include the entire amount paid.

g. Depreciation. As provided in Part II of this Supplement, aircraft and other major asset (hangar) depreciation costs are added to each option year. Aircraft have finite economic or useful service lives. Depreciation is the method used to spread the acquisition cost, less residual value, over an asset's useful life. Although these costs are not direct outlays as is the case with most other costs, it is important to recognize them for analysis. Subtract the residual (not market) value from the total of the acquisition cost plus any capital improvements and, then, divide by the remaining estimated useful life of the asset-not less than the cost comparison period.

(1) The acquisition cost is the value initially recorded on agency property/accounting records at the time of acquisition. If the aircraft is acquired through an interagency transfer, the acquisition cost is the greater of the aircraft net book value plus the cost of returning the aircraft to an airworthy, mission ready condition or the commercial retail value of that aircraft in average condition, as established by the Aircraft Bluebook Price Digest or other industry standard. If it is a military aircraft without a direct commercial equivalent, the acquisition cost is equal to the most comparable commercial equivalent plus the cost of returning the aircraft to an airworthy, mission ready condition. The following explains the relevant terms:

(2) Useful life. Useful life is the estimated period during which the aircraft will be used. If a new aircraft has an airframe with a design life of 10,000 hours and the agency expects to fly the aircraft 500 hours per year, the useful life is twenty years.

(3) Residual value. Residual value reflects the historically expected condition of the asset at the end of its useful life. It is the dollar value below which the asset will not be depreciated. Residual value is established at the time of acquisition. Agencies will select the lessor of the following methods to calculate the residual value of aircraft:

(a) Assume a 10 percent residual value for purposes of calculating the depreciable value of the aircraft and annual depreciation expenses.

(b) Select the average of the historic resale value of similar aircraft by age and type, as provided by GSA.

(4) Reconstructions, conversions, refurbishment, and certification of ex-military aircraft. These maintenance efforts add value or prolong the life of aircraft. They are capital improvements that add to the Net Book Value of the asset (acquisition cost less accumulated depreciation). This revised total value should then be depreciated over the remaining or extended useful life of the asset.

(5) Fully depreciated assets. If an asset has been fully depreciated or has exceeded its expected useful life, recalculate the depreciation schedule through the end of the cost comparison period.

h. Self insurance costs. Aviation activity involves risks, potential casualty losses and liability claims. These risks are covered in the commercial sector by purchasing insurance, the costs for which are captured within the GSA FAMIS system. Actual or historic agency costs are not comparable with the costs included in the commercial bid (FAMIS) or representative of the overall cost to the Government as a whole.

(1) Agencies should calculate annual in-house hull aircraft casualty insurance costs by multiplying the "Blue Book"or market value of the aircraft by the insurance factors provided annually by the General Services Administration's Aircraft Management Division. Enter these cost estimates on line 13a.

(2) Agencies should calculate annual Federal aircraft liability insurance costs on the basis of the number of aircraft seats the agency has or will install, including pilots, over the course of the cost comparison period. Enter the aircraft liability cost developed using data provided annually by the General Services Administration's Aircraft Management Division on line 13b.

(3) All other insurance costs incurred in the performance of the aviation service under study are calculated in accordance with Part II and entered on Line 13a or 13b, as appropriate.

(4) Enter the total for all insurance (sum of lines 13a through 13c) on Line 13d.

i. Overhead. This includes all costs associated with operational and administrative overhead. As described in Part II of this Supplement, aviation management overhead costs shall be calculated by

applying the standard overhead cost factor of 12 percent to the total of lines 2, 5.a, 9 and 10.a of the DA Form 7384-R (A-76). Enter the total of this calculation on Line 14.

j. Cost of capital or finance expense.

(1) The cost of capital is the annual cost to the Government of acquiring the funds necessary for capital investments. The cost of capital is applied to the outstanding balance of the aircraft purchase price for each year of the performance period.

(2) The annual cost of capital is included for any depreciable asset acquired less than two years prior to or after the cost comparison that will be used as a part of the MEO. The cost of capital is only applicable to assets required by the MEO that will not be provided (GOCO) to the commercial source.

(3) The cost of capital is calculated by applying OMB Circular A-94 Discount Rates to be Used in Evaluating Deferred Costs and Benefits,“”plus any capital improvements.

(4) If the purchase price is unknown, as in the case of a forfeited asset or interagency transfer, the acquisition cost is the greater of the aircraft net book value plus the cost of returning the aircraft to an airworthy, mission ready condition or the commercial retail value of that aircraft in average condition, as established by the Aircraft Bluebook Price Digest or other industry standard. If it is a military aircraft without a direct commercial equivalent, the acquisition cost is equal to the most comparable commercial equivalent plus the cost of returning the aircraft to an airworthy, mission ready condition.

(5) Aircraft acquired through lease/purchase arrangements are not be burdened with the cost of capital . The cost of capital is assumed to exist in the lease/purchase agreement. At the transfer of title, depreciation expenses, calculated from the then existent market price of the aircraft, will be incurred.

k. Total fixed operating costs. Add lines 9 through 15 and enter on line 16.

l. Total in-house MEO performance costs. Add lines 8 and 16 and enter on line 17.

C–7. Standard aviation operation cost elements-developing the cost of contract performance

a. Contract cost.

(1) The comparable cost of contract performanceis to be calculated on the Aviation DA Form 7384-R.

(2) The most efficient commercial cost of meeting the service requirement is to be entered if a solicitation was issued requesting formal bids. If GSA/FAMIS data is being used to estimate contract costs, this figure is established by reviewing existing contracts and rental/charter flight rate information provided by FAMIS or from other GSA approved sources.

(3) Enter the estimated trip costs times the number of trips/missions or the hourly rate for that aircraft times the number of estimated flight hours from the PWS/DA Form 5473-R on line 19. If FAMIS does not-reflect the aircraft services requirements, and reasonably accurate costs cannot be constructed by extrapolation from the FAMIS database, agencies may utilize other approved data sources.

b. Cost construction to meet PWS/DA Form 5473-R. There may be other adjustments necessary to estimate the cost of contract performance using GSA/ FAMIS data. The following are other costs that may be considered and entered-to the extent that they are not common costs or costs included in the published/developed rates. All such costs will be fully justified and made available for public review.

(1) Daily Availability/Standby/Guarantee Hours.
(2) Additional Pilot and Crew Charges.
(3) Additional Maintenance Support.
(4) Airframe Alteration/Equipment Installation.
(5) Equipment Not Provided by the Government.
(6) Additional Ground Service Support.
(7) Travel and Per Diem.
(8) Service Equipment Mileage.
(9) Airport Fees.
(10) Other.

c. Contract administration. There will be costs that the agency incurs in administering the contract. These costs are relevant only if they differ between in-house and contract alternatives. Agencies should refer to Part II, Chapter 3, Table 3-1 for guidance.

d. One-time conversion costs. See Part II, Chapter 3 of this Supplement.

e. Gain From disposal/transfer of assets. See Part II Chapter 3 of this Supplement.

f. Federal income tax. Multiply line 19 as provided in Appendix 5 and enter as a savings/revenue to the Government caused by the conversion to contract performance.

g. Total estimated cost of contract performance. This element reflects the total of lines 18 through 24.

C–8. Aviation cost comparison of in-house versus contractor or ISSA performance.

a. In-house performance costs. Data is taken from Line 17-for each year of performance as established in the PRS, but not less than three years.

b. Contract or ISSA performance. Data is taken from line 24-for each year of performance.

c. Conversion differential. As provided in Part II of this Supplement, a conversion differential equal to the lesser of; (1) 10 percent of the in- house personnel related costs (total of Lines 2, 5.a, 9 and 10.a.) or (2) $10 million over the performance period, is added to the total cost of current method of performance. Enter the result of this calculation on Line 27.

d. Adjusted total cost of in-house performance. If the cost comparison is being conducted to determine if an aircraft or aviation service should be converted from contract or ISSA performance to in-house operation, the conversion differential as calculated above (Line 27) is added to the In-house performance cost estimate (Line 25, Total Column only) and the sum is entered under Adjusted Total Cost of in-house Performance (Line 28). The amount in the Total Column for Line 26 is replicated on Line 29.

e. Adjusted total cost of contract performance. If the cost comparison is being conducted to determine if an aircraft or aviation service should be converted from in-house operation to contract or ISSA performance, the conversion differential as calculated above (Line 27) is added to the Contract performance cost estimate (Line 26, Total Column only) and the sum is entered under Adjusted Total Cost of Contract Performance(Line 29). The amount in the Total Column for Line 25 is replicated on Line 28.

f. Decision. Subtract Line 28 from Line 29 and enter the result on Line 30. A positive amount on line 30 supports a decision to perform the aircraft and aviation support activity with in-house resources. A negative amount on Line 30 supports a decision to accomplish the work with contract resources.

g. Cost comparison decision.Indicate in the appropriate block on line 31 the decision supported by line 30.

(1) If the result of the comparison is a decision to accomplish the work with contract resource and that decision is affirmed after adjustments by the public review, the agency will:

(a) Expand the Performance Requirements Summary developed under the aviation methodology to meet the requirements of a Performance Work Statement.

(b) Issue a formal solicitation for bids from the commercial sector and convert to contract.

(2) If the decision of the aviation cost comparison is to accomplish the work with in-house resources, and that decision is affirmed after adjustments by the public review, the agency will announce the final decision in the Commerce Business Daily. The results will be recorded in the OMB Circular A-76 tracking system.

Appendix D
Motor Vehicle Competitions

D–1. General

This Appendix provides joint guidance by OMB and The General

Services Administration (GSA) for use in cost comparisons involving the provision of motor vehicle fleet management services. It apples to conversions to or from in-house, contract or interservice support agreement (ISSA). Agencies should consider the costs, benefits and feasibility of using the agency's fleet management system, the GSA Interagency Fleet Management System (IFMS), other ISSA providers and qualified commercial management providers.

D–2. Specific

a. Cost comparisons will comply with Part I and Part II of this Supplement, and as discussed in this Appendix.

b. Cost comparisons should distinguish between the benefits of centralized Government vehicle acquisition and the potential benefits of fleet acquisition, operation, maintenance, and disposal management support services. Solicitations should permit or may require offerors to compete vehicle asset costs separately from fleet management services.

c. In accordance with Part I, Chapter 2 of this Supplement, all Government offerors will certify that their performance cost estimates or reimbursable rates are calculated in accordance with this Supplement.

d. Agencies may include all of their fleet requirements, including those currently being met by the GSA/IFMS or the private sector. Vehicles currently provided by the GSA/IFMS may be included in the agency's in-house cost estimate as IFMS vehicles.

D–3. Developing the requesting agency's in-house motor vehicle fleet management costs

The requesting agency's in-house costs are calculated as provided in Parts I and II of this Supplement and entered on Lines I through 7 of DA Form 7385-R (A-76/Motor Vehicle (MV) Cost Comparison for Motor Vehicle Fleets)as appropriate. Care should be taken to separate vehicle asset costs (cost of vehicles) from vehicle acquisition and other administrative management support costs.

D–4. Developing comparable motor vehicle fleet costs

a. Competitions between a rquesting agency, private sector offeror, the GSA/IFMS or another ISSA offeror may require that the requesting agency make certain adjustments in scope and cost to ensure that the cost comparison is equitable. These scope and cost adjustments, as discussed below, include:

(1) Contract Price
(2) Contract Administration Costs
(3) Additional Costs
(4) One-time Conversion Costs
(5) Gain/Loss on Disposal/Transfer of Assets
(6) Federal Income Taxes
(7) Other Adjustment Costs
(8) Minimum Differential

b. Contract Price (Line 9 and Line 16).-The contract price is the price proposed by the lowest priced, fully qualified commercial offeror, IFMS or ISSA offeror. This will be obtained by issuing a solicitation requesting offers. The agency should be careful that the solicitation accurately describes its fleet management needs.

c. Contract administration costs (Line 10 and Line17).Include costs, as appropriate from Part II Table 3-1.

d. One-tine conversion costs (Line 11 and Line 18).

(1) One-time conversion costs may result when acontractor, IFMS or ISSA offeror takes over the operation of the fleet. This can involve the costs of the transfer of Govemment-owned supplies or temporary labor costs incurred to facilitate the transition to a new fleet manager.

(2) When items of material become available for transfer to the contractor, IFMS or ISSA, material related conversion costs may result. If materials consumed as a part of the requesting agency's MEO are clearly identified in the PWS to be transferred to the contractor, IFMS or ISSA, the value of those materials and supplies are common costs and not considered a part of the comparison.

(3) If, however, those same materials are not to be provided to the contractor, IFMS or ISSA offeror, but are instead to be transferred to another agency location or excessed, the value of that material should be subtracted from the contract, IFMS or ISSA offers as a net savings to the Government resulting, from the conversion.

e. Gain on disposal of assets (Line 12 and Line 19).

(1) If an agency requires the contractor, IFMS or ISSA to replace existing Government (agency) owned vehicles (assets) by a specific date, the projected fair market value of those existing assets, as established by generally available industry guides, are subtracted from the contractor's, IFMS or ISSA's cost estimates. These values represent a net "savings"caused by conversion.

(2) Agencies may provide that vehicle replacement by the contractor, IFMS or ISSA offeror will be in accordance with the Government's existing or MEO replacement schedule. In this case, all parties to the competition should assume replacement at the same rate. Values from existing fleet to the Government apply to all alternatives equally.

(3) Agencies may also continue to provide vehicles for contractor, IFMS or ISSA fleet management. No adjustments are necessary.

(4) Finally, agencies may require replacement by the contractor, IFMS or ISSA offeror and may allow the IFMS or ISSA offeror to simply assume ownership of the existing fleet as Federal agencies. In this case, the agency, IFMS or ISSA offeror receives a gain—and a considerable competitive advantage over the contract bid—estimated at the fair market value of the existing fleet. An amount equal to the fair market value of the existing fleet is added to the agency, IFMS or ISSA offeror bid at Line 19 for cost comparison purposes.

f. Federal income tax (Line 13 and Line 20).

(1) Agencies should recognize the current contractsupport identified in Line 6, above. Calculate the total Federal Income Tax, based upon the contractor's offer (Line 9) and Appendix 5, Tax Rate Table. Subtract from the contractor's estimated tax liability the Federal taxes paid within the in-house cost estimate (estimated from the appropriate share of Line 6 and as described in the Management Plan) and enter the remainder.

(2) The same treatment may be afforded to the GSA/IFMS or ISSA offer, if the offeror certifies the value of its contract support contained within its overall cost estimate. This estimate must be available to the requesting agency's Independent Review Officer for review and concurrence.

g. Conversion differential (Line 7, Line 14 and Line 21).The standard minimum differential, as provided in Part II of this Supplement, shall be applied to the contract, IFMS and ISSA offers. If the cost comparison is being conducted to determine if motor vehicle fleet management services should be converted from contract, IFMS or ISSA performance to in-house agency operation, the conversion differential is added (on Line 7) to the in-house performance cost estimate. If the cost comparison is being conducted to determine if motor vehicle fleet management services should be converted from in-house operation to contract, IFMS or ISSA performance, the conversion differential is added (on Line 14 and Line 21) to the contract, IFMS or ISSA performance cost estimates.

h. Other IFMS/ISSA Scope Adjustments (Line 22).

(1) It is not the intent of this Supplement to require the IFMS or other potential ISSA offerors to alter their methods of operation to provide unique or site specific services. While such services may meet agency missions and may legitimately be included in the solicitation, additional adjustments to the IFMS/ISSA cost estimate may be necessary to reflect differences in the bids. Examples of such services include: dispatching, vehicle transition, maintenance work warranties, certain disposal services/costs, accessory installations and removals, tire replacements, etc.

(2) Agencies should identify the differences between the requirements of the solicitation (contractor bid) and the IFMS/ISSA cost estimate. The agency determines if any item or combination of items will impact the agency's ability to perform. If the agency's ability to perform would be adversely impacted, the IFMS/ISSA cost estimates may be rejected as non-responsive. If the differences will have minimal agency performance implications, and/or can continue to be performed by agency personnel, the IFMS/ISSA cost

estimates will be adjusted for purposes of comparison with the contractor and MEO offers, based upon the comparable costs contained in the agency's MEO.

(3) A complete record of all adjustments to the contractor's, IFMS and ISSA's cost estimates should be maintained and made available to the public upon request.

D–5. Motor vehicle cost comparison

a. A Motor Vehicle Cost Comparison Form, DA Form 7385-R has been developed. Use of DA Form 7385-R will help agencies move through the cost comparison in a structured manner. The DA Form 7385-R has been set up with five sections. Each section relates to a different set of costs or to the evaluation itself. Within each section, the appropriate cost elements have been shown. DA Form 7385-R can be locally reproduced on 8 1/2-by 11-inch paper. A copy for reproduction purposes is located at the back of this pamphlet. Additionally, DA Form 7385-R may be electronically generated. The electronically generated form must contain all data elements and follow the exact format of the existing printed form. All required signatures must appear on the electronically generated form. The form number of the electronically generated form will be shown as DA Form 7385-R-E and the date will be the same as the date of the current edition of the printed form.

b. Each cost listed is projected for all periods of the cost comparison. The first year will reflect current estimated costs. For each of the following years, the inflation factors provided by this Supplement shall be used for each element of cost that is affected by inflation. A minimum of one year and three option years will be used for comparative purposes.

c. With the completion of the MVCCF, the agency may evaluate the alternatives. In order to do this, the total Lines (Lines 8, 15 and 23) should be entered on Lines 24, 25 and 26, respectively. The decision is based upon the lowest overall cost to the Government over the minimum five-year cost comparison period. Enter the decision as appropriate.

Appendix E
Description of Commercial Functions and CA Function Codes

E–1. Scope

a. This appendix describes commercial functions and assigns CA Function Codes (formerly known as GFA Codes) for use in the Army CA Inventory and Army CA Management Information System (ACAMIS). Guidance for CA Inventory and ACAMIS update submissions will be provided periodically by HQDA. (AR 5-20, paragraph 4-5)

b. All in-house and contract products and services that are commercially available are subject to AR 5-20 even though not specifically listed in this appendix. Installations will not exclude organizations, or separable parts of organizations, performing the commercial activities described in this appendix from the CA Program as governmental functions.

E–2. CAs Not Listed in This Appendix

Installations will enter CAs not specifically described in this appendix in the CA Inventory under the proper "other" CA Function code, for example S999 or GO11. If an installations uses the same other code for two or more inventory entries with the same location and MACOM, they will add alphabetic suffixes (A through X) after the code to distinguish between the entries.

E–3. Subfunction and Description Codes

In many cases, subfunction codes and description follow a general function description. These codes apply to specialized and separate in-house activities and contracts. Installations will not use these subfunction codes to fragment an otherwise integrated activity or contract into subfunctions in the inventory. (For example, installations will enter a single motor vehicle maintenance operation performing the functions described under codes S717A, S717B, S717C, and S717E as a single entry under code S717). However, installations will not combine physically or functionally separate in-house activities in the inventory because they will undergo cost competition as part of a package of activities. Installations will normally enter multifunction contracts as one entry under the proper code.

E–4. CA Function Codes and Definitions

These codes and definitions are a guide to assist reporting. As installations identify new functions, they will add codes or expand existing definitions as required.

SOCIAL SERVICES

G001 Care of Remains of Deceased Personnel and/or Funeral Services. Includes CAs 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, placement in casket, and preparation for onward shipment.

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

G008A: Shelf Stocking.

G008B: Checkout.

G008C: Meat Processing.

G008D: Produce Processing.

G008E: Storage and Issue.

G008F: Other.

G008G: Troop Subsistence Issue Point.

G009 Clothing Sales Stores Operation. Includes CAs 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 CAs 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 performing messes, and morale support activities are included in code G011. Examples of activities G011 functions are arts and crafts, entertainment, sports and athletics, swimming, bowling, marina and boating, stables, youth activities, centers, and golf. DoD Directive 1015.1 (reference (u) 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 (NAFIs), except Package Beverage Branch

G011B: Package Beverage Branch.

G011C: All Category IIIa NAFIs.

G011D: All Category IIIb1, except Libraries

G011E: Category IIIb2 Arts and Crafts

G011F: Category IIIb2 Music & Theater

G011G: Category IIIb2 Outdoor Recreation

G011H: Category IIIb2 Youth Activities

G011I: Category IIIb2 Child Development Service

G011J: Category llIb2 Sports - Competitive

G01IK: All Category 1111 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
G0110: Category IIIb3 membership association 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. DoD Directive 1015.1 (reference (q) contains further amplification of the categories.
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
G012L: Volunteer Management
G012J: Office Management
G012K: Consumer Affairs/Financial Assistance
G012L: General and Emergency Family Assistance
G900 Chaplain Activities and Support Services. Includes CAs 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 CAs that provide temporary or permanent accommodations for officer or enlisted personnel. Management of the facility, room service, and daily cleaning are included.
G904 Family Services. Includes CAs that perform various social services for families, such as family counseling, financial counseling and planning, the operation of an abuse center, child care center, or family aid center.
G999 Other Social 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.

HEALTH SERVICES

H101 Hospital Care. Includes CAs 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 CAs 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 CAs that provide hospital food services for inpatients and outpatients, dietetic treatment, counseling of patients, and nutritional education.
H106 Pathology Services. Includes CAs involved in the operation of laboratories providing comprehensive clinical and anatomical pathology services; DoD military blood program and blood bank activities; and area reference laboratories.
H107: Radiology Services. Includes CAs that provide diagnostic and therapeutic radiological service to inpatients and outpatients, including the processing, examining, interpreting, and storage and retrieval of radiographs, fluorographs, and radiotherapy.
H108: Pharmacy Services. Includes CAs that produce, preserve, store, compound, manufacture, package, control, assay, dispense, and distribute medications (including intravenous solutions) for inpatients and outpatients.
H109: Physical Therapy. Includes CAs 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 neuro-musculoskeletal, 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 CAs 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 CAs that construct orthopedic appliances such as braces, casts, splints, supports, and shoes from impressions, forms, molds, and other specifications.
H112: Ambulance Service. Includes CAs 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 CAs 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 CAs 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 CAs that operate free-standing 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, occupational health clinics, and occupational health nursing offices.
H116: Veterinary Services. Includes CAs 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 CAs that transcribe, file, and maintain medical records.
H118: Nursing Services. Includes CAs that provide care and treatment for inpatients and outpatients not required to be performed by a doctor.
H119: Preventive Medicine. Includes CAs that operate wellness or holistic clinics (preventive medicine), information centers, and research laboratories.
H120: Occupational Health. Includes CAs that develop, monitor, and inspect installation safety conditions.
H121: Drug Rehabilitation. Includes CAs 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 CAs 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 procedure. CAs 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 systems and associated equipment. Includes mechanical, electronics, and communication equipment that is an integral part of missile systems.

J504: Vessels. All vessels, including armament, electronics, communications and any 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 materiel 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 materials, components, or end items entailed in manufacturing, maintenance, supply processing, 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 materiel 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. (See DoD Instruction 4151. 15 (reference (r)) for further amplification of the category definitions reflected below.) 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 any 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.

K533: 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-propelled artillery, and other combat vehicles. Includes armament, fire control, electronics, and communications equipment that is an integral part of a combat vehicle.

K536: Noncombat Vehicles. Automotive equipment, such as tactical support and administrative vehicles. Includes electronic and communications equipment that are 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, 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 equipment 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 tow 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/MULTI/FUNCTION CONTRACTS

P100: Base Maintenance/multi/function Contracts. Includes all umbrella-type contracts where the contractor performs more than one function at one or more installations. (Identify specific functions asnonadd 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 ship.

INSTALLATION SERVICES

S700: Natural Resource Services. Includes those CAs 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 CAs 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 CAs that prepare payroll, print checks, escrow, or change payroll accounts for personnel. Includes other services normally associated with banking operations.

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

S706: Installation Bus Services. Includes CAs 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 CAs that operate and maintain laundry and dry cleaning facilities.

S709: Custodial Services. Includes CAs that provide janitorial and housekeeping services to maintain safe and sanitary conditions and preserve property.

S710: Pest Management. Includes CAs that provide control measures directed against fungi, insects, rodents, and other pests.

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

S713: Food Services. Includes CAs 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 CAs that repair and refurbish furniture.

S715: Office Equipment. Includes CAs that maintain and repair typewriters, calculators, and adding machines.

S716: Motor Vehicle Operation. Includes CAs that operate local administrative motor transportation services. Excludes installation bus services reported in functional area 5706.

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.

S716L: Driver/Operator Licensing & Test.

S716J: Other Vehicle Operations (Light Truck/Auto).

S716K: Fuel Truck Operations.

S716M: Tow Truck Operations.

S717: Motor Vehicle Maintenance. Includes CAs 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.

S717L: 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 CAs 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 CAs 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 CAs 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 vehicles impounded on military installations.

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

S724S: Other guard service.

S725: Electrical Plants and Systems. Includes CAs that operate, maintain, and repair Government-owned electrical plants and systems.

S726: Heating Plants and Systems. Includes CAs 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 CAs that operate, maintain, and repair Government-owned water plants and systems.

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

S729: Air Conditioning and Refrigeration Plants. Includes CAs 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 CAs that operate, maintain, and repair other Government-owned services or utilities.

S731: Base Supply Operations. Includes CAs 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 CAs that receive, store, and distribute publications and blank forms.

S740: Installation Transportation Office. Includes technical, clerical, and administrative CAs 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.

S740A: Installation Transportation Management and Administration.

S740B: Materiel Movements.

S740C: Personnel Movements.

S740D: Personal Property Activities.

S740E: Quality Control and Inspection.

S740F: Unit Movements.

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 CAs that operate terminals transferring cargo between overland and sealift transportation. Includes handling of Government cargo through commercial water terminals.

T800A: Pier Operations. Includes CAs 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 CAs 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 CAs that load and unload railcars and trucks, pack, repack, crate, warehouse, and store cargo moving through the terminal, and stuff and unstuff containers.

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

T800E: Lumber Operations. Includes CAs 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 CAs that deliver MHE to user agencies, perform onsite fueling, and operate special purpose and heavy capacity equipment.

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

T800H: Breakbulk Cargo Operations. Includes CAs that provide stevedoring, shipwright carpentry, stevedore transportation, and the loading and unloading of noncontainerized cargo.

T800I: Other Ocean Terminal Operations.

T801: Storage and Warehousing. Includes CAs 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 unit and tenet activities described in S731.

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

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

T801C: Shipping. Includes CAs that deliver stocks withdrawn from storage to shipping. Includes onloading and offloading 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

CAs 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 configuration; 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 CAs that preserve, represerve, and pack materiel to be placed ill storage or to be shipped. Excludes application of final (exterior) shipping containers.

T801F: Unit and Set Assembly and Disassembly. Includes CAs 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 item 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 CAs 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 CAs that place supplies in theirs final, exterior containers ready for shipment. Includes the nailing, strapping, sealing, stapling, masking, 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 material in and out; all operations incident to packing, repacking, or recrating for shipment, including online 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 that prepare supply catalogs and furnish cataloging data on all items of supply for distribution to all echelons worldwide. Include 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 CAs 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 material, and other military equipment.

T803A: Inspection and Testing of Oil and Fuel.

T803B: Other Acceptance Testing.

T804: Architect-Engineering Services. Includes CAs that provide Architect/Engineer (A/E) services. Excludes Engineering Technical Services (ETS) reported in functional area T813, and those required under Title 40 U.S.C. (reference (s)).

T805: Operation of Bulk Liquid Storage. Includes CAs 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 CAs that print, duplicate, and copy. Excludes user-operated office copying equipment.

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

T807A: Base VI Support. Includes CAs 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 CAs 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 CAs 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 CAs 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 CAs 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 CAs 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 (VIDOC) encompasses Operational Documentation (OPDOC) and TECDOC. OPDOC 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 Library (Inventory Control Point). Includes CAs 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 CAs that provide professional consultation services involving the selection, design, and development of AV or VI equipment or facilities.

T808: Mapping and Charting. Includes CAs that design, compile, print, and disseminate cartographic and geodetic products.

T809: Administrative Telephone Service. Includes CAs that operate and maintain the common-user, administrative telephone systems at DoD installations and activities. Includes telephone operator services; range communication; 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 CAs 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 CAs 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 CAs 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 CAs that advise, instruct, and train DoD personnel in the installation, 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 CAs 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 CAs 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 CAs that distribute aviation petroleum/oil/lubricant products. Includes operation of trucks and hydrants.

T815: Scrap Metal Operation. Includes CAs that bale or shear metal scrap and melt or sweat aluminum scrap.

T816: Telecommunication Centers. Includes CAs 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 CAs that operate and maintain communications and electronics systems not included in T809 and T816.

T818: Systems Engineering and Installation of Communications Systems. Includes CAs 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 CAs that accept, classify, and dispose of surplus Government property, including scrap metal.

T820: Administrative Support Services. Includes CAs 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 CAs that perform research, collect data, conduct time-motion studies, or pursue some other planned methodology in order to analyze a specific issue, system, device, boat, 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 CAs that provide training aids, devices, simulator design, fabrication, issue, operation, maintenance, support, and services.

T900A: Training Aids, Devices, and Simulator Support. Includes CAs 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 Operation. Includes CAs that operate and maintain training device and simulator systems.

T999: Other Nonmanufacturing Operations.

EDUCATION AND TRAINING

Definition. Includes CAs 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 Military 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 Instruction.

U520: Graduate Education, Fully Funded, Full-Time.

U530: Other Full-Time Education Programs.

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 CAs 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 CAs that maintain and repair all Government-owned ADP equipment and peripheral equipment.
W826: Systems Design, Development, and Programming Services. Includes CAs 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 Computers and Automated Test Equipment. Includes CAs that provide software services associated with tactical computers and TMDE 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 in-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; includes 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 CAs 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 CAs 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 watchtowers, 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 walkways.
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, forests, 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 and ice removal from streets and airfields.
Z997: Railroad Facilities. Includes CAs 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 CAs 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 waterfrontfacilities.

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.

Appendix F
Command Designator Codes

Table F–1
Command Designator Codes

First two digits of Command entry ID MACOM	Army Staff element,	FOA, or SSA cronym
01	U.S. Army Corps of Engineers	USACE
02	Comptroller of the Army	OCOA
03	U.S. Army Military Traffic Management Command	MTMC
04	National Guard Bureau	NGB
05	Office, Deputy Chief of Staff for Intelligence	ODCSINT
06	U.S. Army Audit Agency	USAAA
07	Office, Assistant Chief of Staff for Information Management	OACSIM
08	US Army Operational Test and Evaluation Agency	OCSA
09	U.S. Army Strategic Defense Command	OCSA
10	Office, Deputy Chief of Staff for Logistics	ODCSLOG
11	Office, Deputy Chief of Staff for Operations	ODCSOPS
12	Office, Deputy Chief of Staff for Personnel	ODCSPER
13	Office, Deputy Chief of Staff for Research, Development,	ODCSRDA
Acquisition		
14	The Adjutant General	OTAG
15	The Inspector General	OTIG
16	The Judge Advocate General	OTJAG
17	The Surgeon General	OTSG
18	U.S. Army Military Academy	USMA
19 not used		
20	U.S. Army Forces Command	FORSCOM
21	U.S. Army Health Services Command	HSC
22	U.S. Army Intelligence and Security Command	INSCOM
23	U.S. Army Logistics Evaluation Agency	ODCSLOG
24	U.S. Army Recruiting Command	ODCSPER
25	U.S. Army Materiel Command	AMC
26	U.S. Army Military District of Washington	MDW
27	U.S. Army Training and Doctrine Command	TRADOC
28	U.S. Army Troop Support Agency	ODCSLOG
29	U.S. Army Western Command	WESTCOM
30	U.S. Army Criminal Investigation Command	CIDC
31	U.S. Army Military History Institute	ODCSOPS
32	U.S. Army Cost and Economic Analysis Center	OCOA
33	U.S. Army Finance and Accounting Center	OCOA
34	U.S. Army Concepts Analysis Agency	OCSA
35	U.S. Army Military Personnel Center	ODCSPER

Table F–1
Command Designator Codes—Continued

First two digits of Command entry ID MACOM	Army Staff element,	FOA, or SSA cronym
36	Chief of Army Reserve	OCAR
37	U.S. Army Nuclear and Chemical Agency	ODCSOPS
38	Army War College	ODCSOPS
39	Legal Services Agency	OTAG
40	The Judge Advocate General School	OTJAG
41	Military Enlistment Processing Command	ODCSPER
42	U.S. Army Research Institute for the Social and Behavioral	ODCSPER
Sciences Safety Center 43	Safety Center	ODCSPER
44	Civilian Personnel Center	ODCSPER
45	USMA Preparatory School	ODCSPER
46	U.S. Army Development and Employment Agency	ODCSOPS
47	U.S. Army Development Support Agency	ODCSOPS
48	U.S. Army Security Assistance Agency, Latin America	ODCSOPS
49	U.S. Army Command and Control Support Agency	ODCSOPS
50	U.S. Army Civilian Appellate Review Agency	ODCSPER
51	DA civilian Training Education and Development Agency	ODCSPER
52	U.S. Army Drug/Alcohol Test Activity	ODCSPER
53	Military Police Operating Agency	ODCSPER
54	U.S. Army Manpower Requirements and Documentation Agency	ODCSPER
55	U.S. Army Community and Family Support Center	OACSIM
56	U.S. Army Center of Military History	ODCSOPS
57	U.S. Army Special Operations Command	SOCOM

Appendix G
Economic Effects Analysis Procedures

G–1. Requirement for analysis

a. The economic effects analysis if performed only when —

(1) An initial decision has been made to convert an in-house activity to contract and

(2) More than 75 military and civilian employees will be directly affected (jobs converted to contract performance).

b. The results of the analysis are included in the final decision notification to Congress. The only purpose for the analysis is to comply with statutory reporting requirements. It does not affect the decision to convert to contract performance.

c. The analysis is made using the CA profile of the EIFS at CERL, Corps of Engineers, Champaign, IL. Because the analysis requires the actual contract price as an input data element, it cannot be made before the initial decision. MACOMs and installations will not make an economics effects analysis in anticipation of a contract decision or for cost studies involving 75 or fewer employees.

d. Data entered into the EIFS should be developed from the best available estimates of the effect of conversion on employment and expenditures. Normally, the effects of conversion on the civilian economy will be very small because decreases in government employment and direct expenditures are offset by contract employment and expenditures. In some cases, when most government employees are placed in other jobs and additional people are hired by the contractor, the economic effects of conversion may be positive.

G–2. Input data elements

Only nine data elements are used as entries to the CA profile of the EIFS. The interactive computer program will ask for each data element as needed. The data elements are:

a. Region. The military installation or multicounty area surrounding an installation that will be affected by the conversion. CERL has defined the region for major Army installations so all that has to be entered is the installation name. If the region has not been defined, the name of all counties having 10 percent or more of the installation's military and civilian work force as residents should be entered.

b. Project name. The location and name of the activity to be converted to contract. For example, Ft Hood: CA (motor vehicle maintenance). This data element is used only to identify the analysis in processing.

c. Civilian employees to be released. The number of full-time civilian employees who will be released from federal service or relocated out of the area because of conversion to contract. Include retirees and employees separated through exercise of "bumping rights"by directly affected employees. Do not include employees who will be placed in other federal jobs at the installation or in the commuting area.

d. Average income of affected civilian employees. The average income per year of civilian employees to be released (c. above). Do not include government contributions to fringe benefits or the fringe benefit factor used in the in-house cost estimate.

e. Military personnel to be reassigned. The number of military personnel currently assigned to the activity who will be reassigned

because of conversion. Include those who will be reassigned locally and those who will be transferred from the installation.

f. Average income of affected military personnel. The average income per year (pay and allowances) of the military personnel to be reassigned (e. above).

g. Percent military personnel living on post. The percentage of the military personnel to be reassigned (e. above) that live in barracks or family housing. This data element is required to distinguish those military personnel who do not spend as high a percentage for living expenses, such as housing, on the local economy.

h. Change in local expenditures for services and supplies. The annual change in local procurement that will result from conversion to contract. Include only procurements in the local area, not those from a central supply location. Include as decreases those purchases of supplies and services that will be absorbed in the contract. Do not include payments to the new contractor as increases in local procurement.

i. Estimated payments to the contractor. The annual payments to the contractor including cost reimbursements and incentive fees. Do not include contract administration costs or cost of government furnished supplies and equipment.

G–3. CA profile outputs

Economic effects data is produced by the EIFS in the form of dollar values or workyears and percentage of change. The percent figures are used for the report to Congress. The output data elements below are produced.

a. Change in total population. This element represents the change in local population projected as a result of conversion. This change is estimated by applying an average dependency ratio to the net change in employment.

b. Change in total business volume. This figure identifies the total change expected in business volume or economic activity in the area upon conversion to contract. Business volume includes the change in selected services, retail sales, wholesale trade, and manufacturing output. Change in total business volume is obtained by applying the "export employment multiplier"to the "change in direct business volume."

(1) Change in direct business volume is the direct injection (or withdrawal) of funds as a result of conversion. For example, the reduction in local procurements from conversion represents a withdrawal of activity from the economy and is a direct change from conversion. This is the "first round"effect on the economy and is felt in its entirety.

(2) The export employment multiplier is the total effect of each dollar expended on the local economy after all secondary and subsequent rounds have been felt. The multiplier is calculated by the EIFS based on economic theory and regional experience. A multiplier of 2.6 indicates that 1 dollar of injected economic activity creates a total effect of $2.60.

c. Change in total personal income. This output estimates the change in total personal income that can be expected from the change in economic activity in the region.

d. Change in total employment. This is the anticipated change in total local employment (full and part time) from conversion to contract. The change is expressed in workyears. The change does not indicate actual employed personnel.

e. Effect on tax base and change in tax revenues. This figure is the projected change in property value revenues and sales tax revenues in the area that will result from the economic effects of conversion.

G–4. Requesting analysis

a. Access to the EIFS is obtained with a remote computer terminal and a toll-free telephone line. Access is also obtained by mailing input data to ETIS. Arrangements for access to the CERL computer by remote terminal are made by calling commercial (217) 333-1369. Figure G-1 gives the format for input of data by mail. If data are input through a remote terminal, the results of the analysis are provided immediately. One working day is required to process an analysis request received by mail.

b. The results of the economics effects analysis are forwarded to HQDA as an enclosure to the cost study final decision report (para 7-8). The projected economic effects of conversion to contract in paragraphs 3a through e are inserted in the final decision notification to Congress.

(Letterhead required)

SUBJECT: Request for CA EIFS Economic Effects Analysis—Cost Study No. . . .

Commander
USA Construction Engineering Research Laboratory
ATTN: ETIS
907 West Navada Street
Urbana, IL 61801

1. Requesting activity and mailing address.

2. Input data.

a. Region (name of post or counties).

b. Project name.,

c. Civilian employees to be released.

d. Average income of affected civilian employees.

e. Military personnel to be reassigned.

f. Average income of affected military personnel.

g. Percent military living on post.

h. Change in local expenditures for services and supplies.

i. Estimated payments to the contractor.

3. Date economic effects analysis is required.

4. Name and commercial telephone number of installation or MACOM point of contact for the analysis.

Figure G-1. Format for Input of data by mail

Glossary

Section I
Abbreviations

ACAMIS
Army Commercial Activities Management Information System

ACSIM
Assistant Chief of Staff for Installation Management

AFARS
Army Federal Acquisition Regulation Supplement

AMC
Army Materiel Command

AMEC
Army Management Engineering College

AMEDD
Army Medical Department

ALP
Acceptable Level of Performance

AR
Army Regulation

ASA(FM&C)
Assistant Secretary of the Army (Financial Management & Comptroller)

ASA(IL&E)
Assistant Secretary of the Army (Installations, Logistics & Environment)

ASA(M&RA)
Assistant Secretary of the Army (Manpower and Reserve Affairs)

ASA(RD&A)
Assistant Secretary of the Army (Research, Development & Acquisition)

BRAC
Base Realignment and Closure

CA
Commercial Activity(ies)

CAS
Commercial Activities System

CBD
Commerce Business Daily

CCF
Cost Comparison Form

CG
Commanding General

CLL
Chief of Legislative Liaison

COCO
Contractor-owned, Contractor-operated

COE
Chief of Engineers

CONUS
Continental United States

COR
Contracting Officer's Representative

CPA
Chief of Public Affairs

CPAC
Civilian Personnel Advisory Center

CPAS
Commercial Activities Proposed Action Summary

CPOC
Civilian Personnel Operations Center

DA
Department of the Army

DBA
Davis-Bacon Act

DCSINT
Deputy Chief of Staff for Intelligence

DCSLOG
Deputy Chief of Staff for Logistics

DCSOPS
Deputy Chief of Staff for Operations

DCSPER
Deputy Chief of Staff for Personnel

DPW
Directorate of Public Works or Director of Public Works

DFARS
Defense Federal Acquisition Regulation Supplement

DISC4
Director of Information Systems for Command, Control, Communications & Computers

DOC
Directorate of Contracting or Director of Contracting

DOD
Department of Defense

DOL
Directorate of Logistics or Director of Logistics

DPCA
Directorate of Personnel and Community Activities or Director of Personnel and Community Activities

DRM
Directorate of Resource Management or Director of Resource Management

FAR
Federal Acquisition Regulation

FLSA
Fair Labor Standards Act

FOA
Field Operating Agency

FOIA
Freedom of Information Act

FSC
Federal Supply Code

FTE
Full-time Equivalent

G&A
General and Administrative

GAO
General Accounting Office

GFE
Government Furnished Equipment

GFP
Government Furnished Property

GIN
Governmental-in-Nature

GOCO
Government-owned, Contractor-operated

GOGO
Government-owned, Government-operated

GS
General Schedule (Civilian Personnel)

GSA
General Services Administration

HQDA
Headquarters, Department of the Army

IFB
Invitation for Bid

IG
Inspector General

IGE
Independent Government Estimate

IGS
Intragovernmental Support

JAG
Judge Advocate General

KO
Contracting Officer

MACOM
Major Army Command

MTF
Medical Treatment Facility

MEDDAC
Medical Department Activity

MEO
Most Efficient Organization

MOS
Military Occupational Specialty

MS
Management Study

MTOE
Modification Table of Organization and Equipment

NAF
Non-appropriated Fund

NAFI
Non-appropriated Fund Instrumentality

NISH
National Industries for the Severely Handicapped

OCONUS
Out of the Continental United States

OMB
Office of Management and Budget

PoP
Period of Performance

PR
Purchase Request

PRS
Performance Requirements Summary

PWS
Performance Work Statement

QA
Quality Assurance

QAE
Quality Assurance Evaluator

QASP
Quality Assurance Surveillance Plan

RDT&E
Research, Development, Test, and Evaluation

RFP
Request for Proposals

RIF
Reduction-in-Force

SADBU
Small and Disadvantaged Business Utilization

SBA
Small Business Administration

SCA
Service Contract Act

SCCF
Streamlined Cost Comparison Form

SOP
Standard Operating Procedure

SIMOS
Space Imbalanced Military Occupational Specialty

SJA
Staff Judge Advocate

SSA
Source Selection Authority Staff Support Agency

SSAC
Source Selection Advisory Council

SSEB
Source Selection Evaluation Board

SSP
Source Selection Plan

TE
Technical Exhibit(s)

TPP
Technical Performance Plan

TJAG
The Judge Advocate General (at HQDA)

TDA
Table of Distributions and Allowances

TIG
The Inspector General

TOE
Table of Organization and Equipment

TSG
The Surgeon General

USAAA
U.S. Army Audit Agency

U.S.C.
United States Code

VE
Value Engineering

WDC
Work Distribution Chart

Section II
Terms

ACCEPTABLE LEVELS OF PERFORMANCE (ALP)
The ALP is the maximum percent defective or the maximum number of defects per hundred units considered satisfactory for purposes of a sampling inspection. It is the allowable variance from a standard expressed by narrative description before the Government will reject the specific service.

ACQUISITION PLAN (AP)
The AP addresses the technical, business, management, and other significant considerations that will control acquisition. The Contracting Office representative on the CA study team will prepare and maintain the AP.

ACTIVITY ANALYSIS
Activity analysis states what starts a job, what takes place when doing the job, and the outcome of the job.

ACQUISITION PLANNING
The process by which the efforts of all personnel responsible for an acquisition are coordinated and integrated for a comprehensive plan for fulfilling the agency need in a timely manner and at a reasonable cost.

ADMINISTRATIVE APPEAL BOARD (AAB)
The independent forum or body of individuals designated by the appropriate MACOM to review cases submitted on appeal to ensure that all costs are properly accounted for in accordance with the principles and procedures of AR 5-20 and DA Pam 5-20. The AAB shall also ensure that all participants have full and equal access to the decision process.

ADVANCED ACQUISITION PLANNING (AAP) SYSTEM
Dollar thresholds for acquisition strategy development are lower than those for acquisition plans. Some acquisitions over MACOM established dollar thresholds but under the AP dollar threshold require preparation of an AAP system. Although less formal than an AP, the principles of AP should still be incorporated.

ASSET ACQUISITION COST
Sum of the purchase price and of the costs (for transportation; packing, crating, handling; installation, etc.) incurred to place an asset in use.

ASSET USEFUL LIFE
Estimated period of economic usefulness of an asset in a particular operation.

AUGMENTATION CONTRACT
Means of performing recurring projects or continuing services portions of a CA workload without using MEO personnel. Augmentation contracts may be awarded without cost competition, IAW the direct conversion, new requirement, and expansion criteria in this regulation.

BASE PAY
Civilian wages (including shift/hazardous duty differentials) that earn fringe benefits.

BENCH STOCK
On-hand supplies appropriate for assignment to the individual worker in advance of need.

BIDDER
A bidder is a prospective contractor who submits a one time offer, called a "bid", to the government in response to the government's Invitation for Bid (IFB). The IFB is the solicitation document used in sealed bid contracting. Contract award will be made to the responsible bidder who was responsive to the requirements stated in the IFB and whose bid was the lowest price.

BID OPENING
For a sealed bid procurement, bid opening is the date and time established to open, read aloud, and display the bids received in response to an IFB. For negotiated procurement action the term is solicitation closing date -- the time set in the Request For Proposal (RFP) and monitored by the contracting office at which time all proposals must be received. For a sealed bid procurement, "bid opening" is the same as "cost comparison bid opening" because the contract bids are opened at the same time as the in-house cost estimate. For a negotiated procurement, only the price negotiated with the selected contractor and the in-house cost estimate are opened at "cost comparison bid opening."

CAPITAL ASSETS (TANGIBLE)
Structures, machinery and equipment having an original acquisition cost of $5,000 or greater.

CA STUDY GUIDE
DA Pam 5-20, Commercial Activities Study Guide provides the mechanics of the CA process.

CAPITAL IMPROVEMENT COSTS
Costs of major overhauls and modifications that add to the value or prolong the life of capital assets.

CASUALTY AND LIABILITY INSURANCE COSTS
Costs of government self-insurance against casualty losses and liability claims.

CASUALTY LOSSES
Costs of replacing equipment, facilities, materials/supplies, and minor items destroyed by fire/flood, and so forth.

COLLECTIVE BARGAINING AGREEMENT
The negotiation of employment matters between employers and employees through the use of a bargaining agent designated by an uncoerced majority of the employees within the bargaining unit. Under the Federal Labor Relations Act contractor employees have a statutory right to organize, join unions, and bargain collectively. The fact that these employees are working on government facilities under a government contract does not deprive them of their statutory rights.

COMMERCE BUSINESS DAILY (CBD)
CBD is the public notification media by which U.S. Government agencies identify proposed contract actions and contract awards. The CBD is published in five or six daily editions weekly, as necessary.

COMMERCIAL ACTIVITY
An activity providing a product or service that can be performed by a private source. (See definition for "recurring commercial activities," which are the functions to which this regulation applies.)

COMMERCIAL SOURCE
A commercial source is any business or other concern that is eligible for contract award in accordance with Federal Acquisition Regulations.

COMMON/"WASH" COSTS
Costs that will be incurred regardless of the outcome of the cost competition and are, therefore, not included in the cost comparison (e.g. government furnished property, security clearance processing, quality assurance, utilities, and other facilities support services.

CONDITIONAL AWARD
A contract award made upon the initial decision in a cost competition involving a negotiated acquisition. Contractor performance is conditioned on the offeror's proposal being the most advantageous offer.

CONTRACT ADMINISTRATION
Contract administration includes those inherently governmental activities performed by warranted contracting officers, contract administrators, the contracting officer's representative, and related payment evaluation staff. Contract administration is not to be confused with contract quality control, performance evaluation, or inspection which are defined as commercial activities by AR 5-20.

CONTRACT DISCREPANCY REPORT
A report, used by QAE, to document unsatisfactory performance by the contractor.

CONTRACTING OFFICER (KO)
A Contracting Officer is the only person with the authority to create, modify or terminate a contract. The Contracting Officer is the only official who can obligate the government through a contract.

CONTRACTING OFFICER'S REPRESENTATIVE (COR)
The COR is the individual appointed in writing by the contracting officer and delegated specific authority to monitor contractor performance.

CONTRACTOR-OWNED CONTRACTOR-OPERATED (COCO)
A facility owned and operated by a contractor.

CONVERSION TO CONTRACT
A conversion to contract is the change of performance of a commercial activity from in-house performance by Federal employees to performance by a commercial source.

CONVERSION FROM CONTRACT
Conversion from contract to in-house performance (sometimes referred to as "re-federalization") means the change of a commercial activity from performance by contract with a commercial source to performance by Federal employees with government resources. Unless the activity is performed by ten or fewer contract employees, a Transfer Cost Competition Study must be conducted before the conversion. "Conversion from contract" also includes the conversion of expansions and/or new requirements (work) from contract performance to in-house performance.

CONVERSION DIFFERENTIAL
The conversion differential is the minimum savings to be gained from converting from one method of operation to another. The differential reflects the unpredictable costs inherent in changing the status quo. These include such costs as retained pay and the temporary loss of productivity associated with a conversion. The conversion differential is the lesser of ten percent of personnel costs or $10 million over the performance period.

CORE CAPABILITY
A core capability is a commercial activity operated by a cadre of highly skilled employees, in a specialized technical or scientific development area, to ensure that a minimum capability is maintained. The core capability does not include the skills, functions or FTE that may be retained in-house for reasons of National Defense, including military mobilization, security or rotational necessity, or to the patient care or research and development activities as provided in AR 5-20.

COST COMPARISON BID OPENING
The process of formally comparing the estimated cost of in-house performance with the cost of commercial or IGS sources. Cost comparison bid opening results in the initial decision. (See definitions for "bid opening" and "initial decision.")

COST COMPETITION
The process of conducting a study that leads to a cost comparison bid opening between potential in-house, IGS and/or contract providers of a commercial activity. A cost competition that is not conducted IAW Streamlined Cost Comparison Study procedures is referred to as a Full Cost Comparison Study. A direct conversion study is generally not considered a cost competition study.

COST-PLUS-AWARD-FEE CONTRACT
A cost-plus-award-fee contract is a cost-reimbursement contract that provides for a fee consisting of a base fee amount (which may be zero) fixed at inception of the contract, and an award amount, based upon a judgmental evaluation by the government,

sufficient to provide motivation for excellence in contract performance.

COST-REIMBURSEMENT CONTRACT
Cost reimbursement contracts are suitable for use only when uncertainties involved with contract performance do not permit costs to be estimated with sufficient accuracy (FAR 16.301). The contractor would then be reimbursed for allowable expenses within a pre-established ceiling.

CROSSWALK
The comparison between manpower, budget and functional requirements.

CURRENT OPERATIONS
This describes the organization as it exists at the outset of the study, including staffing, organization facilities, equipment, and any problems that affect efficient operation.

DECISION TABLE
The decision table identifies the possible causes of the unsatisfactory performance and lists a number of questions which, when answered will probably pinpoint the source of the problem.

DEPRECIATION
Method used to spread the total cost of a tangible capital asset, less residual value, over an asset's useful life. (Annual depreciation cost is computed by dividing the depreciable basis (acquisition cost plus capital improvements less residual value) by the useful life of the asset.)

DIRECT CONVERSION
Conversion to contract without a formal cost competition study.

DIRECT STAFFING
Personnel directly involved in producing the outputs of the function under study whose efforts can be directly traced to a unit of output.

DISPOSAL VALUE (SAME AS RESIDUAL VALUE)
Value at disposition (less costs of disposal/transfer) estimated at the time of an asset's acquisition.

DISPLACED EMPLOYEE
Any DA employee, including a temporary employee, adversely affected by a conversion to contract. Adverse actions include job elimination, grade reduction, and reassignment to another position. Displaced employees include those in the function converted to contract and those outside the function who are affected adversely by reassignment or the exercise of bumping or retreat rights related to a RIF resulting from the conversion.

EXCLUSION
Activities outside the scope of the CA Program because of legislative (e.g. RDT&E activities, depot level maintenance, and firefighting and security guard functions) or administrative requirements.

EXEMPTION
See "waiver."

EXPANSION
An expansion is the modernization, replacement, upgrading or the enlargement of an in-house commercial activity or capability. If the expansion involves a 30-percent increase in the operating cost of the activity, a 30-percent increase in the total capital investment to perform the activity or an increase of 65 FTE or more, a cost competition study is required prior to authorizing in-house performance. A consolidation of two or more existing commercial activities is not an expansion, unless the total operating cost is 30 percent greater than the total of the individual components or it requires an increase of 65 FTE or more.

FIRM-FIXED-PRICE CONTRACT
A firm-fixed-price contract uses the basic profit motive of business enterprise. It is used when the risk involved is minimal or can be predicted with an acceptable degree of certainty.

FINAL DECISION
The decision made after the resolution of appeals, conduct of preaward surveys, and resolution of GAO protests. (See "initial decision. ") The installation implements the final decision after the installation submits the DA Form 7379-R and the HQDA Office of the Chief Legislative Liaison (OCLL) makes the Final Decision Notification to Congress.

FRINGE BENEFITS
Retirement (e.g., CSRS, FERS), health insurance, life insurance, disability insurance, unemployment compensation, bonuses, awards, and MEDICARE.

FULL COST COMPETITION STUDY
A process that develops the PWS and MEO, solicits bids or offers, and compares the in-house cost with the cost of the bidder or offeror to determine whether to continue or change the method of performance. (Also see "cost competition.")

FULL TIME EQUIVALENT
A position that involves the planned use of 2, 087 straight time paid hours in a fiscal year (to include authorized leave and paid time off for training); for example, two part-time employees, each working a total of 2,087 straight time paid hours in a FY equals one FTE.

FUNCTIONAL ACTIVITIES
Those installation-level activities responsible for producing a product or service.

GENERAL AND ADMINISTRATIVE OVERHEAD
Identifies personnel outside the organization under study and exclusive of the first supervisory level above the organization under study. This includes such functions as civilian personnel, resource management, legal, procurement, and so forth.

GENERAL AND ADMINISTRATIVE (G&A) OVERHEAD COSTS
All support costs, other than operations overhead costs, incurred for the function under study.

GOVERNMENTAL-IN-NATURE (GIN)/ INHERENTLY GOVERNMENTAL
GIN functions are government functions that are so intimately related to the public interest as to mandate performance by Government employees or military personnel. These functions include those activities that require either the exercise of discretion in applying Government authority or the making of value judgments in making decisions for the Government. Governmental functions normally fall into two categories: (1) the act of governing, i.e., the discretionary exercise of Government authority, and (2) monetary transactions and entitlements. All functions are either GIN functions or commercial activities. See OFPP Policy Letter 92-1 at Appendix B of DA Pam 5-20.

GOVERNMENT-FURNISHED PROPERTY (GFP)
Government facilities and equipment on hand, programmed for use by the MEO, and offered to prospective bidders "as is."

GOVERNMENT-OWNED CONTRACTOR-OPERATED
A facility owned by the government and operated by a contractor.

IMPLEMENTATION DATE
The date the contract becomes effective and the contractor begins operation or the date the installation fully implements the MEO.

INDEPENDENT GOVERNMENT ESTIMATE (IGE)
The IGE is the government's estimate of the costs the private sector would charge to do the work. Not to be confused with the in-house cost estimate (which may not be revealed to any official involved with the selection of the contractor to compete against the in-house cost estimate), the IGE is used by the Contracting Officer during negotiations with contractors for comparing the cost of doing business. It is used to ensure the contractors' cost estimates are not buy-ins or their costs elevated. Therefore, the IGE documents cost estimates for all of the elements that contribute to the contract price.

INDEPENDENT REVIEW
The independent review is completed by an activity outside the activity doing the CA study. The independent reviewer will substantiate the currency, reasonableness, accuracy, and completeness of costs that can be

determined before cost comparison. This includes assuring the in-house cost estimate is based on the same PWS contained in the solicitation.

INDEPENDENT REVIEWER
The official(s) who certifies prior to bid opening that the government's performance and cost comparison estimates have been prepared in accordance with AR 5-20.

INDIRECT STAFFING
Personnel involved in support of producing the outputs of the functions under study whose efforts cannot be traced directly to a unit of output.

IN-HOUSE COST ESTIMATE
The in-house cost estimate is the government's bid. It is based on the MEO, which is developed during the Management Study. The staffing required to do the workload specified in the PWS is the basis for the in-house cost proposal (estimate).

IN-HOUSE PERFORMANCE
The performance of work by Army employees, including military, civilian, and non-appropriated fund employees.

INITIAL DECISION
Initial decision is the decision made at the time of cost comparison bid opening to convert a CA to contract, MEO, or IGS performance. The initial decision may differ from the final decision because of actions such as public review of the competition, determinations of contractor responsibility, administrative appeal board (AAB) decisions, and contractor protests to the General Accounting Office (GAO). ("Initial decision" as used in this regulation is synonymous with "tentative decision" as used in the OMB Circular A-76 Revised Supplemental Handbook.)

INTRAGOVERNMENTAL SUPPORT (IGS)
Support provided by a DoD activity to a non-DOD Federal activity and vice versa.

INVENTORY
The CA Inventory is a listing of all in-house and contracted commercial activities governed by AR 5-20, including the workyears or FTEs expended on each CA during the preceding fiscal year.

INVITATION FOR BID (IFB)
A document that communicates government requirements to prospective contractors and is used in the sealed process.

LIABILITY CLAIMS
Claims against the government for damage/injury caused/sustained by its employees.

LOT SIZE
The lot is the group of service output, such as work orders; therefore, the number of outputs in a lot is the lot size.

MANAGEMENT STUDY
The management study is the document that outlines the changes that will result in the Government's MEO to perform the commercial activity in-house. It provides the staffing patterns and operating procedures that serve as a baseline for in-house cost estimates. (This document is referred to as the "Management Plan" in the OMB Circular A-76 Revised Supplemental Handbook.)

MINOR ITEMS
Non-depreciable durable items whose current replacement cost is less than $5,000.

MOST EFFICIENT ORGANIZATION (MEO)
The MEO refers to the Government's streamlined in-house organization to compete with contractors to perform a commercial activity. It may include a mix of Federal employees and contract support. It is the basis for all in-house costs entered on the DA Form 7376-R. The MEO is the product of the Management Study and is based upon the PWS.

MULTI-FUNCTION STUDY
A study that includes more than one CA Function Code identified in DA Pam 5-20 appendix E.

NEW REQUIREMENT
A newly established need for a commercial service.

NET BOOK VALUE
Depreciable basis less accumulated annual depreciation costs (see "depreciation").

OFFEROR
An offeror is a prospective contractor or service provider who submits an offer to the government in response to the government's RFP. The RFP is the solicitation document used in the negotiation. The RFP has the same purpose as the IFB: to communicate government requirements to prospective contractors and to solicit offers from them. The RFP usually calls for separate technical (how) and cost (how much) proposals from the offeror.

OPERATIONS OVERHEAD COSTS
Those costs incurred by the first supervisory work center one element above and in support of the function under study.

ORGANIZATIONAL ANALYSIS
This process is used to determine the accurate and complete mission statement of the function. It provides a framework for determining what services (outputs) are provided by the function under study.

OUTSOURCING
The transfer of a function previously performed in-house to an outside provider.

OVERHEAD
Overhead is included in the in-house estimate and is defined as those costs that are not directly attributable to the activity under study. Overhead is calculated by multiplying Line 1 (personnel) of the cost comparison form by 12%. (This is a change in the March 1996 OMB Circular A-76 Revised Supplemental Handbook.)

PERFORMANCE INDICATOR/ MEASURE
The performance indicator is the tool used to measure actual occurrence to the performance standard. The performance indicator determines if the work performed was below, met or exceeded the standard.

PERFORMANCE MEASURES
Performance measures provide a ries of indicators, expressed in qualitative, quantitative or other tangible terms, that indicate whether current performance is reasonable and cost effective. Performance measures can include workload and output-to-cost ratios, transaction ratios, error rates, consumption rates, inventory fill rates, timeliness measures, completion and back order rates, etc. Quality service measures may include responsiveness rates, user satisfaction rates, etc.

PERFORMANCE REQUIREMENTS SUMMARY (PRS)
The PRS lists those tasks that are key performance indicators of the function. The result is a list of key required services, standards of performance, associated ALPs, the identification of the services to be counted, and the determination of appropriateness of the performance standards for evaluation.

PERFORMANCE STANDARD
A performance standard reflects the minimum, sector-specific, Federal requirement for the performance of a commercial activity It incorporates both quality measures and cost measures. Cost measures reflect the cost comparability procedures of AR 5-20.

PERFORMANCE WORK STATEMENT (PWS)
A performance work statement is a statement of the technical, functional and performance characteristics of the work to be performed, identifies essential functions to be performed, determines performance factors, including the location of the work, the units of work, the quantity of work units, and the quality and timeliness of the work units. It serves as the scope of work and is the basis for all cost entered in the DA Form 7376-R.

PERSONAL SERVICES CONTRACT
A personal services contract, by its expressed terms or how it's administered, makes contractor personnel appear to be government employees. This happens when it appears that contractor personnel are subject to relatively close and continuous government supervision.

POST-MEO PERFORMANCE REVIEW
When services are performed in-house, as a result of a cost competition, including those

involving an IGS agreement, a formal review and inspection of the MEO should be conducted. Typically, this review should be conducted following the end of the first full year of performance. Post-MEO Performance Reviews: confirm that the MEO has been implemented in accordance with the Transition Plan; establish the MEO's ability to perform the services of the PWS; and confirm that actual costs are within the estimates contained in the in-house cost estimate. Adjustments may be made for formal mission or scope of work changes.

PREFERENTIAL PROCUREMENT PROGRAM
See definition of "required source of supplies and services."

PRE-AWARD INQUIRIES
Written questions and comments about PWS specifications, terms, and conditions in the solicitation.

PRE-BID OR PRE-PROPOSAL CONFERENCE
A meeting held to provide a site visit, provide an opportunity for bidders/offerors to view the publications library assembled for their use in preparing a realistic bid or offer, explain any revisions made to the PWS and/or solicitation requirements, and answer any questions from bidders/offerors.

PRIVATIZATION
A subset of "outsourcing," privatization is the process of changing a federal government entity or enterprise to private or other non-federal control and ownership. It does not include determinations as to whether a support service should be obtained through public or private resources, when the Government retains full responsibility and control over the delivery of those services.

PRODUCTIVE HOURS
The number of man-hours per year that an employee would have available to do his/her primary duties -- after subtracting time off for holidays, leave (sick, annual, and administrative), training, and so forth -- if the employee worked an 8-hour day all year. (For full-time/part-time employees 1,776 hours/year; for intermittent employees = 2,007 hours/Year.)

PROPOSED ORGANIZATION
A detailed description of the MEO, including staffing, organization chart, facilities, equipment, and operating procedures. This also gives the staffing and organization for the GIN functions and discusses the relationship of the MEO to the GIN operation or of a contractor and the GIN operation.

QUALITY ASSURANCE (QA)
This is a structured program used by the Army to monitor the actions of either the contractor or the MEO to ensure the Army gets the work done that is required by the PWS.

QUALITY ASSURANCE EVALUATOR (QAE)
QAEs are personnel technically qualified with work experience in the type functions they will inspect. They also should be skilled in preparing reports.

QUALITY ASSURANCE SURVEILLANCE PLAN (QASP)
The QASP is a formal document prepared by the Army to ensure a systematic inspection of the required services. The QASP is not part of the PWS, and should not be issued with the solicitation. Sometimes referred to as Quality Assurance Plan.

QUALITY ASSURANCE SURVEILLANCE
Quality Assurance Surveillance is the method by which Federal employees will monitor in-house or contract performance to ensure that the standards of the PWS are met within the costs agreed to.

QUALITY CONTROL (QC)
Refers to actions taken by a contractor or the MEO to control the production of goods or services so that they will meet the requirements of the PWS.

RDT&E SUPPORT
BASOPS support functions for an RDT&E installation.

REAL PROPERTY
Buildings and grounds, utilities system, structures, surfaced areas, and improvements identified in the category codes of AR 415-28. Includes equipment affixed and built into a facility as an integral part.

REASONABLE OR COMPETITIVE PRICES
The expected range of prices resulting from experience obtained through the competitive free enterprise system for like or similar activities. Determinations are to be made by the contracting officer.

RECURRING COMMERCIAL ACTIVITIES
A recurring commercial activity is one that is required by the Government on a consistent and long term basis. This definition does not imply an hourly, daily, monthly or annual requirement, but must, in a general sense, be repetitive in nature, wherein the expected workload can be reasonably estimated.

REDUCTION-IN-FORCE
Release of civilian employees by separation, demotion, or reassignment requiring displacement resulting from lack of work, reorganization, or reclassification due to a change of duties. An involuntary reduction of civilian personnel.

REQUEST FOR PROPOSALS (RFP)
The solicitation document used in the negotiation method is the RFP. The RFP usually calls for separate technical (how to perform PWS requirements) and cost (how much) proposals from the offeror.

REQUIRED SOURCE OF SUPPLIES AND SERVICES
As used in paragraph 4-2d of AR 5-20, these sources are those specified in FAR Part 8. As of the date of publication of this Appendix, these sources included (1) Federal Prison Industries and (2) the workshops administered by the Committee for the Purchase from the Blind and Other Severely Handicapped under the Javits-Wagner-O'Day Act (41 USC 46-48c).

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.

SAMPLING GUIDE
The sampling guide identifies the ALP associated with the requirement, the lot and sample size, how the output sampling and inspection will be performed, and the number of defects that will be allowed before the performance is considered unsatisfactory.

SEVERABLE EXPANSIONS
A severable expansion is an expansion of currently contracted, in-house or IGS agreement provided work that could be provided using the current approach or could, without severe additional administrative burden, be provided by another competitive offeror. Economy of scale is not justification for dismissing new or expanded work as severable; these economies will be tested through competitive offer.

SINGLE-FUNCTION STUDY
A study that includes one CA Function Code as identified in DA Pam 5-20, Appendix E.

SOLICITATION
The formal document containing the PWS, attachments to the PWS such as maps and technical exhibits, and the conditions and terms prospective bidders/offerors must meet for procuring services by contract. (See definitions for Invitation for Bid (IFB) and Request for Proposal (RFP).)

SOURCE SELECTION
The process starting with acquisition and continuing through receipt and evaluation of proposals.

SOURCE SELECTION ADVISORY COUNCIL (SSAC)
Senior military and civilian officials who represent the various functional areas involved in the CA study, and who serve as advisors to the SSEB during the selection process.

SOURCE SELECTION AUTHORITY (SSA)
A manager at a level in the installation hierarchy above the CA Manager.

SOURCE SELECTION EVALUATION BOARD (SSEB)
A group of government personnel representing the various functional and technical disciplines relevant to an acquisition that conduct a comprehensive evaluation of each offeror's proposal.

SOURCE SELECTION PLAN (SSP)
The written guide for the source election process. It describes how proposals will be solicited from industry and how they will be negotiated. It reflects who will evaluate proposals, composition of the SSEB, functional areas required to be presented, determination of security needs, and a timetable for contract execution.

STREAMLINED COST COMPETITION STUDY
A process that uses the current cost of in-house work force performance for comparison to not less than four existing comparable service contracts or IGS offers in the cost comparison in order to determine whether to change the method of performance.

SURVEILLANCE ACTIVITY CHECKLIST(DA Form 5476-R)
Used for those required services which cannot be surveilled using random sampling techniques.

SURVEILLANCE SCHEDULE
A schedule based on the QASP requirements which indicates when the various PWS requirements will be monitored. The surveillance must cover all hours of operation to include nights, holidays, and week-ends.

TALLY CHECKLIST (DA Form 5481-R)
The DA Form 5481-R is used to tally information on inspection observations and defects.

TECHNICAL PERFORMANCE PLAN (TPP)
The TPP provides a description of management capabilities, personnel qualifications, performance history, delivery schedule compliance, and technical capability to perform the workload specified in the PWS. If it is required of prospective contractors by the solicitation (usually for negotiated procurements), a TPP will also be developed by the in-house activity. The installation's TPP reflects the MEO and is sealed prior to the consideration of any part of any contract offer.

TENTATIVE DECISION
See "initial decision." "Initial decision" as used in this regulation is synonymous with "tentative decision" as used in the OMB Circular A-76 Revised Supplemental Handbook.

TRANSFER
A change in the method of performance from contract to in-house.

TRANSFER COST COMPETITION STUDY
See definition for "conversion from contract."

TRANSITION PERIOD
The period of time during which functional operations transfer from the current organization or method of operation to a successor organization or method of operation.

TREE DIAGRAM
Tree diagramming breaks work down into specific sub-divisions of that work. The tree diagram resembles an organization chart, but the break-out is functionally, not organizationally.

WAIVER
A waiver is a determination by the ASA (IL&E), made in accordance with AR 5-20, that specified commercial activities may be converted to or from in-house, contract or IGS performance, without cost competition study. A waiver may be justified by reasons other than cost.

WAGE DETERMINATION
The wage determination sets the minimum wages and fringe benefits that contractors and/or their subcontractors must pay their employees subject to the Davis Bacon or Service Contract Act. The wage determination becomes part of the solicitation.

Section III
Special Abbreviations and Terms
This section contains no entries.

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PERFORMANCE REQUIREMENTS SUMMARY

For use of this form, see AR 5-20; the proponent agency is ACSIM.

REQUIRED SERVICE	PARAGRAPH NUMBER	STANDARD	MAXIMUM ALLOWABLE DEGREE OF DEVIATION FROM REQUIREMENT (*ALP*)	METHOD OF SURVEILLANCE	THE PROPORTION OF REQUIRED SERVICE TO TOTAL CONTRACT PRICE

DA FORM 5473-R, NOV 85

COR/QAE SURVEILLANCE SCHEDULE

For use of this form, see AR 5-20; the proponent agency is ACSIM.

DATE

When completed stamp "FOR OFFICIAL USE ONLY"

SERVICE / DATE							

DA FORM 5475-R, NOV 85

SURVEILLANCE ACTIVITY CHECKLIST

For use of this form, see AR 5-20; the proponent agency is ACSIM.

DATE

CONTRACT REQUIREMENT	CONTRACT PARAGRAPH NUMBER	METHOD OF SURVEILLANCE	DATE ACCOMPLISHED	WHERE ACCOMPLISHED	COMPLAINCE

DA FORM 5476-R, NOV 85

CUSTOMER COMPLAINT RECORD

For use of this form, see AR 5-20: the proponent agency is ASCIM.

DATE OF COMPLAINT	TIME OF COMPLAINT

SOURCE OF COMPLAINT

ORGANIZATION

INDIVIDUAL

NATURE OF COMPLAINT

CONTRACT REFERENCE

VALIDATION

DATE CONTRACTOR INFORMED COMPLAINT *(Responsible officer)*	TIME CONTRACTOR INFORMED OF COMPLAINT *(Responsible officer)*

ACTION TAKEN BY CONTRACTOR *(Responsible officer)*

RECEIVED AND VALIDATED BY

NOTE : ( ) Used for in-house operation.

DA FORM 5477-R, NOV 85

DECISION TABLE

For use of this form, see AR 5-20; the proponent agency is ACSIM.

IF THE CONTRACTOR'S DEFICIENCY IS	PROBABLE CAUSE FACTORS IMPACTING CONDITIONS ARE	WHICH COULD RESULT FROM	SUGGESTED REVIEW PROCEDURES AND PREVENTIVE MEASURES IS/ARE

DA FORM 5478-R, NOV 85

CONTRACT DISCREPANCY REPORT For use of this form, see AR 5-20; the proponent agency is ACSIM.	1. CONTRACT NUMBER

2. **TO:** *(Contractor and Manager Name)*	3.. **FROM:** *(Name of QAE)*

DATES

PREPARED	ORAL NOTIFICATION	RETURNED BY CONTRACTOR	ACTION COMPLETE

4. DISCREPANCY OR PROBLEM *(Describe in Detail: (Include reference in PWS/Directive: Attach continuation sheet if necessary.)*

5. SIGNATURE OF CONTRACTING OFFICER

6. **TO:** *(Contracting Officer)*	7.. **FROM:** *(Contractor)*

8. 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 A.W. procedures.)*

9. SIGNATURE OF CONTRACTING REPRESENTIVE	10. DATE

11. GOVERNMENT EVALUATION. *(Acceptance, partial acceptance refection: attach continuation sheet if necessary.)*

12. GOVERNMENT ACTIONS. *(Payment deduction, cure notice, show cause, other.)*

CLOSE OUT

	NAME AND TITLE	SIGNATURE	DATE
CONTRACTOR NOTIFIED			
QAE			
CONTRACTING OFFICER			

DA FORM 5479-R, NOV 85

TALLY CHECKLIST

For use of this form, see AR 5-20: the proponent agency is ASCIM.

OBSERVATION NUMBER	TYPE OF SERVICE	DATE			s[1]	o[2]*	REMARKS
		REC'D	DEL'D	INSPT'D			

[1]s: *Satisfactory*

[2]o: *Other than satisfactory*

**Request contractor's Initial*

DA FORM 5481-R, NOV 85

HISTORICAL WORKLOAD DATA

For use of this form, see AR 5-20; the proponent agency is ACSIM.

1. MACOM	2. INSTALLATION
3. COST STUDY NUMBER	4. ACTIVITY STUDIED

5. PWS PARAGRAPH NUMBER AND WORK UNIT DESCRIPTION	6. MONTH AND YEAR												7 TOTAL	8 REMARKS

DA FORM 7194-R, JUL 92

ANALYSIS OF MOST EFFICIENT ORGANIZATION TASKS AND STAFFING

For use of this form, see AR 5-20: the proponent agency is ASCIM.

1. MACOM	2. INSTALLATION
3. COST STUDY NUMBER	4. ACTIVITY STUDIED

5. PWS PARAGRAPH NUMBER AND DESCRIPTION	6. FREQUENCY PER YEAR	7. HOURS PER OCCURENCE	8. HOURS PER TASK	9. COMMENTS
		PAGE TOTAL		

DA FORM 7196-R, JUL 92

PAGE OF

ANALYSIS OF GOVERNMENTAL-IN-NATURE TASKS AND STAFFING

For use of this form, see AR 5-20: the proponent agency is ASCIM.

1. MACOM	2. INSTALLATION
3. COST STUDY NUMBER	4. ACTIVITY STUDIED

5. TASK	6. FREQUENCY PER YEAR	7. HOURS PER OCCURENCE	8. HOURS PER TASK	9. COMMENTS
		PAGE TOTAL		

DA FORM 7197-R, JUL 92

PAGE OF

COMMERCIAL ACTIVITIES PROPOSED ACTION SUMMARY *(CPAS)*

For use of this form, see AR 5-20; the proponent ageny is ACSIM

REPORT CONTROL SYMBOL
CSCOA-112

1. PLACE *(Installation)*

2. TITLE AND CA FUNCTION CODE*(S)*

☐ MULTI-FUNCTION ☐ SINGLE-FUNCTION

3. STUDY NUMBER

4. TYPE STUDY
☐ DIRECT CONVERSION ☐ STREAMLINED ☐ FULL ☐ OTHER

5. PERSONNEL

	CIVILIAN		MILITARY		NAF
	AUTHORIZED	ON-BOARD	AUTHORIZED	ON-BOARD	ON-BOARD
CA					
GIN					

6. ESTIMATED IN-HOUSE COST *(For Direct Conversion only)*

7 ESTIMATED CONTRACT COST *(For Direct Conversion only)*

8. STUDY START DATE

9. PROJECTED COST COMPARISON/BID OPENING DATE

10. COMMENTS

11a. INSTALLATION APPROVAL TITLE	11b. INSTALLATION APPROVAL SIGNATURE	11c. DATE
12a. MACOM APPROVAL TITLE	12b. MACOM APPROVAL SIGNATURE	12c. DATE

THE GENERIC A-76 COST COMPARISON
IN-HOUSE VS. CONTRACT OR IGS PERFORMANCE

For use of this form, see AR 5-20; the proponent agency is ACSIM

A.. IN-HOUSE PERFORMANCE	PERFORMANCE PERIODS					
	1ST *a*	2ND *b*	3RD *c*	ADD"L *d*	TOTAL *e*	REFERENCE *f*
1. PERSONNEL						
2. MATERIAL AND SUPPLY						
3. OTHER SPECIFICALLY ATTRIBUTABLE						
4. OVERHEAD						
5. ADDITIONAL						
6. TOTAL IN-HOUSE						
B. CONTRACT OR IGS PERFORMANCE						
7. CONTRACT/IGS PRICE						
8. CONTRACT ADMINISTRATION						
9. ADDITIONAL						
10. ONE-TIME CONVERSION						
11. GAIN ON ASSETS						
12. FEDERAL INCOME TAXES						
13. TOTAL CONTACT OR IGS						
C. DECISION						
14. MINIMUM CONVERSION DIFFERENTIAL						
15. ADJUSTED TOTAL COST OF IN-HOUSE PERFORMANCE						
16. ADJUSTED TOTAL COST OF CONTRACT OR IGS PERFORMANCE						
17. DECISION - LINE 16 MINUS LINE 15						
18. COST COMPARISON DECISION ACCOMPLISH WORK IN-HOUSE (+)						
CONTRACT OR IGS (-)						

DA FORM 7376-R, MAY 97

19a. IN HOUSE MEO CERTIFIED BY		19b. DATE
19c. OFFICE	19d. TITLE	

I CERTIFY THAT, TO THE BEST OF MY KNOWLEDGE AND BELIEF, THE IN-HOUSE ORGANIZATION REFLECTED IN THIS COST COMPARISON IS THE MOST EFFICIENT AND COST EFFECTIVE ORGANIZATION THAT IS FULLY CAPABLE OF PERFORMING THE SCOPE OF WORK AND TASKS REQUIRED BY THE PERFORMANCE WORK STATEMENT. I FURTHER CERTIFY THAT I HAVE OBTAINED FROM THE APPROPRIATE AUTHORITY CONCURRENCE THAT THE ORGANIZATIONAL STRUCTURE, AS PROPOSED, CAN AND WILL BE FULLY IMPLEMENTED-SUBJECT TO THIS COST COMPARISON, IN ACCORDANCE WITH ALL APPLICABLE FEDERAL REGULATIONS.

20a. IN-HOUSE COST ESTIMATE PREPARED BY	20b. DATE
21a. INDEPENDENT REVIEWER	21b. DATE
21c. OFFICE	21d. TITLE

"I CERTIFY THAT I HAVE REVIEWED THE PERFOMANCE WORK STATEMENT, MANAGEMENT PLAN, IN-HOUSE COST ESTIMATES AND SUPPORTING DOCUMENTATION AVAILABLE PRIOR TO BID OPENING AND, TO THE BEST OF MY KNOWLEDGE AND ABILITY" HAVE DETERMINED THAT (1) THE ABILITY OF THE IN-HOUSE MEO TO PERFORM THE WORK CONTAINED IN THE PERFORMANCE WORK STATEMENT AT THE ESTIMATED COSTS INCLUDED IN THIS COST COMPARISON IS REASONABLY ESTABLISHED AND (2) THAT ALL COSTS ENTERED ON THE COST COMPARISON HAVE BEEN PREPARED IN ACCORDANCE WITH THE REQUIREMENTS OF CIRCULAR A-76 AND ITS SUPPLEMENT.

22a. COST COMPARISON COMPLETED BY	22b. DATE
23a. CONTRACTING OFFICER	23b. DATE
24a. TENTATIVE COST COMPARISON DECISION ANNOUNCED BY	24b. DATE
25a. APPEAL AUTHORITY *(If applicable)*	25b. DATE

THE STREAMLINED A-76 COST COMPARISON
(LIMITED TO 65 FTE OR LESS)
IN-HOUSE VS. CONTRACT OR IGS PERFORMANCE

For use of this form , see AR 5-20; the proponent agency is ACSIM

IN-HOUSE PERFORMANCE	PERFORMANCE PERIODS					
	1ST *a*	2ND *b*	3RD *c*	ADD'L *d*	TOTAL *e*	REFERENCE *f*
1. PERSONNEL						
2. MATERIAL						
3. OVERHEAD						
4. OTHER						
5. TOTAL IN-HOUSE						
CONTRACT OR IGS PERFORMANCE						
6. CONTRACT OR IGS PRICE RANGE						
7. CONTRACT ADMINISTRATION						
8. FEDERAL TAXES (-)						
9. TOTAL CONTRACT OR IGS PRICE RANGE						
DECISION						
10. MINMUM CONVERSION DIFFERENTIAL						
11. ADJUSTED TOTAL COST OF IN-HOUSE PERFORMANCE						
12. ADJUSTED TOTAL COST OF CONTRACT OR IGS PERFORMANCE						
13. COST COMPARISON *(Line 12 minus Line 11)*						
14. COST COMPARISON DECISION PERFORM IN-HOUSE CONVERT TO CONTRACT OR IGS						

15a. IN-HOUSE COST ESTIMATE PREPARED BY	15b. DATE
16a. INDEPENDENT REVIEWER	16b. DATE
16c. OFFICE	16d. TITLE AND SIGNATURE

"I CERTIFY THAT I HAVE REVIEWED THE PROPOSED CONTRACT, IN-HOUSE AND IGS COST ESTIMATES AND CONTRACT PRICES AND FIND THEM TO BE REASONABLE AND CALCULATED IN ACCORDANCE WITH THE PRINCIPLES AND PROCEDURES OF CIRCULAR A-76 AND ITS SUPPLEMENT."

17a. COST COMPARISON COMPLETED BY	17b. DATE
18a. CONTRACTING OFFICER	18b. DATE
19a. TENTATIVE COST COMPARISON DECISION ANNOUNCED BY	19b. DATE
20a. APPEAL AUTHORITY *(If applicable)*	20b. DATE

DA FORM 7377-R, MAY 97

PRE-AUDIT COST STUDY CHECKLIST For use of this form, see AR 5-20; the proponent agency is ACSIM	*REPORT CONTROL SYMBOL* *CSCOA-140*

1. TO SPEED THE AUDIT PHASE OF THE COST COMPARISON, INSTALLATIONS WIILL FORWARD THE PERFORMANCE WORK STATEMENT *(PWS)*, MANAGEMENT STUDY, COST COMPARISON FORM AND DA FORM 7378-R TO THE UNITED STATES ARMY AUDIT AGENCY *(USAAA)* FOR PRELIMINARY REVIEW. THE CHECKLIST WILL ANSWER THE FOLLOWING:

a. _____ HAS THE PWS BEEN COMPLETED, APPROVED BY THE CONTRACTING OFFICER, LEGAL COUNSEL, AND MACOM? PROVIDE MACOM APPROVAL DATE IF REQUIRED *(See paragraph 3-16h)* _____.

b. _____ DOES THE PWS PROVIDE A DETAILED DESCRIPTION OF THE WORKLOAD REQUIREMENTS FOR THE CA FUNCTION *(S)* AS PROVIDED IN OFPP PAMPHLET NO. 4 OR THE OFPP GUIDE TO BEST PRACTICES FOR PERFORMANCE-BASED SERVICE CONTRACTING?

c. _____ HAS A MANAGEMENT STUDY BEEN PERFORMED AND CERTIFIED BY THE INSTALLATION COMMANDER? IS IT BASED ON THE SAME SCOPE OF WORK AND PERFORMANCE STANDARDS AS THE PWS?

d. _____ IDENTIFY CURRENT GIN SPACES, AUTHORIZED SPACES, MEO, AND CONTRACTIBLE POSITIONS.

e. _____ WAS THE COST COMPARISON FORM PREPARED USING THE SAME PERFORMANCE PERIOD, SCOPE OF WORK, AND PERFORMANCE STANDARDS AS SPECIFIED IN THE PWS?

f. HAS THE SOLICITATION BEEN ISSUED? _____ IF SO, PROVIDE COPIES OF THE SOLICITATION AND AMENDMENTS ISSUED TO DATE _____. IF NOT, PROVIDE PROJECTED ISSUE DATE _____.

g. _____ IS ALL SUPPORTING DOCUMENTATION AVAILABLE FOR WORKLOAD AND MATERIAL REQUIREMENTS SHOWN IN THE PWS FOR EACH ELEMENT ON THE COST COMPARISON FORM?

h. _____ LIST PERSONNEL RESPONSIBLE FOR PREPARATION OF THE PWS, MANAGEMENT STUDY, AND COST ESTIMATES, WHO MAY BE CONTACTED FOR ADDITIONAL INFORMATION. ALSO, PROVIDE NAMES AND TELEPHONE NUMBERS FOR THE INDIVIDUALS WITHIN THE LEGAL, PROCUREMENT, AND CIVILIAN PERSONNEL OFFICES WHO PARTICIPATED IN THE STUDY.

i. _____ HAVE DEPARTMENT OF LABOR WAGE DETERMINATIONS FOR SERVICE CONTRACT ACT WORK BEEN OBTAINED?

j. _____ WHAT IS THE SCHEDULED COST COMPARISON DATE? _____.

2. ADDITIONAL INFORMATION

COMMERCIAL ACTIVITIES *(CA)* FINAL DECISION REPORT

For use of this form, see AR 5-20; the proponent agency is ACSIM

REPORT CONTROL SYMBOL
CSCOA-113

1. PLACE *(Installation)*	2. TITLE OF STUDY AND CA FUNCTION CODE *(S)*	3. STUDY NUMBER

4. PERSONNEL

	CIVILIAN		MILITARY		NAF
	AUTHORIZED	ON-BOARD	AUTHORIZED	ON-BOARD	ON-BOARD
CA					
GIN					
CHANGES					

5. SAVINGS *(Dollars/FTEs)*	6. COST COMPETITION PERIOD *(Months)*	7. TYPE STUDY ☐ DIRECT CONVERSION ☐ STREAMLINED ☐ FULL

8. STUDY DECISION
☐ CONTRACT *(Include name and address)*

☐ IN-HOUSE ☐ IGS

9. MEO WORKYEARS	10. ACTUAL BID OPENING DATE	11. CONTRACT/IGS BID AMOUNT *(Dollars)*	12. IN-HOUSE BID *(Dollars)*	13. PROJECTED START/MEO IMPLEMENTATION DATE

14a. INSTALLATION APPROVAL TITLE	14b. INSTALLATION APPROVAL SIGNATURE	14c. DATE
15a. MACOM APPROVAL TITLE	15b. MACOM APPROVAL SIGNATURE	15c. DATE

16. COMMENTS

A-76 AIRCRAFT AND AVIATION COST COMPARISON

For use of this form, see AR 5-20; the proponent agency is ACSIM

SECTION I - DIRECT OPERATION COST PER FLIGHT HOUR *(PFH)*

1. FUEL AND OTHER FLUIDS	2. CREW *(PFH)*	3. AIRCRAFT LEASE OR RENTAL	4. LANDING AND TIE-DOWN FEES *(If applicable)*
$	$	$	$

5. VARIABLE MAINTENANCE AND SPARES	a. MAINTENANCE LABOR @ $_____ PER HOUR MULITIPLIED BY _____ MAN-HOURS PFH _____
$	

b. MAINTENANCE PARTS	c. MAINTENANCE CONTRACTS	d. ENGINE OVER-HAUL, ETC.	e. RESERVES	f.. TOTAL VARIABLE MAINTENANCE COST *(Add lines 5a-5e)*
$	$	$	$	$

6. TOTAL DIRECT OPERATING COST PER FLIGHT HOUR	7. FLIGHT HOURS FOR PERFORMANCE WORK STATEMENT	8. TOTAL DIRECT OPERATING COST *(Line 6 x line 7)*
$		$

SECTION II - FIXED OPERATING ANNUAL COST

9. CREW	10. FIXED MAINTENANCE	a.. MAINTENANCE LABOR	b. MAINTENANCE PARTS	c. MAINTENANCE CONTRACTS	11. AIRCRAFT LEASE
$	$	$	$	$	$

12. DEPRECIATION	13. SELF-INSURANCE	a. HULL	b. LIABILITY	c. OTHER	1. CASUALTY	2. PERSONNEL LIABILITY
$	$	$	$		$	$

d. TOTAL SELF-INSURANCE	14. OVERHEAD	15. COST OF CAPITAL OR FINANCE EXPENSE
$	$	$

16. TOTAL FIXED OPERATING ANNUAL COST *(Add lines 9 thru 15)*	17. TOTAL IN-HOUSE PERFORMANCE COST *(Lines 8 and 6)*
$	$

SECTION III - CONTRACT AVIATION OPERATIONS COST WORKSHEET

18. CONTRACT *(PFH times number of hours)*	19 . COST CONSTRUCTION TO MEET PWS	a. DAILY AVAILABILITY/STANDBY/ GUARANTEE HOURS	b. ADDITIONAL PILOT AND CREW CHARGES
c. ADDITIONAL MAINTENANCE SUPPORT	d. AIRFRAME ALTERATION/ EQUIPMENT INSTALLATION	e. EQUIPMENT NOT PROVIDED BY THE GOVERNMENT	f. ADDITIONAL GROUND SERVICE SUPPORT

g. TRAVEL AND PER DIEM	h. SERVICE EQUIPMENT MILEAGE	i. AIRPORT FEES	j. OTHER	20. CONTRACT ADMINISTRATION

21. ONE-TIME CONVERSION	22. GAIN ON DISPOSAL/ TRANSFER OF ASSETS *(Deduct)*	23. FEDERAL INCOME TAX *(Deduct)*	24. TOTAL CONTRACT PERFORMANCE COST IN-HOUSE VERSUS CONTRACT PERFORMANCE *(add lines 18 thru 23)*
			$

SECTION 1V - IN-HOUSE VERSUS CONTRACTOR OR ISSA PERFORMANCE	PERFORMANCE PERIODS				
	1ST *a*	2ND *b*	3RD *c*	ADD'L *d*	TOTAL *e*
25. IN-HOUSE PERFORMANCE COST *(Data taken from line 17)*	$	$	$	$	$
26. CONTRACT PERFORMANCE *(Data taken from line 24)*	$	$	$	$	$
27. CONVERSION DIFFERENTIAL					$
28. ADJUSTED TOTAL COST OF IN-HOUSE PERFORMANCE					$
29. ADJUSTED TOTAL COST OF CONTRACT PERFORMANCE					$

SECTION 1V - IN-HOUSE VERSUS CONTRACTOR OR IGS PERFORMANCE *(CONT'D)*	PERFORMANCE PERIODS				
	1ST *a*	2ND *b*	3RD *c*	ADD'L *d*	TOTAL *e*
29. ADJUSTED TOTAL COST OF CONTRACT PERFORMANCE					$
30. DECISION *(Line 29 minus line28)*					$
31. COST COMPARISON DECISION: ACCOMPLISH WORK IN-HOUSE (+)					$
CONTRACT (-)					$

32a. IN HOUSE MEO CERTIFIED BY	32b. DATE
32c. OFFICE	32d. TITLE

I CERTIFY THAT, TO THE BEST OF MY KNOWLEDGE AND BELIEF, THE IN-HOUSE ORGANIZATION REFLECTED IN THIS COST COMPARISON IS THE MOST EFFICIENT AND COST EFFECTIVE ORGANIZATION THAT IS FULLY CAPABLE OF PERFORMING THE SCOPE OF WORK AND TASKS OF THE PERFORMANCE WORK STATEMENT/PERFORMANCE REQUIREMENTS SUMMARY *(PWS/PRS)*. I FURTHER CERTIFY THAT I HAVE OBTAINED FROM THE APPROPRIATE AUTHORITY CONCURRENCE THAT THE ORGANIZATIONAL STRUCTURE, AS PROPOSED, CAN AND WILL BE FULLY IMPLEMENTED-SUBJECT TO THIS COST COMPARISON, IN ACCORDANCE WITH ALL APPLICABLE FEDERAL REGULATIONS.

33a. IN-HOUSE COST ESTIMATE PREPARED BY	33b. DATE
34a. INDEPENDENT REVIEWER	34b. DATE
34c. OFFICE	34d. TITLE

"I CERTIFY THAT I HAVE REVIEWED THE PERFOMANCE WORK STATEMENT/PERFORMANCE REQUIREMENTS SUMMARY *(PWS/PRS)* MANAGEMENT PLAN, IN-HOUSE AND GSA/FAMIS COST ESTIMATES AND SUPPORTING DOCUMENTATION AVAILABLE PRIOR TO BID, OPENING AND, TO THE BEST OF MY KNOWLEDGE AND ABILITY HAVE DETERMINED THAT (1) THE ABILITY OF THE IN-HOUSE MEO TO PERFORM THE WORK CONTAINED IN THE PWS/PRS AT THE ESTIMATED COSTS INCLUDED IN THIS COST COMPARISON IS REASONABLY ESTABLISHED, (2) THAT THE SELECTION AND INCLUSION OF CONTRACT PERFORMANCE COSTS ARE REASONABLE AND, (3) THAT ALL COSTS ENTERED ON THE COST COMPARISON HAVE BEEN PREPARED IN ACCORDANCE WITH THE PRINCIPLES AND PROCEDURES OF CIRCULAR A-76 AND ITS SUPPLEMENT."

35a. COST COMPARISON COMPLETED BY	35b. DATE
36a. CONTRACTING OFFICER	36b. DATE
37a. TENTATIVE COST COMPARISON DECISION ANNOUNCED BY	37b. DATE
38a. APPEAL AUTHORITY *(If applicable)*	38b. DATE

THE A-76 COST COMPARISON FOR MOTOR VEHICLE FLEETS

For of this form, see AR 5-20; the proponent agency is ACSIM

A. DEVELOPMENT OF IN-HOUSE COSTS	PERFORMANCE PERIODS *(Fiscal Years)*					
	BASE YEAR *a*	OPTIONAL YR1 *b*	OPTIONAL YR 2 *c*	OPTIONAL YR 3 *d*	OPTIONAL YR 4 *e*	TOTAL *f*
1. PERSONNEL						
2. MATERIAL						
3. OTHER DIRECT						
4. COST OF CAPITAL						
5. OVERHEAD						
6. ADDITIONAL						
7. CONVERSION DIFFERENTIAL						
8 TOTAL IN-HOUSE						
B. DEVELOPMENT OF CONTRACT COST						
9. CONTRACT PRICE						
10. CONTRACT ADMINISTRATION						
11. ONE-TIME CONVERSION						
12. GAIN ON DISPOSAL						
13. FEDERAL INCOME TAXES						
14. CONVERSION DIFFERENTIAL						
15. TOTAL ADJUSTED CONTRACT PRICE						
C. DEVELOPMENT OF IFMS OR IGS COSTS						
16. IFMS/ISSA COST ESTIMATE						
17. CONTRACT ADMINISTRATION						
18. ONE-TIME CONVERSION						
19 GAIN ON DISPOSAL						

DA FORM 7385-R, MAY 97

C. **DEVELOPMENT OF IFMS OR IGS COSTS** *(CONT'D)*						
20. FEDERAL INCOME TAXES						
21. CONVERSION DIFFERENTIAL						
22. OTHER SCOPE ADJUSTMENTS						
23. TOTAL ADJUSTED IFMS OR ISSA PRICE						
D. **COST COMPARISON**						
24. IN-HOUSE						
25. CONTRACT						
26. IFMS AND/OR IGS						

E..

DECISION *(Check one)*

	RETAIN IN-HOUSE		CONTRACT		CONSOLIDATE TO GSA/IFMS OR IGS		CONVERT FROM CONTRACT TO : *IN-HOUSE, IFMS OR IGS*

27a. IN HOUSE MEO CERTIFIED BY	27b. DATE
27c. OFFICE	27d. TITLE

I CERTIFY TO THAT, TO THE BEST OF MY KNOWLEDGE AND BELIEF, THE IN-HOUSE ORGANIZATION REFLECTED IN THIS COST COMPARISON IS THE MOST EFFICIENT AND COST EFFECTIVE ORGANIZATION THAT IS FULLY CAPABLE OF PERFORMING THE SCOPE OF WORK AND TASKS REQUIRED BY THE PERFORMANCE WORK STATEMENT. I FURTHER CERTIFY THAT I HAVE OBTAINED FROM THE APPROPRIATE AUTHORITY CONCURRENCE THAT THE ORGANIZATIONAL STRUCTURE, AS PROPOSED, CAN AND WILL BE FULLY IMPLEMENTED-SUBJECT TO THIS COST COMPARISON, IN ACCORDANCE WITH ALL APPLICABLE FEDERAL REGULATIONS.

28a. IN-HOUSE COST ESTIMATE PREPARED BY	28b. DATE
29a. INDEPENDENT REVIEWER	29b. DATE
29c. OFFICE	29d. TITLE

"I CERTIFY THAT I HAVE REVIEWED THE PERFOMANCE WORK STATEMENT, MANAGEMENT PLAN, IN-HOUSE, GSA/IFMS OR IGS COST ESTIMATES AND SUPPORTING DOCUMENTATION AVAILABLE PRIOR TO BID, OPENING AND, TO THE BEST OF MY KNOWLEDGE AND ABILITY", HAVE DETERMINED THAT (1) THE ABILITY OF THE IN-HOUSE MEO TO PERFORM THE WORK CONTAINED IN THE PERFORMANCE WORK STATEMENT AT THE ESTIMATED COSTS INCLUDED IN THIS COST COMPARISON IS REASONABLY ESTABLISHED AND (2) THAT ALL COSTS ENTERED ON THE COST COMPARISON HAVE BEEN PREPARED IN ACCORDANCE WITH THE REQUIREMENTS OF CIRCULAR A-76 AND ITS SUPPLEMENT.

30a. COST COMPARISON COMPLETED BY	30b. DATE
31a. CONTRACTING OFFICER	31b. DATE
32a. TENTATIVE COST COMPARISON DECISION ANNOUNCED BY	32b. DATE
33a. APPEAL AUTHORITY *(If applicable)*	33b. DATE

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