

19 JULY 2001



Manpower and Organization

COMMERCIAL ACTIVITIES PROGRAM

COMPLIANCE WITH THIS PUBLICATION IS MANDATORY

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OPR: HQ USAF/XPMR
(Mr. Vincent E. Gasaway)
Supersedes AFI 38-203, 1 August 2000

Certified by: HQ USAF/XPM
(Mr. Robert E. Corsi, Jr.)
Pages: 295
Distribution: F

This Instruction implements AFD 38-2, *Manpower*; Office of Management and Budget Circular (OMBC) A-76, *Performance of Commercial Activities*, August 4, 1983 as amended in 1987, 1988 and 1999; the Revised Supplemental Handbook to OMBC A-76, Mar 96 as amended in 1999; DoD Directive 4100.15, *Commercial Activities Program* and DoD Instruction 4100.33, *Commercial Activities Program Procedures*. This Instruction explains the determination process for inherently governmental activities and commercial activities, the AF Inherently Governmental/Commercial Activities Inventory, and the Inherently Governmental/Commercial Activities Review. It also provides policy and policy implementation for cost comparisons and direct conversions and outlines reporting and notification requirements and formats. This Instruction 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, the AF, its officers or any person. It should not be construed to create any substantive or procedural basis on which to challenge any AF action or inaction, except as set forth in **Chapter 18**, Administrative Appeal Process, of this Instruction. See **Attachment 1** for a glossary of acronyms and terms.

Records Disposition: Maintain and dispose of all records created as a result of processes prescribed in this Instruction in accordance with AFMAN 37-139, *Records Disposition Schedule*.

SUMMARY OF REVISIONS

This change incorporates IC 2001-1 and updates the office of primary responsibility from AF/XPMR to AF/XPMS. It also makes changes to implement some of the Air Force Tiger Team recommendations, to ensure compliance with OMB Transmittal Memorandum 22, and to incorporate the procedures (issued in a 28 Mar 01 AF/XPM memo) to follow for exception to the SSET membership policy. The text of the IC is at the last attachment.

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Chapter 1

AIR FORCE COMMERCIAL ACTIVITIES PROGRAM OVERVIEW

1.1. Air Force Commercial Activities Program . This chapter provides an overview of the policy and policy implementation as well as roles and responsibilities for the Air Force (AF) Commercial Activities (CA) Program.

1.2. Purpose. To attain national economic strength, the AF will rely on the private sector, to the maximum extent practicable, for goods and services. This reliance will help the nation as well as DoD and the AF achieve economy and enhance productivity to generate savings for AF modernization. The AF will operate inherently Governmental activities with Government personnel resources.

1.3. Applicability.

1.3.1. Commands. This Instruction applies to all USAF activities, including major commands (MAJ-COMs), field operating agencies (FOAs), and direct reporting units (DRUs), including the Air Force Reserve Command (AFRC) and Air National Guard (ANG)--hereafter referred to as commands.

1.3.2. Overseas. This Instruction applies to overseas commercial activities that employ civilian employees as defined in paragraph **1.3.3.** of this Instruction.

1.3.2.1. If a cost comparison or direct conversion of an in-house CA is not consistent with any treaty, international agreement, executive order, labor agreement, or a foreign nation's law, decree, operating procedure/regulation, or custom/accepted practice, then a cost comparison should not be performed. A command must provide written justification from the command XP to HQ USAF/XPM to retain CAs in-house based on Reason Code J (see **Chapter 3** of this Instruction). This justification must cite and include a copy of the relevant portion(s) of the specific treaty, international agreement, etc., used to justify retaining the function in-house without competition.

1.3.2.2. For a contracted CA performed by a US company, a cost comparison in accordance with **Chapter 6** of this Instruction is required to justify the conversion from contract to in-house performance. However, a contracted CA performed by a non-US company may use a direct conversion in accordance with **Chapter 14** of this Instruction to justify the conversion from contract to in-house performance.

1.3.3. Civilian employee. The term, "civilian employee" used in this Instruction applies to US direct-hire civilian personnel of the Department of Defense paid from appropriated funds and serving on permanent appointments. Non-appropriated fund employees, direct-hire non-US citizen employees, indirect-hire non-US citizen employees, temporary employees or term employees are not included in the term "civilian employee" unless otherwise stated.

1.3.4. Guard or Reserve employees. This Instruction applies to Guard and Reserve employees. Air Reserve Technicians and Title 32 Air National Guard Full Time Technicians are considered military essential and excluded from competition.

1.3.5. Joint Activities. Where AF is executive agent for a joint activity, the policies and policy implementation in this Instruction apply. External resource issues will be resolved by HQ USAF/XPM and the joint activity on a case-by-case basis.

1.3.6. Nonappropriated Fund Activities. This Instruction is mandatory for CAs when they are staffed partially with DoD civilian personnel paid by or reimbursed from appropriated funds.

1.4. Nonapplicability. The CA Program does not:

- 1.4.1. Apply to inherently Governmental activities as defined in **Chapter 2** of this Instruction.
- 1.4.2. Apply when contrary to law, executive order, treaty, international agreement, or the Federal Acquisition Regulation (FAR). (See paragraph **1.3.2.** of this Instruction.)
- 1.4.3. Apply in times of a declared war or military mobilization.
- 1.4.4. Provide authority to enter into contracts.
- 1.4.5. Apply to the conduct of research and development (R&D), as described in Public Law 96-107, Section 802, except for severable in-house CAs that support R&D. The AF Inherently Governmental/Commercial Activities (IGCA) Inventory will identify the contract manpower equivalents (CMEs) of all R&D contracts.
- 1.4.6. Justify conversion to contract solely to avoid personnel ceilings or salary limitations.
- 1.4.7. Authorize contracts that establish an employer-employee relationship (personal services) between the AF and contractor employees as described in FAR Part 37.104, as supplemented.
- 1.4.8. Apply to in-house CAs staffed solely with direct-hire non-US citizen employees or indirect-hire non-US citizen employees.
- 1.4.9. Apply to CAs staffed solely with nonappropriated fund employees (i.e., Category C and Lodging as stated in the AF Services Blueprint).

1.5. Policy. This Instruction implements Federal policy to rely on the private sector, to the maximum extent practical, for the performance of CAs. In the process of governing, the Government should not compete with its citizens. The competitive enterprise system, characterized by individual freedom and initiative, is the primary source of national economic strength. In recognition of this principle, it has been and continues to be the general policy of the Government to rely on commercial sources to supply the products and services the Government needs. This national policy was promulgated through the Bureau of Budget in 1955 and continues today. It is the policy of the United States Government to:

- 1.5.1. Achieve Economy and Enhance Productivity. Competition enhances quality, economy, and productivity. Whenever commercial sector performance of a Government operated commercial activity is permissible in accordance with this Instruction, comparison of the cost of contracting and the cost of in-house performance shall be performed to determine who will perform the work.
- 1.5.2. Retain Inherently Governmental Activities In-house. Certain activities are inherently Governmental because they are so intimately related to the public interest as to mandate performance only by Federal employees.
- 1.5.3. Rely on the Commercial Sector. The Federal Government shall rely on commercially available sources, to the maximum extent practicable, to provide commercial products or services, unless in-house performance can be justified. Except as provided in this Instruction, the AF shall not start or carry on any activity to provide a commercial product or service if the product or service can be procured more economically from a commercial source.

1.6. Policy Implementation Summary . This Instruction implements OMB Circular A-76, Revised Supplemental Handbook to OMBC A-76, DoD Directive 4100.15, DoD Instruction 4100.33, and any relative statutes. This Instruction provides policy implementation for determining whether CAs should be performed under contract, Interservice Support Agreements (ISSAs), or in-house. The CA Program requires all in-house AF activities be reviewed on a recurring basis to determine their eligibility for performance by the private sector and that a current AF IGCA Inventory of in-house and contracted activities be maintained. It further directs activities not requiring in-house operation to determine, through the use of cost comparison or direct conversion procedures, the most efficient and cost effective method of operation (i.e., in-house or contract performance). The program ensures activities required to be performed in-house are not converted to contract and activities that can be performed by either contract, ISSA, or in-house personnel are performed by the most efficient and cost effective method of operation.

1.7. Four Steps in the Commercial Activities Program . The CA Program consists of four steps that are explained in detail in subsequent chapters. They are

1.7.1. IGCA determination process,

1.7.2. AF IGCA Inventory,

1.7.3. AF IGCA Review, and

1.7.4. Competitive Sourcing using either the cost comparison or direct conversion processes. (References to standard and streamlined cost comparisons and direct conversions processes in this Instruction are the specific processes required in accordance with OMB Circular A-76 and its Supplemental Handbook.)

1.8. Roles and Responsibilities.

1.8.1. Headquarters US Air Force.

1.8.1.1. The Office of the Assistant Secretary for Manpower, Reserve Affairs, Installations and Environment, **SAF/MI**, 1660 Air Force Pentagon, Washington DC 20330-1660, will provide policy, guidance, and oversight for the AF CA Program.

1.8.1.2. The Office of the Deputy Assistant Secretary for Financial Management and Comptroller, Directorate of Budget Operations, **SAF/FMBO**, 1130 Air Force Pentagon, Washington DC 20330-1130, will provide a budgeting interface for CA manpower programming actions and will designate a CA point of contact.

1.8.1.3. The Office of the Deputy Assistant Secretary for Cost and Economics, Directorate of Economics and Business Management, **SAF/FMCEE**, 1130 Air Force Pentagon, Washington DC 20330-1130, will provide policy and guidance for independent reviews for the AF CA Program.

1.8.1.4. The Office of the Deputy Assistant Secretary (Contracting), Operational Contracting Division, **SAF/AQCO**, 1060 Air Force Pentagon, Washington DC 20330-1060, will provide contracting guidance for the AF CA Program.

1.8.1.5. The Office of the General Counsel, Deputy General Counsel for Acquisition, **SAF/GCQ**, 1740 Air Force Pentagon, Washington DC 20330-1740, will provide legal counsel concerning the AF CA Program.

1.8.1.6. The Office of Budget and Appropriations Liaison, **SAF/FML**, 1170 Air Force Pentagon, Washington DC 20330-1170, will interface with SAF/LLP, SAF/MI, and HQ USAF/XPMR regarding Congressional Appropriation Committee legislative issues relative to the AF CA Program.

1.8.1.7. The Office of Legislative Liaison, Programs and Legislative Division, **SAF/LLP**, 1160 Air Force Pentagon, Washington DC 20330-1160, will interface with SAF/FML, SAF/MI and HQ USAF/XPMR regarding legislative issues relative to the AF CA Program.

1.8.1.8. The Office of Public Affairs, Public Affairs Division, **SAF/PAM**, 1160 Air Force Pentagon, Washington DC 20330-1160, will be the interface with the public on the AF CA Program.

1.8.1.9. Deputy Chief of Staff, Plans and Programs, **HQ USAF/XP**, 1070 Air Force Pentagon, Washington DC 20330-1070, is the Executive Agent for the AF CA Program in accordance with OMB Circular A-76, paragraph 9.a. As the Executive Agent, HQ USAF/XP will:

1.8.1.9.1. Be responsible for AF compliance with policies outlined in OMBC A-76 and its Supplement, DoD Directive 4100.15, DoD Instruction 4100.33, and any related statutes.

1.8.1.9.2. Submit cost comparison waivers to SAF/MI for SAF/US approval.

1.8.1.9.3. Submit requests through SAF/MI to OMB for deviations from policies and procedures required by OMBC A-76 and its Supplemental Handbook.

1.8.1.9.4. Decide FAIR Act CA Inventory appeals.

1.8.1.10. Director, Manpower and Organization, **HQ USAF/XPM**, 1070 Air Force Pentagon, Washington DC 20330-1070, is responsible for implementation of the AF CA Program. AF/XPM will:

1.8.1.10.1. Develop policies and determine procedures for the AF CA Program for compliance with OMB Circular A-76 and its Supplemental Handbook, DoDD 4100.15, DoD Instruction 4100.33, Government policies, and statutes.

1.8.1.10.2. Make recommendations to SAF/MI, for final determination, regarding AF inherently Governmental activities and commercial activities.

1.8.1.10.3. Approve AF CA candidates or changes/cancellations to CA initiatives submitted by the commands.

1.8.1.10.4. Approve command requests for performance periods in excess of five years.

1.8.1.10.5. Approve command requests for extensions to the Administrative Appeal Process.

1.8.1.10.6. Approve command requests for extensions to transition plans implementing cost comparison decisions, i.e., MEOs or contracts.

1.8.1.10.7. Ensure appropriate allocation of manpower resources for cost comparison or direct conversion decisions by working with SAF/FMB.

1.8.1.10.8. Approve command requests to extend the use of Reason Code "M" in the AF IGCA Inventory for MEOs that have been implemented for more than five years.

1.8.1.10.9. Approve command requests to use Reason Code "L" in the AF IGCA Inventory for CAs where there is "no satisfactory source" per paragraph **10.9** of this Instruction or when contracting an in-house activity will cause an unacceptable disruption or delay.

1.8.1.10.10. Approve requests to return contracted workload in-house without a cost comparison based on military essential criteria.

1.8.1.11. HQ USAF Requirements and Utilization Division, **HQ USAF/XPMR**, 1070 Air Force Pentagon, Washington DC 20330-1070, manages the AF CA Program. HQ USAF/XPMR will:

1.8.1.11.1. Ensure AF compliance with policies outlined in OMBC A-76 and its Supplement, DoD Directive 4100.15, DoD Instruction 4100.33, and any related statutes.

1.8.1.11.2. Update AF policy and procedures as changes occur to statutes.

1.8.1.11.3. Write and maintain this Instruction with recommendations from AFMIA/MIC and the commands for the AF.

1.8.1.11.4. Monitor the AF CA Program for compliance with established policies.

1.8.1.11.5. Serve as the AF CA Program central point of contact for the Office of Management and Budget (OMB), Department of Defense (DoD), and commands.

1.8.1.11.6. Participate as an AF representative at DoD level A-76 meetings or on DoD level Integrated Process Teams.

1.8.1.11.7. Develop AF CA Program presentations, speeches, and responses for HQ USAF/XPM or higher HQ USAF as required, e.g., Defense Management Council.

1.8.1.11.8. Respond to CA Program inquiries from Congress, General Accounting Office (GAO), OMB, DoD, private sector, etc.

1.8.1.11.9. Ensure the CA Program complies with DoD and AF policies for manpower requirements and utilization.

1.8.1.11.10. Approve waivers requiring deviation from this Instruction.

1.8.1.11.11. Work with HQ USAF functional representatives to identify inherently Governmental activities and ensure compliance with Office of Federal Procurement Policy (OFPP) Policy Letter 92-1 and this Instruction.

1.8.1.11.12. Review, staff, and submit the AF annual Congressional Summary Report and the AF IGCA Inventory and Review Schedule Report through SAF/MI to DoD.

1.8.1.11.13. Review and staff (for HQ USAF approval) CA candidates, changes to initiatives, and cancellations submitted by commands.

1.8.1.11.14. Assist DoD, as required, during the OMB Review of the FAIR Act CA Inventory.

1.8.1.11.15. Staff appeals filed to HQ USAF/XP regarding the FAIR Act CA Inventory

1.8.1.11.16. Prepare and staff congressional notifications as required in **Chapter 5**, **Chapter 6**, and **Chapter 17** of this Instruction.

1.8.1.11.17. Assist in planning, programming and budgeting manpower resources for CA Program-related actions including preparing the necessary budget exhibits as required by DoD.

1.8.1.11.18. Assist in developing Annual Planning and Programming Guidance (APPG) when related to the A-76 program.

1.8.1.11.19. Assist in developing Program Objective Memorandum (POM) budget exhibits that contain Commercial Activity related data or information.

1.8.1.11.20. Provide AF CA training oversight to ensure training is consistent with AF policies and procedures, e.g., Manpower and Organization Staff Course, etc.

1.8.1.11.21. Participate as a member on the AF Competitive Sourcing and Privatization Panel.

1.8.1.11.22. Inform (in concert with HQ USAF/DPFM) labor organizations granted National Consultation Rights (NCR) and provide them opportunities to comment on proposed AF A-76 policies and procedures that are applicable to field activities that constitute a substantive change in conditions of employment. "Conditions of employment" means personnel policies, practices, and matters (whether established by rule, regulation, or otherwise) affecting working conditions of civilian employees. Title 5, Code of Federal Regulations, Part 2426, prescribes rules governing exercise of NCR. Labor organizations granted NCR include the American Federation of Government Employees, National Federation of Federal Employees, National Association of Government Employees, and Association of Civilian Technicians.

1.8.1.11.23. Ensure AF compliance with policies outlined in OMBC A-76 and its Supplemental Handbook, DoD Directive 4100.15, DoD Instruction 4100.33, and any related statutes for unique approaches to A-76 initiatives or applicability of A-76, e.g., AF wide cost comparisons, 38EIW at Tinker AFB, etc.

1.8.1.11.24. Validate RCS: HAF-XPM(AR) 8001 and RCS: HAF-XPM(AR) 9401 every three years in accordance with AFI 37-124.

1.8.1.12. Deputy Chief of Staff, Personnel, **HQ USAF/DP**, 1040 Air Force Pentagon, Washington DC 20330-1040 is responsible for providing civilian and military personnel guidance as it pertains to the AF CA Program.

1.8.2. HQ USAF Functional Area Managers (FAM). A FAM's responsibility include:

1.8.2.1. Assisting AF/XPM in identifying activities as either inherently governmental or commercial activities.

1.8.2.2. Ensuring the competitive sourcing candidates do not impact military readiness to include unit type code requirements, rotation, career progression, etc.

1.8.2.3. Coordinating on competitive sourcing candidates, changes to initiatives, or cancellations of initiatives submitted by a command. (See Glossary for "candidate" and "initiative" definitions.)

1.8.2.3.1. Providing coordination to HQ USAF/XPM within 14 calendar days of receiving the staffing package for (1) a candidate submitted by a command, (2) a command's request to change an in-progress initiative, or (3) a command's request to cancel an in-progress initiative.

1.8.2.3.2. Providing written three-digit functional rationale to HQ USAF/XPM for returning a candidate or initiative to a command for either incomplete staffing with the command functional OPR or providing insufficient, erroneous, or incomplete data.

1.8.2.3.3. Providing written two-digit functional nonconcurrency with rationale to HQ USAF/XP on either the entire or a portion of the candidate or initiative within 14 calendar days of receiving the candidate staffing package from HQ USAF/XPM.

1.8.3. AFMIA. Air Force Manpower and Innovation Agency (AFMIA), Competitive Sourcing and Privatization Division, AFMIA/MQC, 550 E Street East, Randolph AFB TX 78150-4451. AFMIA/MQC will:

- 1.8.3.1. Provide CA Program operating support for the AF.
- 1.8.3.2. Provide recommendations for maintaining this Instruction and other AF CA Program operating instructions.
- 1.8.3.3. Evaluate and provide recommendations for implementing new or proposed OMB, DoD, or HQ USAF directives.
- 1.8.3.4. Evaluate and provide recommendations for implementing new or proposed CA-related legislation.
- 1.8.3.5. Forward findings of noncompliance with established CA Program policies and procedures by AF activities to HQ USAF/XPMR.
- 1.8.3.6. Evaluate and provide recommendations on command waiver requests for deviations from OMB and DoD CA Program policies and procedures to HQ USAF/XPMR.
- 1.8.3.7. Provide CA Program technical assistance and guidance to the AF (e.g., commands, installations, AFMIA A-76 Study Teams, etc.), DoD, or other Federal agencies.
- 1.8.3.8. Respond to data requests for CA Program information and data analyses from HQ USAF, DoD, DoD components, OMB, GAO and other agencies.
- 1.8.3.9. Administer the annual AF IGCA Review.
- 1.8.3.10. Serve as the AF central activity for managing, monitoring, analyzing, developing, and submitting the AF submission to the DoD Commercial Activities Inventory and Review Schedule Report (RCS: DD-A&T(A)1540) and FAIR Act CA Inventory to HQ USAF/XPMR for review, approval, staffing, and submission to DoD.
- 1.8.3.11. Place the FAIR Act CA Inventory on the AFMIA Home Page (<http://www.AFMIA.randolph.af.mil>) within three work days of OMB's Federal Register notification.
- 1.8.3.12. Serve as the AF central activity for managing, monitoring, analyzing, developing, and submitting the quarterly AF Commercial Activities Management Information System (CAMIS) report (RCS: DD-A&T(Q)1542) for the AF.
 - 1.8.3.12.1. Provide selected CAMIS management information reports for all AF activities via the AFMIA Homepage (<http://www.AFMIA.randolph.af.mil>).
 - 1.8.3.12.2. Provide, during the first quarter of each fiscal year, the AF Audit Agency (AFAA/DO/FSP) with an annual report of all MEOs implemented for 12-23 months during the previous fiscal year. A similar list of contracts awarded under the AF CA Program will be provided when requested by AFAA.
- 1.8.3.13. Serve as the AF central activity for managing automated CA software programs (e.g., COMPARE, CAMIS, and CAIRS) for the AF to include:
 - 1.8.3.13.1. Determining requirements; developing specifications; and testing, approving and releasing programs to include periodic updates.

1.8.3.13.2. Managing the OMB Circular A-76 Cost Comparison Program (COMPARE) for the AF.

1.8.3.14. Administer AF CA Program training to include approving course curriculum and training materials, forecasting A-76 training budget requirements, scheduling training in coordination with the command, and monitoring and evaluating training effectiveness.

1.8.3.15. Maintain and issue cost factors for Commercial Activity cost comparisons to all AF activities via the AFMIA Home Page.

1.8.3.16. Assist commands in completing competitive sourcing initiatives according to the availability of AFMIA resources using AFMIA A-76 Study Teams.

1.8.4. Commands. Commands will:

1.8.4.1. Be responsible and accountable for efficient management of the AF CA Program within the command.

1.8.4.2. Ensure maximum cost effectiveness for operating contracted and in-house CAs for the command.

1.8.4.3. Encourage and facilitate a competitive environment.

1.8.4.4. Ensure high standards of integrity, objectivity, and consistency are maintained in the AF IGCA Review, cost comparisons, and direct conversions.

1.8.4.5. Administer the command CA Program.

1.8.4.6. Appoint a program manager to serve as the command CA focal point.

1.8.4.7. Schedule and manage their command AF IGCA Review.

1.8.4.8. Maintain a current and accurate AF IGCA Inventory on the manpower data system (MDS) (to include current and accurate CME data) and submit required reports.

1.8.4.9. Respond to interested party challenges to include or exclude an activity on the FAIR Act CA Inventory.

1.8.4.10. Ensure appropriate legislative notifications, HQ USAF and local notifications are made or delegated in accordance with this Instruction.

1.8.4.11. Staff and submit accurate and fully coordinated direct conversion or cost comparison candidates (or changes to or cancellations of in-progress initiatives) to HQ USAF/XPMR, using RCS: HAF-XPM(AR) 9401 memorandum (**Figure 5.1.**) format. Coordination must clearly indicate the required functional coordination.

1.8.4.12. Appoint a Headquarters Competitive Sourcing Management Steering Group (CSMSG).

1.8.4.13. Maintain accurate and up-to-date CAMIS data, perform appropriate error checks on installation's data, evaluate and ensure appropriate justification is provided on changes to critical elements (i.e., using CAMIS critical elements audit routine), and submit required reports on time. For multi-location records, either maintain the record at the command level or appoint a central installation manpower and organization office to maintain the record for all locations.

1.8.4.14. Upon final decision of cost comparison or direct conversion, forward to HQ USAF/XPMR the RCS: HAF-XPM(AR) 8001 memorandum (**Attachment 4**).

1.8.4.15. Determine how the Administrative Appeal Process (AAP) will be performed within the command (**Chapter 18** of this Instruction) and provide installations written procedures.

1.8.4.15.1. When appropriate, appoint an AAP Authority to determine if appeal(s) meet appeal criteria as required by **Chapter 18** of this Instruction and to make final appeal determinations.

1.8.4.15.2. When appropriate, establish an Administrative Appeal Team to resolve questions from directly affected parties relating to determinations resulting from cost comparisons.

1.8.4.16. Allocate resources to the appropriate installation as programmed by HQ USAF in accordance with the results of a cost comparison or direct conversion.

1.8.4.17. Monitor MEO and contract implementation to ensure compliance with the Transition Plan. Ensure surveillance is conducted in accordance with the QASP for either the MEO or contract.

1.8.5. Installation Commander. For commands without installations, the responsibilities of the “installation commander,” as outlined in this section, are the responsibility of the command. For AFRC, the responsibilities of the installation commander, as outlined in this section are the responsibility of HQ AFRC/CC. For the ANG, the responsibilities of the installation commander, as outlined in this section, are the responsibility of the ANG Director. The installation commander will:

1.8.5.1. Be responsible and accountable to the MAJCOM/FOA/DRU commander for the most efficient and cost effective management of the CAs at the installation.

1.8.5.2. Ensure maximum cost effectiveness for operating in-house and contracted CAs.

1.8.5.3. Encourage and facilitate a competitive environment.

1.8.5.4. Ensure high standards of integrity, objectivity, and consistency are maintained in the AF IGCA Review, cost comparisons, and direct conversions.

1.8.5.5. Approve the AF IGCA Review.

1.8.5.6. Ensure a current and accurate AF IGCA Inventory of all in-house and contract activities is maintained.

1.8.5.7. Initiate or, at a minimum, coordinate on all commercial activity initiatives submitted for cost comparison or direct conversion.

1.8.5.8. Ensure appropriate legislative and local notifications and make public announcements for HQ USAF-approved commercial activity initiatives.

1.8.5.9. Appoint a CSMSG.

1.8.5.10. Ensure the CSMSG completes cost comparisons and direct conversion processes within OMB time limits (if possible) by establishing milestones that meet these time requirements; however, under no circumstances shall statutory time limits be exceeded.

1.8.5.11. Ensure the servicing civilian personnel flight takes appropriate action to assist civilian employees who will be affected by a cost comparison or direct conversion.

1.8.5.12. When appropriate, appoint an AAP Authority to determine if appeal(s) meet appeal criteria as required by **Chapter 18** of this Instruction and to make final appeal determinations.

1.8.5.13. When appropriate, establish an Administrative Appeal Team to resolve questions from directly affected parties relating to determinations resulting from cost comparisons.

1.8.5.14. Ensure MEOs and contracts are implemented in accordance with the Transition Plan and surveillance is conducted in accordance with the QASP for either the MEO or contract.

1.8.5.15. Ensure the CSMSG meets its obligation for making certain that the appropriate individuals participating in an A-76 cost comparison or direct conversion (i.e., MEO Team, Independent Review Official/Team, PWS Team, Government Management Plan Development Team, Administrative Appeal Team, etc) receive the required A-76 training. Required training is identified in a matrix found at the Air Force Manpower & Innovation Agency (AFMIA) web site <https://www.afmia.randolph.af.mil/xpms/cs/Training/index.htm>. This training shall be upon study announcement or prior to starting a specific A-76 process, e.g. attend Performance Work Statement (PWS) training before writing a PWS.

1.8.6. Servicing Manpower and Organization Office. The servicing manpower and organization office will:

1.8.6.1. Be responsible and accountable to the installation commander for providing management advice for inherently Governmental activities and CAs (in-house and contracted) at the installation.

1.8.6.2. Manage and administer the installation AF CA Program for the installation commander by working with the command XPM.

1.8.6.3. Conduct AF IGCA Review with functional participation, obtain installation commander approval, and forward results to the Command XPM.

1.8.6.4. Maintain an accurate and current AF IGCA Inventory on the MDS at all times (to include current and accurate CME data) and submit required reports.

1.8.6.5. Provide accurate data and analysis on CA initiatives submitted to or by the command.

1.8.6.6. Chair the CSMSG or serve as the primary advisor to the chairperson appointed by the commander.

1.8.6.7. Maintain accurate and up-to date CAMIS data and submit required reports on time.

1.8.6.8. Encourage and facilitate CA competition.

1.8.7. Air Force Audit Agency. The AFAA will conduct:

1.8.7.1. Periodic evaluations of the AF IGCA Inventory to determine its accuracy and compliance with this Instruction and other supplemental guidance.

1.8.7.2. Conduct Post-MEO Reviews. As a minimum, perform Post-MEO Reviews on 20% of the MEOs that have been fully implemented, as a result of a standard cost comparison, for a period of 12 to 23 months during the previous fiscal year.

1.9. Directly Affected Civilian Employee Role.

1.9.1. Directly affected civilian employees are encouraged to interface with their functional OPR and servicing civilian personnel flight during the A-76 initiative (i.e., cost comparison or direct conversion). Refer to **Chapter 8** of this Instruction for the responsibilities that the functional OPR and servicing civilian personnel flight have to the employees during the process. Civilian employees should

acquire an understanding of the cost comparison process either through briefings or discussions with the functional OPR, servicing civilian personnel flight and/or manpower and organization office at the installation-level process or via this Instruction.

1.9.2. Directly affected civilian employees should take advantage of monthly updates on the status of the cost comparison and understand that they and/or their representatives are offered an opportunity to provide inputs during the preparation and development of the PWS and MEO. Until final management decisions are made, directly affected civilian employees need to be aware that management is required to consult monthly with directly affected civilian employees during the development and preparation of the PWS and MEO. Directly affected civilian employees should consult with their Functional OPR to ensure they clearly understand when final management decisions are made (see paragraph **8.4.2.14.6.3.** of this Instruction). Civilian employees participating as members of either the PWS or MEO development team are encouraged to participate in all training offered to make them effective members. Directly affected civilian employees participating in the cost comparison process must attend ethics training from the servicing staff judge advocate and must ensure they are in compliance with the Joint Ethics Regulation (DoDD 5500.7-R). Directly affected civilian employees are also encouraged to understand the type of acquisition process to be used and their rights during the Administrative Appeal Process.

1.9.2.1. For directly affected civilian employees represented by unions, consultation with the union representative fulfills this requirement. Alternatively, this requirement can be met by including union representatives on the PWS or MEO development teams. (See paragraphs **9.4.5.** and **11.3.5.** of this Instruction for specifics.)

1.9.2.2. For directly affected civilian employees not represented by unions, consultation may be accomplished through group meetings or by a representative(s) designated by the employees. Alternatively, this requirement can be met by including employees/representatives on the PWS or MEO development teams. (See paragraphs **9.4.5.** and **11.3.5.** of this Instruction.)

1.9.3. Directly affected civilian employees should receive a copy of the Right of First Refusal Clause as stated in FAR 52.207-3 (**Figure 10.2.** of this Instruction) early in the cost comparison. In the event of a final contract decision, adversely affected civilian employees should also receive a copy of **Figure 10.2.** from their servicing civilian personnel flight. When required, civilian employees should pursue legal interpretations from their servicing staff judge advocate.

1.9.4. After a tentative cost comparison decision has been made, directly affected employees or their representatives (on behalf of the employees) may (when considered appropriate) file an appeal of the cost comparison decision in accordance with **Chapter 18** of this Instruction.

1.10. Labor Union Role.

1.10.1. During the competitive environment, it is essential that labor unions partner with management and the directly affected employees to ensure cost comparison milestones are met as well as a well-developed PWS and MEO are achieved. Union representatives may interface with the directly affected civilian employee's functional OPR and servicing civilian personnel flight during the A-76 initiative (i.e., cost comparison or direct conversion). Refer to **Chapter 8** of this Instruction for functional OPR and servicing civilian personnel flight responsibilities as well as union's involvement in the CSMSG. Union representatives should acquire an understanding of the cost comparison process

either through briefings or discussions with the functional OPR, servicing civilian personnel flight and/or manpower and organization office at the installation-level process or via this Instruction.

1.10.2. Union representatives participating in the cost comparison process must attend ethics training from the servicing staff judge advocate and must ensure they are in compliance with the Joint Ethics Regulation (DoDD 5500.7-R).

1.10.3. While management retains responsibility for all final management decisions during the cost comparison, union representatives (on behalf of employees they represent) may participate in an advisory capacity on the installation CSMSG, PWS development team, or MEO development team (see paragraphs **8.8.**, **9.4.5.** and **11.3.5.** of this Instruction). In this capacity union representatives may participate in the preparation and development of recommendations for the PWS or MEO until final management decisions are made. Union representatives are advised that management is required to consult monthly with directly affected civilian employees during the development and preparation of the PWS and MEO and to provide monthly updates on the status of the cost comparison process. Union representatives should consult with the directly affected employee's functional OPR to ensure they understand when final management decisions are made (see paragraph **8.4.2.14.6.3.** of this Instruction). Union representatives participating as members of the PWS or MEO development team are encouraged to participate in all training offered to make them effective members. Union representatives should also understand the type of acquisition process to be used and the administrative appeal rights of the employees they represent.

1.10.4. After a tentative cost comparison decision has been made, union representatives may (when considered appropriate) file an appeal on behalf of directly affected employees in accordance with **Chapter 18** of this Instruction.

Chapter 2

INHERENTLY GOVERNMENTAL ACTIVITY AND COMMERCIAL ACTIVITY DETERMINATION PROCESS

2.1. First Step in Commercial Activities Program . This chapter provides policy and policy implementation for determining if an in-house activity is an inherently Governmental activity or a commercial activity. An inherently Governmental activity is not subject to private sector performance but may be performed by another Governmental agency. **Chapter 3** of this Instruction provides the process for determining if a commercial activity should be competed with the private sector.

2.2. Determination Process.

2.2.1. The final determination whether an activity is inherently Governmental is the responsibility of SAF/MI. This determination is made in coordination with HQ USAF/XPM and the functional OPR. Some determinations may require approval through the AF Corporate Structure.

2.2.2. Commands may submit requests for re-determination, in writing, with justification to HQ USAF/XPM. These requests must have Command functional and contracting concurrence. They may also be submitted concurrently with an initial candidate submission per **Chapter 5** of this Instruction.

2.2.3. Policy Implementation. Under Defense Reform Initiative Directive (DRID) #20, Review of Inherently Governmental Activities, DoD directed HQ USAF to code positions that fall into three categories: (1) inherently Governmental, (2) commercial activities (exempt from competition), and (3) commercial activities (eligible for competition) using DoD Force Mix Code Criteria Matrix (**Figure 3.1.**) and DoD Force Mix Criteria Abbreviated Definitions (**Figure 3.2.**). These force mix codes provide the reason codes (RSC) that are applied to all AF manpower authorizations in the Manpower Data System (MDS) to indicate reasons for in-house performance. HQ USAF/XPM provided DRID #20 coding guidance to AF commands on 10 June 1998 with an addendum on 22 July 1998. This guidance applies until revised per HQ USAF/XPM. Commands may challenge the guidance, in writing, by providing rationale to HQ USAF/XPM on a case-by-case basis.

2.3. Inherently Governmental Activity.

2.3.1. Definition. An inherently Governmental activity is defined as an activity that is so intimately related to the public interest as to mandate performance by Government employees. An inherently Governmental activity includes activities that require either the exercise of discretion in applying Government authority, or the making of value judgments in making decisions for the Government. Inherently Governmental activities normally fall into two categories: (1) the act of governing, i.e., the discretionary exercise of Government authority and (2) the act of obligating money and approving entitlements.

2.3.1.1. Inherently Governmental activities are activities where decisions are made on behalf of the Government. An inherently Governmental activity involves, among other things, the interpretation and execution of the laws of the United States so as to:

2.3.1.1.1. Bind the United States to take or not to take some action by contract, policy, regulation, authorization, order, or otherwise;

2.3.1.1.2. Determine, protect, and advance United States economic, political, territorial, property, or other interests by military or diplomatic action, civil or criminal judicial proceedings, contract management, or otherwise;

2.3.1.1.3. Significantly affect the life, liberty, or property of private persons;

2.3.1.1.4. Commission, appoint, direct, or control officers or employees of the United States; or

2.3.1.1.5. 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.

2.3.2. Policy.

2.3.2.1. Contracts shall not be used for the performance of inherently Governmental activities.

2.3.2.2. AF inherently Governmental policy determinations may be reviewed and modified by DoD and OMB.

2.3.2.3. Inherently Governmental workload can be transferred from AF performance to performance by another DoD component or Government agency.

2.3.3. The Office of Federal Procurement Policy Letter 92-1, subject: Inherently Governmental Functions, is provided at [Attachment 3](#).

2.4. Commercial Activity.

2.4.1. Definition. A commercial activity provides a product or recurring service obtainable (or obtained) from a commercial source.

2.4.1.1. A commercial activity is not an inherently Governmental activity.

2.4.1.2. A commercial activity may be an entire organization or part of an organization. If part of an organization, work must be separable from other functions or activities to make it suitable for performance by contract.

2.4.1.3. A commercial activity falls into one of these two categories:

2.4.1.3.1. In-House Commercial Activity. A CA operated by AF military, civilian employees (includes NAF, direct-hire non-US citizen employees, and indirect-hire non-US citizen employees), or any combination. A CA operated in-house under an MEO resulting from a cost comparison must be operated by AF civilian personnel employees (includes NAF employees, direct-hire non-US citizen employees, and indirect-hire non-US citizen employees), unless military are justified in accordance with [Chapter 11](#) of this Instruction.

2.4.1.3.2. Contract Commercial Activity. A CA operated with contractor or ISSA personnel.

2.4.2. Policy.

2.4.2.1. A commercial activity will be competed with the private sector to determine if in-house performance is more efficient and cost effective. (See [Figure 2.1](#).)

2.4.2.1.1. The cost comparison process ([Chapter 6](#) or [Chapter 13](#) of this Instruction) is:

- 2.4.2.1.1.1. Required for CAs performed by more than 10 civilian employees (as defined in paragraph **1.3.3.** of this Instruction).
- 2.4.2.1.1.2. Required for CAs performed by more than 10 civilian employees (as defined in paragraph **1.3.3.** of this Instruction) and any number of military.
- 2.4.2.1.1.3. Allowed for CAs performed by 10 or less civilian employees (as defined in paragraph **1.3.3.** of this Instruction).
- 2.4.2.1.1.4. Allowed for CAs performed by any number of military.
- 2.4.2.1.1.5. Allowed for CAs performed by 10 or less civilian employees (as defined in paragraph **1.3.3.** of this Instruction) and any number of military.
- 2.4.2.1.1.6. Allowed for CAs performed by any number of civilians (as defined in paragraph **1.3.3.** of this Instruction) and/or military when conversion will be to a Qualified Firm With 51% or More Native American Ownership (NAO) and conversion will be cost effective per 10 USC 2462 and AF policy. (Note: A cost comparison (**Chapter 6** of this Instruction) may be limited to competition between the MEO and a NAO firm.)
- 2.4.2.1.2. The direct conversion process (**Chapter 14** of this Instruction) is:
 - 2.4.2.1.2.1. Required for CAs performed by any number of civilians (as defined in paragraph **1.3.3.** of this Instruction) and/or military when conversion is planned to the National Industries for the Blind (NIB), National Industries for the Severely Handicapped (NISH), or a provider covered by the Javits-Wagner-O-Day (JWOD) Act (i.e., National Industries for the Blind (NIB), National Industries for the Severely Handicapped (NISH), other provider covered by JWOD) and the conversion will be cost effective per 10 USC 2462 and AF policy. These conversions are required by law (see **Chapter 10** of this Instruction) and performed in accordance with **Chapter 14** of this Instruction. No MEO is developed.
 - 2.4.2.1.2.2. Allowed for CAs performed by 10 or less civilian employees (as defined in paragraph **1.3.3.** of this Instruction).
 - 2.4.2.1.2.3. Allowed for CAs performed by any number of military.
 - 2.4.2.1.2.4. Allowed for CAs performed by 10 or less civilian employees (as defined in paragraph **1.3.3.** of this Instruction) and any number of military.
 - 2.4.2.1.2.5. Allowed for CAs performed only by NAF employees (except for CAs performed solely by Category C NAF employees (see paragraph **1.4.9.** of this Instruction)).
 - 2.4.2.1.2.6. Allowed for CAs performed by any number of civilians (as defined in paragraph **1.3.3.** of this Instruction) and/or military when conversion will be to an NAO firm and conversion will be cost effective per 10 USC 2462 and AF policy. The direct conversion is performed in accordance with **Chapter 14** of this Instruction (with the exception of the civilian threshold.) No MEO is developed.
- 2.4.2.2. An in-house or contracted CA may be discontinued by eliminating the requirement. By eliminating a requirement, the AF no longer requires the service from any source, e.g., in-house manpower resources (civilian or military) to include civilian employees (e.g., NAF employees, temporary employees, over hire employees, seasonal hire employees, intermittent employees, direct-hire non-US citizen employees, indirect-hire non-US citizen employees, etc.), military or

civilian details, other Federal agency, ISSA, private sector, state or city Government, service contracts, etc. Before eliminating a requirement, a command must coordinate the decision with HQ USAF and in some cases receive HQ USAF approval before eliminating the requirement. If performed by contract, the contract may be phased out or it can be terminated for convenience. If performed in-house, the resources are returned to HQ USAF to fund higher priority programs or identified as a realignment in a command's POM submission.

2.4.2.3. If changes in mission dictate the requirement is military essential requiring performance by military resources, a command is required to submit to HQ USAF sufficient justification declaring that the activity is military essential due to a mission change and state the mission change. Upon approval from HQ USAF/XPM, a command must offset the allocation of military resources. This is accomplished by turning in the resources that are no longer required to perform the workload: (1) turn in civilian authorizations and their associated pay or (2) turn in associated contract dollars no longer required to fund the contract or portion of the contract. After appropriate reprogramming of resources, the activity will be performed by military. The mission change and military essential determinations must be submitted with the approval request per [Chapter 15](#) of this Instruction.

Figure 2.1. General Guidelines For Competitive Sourcing Initiatives.

General Guidelines For Competitive Sourcing Initiatives	Standard Cost Comparison (Chapter 6)	Streamlined Cost Comparison (Chapter 13)	Direct Conversion (Chapter 14)
1. COMMAND NOMINATION PACKAGE	Required	Required	Required
2. TYPE OF COMPETITIVE SOURCING INITIATIVE			
(a) If CA is performed by:			
>10 civilian employees*	Required Except Where a Streamlined Cost Comparison or Direct Conversion to NIB/NISH/JWOD or a NAO Firm is Planned **	Not Allowed	Not Allowed **Except For Conversions to NIB/NISH/JWOD or a NAO firm (See Chapter 10)
>10 civilian employees* & any number of: military, NAF, direct hire non-US citizen, and/or any number of indirect non-US citizen employees	Required Except Where a Streamlined Cost Comparison or Direct Conversion to NIB/NISH/JWOD or a NAO Firm is Planned **	Not Allowed	Not Allowed **Except For Conversions to NIB/NISH/JWOD or a NAO firm (See Chapter 10)
<11 civilian employees*	Allowed Except for Conversions to NIB/NISH/JWOD	Allowed Except for Conversions to NIB/NISH/JWOD	Allowed
<11 civilian employees* & any number of: military, NAF, direct hire non-US citizen, and/or indirect non-US citizen employees	Allowed Except for Conversions to NIB/NISH/JWOD	Not Allowed	Allowed
Any number of military	Allowed	Not Allowed	Allowed
NAF	Allowed ***	Allowed ***	Allowed ***
Direct hire or Indirect hire non-US citizen employees	Allowed	Allowed	Allowed
(b) If conversion is planned for a:			
NIB/NISH/JWOD Provider** (For CAs performed in-house by any number or type of civilian or military employee)	Allowed Only IF Direct Conversion Is Not Cost Effective	Not Allowed	Required If Cost Effective If Not, Perform Cost Comparison.
NAO Firm** (For CAs performed in-house by any number or type of civilian or military employee)	Allowed (But Not Required)	Not Allowed	Allowed (But Not Required) If Cost Effective If Not, Perform Cost Comparison
3. CONGRESSIONAL CONSIDERATIONS			
Congressional Notification Required Prior to Public Announcement of Initiative (10 USC 2461)	Required (>50 Civs)	Not Required	Not Required
Congressional Notification Required After Final Cost Comparison Decision To Contract (10 USC 2461 & PL 105-261, Section 8014) (Note: In-house Decisions Do Not Require Notification)	Required (>10 Civs) Except Conversions to NIB/NISH/JWOD or NAO Firms	Required (>10 Civs)	Not Required

Figure 2.1. Continued.

General Guidelines For Competitive Sourcing Initiatives	Standard Cost Comparison (Chapter 6)	Streamlined Cost Comparison (Chapter 13)	Direct Conversion (Chapter 14)
Start Date (PL 105-261, Section 8026)	HQ USAF approval date	HQ USAF approval date	HQ USAF approval date
End Date (PL 105-261, Section 8026)	Tentative Cost Comparison Decision Date	Tentative Cost Comparison Decision Date	Date Contractor's Offer Compared to In-house Cost Est
4. OTHER CONSIDERATIONS			
Management Plan Requirements	MEO PWS QASP TPP, if required Govt Cost Est Trans Plan	Existing MEO Existing PWS QASP TPP, if required Govt Cost Est Trans Plan	PWS QASP Govt Cost Est Trans Plan
UMD Release	Yes	No	No
Restricted Solicitations: Small Business, Small Disadvantaged Business, Small Business 8(a), HUBZone Set-Asides	Permitted Award Based on Cost Comparison Decision -- MEO or Contract	Permitted Award Based on Cost Comparison Decision -- MEO or Contract	Permitted If cost effective, Award Contract But if NOT Cost Effective See **
NOTES:			
* Civilian (as defined in paragraph 1.3.3. of this Instruction): Applies to DoD US direct-hire civilian personnel paid from appropriated funds and serving on permanent appointments.			
**All direct conversions must be cost effective including conversions to NIB/NISH/JWOD providers or NAO firms. Refer to Chapters 10 and 14. For direct conversion where cost effectiveness is not proven. 1. Perform cost comparison for CAs with >10 Total Auths 2. Retain in-house for CAs with <11 Total Auths , if approved by HQ USAF/XPMR			
***Exception: Does not apply to Category C NAF and Lodging functions as stated in the AF Services Blueprint.			

This Diagram is Provided as an Overview.
It is Not all Inclusive.
Refer to the Instruction for Specific Details.

Chapter 3

AIR FORCE INHERENTLY GOVERNMENTAL/COMMERCIAL ACTIVITIES INVENTORY

3.1. Second Step in Commercial Activities Program. This chapter provides policy and policy implementation for maintaining the AF IGCA Inventory. In this step, commands (together with installation commanders) maintain an accurate and up-to-date IGCA Inventory reflecting all in-house activities (CA and inherently Governmental), as well as contracted activities. For all in-house activities (CA and inherently Governmental), the Inventory reflects the appropriate reason for in-house performance, future review schedule, and the results of the last review. Additionally, CMEs reflect all contracted services activities.

3.2. Policy.

3.2.1. The AF IGCA Inventory shall be kept current at all times; therefore, commands shall update the Inventory as changes occur. Events that typically require an update to the AF IGCA Inventory are the AF IGCA Review required by **Chapter 4** of this Instruction, the start and completion of cost comparisons and direct conversions, changes to the scope of existing contracts, and the award or termination of contracts.

3.2.2. The AF IGCA Inventory, excluding inherently Governmental activities and activities engaged in classified or other national security activities, will be made available to the public upon request under the provisions of the Freedom of Information Act (FOIA) and the Federal Activities Inventory Reform (FAIR) Act (PL 105-270).

3.2.3. AFAA will, when requested by HQ USAF/XPMR, periodically review the AF IGCA Inventory for accuracy and completeness.

3.3. Use of the Air Force Inherently Governmental/Commercial Activities Inventory. An Inventory is required for:

3.3.1. Compliance with Executive Order 12615, 10 USC 2461, FAIR Act, OMBC A-76, and DoDI 4100.33.

3.3.2. Managing the AF CA Program.

3.3.3. Providing commanders at all levels with a tool for analyzing CAs for potential competition with the private sector.

3.3.4. Identifying the work force mix of military, Government civilian employees, and CMEs, as well as the reasons for in-house performance of Government activities.

3.3.5. Responding to congressional and other inquiries associated with the AF manpower posture.

3.3.6. Satisfying various reporting requirements directed by Congress, OMB, and the Office of the Secretary of Defense.

3.3.7. Determining the AF baseline for comparison with other Services and DoD Components by various activities, including Office of Management and Budget, DoD, Defense Science Board, General Accounting Office, DoD(IG), AFAA, HQ USAF, and various defense contractors working for DoD or AF.

3.4. Policy Implementation.

3.4.1. Development and Maintenance Instructions. Commands maintain an AF IGCA Inventory on the Manpower Data System (MDS). The Inventory identifies inherently governmental activities and commercial activities performed, in both the Continental United States and overseas, by either in-house or by contract manpower resources. A DoD Function Code (DFC) list is provided at [Attachment 2](#). All in-house manpower authorizations, including active, guard, and reserve positions, will be coded on the MDS in accordance with this chapter and as issued by HQ USAF/XPM. All CMEs associated with any existing service contract will also be included in the AF IGCA Inventory. AFI 38-201, *Determining Manpower Requirements*, Chapter 6, provides Instructions for computing CMEs. AF Computer System Manual 38-142, Volume II, *Manpower Data Systems: T001/QF, Software User Manual (SUM)*, provides Instructions for MDS input routines. Policy implementation for development and maintenance of the AF IGCA Inventory follows:

3.4.1.1. In-House Activities. MDS records containing funded manpower resources for the performance of all Government operated activities, will be coded as follows:

3.4.1.1.1. DoD Function Code (DFC). This is a four- to five-digit alphanumeric code that defines the type of activity performed. Using the list at [Attachment 2](#), select and enter a DFC for each manpower authorization that most closely describes the in-house activity performed. Manpower authorizations that perform multiple types of services are coded with a DFC that most closely describes the majority of the activities they perform.

3.4.1.1.2. Reason Code (RSC). This is a one-digit alpha code that describes why an activity is performed in-house. A list of these codes ([Figure 3.1.](#)) and their abbreviated definitions ([Figure 3.2.](#)) are also in the AF Data Dictionary (AFDD), ADE CO-451. Detailed definitions are provided to commands per paragraph [2.2.3.](#) of this Instruction. Select and enter an RSC for each activity that most closely describes the reason the activity is performed in-house. AFI 33-110, *Data Administration Program*, provides Instructions for accessing the AFDD via your computer.

3.4.1.1.3. Year of Last Review (YLR). This is a four-digit numeric code representing the fiscal year (FY) when a review was last completed on the activity to determine its most appropriate mode of operation, i.e., in-house or contract. For in-progress initiatives, enter the year of approval as the YLR.

3.4.1.1.4. Year of Next Review (YNR). This is a four-digit numeric code representing the FY when the next scheduled review will be completed on the activity to determine its most appropriate mode of operation, i.e., in-house or contract. The YNR established in the command AF IGCA Review schedule, per [Chapter 4](#) of this Instruction, will be entered unless otherwise approved by HQ USAF/XPMR. NOTES: The YNR will not exceed five years from the YLR. Also, the YNR for activities that have undergone a cost comparison that resulted in an in-house decision will be established not to exceed 5 years from the date of the MEO implementation, unless otherwise approved by HQ USAF/XPMR per [Chapter 19](#) of this Instruction.

3.4.1.2. Contracted Commercial Activities. Develop and/or validate CMEs for all existing service contracts using the guidance in AFI 38-201, *Determining Manpower Requirements*, Chapter 6, and enter a DFC

that most closely describes the contract service performed. The accuracy of CMEs is essential to reflect the total recurring workload that is contracted in the AF to include modifications to existing contracts. Entry of a RSC, YLR, and YNR is not required for CME records.

3.5. Reporting Requirements.

3.5.1. Installation Manpower and Organization Offices. Submit RCS: DD-A&T(A)1540 report to your command in the memorandum format shown at **Figure 3.3.** to arrive at the date set by your command. Include an attachment to the report that addresses major AF IGCA Inventory changes (if any) that have occurred since the previous FY's Inventory. The summary should identify the location and functions involved, the major changes, and the reasons for those changes. Major changes may include the addition, deletion, and/or transfer of in-house and/or contract CAs due to a variety of reasons, including base closures, reorganizations, directed force reductions, etc., or addition or deletion of 25 or more manpower authorizations from a single function at the installation.

3.5.2. Command. Commands submit a report in the memorandum format shown at **Figure 3.3.** to AFMIA/MIC to arrive by 1 September of the reporting FY. Included as an attachment to the report is a summary of all major AF IGCA Inventory changes that have occurred throughout the command since the previous year's report.

3.5.3. AFMIA/MIC.

3.5.3.1. Sends the annual Congressional Summary Report and the Commercial Activities Inventory and Review Schedule Report, RCS: DD-A&T(A)1540, to HQ USAF/XPMR to arrive by 1 December.

3.5.3.1.1. The Congressional Summary Report reflects, by major DoD FAC category (first digit only), the number of in-house manpower authorizations, the number of CMEs, the percentage of in-house manpower authorizations versus CMEs, and the rationale for significant changes over the previous year's AF IGCA Inventory. This summary report also reflects (for the next FY) an estimate of the number of workyears to be performed by in-house versus contract activities, and the number of cost comparisons to be completed, including the number of civilian and military workyears involved.

3.5.3.1.2. The RCS: DD-A&T(A)1540 is prepared according to DoDI 4100.33 or DoD supplemental guidance.

3.5.3.2. Releases the AF IGCA Inventory in response to requests received under FOIA.

3.5.4. HQ USAF/XPMR.

3.5.4.1. Coordinates the AF IGCA Inventory with appropriate HQ USAF offices then sends the annual Congressional Summary Report and RCS: DD-A&T(A)1540 through SAF/MI to DoD to arrive by 15 December.

3.5.4.2. Approves the release of the AF IGCA Inventory in response to requests received under the FAIR Act or FOIA.

3.5.5. The AFAA may perform periodic reviews of the AF IGCA Inventory. These reviews should be conducted by selected AFAA area audit offices to ensure the AF IGCA Inventory reflects accurate and current data at the installation level.

3.6. AF FAIR Act CA Inventory.

3.6.1. OMB Transmittal Memo #20 implements the FAIR Act and requires DoD to submit a detailed CA Inventory to OMB by June 30 of each year. This Inventory reflects CAs performed in-house, the year the CA first appeared on the FAIR Act CA Inventory, and the name of a point of contact from whom additional information about the activity may be obtained as well as any other data as determined by DoD.

3.6.1.1. The AF FAIR Act CA Inventory will be submitted through SAF/MI to DoD in accordance with the DoD FAIR Act CA Inventory data call.

3.6.1.2. The point of contact required by the FAIR Act will be the command XPM.

3.6.1.3. The FAIR Act CA Inventory does not apply to the following:

3.6.1.3.1. Inherently Governmental activities.

3.6.1.3.2. A Government corporation or a Government controlled corporation as defined in 5 USC 1031.

3.6.1.3.3. A NAF instrumentality if all of its employees are referred to in 5 USC 2105(c).

3.6.1.3.4. DoD depot-level maintenance and repair as defined in 10 USC 2460.

3.6.2. FAIR CA Inventory Review and Publication.

3.6.2.1. OMB will review DoD's FAIR Act CA Inventory and consult with DoD regarding its content. OMB will then publish a notice in the Federal Register stating that the Inventory is available to the public. Once the notice is published, DoD will send Congress a copy of this Inventory and make the Inventory available to the public.

3.6.2.2. HQ USAF/XPMR will assist DoD, as required, during the OMB review of the Inventory.

3.6.2.3. AFMIA will place the AF's FAIR Act CA Inventory on the AFMIA Home Page (<http://www.AFMIA.randolph.af.mil>) within three work days of OMB's Federal Register notification.

3.6.3. AF FAIR CA Inventory Challenges and Appeals.

3.6.3.1. AF's decision to include or exclude a particular activity from the FAIR Act CA Inventory is subject to administrative challenge and, then, possible appeal by an interested party.

3.6.3.2. Under the FAIR Act an "interested party" is defined as:

3.6.3.2.1. A private sector source that is an actual or prospective offeror for any contract or other form of agreement to perform the activity; and has a direct economic interest in performing the activity that would be adversely affected by a determination not to procure the performance of the activity from a private sector source.

3.6.3.2.2. A representative of any business or professional association that includes within its membership private sector sources referred to in paragraph **3.6.3.2.1.** above.

3.6.3.2.3. An officer or employee of an organization within an executive agency that is an actual or prospective offeror to perform the activity.

3.6.3.2.4. The head of any labor organization referred to in section 7103(a) (4) of title 5, United States Code that includes within its membership officers or employees of an organization referred to in **3.6.3.2.3.** above.

3.6.3.3. An interested party may submit an initial challenge to the command XPM (listed in the AF FAIR CA Inventory) regarding the inclusion or exclusion of an activity within 30 calendar days after publication of the Inventory is placed on the AFMIA Home Page.

3.6.3.3.1. The challenge must set forth the activity being challenged with as much specificity as possible, and the reasons for the interested party's belief that the particular activity should be reclassified as inherently Governmental (and therefore be deleted from the Inventory) or as commercial (and therefore be added to the Inventory) in accordance with OFPP Policy Letter 92-1 on inherently Governmental functions or as established by precedent (such as when other Federal agencies have contracted for the activity or undergone competitions for this or similar activities).

3.6.3.3.2. The command XPM provides HQ USAF/XPMR with copies of decisions that will change the AF FAIR CA Inventory submission. These Inventory changes are then processed by HQ AF/XPMR for HQ USAF/XP in order to comply with paragraph **3.6.3.6.** of this Instruction.

3.6.3.4. AF/XP delegates the responsibility to receive and decide initial challenges to command XPMs. As mandated by the FAIR Act, the command XPM must make a decision on the initial challenge and transmit to the interested party a written notification of the decision within 28 calendar days of receiving the challenge. The notification must include a discussion of the rationale for the decision and, if the decision is adverse, an explanation of the party's right to file an appeal.

3.6.3.5. An interested party may appeal an adverse decision to an initial challenge within 10 working days after receiving the written notification of the decision to AF/XP. No further delegation is permitted. Within 10 working days of receipt of the appeal, AF/XP must decide the appeal and transmit to the interested party a written notification of the decision together with a discussion of the rationale for the decision.

3.6.3.6. AF/XP must also transmit through SAF/MI to DoD, OMB and Congress a copy of any changes to the Inventory that result from this process, make the changes available to the public and publish a notice of public availability in the Federal Register.

3.6.3.7. Agency Review and Use of Inventory.

3.6.3.7.1. The FAIR Act requires a routine review of the activities on the Inventory and requires DoD to report to OMB on this process as part of the Report on Agency Management of CAs.

3.6.3.7.2. To comply with the FAIR Act AF shall rely on OMB Circular A-76 and its Supplemental Handbook to determine if cost comparisons are required and what competitive method is appropriate. This AFI implements OMB Circular A-76 and its Supplemental Handbook; therefore, AF will use this Instruction for compliance with the FAIR Act.

Figure 3.1. DoD Force Mix Code Criteria Matrix.

REASON CODES		Type of DoD Manpower
<p>A Military Combat</p> <p>C Military Unique Knowledge & Skills</p>	<p>B Military Combat Augmentation</p> <p>D Military Image & Esprit de Corps</p> <p>E Military Rotation</p> <p>F Military Career Progression</p>	Military Essential
<p>G Civilian Authority & Direction</p> <p>H Civilian Expertise & Control</p>	<p>I Civilian National Security & Operational Risk</p>	Civilian Essential
<p>J EO, Law, Treaty, or International Agreement</p>	<p>L DoD Management Determination</p>	Restricted
SUBJECT TO COST COMPETITION OR DIRECT CONVERSION		Not Restricted
M	Based on Cost Comparison	
N	Pending Contract Award	
O	Pending Cost Comparison Results	
P	Pending Restructuring Decision	
Q	Based on Terminated Cost Comparison	
R	Subject to Review	
S	Converted From Contract Based on Cost Comparison	
T	Converted From Contract W/O Cost Comparison Due to Unsatisfactory Performance or Unreasonable Prices	
U	No Satisfactory Commercial Source	
V	Cost Comparison Waiver	

Order of Precedence for Coding Manpower Mix

CORE MANPOWER

NON-CORE MANPOWER

*Government Performance is Required (includes both commercial activities that must remain in-house according to the specific reason codes and some inherently governmental activities not covered by reason codes A, C, G, or H).

Figure 3.2. DoD Force Mix Code Criteria Abbreviated Definitions.

REASON CODES (RSC)		
RSC	SHORT TITLE	ABBREVIATED DEFINITION
A	Military Combat	DoD Components shall designate all military manpower requirements in operating forces that deploy to theaters or areas of operations where there is a high likelihood of exposure to hostile fire with Code A. Military manpower requirements that support contingency operations in units that do not deploy but, due to the nature of their military mission, are subject to military attack may also utilize code A. A key element is whether the personnel must be trained and ready to use combat skills or training and (except for Chaplains and medical personnel) use deadly force.
B	Military Combat Augmentation	DoD Components shall designate military manpower in the infrastructure that do not otherwise require military incumbents with code B when they are needed to ensure there is an adequate Inventory of military personnel for each occupation and skill level necessary to satisfy projected mobilization or wartime manpower demands that cannot be met with personnel designated "Code A" or with personnel acquired after mobilization.
C	Military Unique Knowledge & Skills	Military manpower in the infrastructure that require knowledge and skills acquired primarily through military training and current military experience for the successful performance of the prescribed duties infrastructure with code C.
D	Military Image and Esprit de Corps	DoD Components shall designate a limited number of military manpower in the infrastructure with code D when they are traditionally or customarily used to provide a military "esprit de corps" or to promote public relations. This includes manpower for military bands, Honor Guards, recruiters, military contingents or guard detachments primarily at overseas locations where military personnel are traditionally assigned to project a military presence or image, and teams that demonstrate military expertise to the public.
E	Military Rotation	DoD Components shall designate manpower in the infrastructure that would not otherwise require military incumbents with code E to provide a rotation base for overseas or sea-to-shore assignments when the number of military coded A through D are not sufficient to satisfy peacetime rotation requirements.
F	Military Career Progression	DoD Components shall designate manpower in the infrastructure that do not otherwise require military incumbents with code F to provide career paths for military personnel when the number of military coded A through E are not sufficient to satisfy peacetime military career progression requirements.
G	Civilian Authority and Direction	This criterion is used to identify DoD manpower requirements that are necessary to exercise civilian management authority (direction and final decision making) over government policy, programs, property (physical assets and information), funds and treasury accounts, or employees. The incumbents of these positions make decisions on behalf of the government and are directly and ultimately accountable for the accomplishment of assigned missions and functions.
H	Civilian Expertise and Control	This criterion is used to identify a minimum number of DoD manpower requirements that are required to ensure that civilian decision making officials (accounted for under criterion G above) maintain sufficient levels of oversight, control, and accountability over government operations and federally funded projects and tasks. The incumbents in these positions provide corporate knowledge and technical expertise necessary to ensure that government and public interests are advanced and that government contractual obligations are fully satisfied by playing an active and informed role in areas such as contract administration and evaluation. This includes civilians in staff and line functions that require current technical knowledge and on-the-job training and work experience necessary to effectively influence government decision-making and progress into positions of authority and direction (code G, above).
I	Civilian National Security or Operational Risk	This criterion is used to identify DoD civilian manpower requirements (not included under codes G and H, above) that are required to perform highly sensitive national security, intelligence or investigative work and to ensure a ready and government controlled source of technical competence in operations necessary to the effectiveness of military combat and other more specialized operations.
J	Executive Order, Law, Treaty or International Agreement	DoD Components shall designate non-core manpower with code J when they are needed to satisfy a specific provision of law, Executive Order, treaty, or International Agreement, but the work could be considered for private sector performance.

REASON CODES (RSC)		
RSC	SHORT TITLE	ABBREVIATED DEFINITION
L	DoD Management Determination	DoD Components shall designate non-core military and civilian manpower with code L when: The non-core manpower requirements have been exempted from cost comparison or direct conversion to private sector performance by a DoD official that exercises management authority over a functional area. Includes non-core civilian manpower when activity under review includes military manpower and the work performed by the civilians is not severable. This authority shall not be delegated below the Assistant Secretary or equivalent level. The DoD Component's contracting officer (or, other appropriate official) can demonstrate (pursuant to DoD Instruction 4100.33, reference (k)) that, when reviewing contract sources: (a) Contract service quality or prices were unreasonable; (b) No satisfactory commercial source was capable of providing the services based on market research or lack of a response to Commerce Business Daily announcements; or, (a) The use of such a commercial source would cause an unacceptable delay or disruption of an essential program. This criterion should include military manpower only when: (1) the work requires unusual working conditions that are not compatible with civilian employment and that cannot be made a "condition of employment" for recruitment of civilians; (2) the work is at locations where skilled civilians are not available; or, (3) civilians cannot be hired and cost effectively trained to perform the work. This manpower is considered non-core because the work is commercial in nature and does not qualify as either "military essential" or "civilian essential." This manpower is coded L to indicate that it has been restricted from, but should be periodically reconsidered for private sector performance based on the availability of an acceptable commercial source.
M	Based on Cost Comparison	DoD Components shall designate non-core manpower with code M when a contracting officer has determined within the last 5 years that DoD civilians (or, in certain situations, DoD military) perform the work in a more cost effective fashion (based on the results of a cost comparison study) or provide required levels of service at fair and reasonable prices (based on the results of a commander's review). This criterion should include military manpower only when: (1) the work requires unusual working conditions that are not compatible with civilian employment and that cannot be made a "condition of employment" for recruitment of civilians; (2) the work is at locations where skilled civilians are not available; or, (3) civilians cannot be hired and cost effectively trained to perform the work. In such situations, the cost comparison shall include the costs of the military manpower according to the guidance in this Instruction.
N	Pending Contract Award	DoD Components shall designate non-core civilian or military manpower that is in the process of being converted to contract support based on the results of a cost comparison study or commander's review with code N.
O	Pending Cost Comparison Results	DoD Components shall designate all non-core DoD military or civilian manpower performing work that is pending the results of an active cost comparison study or commander's review with code O.
P	Pending Restructuring Decision	DoD Components shall designate all non-core DoD military or civilian manpower performing work in a function that has been deferred from a cost comparison study or direct conversion to contract performance, pending the results of a force restructuring decision with code P. (Restructuring initiatives include official requests for approval of base closure, realignment, or consolidation actions).
Q	Based on Terminated Cost Comparison	DoD Components shall designate non-core DoD military or civilian manpower performing work in a function where a cost comparison study was initiated but exceeded legislatively-prescribed time completion constraints and was, subsequently, terminated with code Q. (This code cannot be used in two consecutive years.)
R	Subject to Review	DoD Components shall designate non-core DoD military or civilian manpower performing work that is commercial in nature and has not yet been subject to a cost comparison study or direct conversion to contract review with code R.
S	Converted From Contract Based on Cost Comparison	Converted to in house from contract performance based on Cost Comparison.
NOTE: This list contains abbreviated code definitions and is intended to be used as a guide. It is not to be used in isolation of annual instructions issued by the HQ USAF/XPM.		

Figure 3.3. Installation and Command Inherently Governmental/Commercial Activities Inventory Reporting Format.

MEMORANDUM FOR AFMIA/MIC

FROM: **(Command/XPM)**

SUBJECT: FY(**XX**) Inherently Governmental/Commercial Activities (IGCA) Inventory and Review Schedule Report, RCS: DD-A&T(A)1540

1. I certify that **(command)** IGCA Inventory is current and accurate as of the August end-of-month Manpower Data System (MDS) file for both in-house and contracted activities. This Inventory includes the results of this FY's Air Force IGCA Review. Contract manpower equivalents (CMEs) are accurate and up to date.
2. This year's AF IGCA Inventory reflects major changes compared to last year's report, which are itemized and explained at [Attachment 1](#).

OR--

2. This year's AF IGCA Inventory does not reflect any major changes over last year's report.
3. Our POC is **(rank, name, office symbol, DSN, FAX, e-mail address)**.

Command XPM Signature

Attachment:

Major Air Force IGCA Inventory Changes

Chapter 4

AIR FORCE INHERENTLY GOVERNMENTAL/COMMERCIAL ACTIVITIES REVIEW

4.1. Third Step in Commercial Activities Program. This chapter provides policy and policy implementation for conducting the AF IGCA Review to (1) determine the compelling reason for in-house performance, (2) identify potential candidates for cost comparison or direct conversion, and (3) validate the CMEs for existing contracts. **Figure 4.1.** provides a recommended sequence of actions for completing this step and updating the AF IGCA Inventory to reflect the results of the review.

4.2. Policy.

4.2.1. Commands will review all in-house activities (to include inherently Governmental functions) based on a five-year review schedule as approved by their commander. Commands are encouraged to review contracted activities annually to ensure continued cost effectiveness.

4.2.2. Commands will use policy implementation in this chapter to conduct their reviews.

4.2.3. Commands may perform reviews more frequently than provided for by the five-year review schedule.

4.2.4. A cost comparison or direct conversion will be accomplished on in-house CAs that are not military essential, where the workload is separable, and when not prohibited by law, executive order, treaty, or international agreement.

4.3. Policy Implementation.

4.3.1. Commands, together with installation commanders, are responsible for the AF IGCA Review.

4.3.2. Command Five-Year IGCA Review Schedule.

4.3.2.1. Commands will review 100% of their in-house activities at least once every five years. The methodology for developing a Command Five-Year Review Schedule follows:

4.3.2.1.1. Commands that own installations will establish a schedule to review all activities at 20% of their installations each year (excluding their tenant organizations). For example, if a command owns ten installations, then each year all in-house activities at two installations are scheduled for review.

4.3.2.1.2. Commands that do not own installations or commands with tenants will establish a schedule that reviews at least 20% of their in-house activities each year in order to complete a 100% review within the five-year review cycle.

4.3.2.1.3. Commands are encouraged to continuously review the requirement for in-house performance of in-house activities to ensure cost effective and efficient operation of AF CAs. This will ensure in-house CAs that can be competed continue to be competitive with the private sector.

4.3.3. Contracted CAs. Validate CMEs for all existing service contracts in accordance with **Chapter 3** of this Instruction. The accuracy of CMEs is essential to assess the percentage of the AF work force that is contracted.

4.4. Decision Criteria.

4.4.1. AF activities are performed in-house without a cost comparison based on the following:

4.4.1.1. Inherently Governmental Activities. These are activities that meet the criteria established in **Chapter 2** of this Instruction. These activities are coded with Reason Codes A, C, G, and H (as appropriate) by applying the guidance in **Chapter 3** of this Instruction.

4.4.1.2. Exempt or Restricted From Competition. These are activities that perform a military or civilian essential in-house activity and are coded with reason codes B, D, E, F, I, J, K, or L (as appropriate) by applying the guidance in **Chapter 3** of this Instruction.

4.4.2. AF activities subject to competition (i.e., cost comparison, direct conversion) are performed in-house based on the reasons defined by Reason Codes M through S in **Figure 3.1**, and as outlined in **Chapter 3** of this Instruction. Activities designated with the reason codes P through R must be scheduled for competition (as appropriate) at the earliest possible date. Activities designed with Reason Codes M or S must be scheduled for recompetition after five years or after completion of all performance years in competitions exceeding five years unless otherwise approved HQ USAF/XPMR per **Chapter 19** of this Instruction.

4.5. Military Essentiality.

4.5.1. AFDPD 38-2, *Manpower*, establishes AF policy on the appropriate distribution of manpower resources essential to support national strategic objectives.

4.5.2. AFI 38-204, *Programming USAF Manpower*, defines military essential positions as “positions that directly contribute to prosecution of war (combat or direct combat support), exercise Uniform Code of Military Justice authority, are required by law, are military due to custom or tradition, are needed for overseas rotations, or require a skill not available in civilian resources. Other workloads are not military essential and should be performed by in-service civilians or contract services.” **Chapter 11** of this Instruction provides the exception for including military in MEOs but these military do not fall into the category of military essential.

4.5.3. The use of military resources for other than military essential reasons causes an unnecessary expense to the AF budget which reduces funding for high priority AF programs. Even though the military pay expense (Appropriation 3500) is not visible in their budgets, commands and installations are ultimately responsible for ensuring military personnel are only utilized against military essential requirements, unless justified under the procedures established in **Chapter 11** of this Instruction for including military in an MEO.

4.5.4. Application of the military essential criterion for AF IGCA Reviews is made considering the wartime and peacetime duties of the specific positions rather than in terms of broad functions. A CA, staffed with military essential personnel, may be retained in-house when one of the following criteria applies: military combat, military unique knowledge and skills, military combat augmentation, military image and esprit de corps, military rotation, or military career progression (**Chapter 3** of this Instruction).

4.5.5. Commands will give priority to consolidating the maximum number of military essential positions into the minimum number of organizations consistent with military requirements thus ensuring the maximum number of CAs for competition. It is inconsistent with OMB, DoD, or AF policy to dis-

burse military essential positions throughout a command for the purpose of excluding CAs from competition.

4.6. Firefighter and Security Guard Functions.

4.6.1. Statutory Prohibition on Contracting for Firefighter and Security Guard Functions. Both military and civilian fire fighting and security guard functions are retained in-house. The AF is prohibited by 10 USC 2465 from contracting fire fighting and security guard functions. This prohibition does not apply to:

4.6.1.1. Locations outside the United States (including its commonwealths, territories and possessions) at which military personnel would be used for performance of duties at the expense of unit readiness.

4.6.1.2. Government-owned but privately operated installation, i.e., no military presence exists on the Government owned installation.

4.6.1.3. A function under contract on or before September 24, 1983.

4.6.2. The statutory prohibition does not:

4.6.2.1. Preclude military to civilian conversions or vice versa.

4.6.2.2. Exclude these functions from the AF IGCA Inventory and AF IGCA Reviews.

4.6.2.3. Prevent conversions from contract to in-house based on a cost comparison (**Chapter 6** of this Instruction) or mission change (**Chapter 15** of this Instruction).

4.6.2.4. Apply to the following specific Security Force Activities:

4.6.2.4.1. Animal Control

4.6.2.4.2. Visitor Information Services

4.6.2.4.3. Vehicle Impoundment

4.6.2.4.4. Registration Functions

4.7. Core Logistics.

4.7.1. Core logistics capabilities. Core logistics capabilities identified by the Secretary of Defense must be government owned and government operated (this includes government personnel, equipment & facilities) unless the Secretary of Defense grants a waiver as provided in 10 USC 2464.

4.7.2. Depot maintenance activities. This Instruction and OMBC A-76 do not apply when determining a change in performance of depot level maintenance workload, valued at \$3 million or more, from a Department of Defense depot level activity to performance by a contractor or another DoD activity as provided in 10 USC 2469. Installation support functions provided to depot maintenance activities under host tenant support agreements are covered by this Instruction. All depot maintenance functions, support or otherwise, must comply with **Chapter 3** of this Instruction.

4.8. National Intelligence. Before making a determination that a commercial activity involving the collecting, processing, producing, or disseminating of national intelligence as prescribed by Executive Order 12333 is to be cost compared or directly converted to contract, the command is to specifically identify the risks to national intelligence of using commercial sources.

4.8.1. The command provides its risk assessment to HQ USAF/XOI and HQ USAF/XPM. A risk assessment is forwarded to the Director, Defense Intelligence Agency (DIA), who determines if the risk to national intelligence permits conducting the cost comparison or direct conversion. This DIA determination is required prior to or as part of the HQ USAF candidate approval process.

4.8.2. The type of funding, e.g., General Defense Intelligence Program (GDIP), does not exclude CAs from the requirements of this Instruction.

4.9. Reporting Requirements.

4.9.1. Installation servicing manpower and organization offices annually send an AF Form 4251, Inherently Governmental/Commercial Activities Review Decision Supporting Rationale (**Figure 4.2.**), to their command by the due date established by their command. Supporting rationale for the review decisions is documented using the format at **Figure 4.2.** and retained by the servicing manpower and organization office until superseded by the next review. This supporting rationale will be available for review by commands and/or HQ USAF (if required). For completed reviews, state:

4.9.1.1. The review results were approved by the installation commander.

4.9.1.2. Documented rationale for review decisions is on file.

4.9.1.3. The review results are reflected in the AF IGCA Inventory in the MDS for the reporting FY.

4.9.2. Commands certify the completeness and accuracy of their review using the format at **Figure 4.3.** to HQ USAF/XPMR and AFMIA/MIC by 1 August of the reporting fiscal year.

4.10. Nomination of Candidates. MAJCOM/FOA/DRU commanders have the authority to nominate candidates for cost comparison or direct conversion to contract. These nominations are sent to HQ USAF/XPM for staffing and approval by HQ USAF/XPM in accordance with **Chapter 5** of this Instruction and must be handled as "For Official Use Only."

Figure 4.1. Steps For Inherently Governmental/Commercial Activities Review and Inventory.**Sequence Of Actions For The Air Force inherently governmental/Commercial Activities (IGCA) Review And Inventory**

This attachment provides the sequence of actions for updating and recording the results of the AF IGCA Review in the AF IGCA Inventory, and submitting required reports.

Step 1, Update AF IGCA Inventory. In accordance with **Chapter 3** of this Instruction, update the AF IGCA Inventory maintained on your MDS, as required, to account for all in-house and contract activity changes (or new requirements) that have occurred since the last update. Remember, these changes should be input as they occur.

Step 2, Review In-house Activities. In accordance with **Chapter 4** of this Instruction and the command-developed Five-Year IGCA Review Schedule, review activities scheduled for the reporting FY. This review should be performed to justify continued in-house performance of AF activities or identify them as candidates for cost comparison or direct conversion. Ensure existing MEOs are reviewed in compliance with **Chapter 4** of this Instruction. Document review results using **Figure 4.2**.

Step 3, Obtain Commander's Approval. Brief and obtain commander's approval on the results of the review. Document commander's decision using the supporting rationale format at AF Form 4251 (**Figure 4.2**).

Step 4, Update AF IGCA Inventory To Reflect Review Decisions. Update the AF IGCA Inventory maintained on the MDS, as required, to reflect the commander's IGCA Review decisions. Ensure the update is entered into the MDS not later than the FY's August end-of-month update.

Step 5, Submit IGCA Review Certification. Commands certify that they have completed their annual IGCA Review in accordance with the requirements in **Chapter 4** of this Instruction to HQ USAF/XPMR and AFMIA/MIC by 1 August of the reporting FY. The format for this certification is at AF Form 4251 (**Figure 4.3**).

Step 6, Submit AF IGCA Inventory Report. Commands submit the Commercial Activities Inventory And Review Schedule Report RCS: DD-A&T(A)1540 as required by **Chapter 3** of this Instruction by 1 September of the reporting FY to AFMIA/MIC.

Step 7, File and Retain All Documentation Associated With The Review. The servicing manpower and organization office keeps all documentation associated with the review until superseded by another review.

Figure 4.2. Inherently Governmental/Commercial Activities Review Decision Supporting Rationale.

FOR OFFICIAL USE ONLY

Unclassified Sample

**FY XX inherently governmental/commercial activities Review Decision
Supporting Rationale**

COMMAND:

INSTALLATION:

FUNCTION:

Activity Name:

Location:

AF Functional Account Code(s):

DoD Function Code(s):

Brief Description of Activity:

Manpower Authorized

Officer: _____ Enlisted: _____ Military Total: _____ Civilian: _____ Total: _____

Military Essentiality Statement (when applicable):

Statement For Reason For Retaining Activity In-house (when applicable): (Add continuation page, if required.)

Recommendation: *(Place check mark in appropriate space and provide explanation.)*

- (1) **Retain Activity In-House:** *(Provide reason)*
- (2) **Schedule For:** *(Enter FY in one of the following)*

Cost Comparison: _____

Direct Conversion: _____

Additional Comments (if appropriate):

Commander Briefed on Review Results and Concurs. _____ (Insert date)

Functional OPR Signature/Date:

Typed Name/Grade/Title:

Servicing Manpower and Organization Officer Signature/Date:

Typed Name/Grade/Title:

FOR OFFICIAL USE ONLY

Unclassified Sample

Figure 4.3. FY Inherently Governmental/Commercial Activities Review Reporting Format.

FOR OFFICIAL USE ONLY

(Unclassified Sample)

**INHERENTLY GOVERNMENTAL/COMMERCIAL ACTIVITIES REVIEW REPORTING
FORMAT**

MEMORANDUM FOR HQ USAF/XPMR

AFMIA/MIC

FROM: **(Command/XPM)**

SUBJECT: FY(**XX**) Air Force Inherently Governmental/Commercial Activities (IGCA) Review

1. I certify that a thorough and accurate review of our command's activities has been completed in accordance with our Command IGCA Review Schedule. Review decisions were approved by the commander(s) [**or their designated official(s)**] and supporting rationale is on file at the installation (**or command**). The review results will be reflected in the August end-of-month Manpower Data System File thus ensuring our command's Air Force Inherently Governmental/Commercial Activities Inventory is accurate and up to date.

2. Our POC is (**rank, name, office symbol, DSN, FAX, e-mail address**).

Command XPM Signature

FOR OFFICIAL USE ONLY

Chapter 5

CANDIDATE NOMINATION PROCESS

5.1. General. This chapter provides policy and policy implementation for commands to nominate, change, or cancel a standard cost comparison, streamlined cost comparison, contract cost comparison or direct conversion for HQ USAF/XPM approval (applies to in-house or contract CAs).

5.2. Policy.

5.2.1. Final Approval Authority. HQ USAF/XPM approval is required for all cost comparisons and direct conversions prior to proceeding with public announcement or beginning any cost comparison or direct conversion. HQ USAF/XPM approval is required for all revisions to the initial candidate submission (i.e., changes in authorizations, scope, type; withdrawal; cancellation; delays; etc.). This approval must be received prior to modification of the A-76 initiative. The HQ USAF/XPM approval process is the same for initial candidate submissions, changes to approved initiatives, and cancellations of initiatives. HQ USAF/XPM approval of candidates reflects a HQ USAF coordinated response.

5.2.2. Command-level Approval Authority For Candidates. The command CV signs the initial candidate submission and any revision to this candidate submission (i.e., changes in authorizations, scope, type; withdrawal; cancellation; delays, etc.) to HQ USAF/XP. The command CV may delegate this authority to the command XP who submits it to HQ USAF/XPM. Delegation lower than the command XP is not permitted. All correspondence regarding candidates will reflect a command position and must have functional coordination, as a minimum.

5.2.3. Release of Candidate Information Prior to HQ USAF/XPM Approval. Due to the sensitivity of A-76 initiatives on potentially affected civilian employees, their representative labor organizations, private sector contractors, and Congress, it is essential that potential A-76 candidates or those submitted to HQ USAF/XPM for approval be considered sensitive information. Candidates are marked "For Official Use Only" and no details relative to the candidate may be released **until** after public announcement unless approved by HQ USAF. Determination of specific candidates is a management decision and candidate specific information is not releasable outside the AF until final HQ USAF/XPM approval is received. Prior to candidate submission to HQ USAF, it is permissible for commands to perform preliminary analyses in order to package and formalize a candidate. Upon public announcement, this information is no longer considered "For Official Use Only". Authority for withholding candidate information (prior to public announcement) is FOIA exemption 3 or 5.

5.2.4. Public Announcement. Public announcement of any A-76 initiatives is made only after the command receives HQ USAF/XPM approval. At this time, the commander must first make a public announcement to the directly affected civilian employees and their representatives. If a press release or other form of public announcement is desired, these must be made after the employees and their representatives, as well as directly affected military, are notified. This applies to all initiatives regardless of whether congressional notification is required. Commands must make this formal public announcement and begin the initiative within five working days of the HQ USAF/XPM approval date or submit a cancellation request in accordance with this Instruction. As determined by the command, formal announcement may be made at the command level, installation level, or concurrently at both levels.

5.2.5. Congressional Notification. Congressional notification is required for cost comparisons with more than 50 civilian Appropriated Fund employees (10 USC 2461) or for any multi-function cost comparison that includes Contractor-Operated Civil Engineering Supply Stores (COCESS) (PL 105-261 Section 345). (For multi-function cost comparisons with COCESS, AF must include rationale for including COCESS and a projected savings estimated in the congressional notification.) This congressional notification is made by SAF/LLP after HQ USAF/XPM approval and prior to any public announcement. An example of this congressional notification letter is provided at [Figure 5.4](#). Congressional notification is not normally required for cost comparisons with 50 or fewer civilian employees, for cost comparisons where conversion will be to an NAO firm, for direct conversions, or for cancellation of a CA initiative. However, HQ USAF may determine to make congressional notification of any initiative due to congressional interest or political sensitivity.

5.2.6. Submitting Candidates. Initial cost comparison and direct conversion submissions reflect a command CC's position and must have complete command coordination (to include, as a minimum, the functional OPR, the Director of Manpower and Organization, as well as Contracting and Personnel) and must include accurate manpower detail. Initial A-76 candidate submissions will be submitted using RCS: HAF-XPM(AR) 9401, Memorandum of Intent to Cost Compare or Directly Convert a Commercial Activity ([Figure 5.1](#)). This form will be used for cost comparisons of in-house or contracted activities, as well as direct conversions. No deviations from this format are permitted or the candidate will be returned to the command for reaccomplishment. The activity title in the subject line of the RCS: HAF-XPM(AR) 9401 memorandum must be consistent with an appropriate USAF Project Title reflected in CAMIS Table 1 ([Attachment 6](#)). To ensure tracking and accountability, the initiative project title on the RCS: HAF-XPM(AR) 9401 memorandum must be the same title the command will use for the CAMIS record.

5.2.7. Approving Candidates. HQ USAF/XPMR analyzes and develops the HQ USAF candidate-staffing package within approximately 14 calendar days of receipt from the command. HQ USAF functional OPR coordination is provided to HQ USAF/XPM within 14 calendar days of receiving the candidate-staffing package. HQ USAF/XPM will approve candidates within 30 calendar days and will be signed by HQ USAF/XPM. If longer is required, an interim response (with the reason for the delay) will be provided to the command within 30 calendar days.

5.2.8. Disapproving Candidates. If a HQ USAF functional OPR nonconcurs on either the entire or a portion of the candidate, written justification is provided from the functional two-digit to HQ USAF/XP within 14 calendar days of receiving the candidate staffing package. If HQ USAF/XPM agrees with the nonconcurrence, HQ USAF/XPM signs the disapproval memorandum and attaches the functional nonconcurrence and forwards to the command. If HQ USAF/XPM disagrees with the nonconcurrence, the candidate is forwarded to HQ USAF/XP for a decision. HQ USAF/XP may then elect to forward to HQ USAF/CV for decision. An AF/ILV nonconcurrence regarding NAF issues will be accepted by AF/XPM. If AF/XPM disagrees with this nonconcurrence, the candidate will be forwarded to HQ USAF/CV for a decision. These nonconcurrences are likely to take more than 30 calendar days; therefore, HQ USAF/XPMR will provide commands with a written interim response stating the reason for the delay and that a nonconcurrence is being staffed for final decision.

5.2.9. Changes To Candidates/Initiatives.

5.2.9.1. Candidates Submitted But Not Yet Approved by HQ USAF. Changes are not permitted during the HQ USAF staffing of initial candidate submissions. Commands may withdraw a candidate to make modifications and then resubmit as a new candidate at a later date with a new cover

letter. If HQ USAF notes errors in the package during staffing (or if the cover letter is not signed at the appropriate level), the command candidate submission will be returned to the command for correction and resubmission. If a HQ USAF functional OPR indicates the candidate was submitted without the command functional coordination or with erroneous/incomplete data, the functional OPR (three-digit level) will identify the problem and return the candidate submission to HQ USAF/XPM with a written rationale describing why there are errors or incomplete data. HQ USAF/XPMR will not hold candidates in order for commands to correct data in the candidate submission.

5.2.9.2. Initiatives Already Approved By HQ USAF. Changes to approved initiatives must also reflect a command position. Changes may include changes in scope, authorizations, initiative type, etc. Submissions must include the approved A-76 Manpower Detail (Excel Spreadsheet) with the requested changes noted in separate columns (to reflect what specific changes are being requested). Changing the type of initiative from a cost comparison to a direct conversion or changing the completion FY, negatively impacts programmed savings and may create a bill for the AF.

5.2.9.2.1. Directly affected employees and their representatives as well as directly affected military will be notified of the change from a cost comparison to direct conversion as soon as possible after HQ USAF approval.

5.2.9.2.2. If a revision to the type of initiative is approved, the completion date milestone will not be adjusted. If changing from a multi-function to single-function cost comparison, the cost comparison milestones must be adjusted to reflect the two-year statutory requirement for completion (**Chapter 6** of this Instruction).

5.3. Policy Implementation.

5.3.1. Command Responsibilities.

5.3.1.1. Command Notifies HQ USAF. A command submits an A-76 candidate to HQ USAF/XPM using the format at **Figure 5.1.** and in compliance with the policies stated in this chapter. Commands may fax this memo to speed processing but the hard copy (with attachments) must be mailed to HQ USAF/XPMR and AFMIA/MIC. After faxing the memo, commands are not permitted to make changes to the candidate submission. The A-76 Candidate Manpower Detail required by **Figure 5.1.** must be submitted as an Excel spreadsheet (**Figure 5.2.**). This spreadsheet and the A-76 Candidate Synopsis (**Figure 5.3.**) are to be e-mailed to HQ USAF/XPMR. No changes, verbal or otherwise, are permitted until after HQ USAF/XPM staffing has been completed and the candidate has been approved.

5.3.1.2. Command Request for Changes to HQ USAF Approved Initiatives. A command submits the request using the format at **Figure 5.5.** Written requests not submitted in the correct format may be returned to the command for correction. No modifications are permitted until the requested change has been staffed.

5.3.1.3. Command Request For Cancellation of HQ USAF Approved Initiatives. A command submits the request using the format at **Figure 5.6.** No verbal cancellations of initiatives are permitted. Written cancellations not submitted in the correct format may be returned to the command for correction.

5.3.1.4. For Candidates Requiring Congressional Notification.

5.3.1.4.1. After being notified by HQ USAF/XPMR, the command XPM notifies the command CV (or designee) of the date and time that written congressional notification will be made. The command CV (or designee) should verbally contact the impacted congressional delegation (either member(s) or staff) to inform them of the pending written congressional notification and provide a brief explanation of the initiative (the A-76 Candidate Synopsis ([Figure 5.3.](#)) or similar language can be used). SAF/LLP notifies HQ USAF/XPMR immediately after the actual written congressional notification has been hand delivered. HQ USAF/XPMR immediately e-mails or faxes the command/XPM with the actual date and time the written congressional notification was made. In some cases, SAF/LLP may work directly with a command on congressional notifications.

5.3.1.4.2. COCESS: The FY99 Authorization Act, Section 345, requires special congressional notification when a multi-function A-76 initiative includes a COCESS. Commands are required to provide rationale explaining why a combined competition or contract is the best method to achieve cost savings as well as the estimated savings for the multi-function cost comparison. The statute requires GAO to review this rationale and provide a briefing to Congress to substantiate the rationale and cost savings and efficiencies. The cost comparison may continue concurrently with GAO's review; however, a cost comparison decision may not be determined until GAO has completed this review.

5.3.1.5. Public Announcement.

5.3.1.5.1. The date of the HQ USAF/XPM approval memo starts the clock on the congressional time limits (i.e., two years for single-function initiatives and four years for multi-function initiatives). If public announcement is made after the date of the HQ USAF/XPM approval memo, the time between approval and public announcement counts toward this congressional time limit.

5.3.1.5.2. Following HQ USAF/XPM approval, the commander first makes a public announcement to the directly affected employees and their representatives as well as any directly affected military. It is advisable that representatives from civilian and military personnel, contracting, financial management, staff judge advocate, civil engineering, any affected incumbent contractors, etc., also be included in this notification. For contract cost comparisons or if a portion of the workload is contracted, it is recommended that a public announcement also be made to the incumbent contractor(s). An example of the recommended official public announcement is provided at [Figure 5.7.](#)

5.3.1.6. CAMIS. CAMIS records are not created nor are any adjustments to announced numbers permitted until after HQ USAF/XPM approval is received by the command ([Attachment 6](#)).

5.3.1.7. MDS Coding. All authorizations identified in an announced initiative are coded "R" in the MES column of the MDS and no reductions are permitted in this CA until completion of the initiative. R-coding is not permitted until after HQ USAF/XPM approves an A-76 initiative.

5.3.1.8. Begin The Cost Comparison. The CSMSG forms and the cost comparison begins.

5.3.2. HQ USAF Responsibilities.

5.3.2.1. HQ USAF/XPMR reviews, develops and staffs a command's submission (initial candidate submission or changes/cancellations of initiatives) for HQ USAF approval and, when appropriate, congressional notification. HQ USAF/XPMR coordinates the candidate with the functional

OPR(s). At a minimum, information copies are provided to SAF/AQCO and HQ USAF/DPF/XPMP/XPMS, as well as other interested HQ USAF offices. Commands are provided a written response (approval, disapproval, or interim response) from HQ USAF within 30 calendar days.

5.3.2.2. After HQ USAF/XPMR reviews the candidate package and begins the staffing process, HQ USAF/XPMR e-mails the A-76 Candidate Synopsis to SAF/OSX/FM/LL/MI/PA/FML/LLP/SBO and HQ USAF/CCX/XP/XPM to ensure current status of the initiative is available to these offices. HQ USAF/XPMR will notify these offices via e-mail as soon as HQ USAF/XPM approval or disapproval is finalized.

5.3.2.3. For Initiatives Not Requiring Congressional Notification. HQ USAF/XPMR will fax a copy of the HQ USAF/XPM approval memo to the command XPM as soon as HQ USAF coordination is complete and mail the original. A copy is provided to the HQ USAF functional OPR and AFMIA/MIC.

5.3.2.4. For Initiatives Requiring Congressional Notification.

5.3.2.4.1. The timing for candidates requiring congressional notification is at the discretion of SAF/US as advised by SAF/LLP, SAF/MI, and HQ USAF/XPM. Normally, congressional notifications do not occur while Congress is in recess.

5.3.2.4.2. SAF/LLP prepares notification letters to the appropriate congressional members after HQ USAF/XPM has approved the candidate. SAF/LLP notifies HQ USAF/XPMR of the date and time congressional notification letters will be hand delivered to Congress. HQ USAF/XPMR then provides an A-76 Candidate Synopsis update to SAF/OSX/MI/FM/LL/PA/FML/LLP/SBO and HQ USAF/CCX/XP/XPM via e-mail of the date and time of the notification.

5.3.2.4.3. SAF/LLP notifies HQ USAF/XPMR immediately after the actual congressional notification has been hand delivered. HQ USAF/XPMR immediately e-mails or faxes the command/XPM providing the date and time notification was made. HQ USAF/XPMR will then mail copies of all the congressional notification letters with the HQ USAF/XPM approval memo to the command XPM (the date of this memo will be the same date Congress was notified). A copy of this package will also be provided to the HQ USAF functional OPR and AFMIA/MIC.

Figure 5.1. RCS: HAF-XPM(AR) 9401 Instructions.**FOR OFFICIAL USE ONLY****(Unclassified Example)****INSTRUCTIONS FOR PREPARING RCS: HAF-XPM(AR)9401,
Memorandum Of Intent To Cost Compare Or Directly Convert A Commercial Activity**MEMORANDUM FOR HQ USAF/XP *(or HQ USAF/XPM if from Command/XP)*FROM: COMMAND/CV *(or Command/XP if so delegated)*SUBJECT: RCS: HAF-XPM(AR) 9401, Memorandum of Intent to Compete a Commercial Activity--**Base X Activity X Standard Cost Comparison (or Streamlined Cost Comparison or Contract Cost Comparison or Direct Conversion)**

1. The **(command)/CC** has approved subject candidate which is submitted for HQ USAF approval. This submission represents a **(command)/CC** position which includes **(installation)/CC** and command functional coordination and contains accurate manpower detail. The A-76 Candidate Manpower Detail (Excel spreadsheet) at **Attachment 1** and the A-76 Candidate Synopsis at **Attachment 2** (both e-mailed on (date) to HQ USAF/XPMR and AFMIA/MIC) provides HQ USAF required data. The command has reviewed the function for conditions that could preclude HQ USAF approval and provides the following:

a. UTC Taskings: No UTC taskings exist for this candidate **(or “Existing UTC taskings will be relocated to XX AFB.”)**.

b. Critical Skills: We are unaware of any critical skills issues for this candidate to include unfavorable rotation or career progression **(or “Potential issues affecting critical skills may surface during coordination; however, our command position is XXXX.”)**.

c. Inherently Governmental: This activity is not Inherently Governmental **(or “This activity is currently designated inherently Governmental; however, our command position is (provide rationale why the activity is not considered inherently Governmental by your command.”)**

d. Functional Coordination and Comments (if any): The command functional point(s) of contact is **(rank, name, office symbol, DSN, FAX, e-mail address)** and concurs with this candidate.

e. Cost of Manpower for Existing Organization As Of Candidate Submission: \$_____. *(See Paragraph 11.3.7.3.1. of this Instruction)*

f. Contract Workload: This initiative includes **(or does not include)** contracted workload. The associated functions and CMEs are contained in the Manpower Detail Excel Spreadsheet.

g. *(For Streamlined Cost Comparisons Only)*. All criteria to conduct a streamlined cost comparison have been met in accordance with AFI 38-203, **Chapter 13**; therefore, a streamlined cost comparison will be conducted. If market research/analysis does not indicate conversion will be cost effective, the streamlined cost comparison will be canceled and a standard cost comparison will be announced.

g. *(For Direct Conversions Only)*. The **(command)/CC** certifies that this direct conversion meets the criteria in AFI 38-203, **Chapter 14**, and that the activity will not be converted to contract unless cost effectiveness is demonstrated.

h. *(For Multi-function Cost Comparison Including COCESS)*. Justification. *(See Paragraph 5.3.1.4.2. of this Instruction)*

2. Installation point of contact is **(rank, name, office symbol, DSN, FAX, e-mail address)**. Command point of contact is **(rank, name, office symbol, DSN, FAX, e-mail address)**.

Command CV (or XP) Signature

(NOTE: Cannot be delegated to a lower level)

Attachments: *(NOTE: Include copies of the following)*

1. A-76 Candidate Manpower Detail (Excel Spreadsheet)
2. A-76 Candidate Synopsis

cc:

HQ USAF Functional OPR

AFMIA/MICB

Figure 5.3. A-76 Candidate Synopsis.**A-76 CANDIDATE SYNOPSIS****STANDARD COST COMPARISON (OR STREAMLINED COST COMPARISON OR CONTRACT COST COMPARISON OR DIRECT CONVERSION)****BASE & FUNCTION(S)**

The Commander of (command) is initiating a standard cost comparison (or streamlined cost comparison or contract cost comparison or direct conversion) of (Wing, Activity(s) at base, state) in accordance with OMB Circular A-76. It impacts a total of # DoD personnel (# officers, # enlisted, # APF civilians, and # NAF FTEs). The cost comparison is expected to begin on (*Date*) and is projected to be completed by (FYXX). The Congressional District is (x) and elected officials are Senator(s) XX, and Representative(s) YY and ZZ. Congressional notification has not been made at this time.

(NOTE: Also include any political issues that may apply.)

Figure 5.4. Congressional Notification of Cost Comparison Announcement.

**CONGRESSIONAL NOTIFICATION EXAMPLE--COST COMPARISON
ANNOUNCEMENT**

SAF/LLP

1160 Air Force Pentagon

Washington, DC 20330-1160

(APPROPRIATE CONGRESSIONAL MEMBER/TITLE/ADDRESS)

Dear (Name)

This is to inform you that the Commander of (command) is initiating a (multi-function or single function or multi-location) cost comparison of the [list CA(s)] function at (installation) Air Force Base, (state). The cost comparison impacts (#) military, and (#) Appropriated Fund civilians and (#) Nonappropriated Fund civilians. Congressional notification is required when a cost comparison impacts 51 or more civilians. The estimated cost of performing this cost comparison is (dollar amount). The estimated completion date for this cost comparison is (month YYYY). Performance of this cost comparison is not the result of a decision to impose predetermined constraints or limitations on Department of Defense (DoD) employees in terms of man years, end strengths, full-time equivalent positions, or maximum number of employees.

This cost comparison will be conducted in compliance with the procedures outlined in the Office of Management and Budget Circular (OMBC) A-76, *Performance of Commercial Activities*. This Circular reaffirms the Government's policy to rely on the private sector for services. When in-house performance of commercial activities is not required for national defense reasons, a cost comparison of relative costs between in-house and contract performance will determine the most cost effective method of operation.

If the function is contracted, OMBC A-76 procedures require the contractor to offer adversely affected civilian employees the Right of First Refusal for employment openings to positions (under the contract) for which they are qualified. Since DoD is sensitive to the personal impact this action may have on civilian employees, the DoD Program for Stability of Civilian Employment ensures every effort is made to help adversely affected civilian employees who desire placement assistance. These employees are registered in the Defense-wide computerized Priority Placement Program. Registrants under this program receive placement rights to vacancies within DoD (other Federal agencies are also solicited). When adversely affected civilian employees must relocate to continue Federal employment, transportation and moving expenses are paid by the Government.

Insert COCESS paragraph when applicable: This multi-function cost comparison includes a contractor-operated civil engineering supply store (COCESS). It has been determined that including COCESS in this cost comparison will be in the best interest of the Air Force and American taxpayer. We reviewed this particular COCESS and determined it could be included in this multi-function cost comparison because (insert summarized facts that satisfy statutory criteria). We anticipate (X%) savings as a result of performing this multi-function cost comparison.

We will be glad to provide any further information you may require concerning this action.

Sincerely,

XXXX XXXX, Colonel, USAF

Chief, Programs and Legislation Division

Office of Legislative Liaison

Figure 5.5. Request for Changes to Approved A-76 Initiative.**FORMAT FOR CHANGES TO HQ USAF APPROVED A-76 INITIATIVE**

MEMORANDUM FOR HQ USAF/XP (*or HQ USAF/XPM if from Command/XP*)

FROM: (COMMAND)/CV (*or Command/XP if so delegated*)

SUBJECT: Standard Cost Comparison (or Streamlined Comparison or Contract Cost Comparison or Direct Conversion) Change Request – Activity XX at Base YY (CAMIS Project Number_____)

1. The (command)/CC requests the following changes for subject initiative which are submitted for HQ USAF approval. This submission represents a (command)/CC position which includes (installation)/CC and command functional coordination and contains accurate manpower detail. Changes are reflected on the Approved A-76 Candidate Manpower Detail (Excel spread sheet) at **Attachment 1** (also e-mailed on (date) to HQ USAF/XPMR).
2. The rationale for these changes is XXXXXX.
3. Our point of contact is (rank, name, office symbol, DSN, FAX, e-mail address).

CV (or XP) Signature

(Note: Cannot be delegated to a lower level)

Attachment:

A-76 Candidate Manpower Detail (Excel Spreadsheet)

cc:

HQ USAF Functional OPR

AFMIA/MIC

Figure 5.6. Request for Cancellation of Approved A-76 Initiative.**FORMAT FOR CANCELLATION OF HQ USAF APPROVED A-76 INITIATIVE**

MEMORANDUM FOR HQ USAF/XP (*or HQ USAF/XPM if from Command/XP*)

FROM: COMMAND/CV (*or Command/XP if so delegated*)

SUBJECT: Standard Cost Comparison (**or Streamlined Cost Comparison or Contract Cost Comparison or Direct Conversion**) Cancellation Request – Activity XX at Base YY (CAMIS Project Number_____)

1. The (command)/CC requests cancellation of subject initiative which is submitted for HQ USAF approval. This submission represents a (**command**)/CC position which includes (**wing**)/CC and command functional coordination.
2. The rationale for cancellation is XXXX.
3. Our point of contact is (**rank, name, office symbol, DSN, FAX, e-mail address**).

Command CV or XP Signature

(Note: Cannot be delegated to a lower level)

cc:

HQ USAF Functional OPR

AFMIA/MIC

Figure 5.7. Public Affairs Announcement of Cost Comparison or Direct Conversion Initial Announcement.

**PUBLIC AFFAIRS ANNOUNCEMENT
COST COMPARISON (OR DIRECT CONVERSION) INITIAL ANNOUNCEMENT
XXXX BASE XXXX FUNCTION(S)**

(EXAMPLE: BLYTHEVILLE AFB GROUNDS MAINTENANCE)

The (insert wing designation) Commander, (insert rank and name), of (insert command) has announced a cost comparison (or direct conversion) of (insert function(s)). It impacts a total of (insert number) DoD personnel (# officers, # enlisted, # civilians, and # NAF civilians). The cost comparison (or direct conversion) was announced on (insert HQ USAF approval date) and is projected to be completed by (insert month and fiscal year). (Note: For contract cost comparisons, it is recommended that a public announcement be made to inform the incumbent contractors, local community, etc.)

This cost comparison (or direct conversion) will be conducted in compliance with the Air Force policies in AFI 38-203 that implements the Office of Management and Budget (OMBC) A-76, *Performance of Commercial Activities*. This Circular reaffirms the Government's policy to rely on the private sector for products and services. When in-house performance of commercial activities is not required for national defense reasons and contracting is cost effective, conversion to contract performance is in the best interest of the American taxpayer.

(For cost comparisons, also include this paragraph) When a competition between in-house and contract performance determines contracting is more cost effective, OMBC A-76 and Federal Acquisition Regulation require the contractor to offer adversely affected civilian employees the Right of First Refusal for employment openings to positions (under the contract) for which they are qualified. Since DoD is sensitive to the personal impact this action may have on civilian employees, the DoD Program for Stability of Civilian Employment ensures every effort is made to help adversely affected civilian employees who desire placement assistance. These employees are registered in the Defense-wide computerized Priority Placement Program. Registrants under this program receive placement rights to vacancies within DoD (other Federal agencies are also solicited). When adversely affected civilian employees must relocate to continue Federal employment, transportation and moving expenses are paid by the Government.

Chapter 6

STANDARD COST COMPARISON

6.1. Fourth Step in Commercial Activities Program . This chapter describes the overall standard cost comparison process. It provides the policy and policy implementation for congressional notification of cost comparison contract decisions, cancellation of cost comparisons, and the maintenance of records associated with cost comparisons using the CAMIS. (See **Chapter 13** of this Instruction for Streamlined Cost Comparisons, and **Chapter 14** of this Instruction for Direct Conversions.)

6.2. Policy.

6.2.1. Conversions. All conversions from or to in-house, contract, or ISSA performance must be cost effective as required by statute (i.e., 10 USC 2461 and 10 USC 2462) except those determined military essential in accordance with **Chapter 15** of this Instruction.

6.2.1.1. The cost effectiveness of a conversion from in-house to contract (or contract to in-house) is determined by comparing the cost of in-house to contract/ISSA performance.

6.2.1.2. The cost comparison is performed in accordance with **Chapter 12** of this Instruction. When an activity meets certain criteria, a streamlined cost comparison can be performed in accordance with **Chapter 13** of this Instruction, or a direct conversion can be performed in accordance with **Chapter 14** of this Instruction. A standard cost comparison can be performed on any CA; however, a streamlined cost comparison or direct conversion must meet specific prerequisite requirements.

6.2.1.3. CAs Performed in Non-US States, Territories and Possessions. The requirements of **Chapter 12** of this Instruction are mandatory for all activities with more than 10 civilian employees (refer to paragraph **1.3.3** of this Instruction). Given required thresholds, the cost effectiveness of converting in-house activities with 10 or less civilian employees, regardless of the number of direct-hire non-US citizen employees, indirect-hire non-US citizen employees, NAF and/or military employees, may be demonstrated by using either standard cost comparison, streamlined cost comparison or direct conversion procedures.

6.2.2. Cost Comparisons. All cost comparisons must be:

6.2.2.1. Approved by HQ USAF/XPM before making public announcement to directly affected employees and their representatives or any directly affected military, issuing a press release or beginning the cost comparison process.

6.2.2.2. Completed within the statutory time limits of 24 months for single-function cost comparisons and 48 months for multi-function cost comparisons.

6.2.2.3. Staffed with an all-civilian work force unless otherwise approved. The decision to cost compare an activity represents a management decision that the work is not military essential; therefore, CAs retained in-house as a result of a cost comparison will be operated with civilian employees unless a waiver permits the use of military (**Chapter 11** of this Instruction).

6.2.3. Guard and Reserve. Guard and Reserve units may not compete (i.e., submit an additional government offer) for work being cost compared elsewhere in the Federal Government including active

AF activities. They do, however, have to comply with this Instruction for Guard and Reserve activities being competed (i.e., submit a government offer for their workload that is being competed).

6.2.4. Commercial Activities Management Information System (CAMIS). Commands and installations are required to provide quarterly updates of cost comparisons and direct conversions using CAMIS in compliance with Executive Order 12615, OMBC A-76, and DoDI 4100.33. CAMIS is reported to DoD via RCS: DD-A&T(Q)1542.

6.2.4.1. CAMIS is used to maintain an accurate record of CAs that are being cost compared or directly converted to contract, to track the execution of a command's Competitive Sourcing Program, and to maintain historical records of cost comparisons and direct conversions conducted since 1979.

6.2.4.2. The quarterly CAMIS report is developed and submitted in accordance with the instructions in [Attachment 6](#).

6.2.4.3. CAMIS is used by the AF and DoD to track the execution of A-76 initiatives and for management of AF and DoD CA Programs.

6.2.4.4. CAMIS is also used by various Governmental agencies, including HQ USAF, DoD, OMB, and GAO to:

6.2.4.4.1. Track and analyze the status of in-progress and completed initiatives and their associated savings.

6.2.4.4.2. Respond to congressional, Governmental, public and various other inquiries and satisfy many reporting requirements to ensure compliance with OMB, DoD, and AF policy.

6.2.4.4.3. Perform quantitative analyses of cost comparisons in order to assist management in making informed decisions on manpower utilization policies.

6.2.4.4.4. Determine an AF baseline in comparison to other Services and DoD Components by DoD or other Federal agencies and OMB, Defense Science Board, General Accounting Office (GAO), DoD(IG), AFAA, HQ USAF, and various defense contractors working for DoD or AF.

6.2.4.4.5. Make a quarterly announcement in the Federal Register of all In-progress AF initiatives to ensure maximum private sector competition. This announcement will include the initiative title, type, location, announcement date, authorizations, projected solicitation and completion dates.

6.2.4.5. CAMIS information will be made available to the public upon request under the provisions of the Freedom of Information Act.

6.2.5. Commander Responsibilities. Commanders are responsible for:

6.2.5.1. Successful and timely completion of cost comparisons within their command.

6.2.5.2. Ensuring the cost comparison process is not used to increase resources, resolve command resource shortfalls, or increase the level of service beyond the minimum needs of the AF.

6.2.5.3. Making every reasonable effort to assist adversely affected civilian employees.

6.2.5.4. Ensuring no final Reduction-in-Force (RIF) separation action will be taken until the final cost comparison decision is announced. Cost comparison milestones must be established to pro-

vide sufficient lead-time to issue RIF notices in a manner that ensures a timely transition for contract start.

6.2.5.5. Ensuring timely and accurate submission of the quarterly CAMIS report ([Attachment 6](#)).

6.2.5.6. Ensuring resources are available to implement the MEO or fund the contract. When resources are allocated by HQ USAF to fund a contract or for authorizations for contract administration or to staff an MEO, the resources are allocated to the command. The command should then reallocate the programmed resources to the appropriate installation.

6.2.6. Freedom of Information Act Considerations.

6.2.6.1. Data relative to the cost comparison (excluding CAMIS and UMD information) must be safeguarded to protect the integrity of the cost comparison process and is not releasable under the Freedom of Information Act until after the cost comparison has been completed.

6.2.6.2. Releasing the UMD. For standard cost comparisons, the UMD is releasable under FOIA unless classified.

6.2.6.3. Releasing the Management Plan. The Management Plan is releasable after completion of the cost comparison with the exception of the Technical Performance Plan (TPP) (when applicable). If the TPP will be the basis for future competitions, it may be withheld.

6.2.7. Right of First Refusal. Right of first refusal applies to adversely affected civilian employees, including U.S direct-hire civilian personnel of the Department of Defense paid from appropriated funds and serving on permanent appointments, non-appropriated fund employees, direct-hire non-US citizen employees, and indirect-hire non-US citizen employees. See paragraph [10.10](#). of this Instruction and an extract of FAR Part 52.207-3 at [Figure 10.2](#). of this Instruction. Right of first Refusal does not apply to conversions to a NIB/NISH/JWOD provider.

6.3. Cost Comparison Process.

6.3.1. The cost comparison process involves the application of processes directed by OMB Circular A-76 and its Supplemental Handbook and the FAR. An overview of the standard cost comparison process is provided at [Figure 6.2](#).

6.3.1.1. OMB Circular A-76 Cost Comparison Process Summarized. This Instruction outlines the A-76 cost comparison process as implemented in the AF. The A-76 process involves obtaining HQ USAF/XPM approval for conducting a cost comparison ([Chapter 5](#)); notifying Congress of the intent to cost compare activities with more than 50 civilian employees ([Chapter 5](#)); making a public announcement of the cost comparison to directly affected civilian employees and their representatives, directly affected military, the local community ([Chapter 5](#)), and in the Federal Register ([Chapter 6](#)); establishing a CSMSG to manage the cost comparison process ([Chapter 8](#)); developing a Management Plan ([Chapter 11](#)) to include an MEO, QASP, Transition Plan, TPP (when applicable) and Government Cost Estimate ([Chapter 12](#)); independently reviewing the Management Plan ([Chapter 16](#)); comparing Government and contract/ISSA performance costs ([Chapter 17](#)), processing administrative appeals, if any ([Chapter 18](#)); notifying Congress of decisions to convert an in-house activity to contract ([Chapter 6](#) and [Chapter 17](#)); and conducting Post-MEO Reviews ([Chapter 20](#)). An overview of this process is provided in the flow chart at [Figure 6.1](#).; however, it is not all inclusive of the requirements of this Instruction.

6.3.1.2. FAR Process. The FAR process involves developing a PWS, developing an acquisition strategy, publishing synopses of the cost comparison in the Commerce Business Daily, obtaining Department of Labor wage rates, issuing a solicitation, evaluating proposals, negotiating with contract offerors, source selection, contract award, addressing protests (if any), and contract administration. Policies and procedures for use in acquisitions subject to OMB Circular A-76 and its Supplemental Handbook are outlined in FAR Subpart 7.3, as supplemented.

6.3.2. Specific details regarding the cost comparison process are covered in this chapter and subsequent chapters.

6.4. Selected Cost Comparison Steps. This paragraph addresses policy implementation not addressed elsewhere in this Instruction.

6.4.1. Time Limits For CA Initiatives. The amount of time required to conduct a CA initiative (i.e., standard cost comparison, streamlined cost comparison, or direct conversion) is determined by specifically defined start and end dates.

6.4.1.1. Start Date. The start date for a cost comparison is the date of the HQ USAF/XPM memorandum approving the cost comparison (**Chapter 5** of this Instruction.).

6.4.1.2. End Date. For standard cost comparisons and streamlined cost comparisons, this is the date the actual comparison of costs between in-house and contract/ISSA performance is conducted. (Note: For direct conversions, the end date is the date the contractor's bid is opened or proposal selected.)

6.4.1.3. OMB and Congress have established time limits for completing single-function cost comparisons and multi-function cost comparisons. A multi-function cost comparison may be either a cost comparison of many functions performed at a single location, a multi-location cost comparison of a single function, or a multi-function cost comparison at multiple locations. Time limits criteria follow:

6.4.1.3.1. OMB Time Limits. OMB time limits only apply to standard and streamlined cost comparisons.

6.4.1.3.1.1. OMB established desirable time limits for completing cost comparisons. These are 18-months for single-function cost comparisons and 36-months for multi-function cost comparisons. If possible, milestones should be established to meet these time limits. Cost comparisons expected to exceed these time limits will not be canceled. CA initiatives must be canceled for timeliness only when they exceed the statutory time limits (see paragraph **6.4.1.3.2.** of this Instruction).

6.4.1.3.1.2. Commands will indicate in the OMB Time Limits Exceeded Comments (DE 33d) of the CAMIS database (**Attachment 6**) the problems encountered that prevented the timely completion of the cost comparison. This description will include actions taken to alleviate the problem and the current completion status of the initiative. (Note: For reporting purposes the CAMIS requirements of this paragraph also apply to direct conversions.)

6.4.1.3.2. Statutory Time Limits. Statutory time limits apply to standard cost comparisons, streamlined cost comparisons, and direct conversions.

6.4.1.3.2.1. The annual DoD Appropriations Act states that appropriated funds may not be used for cost comparisons that exceed two years for single-function initiatives and four

years for multi-function cost comparisons. When commands change the type of initiative from multi-function cost comparisons to single-function cost comparisons (or direct conversions), milestones shall be changed to reflect the two years required by law for completion. (Note: These statutory time limits also apply to direct conversions.)

6.4.1.3.2.2. Statutory time limits cannot be waived.

6.4.1.3.2.3. All participants in a CSMSG must be aware of these congressionally mandated time limits to ensure maximum emphasis is placed on timely completion of the cost comparison.

6.4.2. Cancellation of CA initiatives.

6.4.2.1. HQ USAF/XPM approval is required for cancellation of standard cost comparisons, streamlined cost comparisons and direct conversions regardless of the reason. Notification is required in accordance with **Chapter 5** of this Instruction.

6.4.2.2. When CA initiatives are canceled and later reannounced, any documentation still considered current can be reused to assist in completing either the cost comparison or direct conversion.

6.4.2.3. Cancellation actions for CA initiatives are outlined in **Figure 6.1**.

6.5. Reporting Procedures .

6.5.1. Reporting Final Decisions. An RCS: HAF-XPM(AR) 8001 memorandum (**Attachment 4**) is submitted following the steps outlined in **Chapter 17** of this Instruction.

6.5.2. Statutory Reporting Procedures. HQ USAF is required to make congressional notification of cost comparison decisions resulting in conversions from in-house to contract for activities with 11 or more Appropriated Fund civilian employees.

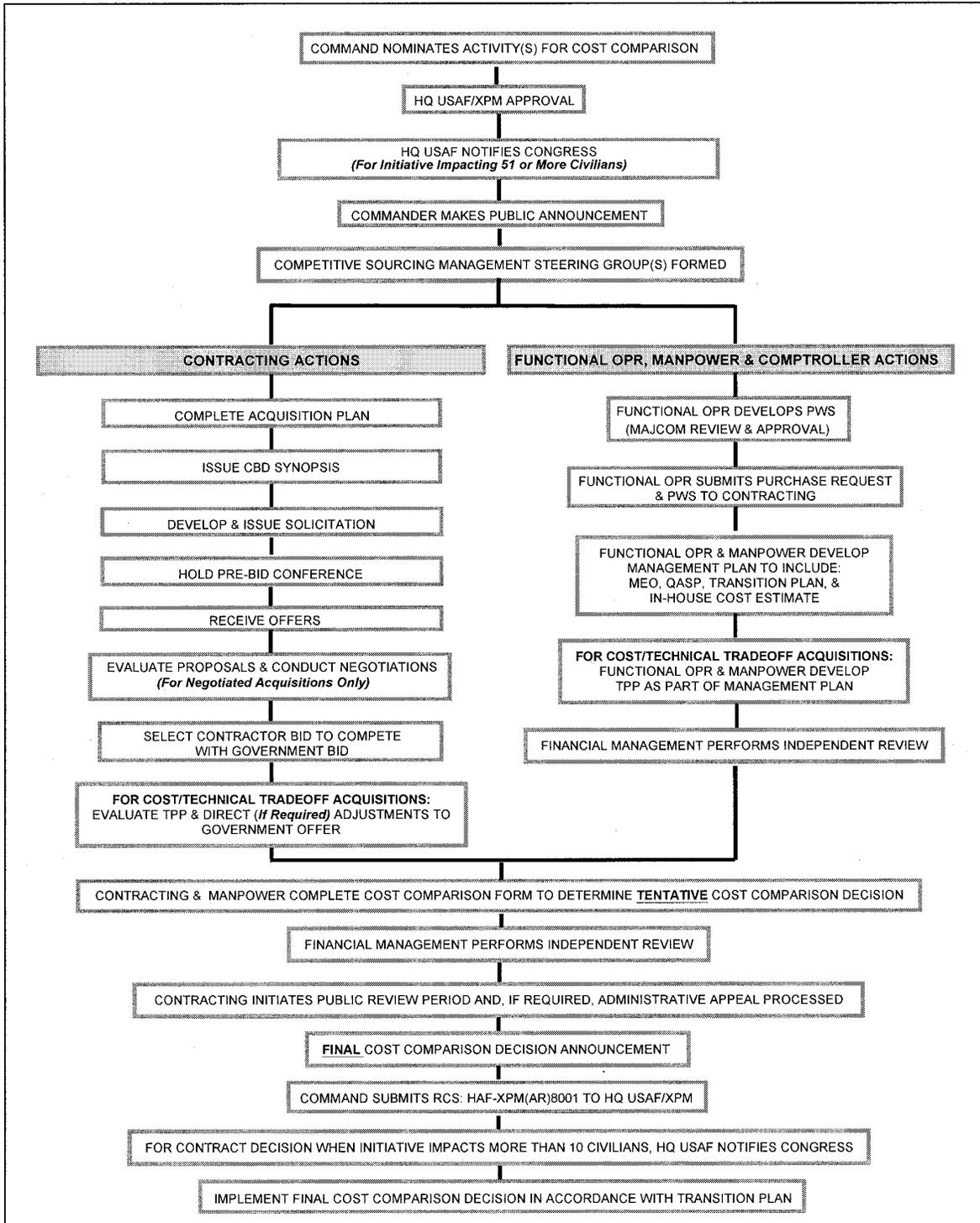
6.5.3. Documentation on actual performance (in-house, ISSA, or contract) costs is required for five years (by law) and is reported in the CAMIS reporting system (see **Attachment 6**) and maintained at the installation where the cost comparison was performed. Cost comparison documentation files must be maintained for ten years at the installation where the cost comparison was performed in accordance with 10 USC 2461.

6.5.4. Update the AF IGCA Inventory in MDS according to **Chapter 3** of this Instruction. If the cost comparison results in an in-house decision, MEO manpower authorizations are coded in the UMD with an RSC of either M or S (per **Chapter 3**) and an MES Code of "S". If the cost comparison results in a contract decision, MEO manpower authorizations are reflected as CMEs.

Figure 6.1. Cancellation of Cost Comparison or Direct Conversion.

Reason for Cancellation	Action Office	Actions Required
Initiative	Contracting	Cancel solicitation
Will or Has Exceeded Statutory Time Limits	Functional OPR & Civilian Personnel Flight	Notify directly affected civilian employees and their representatives and any directly affected military
	Installation Manpower & Organization Office	<ol style="list-style-type: none"> 1. Notify command XPM for submission to HQ USAF/XPMR for approval 2. Cancel CAMIS record upon HQ USAF/XPMR approval 3. Update the AF IGCA Inventory upon HQ USAF/XPMR approval 4. Renominate activity for competition within one year For initiatives that cannot be reannounced within one year, submit justification for the delay and a projected reannouncement date to the command XPM
	Command XPM	<ol style="list-style-type: none"> 1. Notify HQ USAF/XPM in accordance with Chapter 5 of this Instruction and state when renomination of the activity will occur 2. Notify installation manpower and organization office when approval from HQ USAF/XPMR is received 3. Renominate activity for competition within one year For initiatives that cannot be reannounced within one year, submit supporting rationale for the delay and a projected reannouncement date to HQ USAF/XPM
	HQ USAF/XPM	<ol style="list-style-type: none"> 1. Approve cancellation with functional concurrence 2. Determine if manpower reductions will be imposed based on justification provided 3. Notify command/XPM of decisions in items 1 and 2 above
Initiative Is Being Canceled for Reasons Other Than Statutory Time Limits	Installation Manpower & Organization Office	<ol style="list-style-type: none"> 1. Forward request to command/XPM for submission to HQ USAF/XPMR for approval 2. Cancel CAMIS record upon HQ USAF/XPMR approval 3. Update the AF IGCA Inventory upon HQ USAF/XPMR approval
	Command XPM	<ol style="list-style-type: none"> 1. Submit written request with rationale for approval to HQ USAF/XPM in accordance with Chapter 5 of this Instruction. 2. If approved, initiate same sequence of actions required for cancellations related to statutory time limits. However, renomination of the initiative at a later date will be per HQ USAF/XPM and command agreement
	HQ USAF/XPM	<ol style="list-style-type: none"> 1. Approve/disapprove cancellation with functional concurrence 2. Advise command of decision

Figure 6.2. Overview of Standard Cost Comparison Process.



Chapter 7

INTERSERVICE SUPPORT AGREEMENTS

7.1. General. This chapter provides AF policy and policy implementation for obtaining CAs from other Federal Agencies that are not DoD components, e.g., Veterans Administration, Federal Aviation Administration, General Services Administration, Department of Transportation, Department of Energy, etc. AF may enter into intra-service agreements with other DoD components or NAF Instrumentalities (see 10 USC 2482a) without conducting a cost comparison.

7.2. Policy.

7.2.1. References to ISSAs in this Instruction refer to agreements with or offers from non-DoD Federal agencies, state Governments, or local Governments.

7.2.2. ISSAs for inherently Governmental activities do not require cost comparisons at any time but the ISSA must stipulate that performance must be by Government employees.

7.2.3. AF will not retain, create, or expand capacity for the purpose of providing new or expanded levels of interservice support services for non-DoD Federal Agencies, unless justified by a cost comparison.

7.2.4. Under no condition, will the AF cancel or delay bid opening or contract award in order to receive an ISSA offer.

7.2.5. Cost comparison announcements published in The Commerce Business Daily and Federal Register will entertain ISSA offers as well as private sector offers.

7.3. Policy Implementation.

7.3.1. Special Considerations For ISSA Offers In Cost Comparisons.

7.3.1.1. ISSA offers submitted in cost comparisons are subject to an independent review. Prior to bid opening, the AF independent review official (IRO) will review the in-house and ISSA bids for compliance with the requirements of this Instruction and the independent review instructions in AFI 65-504, *Independent Review of Commercial Activity Cost Comparisons*.

7.3.1.2. The Source Selection Authority (SSA) evaluates the ISSA offer and contract offers to identify which offer represents the best overall value to the Government. The selected offer (i.e., ISSA or contract) then competes with the in-house offer.

7.3.1.3. AF may accept or reject the ISSA proposal as technically qualified or unqualified as appropriate. A rejection of the ISSA offer as technically unqualified is not appealable. Prospective ISSA offers that are technically acceptable will compete with the private sector offers first to determine if the ISSA offer will compete with the in-house offer.

7.3.1.4. The ISSA offeror may appeal a cost comparison decision in accordance with [Chapter 18](#) of this Instruction.

7.3.2. Other ISSA Considerations.

7.3.2.1. A Federal Agency(s) may also request the AF conduct a cost comparison on an activity for which the Federal Agency will submit an offer. The commander makes this determination and responds to the requester.

7.3.2.2. If the AF is currently obtaining a service from another Federal Agency (non-DoD), the AF may, with proper notification, terminate that relationship and convert directly to contract performance without a cost comparison.

7.3.2.3. If a Federal Agency is currently obtaining a service from the AF, the Federal Agency may, with proper notification, terminate that relationship and convert directly to contract performance without a cost comparison.

7.3.2.4. The use of excess capacity from other Federal Agencies is covered by the Federal Property and Administrative Services Act of 1949, and the Economy Act of 1932 (31 USC 1535).

Chapter 8

COMPETITIVE SOURCING MANAGEMENT STEERING GROUP

8.1. General. This chapter provides the policy and policy implementation for competitive sourcing management steering groups (CSMSG) and outlines their responsibilities. The decision to conduct a cost comparison for determining relative costs between in-house and contractor or ISSA performance has an impact on the responsibilities of many staff and functional offices. As a minimum, the CSMSG consists of representatives from the servicing manpower and organization office, servicing civilian personnel flight, servicing military personnel flight, contracting, financial management office, staff judge advocate, civil engineering, public affairs, and the functional offices of primary responsibility (OPRs). The members and advisors of CSMSGs provide data and guidance relative to their areas of expertise. Steering Group members should respond to technical requests related to their area of expertise, and identify any aspects of the cost comparison process that have an impact on the successful completion of the competition.

8.2. Policy.

8.2.1. A CSMSG will be appointed by the commander. If performed at the installation level, a CSMSG will be appointed at the installation and command level. Commands that do not own installations or do not have the capability to establish installation CSMSGs will, as a minimum, establish a CSMSG at the command level.

8.2.2. CSMSGs make decisions on behalf of management and are responsible to commanders for successful and timely completion of the cost comparison process.

8.2.3. To ensure fairness and objectivity in the cost comparison process, it is essential for commanders and CSMSG members to remain unbiased and non-judgmental regarding the cost comparison procedures or potential outcomes during a cost comparison.

8.2.4. Any requests from CSMSGs must be responded to in a timely manner.

8.3. Commander Responsibilities. The term command can apply to the MAJCOM/FOA/DRU commander as well as the installation commander depending on where or how the cost comparison process is being performed. Although not a member of the CSMSG, commanders have the following responsibilities in the cost comparison process.

8.3.1. Making public announcements of the initial announcement and final decision for the cost comparison or appointing a designated official to make the public announcement.

8.3.2. Appointing members to the CSMSG in writing and designating the chairperson. A manpower and organization officer is typically appointed chairperson; however, the commander has the option to appoint anyone deemed appropriate. In these cases, the manpower and organization officer functions as the primary advisor to the chairperson.

8.3.3. Ensuring the MEO reflects a competitive in-house organization that meets the requirements of the PWS without any preconceived outcomes.

8.3.4. Ensuring directly affected employees and their representatives are briefed on the cost comparison process and their participation in the cost comparison process is consistent with this Instruction.

8.3.5. Ensuring successful and timely completion of the cost comparison process.

8.3.6. Notifying HQ USAF/XPMR via the command, in writing, when projected milestones will cause the cost comparison process to exceed the statutory requirement of 24 months for single-function or 48 months for multi-function cost comparisons (**Chapter 6** of this Instruction).

8.3.7. Ensuring the resources (facilities, equipment, and manpower) specified in the MEO will be available to the in-house operation.

8.4. Responsibilities of the Installation Competitive Sourcing Management Steering Group. Members are responsible for making management decisions as well as establishing and meeting milestone dates for timely and successful completion of the cost comparison process. **Attachment 5** provides an example of a milestone chart. Specific member responsibilities are outlined below (this list is not intended to be all inclusive, but rather it reflects the major responsibilities normally assigned):

8.4.1. Servicing Manpower and Organization Office. As a minimum, the manpower officer will:

8.4.1.1. Chair the CSMSG, advise and remind members of assigned responsibilities, and monitor compliance with milestones. At the first CSMSG meeting, brief the CSMSG members on the importance of integrity and objectivity when conducting the cost comparison process. This requirement is to be constantly reinforced, particularly for new or replacement members attending subsequent CSMSG meetings. If the commander appoints someone other than a manpower and organization officer to chair the CSMSG, the manpower and organization officer is the primary advisor to the chairperson.

8.4.1.2. Ensure the commander, CSMSG members and advisors, as well as all directly affected civilian personnel (and their representatives), are briefed on the A-76 process, the basic steps in the cost comparison process, why the cost comparison process is being performed, and the projected milestone dates.

8.4.1.3. Provide members of the CSMSG with copies of this Instruction upon appointment and discuss their responsibilities at one of the initial CSMSG meetings to ensure everyone has a clear understanding of each of their responsibilities (as well as the responsibilities of the other members) in the cost comparison process and the importance of meeting milestones, interfacing with the CSMSG, and compliance with this Instruction.

8.4.1.4. Ensure the commander is kept informed on the progress of the cost comparison process on a monthly basis (at a minimum). This information should include bottlenecks, controversies, milestone updates, etc. For cost comparisons that may exceed the OMB or statutory time limits, it is essential that the commander be apprised early of any reasons why and provided solutions in order to make every effort to complete the cost comparison process within the time limits.

8.4.1.5. Emphasize that all information and cost data in the Management Plan will be properly safeguarded. This procedure is necessary to preserve the integrity of the cost comparison process. The contracting officer will be notified of all information requested about a function being cost compared.

8.4.1.6. Assist the commander and public affairs office in making public announcements.

8.4.1.7. Ensure authorizations being cost compared are coded with an "R" in the military essentiality code (MES) column in the MDS. This freezes all manpower authorizations in the work center being cost compared from any arbitrary reductions until the cost comparison process has been

completed. Specifically, once R-coded commands may not alter the authorization, e.g., AFSC, grade, OSC, etc. It is also essential to ensure the military and civilian personnel flights are to be informed that these positions have been R-coded and why. Military and civilian personnel issues are addressed below under servicing civilian personnel flight and servicing military personnel flight responsibilities.

8.4.1.8. Establish and maintain a CAMIS record of the cost comparison process reflecting accurate reporting requirements (see [Attachment 6](#)).

8.4.1.9. Establish procedure (before the initiative is announced) to properly capture the costs associated with performing the cost comparison process or direct conversion process. This reporting is required on a quarterly basis in accordance with CAMIS instructions ([Attachment 6](#)). It is essential to properly capture total staff hours expended (CAMIS data element 61) and the costs of conducting the cost comparison process or direct conversion process (CAMIS data element 62) that is in-progress or completed. Brief steering group members and other installation personnel participating in the cost comparison process or direct conversion process of their responsibilities for maintaining a record of their own expenditures and ensuring they are provided to the servicing manpower and organization office in a timely manner.

8.4.1.10. Notify the financial management office of the requirement for an independent review and the estimated date the review will be required.

8.4.1.11. Assist the functional OPR in preparing the purchase request (AF Form 9, Request for Purchase).

8.4.1.12. Monitor progress of the cost comparison process and notify the command if the cost comparison is projected to exceed the time limits using the procedures in [Chapter 6](#) of this Instruction.

8.4.1.13. Assist the functional OPR and servicing civilian personnel flight with interfacing with adversely affected employees impacted by the cost comparison process.

8.4.1.13.1. Ensure the functional OPR and servicing civilian personnel flight are aware of the status of the cost comparison process to ensure monthly updates are provided to the directly affected civilian employees and their representatives as well as any directly affected military.

8.4.1.13.2. Coordinate on any official correspondence being sent to employee representatives regarding the cost comparison process.

8.4.1.14. Participate in the Business Requirements Advisory Group (BRAG) to develop the acquisition strategy, PWS, and QASP, as well as to ensure the installation manpower and organization office is included on the bidders mailing list to receive any amendments to a solicitation.

8.4.1.15. Attend prebid or preproposal conference(s) to answer questions about cost comparison process policy and methodology to be followed in the cost comparison process and to receive written copies of all contractor questions and Government answers.

8.4.1.16. Develop the Management Plan with the assistance of the functional OPR and the servicing civilian personnel flight.

8.4.1.17. Assist the functional OPR in the development of the TPP (if required).

8.4.1.18. Prescribe guidance to functional personnel for input to the cost comparison process and the detail and format required for the related backup material.

8.4.1.19. Develop the Government Cost Estimate with the assistance of appropriate CSMSG representatives using COMPARE. Ensure individuals involved in the process of evaluating contractor offers or in the selection of a successful contract/ISSA offer do not participate in this process.

8.4.1.20. Ensure all cost comparison process documentation (i.e., Management Plan to include the MEO, QASP, TPP (when applicable) Government Cost Estimate, Transition Plan, and all other associated data) are properly safeguarded to prevent compromise and to preserve the integrity of the cost comparison process.

8.4.1.21. Request an independent review of the Government Cost Estimate and all associated documentation from the financial management office and establish a date, in accordance with paragraph **16.3.2.** of this Instruction, when the independent review must be completed and returned to the servicing manpower and organization office. Documentation provided for the independent review includes all applicable documentation, such as the complete solicitation package (PWS and amendments), the Management Plan (for standard cost comparisons), TPP (when appropriate), Government Cost Estimate, supporting documentation, etc.

8.4.1.22. Review all subsequent amendments to the solicitation and make any necessary changes to the Management Plan and, when appropriate, assist the functional OPR in making any necessary changes to the TPP. These as well as other required changes to the initial Government Cost Estimate are processed in accordance with **Chapter 12** of this Instruction.

8.4.1.23. Provide the signed, independently reviewed Government Cost Estimate and all backup documentation, as outlined in **Chapter 16** of this Instruction, to the contracting officer in a sealed and dated envelope prior to the date and time when contract/ISSA offers will be received (see paragraph **17.5.** of this Instruction).

8.4.1.24. Complete the COMPARE Cost Comparison Form (CCF) upon obtaining results from contracting officer of low bidder for Sealed Bid acquisition or successful offeror for Negotiated acquisition.

8.4.1.25. Obtain independent review of completed COMPARE CCF.

8.4.1.26. Provide the completed COMPARE CCF and all supporting documentation to the contracting officer.

8.4.1.27. May attend bid opening for Sealed Bid acquisitions but may not attend final source selection briefing for Negotiated acquisitions unless invited by the SSA.

8.4.1.28. Notify the functional OPR and servicing civilian personnel flight of the tentative cost comparison decision (i.e., at the time of the bid opening or at the time of public disclosure for Negotiated acquisitions) as soon as possible to provide the functional OPR and servicing civilian personnel flight with sufficient time to process the necessary personnel actions (e.g., formally advise affected employees or their representatives of the results, RIF actions, right of first refusal actions, etc.).

8.4.1.29. Ensure the AAP is performed in accordance with **Chapter 18** of this Instruction.

8.4.1.30. Comply with the notification requirements in **Chapter 6** and **Chapter 17** of this Instruction.

- 8.4.1.31. Notify servicing civilian personnel flight when a final cost comparison decision is determined.
- 8.4.1.32. Finalize the CAMIS reporting requirements ([Attachment 6](#)).
- 8.4.1.33. Update the AF IGCA Inventory in MDS according to [Chapter 3](#) of this Instruction when a final cost comparison decision is determined. If the function remains in-house, MEO manpower authorizations are coded in the UMD with an RSC code of M or S (per [Chapter 3](#) of this Instruction) and with an MES Code of "S". If the function is contracted, MEO manpower authorizations are reflected as CMEs.
- 8.4.1.34. Maintain complete files of the latest cost comparison according to AFI 37-138, *Records Disposition—Procedures and Responsibilities*. It is a statutory requirement to maintain cost comparison records for ten years at the installation where the cost comparison was performed.
- 8.4.1.35. Monitor implementation of the Transition Plan.
- 8.4.1.36. Maintain oversight of MEOs to ensure tasks outlined in the PWS are performed within resources allocated by HQ USAF/XPM as estimated in the cost comparison ([Chapter 19](#) of this Instruction). Mission and/or workload adjustments require prior modification to the PWS and, when appropriate, an update to the MDS.
- 8.4.1.37. Participate in the BRAG to obtain actual contract price at the end of each performance period for reporting in CAMIS ([Attachment 6](#)). Maintaining this cost data is a statutory requirement. The BRAG can also provide information regarding contract modifications for essentiality and the impact the additional contract price may have on the command and AF budget. Mission or workload adjustments that require modification to the PWS and, when appropriate, update to the MDS, e.g., CME data.

8.4.2. Functional OPR. The OPR, as a minimum, must:

- 8.4.2.1. Ensure cost comparison process milestones are achieved. If not, rationale will be provided to the CSMSG Chairperson for use in the monthly updates provided to the commander.
- 8.4.2.2. Develop PWS and QASP in accordance with the FAR, as supplemented, and a TPP (when required) with the assistance of the contracting office and the servicing manpower and organization office. Ensure the PWS does not include requirements that would increase an offer (including MEO costs) beyond the current available funding.
- 8.4.2.3. Not use the cost comparison process to increase resources, increase the level of service beyond the minimum needs of the AF, or resolve functional resource shortfalls.
- 8.4.2.4. Work with the CSMSG to determine, based on the results of a cost-benefit analysis conducted by financial management, whether to furnish existing Government facilities and/or equipment to the contractor. Normally, the contractor/ISSA offeror will be expected to provide the supplies and materials necessary to perform the work described in the PWS. The policy regarding contractor or ISSA use of Government provided supplies and materials is contained in FAR Part 51.101, as supplemented.
- 8.4.2.5. Assist the servicing manpower and organization office in developing the Management Plan. Review and validate the MEO to ensure costs do not exceed the current available operating cost.

- 8.4.2.5.1. Develop position descriptions, as necessary, for positions in the MEO, for classification by the servicing civilian personnel flight, development of MEO personnel costs, and for ensuring skills are specifically defined to ensure the required work force will be hired to fill the positions if in-house performance is determined.
- 8.4.2.5.2. Obtain waivers to AF directives, as required, when developing the MEO.
- 8.4.2.6. Provide written supporting data (e.g., costs) as needed by the servicing manpower and organization office.
- 8.4.2.7. Prepare and submit AF Form 813, *Request for Environmental Impact Analysis*, on the proposed conversion to contract according to AFI 32-7061, *The Environmental Impact Analysis Process*.
- 8.4.2.8. Prepare and coordinate the purchase request (AF Form 9, *Request for Purchase*) with the servicing manpower and organization office and submit it to the servicing contracting office.
- 8.4.2.8.1. If the contracting office determines the Service Contract Act applies and wage determinations are required, the number of pre-MEO positions by labor category and their Federal civil service salary/wage grade hourly rate equivalents are jointly developed with contracting and the servicing civilian personnel flight and submitted to the contracting office.
- 8.4.2.8.2. This provides the contracting office with the required information to complete and submit the Standard Form (SF) 98, *Notice of Intention to Make a Service Contract and Response to Notice*, to the Department of Labor.
- 8.4.2.9. Assist the contracting office in development of an acquisition strategy plan.
- 8.4.2.10. Ensure contractor pre-proposal site visits are conducted in a cordial and professional manner.
- 8.4.2.11. Develop Transition Plans to include milestones for converting an in-house work force to an MEO or contract performance with the assistance of the servicing manpower and organization office, servicing civilian personnel flight, and contracting office.
- 8.4.2.12. Ensure implementation of the Transition Plan.
- 8.4.2.13. Maintain the integrity of a cost comparison process upon completion of the initiative.
- 8.4.2.13.1. For contract decisions, the functional OPR ensures the contractor is performing under the requirements of the contract.
- 8.4.2.13.2. For in-house decisions, the functional OPR is responsible for meeting the requirements of the PWS within the resources established by the cost comparison process, allowing only for PWS modifications.
- 8.4.2.14. Interface with directly affected civilian employees and their representatives as well as any directly affected military during the cost comparison process. With the assistance of the members of the servicing manpower and organization office and servicing civilian personnel flight, ensure the following actions are taken:
- 8.4.2.14.1. Ensure servicing civilian personnel flight and servicing manpower and organization office coordinate on any official correspondence being sent to employee representatives regarding the cost comparison process.

8.4.2.14.2. Comply with labor relations obligations under 5 USC, Chapter 71, and ensure any applicable collective bargaining agreements or partnership responsibilities are met.

8.4.2.14.3. Notify directly affected civilian employees and their union representatives as well as directly affected military of the cost comparison (to include functions or organizations involved, estimated numbers and types of employees affected, cost comparison process policy and methodology to be followed, and timing of major events) as part the public announcement.

8.4.2.14.4. Ensure directly affected civilian employees are provided a copy of the Right of First Refusal Clause (FAR 52.207-3) (see [Figure 10.2.](#)). A copy may also be provided to any civilian employee potentially affected by the A-76 initiative and the Clause should be publicized locally (e.g., web page, base paper, etc.). (Note: The servicing staff judge advocate provides legal interpretations.)

8.4.2.14.5. Provide directly affected civilian employees and their union representatives as well as directly affected military members updates on the status of the cost comparison process at least every thirty days. These updates may be in any format or forum (e.g., town meeting, commander's call, memos, web sites, e-mails, newspaper articles, etc.). Communication is key to the success of the cost comparison process, as well as easing the emotional and physical strain on the work force.

8.4.2.14.6. Consult monthly with directly affected civilian employees and consider their views during the development and preparation of the PWS and Management Plan (10 USC 2467). Documentation on how consultations are accomplished will be retained as part of the cost comparison documentation. Employees and their representatives are an invaluable source of information to provide innovative approaches. They can be a valuable asset to ensure the requirements are well defined in the PWS and MEO as they are developed.

8.4.2.14.6.1. For directly affected civilian employees represented by unions, consultation with union representatives fulfills this requirement. Alternatively, this requirement can be met by including union representatives on the PWS or MEO development teams. (See paragraphs [9.4.5.](#) and [11.3.5.](#) of this Instruction for specific restrictions.)

8.4.2.14.6.2. For directly affected civilian employees not represented by unions, consultation may be accomplished through group meetings or by a representative(s) designated by the employees. Alternatively, this requirement can be met by including employees/representatives on the PWS or MEO development teams. (See paragraphs [9.4.5.](#) and [11.3.5.](#) of this Instruction for specific restrictions.)

8.4.2.14.6.3. Directly affected employees and their representatives must be informed when (e.g., date, point in the process, time, etc.) final management decisions will be made regarding the PWS and MEO and that these decisions are solely management's responsibility.

8.4.2.14.7. With assistance from the contracting officer, advise directly affected civilian employees and their representatives of the type of acquisition method selected (i.e., Sealed Bid, Negotiated) for competition with the private sector. Advise directly affected civilian employees and their representatives as well as directly affected military in a timely manner and explain the procedures for comparing costs, public review, administrative appeal, and final announcement as described in [Chapter 17](#) and [Chapter 18](#) of this Instruction.

8.4.2.14.8. For solicitations under Sealed Bid procedures and at least three days prior to the bid opening date, ensure directly affected civilian employees and their representatives as well as any directly affected military are notified, in writing, of the place and time of the bid opening date.

8.4.2.14.9. For Negotiated acquisitions, ensure directly affected civilian employees and their representatives as well as directly affected military are notified, in writing, of the tentative cost comparison decision as soon as it is made public.

8.4.2.14.10. Provide written notification of the tentative cost comparison decision to directly affected civilian employees and their representatives as well as directly affected military as soon as possible after the tentative decision is made. This notification will include a statement that the final cost comparison decision is dependent upon completion of the Public Review Period and AAP. This written notification may be in the form of a formal memorandum, fax, e-mail, etc. An information copy will be provided to the servicing civilian personnel flight.

8.4.2.14.11. Provide written notification of the final cost comparison decision to directly affected civilian employees and their representatives as well as directly affected military as soon as possible after the final cost comparison decision is made but before a formal final public announcement is made.

8.4.3. Contracting Office. The contracting officer, as a minimum, must:

8.4.3.1. Develop and present an Acquisition Strategy Plan as early as feasible in the cost comparison process and acquisition cycle to develop a systematic and disciplined approach toward achieving an economical and high quality result. (See FAR Part 7, as supplemented.)

8.4.3.2. Notify the CSMSG of the type of acquisition strategy to be used.

8.4.3.3. Ensure the acquisition milestones do not exceed the mandated time limits in accordance with **Chapter 6** of this Instruction.

8.4.3.4. For each cost comparison and direct conversion, maintain a list of those individuals who are authorized access to source selection information relating to that specific procurement.

8.4.3.5. Advise the functional OPR on the development of the PWS, QASP, and TPP (as appropriate).

8.4.3.6. Synopsise the proposed procurement in the Commerce Business Daily in accordance with the FAR, as supplemented.

8.4.3.7. Issue solicitation and any subsequent amendments. Provide a copy of all solicitation amendments to the CSMSG chairperson and to the servicing manpower and organization office to ensure the Government Cost Estimate is based on the same parameters as potential contract/ISSA offerors.

8.4.3.8. Ensure the Right of First Refusal clause at FAR Part 52.207-3 is included in the solicitation.

8.4.3.9. Advise the servicing manpower and organization office of the scheduled cost comparison date after selecting of the most advantageous contractor/ISSA offer.

8.4.3.10. Conduct the comparison between in-house and contractor/ISSA offers in accordance with the FAR (as supplemented) and this Instruction.

8.4.3.11. Notify the servicing manpower and organization office immediately upon receipt of a protest or an appeal.

8.4.3.12. Provide the servicing manpower and organization office a copy of the contract or amendment when the solicitation is canceled.

8.4.3.13. Make congressional notifications of contract awards through SAF/LLP (for procurements over \$5M). (See **Chapter 17** of this Instruction for appropriate timing that differs for Sealed Bid and Negotiated acquisitions.)

8.4.3.14. Assist the servicing civilian personnel flight and servicing staff judge advocate with informing adversely affected civilian employees of their Right of First Refusal.

8.4.3.15. Ensure the manpower and organization office is invited to participate on the BRAG.

8.4.3.16. The contracting officer will notify the CSMSG of any protests filed during the cost comparison or direct conversion.

8.4.4. Servicing Civilian Personnel Flight, including the Air Force Personnel Center (AFPC), as applicable. As a minimum, must:

8.4.4.1. Be involved as a key member of the CSMSG.

8.4.4.1.1. Advise the CSMSG on cost comparison process milestones required to provide sufficient lead-time to issue RIF notices in a manner that ensures a timely transition for the cost comparison decision. Cost comparison timelines will take into account RIF notification periods and effective date of separations prior to the hiring of new employees in an MEO, ISSA or contract performance to eliminate or minimize the possibility of dual payment (i.e., payment for in-house employees pending separation in addition to contract or MEO performance costs for the function that was cost compared).

8.4.4.1.2. Consider the potential impact on affirmative employment efforts throughout the cost comparison process and the conversion to contract/ISSA operation or to the MEO. Assist management in maintaining equal employment opportunity program emphasis to the maximum extent feasible.

8.4.4.1.3. Review any personnel qualification requirements specified in the draft PWS to determine the feasibility of recruiting personnel with like qualifications. The objective is to ensure that the MEO can be staffed with personnel meeting those same qualifications.

8.4.4.1.4. Participate in development of the Management Plan including the TPP (for Cost/Technical Tradeoff acquisitions) as follows:

8.4.4.1.4.1. MEO. Advise functional OPR on position management and assist the functional OPR in developing position descriptions and classifying them. Ensure skills are specifically defined to sufficiently ensure the required work force can be hired for MEO manning. Conduct labor market analysis of public sector work force availability to determine MEO staffing feasibility. Assist in the MEO development by reviewing staffing in the MEO to determine if required grades and skills can be recruited. Validate the ability of the MEO to meet staffing requirements using existing labor force analysis to determine if MEO implementation is feasible.

8.4.4.1.4.2. TPP. Review to ensure that the results of the labor market analysis have been incorporated in the civilian staffing plan.

8.4.4.1.4.3. Transition Plan. Review to ensure milestones established provide sufficient time for personnel staffing actions. Assist in the development of the Transition Plan to ensure sufficient time is permitted for the hiring or phase-in of civilian employees for MEO implementation in accordance with the Transition Plan.

8.4.4.1.4.4. Government Cost Estimate. Provide personnel costing information (e.g., annual salaries and wages, night differential pay, premium pay, recruitment costs, relocation costs, etc.). Provide information in support of the cost comparison process (e.g., civilian pay, benefits, entitlements, recruiting, relocation, retraining, etc.)

8.4.4.2. Interface with all affected civilian employees and their representatives during the cost comparison process. Assist the functional OPR and manpower and organization office as required by paragraph **8.4.2.14** of this Instruction. Ensure functional OPR and manpower and organization office coordinate on any official correspondence being sent to employee representatives regarding the cost comparison process.

8.4.4.2.1. Ensure labor relations obligations under 5 USC Chapter 71, and any applicable collective bargaining agreements or partnership responsibilities are met.

8.4.4.2.2. Identify civilian employees who will be adversely affected by the cost comparison decision.

8.4.4.2.3. Ensure employee placement entitlements are accomplished in accordance with 5 CFR, Part 351, (RIF procedures) and paragraph **10.10** of this Instruction (Right of First Refusal).

8.4.4.2.4. Ensure that adversely affected civilian employees are advised by the servicing staff judge advocate, consistent with post-employment restrictions, of their Right of First Refusal.

8.4.4.2.5. For contract/ISSA decisions, RIF congressional notifications will be made in conjunction with or after the cost comparison decision congressional notification required in **Chapter 6** and **Chapter 17** of this Instruction. For Sealed Bid acquisitions or Negotiated acquisitions, RIF separations may be effected after the final cost comparison decision. Since the timing for contract award differs for Sealed Bid and Negotiated acquisitions, it is imperative that RIF notices are issued on or after the final cost comparison decision date vice a “contract award” date. This ensures Congress is not notified of the RIF action before receiving notification of the final cost comparison decision.

8.4.4.2.5.1. For Sealed Bid acquisitions, contract award is made after the Public Review Period and the AAP is completed. Therefore, the final cost comparison decision date is consistent with the “contract award” date when RIF separations may be effected.

8.4.4.2.5.2. For Negotiated acquisitions, conditional contract award is made prior to the Public Review Period and prior to completing the AAP. When the Public Review Period and the AAP are completed, a final cost comparison decision is determined and the contractor is issued a notice to proceed. Since the final cost comparison decision date is not consistent with the “contract award” date for Negotiated acquisitions, it is imperative that RIF separations not be effected upon the “contract award date” but on or after the final cost comparison decision date.

8.4.4.3. Request congressional notification of RIF, when appropriate.

8.4.5. Servicing Military Personnel Flight including the Air Force Personnel Center (AFPC), as applicable. A representative from the servicing military personnel staff is a member of the CSMSG, when appropriate. As a minimum, this representative must:

8.4.5.1. Develop a proposed implementation plan for the systematic phase-out of affected military personnel. The plan, as a minimum, includes:

8.4.5.1.1. Milestones for conversion to MEO, contract, or ISSA operation.

8.4.5.1.2. Desired military personnel actions of affected military personnel by grade, name, social security account number, AFSC, and assignment action number.

8.4.5.1.3. Desired date of availability (DOA) of affected military incumbents for placement in assignment availability code 36 (unit deactivation code). Commands work with HQ AFPC assignment officials to establish mutually agreeable DOAs.

8.4.5.2. Submit a proposed implementation plan to the command personnel staff.

8.4.5.3. Assist with the Management Plan development when military will be included in MEO.

8.4.6. Financial Management Office. The financial management office, as a minimum must:

8.4.6.1. Comply with AFI 65-504, *Independent Review of Commercial Activity Cost Comparisons*.

8.4.6.2. Appoint an IRO. Although these individuals may attend the initial CSMSG meeting, they should not participate as a regular member. They must remain independent of the process until the independent review is performed.

8.4.6.3. Upon request of the CSMSG, conduct an informal cost-benefit analysis to determine if providing Government property to a contractor is in the best interest of the AF when such analysis lends itself to quantification.

8.4.6.4. Identify in the budget submissions the necessary actions to ensure funds are available.

8.4.6.5. Certify that funds will be available before Contracting issues a solicitation. Certify a funded AF Form 9 before contract award.

8.4.6.6. Analyze the economic effect on the local community when 75 or more DoD civilian employees will be affected by the cost comparison to comply with 10 USC 2461, prepare the necessary report to comply with 10 USC 2461, and forward this report to the servicing manpower and organization office. This information is necessary to complete the RCS: HAF-XPM(AR) 8001 memorandum ([Attachment 4](#)).

8.4.7. Servicing Staff Judge Advocate. As a minimum, the staff judge advocate must:

8.4.7.1. Act as the legal advisor to the contracting officer and CSMSG and provide timely responses to ensure no delays occur in meeting cost comparison process milestones.

8.4.7.2. Provide ethics training to members of the CSMSG and other personnel involved in the cost comparison process consistent with the requirements of DoDD 5500.7-R, The Joint Ethics Regulation.

8.4.7.3. Ensure individuals participating in the cost comparison process or direct conversion process are informed of the prohibitions, restrictions, and requirements of the Procurement Integrity Act (41 USC 423) as implemented by FAR Part 3.104, as supplemented. The Procurement Integrity Act generally establishes prohibitions, restrictions, and requirements relative to disclosing or obtaining procurement information, reporting employment contacts and post-Government employment. Respond to employee questions concerning their specific situations with respect to procurement integrity.

8.4.7.4. Provide guidance to ensure individuals involved in the cost comparison process are informed of the requirements of the Procurement Integrity Act (41 USC 423) and FAR Part 52-207-3 (Right of First Refusal).

8.4.7.5. Be the legal advisor for the AAP.

8.4.8. Civil Engineering. As a minimum, the civil engineer must:

8.4.8.1. Review the PWS and make sure utilities, facilities, and services support are properly identified.

8.4.8.2. Complete environmental assessment of contract/ISSA offers with functional OPR assistance.

8.4.8.3. Assess any possible inter-governmental or community impact considerations relative to AFI 32-7060, *Interagency and Intergovernmental Coordination for Environmental Planning*, for cost comparisons with 250 or more work years in the pre-MEO work center.

8.4.9. Services Human Resource Office. When NAF manpower or assets are part of the cost comparison initiative, representation from the Services Human Resource Office and Resource Management Flight is required on the CSMSG.

8.5. Responsibilities of the Command Competitive Sourcing Management Steering Group. A representative from the command XPM chairs the CSMSG. This CSMSG has similar representation and responsibilities as the installation CSMSG. If a command is performing the cost comparison process at the command level, it is essential that all the requirements for both the installation CSMSG and command CSMSG are performed by the command CSMSG. The command CSMSG will:

8.5.1. Provide overall guidance and expertise to the installation CSMSG and work with the installation group to ensure cost comparison process milestones are met.

8.5.2. Monitor progress of cost comparison process.

8.5.3. Notify HQ USAF/XPMR when the cost comparison process will exceed the time limits in accordance with [Chapter 6](#) of this Instruction.

8.5.4. Approve the PWS and QASP in a timely manner.

8.5.5. May approve the MEO in a timely manner; however, commands must approve MEOs that include military ([Chapter 11](#) of this Instruction).

8.5.6. May approve the TPP in a timely manner.

8.5.7. May augment or replace the installation CSMSG if this action will realize additional efficiencies or where an installation capability does not exist.

8.5.8. Ensure the AAP is performed in accordance with [Chapter 18](#) of this Instruction.

8.5.9. Notify HQ USAF/XPMR of the cost comparison decision (**Chapter 6** of this Instruction).

8.5.10. Ensure resources allocated by HQ USAF as a result of a cost comparison (including resources for contract administration) are used for their intended purpose at the installation where the cost comparison or direct conversion was performed.

8.5.11. As determined by the MAJCOM commander, a command-level CSMSG may be used in place of an installation-level CSMSG. In these cases, the command-level CSMSG is responsible for ensuring the requirements of 10 USC 2467 are fulfilled. This includes providing guidance to directly affected employees and their representatives describing how they will be provided with monthly updates on the status of the cost comparison process as well as for how opportunities will be provided for them to participate in the preparation and development of the PWS and MEO. This guidance will be provided as soon as possible.

8.6. Public Affairs . Local and command Public Affairs Offices will be the interface between commander(s) and the public. At a minimum and at the direction of the commander(s), Public Affairs is responsible for issuing the press release for the initial cost comparison announcement (**Figure 5.7.**) and the cost comparison decision (**Figure 17.4.**) to the local community.

8.7. Legislative Affairs . Command Legislative Affairs Offices will be the interface between commanders and SAF/LLP, as required. By working with the command/XPM, command Legislative Affairs Offices should ensure congressional notification dates are relayed to the commander(s), Public Affairs Office(s), and the servicing manpower and organization office.

8.8. Labor Unions. Representatives of labor organizations, on behalf of members of the bargaining unit, may participate in an advisory capacity on either the installation or command CSMSG. Management, employees and their representatives should be engaged in a partnership to gather workload data and develop performance standards and recommendations for improved operational performance. Participation is permitted based upon the exchange of data, ideas, problems, concerns and solutions. Participation is not permitted in meetings when sensitive source selection information is discussed or when management decisions are made. Management retains responsibility for all final decisions related to the PWS, QASP, Management Plan (includes the MEO, QASP, Government Cost Estimate, TPP, etc.).

Chapter 9

PERFORMANCE WORK STATEMENT AND QUALITY ASSURANCE SURVEILLANCE PLAN DEVELOPMENT

9.1. General. This chapter provides policy and policy implementation for PWS and QASP preparation. The PWS should be developed or modified for all activities being solicited or resolicited for contract or scheduled for direct conversion to or from in-house, contract, or ISSA performance. When the policy in this chapter conflicts with the FAR (as supplemented), the FAR takes precedence.

9.2. Policy.

9.2.1. Performance Work Statement (PWS). A well-prepared PWS is key to the success of the cost comparison or direct conversion. It is critical that the PWS be sufficiently comprehensive to ensure in-house, ISSA or contract performance satisfies Government requirements. Any type of performance based technical requirements document (e.g., PWS, Statement of Objective (SOO), Statement of Need (SON), Performance Requirements Document (PRD), Statement of Work (SOW), Technical Requirements Document (TRD), etc.) may be used in place of the PWS in cost comparisons or direct conversions. The objective is to ensure it includes all relevant information (e.g., services required and standards of performance). This is especially critical to cost comparison process to ensure development of the MEO proceeds without delay. (Note: The term "PWS" is used in this Instruction to describe the requirements document in order to align Air Force guidance with OMB's use of the term "PWS" in the OMB Circular A-76 and its Supplemental Handbook.)

9.2.1.1. AFI 63-124, *Performance Based Service Contracts*, should be used in developing the requirements document.

9.2.1.2. The PWS should not include requirements that increase operating costs beyond the current available funding certified by the Financial Management Office. (See paragraphs [8.4.6.5.](#) and [10.2.6.](#) of this Instruction.)

9.2.1.3. The PWS should be performance oriented, specifying what outputs or measures are desired and limiting directions as to how the results are achieved. It is essential that the PWS include an effective quality control program. A PWS should not limit options available for providing the required service or otherwise unnecessarily restrict participation in the cost comparison process. The PWS should adopt commercial standards when they exist and apply to the acquisition.

9.2.1.4. In-house, contract and ISSA offerors should develop their offers based upon the requirements of the solicitation. Activities that remain in-house following a cost comparison or direct conversion will comply with the requirements of the PWS.

9.2.1.5. Training requirements (e.g., Reservists, IMAs, civilian interns, military, etc.) can be included in the PWS for performance by the MEO, contract, or ISSA. For existing MEOs or contracts, these requirements may be added to the PWS; however, these trainees will not be used to replace MEO or contract/ISSA manpower.

9.2.2. Quality Assurance Surveillance Plan (QASP). A well-prepared QASP is key to the successful inspection of contract, ISSA, or in-house performance.

9.2.2.1. The QASP describes methods of inspection to be used for both the MEO and contract as well as the required reports and resources. The QASP may be included as part of the solicitation or provided to the contract/ISSA offerors.

9.2.2.2. The QASP is provided to the IRO for the independent review.

9.3. Policy Implementation. Take advantage of PWSs and QASPs already completed by other activities. To determine the potential availability and location of these documents, review completed and in-progress management reports maintained on the AFMIA CS&P Web Page (<http://www.AFMIA.randolph.af.mil>). These reports are under the “CAMIS” category in a file named “CAMRPTS.doc. Additionally, the AFMIA Web Page has links to some PWS documents resident on other Web Sites (e.g., SAF/AQC, AFCESA, AFCA, AFPC, etc.)

9.3.1. Process Task Lists. If no PWS exists, the process task list in the applicable AF manpower standard can be used as a starting point for development of the PWS.

9.3.2. Team Effort and Responsibilities. The BRAG is responsible to ensure PWSs and QASPs are written for service contracts. The principal members of the team are representatives from the function, contracting, and servicing manpower and organization office. Advisory personnel (e.g., financial management, staff judge advocate, employee representatives, inspector general, servicing AFAA representative, security police, safety, etc.) may be called upon for recommendations regarding the PWS and QASP development as needed.

9.3.2.1. The functional OPR develops the PWS and QASP in accordance with the FAR, as supplemented, with the assistance of the BRAG. The functional OPR determines the required service and standards to measure the quality and level of service. For multi-functional cost comparisons, the commander should appoint a team leader to coordinate functional inputs.

9.3.2.2. A PWS should be written to provide maximum flexibility to the private sector and in-house activity for accomplishing the required service(s). Whenever possible, every effort will be made to eliminate mandatory compliance with regulatory policies, procedures and organizational structures to promote maximum efficiencies and effectiveness and not hinder innovation. Waivers from AF policy directives and instructions should be sought by the functional OPR before finalization of the PWS. (See functional responsibilities in **Chapter 8** of this Instruction.)

9.3.2.3. The command CSMSG approves PWSs and QASPs in a timely manner.

9.4. Special Considerations.

9.4.1. Government Furnished Property. In the event of a contract/ISSA decision, Government equipment, facilities, materials and supplies required for in-house operation of an MEO may be provided to a contractor/ISSA offeror. Any decisions to provide Government furnished property should take into account the costs over the life of the contract including disposal. A financial management office cost benefit analysis may be used as a basis for determining if providing Government property to a contractor is in the best interest of the Government. Current, accurate, and complete information justifying the determination will be readily available for the independent review. The decision of this analysis will not give a decided advantage or disadvantage to in-house, ISSA, or contractor competitors. All Government furnished property, equipment, and facilities must be accurately listed in the PWS. **Table 9.1.** provides guidance for determining whether Government property should be furnished to prospective contract/ISSA offerors.

Table 9.1. Guidance For Determining Whether To Furnish Existing Government Property To Contract/ISSA Offerors.

R U L E	A	B
	Situation	Guidance
1	Facilities are required to perform a service that may be performed on or off the installation, but a higher priority use for the facilities exists.	Retain for in-house use.
2	Facilities are required to perform a service that must be performed on the installation (e.g., food service, transient aircraft services, etc.).	Furnish to the contract/ISSA offeror; cost is not a factor (FAR Part 45.302-3).
3	Facilities are required to perform a service that may be performed on or off the installation and no higher priority use for the facilities exists.	Furnish to the contract/ISSA offeror since it could lower their offer, resulting in a savings to the AF.
4	Equipment, including capital and minor items, is required by other AF functions.	Retain for in-house use.
5	Equipment, including capital and minor items, is not required by other AF functions.	Furnish to the contract/ISSA offeror since it could lower the contract/ISSA offer, resulting in a savings to the AF. To reduce contractor/ISSA dependence on the Government, consideration will be given to making the contractor/ISSA offeror responsible for maintaining and replacing the Government furnished equipment, and returning it to the Government once it has been replaced.
6	AF-peculiar equipment (e.g., aircraft support equipment, engine strands, etc.) is required to perform the service.	Furnish to the contract/ISSA offeror (FAR Part 45.310, as supplemented). Replacement of Government-peculiar property is normally at Government expense.
7	Shared-use equipment (e.g., equipment that is not used 100% by the activity under cost comparison) is involved.	Government equipment may be furnished on a shared-use basis when in the best interest of the AF (e.g., heavy-duty cranes, cherry pickers, high-cost test equipment, etc.). Procedures for use of shared equipment must be outlined in the PWS.
8	Materials and Supplies	Normally, the contractor or ISSA offeror will be expected to provide the materials and supplies necessary to perform the work described in the PWS. The policy regarding contractor or ISSA use of Government provided supplies and materials is set forth in FAR Part 51.101, as supplemented.

9.4.2. Interservice Support. Activities providing interservice support to other DoD components or Federal agencies through interservice support agreements or other arrangements will ensure the PWS includes this workload and is coordinated with all affected components and agencies.

9.4.3. Host Tenant Support Agreements (HTSA). The manpower and organization office will inform the base plans and programs office (normally the holder of all HTSAs) of the cost comparison initiative or direct conversion. This office will evaluate existing HTSAs to determine if there will be an

impact. By regulation, an AF tenant is entitled to a minimum level of service at no charge. If the tenant is receiving service above and beyond the minimum prescribed level of service, the tenant will be required to fund the extra level of service to the contractor or MEO. The tenant has the choice to include or exclude their requirement from the PWS.

9.4.4. Security Clearances.

9.4.4.1. Contractor/ISSA Employees. If there is a requirement for contractor employees to have access to classified information, or controlled or restricted areas in order to provide the product or service, facility security clearances for contractor/ISSA employees will be processed according to AFI 31-601, *Industrial Security Program Management*. Commanders will ensure security clearances for contractor/ISSA employees are obtained only when a bona fide requirement exists. Contractor/ISSA employees who do not require access to classified information for work performance, but require entry into restricted areas of the installation, may be authorized unescorted entry only when the provisions of AFI 31-601 are met.

9.4.4.2. In-House Employees. Commanders will ensure security clearances for in-house employees are obtained only when a bona fide requirement exists.

9.4.5. Employee and Labor Union Involvement in PWS Development. Labor organizations, in their representational capacities, on behalf of directly affected civilian employees, may participate in the development and preparation of the PWS but only to the extent of providing technical support to team members who actually develop the PWS. At least monthly during the development of the PWS, management solicits the views of employees and/or their representatives for inputs to the PWS (10 USC 2467). They may participate in meetings in an advisory capacity except where management decisions are made or source selection information is discussed. Directly affected employees not represented by labor unions may appoint a representative(s). Final decisions regarding the PWS are at the discretion of management.

9.4.6. Contractor assistance in developing a PWS is permitted as long as assistance does not result in a conflict of interest. Servicing staff judge advocate assistance may be required.

9.4.7. Draft PWSs may be issued for review by the public and private sector in order to solicit inputs from any potential offeror.

Chapter 10

SOLICITATION CONSIDERATIONS

10.1. General. This chapter provides policy and policy implementation on solicitation considerations necessary when conducting A-76 initiatives.

10.2. Policy.

10.2.1. Solicitations are issued in accordance with the FAR, as supplemented.

10.2.2. The invitation for bids (Sealed Bid acquisitions) or request for proposals (Negotiated acquisitions) will provide for a common standard of performance that permits an equitable comparison of Government costs and contract/ISSA price for performing the same work.

10.2.3. Contract/ISSA offerors will be informed that either the cost comparison or direct conversion may or may not result in a contract award. As prescribed by FAR Part 7.305(a), as supplemented, solicitations should include either FAR Part 52.207-1 (as supplemented), Notice of Cost Comparison (Sealed Bid) or FAR Part 52.207-2 (as supplemented), Notice of Cost Comparison (Negotiated).

10.2.4. Contract periods should be a minimum of a basic period and two or more option periods which must total at least three years.

10.2.5. In accordance with the Supplemental Handbook to OMB Circular A-76, HQ USAF/XP delegates approval authority to HQ USAF/XPM for A-76 cost comparisons with performance periods in excess of five years. The command XP must submit a memo to HQ USAF/XPM to justify that performance periods in excess of five years will not provide an unfair advantage to the in-house, contract, or ISSA offerors. This memo will have the coordination of the command-level and installation-level CSMSGs and will state that directly affected employees and their representatives have been notified of the proposed extension of performance periods. It will also be necessary for the team developing the MEO to assess if this extension will provide an unfair advantage to the in-house bid. This information must be provided to HQ USAF/XPM to certify (or deny) the extension to ensure a level playing field is maintained for the cost comparison process.

10.2.6. Since the Competitive Sourcing Program is used to generate savings through competition for modernization, the Air Force has programmed anticipated savings projections and allocated them to AF modernization and readiness initiatives (IAW with AF APPG). Commands should make every effort to achieve the established savings rates (i.e., 25% for cost comparisons or 10% for direct conversions) for each A-76 initiative.

10.2.6.1. The estimated cost entered on AF Form 9, Request for Purchase, may not exceed the current available funding. In accordance with paragraph **8.4.6.5.** of this Instruction, the entry is certified by the Financial Management Office to ensure this requirement is met.

10.2.6.2. In a Cost/Technical Tradeoff acquisition, the SSA will not direct Management Plan changes resulting in increasing MEO costs above the current available funding.

10.2.7. The contracting officer should notify incumbent contractors that an A-76 initiative may impact their contract.

10.2.8. The contracting officer ensures the servicing manpower and organization office is provided copies of the solicitation and all amendments to the solicitation. The servicing manpower and organi-

zation office reviews and, when appropriate, makes adjustments to the Management Plan and government cost estimate as a result of solicitation amendments. Changes to the Management Plan are independently reviewed by a representative of the financial management office and submitted to the contracting office in a new sealed and dated envelope by the servicing manpower and organization office. A copy of all prior Government Cost Estimates remain within the contracting office to serve as an audit trail.

10.2.9. The clause at FAR Part 52.207-3, Right of First Refusal of Employment, will be included in all solicitations for A-76 initiatives.

10.2.10. The Request for Proposal or Invitation for Bid should include, if applicable, a requirement for the contractor to develop a contingency plan to continue or expand operations in emergency situations and minimize service disruptions due to labor disputes.

10.2.11. The Government should establish a source selection evaluation or advisory team. Individuals (civilian or military) who hold positions in the function under study, who have a direct personal interest in the outcome of the study (e.g., their spouse's employment, stock ownership, etc), or who participated in the development of the Government Management Plan should not be members of the team, unless the Head of the Contracting Activity (HCA) authorizes an exception. Exceptions will be authorized only in compelling circumstances and, in such cases, the HCA shall provide a written statement of the reasons for the action. The following process should be followed when requesting exceptions to this policy:

10.2.11.1. The contracting officer or SSA will submit a request, with justification, to the HCA. Under DFARS 202.101, HCA refers to the director of contracting at the MAJCOM or to SAF/AQC, depending on who is doing the contracting. If the HCA concurs with the rationale given, the HCA has decision authority. The HCA should state concurrence and provide a written response back to the requester for the official files. Recommend the Servicing Manpower Office review these requests as the A-76 program manager.

10.2.11.2. The criteria for approval are that a conflict of interest will not exist or that it can be mitigated as allowed in FAR Subpart 9.5, and that the circumstances are compelling enough to necessitate inclusion of these individuals on the SSEB.

10.2.12. Individuals that fall into one of the categories in paragraph [10.2.11](#). can serve as nonvoting technical advisors to the source selection evaluation or advisory team. Technical advisors should not see contractor proposals. Preferably, the identity of offerors should be shielded during the evaluation process by removing contractor names and submitting Alpha or Numerical designators (e.g., Proposal A, Proposal B, Proposal C, etc.). In this way, actual and perceived conflicts can be avoided. Evaluators would not mistakenly reveal to a technical advisor the identity of contractors, even when discussing only an excerpt from a technical proposal.

10.2.13. The MEO will be implemented (even when using preferential procurement, e.g. sole source, etc.) any time a cost comparison results in an in-house decision. (See paragraph [10.4](#). of this Instruction.) If a solicitation has been set-aside for a small business and the in-house is selected upon cost comparison, the MEO will be implemented. The solicitation will not be reissued on an unrestricted basis for competition among large businesses after comparing the in-house cost estimate to the contract offer. HQ USAF/XPM approval is required to implement the MEO when a cost comparison cannot be performed due to a lack of responsive offers from responsible contractor or ISSA sources (see paragraph [10.9](#). of this Instruction).

10.3. Policy Implementation.

10.3.1. "Best value" refers to the expected outcome of an acquisition that provides the greatest overall benefit to the Government in response to the solicitation. Best value is the goal of every acquisition regardless of the acquisition process (e.g., Sealed Bid, Cost/Technical Tradeoff, Low Price Technically Acceptable, etc.) used in the cost comparison. The Cost/Technical Tradeoff process is appropriate when it may be in the best interest of the Government to consider award to other than the lowest priced offeror or other than the highest technically rated offeror.

10.3.2. All competitive methods of Federal procurement provided by the FAR are appropriate for cost comparison under OMB Circular A-76 and its Supplemental Handbook. This includes: Sealed Bid, two-step, and other competitive Negotiated procurement techniques. Reference FAR Part 14 (as supplemented), for Sealed Bid acquisitions; FAR Part 15 (as supplemented), for Negotiated acquisitions; and FAR Part 12 (as supplemented), for commercial acquisitions.

10.3.3. Cost/Technical Tradeoff Acquisitions. When using Negotiated procurement techniques in which Cost/Technical Tradeoff rather than low cost will be the basis for selecting the contract/ISSA offeror to compete with the in-house offer, apply the following guidelines:

10.3.3.1. As part of the Management Plan the Government, shall submit a TPP, as required by the solicitation, to the Contracting Officer. The TPP reflects the MEO and is sealed in the envelope labeled Management Plan (excluding the in-house cost estimate) and submitted to the contracting officer not later than the time and date established for receipt of initial contract/ISSA offers. (See paragraph 17.2.1.3. of this Instruction for preparation and submission of envelopes.)

10.3.3.2. The Government conducts the source selection among the contract/ISSA offerors in accordance with the solicitation and FAR, as supplemented. The SSA chooses the contract/ISSA offer that represents the best overall value to the Government. The SSA shall document the rationale for the selection and explain any Cost/Technical Tradeoff (if applicable).

10.3.3.3. The SSA must not select any contract/ISSA offers for competition against the Government bid that exceed the current available funding for the function(s) being cost compared. (See Paragraph 8.4.6.5. of this instruction)

10.3.3.4. After the SSA chooses the competitive contract/ISSA offer, the contracting officer submits the envelope containing the Government's Management Plan (but not the envelope containing the in-house cost estimate) to the SSA. The SSA shall ensure the in-house offer satisfies the requirements of the solicitation. The SSA evaluates the Government's Management Plan including the TPP (but not the in-house cost estimate) to assess whether or not the same level of technical performance will be achieved as presented by the competitive contract/ISSA offer.

10.3.3.5. If the SSA determines that the technical level of performance of the competitive contract/ISSA offer and the in-house offer are equivalent, the contracting officer opens the in-house cost estimate and, with the servicing manpower and organization office representative, completes the COMPARE CCF.

10.3.3.6. If the technical level of performance in the two proposals is not equivalent, the SSA directs the Government to revise the Management Plan to the same level of performance and performance quality of the competitive contract/ISSA offer. The time necessary to make these adjustments should be limited to no more than 30 calendar days. The SSA shall not review or have access to the in-house cost estimate.

10.3.3.6.1. The Government then resubmits a revised Management Plan (excluding in-house cost estimate) for evaluation. If the SSA agrees that the Government's revised Management Plan (excluding in-house cost estimate) will achieve the same level of performance and performance quality, the SSA directs the Government to make any necessary adjustments to the in-house cost estimate which is then submitted via the servicing manpower and organization office to the IRO for an independent review. The servicing manpower and organization office then provides the independently reviewed in-house cost estimate to the contracting officer. This will assure that the in-house cost estimate is based upon the same technical performance levels as the competitive contract/ISSA offer.

10.3.3.6.2. Selecting the best offer (in-house or contract or ISSA) using the Cost/Technical Tradeoff acquisition or Negotiated method will be accomplished in accordance with FAR Part 15, as supplemented. (See **Figure 10.1** for an overview of Cost/Technical Tradeoff Process.)

10.3.3.6.3. If, following evaluation of all written contractor/ISSA offers, the SSA selects the lowest price technically acceptable offer as the most advantageous contract/ISSA offer for competition against the in-house offer, the SSA may proceed directly to cost comparison against the in-house offer.

10.3.3.6.4. If the SSA is considering whether to select an offer other than the lowest price to compete against the in-house offer, the following will be required:

10.3.3.6.4.1. The SSA will review all proposals other than the in-house to determine which proposals provide alternate outputs beyond that stated in the PWS at a price higher than the other proposals and to determine whether any of the other proposals meet or exceed all the performance standards at a lower price than the one with the alternate outputs.

10.3.3.6.4.2. If one or more proposals meet the required performance standards at a lower price than the higher output contract/ISSA offer(s), then the SSA may use Cost/Technical Tradeoff techniques to select one contract/ISSA offer to compete against the in-house offer. Cost/technical tradeoff does not mean highest technical regardless of cost. Specifically, the SSA must:

10.3.3.6.4.2.1. Compare the prices of the proposals,

10.3.3.6.4.2.2. Perform a Cost/Technical Tradeoff analysis either selecting the lowest price or justifying payment of a higher price for higher performance output or lower proposal risks or better past performance, and

10.3.3.6.4.2.3. Provide written justification to support the need for the higher performance outputs (alternate contract/ISSA offer) if higher outputs would be the reason to select other than the lowest price contract/ISSA offer. Before proceeding, if the SSA, in reviewing the Government's requirements under the solicitation, finds that an increase in the solicitation cannot be justified, then the SSA may review the Cost/Technical Tradeoff as well to verify that the most advantageous contractor/ISSA offer really has been selected to compete against the in-house offer. If the higher (alternate) outputs are not desired or cannot be justified, the SSA shall not revise the solicitation to require a higher level of performance.

10.3.3.7. If lower proposal risk, better past performance, or lower cost is the basis for selecting the competitive contract/ISSA offer, rather than higher performance output, then the SSA will explain (in writing) the basis for the decision. In this case, the SSA will not direct the Government to change its Management Plan and no change will be made that would require the in-house offer to perform at any higher output level.

10.3.3.8. If a higher level of outputs (see paragraph [10.3.3.6.4.2.3](#) above) is the basis for selecting the competitive contract/ISSA offer, the SSA will revise the solicitation requirements accordingly, but only if justified. The SSA will evaluate the Government's Management Plan (excluding the in-house cost estimate). If it does not meet the solicitation requirements as revised, the SSA will direct the Government to change its Management Plan so that it meets the new requirements. These changes may or may not require adjustments to the in-house cost estimate. However, any adjustment to the Management Plan (including TPP and in-house cost estimate) must be independently reviewed by the IRO.

10.3.3.9. Adjustments to the TPP.

10.3.3.9.1. The SSA should not address issues involving downward adjustments in the Government's TPP solely because the TPP appears to contain a different number of man-hours or other technical contents than the contract/ISSA offer. Instead, the Management Plan is evaluated to determine whether or not it meets the PWS output requirements as revised, but man-hours and manning levels are not the determinant.

10.3.3.9.2. For example, the in-house offer may propose to input more man-hours than contractors to achieve the level of output required by the PWS. The SSA must carefully evaluate the Government's Management Plan (but not the Government Cost Estimate). The SSA with the assistance of evaluators, through an integrated assessment of all parts of the proposal, (exclusive of cost) must ensure that the in-house proposal presents an MEO that satisfies the requirements of the solicitation. If the SSA looks at staffing levels and hours and cannot see clearly what level of output the in-house offer is proposing, the SSA may ask the in-house proposal team to clarify what is proposed. If the in-house offer does not appear to meet the solicitation requirements as revised, the SSA's evaluation team must send clarification requests (CRs) and/or deficiency requests (DRs) to allow the in-house offeror an opportunity to verify, explain, and/or change (up or down) the in-house offer. The in-house offeror's explanation may show that the performance and performance quality levels in the in-house offer are actually the same as in the contractor offer.

10.3.3.9.3. The contracting officer may use CRs and DRs when conducting negotiations with all offerors concerning their technical proposals including the Government's Management Plan (excluding the Government Cost Estimate). If the RFP requires contract/ISSA offerors to orally present technical proposals, the in-house offeror must also present its TPP orally.

10.3.3.9.4. When using Cost/Technical Tradeoff to select an offer, the SSA may not select an offer that will not provide the minimum level of performance specified in the solicitation. These offers must be eliminated from further consideration since they are not responsive to the solicitation. Therefore, there should never be an instance when the MEO is asked to reduce its level of performance. The performance standards required by the solicitation (not the specific level of staffing) govern whether the contract/ISSA offer and the in-house offer meet the same levels of performance and performance quality.

10.3.3.10. Revisions to the PWS will be accomplished in a formal amendment to the solicitation when the selection of a contractor is based on a higher level of outputs. The amendment will be provided to the in-house offeror and the one competing contract/ISSA offeror.

10.4. Small Business, Small Disadvantaged Business, Small Business Section 8(a) and HUBZone Set Asides. Under certain circumstances, solicitations may be set aside for small business, small disadvantaged business, or participants in the Section 8(a) and HUBZone programs of the Small Business Act. A conversion from in-house to a Small Business, Small Disadvantaged Business, Small Business Section 8(a), or HUBZone Set Aside must be cost effective and the contract offer must not exceed the current available funding (see paragraphs [8.4.6.5.](#), [9.2.1.1.](#) of this Instruction). This applies to both cost comparisons and direct conversions.

10.4.1. Continued in-house performance for lack of a satisfactory commercial source may not be based on lack of response to a set-aside solicitation. If there is a lack of satisfactory response to a set-aside solicitation that were set aside under this paragraph, an unrestricted solicitation should be issued unless as provided by paragraph [10.2.12.](#) or [10.9.](#) of this Instruction. This applies to both cost comparisons and direct conversions.

10.4.2. For cost comparisons, if responsive offers are received from responsible small business offerors under a set-aside, and the in-house wins upon comparing the in-house cost estimate to the contract offer, the MEO will be implemented. If responsive offers are received from responsible small business offers under a set-aside, and the small business wins upon comparing the in-house cost estimate to the contract offer, the contract will be awarded. If no responsive offers were received, refer to paragraphs [10.2.12.](#) and [10.9.](#) of this Instruction.

10.4.3. For direct conversions, if responsive offers were received from responsible small business offerors under a set-aside, and the in-house wins upon comparing the current operating in-house cost to the contract offer, the decision is implemented in accordance with [Chapter 14](#) of this Instruction depending on the number of total authorizations in the function(s). If responsive offers are received from responsible small business offers under a set-aside, and the small business wins upon comparing the current operating in-house cost to the contract offer, the contract will be awarded. If no responsive offers are received, refer to paragraphs [10.2.12.](#) and [10.9.](#) of this Instruction.

10.5. NIB/NISH/JWOD Providers .

10.5.1. Under the Javits-Wagner-O'Day (JWOD) Act (41 USC 46-48c), the Presidential Committee for Purchase From the Blind and Severely Disabled was established to increase employment opportunities for the blind and other severely disabled. The Committee has designated two national agencies as central nonprofit agencies to assist the Committee in administering the act: the National Industries for the Blind (NIB) and the National Industries for the Severely Handicapped (NISH). Additionally, the Committee may approve other qualified nonprofit agencies to furnish services to the Government.

10.5.2. Acquisition policies and procedures for implementing the Javits-Wagner-O'Day Act are covered in FAR Part 8.7., as supplemented.

10.5.3. Conversions (regardless of the number of civilians or military) to NIB/NISH/JWOD providers are required by the JWOD Act. AF policy requires that these conversions be more cost effective than the existing organization as determined by [Chapter 14](#) of this Instruction. No MEO will be developed for the comparison of costs.

10.5.4. For in-progress cost comparison initiatives (regardless of the number of civilians or military), negotiations with the NIB/NISH/JWOD provider will be conducted. The command is to notify HQ USAF/XPMR that a possibility exists to change the type of A-76 initiative from a cost comparison to a direct conversion.

10.5.4.1. If negotiations determine the conversion will be cost effective (in accordance with **Chapter 14** of this Instruction), the command will provide an Initiative Change Request in accordance with **Chapter 5** of this Instruction. This request is to state that a change from a cost comparison to a direct conversion is necessary since a direct conversion to a NIB/NISH/JWOD provider will be cost effective and the provider is on the NIB/NISH/JWOD Procurement List. The conversion shall proceed using the original milestones established for the cost comparison.

10.5.4.2. If negotiations determine the conversion will not be cost effective (in accordance with **Chapter 14** of this Instruction), the command will proceed with the cost comparison process using the original milestone dates. If proceeding is not feasible, a request to cancel and reannounce the cost comparison (in accordance with **Chapter 5** of this Instruction) will be submitted to HQ USAF/XPM.

10.5.5. For in-progress direct conversions, compliance with **Chapter 14** of this Instruction is required. If conversion to the NIB/NISH/JWOD provider will not be cost effective, then the normal direct conversion will continue using the original established milestones.

10.5.6. Civilian employees affected by the conversion to a NIB/NISH/JWOD providers are not entitled to the Right of First Refusal under FAR Part 52.207-3.

10.5.7. Compliance with all other aspects of this Instruction, including establishment of CAMIS records is required for conversions to NIB/NISH/JWOD providers.

10.6. Qualified Firms With 51% or More Native American Ownership (NAO) .

10.6.1. Section 8014 of the FY2000 Defense Appropriations Act (Public Law 105-262) permits direct conversions to qualified firms that have 51 percent or more Native American ownership, regardless of the number of military and civilian employees affected, provided adequate authority exists to contract with the NAO firm. Usually, 10 USC 2461 and OMB Circular A-76 would apply when more than 50 civilians are affected but Section 8014 waives those requirements for awards to NAO firms.

10.6.2. While direct conversion is mandatory in the case of NIB/NISH/JWOD providers, it is permissive (not mandatory) in the case of a NAO. A command may perform either a cost comparison or a direct conversion when comparing the in-house against a NAO firm.

10.6.3. Typically, HQ USAF approval and the public announcement of a cost comparison and direct conversion have been made before a NAO competitor is identified. Therefore, the command may elect to pursue one of the following options.

10.6.3.1. For cost comparisons: Continue the cost comparison between the selected private sector offer(s) and the in-house. There is no requirement to notify HQ USAF if a NAO firm is selected as the private sector offeror in a cost comparison.

10.6.3.2. For direct conversions:

10.6.3.2.1. If a direct conversion is in-progress, there is no requirement to notify HQ USAF if a NAO firm is selected as the private sector offeror.

10.6.3.2.2. If a change from an in-progress cost comparison to a direct conversion is preferred, the command must submit a request to HQ USAF to change the type of initiative from a cost comparison to a direct conversion in accordance with **Chapter 5** of this Instruction and the command must certify the conversion will achieve at least the 25% savings programmed in the FYDP. A command may only proceed with a direct conversion after HQ USAF/XPM approves a request to change the type of initiative from a cost comparison to a direct conversion. The direct conversion process is performed in accordance with **Chapter 14** of this Instruction. If the programmed savings cannot be achieved, the cost comparison process continues as scheduled.

10.6.4. Civilian employees affected by the conversion to a NAO firm are entitled to the Right of First Refusal under FAR Part 52.207-3.

10.6.5. Congressional notification of a conversion from in-house performance to an NAO firm is not required regardless of the number of civilians impacts or whether conversion is via cost comparison or direct conversion.

10.6.6. Compliance with all other aspects of this Instruction, including establishment of CAMIS records, is required for conversions to NAO firms.

10.7. FAR Compliance.

10.7.1. All contracts awarded as a result of a conversion (whether or not a cost comparison was performed) will comply with all requirements of FAR, as supplemented, to include FAR (as supplemented) clauses and provisions, including the Right of First Refusal.

10.7.2. Inclusion of Award and Incentive Fee. Request for Proposals will advise contract/ISSA offerors how the award or incentive fee will be evaluated in the cost comparison process. As indicated in paragraph **12.6.2.** of this Instruction, 65% of the potential maximum incentive or award fee is added to the contract price.

10.8. Grouping CAs.

10.8.1. The decision to group or consolidate of activities is part of the overall acquisition strategy. This determination is based on the results of the market research/analysis conducted by functional experts, contracting, and servicing manpower and organization office, as well as other interested parties. The grouping of CAs can influence the amount of competition (number of commercial firms that submit bids or proposals) and the eventual cost to the Government.

10.8.2. Consideration must be given to the adverse impact the grouping of CAs into a single solicitation may have on small business concerns. Actions should ensure small businesses are not adversely affected merely to accomplish consolidation. Similarly, care should be taken so small business contractors are not unduly restricted from competing effectively at the prime contractor level.

10.8.3. In developing solicitations for CAs, the acquisition strategy should reflect an analysis of the advantages and disadvantages to the Government that might result from making more than one award. The decision to group CAs should reflect an analysis of all relevant factors including the:

10.8.3.1. Effect on competition.

10.8.3.2. Duplicative management functions and costs eliminated through grouping.

10.8.3.3. Efficiencies of performance of multi-function versus single-function contracts, including cost risks associated with the pricing structure of each.

10.8.3.4. Feasibility of separating unrelated functional tasks or groupings.

10.8.3.5. Effect grouping has on the performance of the functions.

10.8.4. When the solicitation package includes totally independent functions which are clearly divisible, severable, and not price interrelated, they may be solicited on the basis of an "any or all" offer. Commercial offerors may be permitted to submit offers on one or any combination of the functions being solicited. The total cost of contract performance will be compared to the Government Cost Estimate based on the MEO for performing all activities in the single solicitation.

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

10.8.6. Changes in award criteria will be reflected in amendments to the solicitation. Since these changes may impact cost comparison process milestones, the CSMSG must be advised.

10.8.7. Solicitations Involving Both Appropriated and Nonappropriated Fund Activities. When a combination of appropriated fund (APF) and nonappropriated fund (NAF) work is included in a solicitation, special considerations are required. The situation normally dictates that, if the activity is contracted, both appropriated and nonappropriated funds will be used to pay for the cost of the contract. Therefore, the PWS must clearly separate and identify the work associated with each type of fund and the solicitation must direct prospective offerors to provide separate line item bids on each type of work (i.e., APF and NAF work). The solicitation will include the current and projected operating cost of Category B NAF activities and a statement that the contract/ISSA offer will not exceed these costs.

10.9. No Satisfactory Source In Response to the Solicitation .

10.9.1. If no responsive or responsible contract/ISSA offers are received in response to a solicitation, the Government Cost Estimate remains unopened while the contracting officer makes a determination as to why acceptable responses were not received. Depending on the results of this review, the contracting officer, in concert with the CSMSG, should (if feasible) restructure the requirement and reissue or restructure the solicitation in an attempt to generate responsive or responsible contract/ISSA offers.

10.9.2. If a decision is made to not restructure/reissue the solicitation or if a resolicitation does not result in receipt of acceptable responses, the command XP notifies HQ USAF/XPM, in writing, that no satisfactory commercial source is available. This notification must include either the command's rationale for not restructuring/reissuing the solicitation or the command must describe the steps attempted to receive such contract/ISSA offers. HQ USAF/XPM approval is required prior to announcing a decision to implement the MEO without cost comparison due to non-responsive or non-responsible contract/ISSA offers.

10.9.3. Upon HQ USAF/XPM written approval (with SAF/AQCO concurrence):

10.9.3.1. For standard cost comparisons, an RCS: HAF-XPM(AR) 8001 memorandum is submitted in accordance with **Chapter 17** of this Instruction. and the MEO is implemented in accordance with **Chapter 19** of this Instruction. (For streamlined cost comparisons and direct conversions, the existing organization is the MEO.) All activities retained in-house must be performed according to the requirements in the PWS.

10.9.3.2. The CAMIS and AF IGCA Inventory are updated to reflect the results of the decision. The CAMIS record is updated to reflect an entry of “N” in data element 39a and an entry must be in the command comments, data element 16, to identify the date of the HQ USAF approval memorandum. Also an RSC “U” is applied to the authorizations in the UMD to reflect there was no satisfactory commercial source available. The use of this code is limited to five years unless otherwise justified.

10.10. Right of First Refusal . The Right of First Refusal is in FAR Part 52.207-3 and required by the Revised Supplemental Handbook to OMBC A-76. An extract is provided at **Figure 10.2**. The Right of First Refusal applies to all conversions from in-house to contract except conversion to NIB/NISH/JWOD providers.

10.10.1. The Right of First Refusal requires contractors to give qualified civilian employees (as defined in paragraph **1.3.3** of this Instruction but including term employees, permanent NAF employees or term NAF employees), adversely affected as a result of the conversion, the Right of First Refusal for job vacancies under the contract to positions for which the employees are qualified. (See Glossary for the definition of “adversely affected civilian employee”.)

10.10.2. Right of first refusal includes both directly affected civilian employees in the function being converted to contract and affected civilian employees outside the function who are adversely affected by the conversion.

10.10.3. Contracting officer and civilian personnel specialist responsibilities in implementing the Right of First Refusal follow:

10.10.3.1. By the date of conditional contract award, the civilian personnel specialist will give the contracting officer an estimate of the number of civilian employees who may be adversely affected as a result of conversion to contract.

10.10.3.2. As soon as the civilian personnel specialist has identified the specific civilian employees who are scheduled to be adversely affected (typically within 10 work days after RIF notices have been delivered) the civilian personnel specialist provides written notification to these employees of their Right of First Refusal and invites these employees to a meeting to explain their rights. The contractor may be invited to attend this meeting.

10.10.3.2.1. The civilian personnel specialist gives the contracting officer a list of names of adversely affected employees and certifies that the employees were given an invitation to the meeting.

10.10.3.2.2. The civilian personnel specialist is responsible for arranging the meeting with the adversely affected civilian employees to explain their Right of First Refusal. The servicing staff judge advocate and contracting officer will attend this meeting. The servicing staff judge advocate will explain the Right of First Refusal clause to the employees.

10.10.3.2.3. The contracting officer retains a list of names of all employees who actually attended the meeting in the official contract file.

10.10.3.2.4. The civilian personnel specialist will work, in conjunction with the contracting officer and the Transition Assistance Specialist, to obtain and distribute to employees contractor employment applications and to provide employees with the name and address of the contractor for submission of their applications for employment. The employees will be told that their applications must be in the hands of the contractor within two weeks (from the date they receive the applications) in order to be considered for employment vacancies with the contractor according to the Right of First Refusal clause.

10.10.3.2.5. Within the time the contracting officer established pursuant to FAR 7.305(c), the contracting officer will provide the contractor a list of names of all civilian employees scheduled to be adversely affected or separated as a result of the contract.

10.10.3.2.6. The contractor will report to the contracting officer, within 120 days after contract performance begins, the names of individuals identified on the list who were hired within 90 days of the contract start date.

10.10.4. The responsibility for determining qualifications of adversely affected civilian employees rests solely with the contractor. This determination is not subject to AF review.

10.10.5. If a contractor does not comply with the Right of First Refusal clause of the contract, adversely affected employees are to notify their civilian personnel specialist.

Figure 10.1. Overview of Source Selection Process.

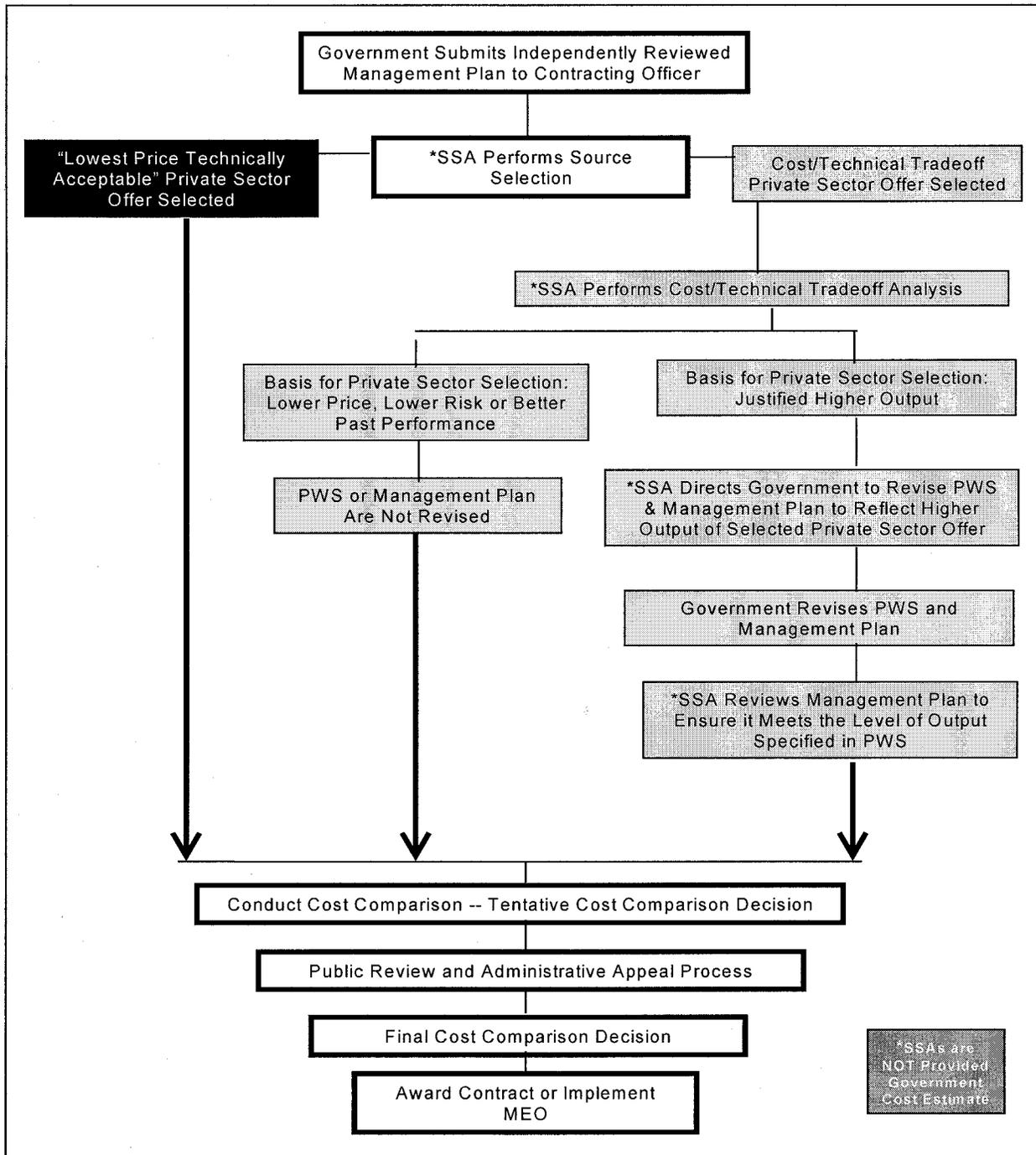


Figure 10.2. Right of First Refusal of Employment Clause (FAR Excerpt).**Excerpt From FAR Part 52.207-3****RIGHT OF FIRST REFUSAL OF EMPLOYMENT (NOV 1991)**

(a) The Contractor shall give Government employees who have been or will be adversely affected or separated as a result of award of this contract the Right of First Refusal for employment openings under the contract in positions for which they are qualified, if that employment is consistent with post-Government employment conflict of interest standards.

(b) Within 10 days after contract award, the Contracting Officer will provide to the Contractor a list of all Government employees who have been or will be adversely affected or separated as a result of award of this contract.

(c) The Contractor shall report to the Contracting Officer the names of individuals identified on the list who are hired within 90 days after contract performance begins. This report shall be forwarded within 120 days after contract performance begins.

Chapter 11

MANAGEMENT PLAN

11.1. General. This chapter provides policy and policy implementation on development of the Management Plan. It also provides techniques that may be used and documentation required in the Management Plan.

11.2. Policy.

11.2.1. A Management Plan will be developed for standard cost comparisons, streamlined cost comparisons and direct conversions; however, the contents of the Management Plan will vary according to the type of CA initiative performed as follows:

11.2.1.1. Standard Cost Comparison. As a minimum, the Management Plan will include an MEO, QASP, Government Cost Estimate, Transition Plan and any supporting documentation. For competitions using the Cost/Technical Tradeoff acquisition approach, the Government must also submit a TPP as part of the Management Plan. The Management Plan documents the assumptions used in its development.

11.2.1.2. Streamlined Cost Comparison. As a minimum, the Management Plan will include a Government Cost Estimate, QASP, Contract Transition Plan and any supporting documentation. For competitions using the Cost/Technical Tradeoff acquisition approach, a government TPP is submitted as part of the Management Plan; however, the SSA may not direct any changes to the government's TPP since it represents the current method of operations and cannot be modified when performing a streamlined cost comparison.

11.2.1.3. Direct Conversion. As a minimum, the Management Plan will include a Government Cost Estimate, QASP, Transition Plan and any supporting documentation.

11.2.2. Most Efficient Organization (MEO).

11.2.2.1. The MEO identifies essential requirements to be performed and determines performance factors, organizational structure, staffing requirements, and operating procedures using minimum resources for the most efficient in-house performance of the CA to reduce operating costs in the AF budget. AF APPG should be reviewed for impacts on resource allocation. The cost of the MEO may not exceed the current available funding.

11.2.2.2. MEO documentation reflects the organizational structure and minimum resources that best meet the performance requirements of the PWS. The MEO becomes the basis for the Government Cost Estimate for cost comparison with a contractor.

11.2.2.2.1. The MEO must include a quality control program as required by solicitation. A quality control program is not the same as a QASP that is intended to determine if an in-house or contract activity is meeting the requirement of the PWS. Instead it is an internal program used by functional managers to ensure that MEOs are being effectively and efficiently accomplished on a daily basis based on the requirements and quality standards established in the PWS. The authorizations necessary to staff this quality control program are included and costed in the MEO staffing.

11.2.2.2.2. The objective is to establish an in-house organization, together with an effective quality control program, capable of meeting PWS requirements with minimum resource consumption.

11.2.2.3. MEOs have an automatic blanket waiver to deviate from standard organizational structures.

11.2.2.4. MEOs are developed by the servicing manpower and organization office in conjunction with the functional OPR and servicing civilian personnel flight. MEOs are certified by the Chief (or designated official) of the servicing manpower and organization office. MEO staffing is coordinated with the servicing civilian personnel specialist to ensure required skills can be recruited to ensure successful implementation of the MEO.

11.2.2.5. Military in MEOs. The conclusion that an activity may be performed by contract/ISSA reflects a decision that the work need not be performed by military. Thus as a general rule, military are not included in an MEO.

11.2.2.5.1. MEOs will be staffed with an all-civilian work force unless the inclusion of military authorizations meets one or both of the following conditions:

11.2.2.5.1.1. Military authorizations exist in the current organization and including military (or a portion of military) in the MEO will cost less than an all-civilian MEO.

11.2.2.5.1.2. Military will temporarily compensate for skills not sufficiently available in the civilian labor market to ensure successful MEO implementation. Temporary is defined as less than one year.

11.2.2.5.2. Military authorizations in an MEO will:

11.2.2.5.2.1. Not exceed the number authorized in the current organization.

11.2.2.5.2.2. Not replace encumbered civilian authorizations.

11.2.2.5.2.3. Be established within the command's grades allocation program.

11.2.2.5.2.4. Account for military skill and grade progression requirements.

11.2.2.5.3. A command-level approval waiver to use military in the MEO (regardless of reason) must be received by the installation before finalizing the MEO for review by the IRO. Waivers are a part of the Management Plan and considered proprietary information until a tentative cost comparison decision has been determined.

11.2.2.5.4. Commands will forward a copy of the approved waiver as an attachment to a memo (signed by the command XP) to HQ USAF/XPM addressing the potential military manpower reprogramming impact to the AF FYDP. HQ USAF/XPMR will handle the waiver as proprietary information until a tentative cost comparison decision has been determined.

11.2.2.6. For streamlined cost comparisons, the current organizational structure is the MEO.

11.2.3. Quality Assurance Surveillance Plan (QASP). An organized, written document containing sampling guides, checklists, and decision tables used for contractor or MEO quality assurance surveillance. The QASP is written in compliance with FAR, as supplemented. If the method of surveillance for the MEO will be different from that specified in the QASP for contractor surveillance, an MEO QASP must be developed and included in the Management Plan.

11.2.4. Government Cost Estimate. An estimate of costs to the Government under an in-house MEO or contract operation. These costs are developed in accordance with **Chapter 12** of this Instruction and may not exceed the current available funding as certified by the Financial Management Office.

11.2.4.1. For standard cost comparisons, the in-house cost estimate will be more cost effective than the existing organization being cost compared as outlined in **Figure 11.1**, to ensure the results of the cost comparison do not result in an increased cost to the Government.

11.2.4.2. The SSA may have access to the Management Plan but shall not review or have access to the Government Cost Estimate until after the tentative cost comparison decision.

11.2.5. Transition Plan.

11.2.5.1. A written plan for the transition from the current organization to the MEO or contract/ISSA performance designed to minimize disruption, adverse impacts, capitalization, and startup requirements. The format used for Transition Plans is left to the discretion of the command.

11.2.5.2. The Transition Plan will include milestones to begin implementation after a final cost comparison decision and end when the MEO is implemented. It will allow for necessary personnel actions, personnel moves, appropriate training (including any required certifications), as well as non-personnel considerations such as materials and supplies, equipment, facilities, sub-contracts, leases, environmental issues, safety and security, etc. It is also essential that the location of the installation be a consideration, i.e., remote location.

11.2.5.3. If the transition phase needs to be extended, then a request with justification is submitted from a command XP to HQ USAF/XPM for approval. HQ USAF/XPM's written approval is required and is maintained with the Transition Plan.

11.2.6. Supporting Documentation. Any other supporting documentation used for the development of the Management Plan will be maintained.

11.2.7. Development of the Management Plan may begin but will not be finalized until a PWS has been completed.

11.2.8. Solicitation amendments must be reviewed for their potential impact on the Management Plan.

11.2.9. The Management Plan is a procurement sensitive document and must be safeguarded until comparison of the in-house cost estimate and the contract/ISSA offer.

11.2.10. The Management Plan will be delivered in a sealed and dated envelope to the contracting officer prior to the time and date established for receipt of initial contract/ISSA offers. For Cost/Technical Tradeoff acquisitions, it is essential that:

11.2.10.1. There are two sealed envelopes--one containing the Government Cost Estimate and another envelope containing the remaining portions of the Management Plan.

11.2.10.2. The SSA shall not have access to the Government Cost Estimate.

11.2.11. TPP. A Government TPP is required only for acquisitions when a Cost/Technical Tradeoff acquisition is used for the cost comparison process. The best contract/ISSA offer will then be compared to the Government TPP. A Government TPP represents the Government's technical proposal.

11.2.11.1. The Government TPP represents the technical approach and resources to be expended by the Government in meeting the requirements of the PWS. It is prepared in accordance with the

requirements in the solicitation and depicts the requirements in the MEO. There may be some technical evaluation criteria that apply to the contract/ISSA offerors that will not apply to the in-house TPP. The criteria that do not apply are identified by the contracting officer.

11.2.11.2. The Government TPP is additionally used for evaluating the Government's proposal against the proposal of the contractor(s)/ISSA selected to compete against the Government to ensure a level playing field.

11.2.11.3. The TPP is considered a procurement sensitive document and is not releasable to the public until a final cost comparison decision is determined. The TPP may not be releasable even after the final cost comparison decision if release of the TPP is likely to adversely impact the competitive position of an in-house offer in a future acquisition.

11.3. Policy Implementation.

11.3.1. Management Plan Description. The Management Plan reflects the scope of the PWS and identifies the organizational structures, staffing and operating procedures, equipment, transition and inspection plans necessary to ensure that the in-house activity is performed in an efficient and cost effective manner. AF may consider existing management reinvention, consolidation, re-engineering, personnel classification, market and other analyses in the identification and development of the MEO. The format at [Attachment 7](#) is used for documenting the Management Plan.

11.3.2. When developing the MEO, the PWS performance standards, technical exhibits and other RFP requirements are followed so that the basis for establishing in-house costs and contract price are the same.

11.3.3. The Management Plan is a team effort which utilizes the talents of individuals with expertise in management analysis, staffing, position classification, work measurement, value engineering, industrial engineering, cost analysis, contracting, and the technical aspects of the functional area under cost comparison. The objective of developing the Management Plan is to find new, innovative, and creative ways to provide the required services in a cost-effective manner. The individuals designated to develop the Management Plan should be given freedom to be innovative and creative and to develop a new organization that meets the quantity and quality standards of the PWS, except for areas covered by law.

11.3.4. Relationship to Staffing and Standards. The estimated workload will be based on the PWS and not on the current workload, staffing, or work methods. If an existing manpower standard or guide is used, it may be necessary to make upward or downward adjustments. The adjustments are necessary because existing standards or guides may be based on work elements or performance standards, or describe work methods which may not be consistent with the PWS or conducive to a MEO. In developing the MEO, there is no mandatory requirement to apply existing manpower standards or standard manpower computational methodologies. However, annual civilian man-hour availability factors directed by OMB, and published by AFMIA, are mandatory. For military, the AF annual military man-hour availability factors are used.

11.3.5. Employee and Labor Union Involvement in Management Plan Development. Labor organizations, in their representational capacity, on behalf of directly affected civilian employees, may participate in the development and preparation of the Management Plan but only to the extent of providing technical support to management who actually develops the Management Plan. At least monthly during development of the Management Plan, management solicits the views of the directly affected

civilian employees and their representatives for recommendations to improve the method of operation (10 USC 2467). They may participate in meetings in an advisory capacity except where management decisions are made or source selection information is discussed. Directly affected employees not represented by labor unions may appoint a representative(s). Final decisions regarding the Management Plan are at the discretion of management.

11.3.6. Contractor assistance in developing portions of the Management Plan is permitted as long as their company will not be submitting an offer for the workload.

11.3.7. Resources Specified in MEO.

11.3.7.1. The MEO will reflect only approved resources, which may include resources from other commands, services, or Federal agencies.

11.3.7.2. The commander ensures the resources (facilities, equipment, and manpower) specified in the MEO will be available to the in-house operation.

11.3.7.3. For standard cost comparisons, the MEO must be more cost effective than the existing organization as modified to reflect the requirements of the PWS (**Figure 11.1.**).

11.3.7.3.1. Step 1: Develop Manpower Cost for the Current Organization. Prior to development of the performance work statement, cost the manpower for the current organization.

11.3.7.3.1.1. This costing will include the cost of current and programmed UMD manpower authorizations as well as known manpower adjustments not currently shown on the UMD. Also included are other sources of manpower used by the activity, including civilian over-hires, borrowed and detailed personnel, etc. Omit these latter sources of manpower when their sole purpose is temporary augmentation of vacant manpower authorizations.

11.3.7.3.1.2. Current Organization Costing: Using COMPARE establish the same base-year and performance periods to be used in developing the Government Cost Estimate as for a cost comparison. Using COMPARE, cost the manpower for the current organization by completing Line 1 (Personnel Costs) of the COMPARE CCF. Do not cost any other lines. COMPARE will automatically compute Liability Insurance costs (COMPARE CCF line 3), Overhead costs (COMPARE CCF line 4) and Out-Year Inflation costs for these positions. The total on Line 8 of the printed COMPARE CCF represents the cost of manpower in the current organization, and is used as the cost of the current organization to be compared to the cost of manpower in the MEO, when developed.

11.3.7.3.1.3. Include this cost in the Command's A-76 Candidate Submission Package (**Chapter 5**). After HQ USAF/XPM approval of a candidate is received, proceed with the cost comparison process.

11.3.7.3.2. Step 2: Cost Adjustments To the Announced Organization. If changes to authorizations are made by a command after announcement and approved by HQ USAF/XPM (in accordance with **Chapter 5**), adjustments to the cost of the current organization (as established in Step 1) are required. Based on these changes, it may be necessary to adjust the PWS.

11.3.7.3.3. Step 3: Develop An All-Civilian MEO and Cost MEO Manpower When Required Skills Can Be Recruited. The all-civilian MEO is developed to support PWS requirements. Develop the cost of the MEO civilian manpower only when a labor market analysis (con-

ducted by the servicing civilian personnel flight) indicates the MEO-required skills can be recruited. When pricing the cost of manpower, use COMPARE and establish the same base-year and performance periods established in Step 1. Complete only line 1 (Personnel Costs) of the COMPARE CCF. Do not cost any other lines. COMPARE will automatically compute Liability Insurance costs (COMPARE CCF line 3), Overhead costs (COMPARE CCF line 4) and Out-Year Inflation costs for these positions. The total on Line 8 of the printed COMPARE CCF represents the cost of manpower in the MEO, and is used for comparison with the cost of manpower in the current organization.

11.3.7.3.4. Step 4: Develop A Military/Civilian MEO (Optional). Modify the MEO to include military authorizations (optional step). Military may only be considered for inclusion in an MEO under the one or both of the following two conditions:

11.3.7.3.4.1. Military authorizations exist in the current organization and including them in the MEO will make the MEO more cost effective than an all-civilian MEO. A selective approach rather than a one-for-one approach should be used to include military authorizations in an MEO. The number of military positions included in the MEO cannot exceed the number of military authorizations currently authorized, must not replace encumbered civilian authorizations, must be within the command's grades allocation program, and account for military skill and grade progression requirements.

11.3.7.3.4.2. Insufficient civilian skills or difficult to recruit civilian skills exist in the civilian work force to staff an all-civilian MEO. Temporary military positions may be included in the MEO (a number necessary to ensure MEO implementation), which will be phased out over the anticipated time necessary to hire/train/certify civilians to staff the MEO. Identification of difficult to recruit civilian skills is determined by a labor market analysis conducted by the servicing civilian personnel flight. Servicing civilian personnel flight certification regarding the availability of civilian skills will be required as a part of the waiver request. They are costed as military positions in the MEO until they can be phased out and replaced with civilian positions. The number of military positions included in the MEO cannot exceed the number of military authorizations currently authorized, must not replace encumbered civilian authorizations, must be within the command's grades allocation program, and account for military skill and grade progression requirements.

11.3.7.3.4.3. If one or both of the two conditions above exist, a command-level waiver to use military in an MEO is required before finalizing the in-house cost estimate. (**Figure 11.2.**)

11.3.7.3.4.4. When including military positions in the MEO:

11.3.7.3.4.4.1. It may increase the size and/or cost of the MEO to a number higher than an all-civilian MEO due to additional manpower actions associated with military (i.e., skill level training, PCS moves, mobilization requirements, professional military training, READY requirements, military details, etc.).

11.3.7.3.4.4.2. Dependent upon the specific location, the MEO manning must account for OPSTEMPO or PERSTEMPO.

11.3.7.3.4.4.3. Establish a military structure that is within a command's grades allocation program and accounts for military skill and grade progression requirements (e.g.,

do not arbitrarily establish all enlisted positions at the 7 and 9 skill level without the appropriate number of 3 and 5 skill levels). These progression requirements must be included and costed as part of the MEO.

11.3.7.3.4.4. Obtain command-level approval to ensure the military structure established for the MEO is within the command's military grades allocation program, and that proper consideration has been given to military skill and grade progression requirements.

11.3.7.3.4.5. Costing the Military/Civilian MEO. Using COMPARE, establish the same base-year and performance periods established in Step 1. Cost the manpower for the MEO by completing line 1 (Personnel Costs) of the COMPARE CCF. Do not cost any other lines. COMPARE will automatically compute Liability Insurance costs (COMPARE CCF line 3), Overhead costs (COMPARE CCF line 4) and Out-Year Inflation costs for these positions. The total on Line 8 of the printed COMPARE CCF represents the cost of a military/civilian mix of manpower in the MEO and is used for comparison with the cost of an All-Civilian MEO developed in Step 3.

11.3.7.3.5. Step 5: Compare Costs. Compare the cost of the MEO manpower in Step 3 (All-Civilian MEO, when developed), and Step 4 (Military/Civilian MEO, when developed) to the cost of manpower in the current organization in Step 1 (or Step 2, if adjusted). When military are included in the MEO to decrease the cost of the MEO, the most cost effective MEO developed in either Steps 3 or 4 must be used for comparison against the current organization. However, if required civilian skills cannot be recruited, the civilian/military MEO developed in Step 4 is used for comparison against the current organization.

11.3.7.3.6. Step 6: Certify the MEO. Obtain commander's approval to certify the MEO identified in Step 5.

11.3.7.3.7. Step 7: Obtain a Waiver To Use Military In An MEO (if applicable). Installations request a waiver to use military in an MEO to the command (**Figure 11.2.**). Waivers must be approved at the command level before completing the in-house cost estimate for review by the IRO. The installation waiver request for including military in the MEO must include their rationale for including military in the MEO (i.e., less cost, insufficient skills), must include the exact number of military (including grades and skills), and the required documentation. Commands may not approve blanket military in MEO waivers for their command nor can they approve a waiver before the installation forwards the required justification. These waivers will be handled as proprietary information. As soon as the waiver is approved, commands will forward a copy of the approved waiver as an attachment to a memo (signed by the command XP) to HQ USAF/XPM addressing the potential military manpower reprogramming impact to the AF FYDP. This memo will be handled as FOUO since the MEO is considered procurement sensitive information.

11.3.7.3.8. Step 8: Complete the Government Cost Estimate. Complete the Government Cost Estimate once personnel costs are acceptable to the commander (entered on Line 1 of the COMPARE CCF). Complete the remaining COMPARE CCF line numbers, in accordance with COMPARE costing guidance, to reflect the total estimated cost of Government and contract performance.

11.3.8. Organization and Position Structuring. Once PWS workload requirements are determined, an organizational configuration and position structure which best meets the PWS workload is designed. The new organizational structure, included in the Management Plan, is submitted with the completed COMPARE CCF to HQ USAF/XPMR, via RCS: HAF-XPM(AR) 8001 memorandum ([Attachment 4](#)).

11.3.8.1. The new organization and position structure arranges the PWS workload in the most efficient manner. The workload is divided according to skill levels required. Supervisory and administrative support requirements (not a part of operations overhead) are included. Consideration is also given to multi-skilled positions to fully utilize employees; the best mix of work schedules for accomplishing the workload, i.e., full-time, part-time, and intermittent; the use of overtime (unscheduled, seasonal, or peak workload), and functional cross utilization of personnel within the MEO.

11.3.8.2. In developing a position structure, position descriptions may have to be written or rewritten. The servicing civilian personnel flight ensures proper structuring (design) of positions according to pay plan [General Schedule (GS), Federal Wage System (FWS)] and other occupational series and grade. The Services Human Resource Office ensures proper structuring (design) of NAF employee position guides.

11.3.9. MEO Impact on Other Activities. If the Management Plan identifies a need for fewer people in the activity, resource impacts on other support activities should be identified. These impacts are not used in development of the Government Cost Estimate.

11.3.10. Contingency Planning. The Management Plan should include a plan to meet emergency situations.

11.3.11. Intraservice or Interservice Support Agreements and Contracts. The Management Plan will consider the continuing requirement for or changes to any existing support contracts or support agreements. It is necessary to identify the man-hours and obtain the resources (from the organizations receiving the support) to be expended under existing or anticipated support agreements.

11.3.12. Productivity Enhancing Capital Investment (PECI) Programs. PECI may be used either before an A-76 initiative is announced or after an A-76 initiative is completed.

11.3.13. Waivers.

11.3.13.1. As indicated in [Chapter 9](#) of this Instruction, every effort should be made to eliminate compliance with regulatory policy and procedures when more efficient and cost-effective ways are known and adequate measurable standards are developed. Waivers will be obtained before final approval of the MEO.

11.3.13.2. Waiver requests to AF Instructions, Policy Directives, etc., will be submitted in writing by the command-level functional OPR to the HQ USAF functional OPR for the specific instruction, policy directive, etc.

11.3.13.3. A command-level waiver is required to use military in the MEO (paragraph [11.2.2.5.3](#) and [11.3.7.3.4.3](#) of this Instruction).

11.3.13.4. Policy and procedural waivers to this Instruction must be requested in writing by the command XPM to HQ USAF/XPMR. Written HQ USAF/XPMR approval must be received by the command prior to proceeding with any action that deviates from this Instruction.

11.3.13.5. To waive the cost comparison process, see [Chapter 21](#) of this Instruction.

11.4. Study Methods . Specific techniques used to develop the Management Plan can include work measurement, value engineering, methods improvement, organizational analysis, position management, systems and procedures analyses, functional process improvement, etc. The techniques chosen depend on the type of function involved and the data, time, and personnel resources available. Some of the techniques are outlined below; however, details on applying the techniques may be obtained from many management textbooks. A useful source for these techniques may be found in AFI 38-208; *Air Force Management Engineering Program (MEP)*, however, the use of AFI 38-208, is not mandatory.

11.4.1. Analysis Techniques. There are several specialized analysis techniques which can identify problem areas, duplication of effort, layering of supervision, lost motion, need for delegation, inefficient methods, etc. These techniques include, but are not limited to, activity-based costing (ABC), flow process charting, layout analysis, systems and procedures analyses, process measurement analysis, work distribution analysis, linear responsibility charting, functional models, and program evaluation review techniques. ABC process modeling can be used to develop the Management Plan even though the actual costing of the in-house offer must use the A-76 costing methodology outlined in this Instruction.

11.4.2. Operational Audits. An operational audit may be used when there is insufficient time or expertise available for more precise techniques. The operational audit requires informed objective judgments by analysts and functional personnel. Staffing by operational audit may also include positions required by law and regulation. The basis or reasoning used for the operational audit should be described in the cost comparison process.

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

11.5. Performance Indicators . The performance requirements of the PWS are developed during the initial job analysis phase of PWS development. However, these requirements pertain only to final outputs and assume the contractor will develop and operate an organization to meet these performance requirements. Therefore, it may be necessary to develop performance indicators for functions below the final output level to assist in developing the MEO. The most direct way of evaluating performance is to count output units and compare them to some predetermined requirements. Similarly, resource requirements can be predicted by comparing each person's average outputs to projected workload. In some cases, output measures which are easily counted may be difficult or impossible to obtain. In all cases, however, indicators of performance should be devised. These performance indicators should reflect the quantitative, as well as qualitative, aspects of organizational output. When quantitative measures are not feasible, other measures, such as, effectiveness, timeliness, or quality, should be used.

11.5.1. Quantitative Measures. Examples of a measure of level of effort or work actually performed include the number of windows repaired, job orders completed, items issued, and lines typed. Examples of a measure of how well outputs were produced against a standard include the item reject rates, number of customer complaints, and accidents per mile. Many times the qualitative standard should be a written description of the results of the work.

11.5.2. Timeliness Measures. Examples of a measure of the average elapsed time to complete a work unit compared to a requirement include the response time, average time to effect supply issue, average time between submission of a work request, and completion of work.

11.5.3. Effectiveness Measures. Examples of a measure of mission performance include the percent of items inoperable due to nonavailability of repair parts, equipment deadline rates, pest infestation rate, and percent service utilization.

11.5.4. Total Cost Measures. Costs can be measured on a total or unit cost basis.

Figure 11.1. Overview of The MEO Development Process.

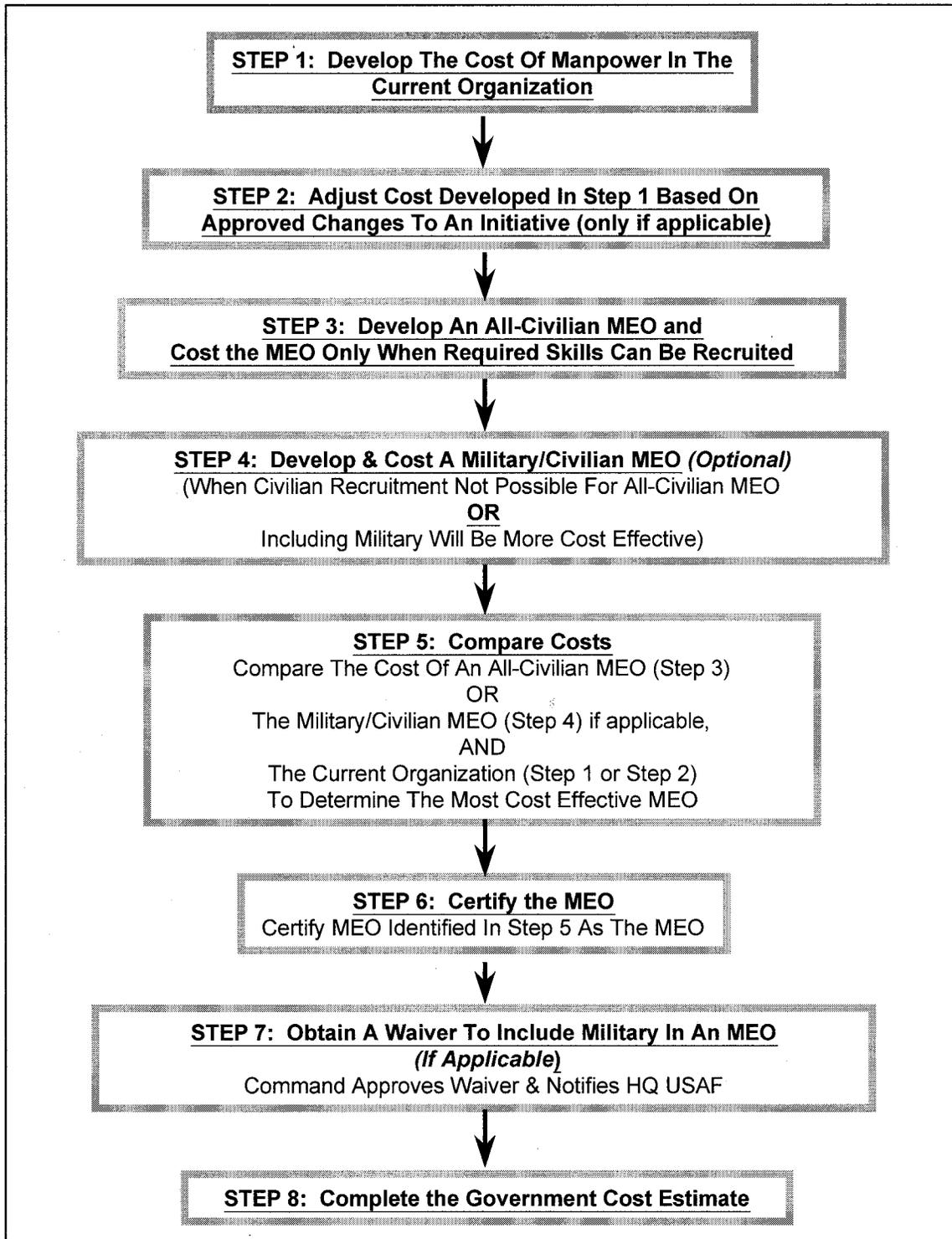


Figure 11.2. Waiver Request To Include Military In MEO.**FOR OFFICIAL USE ONLY****Unclassified Sample****Military-in-MEO Waiver Request Example**

FROM: (Installation)

TO: (Command/XPM)

SUBJECT: Waiver Request To Include Military In (Cost Comparison Title) MEO

1. The (XXX) Wing Commander certifies that analysis indicates that including military in subject cost comparison MEO will be more cost effective than the current organization or an All-Civilian MEO. We estimate approximately (X) military will be required to staff the MEO in case the MEO wins when the cost comparison between in-house and contract performance is conducted on (cost comparison decision date). Supporting data is available upon request.
2. This information is considered proprietary information until the cost comparison is completed.
3. The Servicing Manpower and Organization Office OPR is (rank, name, DSN, FAX, e-mail address).

or

1. The (XXX) Wing Commander certifies that analysis indicates that including military in subject cost comparison MEO is essential to ensure the MEO can be implemented. The (XXX) Civilian Personnel Flight certifies, based on a labor market analysis, that insufficient skills are available in the Federal Government to staff the MEO in a timely manner. The Transition Plan includes the appropriate phase-out of military and phase-in of civilians as indicated on the chart below in case the MEO wins when the cost comparison between in-house and contract performance is conducted on **(cost comparison decision date)**. Supporting data is available upon request.

<u>Officer</u>	<u>Enlisted</u>	<u>AFFAC</u>	<u>PEC</u>	<u>Fiscal Year</u>
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Total

2. This information is considered proprietary information until the cost comparison is completed.
3. The Servicing Manpower and Organization Office OPR is (rank, name, DSN, FAX, e-mail address) and Servicing Civilian Personnel Flight OPR is **(rank, name, DSN, FAX, e-mail address)**.

Signature

FOR OFFICIAL USE ONLY**Unclassified Sample**

Chapter 12

DEVELOPMENT OF GOVERNMENT COST ESTIMATE

Section 12A—Overview of Costing Policy Implementation

12.1. Overview. This chapter provides the policies and instructions for developing, documenting and comparing the relative cost of in-house versus contract/ISSA performance. The instructions in this chapter recognize the absence of a uniform accounting system throughout the Federal Government and are intended to establish a practical level of consistency to assure that all substantive factors are considered.

12.2. Policy.

12.2.1. Unless otherwise provided by this Instruction, the costing instructions in this chapter shall be used to determine the cost effectiveness of converting a commercial activity to or from in-house or contract/ISSA performance.

12.2.2. The AF developed OMB Circular A-76 Cost Comparison Software Program (COMPARE) shall be used for all commercial activity cost comparisons unless formally waived by HQ USAF/XPMR.

12.3. Outline of Costing.

12.3.1. This chapter is organized by the major subjects to be considered when developing the Government Cost Estimate. Generally, these subjects follow the line-by-line progression of the COMPARE automated CCF (hereafter referred to as the COMPARE CCF) (**Figure 12.24.**). The COMPARE CCF reflects the Government Cost Estimate for both in-house and contract/ISSA performance and is the basis for determining who wins the competition (i.e., in-house or contract/ISSA). The costing instructions addressed in this chapter apply to all cost comparisons, even when COMPARE is not used to develop the Government Cost Estimate.

12.3.2. **Section 12B** provides general instructions for developing the Government Cost Estimate. **Section 12C** provides Instructions for developing the cost of in-house Government performance. **Section 12D** provides Instructions for developing the cost of contract/ISSA performance. **Section 12E** provides Instructions for computing the minimum conversion differential and determining the cost comparison decision.

Section 12B—General Instructions

12.4. General. This section provides general instructions for developing the Government Cost Estimate, and applies to development of both Government in-house and contract/ISSA performance costs.

12.4.1. Common Costs. Government costs that will be the same for either in-house or contract/ISSA performance are not computed, but are identified in the Management Plan. Examples of common or “wash” costs are costs associated with Government-furnished equipment, facilities and materials.

12.4.2. Property Standby Costs. Standby costs are costs incurred for the upkeep of property in standby status. These costs neither add to the value of the property nor prolong its life, but keep it in efficient operating condition or available for use. When an in-house activity is terminated in favor of

contract/ISSA performance and an agency elects to hold Government equipment and facilities on standby solely to maintain performance capability, the standby costs are not charged to the cost of contract/ISSA performance since this is a management decision.

12.4.3. Rounding Rule. All entries on the COMPARE CCF are rounded to the nearest dollar. Amounts from 50 to 99 cents are increased to the next dollar and amounts under 50 cents are dropped.

12.4.4. Prorating Performance Periods. When the first period of performance is less than a full year, all cost elements, except one-time conversion costs, are prorated according to the number of months in the first performance period.

12.4.5. Cost Comparison Documentation. Develop backup documentation, as appropriate, to explain the makeup of entries in the COMPARE CCF. To the maximum extent possible, the documentation should support the cost comparison without further explanation. The documentation enables a reviewer to track the computations from start to finish. The COMPARE software program automatically develops a majority of the backup documentation required for each line of the COMPARE CCF. There may, however, be a requirement to explain certain entries and/or calculations performed outside the program (e.g., computations associated with the average annual cost of vehicle fuels and/or lubricants based on miles driven). COMPARE provides the capability to document, within the program, any additionally required explanations.

12.4.6. Cost Factors and Rates. This chapter identifies certain standard cost factors and rates that must be applied when developing the Government Cost Estimate. AFMIA/MIC maintains the most current cost factors and rates on the AFMIA Home Page (<http://www.AFMIA.randolph.af.mil>). Before beginning development of the Government Cost Estimate, check the AFMIA Home Page to ensure you have the most current cost factors and rates. Updates to standard cost factors and rates are effective immediately upon issuance and apply to all cost comparisons where the Government's in-house cost estimate has not been publicly revealed.

12.4.7. Base Year Costs. Base year costs refer to the day, month, and year when prices used to develop the base year Government Cost Estimate were current. All costs (e.g., civilian salaries and hourly wage rates, military composite rates, supply/material costs, etc.) must be as of the same base year to ensure uniform application of inflation factors during the first and subsequent performance periods. Also, base year costs should not be older than one year from the start of the first performance period.

12.4.8. Application of Inflation Factors. Inflation factors are applied to the base year costs to account for inflationary cost increases during the first and subsequent performance periods of a cost comparison. There are some situations when inflation factors are not applied; these are identified in solicitations that include a Fair Labor Standards Price Adjustment clause (i.e., an escalation provision) where offerors are instructed to exclude escalation costs from certain labor and materiel categories beyond the first performance period. Consult with the Contracting Officer to determine which labor and materiel categories are covered by an escalation provision. For purposes of this Instruction and the COMPARE software program, the terms escalation provision and economic price adjustment (EPA) are synonymous.

Figure 12.1. Inflation Matrix.

INFLATION MATRIX		
LINE NUMBER AND COST ELEMENT	OUTYEAR INFLATION	
	YES	NO
IN-HOUSE PERFORMANCE COSTS		
1. Personnel Costs	X (If positions are not covered by an Escalation Provision*)	X (If positions are covered by an Escalation Provision*)
2. Material & Supply Costs	X (If materials and supplies are not covered by an Escalation Provision*)	X (If materials and supplies are covered by an Escalation Provision*)
3. Other Specifically Attributable Costs		
a. Depreciation		X
b. Minor Items	X**	
c. Rental Costs	X	
d. Maintenance and Repair	X	
e. Utilities	X	
f. Insurance		
(1) Casualty	X	
(2) Liability		X
g. Travel	X	
h. Other Costs		
(1) Purchased Services	X	
	(Except when projected contract costs for each performance period are known and/or labor costs are not covered by an escalation provision*)	
(2) Other Miscellaneous Costs	Determined on a Case-by-Case Basis	Determined on a Case-by-Case Basis
4. Overhead Costs		X
5. Cost of Capital		X
6. One-Time Conversion Costs (ENRC)		X
7. Additional Costs	X***	
8. Total In-House Costs		X

Figure 12.1. Continued.

INFLATION MATRIX (Continued From Previous Page)		
LINE NUMBER AND COST ELEMENT	OUTYEAR INFLATION	
	YES	NO
CONTRACT PERFORMANCE COSTS		
9. Contract or ISSA Price		X
10. Contract Administration		
a. Personnel Costs	X	
b. Material and Supply Costs	X	
c. Other Specifically Attributable Costs		
(1) Depreciation		X
(2) Minor Items	X**	
(3) Rental Costs	X	
(4) Maintenance and Repair	X	
(5) Utilities	X	
(6) Insurance		
(a) Casualty	X	
(b) Liability		X
(7) Travel	X	
(8) Other Costs	Determined on a Case-by-Case Basis	Determined on a Case-by-Case Basis
11. Additional Costs	X	
12. One-Time Conversion Costs		
a. Severance Pay		X
b. Other Costs		X
13. Gain on Assets		X
14. Federal Income Tax (Deduct)		X
15. Total Contract or ISSA Costs		X
Explanations		
*Escalation Provision. See paragraph 12.4.8. of this Instruction		
**Minor Items: When computing casualty insurance, the cost of minor items is inflated for all years in the cost comparison, using the appropriate inflation factor(s) for each year. However, when computing the annual 10% replacement cost of minor items, the cost of minor items is inflated for each year in the cost comparison using the first performance period factors only; outyear inflation factors are not applied.		
***For in-house to contract cost comparisons, one-time conversion costs included on this line (if any) are not inflated.		

12.4.9. Cost Comparison Period. Cost comparisons will be based on at least a three-year period (e.g., a one year basic performance period and two option year periods). The cost comparison period should match the period of the contract plus options as reflected in the contract solicitation. Performance periods for cost comparisons may be in excess of five years when approved by HQ USAF/XPM (see paragraph 10.2.5. of this Instruction). A command request to exceed five years must include justification by the command XP stating that no known cost comparison advantage will be conveyed to the in-house or contract/ISSA offer by the extension.

12.4.10. Minimum Cost Differentials.

12.4.10.1. Cost margins are established that must be exceeded before converting an activity to or from in-house, or contract/ISSA performance. These margins are established to ensure the Government will not convert for minimal savings.

12.4.10.2. The minimum cost differential is the lesser of 10% of in-house personnel costs (Line 1) or \$10 million over the cost comparison period. Factors such as decreased productivity and other costs of disruption that cannot be easily quantified at the time of the cost comparison are included in this differential.

12.4.11. Cost of Conducting the Comparison. The cost of conducting a cost comparison is not added to the Government Cost Estimate or contract price. This is an administrative expense associated with good management practices and is irrelevant to the cost of performance.

12.4.12. Retained Grade and Save Pay. Retained grade and save pay are not included in the Government Cost Estimates. Activities are encouraged to seek their most efficient organization (MEO), without penalty of historical inefficiencies. Only the positions in the MEO are costed and those positions are costed at the average grade steps prescribed in this chapter.

12.4.13. Incentive Separation Pay . Incentive pay (e.g., VSIP, VERA, etc) offered employees as an inducement for resignation or early retirement are not included in the Government Cost Estimate. These types of pay are considered a discretionary good business practice and are independent of the decision to conduct a cost comparison.

Section 12C— Developing the Cost of Government In-House Performance

12.5. Outline of Policy Implementation. In-house performance costs are based on the same level of effort and work identified to the potential contractor/ISSA offerors in the PWS and other solicitation documents, and includes estimates of all significant and measurable costs.

12.5.1. The estimated cost of in-house performance is developed and recorded on the COMPARE CCF (**Figure 12.24.**) as follows.

12.5.1.1. Personnel Costs (Line 1). This line includes the cost of all direct in-house labor and supervision, including quality control personnel, necessary to accomplish the requirements specified in the PWS. Also included are other local personnel costs expended in operation of the activity or that would change if performance is converted to or from in-house, contract or ISSA. These latter costs are not part of the 12% overhead factor. They include management and oversight activities, such as direct and indirect managers and supervisors above the first line supervision who are essential to the performance of the function(s) being competed, personnel support, environmental or OSHA compliance management, etc. These positions may or may not be 100% dedicated to the activity being competed. Where a position(s) is not 100% dedicated to the activity being com-

peted, its cost is prorated to Line 1 according to the amount of dedicated time. For example, a GS-13 position spends 20% of its time performing management oversight of an activity being competed; the prorated cost of this position would be entered in Line 1 as .20 FTEs in the grade of GS-13. For in-house cost estimates that assume a mix of in-house labor and existing MEO subcontract support, Line 1 also includes the cost of labor for administration of those support subcontracts.

12.5.1.1.1. Appropriated Fund Civilian Positions. These positions include salaries, wages, fringe benefits, and other entitlements, such as uniform allowances and overtime. These costs, determined by the required civilian grades and series, are based on the work described in the PWS and the MEO (determined by the Management Plan) rather than on the current organizational structure.

12.5.1.1.2. Nonappropriated Fund (NAF) Civilian Positions. These positions also include salaries, wages, fringe benefits, and other entitlements. However, unlike appropriated fund positions, average salary, wage, fringe benefit factors are not applied. Instead, locally determined cost estimates are used. Instructions for developing these estimates are provided in subsequent paragraphs.

12.5.1.1.3. Military Positions. The conclusion that an activity may be performed by contract/ISSA also reflects a decision that the work need not be accomplished by military personnel. Military positions will not be included in a cost comparison unless approved by the command. When approved, military positions are costed using the military standard composite accelerated rates provided by AFMIA/MIC.

12.5.1.1.4. Estimating Contract Administration Positions for MEO Subcontracts. **Table 12.5.** may be used to estimate the number of contract administrators required to support any existing MEO subcontracts based on the estimated number of contract employees or CMEs involved. Note: Contract Administration Positions for MEO subcontracts are not included when: (1) existing contracts will be made available to a perspective contractor/ISSA offeror, or (2) existing MEO subcontracts are being resolicited as part of the solicitation on the basis of an "any or all" offer, and separate line item bids are being requested for the workloads performed by the in-house work force and the MEO subcontracts. Under this situation, the cost comparison is limited to comparing the costs of performing the MEO in-house work force workloads and contract/ISSA offers received for that same workload.

12.5.1.1.5. Converting Productive Work Hours to Full Time Equivalents. When productive work hours are reflected in the Management Plan, these work hours need to be converted to full-time equivalents (FTEs) (i.e., positions). For full-time civilian, part-time, and temporary positions, total hours required are estimated by skill and divided by the OMB-directed value of 1,776 annual available hours to determine the number of positions required. For intermittent positions to be expressed in FTEs, total hours required are estimated by skill and divided by the OMB-directed value of 2,007 annual available hours to determine the number of positions required; these available intermittent hours exclude annual leave, sick leave, administrative leave, training, and other nonproductive hours. The differences in civilian available time are due to differences in nonproductive time between the different type of positions. For military positions, each Service establishes the annual available hours to be used for converting work hours to FTEs. Within the AF, this value, established at **Attachment 2** to AFI 38-201, *Determining Manpower Requirements*, is 1,818 annual available hours. Updates to these and all cost

comparison factors and rates are maintained on the AFMIA Home Page (<http://www.AFMIA.randolph.af.mil>).

12.5.1.1.6. Staffing for Varying Workload Requirements. When PWS workload requirements vary for the various performance periods, staffing requirements may need to be developed for each performance period.

12.5.1.1.7. Documenting Base Year Personnel Requirements and Costs. **Figure 12.2.** provides the worksheet format (with example entries) to be used to reflect base year personnel costs. Instructions for completing the worksheet are in the succeeding paragraphs.

Figure 12.2. Base Year Personnel Costs Worksheet.

LINE 1 BASE YEAR PERSONNEL COSTS WORKSHEET (BASE YEAR IS AS OF: 08/01/96)								
PERFORMANCE PERIODS COVERED: ALL								
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
POSITION TITLE OR SKILL	GRADE/ STEP	NUMBER FTEs REQUIRED	ANNUAL SALARY/WAGES (C x ANNUAL PAY RATE)	OTHER ENTITLEMENTS	BASIC PAY (D + E)	FRINGE BENEFITS OR FICA (F x RATE)	OTHER PAY & MEDICARE	PERSONNEL COST (F+G+H)
GS PAY CATEGORY								
*CLERK TYPIST	GS03/5	1.000	18461.00	0.00	18461.00	5990.59	0.00	24451.59
*CLERK TYPIST (INTERMITTENT)	GS03/5	0.249 (500 Hrs)	4422.86	0.00	4422.86	338.35	0.00	4761.21
*STENOGRAPHER	GS04/5	1.000	20726.00	0.00	20726.00	6725.59	0.00	27451.59
CAMERA OPERATOR	GS07/5	1.000	28720.00	0.00	28720.00	9319.64	558.44	38598.08
CAMERA OPERATOR	GS07/5	1.000	28720.00	0.00	28720.00	9319.64	0.00	38039.64
VIDEO OPERATOR (TEMPORARY)	GS07/5	0.001	28.72	0.00	28.72	2.20	0.00	30.92
AUDIO TECHNICIAN	GS08/5	2.000	63618.00	0.00	63618.00	20644.04	0.00	84262.04
*CHIEF ENGINEER	GS09/5	1.000	35133.00	0.00	35133.00	11400.66	0.00	46533.66
*ART DIRECTOR	GS11/5	1.000	42509.00	0.00	42509.00	13794.17	0.00	56303.17
*PRODUCER	GS12/5	1.000	50948.00	0.00	50948.00	16532.63	0.00	67480.63
SUB-TOTALS FOR GS		9.250	293286.58		293286.58	94067.51	558.44	387912.53
FWS PAY CATEGORY								
*ELECTRICIAN HELPER (INTERMITTENT)	WG04/4	0.299 (600 Hrs)	6138.00	0.00	6138.00	469.56	0.00	6607.56
ELECTRICIAN	WG08/4	0.500	13461.15	0.00	13461.15	4368.15	0.00	17829.30
*MAINT TECHNICIAN	WG08/4	2.000	53844.60	0.00	53844.60	17472.58	3402.64	74719.82
*MAINT TECHNICIAN	WG08/4	1.000	26922.30	2109.17	29031.47	9420.71	1701.32	40153.50
*MAINT FOREMAN	WS06/4	1.000	33225.04	0.00	33225.04	10781.53	0.00	44006.57
SUB-TOTALS FOR FWS		4.799	133591.09	2109.17	135700.26	42512.53	5103.96	183316.75
TOTALS		14.049	426877.67	2109.17	428986.84	136580.04	5662.40	571229.28
FOOTNOTES:								
1. Position Title or Skill. Positions not subject to an Economic Price Adjustment (EPA), if any, are identified with an asterisk (*).								
2. Annual Salary/Wages. This column is computed by multiplying column C times the annual pay rate, except for intermittent employees where hours are used. Also, military salaries (when shown) are standard composite accelerated rates that already include costs associated with Columns E, G, and H.								
3. NAF Pay Category. Costs shown under columns G and H for NAF positions (when listed) include FICA and other locally determined fringe benefit costs. A single standard factor is not applied.								

12.5.1.1.7.1. Position Title or Skill--(Column A). For civilian positions, enter the position's title as shown in the civilian position description. For military positions, enter assigned military title. Title may be abbreviated if required.

12.5.1.1.7.2. Grade and Step--(Column B). For appropriated fund civilian positions, enter the position's pay plan and grade, as shown in the civilian position description. Also, enter the step for each position. For example, a GS 2 is entered as GS02/5, and a WG 6 is entered as WG06/4. For NAF positions, only the grade is entered; a grade step is not entered. For example, an NAF position with a grade of NA 1 is merely entered as NA01. For military positions, enter only the military rank; for example, a TSgt position is entered as E-6.

12.5.1.1.7.3. Number FTEs Required--(Column C). Enter the FTEs required for each grade. Specifically identify the temporary and intermittent appropriated fund employee FTEs; express partial FTEs to 3 decimal places; this is important for later fringe benefit calculations since intermittent and temporary employees get fewer benefits than full-time and part-time employees. The designation of NAF and military positions as temporary or intermittent does not apply.

12.5.1.1.7.4. Annual Salary or Wages--(Column D).

12.5.1.1.7.4.1. Appropriated Fund Civilian Positions. Enter the annual salary or wages of the positions. Use local pay salaries and wages based on the OMB directed rate of step 5 for GS and step 4 for FWS employees. Deviations from these grade steps are not authorized unless justified and approved by the command/XPM, HQ USAF, DoD and OMB. Multiply the annual pay rate by the number of FTEs (Column C), except for intermittent positions where actual hours are used. As a rule, pay tables reflect GS salary as an annual rate while FWS pay is reflected as an hourly wage rate. Hourly rates must be converted to an annual rate for entry onto the worksheet. For example, the hourly rate for FWS positions to be used on a prearranged regularly scheduled tour of duty is converted to an annual rate by multiplying the hourly wage rate by 2,087 (the number of hours employees are paid annually); for FWS positions to be used on an intermittent basis, the hourly wage rate is converted to an annual rate by multiplying the hourly wage rate by the estimated number of annual hours to be worked. Pay information can be obtained from the appropriate servicing civilian personnel flight or finance office.

12.5.1.1.7.4.2. NAF Civilian Positions. Enter the estimated annual salary or wages of the positions. Unlike appropriated fund civilian positions, Government-wide salary and wage averages, by grade and step, are not established for NAF positions. Instead, position costs are developed based on local experience. Use the following procedures to estimate annual position salaries and wages:

12.5.1.1.7.4.2.1. Encumbered Positions. Estimate which current employees will fill MEO positions in the event the activity remains in-house. This estimate is developed by the NAF Human Resources Office by conducting a MOCK NAF employee reduction in force (Mock RIF). Determine annual salary or wage costs for those positions to be filled by current employees based on their current annual pay. When appropriate, adjust annual pay to account for job or position description changes.

12.5.1.1.7.4.2.2. Vacant Positions. When a position is vacant or when a determination cannot be made on who will fill a particular position, estimate the annual salary or wage costs of the position using local hiring experience.

12.5.1.1.7.4.3. Military Positions. Enter the military standard composite accelerated rate established for the grade of the position. Unlike appropriated fund and NAF civilian positions, this rate already includes fringe benefit and overhead costs. Enter the total composite rate; do not eliminate fringe benefit and overhead costs. These costs are excluded in later calculations associated with the computation of fringe benefit and overhead costs.

12.5.1.1.7.5. Other Entitlements--(Column E). Enter other annual pay, if any, that earns fringe benefits or FICA. Work closely with the personnel office to make sure all entitlements are considered and to obtain current factors. Some examples of factors are night differential pay for FWS employees, environmental differential pay, and premium pay for Federal civilian firefighters and law enforcement officers. The cost comparison package should include an explanation of these entitlements and show the associated calculations. For NAF positions, enter any other annual pay eligible for retirement benefits. For military positions, these costs do not apply.

12.5.1.1.7.6. Basic Pay--(Column F). Enter the sum of Columns D and E.

12.5.1.1.7.7. Fringe Benefits or FICA (F x Rate)--(Column G). Enter the annual cost to the Government for benefits paid on basic pay (Column F). For appropriated fund civilian employees, the standard retirement cost factors represent the Federal Government's complete share of the weighted CSRS/FERS retirement cost to the Government, based upon the full dynamic normal cost of the retirement systems; the normal cost of accruing retiree health benefits based on average participation rates; Social Security, and Thrift Savings Plan (TSP) contributions. For NAF employees, the factors and process used to determine fringe benefit costs are different.

12.5.1.1.7.7.1. Appropriated Fund Federal Civilian Positions. Compute entry as follows:

12.5.1.1.7.7.1.1. For permanent full or part-time appropriated fund civilian positions, multiply Column F by the appropriate total columnar factor shown below (e.g., 32.45%, 41.05% or 46.45%) (Note: Since these and all other factors/rates in this Instruction are subject to change, update them, as required, to match the latest factors issued by AFMIA):

Table 12.1. Fringe Benefit.

Fringe Benefit Category	All Positions (Excluding Special Class Positions)	Special Class Positions	
		Air Traffic Controller Positions	Law Enforcement and Fire Protection Positions
Retirement	23.7%	32.3%	37.7%
Insurance (Health & Life)	5.6%	5.6%	5.6%
Other Fringe Benefits (i.e., Workmen's Compensation, Bonuses and Awards, and Unemployment Programs)	1.7%	1.7%	1.7%
Medicare	1.45%	1.45%	1.45%
Total	32.45%	41.05%	46.45%

12.5.1.1.7.7.1.2. For temporary and intermittent appropriated fund civilian positions, multiply column F only by the following FICA factors (other fringe benefit factors do not apply to these positions) (since these and all other factors/rates in

this Instruction are subject to change, update them, as required, to match the latest factors issued by AFMIA):

Table 12.2. FICA Benefit.

FICA Benefit	Percentage Rate	Apply Up to Annual Salary Limit Of:
Old Age & Survivors Insurance Benefit	6.2%	\$65,400
Medicare	1.45%	No Salary Limit
FICA Total	7.65%	

12.5.1.1.7.7.2. NAF Civilian Positions. The factors and process used to determine fringe benefit costs for NAF positions are different from those used for appropriated fund civilian positions. For example, unlike appropriated fund employees, NAF employees have the option to reject participation in the retirement program. Also, unemployment compensation costs depend on whether a position is located overseas or within the continental United States (CONUS), and, if within the CONUS, the services area where the position will be used. Accordingly, a different approach is required when developing fringe benefit costs for NAF positions. Except for those benefit programs where a NAF employee has the option of voluntarily participating (i.e., retirement, life insurance, and health insurance programs), the cost factors itemized in [Table 12.3](#) are applied to determine costs. Since these and all other factors/rates in this Instruction are subject to change, update them, as required, to match the latest factors issued by AFMIA. Costs for voluntary programs are estimated as follows:

12.5.1.1.7.7.2.1. Encumbered Positions. Estimate insurance and retirement costs based on current employee participation in these programs. When appropriate, adjust costs to account for pay changes associated with position description changes.

12.5.1.1.7.7.2.2. Vacant Positions. When a position is vacant or when a determination cannot be made on who will fill a particular position, assume employee will elect retirement benefits and insurance coverage. Estimate the amount of insurance coverage based on averages experienced for other employees with similar grades.

Table 12.3. NAF Employee Benefit.

Benefit	NAF Employee Category		Remarks
	Regular	Flexible	
Retirement			
*Retirement	4.177%	0.00%	Apply to the annual basic salary of regular employees who participate in the NAF retirement program. DO NOT apply this factor to flexible employees.
FICA			
Old Age & Survivors Insurance	6.20%	6.20%	Apply up to a salary limit of \$65,400 regardless of employee's participation in the NAF retirement program.
Medicare	1.45%	1.45%	Apply to total salary (no salary limit) regardless of employee's participation in the NAF retirement program.
Unemployment Compensation			
Unemployment Compensation	1.73%	1.73%	Apply to each employee's annual gross pay, regardless of their category of employment.
Worker's Compensation			
Overseas	.31%	.31%	Apply to each employee's gross pay.
CONUS: For CONUS activities, select the activity which best describes the area where services will be performed by the position(s) and apply the listed worker's compensation factor to the position's annual gross pay.			
Lodging/TLFs	6.22%	6.22%	See guidance above.
Base Restaurants	6.05%	6.05%	See guidance above.
MWR Facilities and All Others	2.97%	2.97%	See guidance above.
Life and Health Insurance (Flat Annual Rates)			
*Life & Accidental Death Cost Per Each \$1000.00	\$4.29	\$0.00	Apply to the amount of insurance carried by employee, if any, to obtain annual costs.
*Group Health Insurance: Select annual cost (if any) according to the type of coverage used by the employee. These costs may vary due to local union negotiations. When local costs are different because of such union negotiations, actual costs may be used in lieu of the costs shown.			
Without Dependents	\$1548.82	\$0.00	See guidance above.
With Dependents	\$3562.52	\$0.00	See guidance above.
Guidance for Benefits Identified with an Asterisk			
NAF employees participation in those benefit programs identified with an asterisk is voluntary. See guidance in paragraph 12.5.1.1.7.2. of this Instruction for process used to estimate costs.			

12.5.1.1.7.7.3. Military positions. Make no entry since these costs are already included in the military standard composite accelerated rate.

12.5.1.1.7.8. Other Pay & Medicare--(Column H).

12.5.1.1.7.8.1. Appropriated Fund Civilian Positions. Include entitlements which do not earn fringe benefits, plus Medicare Tax. Work closely with the servicing civilian personnel flight to make sure all entitlements are considered. Examples are overtime and holiday pay, bonuses, and uniform allowances. Apply the Medicare rate to these entitlements (up to the annual salary limitation, if any, placed on Medicare tax), add to other pay costs and enter total in Column H. The cost comparison package should include an explanation of these costs and show the associated calculations.

12.5.1.1.7.8.2. NAF Civilian Positions. Enter other annual pay, if any, not eligible for retirement benefits, plus FICA and other benefit costs. Unlike appropriated fund civilian positions, the full FICA tax (includes both Old Age and Survivors Insurance Benefit and Medicare), up to the annual salary limitation, if any, is applied. This entry also includes other benefit costs applied to “other” annual pay, such as unemployment compensation, worker’s compensation, life insurance and health insurance.

12.5.1.1.7.8.3. Military Positions. Make no entry since these costs do not apply to military positions.

12.5.1.1.7.9. Personnel Cost--(Column I). Enter the sum of Columns F, G, and H for each line entry. Also, enter columnar sub-totals for each personnel category (e.g., GS, FWS, NAF, and Military), as well as end-of-worksheet columnar totals. Use this worksheet to compute annual personnel costs for each performance period in the cost comparison.

12.5.1.1.7.10. Base year personnel costs are adjusted to account for inflation during each performance period in the cost comparison by applying the applicable inflation factors. However, wages and salaries subject to an escalation provision (see paragraph 12.4.8. of this Instruction) are inflated by applying only those inflation factors applicable through the first performance period only; outyear inflation factors are not applied. Consult with the contracting officer to determine which positions, if any, are subject to an escalation provision. Wages and salaries not subject to an escalation provision are inflated by applying all applicable inflation factors to each performance period. For purposes of this Instruction and the COMPARE software program, the terms escalation provision and economic price adjustment (EPA) are synonymous.

12.5.1.1.7.11. **Figure 12.3.** provides the worksheet format (with example entries) to be used to reflect personnel costs for the first and subsequent performance periods.

Figure 12.3. Personnel Costs Worksheet for First & Subsequent Performance Periods.

RANDOLPH AFB, TX					
LINE 1 PERSONNEL COSTS WORKSHEET FOR 1ST AND SUBSEQUENT PERFORMANCE PERIODS					
PERFORMANCE PERIODS	GS	FWS	NAF	MILITARY	TOTAL
1st (04/01/1997 - 09/30/1997)					
EPA POSITIONS	82879.29	9182.08	0.00	0.00	92061.37
NON-EPA POSITIONS	116895.64	85226.02	0.00	0.00	202121.66
SUB-TOTALS	199774.93	94408.10	0.00	0.00	294183.03
2nd (10/01/1997 - 09/30/1998)					
EPA POSITIONS	165758.60	18364.17	0.00	0.00	184122.77
NON-EPA POSITIONS	238700.91	174031.56	0.00	0.00	412732.47
SUB-TOTALS	404459.51	192395.73	0.00	0.00	596855.24
3rd (10/01/1998 - 09/30/1999)					
EPA POSITIONS	165758.60	18364.17	0.00	0.00	184122.77
NON-EPA POSITIONS	245745.04	179167.27	0.00	0.00	424912.31
SUB-TOTALS	411503.64	197531.44	0.00	0.00	609035.08
4th (10/01/1999 - 09/30/2000)					
EPA POSITIONS	165758.60	18364.17	0.00	0.00	184122.77
NON-EPA POSITIONS	253117.39	184542.29	0.00	0.00	437659.68
SUB-TOTALS	418875.99	202906.46	0.00	0.00	621782.45
End-of-Report Summary					
EPA POSITIONS	580155.09	64274.59	0.00	0.00	644429.68
NON-EPA POSITIONS	854458.98	622967.14	0.00	0.00	1477426.12
TOTALS	1434614.07	687241.73	0.00	0.00	2121855.80

12.5.1.1.7.12. **Figure 12.4.** provides an example of how position costs are inflated and prorated.

Figure 12.4. Sample Inflation Computations.

BASIC INFORMATION			
Base Year As Of Date: 1 Aug 1996			
Performance Periods and Applicable Inflation Factors			
Performance Period	Performance Period Dates	Applicable Inflation Factors (%)	Anniversary Date for Pay Increases
1	1 Apr 1997 - 30 Sep 1997	3.0	GS: 1 Jan 1997; FWS: 1 Jul 1997
2	1 Oct 1997 - 30 Sep 1998	2.8	GS: 1 Jan 1998; FWS: 1 Jul 1998
3	1 Oct 1998 - 30 Sep 1999	3.0	GS: 1 Jan 1999; FWS: 1 Jul 1999
4	1 Oct 1999 - 30 Sep 2000	3.0	GS: 1 Jan 2000; FWS: 1 Jul 2000

INFLATION COMPUTATIONS FOR GS POSITIONS NOT SUBJECT TO AN EPA:				
Base Year Costs	1 st Performance Pd	2 nd Performance Pd	3 rd Performance Pd	4 th Performance Pd
\$226,981.85	\$226,981.85 X 1.0300 Factor \$233,791.31 / 12 Mos \$19,482.61 X 6 Mos <u>\$116,895.66</u>	a. First 3 Months: \$226,981.85 X 1.0300 Factor \$233,791.31 / 12 Mos \$ 19,482.61 X 3 Mos <u>\$ 58,447.83</u> b. Last 9 Months: \$ 19,482.61 X 9 Mos X 1.0280 Factor <u>\$180,253.11</u> c. Total Costs: \$ 58,447.83 + <u>\$180,253.11</u> <u>\$238,700.94</u>	a. First 3 Months: \$226,981.85 X 1.0300 Factor X 1.0280 Factor \$240,337.46 / 12 Mos \$ 20,028.12 X 3 Mos <u>\$ 60,084.37</u> b. Last 9 Months: \$ 20,028.12 X 9 Mos X 1.0300 Factor <u>\$185,660.67</u> c. Total Costs: \$ 60,084.37 + <u>\$185,660.67</u> <u>\$245,745.04</u>	a. First 3 Months: \$226,981.85 X 1.0300 Factor X 1.0280 Factor X 1.0300 Factor \$247,547.59 / 12 Mos \$ 20,628.97 X 3 Mos <u>\$ 61,886.91</u> b. Last 9 Months: \$ 20,628.97 X 9 Mos X 1.0300 Factor <u>\$191,230.55</u> c. Total Costs: \$ 61,886.91 + <u>\$191,230.55</u> <u>\$253,117.46</u>
* Computation results above slightly vary from COMPARE computation results due to rounding.				

INFLATION COMPUTATIONS FOR GS POSITIONS SUBJECT TO AN EPA:				
Base Year Costs	1 st Performance Pd	2 nd Performance Pd	3 rd Performance Pd	4 th Performance Pd
\$160,930.68	\$160,930.68 X 1.0300 Factor \$165,758.60 / 12 Mos \$ 13,813.22 X 6 Mos <u>\$ 82,879.32</u>	\$160,930.68 X 1.0300 Factor <u>\$165,758.60</u>	\$160,930.68 X 1.0300 Factor <u>\$165,758.60</u>	\$160,930.68 X 1.0300 Factor <u>\$165,758.60</u>
* Computation results above slightly vary from COMPARE computation results due to rounding.				

12.5.1.2. Material and Supply Costs (Line 2). This line includes the cost of materials and supplies for accomplishing the requirements specified in the PWS for the function under cost comparison. Included is the cost of goods such as raw materials, parts, subassemblies, components, and office supplies. Material and supply costs are calculated only if the materials and supplies are to be used solely by the in-house activity and will not be provided to the contractor/ISSA offer or by the Government; otherwise, they are common costs. Normally, the contractor/ISSA offeror will be expected to provide the supplies and materials necessary to perform the work described in the PWS. The policy regarding contractor or ISSA use of Government provided supplies and materials is set forth in FAR Part 51.101, as supplemented.

12.5.1.2.1. Review the PWS and solicitation documents to determine the materials and supplies to be furnished to the contractor/ISSA offerors and those not to be furnished to the contractor/ISSA offeror but needed for in-house performance. For only those materials and supplies required for in-house performance but not furnished to the contract/ISSA offeror, review historical records of material and supply usage and cost data prepared for the same or similar work. Adjust historical material and supply usage and cost data to reflect requirements of the PWS. Include allowances for normal scrap, spoilage, overruns, and defective work. When requirements vary for the various performance periods, material and supply requirements should be developed for each performance period. Also, determine if materials and supplies obtained from other Government agencies can be obtained at less cost on the local market. If so, the functional OPR should obtain a waiver (when required) to purchase materials and supplies locally.

12.5.1.2.2. Material and supply mark-up rates. A mark-up rate has historically been applied to the cost of materials and supplies to account for the furnishing Government agency's cost of acquiring, managing, storing and transporting its materials, including overhead. However, mark-up rates are no longer applied within DoD since the purchase price paid by DoD components already accounts for these costs.

12.5.1.2.3. Documenting Base Year Material and Supply Costs. [Figure 12.5](#) provides the worksheet format and instructions to be used to reflect base year material and supply costs.

Figure 12.5. Base Year Material & Supply Costs Worksheet.

LINE 2 BASE YEAR MATERIAL AND SUPPLY COSTS WORKSHEET BASE YEAR IS AS OF: 08/01/96						
PERFORMANCE PERIODS COVERED: ALL						
(A)	(B)	(C)	(D)	(E)	(F)	(G)
NOMENCLATURE	NATIONAL STOCK NUMBER	EPA	QUANTITY REQUIRED	SOURCE OF SUPPLIES	UNIT PRICE	ANNUAL MATERIAL COST
ALDIO TAPE	6750009265200	N	12	GSA WHOLESale	41.65	499.80
CHROME FILM	6750002547099	N	10	LOCAL PURCHASE	271.73	2717.30
MUSIC TRACKS	6750010453221	N	2	GSA RETAIL	81.93	163.86
OFFICE SUPPLIES	6750010443233	N	1	GSA WHOLESale	1200.00	1200.00
TOTAL						4580.96

FOOTNOTE:
1. EPA Column. Items subject to an Economic Price Adjustment, if any, are identified with a .

12.5.1.2.3.1. Nomenclature--(Column A). Enter the name of the item. A single line entry may be used for various classes of items (e.g., office supplies) provided they have the same National Stock Number. Also, a listing itemizing a variety of items with different stock classes may be used instead of creating a separate line entry for each item. When a listing is used, enter a general description of the items (e.g., office supplies).

12.5.1.2.3.2. National Stock Number--(Column B). Enter the National Stock Number of the item. When using a listing, enter the listing number instead of the National Stock Class Number (e.g., List1).

12.5.1.2.3.3. EPA--(Column C). Enter "Y" (Yes) if the item is subject to an economic price adjustment (EPA) or "N" (No) if it is not. Make these determinations in consultation with the contracting office.

12.5.1.2.3.4. Quantity Required--(Column D). Enter the annual quantity of items required.

12.5.1.2.3.5. Source of Supply--(Column E). Enter the source of procurement for the item described. Among others, sources of materials and supplies include the General Services Administration (GSA), Defense Logistics Agency (DLA) Wholesale Stock Fund or Direct Delivery, and Local Purchase. When a listing is used, enter "See Listing".

12.5.1.2.3.6. Unit Price--(Column F). Enter the item's unit price. When a single line entry is made for a class of items, e.g., office supplies) or a listing is used, this entry must consider both the unit prices and quantities required (for example, the unit price for a single items is \$15.00; two of these items are required; the entry is \$30.00 (i.e., \$15.00 X 2).

12.5.1.2.3.7. Annual Material Cost--(Column G). Compute and enter the product of Column D multiplied by Column F.

12.5.1.2.4. Base year material and supply costs are adjusted to account for inflation during each performance period in the cost comparison by applying the appropriate inflation factors. However, materials and supplies subject to an escalation provision (see paragraph 12.4.8. of this Instruction) are inflated by applying only those inflation factors applicable through the first performance period only; outyear inflation factors are not applied. Materials and supplies

subject to an escalation provision enable a contractor/ISSA offeror to be reimbursed for future price increases. Consult with the contracting officer to determine which materials and supplies, if any, are subject to an escalation provision. Materials and supplies not subject to an escalation provision are inflated by applying all applicable inflation factors to each performance period. For purposes of this Instruction and the COMPARE software program, the terms escalation provision and economic price adjustment (EPA) are synonymous. **Figure 12.6.** provides the worksheet format to be used to reflect material and supply costs for the first and subsequent performance periods.

Figure 12.6. Material & Supply Costs Worksheet for First & Subsequent Performance Periods.

LINE 2 MATERIAL AND SUPPLY COSTS WORKSHEET FOR 1ST AND SUBSEQUENT PERFORMANCE PERIODS		
PERFORMANCE PERIOD	BASE YEAR	PERFORMANCE PERIOD
1st (04/01/1997 - 09/30/1997)		
EPA ITEMS	2717.30	1392.62
NON-EPA ITEMS	1863.66	955.13
SUB-TOTALS	4580.96	2347.75
2nd (10/01/1997 - 09/30/1998)		
EPA ITEMS	2717.30	2785.23
NON-EPA ITEMS	1863.66	1959.91
SUB-TOTALS	4580.96	4745.14
3rd (10/01/1998 - 09/30/1999)		
EPA ITEMS	2717.30	2785.23
NON-EPA ITEMS	1863.66	2010.87
SUB-TOTALS	4580.96	4796.10
4th (10/01/1999 - 09/30/2000)		
EPA ITEMS	2717.30	2785.23
NON-EPA ITEMS	1863.66	2063.16
SUB-TOTALS	4580.96	4848.39
END-OF-REPORT-SUMMARY		
EPA ITEMS	10869.20	9748.31
NON-EPA ITEMS	7454.64	6989.07
TOTALS	18323.84	16737.38

12.5.1.3. Other Specifically Attributable Costs (Line 3). This line includes other costs attributable to the activity being cost compared (i.e., depreciation, rent, maintenance and repair, utilities, insurance, travel, and other costs). **Figure 12.7.** provides the worksheet format (with example entries) to be used to reflect these costs. When appropriate, each element of cost should be adjusted for inflation. When requirements differ by performance period due to changes in the PWS, these adjustments are made before applying inflation factors.

Figure 12.7. Other Specifically Attributable Costs Summary Worksheet.

LINE 3 OTHER SPECIFICALLY ATTRIBUTABLE COSTS SUMMARY WORKSHEET						
CATEGORY	PERFORMANCE PERIODS					TOTAL
	1ST	2ND	3RD	4TH	5TH	
DEPRECIATION	3167.84	6335.68	6335.68	6335.68		
RENT						
MAINT & REPAIR						
UTILITIES						
INSURANCE	2974.95	6056.94	6191.05	6330.41		
TRAVEL						
OTHER COSTS	3300.60	6747.79	6898.17	7052.47		
TOTALS	9443.39	19140.41	19424.90	19718.56		
	6TH	7TH	8TH	9TH	10TH	
DEPRECIATION						22174.87
RENT						
MAINT & REPAIR						
UTILITIES						
INSURANCE						21553.35
TRAVEL						0.00
OTHER COSTS						23999.03
TOTALS						67727.25

FOOTNOTES:

1. This worksheet shows the sum of all costs for this line. The basic data used to develop these costs are contained in the individual cost worksheets.
2. Depreciation. Depreciation costs for the 1st performance period are prorated when that period is less than 12 months.
3. Other Costs. Includes costs (if any) shown in the Other Costs Worksheets, and a 10% annual replacement cost for minor items.

12.5.1.3.1. Depreciation Cost

12.5.1.3.1.1. Depreciation is the method used to spread the cost of tangible, capital assets (e.g., plant and equipment), less residual value, over an asset's useful life. Because land has an unlimited life, it is not a depreciable asset.

12.5.1.3.1.2. Costs for depreciation of capital assets are computed as follows:

12.5.1.3.1.2.1. Depreciate only those capital assets to be used by the activity under cost comparison for in-house operation, but not provided to the contractor as stated in the PWS and solicitation. For in-house cost estimates that assume a mix of in-house labor and existing MEO subcontracts, it also includes the cost of depreciation on Government furnished assets if those assets will not be made available to the contract/ISSA offeror.

12.5.1.3.1.2.2. If all capital assets owned (or to be acquired) by the function under cost comparison are provided to the contractor, depreciation costs are not calculated.

12.5.1.3.1.2.3. Assets costing less than \$5,000 are classified as minor items and are not depreciated.

12.5.1.3.1.3. These terms are expanded for clarification:

12.5.1.3.1.3.1. Useful Life. Useful life is the estimated period of economic usefulness of an asset in a particular operation. A representative useful life table for various classes of equipment is provided at [Attachment 8](#).

12.5.1.3.1.3.2. Residual Value. Residual value is equal to the disposal values listed at [Attachment 8](#) if more precise figures are not available from the property disposal officer or other knowledgeable authority.

12.5.1.3.1.3.3. Depreciable Basis. Depreciable basis is the original acquisition cost plus the cost of capital improvements less residual value.

12.5.1.3.1.3.4. Original Acquisition Cost. Original acquisition cost is the original purchase price, the costs for transportation and any installation costs incurred in order to place the asset in operation (if not already in the purchase price), and any costs for capital improvements.

12.5.1.3.1.3.5. Capital Improvements. Capital improvements are the costs of major overhauls and modifications which add value or prolong the life of a capital asset (equipment or facility). These costs are treated as capital expenditures and depreciated over the extended or remaining useful life of either the asset or improvement, whichever is less.

12.5.1.3.1.4. Annual depreciation for capitalized equipment is estimated as follows:

12.5.1.3.1.4.1. Start with the original acquisition cost. If the asset was acquired through transfer, seizure or forfeiture, an industry specific standard or engineering appraisal may be used to establish the market or acquisition value of the asset at the time of transfer.

12.5.1.3.1.4.2. From that figure, subtract the residual value to determine the depreciable basis. Compute residual value by multiplying the original acquisition cost by the appropriate percentage factor from [Attachment 8](#).

12.5.1.3.1.4.3. Next, determine the year of purchase and the useful life of the asset according to [Attachment 8](#).

12.5.1.3.1.4.3.1. If the projected useful life from the year of purchase is less than the last year of the performance period, extend the useful life. Extend the useful life throughout the last period of performance or longer based upon actual or planned retirement or replacement practice. Spread the annual depreciation costs over the period of expected use.

12.5.1.3.1.4.4. Compute annual depreciation by dividing the depreciable basis by the useful life. Depreciation costs are not inflated.

12.5.1.3.1.4.4.1. If the in-house activity shares an asset with another activity not under cost comparison and that asset will not be provided for use by the contractor/ISSA offeror, depreciation must be allocated to the in-house estimate on the basis of use or other appropriate methodology. Compute the in-house activity's share of depreciation by: (1) Determining the percent depreciation to be allocated to the in-house activity, and (2) Applying that percentage to the annual cost of depreciation.

12.5.1.3.1.4.4.2. If the useful life shown in **Attachment 8** is unrealistic for specific assets (regardless of current age), use an alternative method for determining useful life and residual value (based on actual or planned retirement and replacement practices). NOTE: The command should approve this method and the method used should be explained in the cost comparison documentation. 12.5.1.3.1.4.4.3. **Figure 12.8.** provides the worksheet format to be used to reflect depreciation and cost of capital costs for capital equipment assets.

Figure 12.8. Capital Equipment Worksheet.

CAPITAL EQUIPMENT ASSETS BASIC DATA USED TO DEVELOP THE OTHER SPECIFICALLY ATTRIBUTABLE COSTS SUMMARY WORKSHEET (LINE 3) AND THE COST OF CAPITAL (LINE 5)							
PERFORMANCE PERIODS COVERED: ALL							
EQUIPMENT/FSC	DEPRECIABLE BASIS	USEFUL LIFE	ANNUAL DEPRECIATION	ORIGINAL ACQUISITION COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE	COST OF CAPITAL
MICROPHONE/5965	4899.91	24	204.16	5119.00	477.73	4641.27	0.00
	MEO Attributable Costs, Asset Usage: 100%		204.16			4641.27	0.00
TV CAMERA/6710	11811.28	25	472.45	12471.00	132.29	12338.71	679.67
	MEO Attributable Costs, Asset Usage: 100%		472.45			2338.71	679.67
VIDEO VIEWER/6730	6886.74	25	275.47	7138.00	82.64	7055.36	0.00
	MEO Attributable Costs, Asset Usage: 50%		137.74			3527.68	0.00
TOTAL MEO ATTRIBUTABLE COSTS:			814.35			20507.66	679.67

FOOTNOTES:
 1. Total MEO Attributable Annual Depreciation Costs. This value is aggregated under the heading of "Depreciation" in the "Other Specifically Attributable Costs Summary Worksheet." In cases where an asset is shared with other activities, this cost has been adjusted based on MEO Asset Usage.
 2. Total MEO Attributable Net Book Value. This value is used to compute casualty insurance costs. In cases where an asset is shared with other activities, this cost has been adjusted based on MEO Asset Usage.
 3. Total MEO Attributable Cost of Capital. When shown, this value is used to develop the entry for Line 5 (Cost of Capital). In cases where an asset is shared with other activities, this cost has been adjusted based on MEO Asset Usage.

12.5.1.3.1.5. For facilities, the original acquisition cost plus capital improvements (less residual value if any) is depreciated over the useful life of the facility. If the facility was acquired through transfer, seizure or forfeiture, an industry specific standard or engineering appraisal may be used to establish the market or acquisition value of the facility at the time of transfer. Facilities are generally categorized as permanent, semi-permanent or temporary, and the useful life is standardized for the entire grouping. Useful life expectancies by type of facility (permanent, 75 years; semi-permanent, 50 years; and temporary, 25 years) may be used. If useful life has been exceeded, an engineering projection of anticipated useful life is obtained. As a minimum, useful life is extended throughout the last period of performance or longer based upon the engineering projection of anticipated useful life. Depreciation costs are not inflated.

12.5.1.3.1.5.1. If an in-house activity shares a facility with another activity not under cost comparison and that facility will not be provided for use by the contractor/ISSA offeror, depreciation must be allocated to the in-house estimate by a unit of measure that varies directly with consumption (e.g., floor space, type of facility, number of tele-

phones, etc.). Compute the in-house activity's share of depreciation by: (1) Determining the percent depreciation to be allocated to the in-house activity, and (2) Applying that percentage to the annual cost of depreciation. All estimates should be appropriately documented with supporting detail.

12.5.1.3.1.5.2. **Figure 12.9.** provides the worksheet format to be used to reflect depreciation costs and cost of capital for capital facilities.

Figure 12.9. Capital Facilities Worksheet.

CAPITAL FACILITY ASSETS BASIC DATA USED TO DEVELOP THE OTHER SPECIFICALLY ATTRIBUTABLE COSTS SUMMARY WORKSHEET (LINE 3) AND THE COST OF CAPITAL (LINE 5)					
PERFORMANCE PERIODS COVERED: ALL					
FACILITY/CATEGORY	----- DEPRECIATION VALUES -----			CASUALTY INSURANCE VALUES NET BOOK VALUE	COST OF CAPITAL
	DEPRECIABLE BASIS	USEFUL LIFE	ANNUAL DEPRECIATION		
1502/T	22200.00	25	888.00	24511.60	1362.50
MEO Attributable Cost, Asset Usage:		100%	888.00	24511.60	1362.50
1506/P	247000.00	75	3293.33	238839.24	0.00
MEO Attributable Cost, Asset Usage:		100%	3293.33	238839.24	0.00
701/S	134000.00	50	2680.00	136894.80	0.00
MEO Attributable Cost, Asset Usage:		50%	1340.00	68447.40	0.00
TOTAL MEO ATTRIBUTABLE COSTS:			5521.33	331798.24	1362.50

FOOTNOTES:
 1. Facility/Category Column. Entry shown denotes the facility number and the type of facility (i.e., P=Permanent, S=Semipermanent, and T=Temporary).
 2. Total MEO Attributable Annual Depreciation Costs. This value is aggregated under the heading of "Depreciation" in the "Other Specifically Attributable Costs Summary Worksheet." In cases where an asset is shared with other activities, this cost has been adjusted based on MEO Asset Usage.
 3. Total MEO Attributable Net Book Value. This is used to compute casualty insurance costs. In cases where an asset is shared with other activities, this cost has been adjusted based on MEO Asset Usage.
 4. Total MEO Attributable Cost of Capital. When shown, this value is used to develop the entry for Line 5 (Cost of Capital). In cases where an asset is shared with other activities, this cost has been adjusted based on MEO Asset Usage.

12.5.1.3.2. Rental Costs. These are costs incurred for the use of nongovernment assets (land, plant, machinery, etc.) by the function under cost comparison. Only those rental costs not expected to continue in the event of contract/ISSA performance, but incurred by the MEO, are computed. When the actual rental charges are not available from the agency providing the asset and a GSA-billed standard level user charge (SLUC) is available, the SLUC charge should be used as the rental cost. Rental costs are inflated for each performance period in the cost comparison. **Figure 12.10.** provides the worksheet format to be used to reflect rental costs.

Figure 12.10. Rental Costs Worksheet.

RANDOLPH AFB, TX		
RENTAL COSTS WORKSHEET		
BASIC DATA USED TO DEVELOP THE		
OTHER SPECIFICALLY ATTRIBUTABLE COSTS SUMMARY WORKSHEET (LINE 3)		
PERFORMANCE PERIODS COVERED: ALL		
ITEM NAME	QUANTITY	BASE YEAR COSTS
XEROX COPIER	2	5550.00
	TOTAL	5550.00
FOOTNOTES:		
1. Base Year Costs. The inflated value of these costs are shown under the heading of "Rent" in the "Other Specifically Attributable Costs Summary Worksheet".		

12.5.1.3.3. Maintenance and Repair Cost. These are costs incurred to keep building and equipment in normal operating condition, including Government maintained rental assets (if any). They are computed for those assets not furnished to the contract/ISSA offeror, but needed for in-house performance by the function under cost comparison. Maintenance and repair costs are also computed for any facilities or equipment furnished to the contractor where the contractor would be responsible for maintenance and repair costs. For in-house cost estimates that assume a mix of in-house labor and existing MEO subcontracts, it also includes the cost of maintenance on Government furnished contractor assets if those assets are maintained by the Government, and such assets and maintenance will not be made available to the contractor/ISSA offeror. It does not include capital improvements which add value to an asset and are accounted for under depreciation. Maintenance and repair costs are inflated for each performance period in the cost comparison. [Figure 12.11.](#) provides the worksheet format to be used to reflect maintenance and repair costs.

Figure 12.11. Maintenance & Repair Worksheet.

RANDOLPH AFB, TX		
MAINTENANCE AND REPAIR COSTS WORKSHEET		
BASIC DATA USED TO DEVELOP THE		
OTHER SPECIFICALLY ATTRIBUTABLE COSTS SUMMARY WORKSHEET (LINE 3)		
PERFORMANCE PERIODS COVERED:	ALL	
ITEM NAME	QUANTITY	BASE YEAR COSTS
CAMERA REPAIR	1	500.00
	TOTAL	500.00
FOOTNOTES:		
1. Base Year Costs. The inflated value of these costs are shown under the heading of "Maintenance and Repair" in the "Other Specifically Attributable Costs Summary Worksheet".		

12.5.1.3.4. Utility Costs. Includes charges for fuel, electricity, telephone, water and sewage services, etc., that will not be furnished to the contractor/ISSA offeror by the Government, but are needed for in-house performance of the activity. The amount of these costs applicable to the activity under cost comparison are determined either on a metered or allocated basis of consumption. These costs are prorated by a unit of measure that varies directly with consumption (e.g., floor space, type of facility, number of telephones, etc.). Estimates of incurred expenses for the first year of performance are based on current experience appropriately adjusted for anticipated future requirements. Engineering estimates are used when historical data are not available. All estimates are appropriately documented with supporting detail. Utilities are inflated for each performance period in the cost comparison. [Figure 12.12.](#) provides the worksheet format to be used to reflect utilities costs.

Figure 12.12. Utility Costs Worksheet.

RANDOLPH AFB, TX			
UTILITY COSTS WORKSHEET			
BASIC DATA USED TO DEVELOP THE			
OTHER SPECIFICALLY ATTRIBUTABLE COSTS SUMMARY WORKSHEET (LINE 3)			
PERFORMANCE PERIODS COVERED:	ALL		
TYPE UTILITY	UNIT OF MEASURE	QUANTITY	BASE YEAR COSTS
ELECTRICITY	KILOWATT HOURS	5000	1200.00
TELEPHONE	NR INSTRUMENTS	5	5000.00
	TOTAL		6200.00
FOOTNOTES:			
1. Base Year Costs. The inflated value of these costs are shown under the heading of "Utilities" in the "Other Specifically Attributable Costs Summary Worksheet".			

12.5.1.3.5. Insurance Cost. Operation of any Government activity involves risks and potential costs from property losses (fire, flood, accident, etc.) and liability claims. These risks are nor-

mally covered by insurance included in any commercial cost estimate. To the extent assets are not provided to the contractor or to the extent that property losses may be assessed against a contractor who uses Government space, facilities or equipment, the Government's casualty and liability premium equivalent cost will be computed and included in the in-house cost estimate as follows:

12.5.1.3.5.1. Casualty Insurance.

12.5.1.3.5.1.1. Casualty losses are computed by multiplying 0.005 times the net book value (original acquisition cost less accumulated depreciation) of Government capital equipment and facilities, and the uninflated average value (stockage level) of materials and supplies. Casualty losses for minor items is 0.005 times the uninflated Unit Price (without mark-up) of the item. Casualty insurance costs are inflated for each performance period in the cost comparison.

12.5.1.3.5.1.2. Insurance to be computed on assets depends on the requirements of the PWS. Casualty insurance is computed for assets to be used by the in-house MEO, but not furnished the contract/ISSA offeror, and for assets to be Government furnished, but insured by the contractor/ISSA offeror.

12.5.1.3.5.1.3. The net book value of assets is not adjusted in the outyears to account for their continual annual depreciation.

12.5.1.3.5.2. Liability Insurance. Personnel liability losses are computed by multiplying 0.007 times the Government personnel-costs in Line 1 (Personnel Costs); these costs are calculated from previously inflated personnel costs and should not be inflated again. Also, additional liabilities assigned to the contract/ISSA offeror (if any) by the PWS that are not associated with personnel are also computed by applying the standard 0.007 factor to the estimated liability ceiling identified in the PWS; the insurance cost of these additional liabilities are inflated for all performance periods in the cost comparison.

12.5.1.3.5.3. **Figure 12.13**, provides the worksheet format to be used to reflect insurance costs.

Figure 12.13. Casualty & Liability Insurance Computations Worksheet.

CASUALTY AND LIABILITY INSURANCE COMPUTATIONS WORKSHEET						
BASIC DATA USED TO DEVELOP THE						
OTHER SPECIFICALLY ATTRIBUTABLE COSTS SUMMARY WORKSHEET (LINE 3)						
CATEGORY	1 ST	2 ND	3 RD	4 TH	5 TH	
1. CASUALTY INSURANCE						
A. CAPITAL EQUIPMENT - NET BOOK VALUE	20507.66	20507.66	20507.66	20507.66		
B. FACILITIES - NET BOOK VALUE	331798.24	331798.24	331798.24	331798.24		
C. MAT./SUPPLIES - AV. MONTHLY STOCK	763.49	763.49	763.49	763.49		
D. MINOR ITEMS - UNIT PRICE W/O MARKUP	4265.00	4265.00	4265.00	4265.00		
E. TOTAL (AMT TO BE INSURED)	357334.39	357334.39	357334.39	357334.39		
F. INSURANCE COSTS, UNINFLATED (1E x .005)	1786.67	1786.67	1786.67	1786.67		
G. INSURANCE COSTS, INFLATED	915.67	1878.95	1927.80	1977.93		
2. LIABILITY INSURANCE						
A. PERSONNEL RELATED COSTS	294183.03	596855.24	609035.08	621782.45		
B. LIABILITY INSURANCE COSTS (2A x .007)	2059.28	4177.99	4263.25	4352.48		
3. CASUALTY & LIABILITY INSURANCE COSTS (1G+2B)	2974.95	6056.94	6191.05	6330.41		
	6 TH	7 TH	8 TH	9 TH	10 TH	TOTAL
1. CASUALTY INSURANCE						
A. CAPITAL EQUIPMENT - NET BOOK VALUE						82030.64
B. FACILITIES - NET BOOK VALUE						1327192.96
C. MAT./SUPPLIES - AV. MONTHLY STOCK						3053.96
D. MINOR ITEMS - UNIT PRICE W/O MARKUP						17060.00
E. TOTAL (AMT TO BE INSURED)						1429337.56
F. INSURANCE COSTS, UNINFLATED (1E x FACTOR)						7146.68
G. INSURANCE COSTS, INFLATED						6700.35
2. LIABILITY INSURANCE						
A. PERSONNEL RELATED COSTS						2121855.80
B. LIABILITY INSURANCE COSTS (2A x FACTOR)						14853.00
3. CASUALTY & LIABILITY INSURANCE COSTS (1G+2B)						21553.35
FOOTNOTES:						
1. Insurance Costs. Costs for the 1st performance period are prorated when that period is less than 12 months.						
2. Material/Supplies - Average Monthly Stock. Reference Line 2 Material and Supply Costs Worksheet for 1st and Subsequent Performance Periods. This is a two month cost derived by dividing the Base Year costs shown on that worksheet by 12, and multiplying the result by 2.						
3. Capital Equipment and Facilities. In cases where an asset is shared with other activities, the Net Book Value has been adjusted for insurance computational purposes based on MEO Asset Usage.						

12.5.1.3.6. Travel Cost. This category covers the expected cost of travel that would not continue in the event of contract performance but would be incurred by the MEO. These costs should be readily available from budgeted amounts of per diem and transportation cost for the function under cost comparison. Travel costs are inflated for each performance period in the cost comparison. [Figure 12.14.](#) provides the worksheet format to be used to reflect travel costs.

Figure 12.14. Travel Costs Worksheet.

RANDOLPH AFB, TX	
TRAVEL COSTS WORKSHEET	
BASIC DATA USED TO DEVELOP THE	
OTHER SPECIFICALLY ATTRIBUTABLE COSTS SUMMARY WORKSHEET (LINE 3)	
PERFORMANCE PERIODS COVERED: ALL	
PURPOSE	BASE YEAR COSTS
CONFERENCE	5000.00
TOTAL	5000.00
FOOTNOTES:	
1. Base Year Costs. The inflated value of these costs are shown under the heading of "Travel" in the "Other Specifically Attributable Costs Summary Worksheet".	

12.5.1.3.7. Other Costs.

12.5.1.3.7.1. "Other Costs" is a general category for specifically attributable costs that do not properly fit into one of the other elements of cost but do not continue in the event of contractor ISSA performance. Some examples are MEO subcontracts; transportation costs; and royalties. MEO subcontracts are purchased services which augment the in-house work force. MEO subcontract costs should be adjusted (downward) to offset for Federal income tax revenue to the Government. This is done by applying the appropriate tax revenue rate at [Attachment 9](#) to the total cost of the purchased services. Inflate costs to each performance period as appropriate. However, when these purchased services contain labor and/or materiel costs subject to an escalation provision, those particular costs are not escalated by outyear inflation factors (see paragraphs [12.5.1.1.7.10.](#) and [12.5.1.2.4.](#) of this Instruction). Note: The cost of MEO subcontracts are not included when: (1) existing contracts will be made available to a perspective contractor/ISSA offeror, or (2) existing MEO subcontracts are being resolicited as part of the solicitation on the basis of an "any or all" contract/ISSA offer, and separate line item bids are being requested for the workloads performed by the in-house work force and the MEO subcontracts. Under this situation, the cost comparison is limited to comparing the costs of performing the MEO in-house work force workloads and contract/ISSA offers received for that same workload. The format at [Figure 12.15.](#) is used to document these and other similar costs that do not appropriately fit under other cost categories for Line 3.

Figure 12.15. Other Costs Worksheet.

RANDOLPH AFB, TX		
OTHER COSTS WORKSHEET		
BASIC DATA USED TO DEVELOP THE		
OTHER SPECIFICALLY ATTRIBUTABLE COSTS SUMMARY WORKSHEET (LINE 3)		
PERFORMANCE PERIODS COVERED: ALL		
ITEM DESCRIPTION	BASE YEAR COSTS	INFLATED/PRORATED COSTS
CONTR FILM PRCSNG	5500.00	2818.75
TOTAL	5500.00	2818.75
FOOTNOTES:		
1. Inflated/Prorated Costs. These costs are aggregated under the heading of "Other Costs" in the "Other Specifically Attributable Costs Summary Worksheet".		

12.5.1.3.7.2. Additionally, the recurring cost of minor items (i.e., replacement costs and casualty insurance costs) which are not immediately consumed by the function being cost compared and not provided to the contractor/ISSA offeror is included. Also included is the recurring cost of minor items that will be provided to the contractor but not replaced by the Government. Minor items are noncapitalized (are not depreciated) durable items with a cost that is less than \$5,000, e.g., overhead projectors, office equipment, chairs, etc. The replacement cost of minor items for each performance period is 10% of the unit price of the minor items. When the FY of the first performance period of the cost comparison is different than the base year, the unit price of minor items is inflated to the first performance period using first performance period factors only; outyear factors are not applied. [Figure 12.16](#) provides the worksheet format to be used to reflect the basic minor item costs to be used for computing the 10% annual replacement cost and casualty insurance costs. The annual 10% replacement cost is aggregated with the costs at [Figure 12.15](#), and entered on the worksheet at [Figure 12.7](#), under the "Other Costs" category. Minor item casualty insurance costs, together with other insurance costs, are computed using the worksheet at [Figure 12.13](#); they are also summarized with other specifically attributable costs in the worksheet at [Figure 12.7](#).

Figure 12.16. Minor Items Worksheet.

MINOR ITEMS BASIC DATA USED TO DEVELOP THE OTHER SPECIFICALLY ATTRIBUTABLE COSTS SUMMARY WORKSHEET (LINE 3)						
PERFORMANCE PERIODS COVERED: ALL						
SOURCE OF SUPPLY	ITEM/STOCK CLASS	ITEM REPLACEMENT COST W/O MARK-UP	QUANTITY	TOTAL COST W/O MARK-UP	MARK-UP FACTOR	TOTAL COST W/MARK-UP
GSA WHOLESALE	AGITATOR, PAINT/4940	475.00	1	475.00	0.0000	243.44
GSA WHOLESALE	ATRLESS SPRAL UNIT/4940	2265.00	1	2265.00	0.0000	1160.81
GSA WHOLESALE	MARKER, TRAFFIC/4940	1554.00	3	4662.00	0.0000	2389.27
			SUB-TOTALS	7402.00		3793.52
GSA RETAIL	CHAIRS/7110	25.00	20	500.00	0.0000	256.25
			SUB-TOTALS	500.00		256.25
DOD DELIVERY	DESKS/7110	100.00	15	1500.00	0.0000	768.75
			SUB-TOTALS	1500.00		768.75
			TOTALS	9402.00		4818.52

FOOTNOTES:
1. Total Cost W/O Markup. This value is used to compute casualty insurance.
2. Total Cost W/Mark-up. This value is used to compute the annual 10% replacement cost of minor items. These values have been inflated using only 1st performance period factors (if any).

12.5.1.4. Overhead Costs (Line 4).

12.5.1.4.1. Overview of Overhead Costs. This line includes two major categories of cost. The first is operations overhead and is defined as those costs that are not 100% attributable to the activity under cost comparison, but are generally associated with the recurring management or support of the activity. Positions in operations overhead cannot be used for staffing MEO manpower requirements in the event of an in-house decision, including first-line supervision. The MEO must include all manpower required to operate the in-house activity and all associated MEO manpower costs included on Line 1 of the COMPARE CCF. The second is general and administrative overhead and includes salaries, equipment space and other activities related to headquarters management, accounting, personnel, legal support, data processing management and similar common services performed outside the activity, but in support of the activity. These costs are affected by the conversion of work to or from in-house, contract or ISSA performance.

12.5.1.4.2. A standard Government-wide factor of 12% is used to estimate overhead costs. Waivers or deviations from this factor for specific cost comparisons or locations are not allowed.

12.5.1.4.3. For each performance period of the cost comparison, Line 4 is calculated by multiplying Line 1 civilian personnel (both appropriated and nonappropriated) costs, including fringe, by the standard factor of 12% (.12). Do not apply this factor to military personnel costs since the military standard composite accelerated rates used to cost military positions already include an overhead cost allowance. **Figure 12.17.** provides the worksheet format to be used to reflect overhead costs.

Figure 12.17. Overhead Costs Worksheet.

Line 4 OVERHEAD COSTS WORKSHEET		
Overhead Cost Factor:		0.12
(A) Performance Period	(B) Civilian MEO Costs	(C) Overhead Costs
1st	294183.03	35301.96
2nd	596855.24	71622.63
3rd	609035.08	73084.21
4th	621782.45	74613.89
5th		
6th		
7th		
8th		
9th		
10th		
Total	2121855.80	254622.69

FOOTNOTES:
 1. Overhead Costs. These costs are developed by applying the overhead costs factor shown to the Civilian MEO Costs for each performance period. It is not applied to military MEO positions (if any) since military standard composite accelerated rates already consider overhead support costs.

12.5.1.5. Cost of Capital (Line 5). The cost of capital is defined as an imputed charge on the Government's investment in capital assets necessary for the activity to provide the required services. Basically, the imputed charge for the cost of capital is an opportunity cost: if the capital had been devoted to another use, it would have provided other income or avoided interest expense.

12.5.1.5.1. The cost of capital is computed for capital assets acquired by the Government if both of the following conditions exist: (1) The capital assets will not be provided for use by the contract/ISSA offeror, and (2) the capital assets were either acquired less than two years prior to the start of the first performance period or are scheduled for acquisition within the performance periods. It is computed for both shared assets, as well as assets used solely by the activity under cost comparison.

12.5.1.5.2. To estimate the annual cost of capital, it is necessary to identify the acquisition cost of new assets. For assets acquired by transfer, forfeiture or seizure, an engineering appraisal may be used to establish the market value of the assets when the original acquisition cost cannot be determined. The total cost of a new asset is the sum of its purchase price, and transportation costs and any installation costs incurred in order to place the asset in operation (if not already included in the purchase price). The total cost of an asset acquired by transfer, forfeiture or seizure is the sum of its original purchase price or market value, transportation and installation costs. The cost of capital is computed by applying a nominal cost of capital rate (that varies according to the number of performance periods in a cost comparison) to the estimated total cost of the asset for each performance period. [Table 12.4.](#) provides the cost of capital rates to be applied. The cost of capital is not inflated. Since these and other factors/rates in this Instruction are subject to change, update them, as required, to match the latest factors issued by AFMIA.

Table 12.4. Cost of Capital Rates.

Number of Performance Periods in Cost Comparison	Cost of Capital Rate Applied
3	.0540
4	.0545
5	.0550
6	.0550
7	.0550
8	.0555
9	.0555
10	.0560

12.5.1.6. One-Time Conversion Costs (ENRC) (Line 6). This line includes Government one-time costs directly related to expansions, new requirements and conversions from contract to in-house performance (ENRC). This line does not apply to cost comparisons that solely involve in-house to contract conversions (these one-time conversion costs are included in Line 7, Additional Costs). Examples of ENRC one-time costs include office and plant rearrangements; employee recruitment, training, and relocation expenses. Supporting documentation should indicate clearly the type of costs anticipated, justification for inclusion and computation methods. The total of the one-time costs is allocated to each annual performance period by dividing the total one-time costs by the number of periods in the cost comparison. Do not inflate one-time conversion costs. When developing one-time in-house personnel conversion costs, use the following guidelines:

12.5.1.6.1. **Civilian Hiring Costs.** If additional servicing civilian personnel flight resources will be required to support the selection, hiring, and processing of a civilian work force to staff the MEO, the cost of the salaries and benefits are included on this line. If temporary duty and overtime support is to be used, only the cost of travel, per diem, and overtime pay is included.

12.5.1.6.2. **Recruitment Costs.** Likewise, funds expended for recruiting a work force (e.g., advertising) should also be included if they are significant. These estimates should be supplied by the servicing civilian personnel flight based on experience in the local area.

12.5.1.6.3. **Relocation Costs.** Relocation costs are included only when specific positions in the MEO are expected to be filled by Government employees from other locations who would be eligible for a Government-sponsored move.

12.5.1.6.3.1. The servicing civilian personnel flight has the authority to determine if all requirements can be met without Government-sponsored moves.

12.5.1.6.3.2. If placements from the DoD Priority Placement Program are made merely to place adversely affected civilian employees, the cost is considered a common cost to DoD. The costs associated with the DoD Priority Placement Program (either relocation or separation) is a DoD imposed cost that will continue to exist regardless of the MEO and is not charged to the MEO. These costs would continue to exist regardless of the method of performance (contract/ISSA or MEO) and are not directly attributable to an MEO.

12.5.1.6.3.3. As mentioned in paragraph [12.6.5.2](#) of this Instruction, the cost of contract performance includes relocation and retraining expenses for civilian employees assigned to the MEO who would be adversely affected in the event of a contract/ISSA decision. These one-time costs are entered on Line 12 of the COMPARE CCF. To ensure a level playing field, the cost of in-house performance must similarly include the cost of relocating civilian employees to fill vacant MEO civilian positions in the event of an in-house decision.

12.5.1.6.4. Civilian Training Costs. If Government training (e.g., courses conducted by Field Training Detachments) is to be used to qualify the contract work force and the in-house work force at the same level as specified in the PWS, the cost is considered a common cost and is not charged to either the cost of in-house or contract/ISSA performance. However, if Government-furnished training is to be used to qualify the in-house work force only, the cost of the training is included.

12.5.1.6.5. Transition to an MEO Work Force. If the decision is to perform the work in-house, the transition should be completed within the period specified in the Transition Plan. If the decision is to convert to contract/ISSA performance, a similar transition period may be appropriate, particularly when a large work force is involved. If the transition period and performance specifications, as specified in the PWS, are exactly the same for in-house and contractor/ISSA performance, including the planned man-hours of support to be provided by the outgoing military work force, the cost is considered a common cost and is not charged to either the cost of in-house or contract/ISSA performance. However, if the transition period allowed the in-house activity is significantly more than specified for the contract/ISSA offeror, the additional cost associated with the in-house transition must be included.

12.5.1.6.6. Early Hire of Key Personnel. When a new civilian work force is to be recruited to replace a predominantly military work force, management may elect to hire certain key civilian employees before the scheduled conversion date (e.g., supervisory personnel may be hired early to assist in selecting the new work force. When this occurs, these costs must be included. [Figure 12.18](#) provides the worksheet format to be used to reflect one-time conversions costs.

Figure 12.18. One-Time In-House & Contract Conversion Costs Worksheet.

ANYWHERE AFB, TX						
LINES 6 AND 12						
ONE-TIME IN-HOUSE AND CONTRACT CONVERSION COSTS WORKSHEET						
COST CATEGORY	1 ST	COSTS BY PERFORMANCE PERIOD			5 TH	TOTALS
		2 ND	3 RD	4 TH		
A. IN-HOUSE CONVERSION COSTS (LINE 6)						
EMPLOYEE TRAINING	625.00	625.00	625.00	625.00		2500.00
TOTALS	625.00	625.00	625.00	625.00		2500.00
B. CONTRACT CONVERSION COSTS (LINE 12)						
SEVERANCE PAY	4289.87	4289.87	4289.87	4289.87		17159.48
TOTALS	4289.87	4289.87	4289.87	4289.87		17159.48

FOOTNOTE: Performance Periods. Performance periods 6 through 10 are displayed only when those periods include cost values.

12.5.1.7. Additional Costs (Line 7). This line includes any in-house Government costs not otherwise properly classified on Lines 1 through 6. This cost category should reflect those additional in-house Government costs resulting from unusual or special circumstances, which may be encountered in a particular cost comparison. Common costs that continue to exist, regardless of the mode of performance, are not computed. Amounts entered on this line should be supported by a definition of the type of cost reported, a justification for their inclusion, an explanation of the underlying assumptions, and methods of computation. In addition, cost comparisons that solely involve in-house to contract cost comparisons (i.e., it is not an ENRC cost comparison) should consider the applicability of including in this line any of the one-time conversion costs itemized for Line 6. Those costs may particularly be applicable to cost comparisons involving in-house activities with a large military work force. [Figure 12.19.](#) provides the worksheet format to be used to reflect additional costs.

Figure 12.19. Base Year Additional Costs Worksheet.

ANYWHERE AFB, TX						
LINES 7 AND 11						
BASE YEAR ADDITIONAL COSTS WORKSHEET						
BASE YEAR IS AS OF: 08/01/96)						
CATEGORY	BASE YEAR COSTS BY PERFORMANCE PERIOD					TOTALS
	1 ST /6 TH	2 ND /7 TH	3 RD /8 TH	4 TH /9 TH	5 TH /10 TH	
A. IN-HOUSE ADDITIONAL COSTS (LINE 7)						
FILM PROCESSING	800.00	800.00	800.00	800.00		3200.00
TOTALS	800.00	800.00	800.00	800.00		3200.00
B. CONTRACT ADDITIONAL COSTS (LINE 11)						
UNIFORMS	2000.00	2000.00	2000.00	2000.00		8000.00
TOTALS	2000.00	2000.00	2000.00	2000.00		8000.00

FOOTNOTE:
1. Performance Periods. Performance periods 6 through 10 are displayed only when those periods include cost values.

12.5.1.8. Total In-House Costs (Line 8). This line reflects the sum of Lines 1 through 7. This entry concludes the development of the in-house cost of the activity being cost compared.

Section 12D— Developing the Cost of Contract or ISSA Performance

12.6. Outline of Policy Implementation. Contract or ISSA performance costs include both the amount to be paid to the contract/ISSA offeror (price), and the additional costs to the taxpayer that would be incurred in the event of a conversion to contract/ISSA performance.

12.6.1. The solicitation will notify the contract/ISSA offerors that a comparison will be made between the cost of contracting, the cost of in-house performance and, if appropriate, the cost of performance through an ISSA. A contract may or may not be awarded as a result.

12.6.2. Contract Price (Line 9).

12.6.2.1. Contract Types and Price. The contract/ISSA price reflects the cost to perform the requirements of the PWS as presented by the contract/ISSA offeror selected to compete against the in-house offer. In determining the amount to be recorded as the contract price, the type of contract must be considered.

12.6.2.1.1. For a Sealed Bid, firm fixed price contract, the price of the low responsible, responsive bidder is entered. If a firm fixed price contract is to be negotiated, the negotiated price is entered.

12.6.2.1.2. For a cost-reimbursement or cost-sharing type contract, enter the low negotiated estimate.

12.6.2.1.3. For a contract with an incentive or award fee, enter 65% of the potential maximum incentive or award fee plus the contract cost of the most advantageous offer to the Government.

12.6.2.1.4. For a time and material or labor-hour contract, enter the estimated total cost of the successful offer.

12.6.2.2. Tax Exempt Organizations. If the apparent successful offeror is a tax-exempt organization, the tax-exempt contract price is adjusted to add the estimated Federal income taxes to be paid by the lowest non-tax exempt offeror. This adjustment is necessary to determine which offeror has the lowest overall cost to the Government.

12.6.2.2.1. Calculate the Federal tax adjustment by: (1) Multiplying the applicable industry tax rate from **Attachment 9** by the contract price of the lowest responsible, responsive non-tax exempt offeror for each performance period; and (2) adding these calculated Federal income taxes to the lowest responsible, responsive tax-exempt offeror for each applicable performance period.

12.6.2.2.2. Compare the tax-exempt's adjusted offer to the low non tax-exempt offer. The lowest cost offer, after this comparison, competes against the Government's in-house cost estimate and any ISSA offers. This comparison is only to determine which offer to enter on Line 9. Once determined, the actual offer, not the adjusted value, is entered on Line 9. **Figure 12.20.** provides a worksheet for making this comparison.

Figure 12.20. Tax-Exempt Organization Worksheet.

1. Applicable Bids or Proposals:	
a. Successful Taxable Organization Offer:	_____
	(Enter Offer)
b. Tax-Exempt Organization Offer:	_____
	(Enter Offer)
2. Estimated Federal Income Tax for Taxable Organization:	
Lowest Taxable Organization Offer (from 1a above)	_____
<u>X Federal Income Tax Rate (from Attachment 9)</u>	X _____
= Federal Income Taxes	_____
3. Adjustment for Tax-Exempt Organization:	
Tax-Exempt Organization Offer (from 1b above)	_____
<u>+ Federal Income Taxes (from 2 above)</u>	+ _____
= Adjusted Tax-Exempt Organization Offer	_____
<p>If the adjusted tax-exempt organization offer is less than the lowest taxable organization offer, the unadjusted tax-exempt offer goes on the COMPARE CCF, Line 9. If the adjusted tax-exempt organization offer is greater than the taxable organization offer, the taxable organization offer goes on the COMPARE CCF, Line 9. In cases where they are identical, the unadjusted taxable organization offer goes on the COMPARE CCF, Line 9.</p>	

12.6.2.3. Preference Eligible Organizations. If a preference eligible contractor meets the requirements of an unrestricted solicitation, and is an otherwise fully responsive offeror, the preference

eligible may compete with non-preference eligible offerors. This is accomplished by adding 10% of each non-preference eligible's offer to their own offer for initial comparison purposes only. For example, a non-preference eligible's offer is \$10,000,000 for all performance periods; for comparison purposes only, their offer would be marked-up by 10% (i.e., $\$10,000,000 \times 1.10 = \$11,000,000$). The lowest offer, after adjustment, is chosen to compete with the Government's in-house cost estimate and ISSA offers. If the preference eligible's offer is lower than all other commercial sources--after adjustments--enter the preference eligible's price on Line 9. If the non-preference eligible's adjusted price is lower, enter the unadjusted non-preference eligible's price on Line 9. Under the Santorum Amendment [10 USC 2313(e)(3)(B)], the Preference Program may not be available every year, depending on DoD's success the previous year in awarding 5% of its contracts to preference-eligible firms. Therefore, the contracting officer will determine whether preferences (including application of the 10% rule), should be applied in the year during which the cost comparison is conducted.

12.6.2.4. **Figure 12.21.** provides the worksheet format to be used to reflect both the contract price and Federal Income Tax information.

Figure 12.21. Contract/ISSA Price & Federal Income Taxes Worksheet.

ANYWHERE AFB, TX					
CONTRACT/ISSA PRICE (LINE 9) AND FEDERAL INCOME TAXES (LINE 14) WORKSHEET					
INDUSTRY CODE T1a. 40-28-3860					
ABRV. NAME T1b. Photographic Equip					
IS LOWEST ACCEPTABLE BIDDER TAX EXEMPT? T2. (Y/N)					
ARE THERE ANY TAXABLE BIDS? T3. (Y/N)					
TAX RATES: FEDERAL T4a. 0.0250					
STATE/LOCAL T4b. 0.0000					
TOTAL. T4c. 0.0250					
CONTRACT/ISSA PRICE AND FEDERAL INCOME TAX INFORMATION:					
TAXABLE ORG. - - - TAX-EXEMPT ORGANIZATION - - -					
PERF. PERIOD	CONTRACT PRICE a	CONTRACT/ISSA PRICE b	ESTIMATED TAXES c	ADJUSTED PRICE d	FEDERAL INCOME TAX e
1st T5.					
2nd T6.					
3rd T7.					
4th T8.					
5th T9.					
6th T10.					
7th T11.					
8th T12.					
9th T13.					
10th T14.					
TOTALS T15.					
LOWEST EVALUATED PRICE: TAXABLE ORG. T16a.					
Tax-Exempt Org. T16b.					
FOOTNOTES:					
1. Contract and/or ISSA Price (Columns a and b). The "x" marking on either data elements T16a or T16b tells the columnar price selected for entry onto the cost comparison form.					
2. Federal Income Tax (Column e). Federal income taxes are entered on the cost comparison form, as a deduct to the cost of contracting, only when the winning contract price is from a taxable organization.					

12.6.3. Contract Administration (Line 10).

12.6.3.1. Contract administration costs are incurred in administering a contract/ISSA. It includes the cost of reviewing compliance with the terms of the contract, processing payments, negotiating change orders, and monitoring the closeout of contract operations.

12.6.3.2. Personnel requirements for contract administration are limited to those shown on [Table 12.5](#). These requirements vary by the number of FTE positions in the MEO of the function undergoing cost comparison

12.6.3.3. If the solicitation includes existing MEO subcontracts, the CMEs associated with these subcontracts are added to the FTEs reflected in the MEO to determine the total number of contract administration positions required. For example, an MEO of 15 FTEs plus 6 CMEs (in an existing MEO subcontract) would require 2 contract administration positions. These requirements normally are costed and allocated as civilian positions. Costs for these positions are computed in the same manner as for Line 1 (Personnel Costs) and are inflated by applying all applicable inflation factors. Also, material and supply costs (computed in the same manner as Line 2 - Material and Supply Costs) and other specifically attributable costs (computed in the same manner as Line 3 -

Other Specifically Attributable Costs) are considered when developing costs in support of these positions. EPA, SCA and DBA provisions do not apply to any costs associated with this line. Exception: Contract Administration positions for MEO subcontracts are not included when: (1) existing MEO subcontracts will be made available to a perspective contractor/ISSA offeror, or (2) existing MEO subcontracts are being resolicited as part of the solicitation on the basis of an "any or all" offer, and separate line item bids are being requested for the workloads performed by the in-house work force and the MEO subcontracts. Under this situation, the cost comparison is limited to comparing the costs of performing the MEO in-house work force workloads and contract/ISSA offers received for that same workload.

Table 12.5. Contract Administration Factors.

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

12.6.4. Additional Costs (Line 11).

12.6.4.1. This cost element includes any additional costs to the Government, such as transportation or purchased services resulting from unusual or special circumstances, that may be encountered in particular cost comparisons.

12.6.4.2. The supporting documentation for additional costs should describe the nature of the cost item and indicate the reason the additional cost will not be incurred if the activity is performed with the agency's in-house resources.

12.6.4.3. The costs entered on Line 11 should be supported by a definition of the type of cost reported, justification for inclusion, methods of computation, and, if applicable, a detailed listing of the cost components.

12.6.4.4. **Figure 12.19.** provides the worksheet format to be used to reflect additional costs.

12.6.5. One-Time Conversion Costs (Line 12). This line includes one-time costs associated with a cost comparison decision to award a contract rather than to implement the MEO. Only MEO costs related to the decision (e.g., relocation cost of employees that would have been assigned to the MEO) are included. Supporting documentation should indicate clearly the type of costs anticipated, justifica-

tion for inclusion and computation methods. The total of the one-time costs are allocated to each annual performance period by dividing the total one-time costs by the number of periods in the cost comparison. Do not inflate one-time conversion costs. One-time conversion costs sometimes include:

12.6.5.1. Material-Related Cost. A conversion may result in certain items of Government material that would otherwise have been used by the in-house MEO, becoming excess and available for transfer to another in-house activity or to the contract/ISSA offeror.

12.6.5.1.1. Transfer of Materials to a Contract/ISSA Offeror. When an in-house activity is converted to contract/ISSA performance, it may be possible to transfer the material originally intended for use by the MEO to the contract/ISSA offeror. When that is possible, only the one-time costs associated with transferring the material to a contract/ISSA offeror are included (e.g., physical Inventory, packing, crating, transportation, etc.). The following cost factors should be used, if more precise costs are not known, to estimate the cost associated with the transfer:

Percentage of Current Replacement Cost

Packing, Crating, and Handling	3.5%
Transportation	3.75%

If transfer of existing materials to the contract/ISSA offeror is feasible, and the agency elects not to provide the material, no material handling charges (e.g., physical Inventory, packing, crating, transportation, etc.) are assessed against the cost of contract/ISSA performance.

12.6.5.1.2. Disposal or Transfer of Materials to Another Government Activity. The benefit generated to the Government as a result of a conversion and a decision not to provide certain MEO materials to the contractor/ISSA offeror is considered a one-time reduction to the cost of contract/ISSA performance. When material is disposed of, the benefit (i.e., gain) is equal to the estimated recovery less the cost of disposal; when material is transferred to another Government activity, the benefit (i.e., gain) is equal to the original cost less the cost of transfer.

12.6.5.1.3. The Government should not dispose of or transfer MEO materials unless there is an economic advantage to the Government. If the cost of disposal or transfer exceeds the value of the materials, such that there is a net loss, no such losses are assessed against the contractor or ISSA. Management has made a decision not to make the materials available to the contractor or ISSA irrespective of the economic costs related to such a decision.

12.6.5.2. Labor-Related Costs. The computation and analyses associated with these costs may require a level of expertise which may or may not exist at a small civilian personnel flight and may require augmentation from AFPC/DPC and, possibly, the command. A conversion normally results in certain one-time labor-related expenses. These may include severance pay, health benefit costs, homeowner assistance, relocation, and retraining expenses, and initial contractor or ISSA security clearance requirements. The amount of these expenses is computed in consultation with the servicing civilian personnel flight. Only those expenses which can reasonably be expected to be paid out and which would not result from an in-house decision, are included. Terminal leave costs, such as lump sum payment of accrued annual leave, costs related to incentive pay for early release or retirement, and unemployment compensation are not costed nor included. Civilian severance pay costs are computed as follows:

12.6.5.2.1. **Appropriated Fund Civilian Positions.** Estimated severance pay is calculated at a maximum rate of 4% of the annual basic pay (first performance period only) of the appropriated fund civilian MEO positions entered on Line 1, without fringe benefits; waivers to use a higher rate is not allowed by OMB. When the number of civilian appropriated fund positions in the MEO is higher than the number of assigned civilian appropriated fund employees, the result of the estimated severance pay calculation is multiplied by the ratio of the number of civilian appropriated fund employees assigned to the number of positions established by the MEO.

12.6.5.2.2. **NAF Civilian Positions.** When a cost comparison includes non-appropriated fund employees, severance pay costs for these employees is separately computed and added to the cost of civilian appropriated fund severance pay costs (if any). A standard severance pay rate is not established for NAF civilian positions. These costs must be determined and obtained from the servicing NAF financial management office for employees scheduled to fill MEO positions.

12.6.5.3. **Transition to Contract or ISSA Work Force.** Solicitations, and resultant contracts, may contain contractor phase-in periods which allow the contract/ISSA offeror time to transition the function from an in-house to a contract/ISSA operation. In some cases, such phase-in periods may require assistance from the Government as set forth in the solicitation or contract. In such cases, these transition costs are included on Line 12. If the activity under cost comparison is predominantly military, the transition to a contract, ISSA or in-house work force may be identical. In this case, no transition costs would be included on Line 12. However, if the transition period allowed the contract/ISSA offeror is significantly more than specified for the in-house MEO, the additional cost associated with the transition must be included. An example may be where a contract/ISSA offeror will not be permitted to use Government owned facilities, and the contract/ISSA offeror will require extra time to purchase or build their own facilities.

12.6.5.4. **Other Costs.** A conversion may require an agency to take certain actions that would not be necessary if the activity were continued in-house. Agencies have an obligation to mitigate these costs and justify why such costs are necessary. For example, it may not be possible to terminate a rent or lease agreement without a penalty fee, or it may be necessary to move materials that are not associated with the activity under cost comparison to another location in order to facilitate conversion or the contractor's or ISSA's use of a facility. Such terminations, penalty or facilitation costs are also costs caused by the conversion and should be included.

12.6.5.5. **Figure 12.18.** provides the worksheet format to be used to reflect one-time conversion costs.

12.6.6. Gain on Assets (Line 13). As the Government develops its 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. The cost comparison is concerned with comparing the Government's MEO with that of the best commercial/ISSA offeror. Therefore, only those assets that are to be used by the Government's MEO and not made available to the contractor or ISSA are considered on Line 13.

12.6.6.1. The Government should not dispose of or transfer MEO assets unless there is an economic advantage to the Government to do so. If the cost of transfer exceeds the net book value of the asset, such that there is a net loss, no such losses are assessed against the contractor or ISSA.

Management has made a decision not to make such assets available to the contractor or ISSA irrespective of the economic costs related to such a decision.

12.6.6.2. The net gain generated to the Government as a result of a conversion to a contract/ISSA and a decision not to provide certain MEO assets to the contractor or ISSA should equate to the net book value of the asset less any costs incurred to remove the asset. **Figure 12.22.** provides example computations for developing net gain associated with the disposal or transfer of Government assets (capital or minor).

Figure 12.22. Example Computation of Gain on Assets.

EXAMPLE COMPUTATIONS FOR GAIN ON ASSETS					
Asset/FSC (Capital or Minor Item)	Original Acquisition Cost	Disposal Value Factor	Disposal (B x C) or Transfer Value	Disposal/Transfer Cost	Gain (-) (E - D)
A	B	C	D	E	F
Humidity Control Instrument/ 6685 (Minor Item - Disposal)	\$4500 (Unit Price)	.5556	\$2500	\$326	-\$2174
Closed Circuit T.V./ 6710 (Capital Equipment - Transfer)	\$75000	Not Applicable (Item Is Being Transferred)	\$30,000 (Net Book Value)	\$530	-\$29470
Building S-725 (Capital Facility - Transfer)	\$300000	Not Applicable to Facilities	\$200000 (Net Book Value)	\$5689	-\$194311
Column	Instructions				
A. Asset/FSC	This column shows the nomenclature of the capital asset or minor item. (Expendable items of material that become available for transfer or disposal are covered under Line 13 (Gain on Assets). Line 13 includes capital assets and minor items only.				
B. Original Acquisition Cost	<ol style="list-style-type: none"> 1. For capital equipment assets, the entry shows the original acquisition cost of the asset, plus transportation and installation costs if not already included in the purchase price, plus any costs for capital improvement. 2. For capital facility assets, the entry shows the original acquisition cost of the facility, plus transportation and installation costs if not already included in the purchase price (e.g., a mobile facility), plus any costs for capital improvements. 3. For minor items, this entry shows the unit price of the item. 				
C. Disposal Value Factor	For capital equipment and minor items being disposed, this entry should reflect the appropriate factor from Attachment 8 . However, for purposes of this example, a different factor was used to produce a gain on this asset. Disposal value factors do not apply to the transferred assets. Also, standard disposal factors for facilities do not exist.				
D. Estimated Disposal/Transfer Value	<ol style="list-style-type: none"> 1. For capital equipment being transferred, this entry shows the net book value (original acquisition cost of the asset <u>less</u> its accumulated depreciation); for minor items being transferred, it reflects the unit price. 2. For capital equipment and minor items being disposed, the entry shows the disposal value (original acquisition cost, Column B) X Disposal Value Factor (Column C). 				
E. Estimated Disposal/Transfer Cost	This entry shows the estimated cost to dispose or transfer the asset. When more precise costs are not available from the property disposal officer or appropriate authority, use the following factors: (1) For packing, crating and handling costs, apply a factor of 3.5% to the net book value of the capital asset (equipment or facility) or the unit price of the minor item. (2) For transportation costs, apply a factor of 3.75% in the same manner.				
F. Gain (-)	This entry shows the cost benefit to the Government from disposal or transfer of the asset or minor item. It is computed by subtracting Column E minus Column D. Only minus results may be included on Line 13 of the COMPARE CCF since they represent a gain to the Government.				

12.6.6.3. [Figure 12.23](#). provides the worksheet format to be used to reflect gain on assets costs.

Figure 12.23. Gain on Assets Worksheet.

LINE 13 GAIN ON ASSETS WORKSHEET (CAPITAL AND MINOR ITEMS)						
PERFORMANCE PERIOD A 1ST (04/01/97 - 09/30/97)	ASSET/FSC B	ORIGINAL ACQUISITION COST C	DISPOSAL VALUE FACTOR D	DISPOSAL/ TRANSFER VALUE (C X D) E	DISPOSAL/ TRANSFER COST F	GAIN (-) (F - E) G
MINOR						
	MARKER, TRAFFIC/4940	4662.00	1.0000	4662.00	338.01	-4323.99
	AIRLESS SPRAL UNIT/4940	2265.00	1.0000	2265.00	164.22	-2100.78
	AGITATOR, PAINT/4940	475.00	1.0000	475.00	34.44	-440.56
	SUBTOTALS (BY CATEGORY)			7402.00	536.67	-6865.33
	SUBTOTALS (BY PERFORMANCE PERIOD)			7402.00	536.67	-6865.33
	END OF REPORT TOTALS			7402.00	536.67	-6865.33
FOOTNOTES:						
1. Disposal/Transfer Value Column. For items to be transferred to another activity, this entry represents the Net Book Value of the item. For items being discarded, this entry represents its disposal value and is computed by multiplying Column C by Column D.						
2. Gain Column. The values shown under this column represent a reduction to the cost of contracting.						

12.6.7. Federal Income Tax (Line 14).

12.6.7.1. When developing the Government's cost of contract performance, the potential Federal income tax revenue should be considered. Since contract performance would provide the contractor with income subject to tax, an estimated amount of such taxes is an appropriate deduction from the net cost to the Government, unless the prospective contractor is a tax-exempt organization.

12.6.7.2. To simplify the tax computation, [Attachment 9](#), prepared by the Internal Revenue Service, provides, by types of industry, appropriate tax rates in relation to business receipts. The industry groupings conform to the Department of Commerce-issued Enterprise Standard Industrial Classification. To determine the amount of estimated Federal income tax, the contract price on Line 9 of the COMPARE CCF for each period of performance is multiplied by the applicable tax rate. The estimated amount of Federal income tax is entered on Line 14 as a deduction (i.e., a negative value) to the cost of contracting. This computation is made after entry of the contract price on Line 9 of the COMPARE CCF. [Figure 12.21](#). provides the worksheet format to be used to reflect both the Federal Income Tax and contract price information.

12.6.8. Total Contract Costs (Line 15) . This line reflects the sum of Lines 9 through 14. This entry concludes development of contract or ISSA performance costs.

Section 12E— Conversion Differential and Cost Comparison Decision

12.7. Minimum Conversion Differential (Line 16).

12.7.1. A minimum cost differential of the lesser of: (1) 10% of total personnel costs in Line 1 of the COMPARE CCF or (2) \$10 million over the performance period, is established that must be exceeded before converting to or from in-house, contract, or ISSA performance. The minimum differential is established to ensure that the Government will not convert for marginal estimated savings.

12.7.2. Whenever a cost comparison involves a mix of existing in-house, contract, new, or expanded requirements, or assumes full or partial conversions to in-house performance, each portion is addressed individually and the total minimum differential is calculated accordingly. When using the COMPARE software program, these types of cost comparisons are treated as expansions to permit COMPARE to individually address and calculate each portion. The minimum conversion value under these type of cost comparisons may be a negative or positive value. It will be a negative value when in-house personnel costs associated with contract to in-house conversions, new requirements and/or expansions are less than 50%.

12.7.3. **Table 12.6.** provides an overview of the formulas and computations involved in developing the minimum conversion differential for each type of cost comparison (i.e., in-house to contract, expansion, new requirement, and conversions from contract to in-house performance).

Table 12.6. Formulas For Computing The Minimum Conversion Differential.

Definition of Formula Variables	
Variable and Variable Name	Worksheet Or Individual Record Source
A = Total Personnel Costs From Line 1	Line 1, Personnel Costs Worksheet for 1st and Subsequent Performance Periods (End-Of-Report Summary Total).
B = Ratio of Added Personnel Costs Related To An Expansion	This represents the ratio of Line 1 personnel costs related to the expansion divided by Line 1 total personnel costs. Example: \$500K (personnel costs related to expansion) / \$2.1M (total Line 1 personnel costs) = .238.
C = Cost Differential Factor	10% (or \$10M, whichever is less).
X = Minimum Conversion Differential	The result of the computations.
Formulas Applied to Each Type of Cost Comparison	
Type of Cost Comparison	Formula
In-House To Contract	$X = A * C$ or \$10M, whichever is less
Expansion	$X = (A * B * C) - [A * (1-B) * C]$ or \$10M, whichever is less
Contract To In-House	$X = A * C$ or \$10M, whichever is less
New Requirement	$X = A * C$ or \$10M, whichever is less

12.8. Adjusted Total Cost of In-house Performance (Line 17). The entry for this line is dependent upon the type of cost comparison being performed.

12.8.1. In-house to Contract Cost Comparisons. For pure in-house to contract cost comparisons (i.e., cost comparison does not involve a mix of existing in-house, contract, new, or expanded requirements, or assumes full or partial conversions to in-house performance), this entry represents the value of Line 8.

12.8.2. Expansions, New Requirements, and Conversion From Contract to In-house Performance (ENRC). For ENRC cost comparisons, this entry represents the sum of Lines 8 and 16.

12.9. Adjusted Total Cost of Contract or ISSA Performance (Line 18). The entry for this line is dependent upon the type of cost comparison being performed.

12.9.1. In-house to Contract Cost Comparisons. For pure in-house to contract cost comparisons (i.e., cost comparison does not involve a mix of existing in-house, contract, new or expanded requirements, or assumes full or partial conversions to in-house performance), this entry represents the sum of Lines 15 and 16.

12.9.2. Expansions, New Requirements and Conversion From Contract to In-house Performance. For ENRC cost comparisons, this entry represents the value of Line 15.

12.10. Decision - Line 18 Minus Line 17 (Line 19). This entry represents the value of Line 18 minus Line 17.

12.11. Cost Comparison Decision (Line 20).

12.11.1. Accomplish In-house. If the entry in Line 19 is a positive value, an "X" is entered next to "Accomplish In-house."

12.11.2. Accomplish By Contract. If the entry in Line 19 is a negative value, an "X" is entered next to "Accomplish By Contract."

12.12. Signature Lines (Lines 21-27).

12.12.1. In-house MEO Certification (Line 21): The manpower and organization officer typically certifies the

MEO unless otherwise designated by the commander.

12.12.2. In-house Cost Estimate Prepared By (Line 22): Signature of the individual who prepared the government cost estimate (typically the manpower and organization representative responsible for developing the government cost estimate or the CSMSG chairperson).

12.12.3. Independent Review Certification (Line 23): A representative of the financial management office who is the cost comparison IRO.

12.12.3.1. Review Prior to Entry of Contract/ISSA Price on Line 9 (Line 23a): Certification is made by the IRO prior to entering the contract/ISSA price on the COMPARE CCF.

12.12.3.2. Review After Entry of Contract/ISSA Price on Line 9 (Line 23b): Certification is made by the IRO after entering the contract/ISSA price on the COMPARE CCF to ensure the COMPARE CCF is correct.

12.12.4. Cost Comparison Completed By (Line 24): Signature of the person who completes the COMPARE CCF upon receipt of the contract/ISSA price from the contracting officer. This person is typically the manpower and organization representative responsible for developing the government cost estimate or the CSMSG chairperson (i.e., the same person who developed the in-house cost estimate).

12.12.5. Contracting Officer (Line 25): Signature of the contracting officer who performs the cost comparison and determines the results of the cost comparison (i.e., in-house or contract/ISSA).

12.12.6. Tentative Cost Comparison Decision Announced By (Line 26): Signature of the contracting officer who announces the tentative cost comparison decision to directly affected parties.

12.12.7. Appeal Authority (if applicable) (Line 27): Signature of the AAP Authority (required only when an appeal determines the final cost comparison decision).

12.13. Revising the Government Cost Estimate . Procedures for revising the government cost estimate after submission to the contracting office are outlined at paragraph [17.5](#) of this Instruction.

Figure 12.24. COMPARE Cost Comparison Form (CCF) Page 1.

COST COMPARISON OF IN-HOUSE VS. CONTRACT OR ISSA PERFORMANCE As Of: 03-Jul-97					
ACTIVITY IDENTIFICATION					
AGENCY: AFMIA LOCATION: RANDOLPH AFB, TX (AET)			COST COMPARISON TITLE: AFI 38-209 COST COMPARISON NUMBER: FAFM38209		
PERFORMANCE COSTS (Rounded to nearest dollar)					
	----- PERFORMANCE PERIODS -----				
	First	Second	Third	Additional	Total
IN-HOUSE PERFORMANCE COSTS					
1. Personnel Costs	294183	596855	609035	621782	2121855
2. Material & Supply Costs	2348	4745	4796	4848	16737
3. Other Specifically Attributable Costs	9443	19140	19425	19719	67727
4. Overhead Costs	35302	71623	73084	74614	254623
5. Cost of Capital	2042	2042	2042	2042	8168
6. One-Time Conversion Costs (ENRC)	625	625	625	625	2500
7. Additional Costs	800	800	800	800	3200
8. Total In-house Costs	344743	695830	709807	724430	2474810
CONTRACT OR ISSA PERFORMANCE COSTS					
9. Contract or ISSA Price	0	0	0	0	0
10. Contract Administration	0	0	0	0	0
11. Additional Costs	2000	2000	2000	2000	8000
12. One-time Conversion Costs	4290	4290	4290	4290	17160
13. Gain on Assets	(6865)	0	0	0	(6865)
14. Federal Income Tax (Deduct)	0	0	0	0	0
15. Total Contract or ISSA Costs	(575)	6290	6290	6290	18295
DECISION					
16. Minimum Conversion Differential					212186
17. Adjusted Total Cost of In-house Performance					
18. Adjusted Total Cost of Contract or ISSA Performance					
19. Decision - Line 18 Minus Line 17					
20. Cost Comparison Decision:	Accomplish In-house: Accomplish By Contract:				
REMARKS:					
1. For details on each cost comparison line, please see the cost comparison documentation and basic data worksheets.					
2. Adjusted Total Cost of In-house Performance (Line 17). This entry reflects the sum of Line 8 and a cost differential (when required) to account for Cost Comparisons involving expansions, new requirements, and Contract to In-house Conversions (ENRC).					
3. Adjusted Total Cost of Contract or ISSA Performance (Line 18). This entry reflects the sum of Line 15 and a cost differential (when required) to account for in-house-to-contract conversions.					

Figure 12.25. COMPARE Cost Comparison Form (CCF) Page 2.

COST COMPARISON OF
IN-HOUSE VS. CONTRACT PERFORMANCE

SIGNATURES PAGE

AGENCY: _____ COST COMPARISON TITLE: _____
LOCATION: _____ COST COMPARISON NUMBER: _____

21. In-house MEO Certification:

"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 organization structure, as proposed, can and will be fully implemented -- subject to this cost comparison, in accordance with all applicable Federal regulations."

Certified By: _____ Date: _____

Office and Title

22. In-house Cost Estimate Prepared By: _____ Date: _____

23. Independent Review Certification:

"I certify that I have reviewed the Performance 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."

a. Review prior to entry of Contract/ISSA Price on Line 9.

Certified By: _____ Date: _____

Office and Title

b. Review after entry of Contract/ISSA Price on Line 9.

Certified By: _____ Date: _____

Office and Title

24. Cost Comparison Completed By: _____ Date: _____

25. Contracting Officer: _____ Date: _____

26. Tentative Cost Comparison Decision Announced By: _____ Date: _____

27. Appeal Authority (if applicable): _____ Date: _____

Chapter 13

STREAMLINED COST COMPARISON

13.1. General. This chapter provides AF policy and policy implementation for determining the cost effectiveness of converting in-house activities operated with 10 or less civilian employees (and any number of NAF civilian employees, and/or direct/indirect-hire non-US citizen employees) to contract/ISSA performance using the streamlined cost comparison process. Streamlined cost comparisons cannot be performed on CAs with military authorizations. (See **Chapter 6** of this Instruction for Standard Cost Comparisons and **Chapter 14** of this Instruction for Direct Conversions.)

13.2. Policy.

13.2.1. A commander may nominate an in-house activity for cost comparison using the streamlined cost comparison process only if all of the following conditions are met:

13.2.1.1. The activity is not inherently Governmental or military essential as defined in **Chapter 2** and **Chapter 4** of this Instruction, respectively.

13.2.1.2. It is determined that a streamlined cost comparison will serve the equity and fairness objectives of OMB Circular A-76 for conversion and the activity:

13.2.1.2.1. Is performed by 10 civilian employees or less (and any number of NAF civilian employees, and/or direct/indirect-hire non-US citizen employees) and no military, and the commander will certify the existing organization as an MEO, and

13.2.1.2.2. Will compete largely on a labor and material cost basis in activities such as, but not limited to, custodial, grounds, refuse, pest control, warehousing and maintenance services, and

13.2.1.2.3. Will not require significant capital asset purchases or all equipment requirements will be Government Owned/Contractor Operated (GOCO), and

13.2.1.2.4. Involves a service that is commonly contracted by the Government, and there are no less than our comparable AF contracts of the same general type and scope.

13.2.1.3. The conversion to contract is cost effective as required by 10 USC 2461 and 2462.

13.2.1.4. It is approved by HQ USAF/XPM.

13.2.2. Streamlined cost comparisons will use existing PWSs, with only minor modification, to define the scope of the competition to permit the conduct of a market research/analysis as required by this process. New PWSs are not permitted.

13.2.3. In no case, shall any CA involving more than 10 civilian employees be modified, reorganized, divided, or in any way changed for the purpose of circumventing the requirements of this chapter per 10 USC 2461.

13.2.4. A commander has the option of performing a standard cost comparison on any activity that meets the requirements for a streamlined cost comparison.

13.2.5. The streamlined cost comparison process is subject to the same requirements as the standard cost comparison process with the following exceptions:

13.2.5.1. The commander certifies the current organization as an MEO. (See paragraph [11.2.1.2](#) of this Instruction for Management Plan requirements.)

13.2.5.2. A market research/analysis is used to justify the conversion from in-house to contract/ISSA performance.

13.2.6. The Right of First Refusal applies to adversely affected civilian employees.

13.2.7. Cost comparison time limits and cancellation policy in [Chapter 5](#) and [Chapter 6](#) of this Instruction apply to the streamlined cost comparison process.

13.2.8. CAMIS requirements in [Chapter 6](#) of this Instruction apply to the streamlined cost comparison process.

13.2.9. All requirements for the standard cost comparison process in this Instruction apply to the streamlined cost comparison process unless otherwise noted in this chapter.

13.2.10. Freedom of Information Act Considerations.

13.2.10.1. Data relative to the streamlined cost comparison process must be safeguarded to protect the integrity of the cost comparison process.

13.2.10.2. Releasing the UMD. The UMD is not releasable under FOIA.

13.2.10.3. Releasing the Management Plan. The Management Plan is releasable after completion of the cost comparison.

13.2.10.4. Releasing the TPP. If the TPP will be the basis for future competitions, it may be withheld; otherwise, it is releasable after completion of the cost comparison.

13.3. Policy Implementation.

13.3.1. Prior to nomination of a candidate for a streamlined cost comparison, the contracting officer conducts a market research/analysis to meet the criteria in paragraph [13.2.1.2](#) of this Instruction.

13.3.2. Nomination of Candidates. If the criteria for the streamlined cost comparison are met, notification is made in accordance with [Chapter 5](#) of this Instruction.

13.3.3. After HQ USAF/XPM approval is received, the commander makes a public announcement to the directly affected civilian employees and their representatives as well as directly affected military. If a press release or other public announcement is desired, these must be made after the employees and their representatives are notified.

13.3.4. An Estimated Contract/ISSA Price Is Developed. The contracting officer completes the market research/analysis (based on at least four comparable AF contracts) by developing an estimated Contract/ISSA Price from the range of contract costs. Adjustments for differences in scope may be necessary when developing this price.

13.3.5. A Government Cost Estimate Is Developed. A Government Cost Estimate, based on the current organization, is developed by the functional OPR and servicing manpower and organization office. The estimate is developed to reflect both in-house and contract performance costs.

13.3.5.1. In-house Performance Costs. Complete only the following COMPARE CCF line numbers:

13.3.5.1.1. Line 1, Personnel Costs. Complete in accordance with **Chapter 12** of this Instruction. Include the estimated cost of contract administration positions (if any) used to administer any existing MEO subcontracts.

13.3.5.1.2. Line 2, Material and Supply Costs. Complete in accordance with **Chapter 12** of this Instruction.

13.3.5.1.3. Line 3, Other Specifically Attributable Costs. Limit this entry to the cost of existing in-house support contracts (if any) and related Government-furnished equipment and facilities not to be provided to a competing contract/ISSA offeror. Also include in this line the personnel liability insurance costs for line 1 and casualty insurance costs for materials, equipment and facilities included in lines 2 and 3.

13.3.5.1.4. Line 4, Overhead Costs. Complete in accordance with **Chapter 12** of this Instruction.

13.3.5.1.5. Line 8, Total In-House Costs. Complete in accordance with **Chapter 12** of this Instruction.

13.3.5.2. Contract or ISSA Performance Costs. Complete only the following COMPARE CCF line numbers:

13.3.5.2.1. Line 9, Contract or ISSA Price. This price is provided by the contracting officer. It may represent either the estimated or actual contract or ISSA price. If an estimated price is used, it is based on the contract price range developed by contracting officer. If an actual price is used (see paragraph **13.3.10.2.** of this Instruction), it is based on prices received from a formal solicitation. **Chapter 12** of this Instruction provides additional instructions for entering the contract price.

13.3.5.2.2. Line 10, Contract Administration. Complete in accordance with **Chapter 12** of this Instruction.

13.3.5.2.3. Line 14, Federal Income Tax (Deduct). Complete in accordance with **Chapter 12** of this Instruction.

13.3.5.2.4. Line 15, Total Contract or ISSA Costs. Complete in accordance with **Chapter 12** of this Instruction.

13.3.5.3. Line 16, Minimum Conversion Differential. Complete in accordance with **Chapter 12** of this Instruction.

13.3.5.4. Line 17, Adjusted Total Cost of In-house Performance. Complete in accordance with **Chapter 12** of this Instruction.

13.3.5.5. Line 18, Adjusted Total Cost of Contract or ISSA Performance. Complete in accordance with **Chapter 12** of this Instruction.

13.3.5.6. Line 19, Decision - Line 18 Minus Line 17. Complete in accordance with **Chapter 12** of this Instruction.

13.3.5.7. Line 20, Cost Comparison Decision. Complete in accordance with **Chapter 12** of this Instruction.

13.3.5.8. Lines 21, In-house MEO Certification. The current organization is certified as operating under an MEO by the commander.

13.3.5.9. Lines 22 through 27, Signatures. Complete in accordance with **Chapter 12** of this Instruction.

13.3.6. The Government Cost Estimate is reviewed by the IRO assigned by servicing financial management office.

13.3.7. The servicing manpower and organization office provides two copies of the COMPARE CCF reflecting the Government Cost Estimate in a sealed envelope to the contracting officer. One copy of the COMPARE CCF is labeled "Pre-solicitation Cost Estimate" and the other "Post-solicitation Cost Estimate."

13.3.8. The contracting officer opens the Government Cost Estimate, enters the contract cost estimate developed from the market research/analysis onto Line 9 of the COMPARE CCF labeled "Pre-solicitation Cost Estimate" and returns it to the servicing manpower and organization office. The contracting officer retains the COMPARE CCF labeled "Post-solicitation Cost Estimate" for use in formal solicitation procedures, if performed (see paragraph 13.3.9.2. of this Instruction).

13.3.9. The servicing manpower and organization office completes the COMPARE CCF, obtains an independent review by the IRO and returns it to the contracting officer.

13.3.10. The contracting officer reviews the results of the completed COMPARE CCF and announces the results of the pre-solicitation cost comparison.

13.3.10.1. If the cost comparison indicates the conversion will not be cost effective, the activity is retained in-house.

13.3.10.2. If the cost comparison indicates the conversion will be cost effective, a solicitation for offers is issued. The solicitation will include a statement that "The solicitation will be canceled if offers received are higher than the cost of in-house Government operations."

13.3.10.2.1. Upon receipt of contract/ISSA offers and selection of a contractor(s) or ISSA offer to compete against the in-house offer, the contracting officer enters the contract/ISSA price on the second COMPARE CCF labeled "Post-solicitation Cost Estimate" that was initially provided by the servicing manpower and organization office.

13.3.10.2.2. The servicing manpower and organization office completes the COMPARE CCF.

13.3.10.2.3. The IRO independently reviews the COMPARE CCF and returns it to the contracting officer.

13.3.10.2.4. The contracting officer announces the results of the cost comparison.

13.3.10.2.4.1. If the cost comparison indicates the conversion will not be cost effective, the activity is retained in-house and the solicitation canceled.

13.3.10.2.4.2. If the cost comparison indicates a conversion to contract will be cost effective, a contract is awarded in accordance with the steps outlined in **Chapter 17** of this Instruction.

13.3.11. A Public Review Period is initiated in accordance with **Chapter 17** of this Instruction only when the streamlined cost comparison is based on a formal solicitation.

13.3.12. The AAP is conducted in accordance with **Chapter 18** of this Instruction only when the streamlined cost comparison is based on a formal solicitation.

13.3.13. Contract implementation is required in accordance with [Chapter 19](#) of this Instruction.

13.3.14. For in-house decisions, MEOs resulting from a streamlined cost comparison are subject to Post-MEO Reviews in accordance with [Chapter 20](#) of this Instruction.

13.3.15. For contract decisions, adversely affected civilian employees are afforded the same considerations as for contract decisions in the standard cost comparison process in accordance with [Chapter 6](#) of this Instruction. Right of first refusal applies in accordance with [Chapter 10](#) of this Instruction for civilians adversely affected by a streamlined cost comparison.

13.3.16. [Figure 13.1](#). provides an overview of the streamlined cost comparison process.

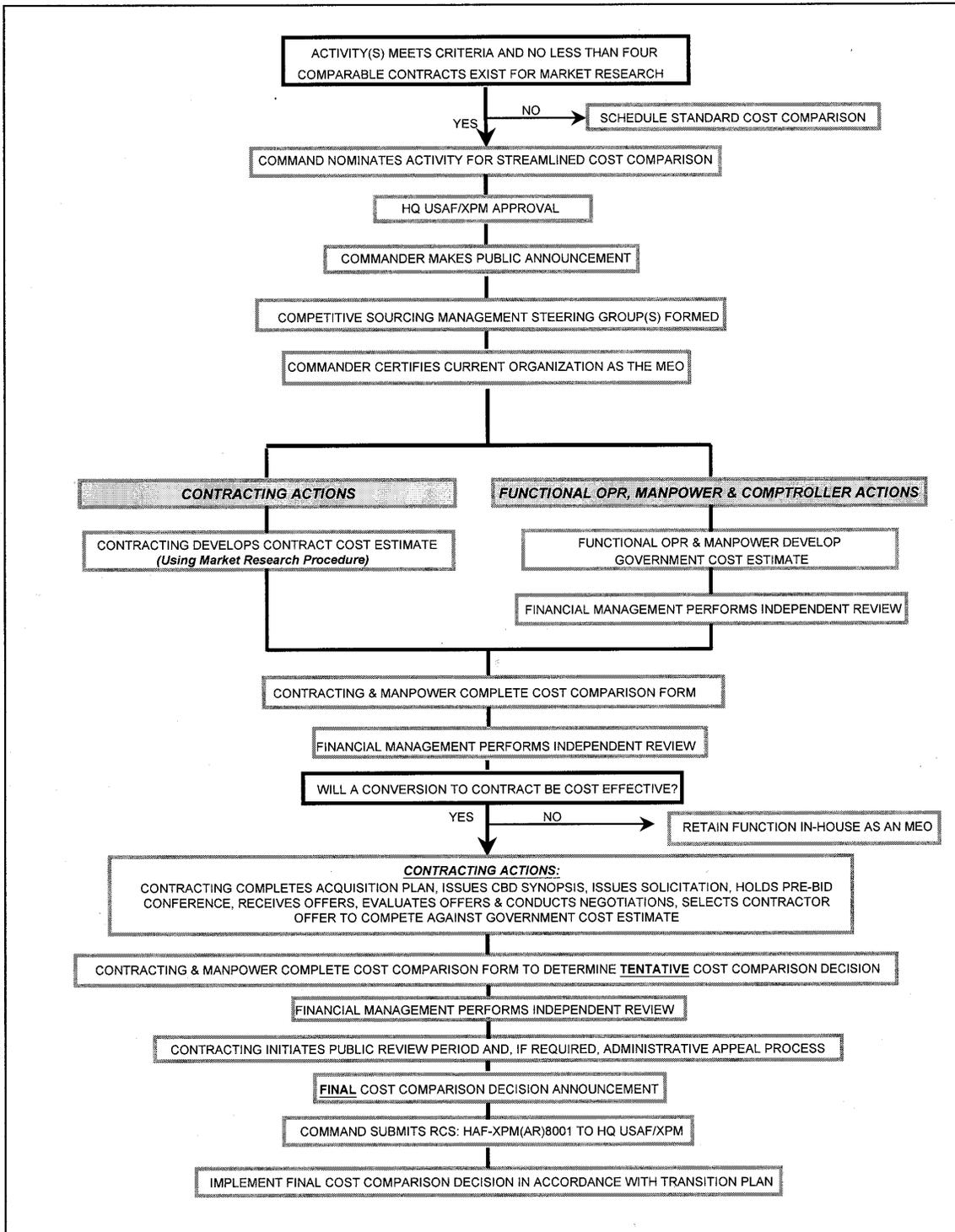
13.4. Reporting Requirements.

13.4.1. Reporting requirements for the streamlined cost comparison process are the same as for the standard cost comparison process ([Chapter 6](#) and [Chapter 17](#) of this Instruction).

13.4.2. Update CAMIS ([Attachment 6](#)).

13.4.3. Update AF IGCA Inventory ([Chapter 3](#) of this Instruction).

Figure 13.1. Overview of Streamlined Cost Comparison Process.



Chapter 14

DIRECT CONVERSION

14.1. General. This chapter provides AF policy and policy implementation for the direct conversion of an in-house CA to contract performance without conducting a cost comparison. (See **Chapter 6** of this Instruction for Standard Cost Comparisons and **Chapter 13** of this Instruction for Streamlined Cost Comparisons.)

14.2. Policy.

14.2.1. A commander may nominate an activity for direct conversion from in-house to contract performance if:

14.2.1.1. The activity is not inherently Governmental or military essential as defined in **Chapter 2** and **Chapter 4** of this Instruction, respectively.

14.2.1.2. The activity is:

14.2.1.2.1. Completely performed by military personnel, or

14.2.1.2.2. Completely performed by 10 or less civilian employees, or

14.2.1.2.3. Partially performed by 10 or less civilian employees and any number of military, NAF civilian employees, and/or non-US employees, or

14.2.1.2.4. Planned for conversion to a NIB/NISH/JWOD provider or NAO firm (regardless of the number of military or civilians in the CA) in accordance with **Chapter 10** of this Instruction.

14.2.1.3. The conversion is cost effective as required by 10 USC 2461 and 2462, and

14.2.1.4. The conversion is approved by HQ USAF/XPM.

14.2.2. A commander has the option of performing a standard cost comparison on any activity that meets the requirements for a direct conversion. The only exception is that cost comparisons shall not be performed on CAs where conversion to a NIB/NISH/JWOD provider will be cost effective.

14.2.3. Since the decision to directly convert an in-house CA to contract has an impact on the responsibilities of many staff and functional offices, a CSMSG will be established in accordance with **Chapter 8** of this Instruction.

14.2.4. The existing organization is the basis for the in-house cost estimate. An MEO is not developed. (See paragraph **11.2.1.3.** of this Instruction for Management Plan requirements.)

14.2.5. Contract administration will be allocated in accordance with **Table 12.5.**

14.2.5.1. For direct conversions with more than 10 authorizations, contract administration authorizations will be allocated according to **Table 12.5.**, using the total number of manpower authorizations converted as the MEO FTE range.

14.2.5.2. For direct conversions with 10 or less authorizations, contract administration manpower will be allocated based on the sum of the authorizations in a command's total direct conversions being programmed in a specific budget exercise. For example, 2 direct conversions with each hav-

ing 9 authorizations would receive 1 contract administrator allocated to the command when the next available budget exercise opens.

14.2.6. Direct conversions must be completed within statutory time limits defined in **Chapter 6** of this Instruction. The start date is the date the direct conversion is approved by HQ USAF/XPM and the end date is the date the contractor's bid or proposal is selected for contract award or it is determined that contracting is not cost effective.

14.2.7. Cost comparison cancellation policy in **Chapter 6** of this Instruction applies for direct conversions.

14.2.7.1. The command XP submits a written request to HQ USAF/XPM with rationale for cancellation approval of a direct conversion in accordance with **Chapter 5** of this Instruction.

14.2.7.2. HQ USAF/XPM approves or disapproves cancellation in coordination with the HQ USAF functional OPR and determines if manpower reductions will be imposed based on justification provided.

14.2.7.3. To change the type of initiative from a direct conversion initiative to a cost comparison, see **Chapter 5** of this Instruction.

14.2.8. If no responsive or responsible contract/ISSA offers are received in response to a solicitation, the contracting officer makes a determination why acceptable responses were not received. (See paragraphs **10.4.** and **10.9.** of this Instruction.)

14.2.9. If a comparison of in-house and contract performance costs indicate the direct conversion will not be cost effective based on a restricted solicitation (e.g., 8(a) set aside, NIB/NISH/JWOD provider, NAO firm, etc.) refer to paragraphs **10.4.** and **10.5.** of this Instruction.

14.2.10. Although OMB time limits do not apply to direct conversions, CAMIS reporting requirements (**Attachment 6**) in Paragraph **6.4.1.3.1.** of this Instruction apply.

14.2.11. Freedom of Information Act Considerations.

14.2.11.1. Cost data relative to the direct conversion must be safeguarded to ensure the contractor price is developed independent of knowledge of the in-house cost until a final direct conversion decision is determined.

14.2.11.2. The UMD is not releasable under FOIA.

14.2.12. Right of first refusal applies to adversely affected civilian employees except for conversions to NIB/NISH/JWOD providers.

14.2.13. The Public Review Period and AAP of this Instruction do not apply to direct conversions.

14.2.14. Typically, congressional notification of a decision to directly convert a function is not required. The size, location, type, or political sensitivity of the function(s) being converted may deem it appropriate to notify Congress in accordance with **Chapter 5** of this Instruction.

14.3. Policy Implementation.

14.3.1. Submission of Candidates. If the criteria for direct conversion is met, a candidate submission is made in accordance with **Chapter 5** of this Instruction. This submission will include certification that the direct conversion will be cost effective. **Figure 14.1.** provides an overview of the direct con-

version process. **Figure 14.2.** provides an overview of the optional market research process that may be used in a direct conversion.

14.3.2. Employee Notifications:

14.3.2.1. After HQ USAF/XPM approval is received, the commander makes a public announcement to the directly affected civilian employees and their representatives as well as directly affected military. If a press release or other public announcement is desired, these must be made after the employees and their representatives are notified.

14.3.2.2. After the final direct conversion is determined, directly affected civilian employees and their representatives as well as any directly affected military must be notified of the final decision prior to a public announcement or press release announcing the final decision.

14.3.3. A command has the option to perform market research before a PWS is developed and a solicitation issued. (See paragraph **14.3.11.** and **Figure 14.2.** of this Instruction.)

14.3.4. If a command elects not to perform market research or the market research results in continuation of the direct conversion (see **Figure 14.1.**), a PWS is developed and a solicitation is issued. The solicitation will include a statement that “The solicitation will be canceled if contract/ISSA offers received are higher than the cost of current in-house operations.”

14.3.5. Developing the Government Cost Estimate. A Government Cost Estimate, based on the current organization and work force (military and/or civilian) is developed by the functional OPR and servicing manpower and organization office using COMPARE. An MEO is not developed. The estimate is not releasable to the public prior to the comparison of costs. Except as shown below, the estimate is developed in accordance with **Chapter 12** of this Instruction. The exceptions are:

14.3.5.1. Line 9, Contract/ISSA Price: Entry is completed by the contracting officer in accordance with paragraph **14.3.9.** of this Instruction.

14.3.5.2. Line 16, Minimum Conversion Differential: This line shall be left blank for all direct conversions since the minimum conversion differential is not applicable when performing a direct conversion. (Note: Commands do not have the discretion of changing this policy.)

14.3.5.3. Lines 22-26, Signatures: Signatures are obtained for Lines 22-26 only. A signature is not required for Line 21 (in-house MEO certification) since an MEO is not developed.

14.3.6. The Government Cost Estimate is reviewed by the IRO.

14.3.7. The servicing manpower and organization office provides a copy of the COMPARE CCF reflecting the Government Cost Estimate in a sealed envelope to the contracting officer. The CCF and envelope are labeled “Direct Conversion Solicitation Cost Estimate”.

14.3.8. The contracting officer issues a solicitation and selects the most advantageous contract/ISSA offer for comparison against the in-house cost estimate.

14.3.9. Upon selection of a contract/ISSA offer to compete against the Government Cost Estimate, the contracting officer enters the contract price on the COMPARE CCF labeled “Direct Conversion Solicitation Cost Estimate” and returns the CCF to the servicing manpower and organization office. (See paragraph **12.6.2.** of this Instruction for contract price entry.)

14.3.10. The servicing manpower and organization office completes the COMPARE CCF, adding the actual contract price provided by the contracting officer, obtains an independent review by the IRO

and returns the CCF to the contracting officer. The contracting officer announces the results of the comparison.

14.3.10.1. If the comparison indicates the conversion will be cost effective, a contract is awarded.

14.3.10.2. If the comparison indicates the conversion will not be cost effective and the CA impacts a total of 10 or less total manpower authorizations (military and civilian), the CA is retained in-house and any military authorizations are converted to civilian authorizations. (See paragraph 14.4. of this Instruction for reporting requirements to HQ USAF/XPMR.)

14.3.10.3. If the comparison indicates the conversion will not be cost effective and the CA impacts more than a total of ten manpower authorizations (military and civilian), a cost comparison initiative is scheduled. (See paragraph 14.4. of this Instruction for reporting requirements to HQ USAF/XPMR.)

14.3.11. Optional Market Research Instructions. The advantage of using this method is that it can be determined early in the direct conversion process if an activity with 10 or less total authorizations (military and civilian) should be retained in-house (see paragraph 14.3.10.2. of this Instruction) or the direct conversion continued or a cost comparison performed (see paragraph 14.3.10.3. of this Instruction). The contracting officer develops an estimated contract price using market research/analysis to compare against the estimated cost of the current in-house operation.

14.3.11.1. A Government Cost Estimate, based on the current organization and work force (military and/or civilian) is developed by the functional OPR and servicing manpower and organization office using COMPARE. An MEO is not developed. The estimate is not releasable to the public prior to the comparison of costs. Except as shown below the estimate is developed in accordance with Chapter 12 of this Instruction. The exceptions are:

14.3.11.1.1. Line 9, Contract/ISSA Price: Entry is completed by the contracting officer in accordance with paragraph 14.3.11.4. of this Instruction.

14.3.11.1.2. Line 16, Minimum Conversion Differential: This line shall be left blank for all direct conversions since the minimum conversion differential is not applicable when performing a direct conversion. (Note: Commands do not have the discretion of changing this policy.)

14.3.11.1.3. Lines 22-26, Signatures: Signatures are obtained for Lines 22-26 only. A signature is not required for Line 21 (in-house MEO certification) since an MEO is not developed.

14.3.11.2. The Government Cost Estimate is reviewed by the IRO.

14.3.11.3. The servicing manpower and organization office provides a copy of the COMPARE CCF reflecting the Government Cost Estimate in a sealed envelope to the contracting officer. The CCF and the envelope are labeled "Direct Conversion Market Research Cost Estimate".

14.3.11.4. The contracting officer develops a range of contract cost estimates based on not less than four comparable service contracts. Adjustments for differences in scope may be necessary. The contracting officer enters the estimated market research/analysis price on the COMPARE CCF in accordance with paragraph 12.6.2. of this Instruction and returns the CCF to the servicing manpower and organization office.

14.3.11.5. The servicing manpower and organization office completes the COMPARE CCF and obtains an independent review by the financial management office and returns the CCF to the con-

tracting officer. The contracting officer then reviews the completed COMPARE CCF and announces the results of the cost comparison.

14.3.11.5.1. If the market research comparison demonstrates conversion will be cost effective, continue with the direct conversion process (**Figure 14.1.**).

14.3.11.5.2. If the market research comparison demonstrates conversion will not be cost effective and the CA impacts more than a total of ten manpower authorizations, a cost comparison initiative is scheduled in accordance with **Chapter 5** of this Instruction. (See paragraph **14.4.** of this Instruction for reporting requirements to HQ USAF/XPMR.)

14.3.11.5.3. If the market research comparison demonstrates conversion will not be cost effective and the CA impacts a total of 10 or less total manpower authorizations, the CA is retained in-house and any military authorizations are converted to civilian authorizations. (See paragraph **14.4.** of this Instruction for reporting requirements to HQ USAF/XPMR.)

14.4. Reporting Requirements.

14.4.1. Notify HQ USAF/XPMR of the decision results of the direct conversion (including those using the market research process).

14.4.1.1. For in-house or contract decisions, provide an RCS: HAF-XPM(AR) 8001 memorandum in accordance with **Attachment 4** to this Instruction.

14.4.1.2. For in-house decisions:

14.4.1.2.1. When a direct conversion impacting a total of 10 or less manpower authorizations (military and civilian employees), the command XPM will notify HQ USAF/XPM, in writing, that a decision has been made to retain the function in-house based on the results of a solicitation and request the military authorizations be converted to civilian authorizations. These decisions are reported to HQ USAF/XPMR by RCS: HAF-XPM(AR) 8001 memorandum (**Attachment 4**) and will include as an attachment A-76 Candidate Manpower Detail (Excel spreadsheet) in the format at **Figure 5.2.**

14.4.1.2.2. When a direct conversion impacting a total of more than 10 manpower authorizations (military and civilian employees) the command XPM will notify HQ USAF/XPM, in writing, that the direct conversion is being canceled and a standard cost comparison initiative will be scheduled in accordance with **Chapter 5** of this Instruction.

14.4.2. CAMIS records will be established in accordance with **Chapter 6** of this Instruction and **Attachment 6** for all direct conversions as soon as they are approved by HQ USAF/XPM including conversion to NIB/NISH/JWOD providers or NAO firms.

14.4.3. Update the AF IGCA Inventory in accordance with **Chapter 3** of this Instruction. For direct conversions that determine in-house performance is more cost effective, authorizations are coded with Reason Code "M" and MES Code "S" in the MDS. If the activity is converted to contract or a NIB/NISH/JWOD provider, existing manpower authorizations are reflected as CMEs.

14.5. Time Limits and Cancellations.

14.5.1. Time Limits. Typically a direct conversion is a single-function initiative; however, there may be instances where they may be considered multi-function initiatives. OMB time limits do not apply

to direct conversions. Only the statutory time limits outlined in **Chapter 6** of this Instruction apply. However, for CAMIS reporting purposes see paragraph **6.4.1.3.1.2.** of this Instruction. The length of time for completing a direct conversion is determined by the following start and end date definitions.

14.5.1.1. **Start Date.** The start date for a direct conversion is the date of the HQ USAF/XPM memorandum approving the direct conversion.

14.5.1.2. **End Date.** The date the contractor's bid is opened or proposal selected.

Figure 14.1. Overview of Direct Conversion Process.

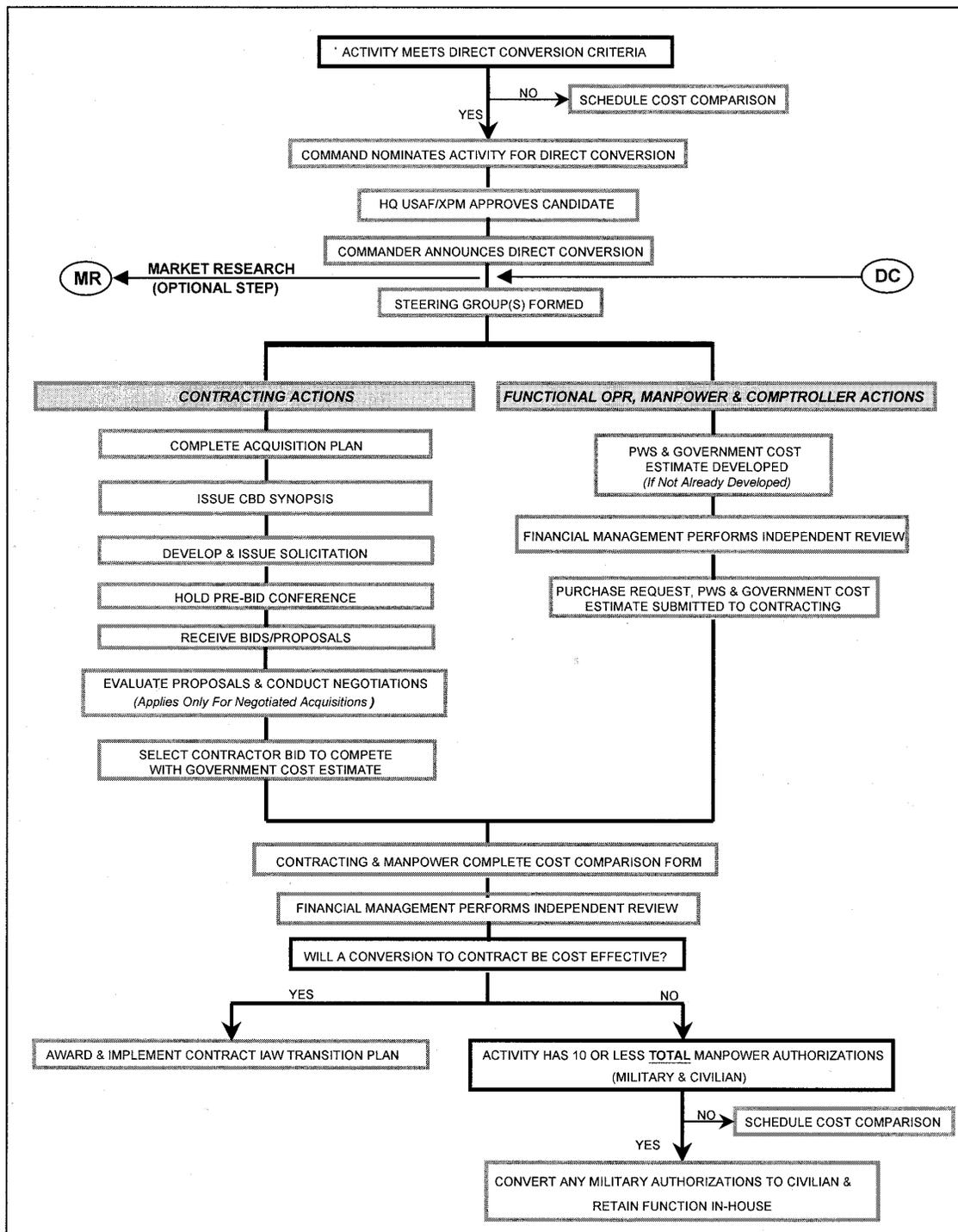
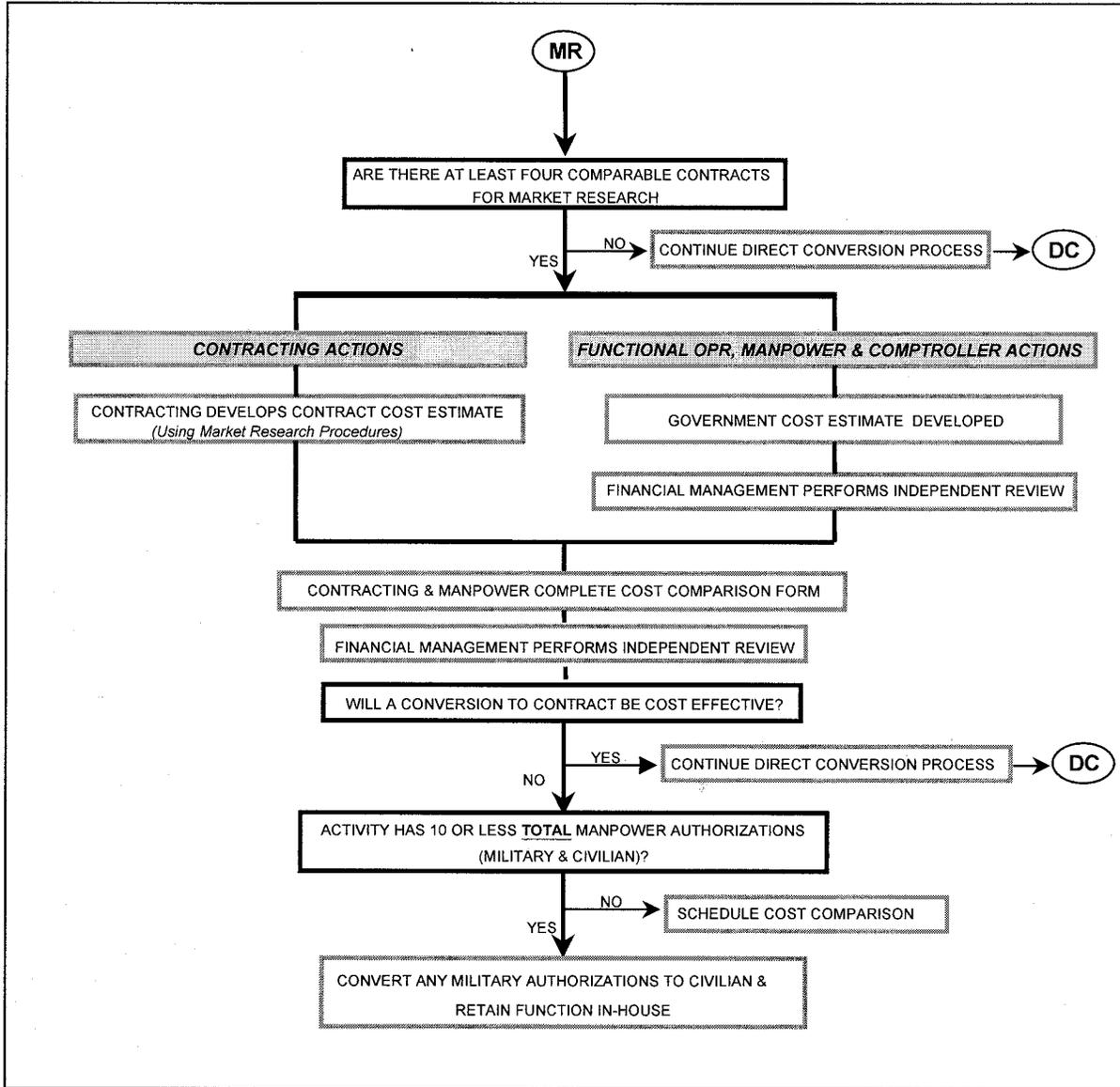


Figure 14.2. Overview of Direct Conversion Process (Optional Market Research).



Chapter 15

EXPANSIONS, NEW REQUIREMENTS, CONVERSIONS FROM CONTRACT TO IN-HOUSE (ENRC) AND ADDING IN-HOUSE WORKLOAD TO EXISTING CONTRACTS

15.1. General. This chapter provides policy and policy implementation for in-house expansions, new requirements, conversions from contract to in-house, and adding in-house workload to existing contracts.

15.2. Policy and Policy Implementation.

15.2.1. In-house Expansions.

15.2.1.1. Policy. An expansion is the modernization, replacement, upgrading or the enlargement of an in-house commercial activity. If the expansion involves a 30% increase in the operating costs of the activity, a 30% increase in the total capital investment to perform the commercial activity or an increase of 65 FTEs or more, a cost comparison of the entire CA is required prior to performing the CA in-house. A consolidation of two or more existing CAs is not an expansion, unless the total operating cost is 30% greater than the total of the individual components or it requires an increase of 65 FTEs or more.

15.2.1.2. Policy Implementation. The same as for a standard cost comparison process except as noted in [Chapter 12](#) of this Instruction.

15.2.2. New Requirements.

15.2.2.1. Policy. A new requirement is a newly established need for a commercial service that is not currently performed in-house or by contract. Approval to budget for a major capital investment associated with a new requirement does not constitute approval to perform the new requirement with in-house personnel. Normally, in those cases where in-house operation of new requirements is not justified, the workload will be performed by contract. If the contracting officer determines commercial prices are unreasonable, a cost comparison will be conducted to justify in-house performance.

15.2.2.2. Policy Implementation. Government performance is determined in accordance with [Chapter 2](#) and [Chapter 4](#) of this Instruction. This determination should be accomplished at the earliest stages of the acquisition process. New requirements do not include the following:

15.2.2.2.1. Interim in-house operation of essential services such as the use of an interim work force when an existing contract is terminated.

15.2.2.2.2. Reorganization of existing workload.

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

15.2.3. Conversions From Contract to In-house Performance.

15.2.3.1. Policy. Contracted CAs may be converted to in-house performance if they fall within one of two categories: mission-related or contract price/quality. Contracts for functions converted

from contract to in-house performance should not be terminated but be allowed to expire (i.e., contract options are not exercised); however, terminations for convenience under exceptional circumstances before the expiration of the contract may be necessary.

15.2.3.2. Policy Implementation.

15.2.3.2.1. Mission. When mission changes or wartime taskings dictate a review of a contracted CA is appropriate, a review is to be accomplished. When the results of the review indicate the in-house operation is justified as a military essential requirement and meets the criteria established in **Chapter 2** and **Chapter 4** of this Instruction, implementation is as follows:

15.2.3.2.1.1. A command XP or HQ USAF functional forwards written justification for the conversion from contract to in-house military performance to HQ USAF/XPM. HQ USAF/XPM approval is required to migrate UTCs to a location where the function is currently contracted.

15.2.3.2.1.2. Written HQ USAF/XPM approval is required to return a contracted CA to in-house performance based on the new military essential requirement. This approval will have the concurrence of SAF/AQC, SAF/GCQ, SAF/MI, HQ USAF/JAG, and the functional OPR(s). The command's contract funding will be decreased by the cost of the contract, contract administration (previously allocated) will be programmed out of the command's FYDP and military authorizations will be allocated to the command.

15.2.3.2.1.3. A cost comparison is not required when based on mission changes or wartime taskings that require military performance.

15.2.3.2.2. Price/Quality.

15.2.3.2.2.1. When the price of an existing contract appears unreasonable or quality of performance becomes unsatisfactory, efforts should first be made to resolve the issues by partnering with the contractor. If resolution cannot be achieved, resoliciting the requirement should be considered. If resolicitation does not resolve the issues, the commander may elect to conduct a contract cost comparison for potential conversion from contract to in-house performance. The decision to conduct a cost comparison on a contracted CA should be based on the results of a joint review by the commander utilizing the BRAG (participants should be contracting, manpower, budget, and appropriate functional staffs). When determined advantageous, the commander should consider using an AFAA representative as a member of the review team. (Note: Cost comparisons of contracted CAs are called "contract cost comparisons". It is not appropriate to call or consider them "reverse A-76s" since this implies a preconceived outcome to return the work in-house.)

15.2.3.2.2.2. The same policies and procedures apply for a contract cost comparison as for a standard cost comparison except the conversion differential is added to the cost of in-house performance.

15.2.3.2.2.3. If the results of a contract cost comparison determine in-house performance is more cost effective, the command's contract funding will be decreased by the cost of the contract, contract administration (previously allocated) will be programmed out of the command's FYDP and authorizations for the MEO will be allocated to the command.

15.2.4. Adding In-house Workload to Existing Contracts (Modification to Existing Contracts).

15.2.4.1. Policy. Existing contracts can be modified to include in-house workload under the following conditions:

15.2.4.1.1. The contracting officer determines the workload is within the contract scope and nature as specified in the existing service contract. The contracting officer resolves all issues regarding application of Competition in Contracting Act.

15.2.4.1.2. The thresholds for direct conversions identified in **Chapter 14** of this Instruction are not exceeded.

15.2.4.2. Policy Implementation. Direct conversion procedures in accordance with **Chapter 14** of this Instruction are required. In-house manpower resources performing the workload are reprogrammed by HQ USAF/XPM to fund the additional contract cost.

Chapter 16

INDEPENDENT REVIEW

16.1. General. This chapter outlines the basic requirements for performing an independent review of all cost comparisons and Government Cost Estimates for direct conversions. Detailed independent review guidance is contained in AFI 65-504, *Independent Review of Commercial Activity Cost Comparisons*.

16.2. Policy. Independent reviews will be conducted on all cost comparisons and Government Cost Estimates for direct conversions by a representative of the financial management office. An independent review will be performed each time a change is made that may impact the Management Plan to include the Government Cost Estimate, e.g., a change to the PWS.

16.3. Overview of the Independent Review. An independent review is conducted to substantiate the currency, reasonableness, accuracy, and completeness of the Management Plan and, for Cost/Technical Tradeoff acquisitions, the TPP. The review ensures that the Government Management Plan is based on the same required services, performance standards, and workload contained in the solicitation and that total costs do not exceed current available funding. The independent review scrutinizes and attests to the adequacy and authenticity of the supporting cost comparison documentation. Supporting documentation must be sufficient and should not require additional interpretation.

16.3.1. The reviewer ensures costs are estimated and supported according to the provisions of this Instruction. If no (or only minor) discrepancies are noted during this review, the reviewer indicates the minor discrepancies, signs, dates, and returns the COMPARE CCF to the preparer. If significant discrepancies are noted during the review, the discrepancies are identified and returned to the preparer for correction and resubmission. While the IRO is not expected to be an expert in the function being reviewed, every effort should be made to ensure the accuracy of the Government Cost Estimate and the reasonableness of the Management Plan including the TPP.

16.3.2. The review is completed far enough in advance of the time and date established for receipt of initial contract/ISSA offers to allow sufficient time for the IRO to conduct the review, and the preparer to correct any discrepancies found. Milestones will be established to ensure the IRO has a minimum of four weeks for single-function cost comparisons and a minimum of six weeks for multi-function cost comparisons to conduct the review. These time periods include total time required for both base-level and command-level independent reviews.

16.3.3. For cost comparisons, the IRO must be present at the comparison of costs in order to independently review the final CCF.

16.3.4. For direct conversions, the IRO is required to review the final calculation on the CCF.

Chapter 17

COMPARISON OF COSTS, PUBLIC REVIEW PERIOD, AND FINAL ANNOUNCEMENT

17.1. General. This chapter provides policy and policy implementation for comparing the cost of in-house and contract performance (i.e., the cost comparison) for Sealed Bid and Negotiated acquisitions, conducting the Public Review Period, and making the final cost comparison announcement. These steps are performed in conjunction with guidance provided in the FAR, as supplemented. **Figure 17.1.** outlines the specific steps required under Sealed Bid Acquisitions. **Figure 17.2.** outlines the specific steps required under Negotiated Acquisitions.

17.2. Policy.

17.2.1. Providing the Management Plan to Contracting. Following the independent review of the Government Cost Estimate, the servicing manpower and organization office submits to the contracting officer the Management Plan.

17.2.1.1. For Sealed Bid acquisitions, this will be accomplished before the required submission date for bids.

17.2.1.2. For Negotiated acquisitions, this will be accomplished not later than the date established for receipt of contractor initial proposals.

17.2.1.3. For Cost/Technical Tradeoff Negotiated acquisitions, two sealed and labeled envelopes are provided to the contracting officer: One (labeled "Government Cost Estimate") contains the COMPARE CCF and all supporting costing documentation, and another envelope contains and is labeled "Management Plan (excluding the Government Cost Estimate)."

17.2.2. Except as permitted by paragraph **17.5.** of this Instruction, contract/ISSA offers are not opened or otherwise reviewed prior to sealing the in-house cost estimate.

17.2.3. The TPP is considered a procurement sensitive document and is not released for public review when a tentative cost comparison decision is determined. However, it may be releasable to the public when a final cost comparison decision is determined unless release of the TPP is likely to adversely impact the competitive position of a in-house offer in a future acquisition.

17.2.4. The Public Review Period begins on the day the completed COMPARE CCF and all supporting documentation are made available to directly interested parties. The Public Review Period lasts for the period specified in the solicitation. (OMB policy requires a Public Review Period of least 20 calendar days, up to a maximum of 30 calendar days if the contracting officer considers the acquisition to be complex.) If the documentation is not available when the tentative cost comparison decision is announced, the time allotted for submitting appeals is extended by the number of days equal to the delay. Any resultant appeals are processed in accordance with the AAP outlined in **Chapter 18** of this Instruction.

17.2.5. For all final cost comparison decisions, it is necessary to submit an RCS: HAF/XPM(AR) 8001 memorandum (**Attachment 4**), update the CAMIS (**Attachment 6**), and the AF IGCA Inventory (**Chapter 3** of this Instruction).

17.2.6. Timing for congressional notification of contract decisions will be at the discretion of SAF/LLP working in conjunction with SAF/MI, HQ USAF/XPM, and the command.

17.2.7. The servicing manpower and organization office is responsible for ensuring information regarding the tentative or final cost comparison decision is made available in a timely manner to the installation commander.

17.3. Cost Comparison Decision Steps: Sealed Bid Acquisition. (See Figure 17.1.)

17.3.1. Bid Opening. The contracting officer publicly opens the contractor bids. As a minimum, the contracting officer, servicing manpower and organization office representative and IRO are present. The contracting officer records the results, and determines the apparent low bidder. The contracting officer then opens the Government Cost Estimate and enters the price of the apparent low bidder on the COMPARE CCF and returns the CCF to the servicing manpower and organization office representative who then completes the remaining items on the CCF, obtains an independent review, and returns the completed CCF to the contracting officer. Any interested parties may attend a Sealed Bid opening.

17.3.2. Tentative Decision For Sealed Bid Acquisition--TENTATIVE DECISION

17.3.2.1. The contracting officer publicly announces the tentative cost comparison decision based on apparent low bidder (contract or in-house). Concurrent with this announcement, the contracting officer:

17.3.2.1.1. States this tentative cost comparison decision is subject to required AF acquisition processing, including evaluating for responsiveness and responsibility and resolution of any appeals under the AAP.

17.3.2.1.2. States that no final cost comparison decision for performance by the Government or contract will be made until after the Public Review Period (as specified in the solicitation) and the AAP (if an appeal(s) is submitted) the AAP.

17.3.2.1.3. Provides documentation supporting the tentative cost comparison decision to the directly affected parties upon request. The cost comparison documentation includes the:

17.3.2.1.3.1. Management Plan to include the Government Cost Estimate and all supporting documentation.

17.3.2.1.3.2. Name of the apparent successful bidder and abstract of bids.

17.3.2.2. Concurrent with this announcement (or as soon after as possible), the functional OPR formally announces the tentative cost comparison decision, in writing (using the statement at paragraph 17.3.2.4. of this Instruction), to directly affected civilian employees and their representatives as well as directly affected military, advises them of the Public Review Period, AAP procedures, and provides the following cost comparison documentation:

17.3.2.2.1. Management Plan to include the Government Cost Estimate and all supporting documentation.

17.3.2.2.2. Name of the apparent successful bidder and abstract of bids.

17.3.2.3. Concurrent with the above announcement (paragraph 17.3.2.2.), The installation commander (or designee) will verbally notify the local congressional delegation of the tentative cost comparison decision using the following statement. A formal Public Affairs announcement can be made using the same statement but no other details may be released until a final cost comparison decision is determined.

“A tentative cost comparison decision has been determined in the (function) cost comparison at (installation & state). The tentative cost comparison decision is to retain the function in-house under a most efficient organization. This cost comparison was approved by HQ USAF/XPM on (CAMIS DE 5), Public Announcement was made at the local level on (insert date) [note: Insert Public Announcement date only when it differs from the HQ USAF/XPM approval date], and the number of assigned personnel at bid opening was X. Formal congressional notification of the final cost comparison decision will be made after the Public Review Period and AAP have been completed.”

17.3.2.4. The servicing manpower and organization office notifies the command of the tentative cost comparison decision via e-mail (using the statement at paragraph 17.3.2.3. of this Instruction) who, in turn, forwards the e-mail to HQ USAF/XPMR, who then forwards it to SAF/LLP/OSX/AQCO, HQ USAF/XPM/CCX/DPF and the functional OPR(s). All notifications must be completed within three working days of the tentative cost comparison decision.

17.3.3. Public Review Period. See paragraph 17.2.4. of this Instruction.

17.3.4. If the contracting officer identifies contractor bid mistakes, or makes non-responsive or non-responsible determinations, the contracting officer selects the next apparent successful low bid and provides it to the servicing manpower and organization office for recalculation of the COMPARE CCF and independent review by a representative of the financial management office.

17.3.5. The contracting officer or civilian personnel specialist obtains explanations from the servicing manpower and organization office regarding cost estimating techniques and backup data, as required, to answer questions from interested parties.

17.3.6. Upon completion of the Public Review Period and the AAP, one of the following occurs:

17.3.6.1. Contract Decision For Sealed Bid Acquisition--FINAL DECISION

17.3.6.1.1. Congressional Notifications.

17.3.6.1.1.1. For cost comparisons conducted using Sealed Bid acquisitions where the cost comparison results in a contract decision and contract award exceeds \$5 million and the decision impacts more than 10 civilians, 10 USC 2461 congressional notification (OPR: HQ USAF/XPMR) of the final cost comparison decision is made concurrent with the congressional notification required by FAR Part 5.303, DFARS 205.303 and AFFARS 5305.303 (OPR: SAF/AQCO).

17.3.6.1.1.2. For cost comparisons conducted using Sealed Bid acquisitions where the cost comparison results in a contract decision and contract award exceeds \$5 million and the decision impacts 10 or less civilians, only the congressional notification required by FAR Part 5.303, DFARS 205.303 and AFFARS 5305.303 is necessary (OPR: SAF/AQCO).

17.3.6.1.2. The servicing manpower and organization office submits the RCS: HAF-XPM(AR) 8001 memorandum (**Attachment 4**) to the command XPM as soon as possible but no later than five working days after a final cost comparison decision is determined. The memorandum will include organizational impacts such as unit activations, inactivations, redesignations, or reassignments by unit name. Attach current and projected organization charts, down to functional flight level, for units that will vary from the standard organizational structure in accordance with AFI 38-101, *Air Force Organization*, as a result of the final cost

comparison decision. When required, also attach a request for approval to conduct a RIF with an information copy to HQ USAF/DPF.

17.3.6.1.3. The command XPM reviews the RCS: HAF-XPM(AR) 8001 memorandum (**Attachment 4**) for accuracy, corrects any errors, signs it and faxes it to HQ USAF/XPMR and AFMIA/MIC as soon as possible but no later than ten working days after the final cost comparison decision is determined. The original must be mailed to HQ USAF/XPMR.

17.3.6.1.4. HQ USAF/XPMR coordinates the congressional notification package with HQ USAF/DPF, SAF/MI, and SAF/AQC, provides an information copy to the functional OPR(s), and submits the coordinated package to SAF/LLP for formal congressional notification of the final cost comparison decision. HQ USAF staffing takes approximately three weeks and SAF/LLP determines timing for the congressional notification.

17.3.6.1.5. For congressional notification of RIF actions required as a result of the cost comparison, HQ USAF/DPF staffs the appropriate RIF congressional notification package as a separate action from the final cost comparison decision staffed by HQ USAF/XPMR. RIF congressional notification may occur concurrently with or after the final cost comparison decision congressional notification (i.e., 10 USC 2461). HQ USAF/XPMR, HQ USAF/DPF and SAF/LLP will coordinate when and how congressional notifications will be made to ensure RIF congressional notification is not made prior to a final cost comparison congressional notification.

17.3.6.1.6. SAF/LLP develops the congressional notification letters (example at **Figure 17.3.**) for hand delivery to Congress, then verbally notifies HQ USAF/XPMR of the date and time the congressional notification letters will be delivered to Congress. HQ USAF/XPMR immediately e-mails (or faxes) the command of the date and time of the delivery. The command, in turn, notifies the servicing manpower and organization office.

17.3.6.1.7. Commands should then verbally notify the local congressional delegations of the final cost comparison decision prior to the date and time the SAF/LLP formal written congressional notification will be made (see **Figure 17.3.** for recommended information to relay to delegation). This notification is made at the discretion of the commander and may be delegated.

17.3.6.1.8. HQ USAF/XPMR ensures that congressional notification was made by SAF/LLP then notifies the command and immediately faxes a copy of one of the congressional notification letters to the them. HQ USAF/XPMR then mails copies of all the congressional notification letters to the command XPM. This memorandum is authorization for the command to make formal public announcement of the final cost comparison decision and proceed with the Transition Plan.

17.3.6.1.9. After receiving notification from HQ USAF/XPMR that congressional notification has been made:

17.3.6.1.9.1. The functional OPR notifies directly affected civilian employees and their representatives as well as directly affected military of the final cost comparison decision, in writing, before the installation commander makes the formal final cost comparison decision public announcement.

17.3.6.1.9.2. The contracting officer awards the contract.

17.3.6.1.9.3. The installation commander (or designee) makes formal public announcement of the final cost comparison decision at the local installation.

17.3.6.1.9.4. It is recommended that Public Affairs publish details regarding the final cost comparison decision. **Figure 17.4.** provides the recommended announcement.

17.3.6.1.10. The servicing manpower and organization office updates the AF IGCA Inventory in the MDS (**Chapter 3** of this Instruction) and CAMIS (**Attachment 6**).

17.3.6.1.11. The functional OPR begins implementing the Transition Plan upon a final cost comparison decision.

17.3.6.2. In-house Decision For Sealed Bid Acquisition--FINAL DECISION

17.3.6.2.1. The servicing manpower and organization office submits the RCS: HAF-XPM(AR) 8001 memorandum (**Attachment 4**) to the command XPM as soon as possible but no later than five working days after a final cost comparison decision is determined. The memorandum will include organizational impacts such as unit activations, inactivations, redesignations, or reassignments by unit name. Attach current and projected organization charts, down to functional flight level, for units that will vary from the standard organizational structure in accordance with AFI 38-101, *Air Force Organization*, as a result of the final cost comparison decision. When required, also attach a request for approval to conduct a RIF with an information copy to HQ USAF/DPF.

17.3.6.2.2. The command XPM reviews the RCS: HAF-XPM(AR) 8001 memorandum (**Attachment 4**) for accuracy, corrects any errors, signs it and faxes it to HQ USAF/XPMR and AFMIA/MIC as soon as possible but no later than ten working days after the final cost comparison decision is determined. The original must be mailed to HQ USAF/XPMR.

17.3.6.2.3. HQ USAF/XPMR notifies SAF/LLP/MI/OSX/AQCO, HQ USAF/XPM/CCX/DPF and the functional OPR(s) of the final cost comparison decision via e-mail. The e-mail should include summarized information for the final cost comparison decision, e.g., savings, MEO, etc.

17.3.6.2.4. The functional OPR notifies directly affected civilian employees and their representatives as well as directly affected military of the final cost comparison decision, in writing, before the installation commander makes the formal public announcement of the final cost comparison.

17.3.6.2.5. The installation commander (or designee) makes a formal public announcement of the final cost comparison decision and should follow-up with the local congressional delegation to convey the final cost comparison decision.

17.3.6.2.6. The contracting officer cancels the solicitation.

17.3.6.2.7. It is recommended that Public Affairs publish details regarding the final cost comparison decision. **Figure 17.5.** provides the recommended announcement.

17.3.6.2.8. The servicing manpower and organization office updates the AF IGCA Inventory in the MDS (**Chapter 3** of this Instruction) and CAMIS (**Attachment 6**).

17.3.6.2.9. The functional OPR begins implementing the MEO in accordance with the Transition Plan upon a final cost comparison decision.

17.4. Cost Comparison Decision Steps: Negotiated Acquisition. (See Figure 17.2.)

17.4.1. Selecting the contract/ISSA offer.

17.4.1.1. Other Than Cost/Technical Tradeoff Negotiated Acquisition.

17.4.1.1.1. Functional OPR, in conjunction with the contracting officer, develops the technical evaluation plan.

17.4.1.1.2. The contracting officer shall not open the envelope labeled "Government Cost Estimate" until the low cost technically acceptable proposal has been selected.

17.4.1.1.3. The contracting officer selects the low cost, technically acceptable proposal.

17.4.1.1.4. Proceed to paragraph **17.4.2.** of this Instruction for remaining steps.

17.4.1.2. Cost/Technical Tradeoff Negotiated Acquisition.

17.4.1.2.1. The Chairperson, Source Selection Evaluation Team, develops the source selection plan (SSP) for SSA approval.

17.4.1.2.2. The contracting officer shall not open either of the envelopes received from the servicing manpower and organization office labeled "Government Cost Estimate" and "Management Plan (excluding the Government Cost Estimate)" until the competing contract/ISSA offeror has been selected.

17.4.1.2.3. The contracting officer receives contract/ISSA proposals, evaluates them according to the SSP, conducts discussions, and determines the competitive range.

17.4.1.2.4. The Source Selection Evaluation Team provides evaluation briefings to the SSA and prepares the proposal analysis report.

17.4.1.2.5. The SSA selects the proposal most advantageous to the Government to compete against the in-house proposal in the cost comparison.

17.4.1.2.6. The contracting officer provides the SSA the sealed envelope labeled "Management Plan (excluding the Government Cost Estimate)" for evaluation to determine if the same level of performance will be achieved as the selected competitive contract/ISSA offer. See **Chapter 10** of this Instruction for the evaluation process.

17.4.2. Completing the Negotiated Acquisition (Used For All Negotiated Acquisitions).

17.4.2.1. Comparing Costs. The contracting officer opens the sealed envelope labeled "Government Cost Estimate" in the presence of the servicing manpower and organization office representative(s), and a representative of the financial management office. The contracting officer records the amount of the successful contract/ISSA offer on the COMPARE CCF, and returns the CCF to the servicing manpower and organization office representative who then completes the remaining items on the CCF, obtains an independent review, and returns the completed CCF to the contracting officer.

17.4.2.1.1. Participating Parties: For Negotiated acquisitions, the opening of the government cost estimate is not a public bid opening.

17.4.2.1.2. Attendance is limited to the contracting officer, the servicing manpower and organization office representative(s), and a representative of the financial management office.

17.4.3. Announcing the Results For All Negotiated Acquisitions.

17.4.3.1. Contract Decision For Negotiated Acquisition--TENTATIVE DECISION

17.4.3.1.1. For cost comparisons conducted using Negotiated acquisitions where the cost comparison results in a tentative contract decision and contract award exceeds \$5 million, the contracting officer makes congressional notification required by FAR Part 5.303, DFARS 205.303, and AFFARS 5305.303 (OPR: SAF/AQCO). This FAR-required notification states that contract award is conditional pending a final cost comparison decision which will be determined after the Public Review Period and the AAP have been completed. The congressional notification required by 10 USC 2461 is made after the FAR-required notification for Negotiated acquisitions resulting in a final cost comparison decision to award contract. For these notifications HQ USAF/XPMR is the point of contact.

17.4.3.1.2. Concurrent with the conditional contract award, the contracting officer advises interested parties of the following:

17.4.3.1.2.1. The tentative cost comparison decision and name of the tentative winning contractor.

17.4.3.1.2.2. That contractor preparations for performance are conditioned upon completion of the Public Review Period specified in the solicitation and resolution of any appeals under the AAP.

17.4.3.1.2.3. That the following cost comparison documentation is being made available: Management Plan to include the Government Cost Estimate and all supporting documentation (but not the TPP, as applicable per paragraph [17.2.3](#) of this Instruction).

17.4.3.1.2.4. Conducts debriefings in accordance with the FAR, as supplemented.

17.4.3.1.3. Concurrent with this announcement (or as soon after as possible), the functional OPR formally announces the tentative cost comparison decision, in writing (using the statement at paragraph [17.4.3.1.5](#) of this Instruction), to directly affected civilian employees and their representatives as well as directly affected military, advises them of the Public Review Period, AAP procedures, and provides the following cost comparison documentation:

17.4.3.1.3.1. The Management Plan to include the Government Cost Estimate (but not the TPP, as applicable per paragraph [17.2.3](#) of this Instruction).

17.4.3.1.3.2. The name of the tentative winning contractor.

17.4.3.1.4. Concurrent with the above announcement (paragraph [17.4.3.1.3](#)), The installation commander (or designee) will verbally notify the local congressional delegation of the tentative cost comparison decision using the following statement. A formal Public Affairs announcement can be made using the same statement but no other details may be released until a final cost comparison decision is determined.

“A tentative cost comparison decision has been determined in the (function) cost comparison at (installation & state). The tentative cost comparison decision is to retain the function in-house under a most efficient organization. This cost comparison was approved by HQ USAF/XPM on (CAMIS DE 5), Public Announcement was made at the local level on (insert date) [note: Insert Public Announcement date only when it differs from the HQ USAF/XPM approval date], and the number of assigned personnel at bid opening was X. Formal congress-

sional notification of the final cost comparison decision will be made after the Public Review Period and AAP have been completed.”

17.4.3.1.5. The servicing manpower and organization office notifies the command of the tentative cost comparison decision via e-mail (using the statement at paragraph 17.4.3.1.4.) who, in turn, forwards the e-mail to HQ USAF/XPMR, who then forwards it to SAF/LLP/MI/OSX/AQCO, HQ USAF/XPM/CCX/DPF and the functional OPR(s). All notifications must be completed within three working days of the tentative cost comparison decision.

17.4.3.1.6. Public Review Period. See paragraph 17.2.4. of this Instruction.

17.4.3.1.6.1. The contracting officer or civilian personnel specialist obtains assistance from the servicing manpower and organization office regarding the explanation of cost estimating techniques and backup data as required, in response to questions from interested parties.

17.4.3.1.7. Upon completion of the Public Review Period and AAP, the following occurs:

17.4.3.1.7.1. Contract Decision For Negotiated Acquisition--FINAL DECISION

17.4.3.1.7.1.1. The servicing manpower and organization office submits the RCS: HAF-XPM(AR) 8001 memorandum (**Attachment 4**) to the command XPM as soon as possible but no later than five working days after a final cost comparison decision is determined. The memorandum will include organizational impacts such as unit activations, inactivations, redesignations, or reassignments by unit name. Attach current and projected organization charts, down to functional flight level, for units that will vary from the standard organizational structure in accordance with AFI 38-101, *Air Force Organization*, as a result of the final cost comparison decision. When required, also attach a request for approval to conduct a RIF with an information copy to HQ USAF/DPF.

17.4.3.1.7.1.2. The command XPM reviews the RCS: HAF-XPM(AR) 8001 memorandum (**Attachment 4**) for accuracy, corrects any errors, signs it and faxes it to HQ USAF/XPMR and AFMIA/MIC as soon as possible but no later than ten working days after the final cost comparison decision is determined. The original must be mailed to HQ USAF/XPMR.

17.4.3.1.7.1.3. HQ USAF/XPMR coordinates the congressional notification with HQ USAF/DPF, SAF/MI, and SAF/AQC, provides an information copy to the functional OPR(s), notifies DoD via written memorandum, and submits the coordinated package to SAF/LLP for formal congressional notification of the final cost comparison decision. HQ USAF staffing takes approximately three weeks and SAF/LLP determines timing for congressional notification.

17.4.3.1.7.1.4. For congressional notification of RIF actions required as a result of the cost comparison, HQ USAF/DPF staffs the appropriate RIF congressional notification package as a separate action from the cost comparison final cost comparison decision staffed by HQ USAF/XPMR. RIF congressional notification may occur concurrently with or after the final cost comparison decision congressional notification (i.e., 10 USC, 2461). HQ USAF/XPMR, HQ USAF/DPF and SAF/LLP will coordinate when

and how congressional notifications will be made to ensure RIF congressional notification is not made prior to a final cost comparison congressional notification.

17.4.3.1.7.1.5. SAF/LLP develops the congressional notification letters (example at [Figure 17.3.](#)) for hand delivery to Congress, then verbally notifies HQ USAF/XPMR of the date and time the congressional notification letters will be delivered to Congress. HQ USAF/XPMR immediately e-mails (or faxes) the command of the date of the delivery. The command, in turn, notifies the servicing manpower and organization office.

17.4.3.1.7.1.6. Commands should notify local congressional delegations of the final cost comparison decision using language contained in the letter forwarded by HQ USAF/XPMR prior to the date and time this notification will be made by SAF/LLP.

17.4.3.1.7.1.7. HQ USAF/XPMR ensures that congressional notification was made by SAF/LLP then notifies the command and immediately faxes a copy of one of the congressional notification letters to them. HQ USAF/XPMR then mails copies of all the congressional notification letters to the command XPM. This memorandum is authorization for the command to make formal public announcement of the final cost comparison decision and proceed with the Transition Plan. The command, in turn, notifies the servicing manpower and organization office.

17.4.3.1.7.1.8. After receiving notification from HQ USAF/XPMR that congressional notification has been made:

17.4.3.1.7.1.8.1. The functional OPR provides written notification of the final cost comparison decision to directly affected civilian employees and their representatives as well as directly affected military as soon as possible after the final decision is made but before a formal final public announcement is made.

17.4.3.1.7.1.8.2. The contracting officer awards the contract and issues the notice to proceed.

17.4.3.1.7.1.8.3. The installation commander (or designee) makes formal public announcement of the final cost comparison decision at the local installation.

17.4.3.1.7.1.8.4. It is recommended that Public Affairs publish details regarding the final cost comparison decision. [Figure 17.4.](#) provides the recommended announcement.

17.4.3.1.7.1.9. The servicing manpower and organization office updates the AF IGCA Inventory in the MDS and CAMIS in accordance with [Chapter 3](#) of this Instruction and [Attachment 6](#), respectively.

17.4.3.1.7.1.10. The functional OPR begins implementing the Transition Plan upon a final cost comparison decision.

17.4.3.1.7.2. In-House Decision For Negotiated Acquisition--TENTATIVE DECISION

17.4.3.1.7.2.1. If the result of the cost comparison favors in-house performance, the contracting officer conducts debriefings in accordance with the FAR (as supplemented), and advises interested parties of the following:

17.4.3.1.7.2.1.1. The tentative cost comparison decision.

17.4.3.1.7.2.1.2. That the in-house decision is conditional upon completion of the Public Review Period specified in the solicitation and resolution of any appeals under the AAP.

17.4.3.1.7.2.1.3. That the cost comparison documentation is being made available, i.e., the Management Plan to include the Government Cost Estimate and all supporting documentation (but not the TPP, as applicable per paragraph 17.2.3. of this Instruction).

17.4.3.1.7.2.2. Concurrent with this announcement (or as soon after as possible), the functional OPR formally announces the tentative cost comparison decision, in writing (using the statement at paragraph 17.4.3.1.7.2.3.), to directly affected civilian employees and their representatives as well as directly affected military, advises them of the Public Review Period, AAP procedures, and provides the cost comparison documentation, i.e. the Management Plan to include the Government Cost Estimate (but not the TPP, as applicable per paragraph 17.2.3. of this Instruction).

17.4.3.1.7.2.3. Concurrent with the above announcement (paragraph 17.4.3.1.7.2.2.), The installation commander (or designee) will verbally notify the local congressional delegation of the tentative cost comparison decision using the following statement. A formal Public Affairs announcement can be made using the same statement but no other details may be released until a final cost comparison decision is determined.

“A tentative cost comparison decision has been determined in the (function) cost comparison at (installation & state). The tentative cost comparison decision is to retain the function in-house under a most efficient organization. This cost comparison was approved by HQ USAF/XPM on (CAMIS DE 5), Public Announcement was made at the local level on (insert date) [note: Insert Public Announcement date only when it differs from the HQ USAF/XPM approval date], and the number of assigned personnel at bid opening was X. Formal congressional notification of the final cost comparison decision will be made after the Public Review Period and AAP have been completed.”

17.4.3.1.7.2.4. The servicing manpower and organization office notifies the command of the tentative cost comparison decision via e-mail (using the statement at paragraph 1.7.4.3.1.7.2.4.) who, in turn, forwards the e-mail to HQ USAF/XPMR, who then forwards it to SAF/LLP/MI/OSX/AQCO, HQ USAF/XPM/CCX/DPF and the functional OPR(s). All of the notifications must be made within three working days of the tentative cost comparison decision.

17.4.3.1.7.2.5. Public Review Period. See paragraph 17.2.4. of this Instruction.

17.4.3.1.7.2.6. The contracting officer or civilian personnel specialist obtains explanations from the servicing manpower and organization office regarding cost estimating techniques and backup data as required, in response to questions from interested parties.

17.4.3.1.7.2.7. Upon completion of the Public Review Period and the AAP, the following actions take place:

17.4.3.1.7.3. In-house Decision For Negotiated Acquisition--FINAL DECISION.

17.4.3.1.7.3.1. The servicing manpower and organization office submits the RCS: HAF-XPM(AR) 8001 memorandum (**Attachment 4**) to the command XPM as soon as possible but no later than five working days after a final cost comparison decision is determined. The memorandum will include organizational impacts such as unit activations, inactivations, redesignations, or reassignments by unit name. Attach current and projected organization charts, down to functional flight level, for units that will vary from the standard organizational structure in accordance with AFI 38-101, *Air Force Organization*, as a result of the final cost comparison decision. When required, also attach a request for approval to conduct a RIF with an information copy to HQ USAF/DPF.

17.4.3.1.7.3.2. The command XPM reviews the RCS: HAF-XPM(AR) 8001 memorandum (**Attachment 4**) for accuracy, corrects any errors, signs it and faxes it to HQ USAF/XPMR and AFMIA/MIC as soon as possible but no later than ten working days after the final cost comparison decision is determined. The original must be mailed to HQ USAF/XPMR.

17.4.3.1.7.3.3. HQ USAF/XPMR notifies SAF/LLP/MI/OSX/AQCO, HQ USAF/XPM/CCX/DPF, and the HQ USAF functional OPR(s) of the final cost comparison decision via e-mail. The e-mail should include summarized information for the final cost comparison decision, e.g., savings, MEO.

17.4.3.1.7.3.4. The functional OPR provides written notification of the final cost comparison decision to directly affected civilian employees and their representatives as well as directly affected military as soon as possible after the final decision is made but before a formal final public announcement is made.

17.4.3.1.7.3.5. The installation commander (or designee) makes a formal public announcement of the final cost comparison decision and should follow-up with the local congressional delegation to convey the final cost comparison decision.

17.4.3.1.7.3.6. The contracting officer cancels the solicitation.

17.4.3.1.7.3.7. It is recommended that Public Affairs publish details regarding the final cost comparison decision. **Figure 17.4.** provides the recommended announcement.

17.4.3.1.7.3.8. The servicing manpower and organization office updates the AF IGCA Inventory in the MDS (**Chapter 3** of this Instruction) and CAMIS (**Attachment 6**), respectively.

17.4.3.1.7.3.9. The functional OPR begins implementing the MEO in accordance with the Transition Plan upon a final cost comparison decision.

17.5. Revising the Government Cost Estimate After Submitting the Management Plan to the Contracting Office.

17.5.1. In order to make corrections or adjustments to the in-house bid, the date and time for receipt of contract/ISSA offers may be postponed in order to revise the Government's Cost Estimate. These revisions must be completed in accordance with paragraph **17.5.4.** of this Instruction. No contract/ISSA offer will be opened or otherwise reviewed prior to sealing of the in-house cost estimate.

17.5.2. Upon expiration of the date and time specified for receipt of contract/ISSA offers, revisions or changes to the Government Cost Estimate are only permitted:

17.5.2.1. If cost comparison rates or factors change (as directed by OMB or DoD) and the Government Cost Estimate has not yet been opened, (see paragraphs 12.4.6. and 12.4.7. of this Instruction)

17.5.2.2. If changes to the Management Plan (i.e., TPP), as directed by the SSA, impact the cost estimate,

17.5.2.3. If directed by the AAP Authority, or

17.5.2.4. If due to an amendment to the solicitation.

17.5.3. If errors or omissions are discovered in the Government's Cost Estimate after contract/ISSA offers are received, corrections are permitted only when directed by the AAP Authority as the result of an appeal.

17.5.4. When making revisions to the Government's Cost Estimate:

17.5.4.1. A revised COMPARE CCF is developed by the servicing manpower and organization office, independently reviewed by the IRO, and submitted to the Contracting Office in a sealed, sequentially numbered, envelope(s).

17.5.4.2. The envelope(s) is labeled, "Revised Government's Cost Estimate #0X." Also provide date of revision and reason for revision. Reference and attach applicable documentation supporting the reason for the revision.

Figure 17.1. Cost Comparison Decision Steps: Sealed Bid Acquisition.

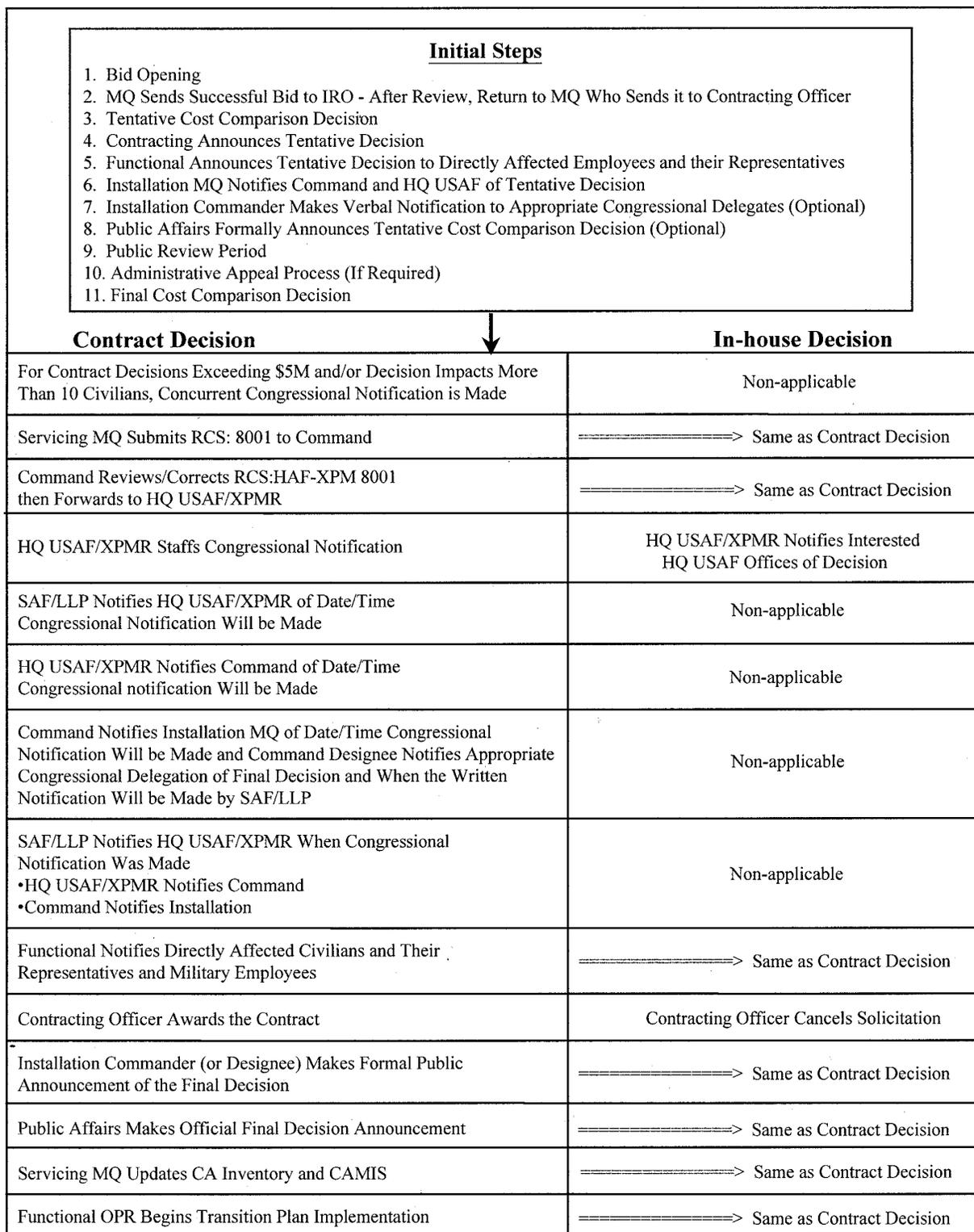


Figure 17.2. Cost Comparison Decision Steps: Negotiated Acquisition.

<p><u>Other Than Cost/Technical Tradeoff</u> <i>Note: Govt Cost Estimate Cannot be Opened Until Low Cost Technically Acceptable Proposal is Selected</i></p>	<p><u>Cost/Technical Tradeoff</u> <i>Note: Envelopes (Govt Cost Est., Mgmt Plan, or TPP) Cannot be Opened Until Competing Offeror is Selected</i></p>
<p>* Actions Before Actual Cost Comparison Contracting/Functional Develop Technical Evaluation Plan Then Plan is Approved</p> <p>Contracting Officer Receives Industry Proposals, Evaluates Proposals, Conducts Discussions, & Selects Low Cost, Technically Acceptable Proposal</p> <p>Contracting Officer Opens Envelope Labeled "Government Cost Estimate" & Enters Successful Contract Offer on CCF, Then Returns it to MQ</p> <p>MQ Sends CCF to IRO After Review, CCF is Returned to MQ Then to Contracting Officer</p>	<p>* Actions Before Actual Cost Comparison SSE Team Develops Source Selection Plan & SSA Approves Source Selection Plan (SSP)</p> <p>Contracting Officer Receives Industry Proposals, Evaluates Proposals, Conducts Discussions & SSA Selects Most Advantageous Proposal</p> <p>Contracting Officer Provides SSA Envelope Containing the Management Plan</p> <p>SSA Evaluates and Directs Necessary Adjustments To The Management Plan</p> <p>Contracting Officer Opens Envelope Labeled "Government Cost Estimate" & Enters Successful Contract Offer on CCF, Then Returns it to MQ</p> <p>MQ Sends CCF to IRO, After Review, CCF is Returned to MQ, Then to Contracting Officer</p>
<p><u>Contract Decisions (Tentative)</u></p>	<p><u>In-house Decisions (Tentative)</u></p>
<p>Contracting Officer Announces Tentative Cost Comparison Decision and Notifies Interested Parties</p>	<p>=====> Same as Contract Decision</p>
<p>Contract Decisions Exceeding \$5M, FAR 5.303 Congressional Notification Made Stating Decision is Conditional upon Public Review & AAP</p>	<p>Non-applicable</p>
<p>Functional OPR Announces Tentative Cost Comparison Decision to Directly Affected Employees & Their Reps</p>	<p>=====> Same as Contract Decision</p>
<p>Installation MQ Notifies Command and Command Notifies HQ USAF/XPMR of Tentative Decision</p>	<p>=====> Same as Contract Decision</p>
<p>Installation Commander Makes Informal Verbal Notification of Tentative Decision to Appropriate Congressional Delegates (Optional)</p>	<p>=====> Same as Contract Decision</p>
<p>Public Affairs Formally Announces Tentative Decision</p>	<p>=====> Same as Contract Decision</p>
<p>Public Review Period Completed</p>	<p>=====> Same as Contract Decision</p>
<p>AAP Completed</p>	<p>=====> Same as Contract Decision</p>

Figure 17.2. Continued.

Contract Decision (Final)	In-house Decision (Final)
Servicing MQ Submits RCS 8001 to Command	=====> Same as Contract Decision
Command Reviews RCS 8001 and Forwards to HQ USAF/XPMR	=====> Same as Contract Decision
HQ USAF/XPMR Staffs Congressional Notification	HQ USAF/XPM Notifies HQ USAF of Final Decision
SAF/LLP Notifies HQ USAF/XPMR of Date/Time Congressional Notification Will be Made	Non-applicable
HQ USAF/XPMR Notifies Command of Date/Time Congressional Notification Will Be Made	Non-applicable
Command Notifies Appropriate Congressional Delegation of When the Written Notification Will be Made by SAF/LLP	Non-applicable
Functional Notifies Directly Affected Civilians and Their Representatives and Military Employees	=====> Same as Contract Decision
HQ USAF/XPMR Verifies That Congressional Notification Was Made by SAF/LLP • HQ USAF/XPMR Then Notifies Command	Non-applicable
Contracting Officer Awards the Contract	Contracting Officer Cancels Solicitation
Installation Commander (or Designee) Makes Formal Public Announcement of the Final Cost Comparison Decision	=====> Same as Contract Decision
Public Affairs Makes Official Final Cost Comparison Decision Announcement	=====> Same as Contract Decision
Servicing MQ Updates CA Inventory and CAMIS	=====> Same as Contract Decision
Functional OPR Begins Transition Plan Implementation	=====> Same as Contract Decision

Figure 17.3. Congressional Notification of Final Cost Comparison Contract Decision.**CONGRESSIONAL NOTIFICATION EXAMPLE -- COST COMPARISON DECISION**

SAF/LLP

1160 Air Force Pentagon

Washington, DC 20330-1160

(APPROPRIATE CONGRESSIONAL MEMBER/TITLE/ADDRESS)

Dear **(Name)**

This is to inform you that the commander of **(installation name)** Air Force Base (AFB), (state), has conducted a cost comparison to determine the most efficient and cost effective method of performance for [list CA(s)] The cost comparison determined contract performance to be the most efficient and cost effective method of operation and will result in a savings to the Government of **(\$X over an X-month period)**. The cost comparison was conducted in accordance with the policies and procedures of the Office of Management and Budget Circular (OMBC) A76, Performance of Commercial Activities. The performance of this function by contractor personnel will not affect the military mission at **(installation name)** AFB.

The cost comparison was based on a planned performance period of **(X months) (month/day/year-month/day/year)**. The cost of the contract is **(\$XXX,XXX)**. The cost and expenditures the Government will incur because of the contract will be **(\$X)** for a total cost under contracting of **(\$X)**. Pursuant to 10 USC 2461, the Air Force certifies that the Government in-house cost estimate is based on a most efficient and cost effective organization (MEO). The cost of performance by Government personnel would have been **(\$XXX,XXX)** based on an MEO of **(XXX civilians)**. The Air Force certifies the cost comparison is available for examination. The estimated economic impact of this contract decision will be an **(X)** percent decrease of expenditures by **(installation name)** AFB in the local community.*

The **(installation name)** AFB civilian personnel office is presently determining placement opportunities for the **(X)** civilian employees assigned on the date the cost comparison decision was determined. Separation incentives and voluntary early retirement will be offered to avoid or minimize involuntary separations.

OR

(The following paragraph is used in place of the previous paragraph only when the congressional RIF notification will occur concurrently with the 10 USC 2461 notification made by HQ USAF/XPM.)

At this time, it appears that approximately **(XX)** permanent employees may have to be separated. The effective date of the RIF is **(month/day/year)**. Affected employees will be given the appropriate 120-day notification. The Air Force deeply regrets the necessity of separating skilled, loyal employees, and every

effort is being made to mitigate the adverse effects of this action. Attempts are being made to locate suitable vacancies on the installation and outplacement assistance will be provided to those separated.

We trust the information provided is useful. Please let us know if you require additional details.

Sincerely,

XXX XXXX, Colonel, USAF
Chief, Programs and Legislation Division
Office of Legislative Liaison

**This sentence is included only when the decision impacts more than 75 DoD civilians.*

Figure 17.4. Public Affairs Announcement of Cost Comparison Decision.**PUBLIC AFFAIRS ANNOUNCEMENT****FINAL COST COMPARISON (OR DIRECT CONVERSION) DECISION ANNOUNCEMENT****XXXX BASE XXXX FUNCTION(S)****(EXAMPLE: BLYTHEVILLE AFB GROUNDS MAINTENANCE)**

The **(insert wing designation)** Commander, **(insert rank and name)**, of **(insert Command)** has announced a cost comparison decision of **(insert function(s))**. Competition between in-house and contract performance determined **(contract or in-house)** performance to be the most efficient and cost effective method of operation. This cost comparison impacted a total of **(insert number)** DoD personnel (**# officers, # enlisted and # civilians**). We anticipate the impact on these employees as follows: X will be offered other Government employment, X will retire, and X will be involuntarily separated from Government employment.

This cost comparison **(or direct conversion)** was conducted in compliance with the Air Force policies in AFI 38-203, *Commercial Activities Program*, that implements the Office of Management and Budget Circular (OMBC) A-76, *Performance of Commercial Activities*. This Circular reaffirms the Government's policy to rely on the private sector for products and services. When in-house performance of commercial activities is not required for national defense reasons and contracting is more cost effective, conversion to contract performance is in the best interest of the American taxpayer.

When a competition between in-house and contract performance determines contracting is more cost effective, OMBC A-76 and Federal Acquisition Regulation require the contractor to offer adversely affected civilian employees the Right of First Refusal for employment openings to positions (under the contract) for which they are qualified. Since DoD is sensitive to the personal impact this action may have on civilian employees, the DoD Program for Stability of Civilian Employment ensures every effort is made to help adversely affected civilian employees who desire placement assistance. These employees are registered in the Defense-wide computerized Priority Placement Program. Registrants under this program receive placement rights to vacancies within DoD (other Federal agencies are also solicited). When adversely affected civilian employees must relocate to continue Federal employment, transportation and moving expenses are paid by the Government.

Chapter 18

ADMINISTRATIVE APPEAL PROCESS

18.1. General. This chapter provides policy and policy implementation for the administrative appeal process (AAP). The AAP resolves questions from eligible appellants relating to a cost comparison decision. AAPs provide an administrative safeguard to ensure AF cost comparisons are conducted fairly, equitably, and according to policies of this Instruction. **Figure 18.1.** provides a summary of the AAP and **Figure 18.2.** provides the format for the AAP After-Action Report.

18.2. Policy.

18.2.1. Eligible appellants are the directly affected civilian employees and/or their representative(s) and the competing contract(s)/ISSA offeror(s) that are directly affected by a tentative cost comparison decision to convert to or from in-house or contract/ISSA performance as a result of a cost comparison.

18.2.2. The AAP does not authorize an appeal outside the AF or judicial review.

18.2.3. The AAP does not apply to direct conversions.

18.2.4. GAO protests are not part of the AAP. The decision to award a contract in the event of a GAO protest is the responsibility of the contracting officer.

18.2.5. The AAP will be independent and objective.

18.2.6. The AAP is limited to a maximum of 30 calendar days from the date of the end of the Public Review Period during which the contracting officer received the appeals. In complex cases, extensions to the AAP may be granted by the command XP in 30-day increments as necessary to allow proper and prudent review. If the AAP is to exceed 60 calendar days, AF/XPM shall be notified.

18.2.7. The purpose of the AAP is to ensure any errors noted in the cost comparison are appealed as identified by affected parties and corrected to ensure a final decision is determined by the Government at the end of the 30-day AAP. The AAP Authority shall not review any item not formally challenged by an eligible appellant.

18.2.8. If discrepancies, errors or omissions are identified, the apparent winner or loser of a cost comparison has only the time during the Public Review Period to submit an appeal. This appeal should address correcting discrepancies, errors or omissions to ensure the cost comparison reflects the correct outcome for the Government regardless of whether the final decision is in favor of the contractor(s) or MEO. The outcome of the AAP is final.

18.2.9. The commander appoints an AAP Authority who is either (1) at least two organizational levels above the official who certifies the MEO or (2) independent of the function(s) being cost compared. (For example if refuse collection is being cost compared, the AAP Authority may not be from Civil Engineering.) The individual appointed must also be one organizational level above or senior in rank to the Source Selection Authority (SSA). (For example, if the SSA is the Installation Commander, the AAP Authority must reside at the MAJCOM HQs.) It is recommended this appointment be made early in the cost comparison process to ensure the AAP Authority is independent of the cost comparison process in case an appeal is submitted.

18.2.10. The AAP Authority makes the final determination if the appeal meets AAP criteria (paragraph **18.3.** of this Instruction) and files an AAP After-Action Report (**Figure 18.2.**).

18.2.11. The AAP Authority shall appoint an AAP Review Team to ensure the various experts appropriately and adequately address the appealed items. This team resolves questions from directly affected parties relating to determinations resulting from the cost comparison. It is recommended this appointment be made early in the cost comparison process to ensure the team members are independent of the cost comparison process in case an appeal is submitted.

18.2.11.1. The AAP Review Team must include at a minimum contracting, legal, functional, manpower, and financial representatives. Upon receipt of the appeal(s), the AAP Authority can scale down membership (based on the recommendation of the Servicing Manpower Office) if the appealed items do not warrant the full array of expertise originally identified. These members should, however, remain on call. AAP Review Team members must meet the criteria set forth in DoD Interim Guidance Attachment 5, Paragraph 4 (a), (b) and (c) of OSD (AT&L) Memorandum dated 3 April 2000.

18.2.12. Submission of Appeals. Appeals must be received by the contracting officer, in writing, no later than the last day of the Public Review Period. The Public Review Period begins on the date all supporting documentation is made publicly available and ends within 20 calendar days. However, this Public Review Period may be extended to a maximum of 30 calendar days if the cost comparison process is particularly complex when approved by the command XP.

18.2.13. For multi-function cost comparisons using an “any or all” solicitation resulting in a tentative cost comparison decision to contract, appeals received from more than one contractor will be processed together to continue the “any or all” aspect of the cost comparison. This approach ensures that all items appealed (separately or together by one or more contractors) are considered together and all adjustments are made at one time.

18.2.14. No final cost comparison decision can be made until all appeals are resolved.

18.2.15. Until the AAP is completed and a final cost comparison decision determined, appeals may not be released under FOIA.

18.2.16. [Figure 18.1](#) provides an overview of the AAP.

18.3. Appeal Criteria.

18.3.1. Appeals must be submitted within the public review period (that starts after the date all supporting documentation is made publicly available) to be considered.

18.3.2. Appealable items are limited to:

18.3.2.1. Specific questions regarding line items on the COMPARE CCF.

18.3.2.2. Specific instances of AF denials of information not otherwise protected by law or regulation.

18.3.2.3. Specific instances regarding AF compliance with the policies and procedures of the OMB Circular A-76 and its Supplemental Handbook and this Instruction.

18.3.3. Non-appealable items are:

18.3.3.1. The selection of one contract/ISSA offeror over another for competition with the Government Cost Estimate.

18.3.3.2. Award to one contractor/ISSA in preference to another.

18.3.3.3. Government management decisions involving the Government certified MEO.

18.3.3.4. The policies and procedures contained in OMB Circular A-76 and its Supplemental Handbook and this Instruction.

18.4. AAP Policy Implementation.

18.4.1. The AAP will be conducted by one of the following (as determined by the command policy):

18.4.1.1. The command.

18.4.2. Upon receipt of an appeal, the contracting officer immediately provides the appeal, as well as a copy of the COMPARE CCF, solicitation package, Management Plan (excluding the TPP as appropriate), and all supporting documentation to the servicing manpower and organization office.

18.4.3. The servicing manpower and organization office informs the commander that an appeal has been filed, provides a summary of the appeal, and briefs the commander on the appeal process.

18.4.4. The commander appoints an official to serve as the AAP Authority upon receipt of an appeal.

18.4.5. The servicing manpower and organization office briefs the AAP Authority on AAP responsibilities, the appeal, and the cost comparison process.

18.4.6. Upon receipt of the appeal, the AAP Authority advises the appellant of receipt of the appeal (within 7 work days from receipt of the appeal) by return receipt-requested, certified mail.

18.4.7. The servicing manpower and organization office reviews the appeal to assess if it meets all the criteria in paragraph **18.3.** of this Instruction and makes a recommendation to the AAP Authority to accept or deny the appeal. The AAP Authority makes final determination if the appeal meets all the criteria in paragraph **18.3.** of this Instruction.

18.4.7.1. If the recommendation is to deny the appeal, a copy of the appeal, the Management Plan (that includes a copy of the COMPARE CCF and all backup documentation (excluding the TPP as appropriate), contract solicitation package, and a written explanation is provided to the AAP Authority. Upon determination by the AAP Authority to deny the appeal, the appeal is returned to the appellant by the contracting officer, with a written explanation of which criteria were not met.

18.4.7.2. If the recommendation is to accept the appeal, a copy of the appeal, the Management Plan (that includes a copy of the COMPARE CCF and all backup documentation but excludes the TPP if appropriate), contract solicitation package, and a written explanation is provided to the AAP Authority that appeal criteria have been met.

18.4.7.3. Upon approval by the AAP Authority, the servicing manpower and organization office, as a minimum:

18.4.7.3.1. Notifies the command XPM by memorandum, with information copy to HQ USAF/XPMR and AFMIA/MIC that an appeal has been filed and accepted or denied. The memorandum identifies the AAP Authority, the appellant, a summary of the appeal and the date the final appeal decision is due.

18.4.7.3.2. Ensures the AAP Authority appoints an AAP Review Team, which is composed of at least three AF members (military or civilian) that are independent of the CA being cost compared. Although personnel involved in the cost comparison process are not on this team, they

can be required to provide additional information, data, or explanations regarding the basis for determinations or decisions.

18.4.7.3.3. Briefs the Administrative Appeal Review Team regarding AAP responsibilities, the appeal, and cost comparison process.

18.4.8. The AAP Authority administers the AAP.

18.4.9. The AAP Authority shall not review any item not formally challenged by an eligible appellant.

18.4.10. The members of the AAP Review Team analyze each element of the appeal, develop recommendations, and forward recommendations to the AAP Authority for final decision. The AAP Review Team and AAP Authority are to consult with anyone necessary, including the Source Selection Evaluation Team (SSET) chair for the specific study, in evaluating the appeal before arriving at any conclusions. It is critical that all information directly related to the issues under appeal is made available to the appeal review team and that all relevant facts are considered before a final decision is made.

18.4.11. When discrepancies in the cost comparison are substantiated by the AAP (based on an appeal), the AAP Authority directs that changes be made to the COMPARE CCF, recalculations are made by the servicing manpower and organization office, independently reviewed by an IRO then forwarded to the AAP Authority for final decision.

18.4.12. When making recalculations to the COMPARE CCF and supporting documentation, a complete audit trail is maintained. The audit trail identifies changes made as a result of appeal discrepancies identified through the AAP.

18.4.13. When COMPARE CCFs are recalculated, each recalculated version is sequentially numbered, dated, and the appeal referenced. For example: "Revised COMPARE CCF #1--Reason: Per Appeal Decision" and the date the recalculations are made. It is essential to reference and attach applicable appeal documentation and decision to these recalculations.

18.4.14. For A-76 cost comparisons with 300 or more positions, the AAP Review team prepares draft appeal findings for the AAP Authority's review and approval.

18.4.14.1. The AAP Authority provides the draft appeal findings document to interested parties and AF/XPM and gives interested parties five working days to review and comment after public release.

18.4.14.2. The AAP Authority provides draft appeal findings on cost comparisons below the 300-position threshold upon AF/XPM request.

18.4.15. The AAP Review team reviews comments received, makes recommendations and forwards all information to the AAP authority. The AAP Authority makes the final AAP decision based on the information received from the AAP Review Team.

18.4.16. The AAP Authority provides the appellant(s) a final decision in writing by return receipt requested, certified mail, in accordance with the timelines in paragraph [18.2.6](#). Other directly affected parties are also provided a copy of the final decision. Other interested parties may be provided a copy under FOIA.

18.4.17. The AAP Authority maintains a copy of the final decision document and copies are provided to each AAP Review Team member, the contracting officer, servicing staff judge advocate, servicing

manpower and organization office, and the IRO/Team. HQ USAF/XPMS and AFMIA/MIC will be provided copies upon request.

18.4.18. When there is a reversal of the tentative cost comparison decision, no subsequent or sequential appeals are permitted by any directly affected party. (See paragraph [18.2.7](#) of this Instruction.)

18.4.19. After AAP has been completed and the AAP Authority has made a final AAP decision, the AAP Authority files an AAP After-Action Report ([Figure 18.2](#)) and transmits the report to command XPM, AFMIA/MIC and HQ USAF/XPMS.

18.4.20. The final cost comparison decision is then processed in accordance with [Chapter 17](#) of this Instruction.

Figure 18.1. Overview of Administrative Appeal Process.

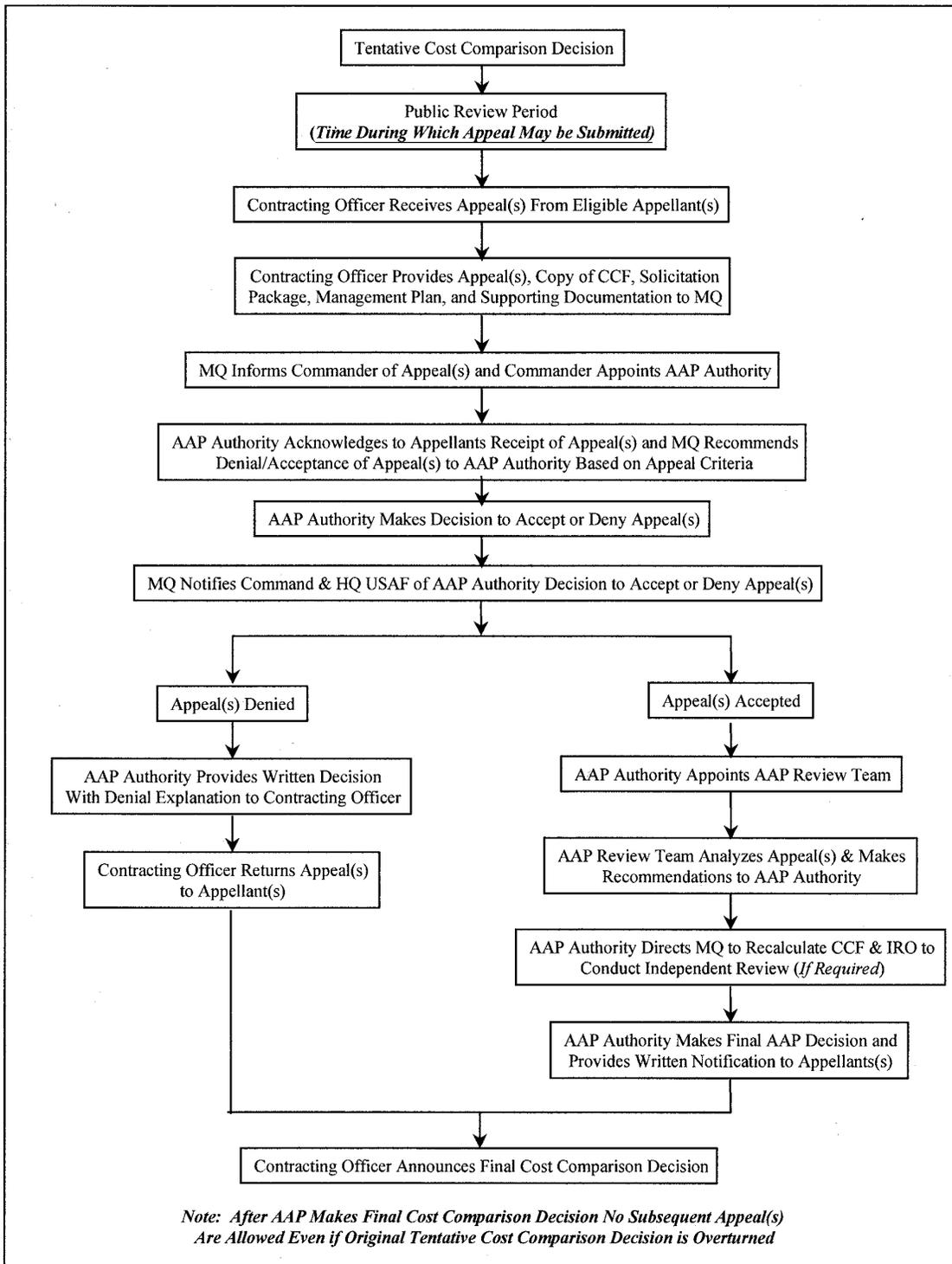


Figure 18.2. Administrative Appeal Process After-Action Report.MEMORANDUM FOR **Command/XPM**FROM: **AAP Authority's Mailing Address**SUBJECT: After Action Report -- Results of Administrative Appeal, [**Function(s)**] Cost Comparison, (**Installation, State**) -- CAMIS #()

I have completed the Administrative Appeal Process, in accordance with AFI 38-203, *Commercial Activities Program*, for subject cost comparison. The tentative cost comparison decision has been (**sustained/overturned**) in favor of the (**in-house/contractor(s)**). The following information is provided.

- a. (**Contractor(s) company name**) was/were selected to compete with the in-house on (**date**).
- b. Comparison of costs between contract and in-house offers was conducted on (**date**) and a tentative decision favored (**in-house/contract**) performance. The cost advantage favoring the (**in-house/contract**) was (**\$XXX**) over (**X**) years. Directly affected parties were notified of the tentative decision on (**date**) and the Public Review Period was held from (**from date**) to (**to date**).
- c. (**Appellant's name**) filed an appeal on (**date**).
- d. Sustained items resulted in (**\$XXX**) in cost adjustments (if applicable).
- e. The final decision has resulted in a (**\$XXX**) cost comparison advantage, over (**X**) years, to (**the in-house/contractor(s) company name**).
- f. The appellant and other directly affected parties were notified of this decision on (**date**).
- g. Summary of appeal(s) and AAP Authority findings
- h. A copy of the written final AAP decision is attached

If you require further information please contact me at (**DSN, e-mail address**).

AAP Authority Signature Block

Attachment:

AAP Final Decision, (**date**)

cc:

HQ USAF/XPMR

AFMIA/MIC

Chapter 19

MOST EFFICIENT ORGANIZATION AND CONTRACT IMPLEMENTATION

19.1. General. This chapter provides policy and policy implementation for ensuring that in-house or contract CAs are implemented in a timely manner and operate according to the results of the cost comparison.

19.2. Policy.

19.2.1. Commanders are responsible for maintaining the integrity of the cost comparison by ensuring the results of the cost comparison are implemented and maintained.

19.2.2. Commanders will not replace contractor operated CAs with an in-house work force based on the assumption that in-house performance is more cost effective unless it is substantiated by a cost comparison in accordance with this Instruction.

19.2.3. MEOs are valid for five years after the MEO implementation date. After five years the MEO must be recompeted with the private sector to continue to be coded as an MEO in the AF IGCA Inventory (i.e., MDS). The only exceptions are:

19.2.3.1. The original cost comparison was conducted with performance periods exceeding five years and the decision favored in-house performance. Written approval from HQ USAF/XPM is required per paragraph 10.2.5. of this Instruction.

19.2.3.2. A command performs a COMPARE analysis using market research/analysis conducted by the servicing contracting office to ensure the MEO is still competitive with the private sector. If this analysis indicates the MEO is more cost effective than the private sector, the command XP can certify this analysis and request approval from HQ USAF/XPM to continue operating under an MEO for up to five more years. This request must be submitted by the command XP to HQ USAF/XPM and HQ USAF/XPM approval received prior to the expiration of the MEO.

19.2.4. After the initial cost comparison performance periods and approved five year extension (if applicable) have expired, the function can no longer be considered an MEO since a recompetition with the private sector has not been conducted. The command will reschedule the function for cost comparison and re-code the resources in MDS (Chapter 4 of this Instruction).

19.2.5. The functional OPR is responsible for maintaining a current PWS at all times, i.e., making sure it reflects all requirement changes, regardless of whether the function operates under an MEO or contract. The functional OPR is responsible for continued monitoring of the CA to ensure costs do not significantly escalate after contract award or MEO implementation.

19.2.5.1. Proposed changes will be coordinated with the servicing contracting office and servicing manpower and organization office, as well as with the command functional OPR. A copy of all approved modifications will be provided to the servicing manpower and organization office.

19.2.5.2. When PWS modifications increase MEO personnel levels and/or operating costs to thresholds associated with an expansion, compliance with Chapter 15 of this Instruction is required.

19.2.5.2.1. The MEO will operate under the PWS, including approved modifications, until one of the following conditions occur:

19.2.5.2.1.1. The CA is recomputed, i.e., cost comparison or direct conversion.

19.2.5.2.1.2. The CA is redesignated as military essential with approval from HQ USAF/XPM (**Chapter 15** of this Instruction).

19.2.5.2.1.3. The requirement for the CA is eliminated, e.g., no longer a recurring service.

19.2.6. The servicing manpower and organization office is responsible for:

19.2.6.1. Ensuring that functional managers are aware of their responsibilities for operating CAs in compliance with the PWS and MEO.

19.2.6.2. Monitoring MEO implementation in accordance with the Transition Plan and continued compliance with the PWS.

19.2.6.3. Maintaining a current AF IGCA Inventory (**Chapter 3** of this Instruction) and CAMIS record (**Attachment 6**).

19.2.7. The contracting office is responsible for:

19.2.7.1. Ensuring the continuing contract cost effectiveness for all contracts, prior to exercising any contract options. Advising the commander, through the Performance Management Council (ensure the servicing manpower and organization office is invited) when contract performance is unsatisfactory and/or costs are unreasonable and a resolicitation is not expected to correct the problems.

19.2.7.2. Ensure servicing manpower and organization office is invited to the BRAG.

19.2.7.3. Ensuring the contractor is in compliance with the requirements of the contract.

19.2.7.4. Implementing appropriate contracting procedures if the contracting officer finds the contractor/ ISSA in default or if the MEO is found to be in default by the commander, it may be necessary for the contracting officer to take appropriate contractual actions. These actions may include reaccomplishing the solicitation and conducting another cost comparison.

19.3. MEO Implementation.

19.3.1. HQ USAF/XPM allocates authorizations and the command ensures these authorizations are appropriately distributed to staff the MEO.

19.3.2. The servicing civilian personnel flight works with the functional OPR to staff the MEO, as required.

19.3.3. The functional OPR implements the MEO in accordance with the Transition Plan upon a final cost comparison decision.

19.3.4. The servicing manpower and organization office monitors implementation of the MEO in accordance with the Transition Plan upon a final cost comparison decision.

19.3.5. If the transition phase needs to be extended, then a request with justification is submitted from a command XP to HQ USAF/XPM for approval. HQ USAF/XPM's written approval is required and is maintained with the Transition Plan.

19.3.6. If the MEO is not implemented in accordance with the Transition Plan and if deficiencies are identified, the installation commander is notified and the functional OPR is required to take the appropriate corrective action as follows:

19.3.6.1. 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 a contractor will be given to the in-house activity to correct deficiencies.

19.3.6.2. If deficiencies are not corrected within a time frame specified by the installation commander, the MEO will be in default of the results of the cost comparison and one of the following actions will take place:

19.3.6.2.1. If feasible, the contracting officer may award the contract to the successful contractor/ISSA offeror participating in the cost comparison.

19.3.6.2.2. If not feasible, the installation commander will immediately nominate the commercial activity for cost comparison.

19.3.7. The functional OPR, in conjunction with the servicing manpower and organization office, ensures continued compliance with the MEO by ensuring a current PWS is maintained in accordance with paragraph 19.2.4. of this Instruction.

19.3.8. Resource Limitations.

19.3.8.1. An MEO should operate within the costs estimated in the cost comparison (adjusted to account for inflation). The MEO may exercise latitude in resource management (overtime, grade changes, number of work years, equipment, etc.) as long as the changes do not increase the total dollar amount of resources in the cost comparison. Exceptions are made for approved workload and mission changes documented in the PWS; these exceptions would have caused an increase or decrease in contractor costs if the activity was performed by a contractor. A new cost comparison will be performed if additional resources are required without a corresponding increase in the PWS workload or if thresholds for expansions (in accordance with Chapter 15 of this Instruction) are met.

19.3.8.2. A CA should not be required to operate under an unworkable MEO. If the MEO can be corrected in a manner that does not increase costs or change the requirements of the PWS, a new cost comparison is not required. If correcting the MEO would increase costs or change the requirements of the PWS, a new cost comparison will be required.

19.3.8.3. MEOs are fundamentally AF-operated CAs governed by AF directives and the budget process. In-house MEOs do not enjoy immunity from HQ USAF imposed reductions. Lower funding levels may compel commanders to reduce either the quality or quantity of the workload described in the PWS or terminate the activity altogether. When reducing MEO manpower authorizations, workload requirements should be similarly reduced or eliminated to ensure the continued successful operation of the mission. Fencing MEOs from reductions is a command determination.

19.3.8.4. When MEO manning shortfalls occur, an alternative but temporary work force is permitted. This work force may be military, contractor, or both. Temporary is defined as six months or less; however, if a longer period is required, a command XP may submit written justification to HQ USAF/XPM for approval. A temporary work force is not allowed to correct manpower deficiencies in the MEO, e.g., grade structures too low.

19.3.8.4.1. Military personnel may not be substituted for civilians in MEOs on a permanent basis. Military personnel may be used temporarily when civilian employees are not available

or when military positions are authorized in the MEO in accordance with **Chapter 6** and **Chapter 11** of this Instruction. (Temporary is defined as less than one year.)

19.3.8.4.2. When civilians or military are not available, short-term contracts may be used to assist on a one-time, nonrecurring basis pending resolution of manning problems. The contracted workload, however, must be separable and may not result in a personal services contract. A cost comparison or direct conversion (in accordance with this Instruction) will be scheduled within one year.

19.3.8.5. Equipment and facilities may be changed or added if these changes would normally be taken under a contract operation, if offsetting savings would occur, or for normal replacement. Documentation will be retained to justify these changes.

19.3.8.6. Material and supply costs in a CA are sometimes beyond the control of the manager. However, the usage should not vary significantly from those estimated in the cost comparison, except for approved PWS modifications.

19.4. Manpower Standards Development. CAs present special opportunities to develop and maintain manpower standards. When an activity remains in-house after a cost comparison, changes to manpower occur. These activities do not remain static simply because a cost comparison has been conducted. Manpower and workload relationships may be developed to allow for and to document these changes as follows:

19.4.1. Direct labor projected in the Government Cost Estimate and the workload specified in the PWS should be used to develop these relationships in the form of a manpower equation. The equation may be applicable to multiple locations having the same performance requirements or may be developed for a single location.

19.4.2. The PWS is used as the basis for the process task list to reflect the tasks involved and the level of performance expected.

19.4.3. Once an equation is developed, changes in manpower requirements should result only from changes in workload, procedures, responsibilities, quality required, etc., that directly affect the PWS.

19.5. Contract Implementation.

19.5.1. Timing of Implementation. The contract solicitation governs the contract start date and phase-in provisions. To ensure an orderly transition to a contract operation, the in-house work force fully supports the orientation or familiarization efforts outlined in the solicitation phase-in provisions.

19.5.2. HQ USAF/XPM allocates civilian authorizations for contract administration and the command is responsible for appropriate distribution of the authorizations. No military will be allocated for contract administration or QAE responsibilities since these activities are not military essential. However, military may perform contract administration responsibilities as an additional duty.

19.6. Funding of Contractor-Operated CAs . CAs that are converted from in-house to contract based on a cost comparison are AF activities, operated by contractors, governed by PWSs, and remain under the control of the AF. Contract operations do not enjoy immunity from reductions. Reduced budgetary allocations may compel commanders to reduce PWS workloads or requirements or terminate the contract and performance of the workload. The contracting officer will implement required changes as contract modifications or terminations.

19.7. Contract Defaults. If a contractor defaults or is otherwise terminated, the contracting officer should seek interim contract support. If interim contract performance is not feasible, in-house or ISSA performance of the contracted CA may be authorized by the commander on a temporary and emergency basis. Personnel detailed to such a temporary assignment will be clearly informed that they will return to their permanent assignment when a new contract is awarded or upon completion of another cost comparison. Temporary employees may also be used until a new contract is awarded or upon completion of a cost comparison. Temporary is defined as less than one year.

Chapter 20

POST-MEO REVIEW

20.1. General. This chapter provides policy and policy implementation for conducting and reporting Post-MEO Reviews. OMB requires Post-MEO Reviews which are required to confirm that the MEO has been implemented in accordance with the Transition Plan, establishes the MEO's ability to perform the requirements of the PWS, and confirms that actual costs are within the in-house cost estimate. Reviews of contracts resulting from cost comparisons are the responsibility of the BRAG and Performance Management Council (PMC).

20.2. Policy.

20.2.1. When a cost comparison determines that either in-house or contract performance is more cost effective, the MEO or contract is implemented. Commanders are responsible for fully implementing the MEO using the manpower resources allocated to support the MEO and ensuring contract prices remain reasonable considering there are increases out of their control, i.e., DoL wage rate increases, mission changes, inflation. Adjustments should be made for changes in mission, scope of work and inflation.

20.2.2. Post-MEO Reviews are required and will be conducted on at least 20% of the MEOs implemented annually in the AF. This review will be conducted on activities where the MEO has been fully implemented for at least one year. The AFAA will determine which MEOs will be reviewed.

20.2.2.1. Selected AFAA area audit offices will conduct a Post-MEO Review as determined by AFAA/FSP and provide a written report to the installation commander.

20.2.2.2. The AFAA may use any appropriate method for evaluating compliance with the Management Plan and original cost estimates. If the difference between the original cost estimate and current operating costs is significant, one method that can be used to evaluate operating costs is to evaluate mission and workload changes (if any) and updating the original cost comparison using the latest factors/rates issued by AFMIA/MIC and comparing the updated cost against current operating costs. Depending on the disparity of costs, it may be desirable to adjust the price of materials, equipment, etc. in the original cost comparison. The servicing manpower and organization office may be requested to assist in developing these price outs.

20.2.3. Annually, AFMIA/MIC provides a listing to AFAA/DO/FSP of in-house cost comparison decisions that have been completed within the previous fiscal year. These are limited to cost comparisons performed in accordance with the Revised Supplemental Handbook to OMBC A-76.

20.3. Policy Implementation.

20.3.1. Post MEO Reviews will determine if the MEO:

20.3.1.1. Has been implemented in accordance with the Transition Plan (**Chapter 19** of this Instruction). Implementation may be measured in terms of FTEs, grade structure, and the MEO subcontract support included in the transition and Management Plans.

20.3.1.2. Is performing the workload within the requirements of the PWS. This performance may be measured in terms of workload, responsiveness, and quality of work. The QASP may be used to assist in this review.

20.3.1.3. Continues to operate within the in-house Government Cost Estimate or contract price, but may allow for adjustments in the formal mission, scope of work modifications, and inflation. Justifiable adjustments are not considered a reportable deficiency.

20.3.1.4. If the Post-MEO Review does not identify any deficiencies, the audit report will make this statement.

20.3.1.5. If the Post-MEO Review identifies deficiencies, the installation commander is required to take the appropriate corrective action as follows:

20.3.1.5.1. 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 a contractor will be given to the in-house activity to correct deficiencies identified in the audit report.

20.3.1.5.2. If deficiencies are not corrected within the time frame identified in the audit report (jointly determined by the AFAA and servicing contracting office), the in-house will be found in default of the results of the cost comparison and one of the following actions will take place:

20.3.1.5.2.1. If feasible, contracting may award the contract to the successful contract/ISSA offeror participating in the cost comparison.

20.3.1.5.2.2. If not feasible, the servicing manpower and organization office will immediately nominate the commercial activity as a new cost comparison or direct conversion in accordance with this Instruction.

20.4. Reporting.

20.4.1. Post MEO Reviews. The selected AFAA area audit office provides a written report of the Post-MEO Review results to the installation commander.

20.4.2. Reporting Post-MEO Review Results.

20.4.2.1. The installation commander certifies, in the format at [Figure 20.1.](#), that the Post-MEO Review has been conducted. This certification identifies that (1) no deficiencies were found or (2) deficiencies were found and corrective action is being taken (paragraph [20.3.1.5.](#) of this Instruction). The servicing manpower and organization office will maintain the Post-MEO Review Report, which is releasable under FOIA.

20.4.2.2. Commander's certification is required in the format at [Figure 20.1.](#) and will be forwarded to the command XPM who forwards it to HQ USAF/XPMR.

20.4.2.3. The servicing manpower and organization office makes the commander's written certification available upon public request and includes the following statements in the CAMIS, Post-MEO Review Comments (DE 42c):

20.4.2.3.1. If no discrepancies are found: "The (installation) commander certifies that a post MEO performance review was conducted on (date) and no discrepancies were found."

20.4.2.3.2. If discrepancies are found, "The (installation) commander certifies that a post MEO performance review was conducted on (date), discrepancies were found and corrective actions are being taken with a target completion date of (date)." Include discrepancy(s) and the corrective action(s) being taken.

Figure 20.1. Post MEO Review Certification.

POST-MEO REVIEW CERTIFICATION FORMAT

FROM: (INSTALLATION COMMANDER)

TO: (COMMAND XPM)

SUBJECT: Post Most Efficient Organization (MEO) Review Certification

A Post MEO Review of **(function)** was completed on **(date)** and the in-house activity(s) was found to be in compliance with the Transition Plan, performance work statement (PWS), and MEO. The CAMIS record has been properly noted.

OR

A Post MEO Review of **(function)** was completed on **(date)** and the in-house activity(s) was found to be in noncompliance with the Transition Plan, PWS, and/or MEO. Corrective actions are being taken with a target completion date of **(date)**.” **(Provide a summary of the discrepancy(s) and the corrective action(s) being taken.)** The CAMIS record has been properly noted.

Signature

Chapter 21

COST COMPARISON WAIVER

21.1. General. This chapter provides policy and policy implementation for waiving the requirement to perform a cost comparison.

21.2. Policy. Waivers for cost comparisons

21.2.1. Are granted to DoD for Federal installations scheduled for closure or in cases where functions are designated for termination on specific dates.

21.2.2. Shall not be used to circumvent statutory requirements, e.g., 10 USC 2461.

21.2.3. Are permitted for conversions from or to in-house or contract/ISSA performance when:

21.2.3.1. The conversion will result in a significant financial or service quality improvement and will not reduce the level or quality of competition in the future award or performance of the work, or

21.2.3.2. The in-house (or contract/ISSA offer) have no reasonable expectation of winning a competition under the cost comparison process of this Instruction.

21.2.4. Are appealable upon public announcement to the adversely affected civilian employees. The announcement of the cost comparison waiver begins a ten-day Public Review Period during which time eligible appellants may submit cost comparison waiver appeals in accordance with **Chapter 18** of this Instruction. These cost comparison waiver appeals are submitted to the command level and are not subject to higher-level review.

21.2.5. Do not apply to statutory requirements that cannot be waived.

21.3. Policy Implementation.

21.3.1. HQ USAF must approve waivers for paragraph **21.2.3.** of this Instruction. A written request for a waiver is submitted to HQ USAF/XP, from the command/CV or HQ USAF two-digit functional OPR, with sufficient detailed justification.

21.3.1.1. If the waiver is based on paragraph **21.2.3.1.** of this Instruction, the request must clearly indicate why the conversion will result in a significant financial or service quality improvement. The term “significant” must be supported by data analysis. The request must also describe “how” the level or quality of competition in the future award or performance of the work will not be reduced.

21.3.1.2. If the waiver is based on paragraph **21.2.3.2.** of this Instruction, the request must be certified and include supporting explanations of why in-house and or contract offers have no reasonable expectation of winning a competition under the cost comparison process in this Instruction. The certification must state that adversely affected civilian employees will be: (1) provided the Right of First Refusal as required by FAR Part 52.207-3 and (2) that maximum efforts will be made to assist adversely affected civilian employees in accordance with 5 CFR Part 330 and Part 351.

21.3.2. If submitted by a command/CV, HQ USAF/XPMR staffs the waiver request with the HQ USAF functional OPR(s), SAF/AQ, SAF/GC, SAF/MI, HQ USAF/JA, HQ USAF/DP (at a minimum) for approval by SAF/US. Waivers will be signed by SAF/US and contain the documentation provided by the command.

21.3.3. If submitted by a HQ USAF functional two-digit, HQ USAF/XPMR staffs the waiver request with the appropriate command(s)/CV, SAF/AQ, SAF/GC, SAF/MI, HQ USAF/JA, HQ USAF/DP (at a minimum) for approval by SAF/US. Waivers will be signed by SAF/US and contain all supporting documentation.

21.3.4. Supporting documentation is developed by the requester, i.e., command, HQ USAF functional two-digit, etc.

21.3.5. If waivers affect Government employees, the waiver and rationale for the waiver are announced to the directly affected civilian employees and their representatives after written approval is received from HQ USAF or the command/CC.

21.3.5.1. A copy of the entire waiver will be provided to the directly affected civilian employees and their representatives upon request and may be appealed under the provisions of **Chapter 18** of this Instruction.

21.3.5.2. Appeals based on a HQ USAF functional OPR requested waiver, will be required to comply with the AAP process; however, the AAP Authority and Review Team will be determined on a case-by-case basis.

JOSEPH H. WEHRLE, Jr., Lt General, USAF
DCS/Plans and Programs

Attachment 1**GLOSSARY OF REFERENCES AND SUPPORTING INFORMATION*****References***

- Title 5, United States Codes 2105(c), Government Organization & Employees, 1999 Edition*
- Title 10, United States Codes 2462, Contracting for Performance of Civilian Commercial or Industrial Functions, 1999 Edition*
- Title 10, United States Codes 2464, Core Logistics Capabilities, 1999 Edition*
- Title 10, United States Codes 2465, Prohibition on Contracts for Performance of Firefighting or Security Guards, 1999 Edition*
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- Public Law 105-261 Section 345, *National Defense Authorizations Act for Fiscal Year 1999*
- Public Law 105-262, *Appropriations for the Department of Defense, September 30, 1999*
- Office of Management and Budget Circular (OMBC) A-76, *Performance of Commercial Activities*
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- Office of Management and Budget Circular A-76, Revised Supplemental Handbook
- Defense Reform Initiative Directive (DRID) #20, Review of Inherently Governmental Activities
- DoD Directive 4100.15, *Commercial Activities Program, May 2, 1985*
- DoD Directive 5500.7-R, *Standards of Conduct, August 30, 1993*
- DoD Instruction 4100.33, *Commercial Activities Program Procedures, September 9, 1999*
- AFI 32-7061, *The Environmental Impact Analysis Process.*
- AFI 33-110, *Data Administration Program*

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AFI 38-201, *Determining Manpower Requirements*

AFI 38-201, *Determining Manpower Requirements*

AFI 38-204, *Programming USAF Manpower*

AFI 38-208; *Air Force Management Engineering Program (MEP)*

AFI 63-124, *Performance Based Service Contracts*

AFI 65-504, *Independent Review of Commercial Activity Cost Comparisons*

AFI 37-138, *Records Disposition—Procedures and Responsibilities*

AFI 38-201, *Determining Manpower Requirements*

AFPD 38-2 , *Manpower*

Abbreviations and Acronyms

AAP—Administrative Appeal Process

AFDD—Air Force Data Dictionary

AF FAC—Air Force Functional Account Code

AF FAR—Air Force Federal Acquisition Regulation

AFI—Air Force Instruction

AFPD—Air Force Policy Directive

AFSC—Air Force Specialty Code

APF—Appropriated Fund

BES—Budget Estimate Submission

BRAG—Business Requirements and Advisory Group

CA—Commercial Activity

CAIRS—Commercial Activities Inventory Reporting System

CAMIS—Commercial Activities Management Information System

CBA—Cost Benefit Analysis

CBD—Commerce Business Daily

CCF—Cost Comparison Form

CFR—Code of Federal Regulations

CMDS—Command Manpower Data System

CME—Contract Manpower Equivalent

CSMSG—Competitive Sourcing Management Steering Group

COCESS—Contractor Operated Civil Engineering Supply Store

DBA—Davis Bacon Act

DFC—DoD Function Code

DoD—Department of Defense

DoDD—DoD Directive

DoDI—DoD Instruction

DoL—Department of Labor

DRU—Direct Reporting Unit

ENRC—Expansions, New Requirements, and Conversions to In-house Performance

EPA—Economic Price Adjustment

FAR—Federal Acquisition Regulation

FICA—Federal Insurance Contributions Act

FOA—Field Operating Agency

FOIA—Freedom of Information Act

FTE—Full-Time Equivalent

FWS—Federal Wage System

FYDP—Future Years Defense Program

FY—Fiscal Year

GAO—Government Accounting Office

GS—General Schedule

GSA—General Services Administration

IFB—Invitation for Bid

IGCA—Inherently Governmental/Commercial Activities

IMA—Individual Manpower Augmentee

IRO—Independent Review Official

ISSA—Interservice Support Agreement

MAJCOM—Major Command

MDS—Manpower Data System

MEO—Most Efficient Organization

MES—Military Essentiality Code

MWR—Morale, Welfare, and Recreation

NAF—Nonappropriated Fund

NAO—Native American Owned

NIB—National Industries for the Blind
NISH—National Industries for Severely Handicapped
OMB—Office of Management and Budget
OCR—Office of Coordinating Responsibility
OPR—Office of Primary Responsibility
PEC—Program Element Code
PECI—Productivity Enhancing Capital Investment
PL—Public Law
POM—Program Objective Memorandum
PRD—Performance Requirements Document
PMC—Performance Management Council
PWS—Performance Work Statement
QAE—Quality Assurance Evaluator
QASP—Quality Assurance Surveillance Plan
RCS—Report Control Symbol
RFP—Request for Proposals
RIF—Reduction-in-Force
RSC—Reason Code
SBA—Small Business Administration
SCA—Service Contract Act
SF—Standard Form
SLUC—Standard Level User Charge
SOO—Statement of Objectives
SSA—Source Selection Authority
SSE—Source Selection Evaluation
SSP—Source Selection Plan
TLP—Temporary Lodging Facility
TPP—Technical Performance Plan
UAF—Unit Authorization File
UMD—Unit Manpower Document
USC—United States Code
UTC—Unit Type Code

YLR—Year of Last Review

YNR—Year of Next Review

Terms

NOTE: The official US Air Force definition for some of these terms is contained in AFM 11-1. These definitions are for the purpose of this Instruction only.

Administrative Appeal Process (AAP) Authority—An individual who is independent of the activity or at least two organizational levels above the MEO certifier. The individual accepts or denies appeals then reviews appeals to ensure that all costs are properly accounted for in accordance with this Instruction and ensures eligible appellants have full and equal access to the cost comparison decision process. The AAP Authority makes the final decision on appeals filed in the AAP.

Administrative Appeal Process (AAP)—The process for eligible appellants to appeal a cost comparison decision.

Adversely Affected Civilian Personnel—Air Force civilian employees adversely affected as a result of a tentative or final cost comparison decision (i.e., contract or MEO), a direct conversion to contract or a decision to waive a cost comparison ([Chapter 21](#) of this Instruction). It includes both employees in the function converted to contract and employees outside the function who are affected adversely by reassignment to a vacancy, reassignment requiring displacement, changes to lower grades or separation or the exercise of bumping or retreat rights.

Affected Civilian Employees—Air Force civilian employees that may be impacted by a tentative cost comparison decision (i.e., contract or MEO). Affected civilian employees include those in the function converted to contract or MEO and civilian employees outside the function but in the competitive area of the cost comparison. This represents the group of employees that may become adversely affected when a tentative cost comparison decision is determined.

Air Force Inherently Governmental/Commercial Activities Inventory—An Inventory of all Air Force in-house activities (both inherently Governmental and commercial activities) and contracted commercial activities.

Annual Paid Hours—Per PL 97-253, Section 310, 2087 hours represents the number of hours annually paid for positions used on a prearranged regularly scheduled tour of duty. These hours are used to convert hourly pay to annual pay.

Annual Planning and Programming Guidance—The Annual Planning and Programming Guidance identifies near and mid-term Air Force planning and programming endeavors as well as long-term program development, provides the basis for accountability, assures Air Force progress toward long-range strategic goals and defines the future force and requisite support for the POM build.

Appropriation—The categories of funding enacted by Congress to permit the Air Force to obligate and expend funds for acquiring, implementing, operating, maintaining, and supporting its mission functions and activities. The military is required to use appropriated dollars for these purposes and are not allowed to move money across appropriations without congressional consent. Money can be moved internal to appropriations (with some restrictions) without congressional consent.

Appropriation Account 3400—Operation and Maintenance. Provides for financing of day-to-day operating and maintenance costs of Air Force activities. Funds include amounts for pay of civilians,

contract services for maintenance of equipment and facilities, fuel, supplies, and repair for weapon systems and equipment. Funding in this appropriation can be adjusted during budget and execution years.

Appropriation Account 3500—Military Personnel. Provides for military personnel costs. Funding in this appropriation cannot be adjusted during budget or execution years.

Bid—An offer made in response to an Invitation for Bid in Sealed Bid acquisitions.

Business Requirements and Advisory Group (BRAG)—A customer-focused multi-functional team instituted under the authority of the installation commander. The contracting squadron commander establishes BRAGs to plan and manage service contracts throughout the life of the contracted requirement.

Budget Estimate Submission (BES)—The BES is a recosting of actions taken in the POM. It is the AF budget submission to DoD for review before submission in the President’s Budget. The typical cutoff for manpower actions is the BES, which ends late summer.

Budget Lead Time—Second fiscal year beyond current fiscal year.

Budget Year—Next fiscal year beyond the current fiscal year, i.e., upcoming fiscal year.

Candidate—A proposed cost comparison or direct conversion submitted for approval to the command or HQ USAF. Upon HQ USAF/XPM approval it is referred to as an initiative.

Civilian Employee—The term, “civilian employee” used of this Instruction applies to U.S direct-hire civilian personnel of the Department of Defense paid from appropriated funds and serving on permanent appointments. Non-appropriated fund employees, direct hire non-US citizen employees, indirect non-US citizen employees, temporary employees or term employees are not included in the term “civilian employee” unless otherwise stated.

Civilian Personnel—Any DoD or AF civilian employee on any type of appointment (includes NAF employees, direct-hire non-US citizen employees, indirect-hire non-US citizen employees, temporary employees, term employees, etc.).

Commander—The MAJCOM/FOA/DRU commander, installation commander, or the ANG director responsible for their Commercial Activities Program or a specific cost comparison or direct conversion.

Commercial Activities Inventory Reporting System (CAIRS)—The automated system used to collect, maintain, and report the Air Force Inherently Governmental/Commercial Activities Inventory. It includes the manpower data systems, and special programs maintained by the Air Force Center for Quality and Management Innovation. CAIRS is required for compliance with Executive Order 12615, 10 USC 2461, OMBC A-76, and DoDI 4100.33.

Commercial Activities Management Information System (CAMIS)—The automated system used to track execution of competitive sourcing initiatives, collect and maintain data for cost comparisons and direct conversions. CAMIS is required for compliance with Executive Order 12615, OMBC A-76, and DoDI 4100.33. CAMIS is updated quarterly to report to HQ USAF, DoD, and OMB in order to track execution of the Air Force Competitive Sourcing Program. It is updated quarterly. [Attachment 6](#) provides detailed CAMIS instructions.

Commercial Activity (CA)—A commercial activity is an activity that provides a product or recurring service obtainable (or obtained) from a commercial source. It may be an entire organization or part of an organization. It must be a type of work that is separable from other functions or activities so that it is

suitable for performance by contract. Commercial activities fall into two categories: (1) in-house CA operated by Air Force military and/or civilian personnel and (2) contracted CA operated by private sector contractor or another non-DoD Federal Agency (i.e., ISSA).

Commercial Source—A commercial source is any business or other non-Federal activity that is eligible for contract award in accordance with Federal Acquisition Regulations.

Competitive Sourcing Management Steering Group—The CSMSG is appointed by the commander and makes decisions on behalf of management and are responsible to commanders for successful and timely completion of the cost comparison. Typically the CSMSG consists of representatives from the servicing manpower and organization office, servicing civilian personnel flight, servicing military personnel flight, contracting, financial management office, staff judge advocate, civil engineering, public affairs, and the functional offices of primary responsibility. For each A-76 initiative an installation-level and commander level CSMSG are formed.

Conditional Contract Award—For Negotiated acquisitions, when a cost comparison determines a contract to be the most cost effective method of performance, there is a period where “conditional” contract award is made. This period begins on the date when the in-house and contract/ISSA costs are compared and a contractor is selected as a tentative winner, and this period ends when the AAP is completed. After this time, there is a final cost comparison decision and if contract performance remains the final cost comparison decision, contract award is made.

Contract Administration—Contract administration is an inherently Governmental activity. Contract administration includes activities performed by warranted contracting officers, contracting officer’s technical representatives, and related payment evaluation staff who evaluate contractor performance.

Contract Award Date—The date the contract is awarded by the Government. This date may or may not be the same date as the contract start date. For Negotiated acquisitions, the contract award date reflects the final cost comparison decision.

Contract Cost Comparison—A cost comparison of a contracted commercial activity where the Government submits a bid with the intent to return function(s) to in-house performance if competition demonstrates in-house is more cost effective.

Contract Manpower Equivalent (CME)—Expressions of in-house manpower requirements that would be necessary if contracted workload were performed in-house at the same level of service specified in the contract. CME data is maintained on the manpower data system.

Contract Start Date—The date work is scheduled to begin under contract performance.

Conversion to Contract—The changeover of a commercial activity from performance by Air Force military and/or civilian personnel to performance under contract by a commercial source.

Conversion to In-House—The changeover of a commercial activity from performance under contract by a commercial source to performance by Air Force military and/or civilian personnel.

Core Logistics—Functions identified as core logistics are activities in accordance with 10 USC 2464. These functions are performed by Air Force depots and not subject to OMBC A-76 cost comparisons; however, they are subject to AF IGCA Inventory reporting requirements.

Cost Comparison Process—Standard, formalized OMB process. The process leads to a specific comparison between an in-house offer and a contract/ISSA offer. Two types of cost comparisons may be performed: standard cost comparison or streamlined cost comparison (both are types of competitive

sourcing initiatives).

Cost Comparison—A cost comparison is where the estimated cost of Government performance of a commercial activity is formally compared to the cost of performance by a commercial or ISSA sources to determine a winner.

Cost Comparison End Date—For standard and streamlined cost comparisons, the date the actual comparison of costs between the in-house offer and contract/ISSA offer is conducted.

Cost Comparison Start Date—The date on the HQ USAF/XPM approval memorandum.

Department of Labor Wage Determination—A Department of Labor determination on the minimum wages and fringe benefits to be paid by the contractor for certain skills.

Depot Maintenance Activities—Depot level maintenance serves to support lower echelons of maintenance by providing technical assistance and performing that maintenance beyond their responsibility. Depot maintenance encompasses material maintenance requiring major overhaul or complete rebuilding of parts, assemblies, subassemblies, and end items, including the manufacture of parts, modifications, testing, and reclamation as required.

Direct Conversion—A method of converting an activity to or from in-house, contract, or ISSA without conducting either a standard or streamlined cost comparison. A direct conversion is a type of competitive sourcing initiative where an MEO is not developed and may be a conversion to an alternative provider, e.g., NIB/NISH/JWOD provider, existing contract, etc.

Direct Conversion End Date—The date a contract/ISSA bid is opened or proposal is selected.

Direct Conversion Start Date—The date on the HQ USAF/XPM approval memorandum.

Directly Affected Parties—Directly affected civilian personnel and the competing contractor(s) at the time of cost comparison that are eligible to file an appeal.

Directly Affected Civilian Personnel—Civilian personnel in the work center being competed, i.e., cost compared or directly converted to contract.

Execution Year—The current fiscal year.

Expansion—An expansion is the modernization, replacement, upgrading, or the enlargement of an in-house CA or capability. If the expansion involved a 30% increase in the operating cost of the activity, a 30% increase in the total capital investment to perform the activity or an increase of 65 FTEs or more, a cost comparison 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% greater than the total of the individual components or it requires an increase of 65 FTEs or more.

Federal Acquisition Regulation (FAR)—The FAR provides contracting policy for the Federal Government.

Final Cost Comparison Decision—This is a decision resulting from a comparison of costs between the Government offer and contract/ISSA offers when a final decision is made after the Public Review Period and AAP have been completed.

Full-Time Equivalent (FTE)—Generally, in-house staffing should be expressed in terms of productive work hours. With the establishment of the number of productive work hours required, a conversion to the number of FTEs is needed. For civilian full-time, part-time, and temporary positions, estimate the total hours required by skill and divide by 1,776 annual available hours to determine the number of FTE

positions required. For civilian intermittent positions to be expressed in FTEs, estimate total hours required by skill and divide by 2,007 annual available hours to determine the number of FTE positions required. For military positions, each service establishes annual available hours to be used for converting work hours to FTEs. Within the Air Force this value, established at [Attachment 2](#) to AFI 38-201, *Determining Manpower Requirements*, is 1,818 annual available hours. (Updates to these factors/rates are maintained on the AFMIA Home Page.)

Future Years Defense Program (FYDP)—The official document and database which summarizes SECDEF approved plans and programs for the DoD.

HUBZONE—A HUBZone is a term that applies to a small business concern per 13CFR126.

Independent Review Official (IRO)—The Air Force official who reviews and certifies the cost comparison has been prepared in accordance with this Instruction.

Inherently Governmental Activity—An activity that is so intimately related to public interest as to mandate performance by Government personnel. These activities require the exercise of discretion in applying Government authority, the use of value judgment in making decisions on behalf of the Government, or obligation of funds/entitlements.

In-house Bid—The Government's in-house offer that is used in competition with the contractor/ISSA offer.

Initiative—A cost comparison or direct conversion approved by HQ USAF/XPM. Prior to approval by HQ USAF/XPM, a cost comparison or direct conversion is known as a candidate.

Installation—An installation is the grouping of facilities, collocated in the same vicinity, that supports particular functions. Commands collocated and supported by another command's installation are considered to be tenants.

Installation Commander—The commanding officer or head of an installation or a tenant activity, who has budget and supervisory control over resources and personnel.

Invitation for Bid—The request to potential offerors to submit bids in a Sealed Bid acquisition.

Interservice Support Agreement (ISSA)—An agreement between Federal agencies. For purposes of this Instruction, DoD is defined as an agency, i.e., individual DoD components and services are considered one agency.

Management Plan—The Management Plan is the document that outlines the changes that will result in the MEO to perform a CA in-house. It provides the staffing patterns and operating procedures that serve as a baseline for in-house cost estimates. It consists of an MEO, QASP, in-house cost estimate, TPP, Transition Plan, and supporting documentation.

Market Research/Analysis—Market research followed by an analysis of at least four comparable contracts, performed by the contracting officer, to determine an estimated range of contract prices. Also used to determine if commercial sources exist and to determine if a contract option that is exercised, results in fair and reasonable prices.

Most Efficient Organization (MEO)—The Government's in-house organization deemed to be the most efficient for competition with the private sector in accordance with this Instruction and 10 USC 2461.

Multi-function Cost Comparison—A multi-function cost comparison may be BOS performed at one installation or a single function at many installations, e.g., refuse collection across a command.

Negotiated Acquisition—A type of acquisition strategy where offerors submit proposals in response to a Request for Proposal, followed by negotiations with contractor/ISSA offerors prior to conducting the cost comparison against the in-house offer.

New Requirement—A new requirement is a newly established need for a product or service.

No Satisfactory Source—Rationale for retaining positions in-house because no satisfactory commercial source is capable or available of providing the service. Before concluding there is no satisfactory commercial source available, the commander will make all reasonable efforts to identify satisfactory commercial sources in accordance with the FAR, as supplemented. When the availability of commercial sources is uncertain, at least three notices of the requirement will be placed in the Commerce Business Daily over a 90-day period in accordance with FAR Part 7.303, as supplemented. When a bona fide urgent requirement occurs, the publication period in the Commerce Business Daily may be reduced to two notices over a 30-day period. Specifications and requirements in the notice may not be unduly restrictive and may not exceed those required of Government personnel or operations. Written HQ USAF/XPM approval is required to use this rationale for retaining positions in-house.

Offer—A proposal or bid submitted by any party (i.e., in-house, contract, ISSA) in response to a solicitation (i.e., Request for Proposal, Invitation for Bid).

Out Years—The years of the Air Force program not included in the execution and budget years.

Overhead—Overhead is included in the in-house cost estimate and is defined as costs that are not 100% attributable to the activity being cost compared but are generally associated with the recurring management or support of the activity.

Performance Management Council—A PMC is established when one or more base support contracts span multiple groups and tenant organizations. The PMC addresses effectiveness of contractor operations in all functional areas, addressing budgetary issues, verifying effectiveness of Government contract management and approving agendas for formal Government/contractor partnering programs.

Performance Requirements Document (PRD)—A document, e.g., Performance Work Statement, Statement of Work, Statement of Objective, etc., that outlines the requirements needed by the Government for a specific service or services and issued as part of a formal solicitation.

Performance Work Statement (PWS)—A document that accurately describes the essential and technical requirements for items, materials, or services, including the standards used to determine whether the requirements are met. The PWS is written in compliance with the FAR, as supplemented, serves as the scope of work, and is the basis for all costs entered on the COMPARE CCF.

Personal Services Contract—A contract that establishes an employer-employee relationship (personal services) between the Government and contractor employees as described in FAR 37.104, as supplemented. A personal services contract is when Government employees provide day-to-day instruction/supervision to contract personnel rather than these personnel receiving instructions/supervision from the contractor. Personal services contracts require special approval from SECAF. Government employees directly tasking contractor personnel run the risk of causing legal ratification of the action against which the contractor can file a claim against the Government. This also puts the Air Force at risk of violating the Anti-Deficiency Act.

Post-MEO Review—A post MEO review confirms that the MEO has been implemented in accordance with the Transition Plan.

Preferential Procurement Program—These are special commercial source programs such as Federal Prison Industries and the workshops administered by the Committee for Purchase from the Blind and Other Severely Handicapped under the Javits-Wagner-O’Day Act.

Procurement Integrity Act—The Procurement Integrity Act, officially known as Section 27 of the Office of Federal Procurement Policy Act, is codified by 41 USC 423 and implemented in FAR Subpart 3.1. The procurement integrity statute and regulations establish prohibitions, restrictions, and requirements relative to disclosing or obtaining procurement information, reporting employment contacts and post-Government employment.

Program Element Code (PEC)—A combination of manpower, equipment, and facilities related to a mission capability or activity. The PEC is the basic building block of the FYDP.

Program Objective Memorandum (POM)—Each service submits the Program Objective Memorandum to SECDEF biannually. It is the services and Defense Agencies total program requirements for the next six years and includes rationale for planned changes from the approved FYDP baseline within the Fiscal Guidance.

Proposal—An offer made in response to a Request for Proposals in a Negotiated acquisition.

Public Review Period—A specific time frame (from 20 to 30 calendar days) during which a directly affected party may submit a cost comparison appeal for consideration during the AAP.

Quality Assurance Surveillance Plan (QASP)—An organized, written document containing sampling guides, checklists, and decision tables used for contractor or MEO quality assurance surveillance. If the method of surveillance for the MEO will be different from that specified in the QASP for contractor surveillance, an MEO QASP must be developed and included in the Management Plan. A Performance Measurement Plan may be substituted for a QASP.

Request for Proposal (RFP)—The request to potential offerors to submit proposals using the Negotiated acquisition process.

Right of First Refusal of Employment—The right provided to civilian employees (as defined in paragraph 1.3.3., including term employees, permanent NAF employees and term NAF employees) adversely affected by the cost comparison or direct conversion). The right-of-first-refusal clause is contained in FAR 52.207-3 (an excerpt of this clause is at [Figure 10.2.](#)).

Sealed Bid Acquisition—A type of acquisition strategy where contractors submit bids in response to an invitation for bids and no negotiations are conducted with contractors prior to conducting the cost comparison.

Separable or Severable Function or Activity—Work in an in-house activity that can be separated or severed from the rest of the activity or function in a manner that will (1) preclude a personal services contract and (2) permit performance by either a contractor or MEO in accordance with a PWS.

Service Contract Act (SCA)—A law established to set the minimum wages for skilled labor to be used in service contracts to be performed on Government installations.

Standard Cost Comparison—A standard, formalized OMB process where AF defines minimum requirements to compete a commercial activity. After solicitation is issued in accordance with the FAR, competition between the private sector contractor (or a non-DoD component provider known as an ISSA) and the public sector (Air Force) takes place. The basis for the Government bid is an MEO. A standard cost comparison may be performed on any size CA. See [Chapter 6](#) of this Instruction.

Streamlined Cost Comparison—A standard, formalized OMB process. This type of cost comparison may be conducted for CAs performed by 10 civilian employees or less and no military, if the commander certifies the current organization as a MEO, market research/analysis is used to justify cost effective conversion to contract performance, and other conditions specified in [Chapter 13](#) of this Instruction are met.

Technical Performance Plan (TPP)—A TPP represents the technical approach and resources to be expended by the Government in meeting the requirements of the PWS. It is prepared in accordance with the requirements specified in the solicitation and depicts the requirements specified in the MEO. A Government TPP is part of the Management Plan when using the Cost/Technical Tradeoff acquisition process.

Tentative Cost Comparison Decision—This is the decision resulting from a comparison of costs between the in-house offer and contract/ISSA offer when a tentative winner is selected but the Public Review Period and AAP have yet to be completed.

Transition Plan—A written plan for the transition from the current organizational structure to MEO or contract/ISSA performance, designed to minimize disruption, adverse impacts, capitalization, and startup requirements. The Transition Plan ensures the MEO, ISSA, or contract implementation will begin upon a final cost comparison decision.

Unacceptable Disruption or Delay—Rationale for retaining positions in-house because the use of a commercial source may cause an unacceptable delay or disruption of an essential program. In-house operation of a CA on the basis that use of a commercial source would cause an unacceptable delay or disrupt an essential Air Force program requires a specific documented explanation and HQ USAF/XPM written approval. The delay must be specific to cost, time, and performance measures. A delay or disruption must clearly indicate lasting impact on operations. Temporary disruption caused by a conversion to contract is not justification for using this criterion. The fact that an Air Force CA involves a classified program, is part of the Air Force basic mission, or that there is a possibility of a strike by contract employees is not sufficient reason for applying this criterion. Written HQ USAF/XPM approval is required to use this rationale for retaining positions in-house.

Attachment 2**DOD FUNCTION CODES**

This attachment provides a list of directed DoD function codes and definitions to be used by all DoD components to categorize work performed using both in-house and contract resources. These codes, which describe both inherently Governmental activities and CAs, are used in conjunction with the Reason Codes in **Chapter 3** to describe both the activities performed and the reason for in-house performance. These codes are applied in accordance with **Chapter 3** of this Instruction.

G--Social Services

G001--Care of Remains of Deceased Personnel & Funeral Services
G008--Commissary Store Operation
G009--Clothing Sales Store Operations
G010--Recreational Library Services
G011--Morale, Welfare, and Recreation Services
G012--Community Services
G900--Chaplain Activities and Support Services
G901--Housing Administrative Services
G904--Family Services
G999--Other Social Services
G000A--Management
G000B--Management Support
G000C--ADP Support
G000D--Administrative Support

H--Health Services

H101--Hospital Care
H102--Surgical Care
H105--Nutritional Care
H106--Pathology Services
H107--Radiology Services
H108--Pharmacy Services

H109--Physical Therapy
H110--Materiel Services
H111--Orthopedic Services
H112--Ambulance Services
H113--Dental Care
H114--Dental Laboratories
H115--Clinics and Dispensaries
H116--Veterinary Services
H117--Medical Records
H118--Nursing Services
H119--Preventive Medicine
H120--Occupational Health
H121--Drug Rehabilitation
H999--Other Health Services
H000A--Management
H000B--Management Support
H000C--ADP Support
H000D--Administrative Support

J--Intermediate, Direct or General Repair and Maintenance of Equipment

J501--Aircraft Maintenance
J502--Aircraft Engine Maintenance
J503--Missiles
J504--Vessels
J505--Combat Vehicles
J506--Noncombat Vehicles
J507--Electronic and Communication Equipment Maintenance
J510--Railway Equipment
J511--Special Equipment
J512--Armament
J513--Dining Facility Equipment

J514--Medical and Dental Equipment
J515--Containers, Textile, Tents, and Tarpaulins
J516--Metal Containers
J517--Training Devices and Audiovisual Equipment
J519--Industrial Plant Equipment
J520--Test, Measurement and Diagnostic Equipment
J521--Other Test, Measurement and Diagnostic Equipment
J522--Aeronautical Support Equipment
J999--Maintenance of Other Equipment
J000A--Management
J000B--Management Support
J000C--ADP Support
J000D--Administrative Support

K--Depot Repair, Maintenance, Modification, Conversion or Overhaul of Equipment

K531--Aircraft
K532--Aircraft Engines
K533--Missiles
K534--Vessels
K535--Combat Vehicles
K536--Noncombat Vehicles
K537--Electronic and Communication Equipment
K538--Railway Equipment
K539--Special Equipment
K540--Armament
K541--Industrial Plant Equipment
K542--Dinning and Facility Equipment
K543--Medical and Dental Equipment
K544--Containers, Textile, Tents, and Tarpaulins
K545--Metal Containers
K546--Test, Measurement and Diagnostic Equipment

K547--Other Test, Measurement and Diagnostic Equipment

K548--Aeronautical Support Equipment

K999--Other Depot Repair, Maintenance, Modification, Conversion or Overhaul of Equipment

K000A--Management

K000B--Management Support

K000C--ADP Support

K000D--Administrative Support

P--Base Maintenance/Multifunction Contracts

P100--Installation Operations (Multi-function)

P000A--Management

P000B--Management Support

P000C--ADP Support

P000D--Administrative Support

R--Research, Development, Test, and Evaluation (RDT&E)

R600--RDT&E

R660--RDT&E Support

R000A--Management

R000B--Management Support

R000C--ADP Support

R000D--Administrative Support

S--Installation Services

S700--Natural Resource Services

S701--Advertising and Public Affairs

S702--Financial and Payroll Services

S703--Debt Collection

S706--Bus Services

S708--Laundry and Dry Cleaning

S709--Custodial Services

S710--Pest Management

S712--Refuse Collection and Disposal Services

S713--Food Services

S714--Furniture Repair

S715--Office Equipment Maintenance and Repair

S716--Motor Vehicle Operation

S717--Motor Vehicle Maintenance

S718--Fire Prevention and Protection

S719--Military Clothing

S724--Guard Service

S725--Electrical Plants and Systems Operation and Maintenance

S726--Heating Plants and Systems Operation and Maintenance

S727--Water Plants and Systems Operation and Maintenance

S728--Sewage and Waste Plants Operation and Maintenance

S729--Air Conditioning and Refrigeration Plants

S730--Other Utilities Operation and Maintenance

S731--Supply Operations

S732--Warehousing and Distribution of Publications

S740--Transportation Management Services

S750--Museum Operations

S760--Parts Stores & Civil Engineering Supply Stores

S999--Other Installation Services

S000A--Management

S000B--Management Support

S000C--ADP Support

S000D--Administrative Support

T--Other Nonmanufacturing Operations

T800--Ocean Terminal Operations

- T801--Storage and Warehousing
- T802--Cataloging
- T803--Acceptance Testing
- T804--Architect-Engineering
- T805--Operation of Bulk Liquid Storage
- T806--Printing and Reproduction
- T807--Centralized Visual Information
- T808--Mapping and Charting
- T809--Centralized Administrative Telephone Services
- T810--Air Transportation Services
- T811--Water Transportation Services
- T812--Rail Transportation Services
- T813--Engineering and Technical Services
- T814--Aircraft Fueling Services
- T815--Scrap Metal Operation
- T816--Telecommunication Centers
- T817--Other Communications and Electronics Systems
- T818--Systems Engineering and Installation of Communications Systems
- T819--Preparation and Disposal of Excess and Surplus Property
- T820--Centralized Administrative Support Services
- T821--Special Studies and Analysis
- T900--Training Aids, Devices, and Simulator Support
- T999--Other Nonmanufacturing Operations
- T000A--Management
- T000B--Management Support
- T000C--ADP Support
- T000D--Administrative Support

U--Education and Training

- U100--Recruit Training
- U200--Officer Acquisition Training

U300--Specialized Skill Training

U400--Flight Training

U500--Professional Development Training

U510--Professional Military Education

U520--Graduate Education, Fully Funded, Full-time

U530--Other Full-time Education Programs

U540--Off-Duty (Voluntary) and On-Duty Education Programs

U600--Civilian Education and Training

U700--Dependent Education

U800--Training Development and Support

U999--Other Training Functions

U000A--Management

U000B--Management Support

U000C--ADP Support

U000D--Administrative Support

W--Automatic Data Processing

W824--Data Processing Services

W825--Maintenance of ADP Equipment

W826--Systems Design, Development and Programming Services

W827--Software Services

W999--Other ADP Functions

W000A--Management

W000B--Management Support

W000C--Blank

W000D--Administrative Support

X--Products Manufactured and Fabricated In-House

X931--Ordnance Equipment

X932--Products Made From Fabric or Similar Materials

- X933--Container Products and Related Items
- X934--Preparation of Food and Bakery Products
- X935--Liquid, Gaseous and Chemical Products
- X936--Rope, Cordage, and Twine Products; Chains and Metal Cable Products
- X937--Logging and Lumber Products
- X938--Communications and Electronic Products
- X939--Construction Products
- 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
- X000A--Management
- X000B--Management Support
- X000C--ADP&E Support
- X000D--Administrative Support

Y--Other Selected Functions

- Y100--Combat Forces
- Y120--Operational Planning and Control
- Y130--Intelligence
- Y150--Classified Activities
- Y200--Commanders and Support Staff
- Y300--Embassy Activities
- Y400--Legal Services
- Y410--Criminal Investigation
- Y420--Judicial
- Y430--Administrative Hearings
- Y440--Federal Licensing and Permitting
- Y510 --Budget and Financial Program Management

Y520 --Public Works and Real Property Maintenance Program Management

Y530--Personnel, Community Activities and Manpower Program Management

Y540--Maintenance and Logistics Program Management

Y550--Information and Telecommunications Program Management

Y600--Contracting

Y650--Acquisition (Equipment and Weapons Systems)

Y999--Other Functions

Y000A--Management

Y000B--Management Support

Y000C--ADP Support

Y000D--Administrative Support

Z--Maintenance, Repair, Alteration, and Minor Construction of Real Property

Z991--Maintenance and Repair of Family Housing Buildings and Structures

Z992--Maintenance and Repair of Buildings and Structures Other Than Family Housing

Z993--Maintenance and Repair of Grounds and Surfaced Areas

Z997--Maintenance and Repair of Railroad Facilities

Z998--Maintenance and Repair of Waterways

Z999--Other Maintenance, Repair, Alteration, and Minor Construction of Real Property

Z000A--Management

Z000B--Management Support

Z000C--ADP Support

Z000D--Administrative Support

Attachment 3

OFFICE OF FEDERAL PROCUREMENT POLICY (OFPP) POLICY LETTER 92-1,
"INHERENTLY GOVERNMENTAL FUNCTIONS"

SEPTEMBER 23, 1992

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

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 subsection 6(a) of the Office of Federal Procurement Policy (OFPP) Act, as amended, codified at 41 USC 405(a).
- 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 para. 7). As stated in paragraph 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 paragraph 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 judgements 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 entitlement. 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 or 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 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) Circular 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 ultimately 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 Governmental 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 rather than a mainframe computer, hiring a statistician rather than an 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 contractor 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 contract, what conclusions to emphasize, how frequently to test) is not determinative of whether he or she is performing an inherently Governmental 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 facts 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 own 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) Preaward 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 as 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 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 preaward 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, 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 workloads 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 USC 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 USC 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 there;

(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;

(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. (UPDATED 8/1995--contact the Budget Analysis and Systems Division, Office of Management and Budget, 725 17th Street, N.W., Washington, DC 20503. Telephone (202) 395-6104.)

11. Effective date. This policy letter is effective 30 days after the date of publication.

Signed by

ALLAN V. BURMAN

Administrator

Appendix A to OFFP Policy Letter 92-1

The following is an illustrative list of functions considered to be inherently Governmental functions:

1. The direct conduct of criminal investigations.
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 nonselection 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 within 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 USC 952 (relating to private collection contractors) and title 31 USC 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 an Inspector General, the General Accounting Office, or other Federal audit entity, please see special provisions in subsection 6.c of the text of the policy letter, above.

Appendix B to OFFP Policy Letter 92-1

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), as supplemented).
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.

Attachment 4

RCS: HAF-XPM(AR) 8001 INSTRUCTIONS COST COMPARISON OR DIRECT CONVERSION DECISION RESULTS MEMORANDUM

INSTRUCTIONS: This report will be submitted for all standard cost comparison, streamlined cost comparison and direct conversion decisions. This information will be provided to HQ USAF/XPMR as soon as possible but not later than ten working days after the final cost comparison decision is determined. The following information must be provided in this format using these headings--without exception.

MEMORANDUM FOR HQ USAF/XPMR

FROM: (COMMAND XPM)

SUBJECT: RCS: HAF-XPM(AR) 8001 Cost Comparison (or **Direct Conversion**) Decision Results--(**Base X Function X** Cost Comparison)

1. We have completed subject standard cost comparison (or **streamlined cost comparison or contract cost comparison or direct conversion**). The decision favored (**contract, ISSA, or in-house**) performance. The following information is provided regarding subject initiative.

a. Anticipated Contract, ISSA, or MEO Start Date: **For either decision, enter the projected start date**

b. Project Title and Project Number: **For either decision, enter project title (CAMIS DE 2b) and project number (CAMIS DE 3a)**

c. Location: **For either decision, enter installation name (CAMIS DE 10b) and state (country) abbreviated name (CAMIS DE 11b)**

d. Congressional District: **For either decision, enter numerical congressional district code (CAMIS DEs 12a & 12b)**

e. Contracting Office: **For either decision, enter complete mailing address of the servicing contracting office for the proposed contract**

f. Contracting Officer: **For either decision, enter name, DSN, and commercial telephone numbers of the servicing contracting officer**

g. Date of Comparison of Bids: **For either decision, enter date bid opening or cost comparison was performed (CAMIS DE 33c)**

h. Total In-house Cost Estimate: **For either decision, enter amount from COMPARE cost comparison form, Line 8 (Total)**

i. Amount of Offer Accepted: **For either decision, enter amount from COMPARE cost comparison form, Line 9 (Total)**

j. Additional Costs and Expenditures The Government Will Incur As A Result Of Contracting: **For contract decision, enter the sum of the total column values in Lines 10 through 14 of the COMPARE cost comparison form -- For in-house decision, enter N/A**

- k. Total Costs The Government Will Incur As A Result Of Contracting: **For contract decision, enter the amount from COMPARE cost comparison form, Line 15 (total) – For in-house decision, enter N/A**
- l. Cost Advantage: **For contract/ISSA decision, enter the value of Line 8 (total) minus Line 15 (total) -- For in-house decision, enter the value of Line 15 (total) minus Line 8 (total)**
- m. Win Margin: **For either decision, enter amount from COMPARE cost comparison form Line 19**
- n. In-House Work Years: **Enter number of MEO work years regardless of decision. For in-house decisions only, include PEC and, when applicable, an officer, enlisted, civilian breakout when military is included in the MEO (this entry is equal to the number of work years in the in-house bid from COMPARE cost comparison form, Line 1)**
- o. Contract Number, Name, and Location of Contractor: **For contract decision, enter the 13-position alphanumeric DoD contract number assigned to the proposed contract and the name of the proposed contractor or ISSA including a complete mailing address. For in-house decision, enter only the name of the contractor(s) or ISSA selected to compete against the in-house bid.**
- p. Set-Aside: **For either decision, enter "no," or "yes, small business," or "yes, 8A" for the contractor(s) selected to compete against the in-house bid regardless of the decision**
- q. Contract Type: **For either decision, enter planned type of contract, e.g., firm fixed price, fixed price with economic price adjustment, fixed price incentive fee, cost plus incentive, cost plus award fee, cost plus fixed fee, etc., regardless of the decision**
- r. Phase-In Period and Price: **For either decision, enter inclusive dates (start and end) of phase-in period, reflected by day, month, and year (if there is no a phase-in or transition period, enter "N/A)**
- s. First Performance Period and Price: **For either decision, enter inclusive dates (start and end) covered in the first performance period of the contract, reflected by day, month, and year (do not include option periods) -- enter amount from COMPARE cost comparison form, Line 9, First Performance Period column only**
- t. Number of Yearly Options: **For either decision, enter total number of yearly options included in the proposed contract**
- u. Number of Contract and ISSA Offers Received: **For either decision, enter total number of bids or proposals the contracting officer received in response to the solicitation**
- v. Directly Affected Civilian Employee Information: **For either decision, enter the following required information in order to portray impact on civilians regardless of the decision (if no civilians will be impacted enter a zero where required to “fill in the number”.**
- (1) **(Fill in the Number)** Permanent Civilian Employees, **(Fill in the Number)** Temporary Civilian Employees, **(Fill in the Number)** Term Civilian Employees, **(Fill in the Number)** NAF Employees, **(Fill in the Number)** Direct Hire Non-US Citizen Employees, and **(Fill in the Number)** In-direct Non-US Citizen Employees Were Assigned to the Function on the Day the Cost Comparison Was Performed. **(Enter assigned strength figures obtained from the servicing civilian personnel flight)**

(2) About **(Fill in the Number)** Permanent Civilian Employees, **(Fill in the Number)** Temporary Civilian Employees, **(Fill in the Number)** Term Civilian Employees, **(Fill in the Number)** NAF Employees, **(Fill in the Number)** Direct-Hire Non-US Citizen Employees, and **(Fill in the Number)** Indirect-Hire Non-US Citizen Employees that were assigned to the function will be assigned to other Government positions. **(Enter total number of civilian employees to be reassigned to Government positions effective with the start of the contract as of the date of this notification. Do not include military being reassigned.)**

(3) About **(Fill in the Number)** Permanent Civilian Employees, **(Fill in the Number)** Temporary Civilian Employees, **(Fill in the Number)** Term Civilian Employees, **(Fill in the Number)** NAF Employees, **(Fill in the Number)** Direct-Hire Non-US Citizen Employees, and **(Fill in the Number)** Indirect-Hire Non-US Citizen Employees that were assigned to the function will retire. **Enter the total number of civilian employees who were offered and have accepted the early retirement or normal retirement under the provisions specified in civilian personnel regulations.**

(4) About **(Fill in the Number)** Permanent Civilian Employees, **(Fill in the Number)** Temporary Civilian Employees, **(Fill in the Number)** Term Civilian Employees, **(Fill in the Number)** NAF Employees, **(Fill in the Number)** Direct-Hire Non-US Citizen Employees, and **(Fill in the Number)** Indirect-Hire Non-US Citizen Employees that were assigned to the function will be involuntarily separated. **Enter the total number of civilian employees who are to be separated from Federal employment as a result of the contract decision.**

w. "The Government in-house calculation for the function is based on an estimate of the most efficient organization for in-house performance. The entire cost comparison is available for review." **For contract decisions, include the following statement, "Contracting does not have a negative impact on the military mission of this function." (NOTE: Keep a copy of the base-level certification statement or letter for the MEO on file at the COMMAND, FOA, or DRU level, and the review documentation identifying the activity for cost comparison. The servicing manpower and organization office will keep a copy of the entire cost comparison on file for a maximum of ten years unless another cost comparison is performed.)**

x. "Potential economic effect on the surrounding community. The resulting effect on the total economic impact within the economic impact region is expected to be a decrease of (%). A net decrease in secondary jobs created of (%) will probably occur." **(NOTE: Complete per Chapter 8 of this Instruction—responsibility of Financial Management Office.)**

y. Organizational Changes: **Identify any unit activations, inactivations, redesignations or reassignments by unit name and attach current and projected organizational charts down to functional flight level for units that will vary from the standard organizational structures in AFI 38-101, Air Force Organization, as a result of cost comparison decision.**

z. Funding: **For contract or in-house decisions, provide PEC(s) distribution for allocation (i.e., dollar or manpower) of the decision. For contract decisions, include PEC(s) distribution for contract administration (Table 12.6).**

2. Remarks. (Enter other information, if any, considered useful for notifying HQ USAF or Congress.)

Command XPM Signature

Attachments:

1. COMPARE Cost Comparison Form
2. Current Organizational Chart
3. Projected Organizational Chart
4. RIF Action Approval Request

cc:

HQ USAF/XPMS/DPF
AFMIA/MIC

Attachment 5**GENERIC MILESTONE CHART FOR A COST COMPARISON**

This attachment summarizes standard cost comparison milestones. This milestone chart is not all inclusive; therefore, it is imperative that the appropriate chapter of this Instruction be referenced for more specific details. Installations and commands are encouraged to develop their own unique milestone charts for each CA initiative and assign OPRs for each milestone.

- A5.1.** Nominate initiative to command (OPR: servicing manpower and organization office)
- A5.2.** Coordinate on initiative and forward to HQ USAF/XPM for approval (OPR: command/XPM)
- A5.3.** Approve cost comparison, and when appropriate, make congressional notification (OPR: HQ USAF/XPMR)
- A5.4.** Advise affected civilian employees and the local union of the proposed cost comparison and provide monthly progress reports to affected civilian employees and their representatives (OPR: function)
- A5.5.** Make public announcement (OPR: commander)
- A5.6.** Establish a CAMIS record (OPR: servicing manpower and organization office)
- A5.7.** Establish command and installation CSMSGs then establish milestones to provide sufficient lead time to complete the cost comparison within the mandatory time frame (e.g., lead time for waiver requests to HQ USAF/XPM, potential RIF notices, transition phasing, etc.) (OPRs: servicing manpower and organization office, OCRs: servicing civilian personnel flight)
- A5.8.** Initiate collection of cost data for conducting the cost comparison for CAMIS reporting (see [Attachment 6](#)) (OPR: servicing manpower and organization office)
- A5.9.** Submit notice to Commerce Business Daily (OPR: contracting)
- A5.10.** Ensure individuals participating in cost comparisons and direct conversions are informed of the prohibitions, restrictions, and requirements of the Procurement Integrity Act (41 USC 423) as implemented by FAR 3.104, as supplemented (OPR: servicing staff judge advocate and contracting)
- A5.11.** Initiate an environmental impact analysis (AF Form 813) (OPR: civil engineering)
- A5.12.** Assign an "R" code in the MES column of the unit manpower document for all authorizations being cost compared (OPR: servicing manpower and organization office)
- A5.13.** Assign a "36" assignment availability code to military personnel (OPR: servicing military personnel flight)
- A5.14.** Provide the budget officer with an estimate of the contract price (OPR: function)

- A5.15.** Ensure local consultation requirements are met per paragraph 8.4.2.14.6. of this Instruction in the preparation and development of the PWS (OPR: function) (OCR: servicing civilian personnel flight)
- A5.16.** Complete and coordinate the PWS and QASP with the servicing manpower and organization officer, servicing staff judge advocate and contracting (OPR: function)
- A5.17.** Submit plan for phase out of military personnel to command personnel office (OPR: servicing military personnel flight)
- A5.18.** Ensure local consultation requirements are met per paragraph 8.4.2.14.6. of this Instruction in the preparation and development of the Management Plan (OPR: function) (OCR: servicing civilian personnel flight)
- A5.19.** Complete and send position descriptions to the servicing civilian personnel flight for classifying and grading (OPR: function)
- A5.20.** Conduct labor market analysis (OPR: servicing civilian personnel flight)
- A5.21.** Determine if military should be included in MEO based on (1) labor market analysis or (2) cost effectiveness (OPR: servicing manpower and organization office)
- A5.22.** Complete the Management Plan (excluding the in-house cost estimate) then send to command manpower and organization office and/or functional OPR, as required) (OPR: servicing manpower and organization office)
- A5.23.** Issue the SF 98, *Notice of Intention to Make a Service Contract and Response to Notice*, to Department of Labor for services contract (OPR: contracting)
- A5.24.** Obtain IRO's coordination on completed PWS (OPR: servicing manpower and organization office)
- A5.25.** Send one copy of the approved PWS and AF Form 9 to base contracting (OPR: function)
- A5.26.** Classify and grade civilian position descriptions and send to the servicing manpower and organization office (OPR: servicing civilian personnel flight)
- A5.27.** Issue the invitation for bid or request for proposal (OPR: contracting)
- A5.28.** Conduct a site visit and the prebid/preproposal conference (OPR: contracting)
- A5.29.** Answer questions generated during the prebid/proposal conference (OPR: contracting)
- A5.30.** Complete and send the Management Plan along with the solicitation to the financial management officer for the independent review (OPR: servicing manpower and organization office)

A5.31. Complete the independent review and send the cost estimate to the servicing manpower and organization office (OPR: financial management office)

A5.32. Make revisions required by IRO (OPR: servicing manpower and organization office)

A5.33. Submit the Management Plan to the base contracting officer in a sealed envelope(s) before the time specified in the solicitation for the receipt of contract/ISSA offers (For Negotiated acquisitions, two sealed envelopes per paragraph **11.2.10.** of this Instruction) (OPR: servicing manpower and organization office)

A5.34. Contracting compares, negotiates and/or selects the contract/ISSA offer to compete against the in-house offer (dependent upon the type of acquisition) (OPR: contracting)

A5.35. Conduct the cost comparison between the contract/ISSA proposal and in-house proposal (OPRs: contracting, servicing manpower and organization office)

A5.36. See **Chapter 17** of this Instruction for specific steps required following a cost comparison. Steps differ for type of acquisition (i.e., Sealed Bid, Negotiated acquisition), address how/when the Public Review Period is conducted and how/when notifications are required depending on an in-house or contract decision. Refer to either Sealed Bid Acquisition steps at paragraph **17.3.** For Negotiated Acquisition steps refer to paragraph **17.4.**

A5.37. Administer the Administrative Appeal Process, when applicable (OPR: servicing manpower and organization office)

A5.37.1. Provide servicing manpower and organization office, upon receipt of appeal(s), a copy of the COMPARE CCF, solicitation package, Management Plan and all supporting documentation (OPR: contracting officer)

A5.37.2. Inform commander if appeal(s) received and brief on AAP (OPR: servicing manpower and organization office)

A5.37.3. Appoint an AAP Authority, if appeal(s) are received (OPR: commander)

A5.37.4. Acknowledge receipt of appeal(s) (in writing, return receipt requested, certified mail) within seven work days (OPR: AAP Authority)

A5.37.5. Review appeal(s) to assess if appeal criteria are met and make recommendations to AAP Authority (OPR: servicing manpower and organization office)

A5.37.6. Make decision to accept or deny appeal(s) (OPR: AAP Authority)

A5.37.7. If appeal is denied, provide written decision with rationale to contracting officer (OPR: AAP Authority)

A5.37.8. Forward appeal denial to appellant in writing (OPR: contracting officer)

A5.37.9. If appeal is accepted, appoint AAP Review Team (OPR: AAP Authority)

A5.37.10. Notify command XPM, HQ USAF/XPMR, and AFMIA/MIC by memorandum upon receipt of appeal (OPR: servicing manpower and organization office)

A5.37.11. Brief AAP Review Team on AAP responsibilities, appeal(s), and the cost comparison process (OPR: servicing manpower and organization office)

A5.37.12. Process appeal(s) (OPR: AAP Authority)

A5.38. Refer back to **Chapter 17** of this Instruction for specific steps required following completion of an appeal. Refer to either Sealed Bid Acquisition steps at paragraph **17.3**. For Negotiated Acquisition steps refer to paragraph **17.4**.

A5.39. For in-house decisions, complete the following steps required to finalize the cost comparison:

A5.39.1. Cancel the solicitation (OPR: contracting)

A5.39.2. Comply with 5 CFR, Part 351, as appropriate (OPR: servicing civilian personnel flight)

A5.39.3. Register adversely affected civilian employees with the DoD Priority Placement Program, as appropriate (OPR: servicing civilian personnel flight)

A5.39.4. Initiate MEO implementation in accordance with the Transition Plan to ensure MEO implementation begins upon a final cost comparison decision (OPR: functional area chief)

A5.39.5. Commence the recruiting action to fill MEO vacancies, as required (OPR: servicing civilian personnel flight)

A5.39.6. Complete the manpower and personnel actions necessary to implement the MEO (OPRs: servicing manpower and organization office, servicing civilian personnel flight)

A5.39.7. Update CAMIS (**Attachment 6**) (OPR: servicing manpower and organization office)

A5.39.8. Update AF IGCA Inventory by coding authorizations in the MEO in MDS with MES code "S" and the appropriate Reason Code (RSC) (OPR: servicing manpower and organization office)

A5.40. For contract decisions, complete the following steps required to finalize the cost comparison:

A5.40.1. Comply with 5 CFR, Part 351, as appropriate (OPR: servicing civilian personnel flight)

A5.40.2. Register adversely affected civilian employees with the DoD Priority Placement Program, as appropriate (OPR: servicing civilian personnel flight)

A5.40.3. Comply with paragraph **10.10** of this Instruction for contract decisions, where adversely affected employees are informed of their right of first refusal. (OPRs: servicing civilian personnel flight, contracting and servicing staff judge advocate)

A5.40.4. Initiate contract performance in accordance with the Transition Plan to ensure contract implementation begins upon a final cost comparison decision (OPR: functional area chief)

A5.40.5. Commence the recruiting action to fill contract administration vacancies, if required (OPR: servicing civilian personnel flight)

A5.40.6. Complete the manpower and personnel actions necessary for contract start (OPRs: servicing manpower and organization office, servicing civilian personnel flight, contracting)

A5.40.7. Update CAMIS (**Attachment 6**) (OPR: servicing manpower and organization office)

A5.40.8. Update AF IGCA Inventory by entering CMEs in MDS in accordance with AFI 38-201, **Chapter 6** (OPR: servicing manpower and organization office)

Attachment 6**COMMERCIAL ACTIVITIES MANAGEMENT INFORMATION SYSTEM (CAMIS)
INSTRUCTIONS**

A6.1. General. This attachment provides Instructions for maintaining an accurate record of commercial activities (CAs) which undergo cost comparison or are directly converted to contract. A CAMIS record assists the AF to validate the execution of its Competitive Sourcing Program for each competitive sourcing initiative. Accurate and current data is required to ensure proper and timely tracking is provided to the command, HQ USAF, and DoD. These instructions apply to records maintained using CAMIS Software Program.

A6.2. Policy. Commands and installations shall create and maintain a CAMIS data record for each CA initiative approved for cost comparison or direct conversion, using the CAMIS software program. Both active and inactive records shall be maintained. For multi-location records, commands will either maintain the record at their level or appoint a central installation manpower and organization office to maintain the record for all locations.

A6.3. Use of CAMIS Information. The information is used for:

A6.3.1. Managing the AF CA Program.

A6.3.1.1. Provides commanders at all levels a tool for quantitative analysis of cost comparisons to assist them in making informed decisions on manpower utilization policies.

A6.3.2. Responding to public and Governmental inquiries.

A6.3.3. Satisfying various reporting requirements directed by Congress, OMB, and the Office of the Secretary of Defense.

A6.4. Reporting Requirements.

A6.4.1. Servicing manpower and organization offices. Submit an RCS: DD-A&T(Q)1542 to their command each quarter to arrive by the date established by their command. The report is a database file that is automatically created by the CAMIS software program. The file is e-mailed to the command, unless an alternative method is established by the command. Manpower and organization offices will ensure all data in the file is complete and accurate. The CAMIS software program provides a variety of error check routines to assist in identifying potential errors and maintaining an accurate database. These error check routines must be executed and any identified errors corrected, if at all possible, prior to development of the quarterly report file. Reasons for failure to correct any errors or omissions must be explained in the CAMIS Command Comments, Data Element (DE) 16.

A6.4.2. Commands. Submit a consolidated command RCS: DD-A&T(Q)1542 report by merging data files provided by their installations to arrive at AFMIA/MIC by 10 January, April, July and October; the report is submitted via e-mail. Commands will notify HQ USAF/XPMR, via a faxed memorandum (with an information copy to AFMIA/MIC), when a late quarterly report submission is anticipated. The memorandum will provide reasons for late submission, corrective actions to be taken to prevent a future reoccurrence and the date the report will be provided to AFMIA. The same requirements levied on the servicing manpower and organization offices for complete and accurate reporting

applies to these consolidated reports. See paragraphs A6.5.2.9. through A6.5.2.9.6. for specific instructions on mandatory record audits.

A6.4.3. AFMIA/MIC.

A6.4.3.1. Develops the consolidated AF report by merging data files provided by the commands. AFMIA edits and corrects the database, in conjunction with the commands, as required.

A6.4.3.2. Quarterly submits the AF RCS: DD-A&T(Q)1542 to HQ USAF/XPMR. Reports are prepared according to DoDI 4100.33.

A6.4.3.3. Submits the quarterly AF RCS: DD-A&T(Q)1542 report to DoD. Report is prepared according to DoDI 4100.33.

A6.5. CAMIS Entry and Update Instructions. This section provides Instructions for developing and maintaining the CAMIS database records. Tables mentioned in these instructions are part of the CAMIS software program; these tables may not be changed unless approved by AFMIA/MIC. Current tables are maintained on the AFMIA Home Page (<http://www.AFMIA.randolph.af.mil>) and should be downloaded and copied into the CAMIS directory prior to developing the quarterly RCS: DD-A&T(Q)1542 report. The CAMIS User's Guide should be used as the source of information for operating the CAMIS software program.

A6.5.1. The record for each cost comparison or direct conversion initiative is divided into eight parts. The first six parts are arranged in a sequence of milestone events occurring during the cost comparison or direct conversion and are completed immediately following the completion of the milestone event. Individual record parts are:

Part I – CA Initiative is announced or approved

Part II – Contract solicitation is issued

Part III – In-house and/or contractor/ISSA costs are compared

Part IV – Contract/ISSA is awarded or solicitation is canceled

Part V – Contract/ISSA starts

Part VI – Performance periods are completed

Part VII – MEO Enhancements are summarized (applies to cost comparisons only)

Part VIII – Internal command information

A6.5.2. Complete record as follows:

A6.5.2.1. Part I, A CA Initiative Is Announced Or Approved. This part identifies the CA initiative and some of its basic attributes. This part is completed upon announcement or approval of the initiative. Complete the entries for this part as follows (numbers and titles shown below correspond to the data element numbers and titles used in the CAMIS software program):

1. Conversion Category Code. Identifies the type of CA conversion to be used. Information must be entered when record is created; subsequent changes are allowed with HQ USAF/XPMR approval. Authorized code values and definitions are:

Code Definition

- | | |
|---|--|
| 1 | Category 1 Cost Comparison |
| 2 | Category 2 Simplified or Streamlined Cost Comparison |
| 3 | Direct Conversion |

NOTE: Category 2 initiatives include both cost comparisons conducted under simplified cost comparison procedures (eliminated in Jan 89) and the streamlined cost comparison procedures effective with this Instruction.

2a. USAF Project Code. Identifies the type of CA work performed. Information must be entered when record is created. Enter a code from CAMIS Table 1 that most closely describes the type of CA work performed. If no code describes the work performed, contact AFMIA/MIC for a new code number and title.

2b. USAF Project Title. A clear text translation of the USAF project title code (DE 2a). Operator entry is not required. Information is automatically entered from CAMIS Table 1.

3a. Current Project Number. The identification number assigned to the record. Information must be entered when record is created. Create project number as follows:

Digit(s)**Entry**

- | | |
|-----|---|
| 1F | (must be F) |
| 2-3 | Command Code (get from CAMIS Table 3) |
| 4-7 | Installation Code (get from CAMIS Table 4) |
| 8-9 | USAF Project Title Code (get from CAMIS Table 1) |
| 10 | Alpha suffix, numeric suffix or a blank. The alpha suffix is used when the first nine digits of two or more command records are identical (i.e., the same activity had been previously studied or cancelled). The numeric suffix is used when several initiatives are being conducted at the same location in the same functional area, and the initiatives are being broken into several subfunctions (i.e., "Civil Engineering" is broken out to "Material Control" and "Real Property," with a separate solicitation being issued for each). In this example, both records would have a USAF Project Title (DE 2b) of "Civil Engineering" and the subfunction title ("Materiel Control" or "Real Property") would be entered into the Command Descriptive Title (DE 22). |

3b. Revised/Original Project Number. The original or revised project number assigned to a CA initiative that was subsequently consolidated with other initiatives or broken out into separate initiatives. Information must be entered when entry for the project status code (DE 4a) is "B" (broken out) or "Z" (consolidated). For an initiative that has been broken out, enter the project number of the original record onto each new record. For initiatives that have been consolidated into a single initiative, enter the project number of the newly created record onto each previous individual record.

4a. Project Status Code. Explains the current status of the CA initiative. Authorized code values and definitions are:

P -In-progress

C -Complete

X -Canceled. Entry of this code programmatically eliminates all information and edits from parts 2 through 7 of the CA record. Provide explanation in DE16 (Command Comments) for cancellation.

Z -Consolidated. CA initiative has been consolidated with one or more other initiatives. Entry of this code programmatically eliminates all information and edits from parts 2 through 7 of the CA record. Special instructions are provided in DE5 (Congressional Notification/Approval Date), below, for Consolidated Initiatives. In addition, provide comments in DE16 (Command Comments) on the reason for consolidation (e.g., greater expected efficiencies, regional approach, etc.).

B -Broken Out. CA initiative has been broken into two or more separate initiatives. Enter comments in DE16 (Command Comments) explaining reason for breaking out the initiative (e.g., permit small business an opportunity to compete as prime contractors, etc). Entry of this code automatically eliminates all information and edits from parts 2 through 7 of the CA record.

NOTE: The program automatically enters a "P" (in-progress) when a new record is created. Change this initial entry when there is a change in status. For example, if DE 38a is filled and DE 37c is filled, the entry for this data element must be "C."

4b. Project Status Title. A clear text translation of the project status code (DE 4a). Operator entry is not required. The program automatically enters information from CAMIS Table 2.

4c. B/X/Z Code Entry Date. Date approval was granted to change the project status code (DE 4a) to "B," "X," or "Z." Information must be entered when entry for DE 4a is "B," "X," or "Z."

5. Congressional Announcement or Approval Date. The date Congress was notified per 10 USC. If congressional notification was not required, the date of the HQ USAF/XPMR memorandum approving the initiative for cost comparison or direct conversion. Date must be entered when record is created. Special Instructions for Consolidated Initiatives: When the entry in DE4a is Z and the record is consolidating existing initiatives onto a single initiative (i.e., CAMIS records already exist for some or all of the initiatives being consolidated), enter the oldest announcement date resident in the existing records. However, when the entry in DE4a is P due to HQ USAF approval to cancel existing initiatives prior to the consolidation, the date of the HQ USAF/XPMR approval memorandum is entered instead.

6. Announced Method of Operation Code. The operating mode of the activity at the time the initiative was approved. Information must be entered when record is created. Authorized code values and definitions are:

I - In-house

C - Contract

N - New requirement

E - Expansion

S - Interservice Support Agreement (ISSA)

7. Activity is Single/Multiple Function. Enter an "S" if the activity is a single-function activity; enter an "M" if the activity is a multiple function activity. Information must be entered for all records created after 30 Sep 89.

8. Reserved. No entry required.

9a. Command Code. The command that is responsible for operating the activity. Operator entry is not required. Information is automatically entered by the program from the command code portion of the current project number (DE 3a).

9b. Command Abbreviated Name. An abbreviated translation of the command code (DE 9a). Operator entry is not required. The information is automatically derived by the program from the command code portion of the current project number (DE 3a) and CAMIS Table 3.

10a. Installation Code. The installation where the activity under cost comparison or direct conversion is physically located. Operator entry is not required. Information is automatically derived from the installation code portion of the current project number (DE 3a) and CAMIS Table 4.

10b. Installation Name. A clear text translation of the installation code (DE 10a). Operator entry is not required. Information is automatically derived from the installation code portion of the current project number (DE 3a) and CAMIS Table 4.

11a. State Code. The state or US territory where the installation is located. Operator entry is not required. Information is automatically derived from the installation code portion of the current project number (DE 3a) and CAMIS Table 4.

11b. State Abbreviated Name. An abbreviated translation of the state code (DE 11a). Operator entry is not required. Information is automatically derived from the installation code portion of the current project number (DE 3a) and CAMIS Table 4.

12a-12b. Congressional District Code(s). The Congressional District where the installation is located. Operator entry is not required. Information is automatically derived from the installation code portion of the current project number (DE 3a) and CAMIS Table 4.

13a-13c. Announced UMD Authorizations - Military, Civilian, and Total. The number of military and civilian UMD positions the activity was authorized at the time the CA initiative was announced to Congress; or, if congressional announcement was not required, the date the initiative was approved. Authorizations for DEs 13a and 13b must be entered when the record is created. Ensure numbers entered are the same as those identified in the correspondence sent to HQ USAF/XPMR or, if changed by HQ USAF, the authorizations reflected in the response from HQ USAF/XPMR approving the start of the CA initiative. Subsequent changes to these entries are not allowed; however, command refinements to these numbers, when approved by HQ USAF/XPMR, may be made in Part II, UMD Authorizations (DEs 24-28a). Entries are not required for initiatives where no Unit Manpower Document (UMD) positions are allocated (e.g., activities currently performed by contract); however, an explanation in the Command Comments (DE 16) as to why no authorizations exist must be provided. The total count required by DE 13c is programmatically entered.

14a-14d. DoD Functional Area Code (FAC). The DoD FAC that describes the type of activity undergoing the CA initiative, i.e., one DoD FAC for a single activity or possibly several DoD FACs for a multi-function activity. Information must be entered when record is created. Select and enter the appropriate code(s) from CAMIS Table 5. As a minimum, DE 14a must be filled. When more than four DoD FACs are required to describe the CA, enter the most predominant DoD FACs in DEs 14a, 14b, and 14c, and enter "XXXXXX" (Multiple) in DE 14d. If the DoD FAC is not listed in CAMIS Table 5, the installation and command should jointly select a representative DoD FAC from [Attachment 2](#) of this Instruction and add it to CAMIS Table 5.

15. JIRSG Area Code. The Joint Interservice Resource Study Group (JIRSG) the installation is assigned to for coordination of the Defense Retail Interservice Support (DRIS) Program. Operator entry is not required. Information is automatically derived from the installation code portion of the current project number (DE 3a) and CAMIS Table 4.

16. Command Comments. A memo field used by commands to explain problems or situations that affect or affected the CA initiative or CAMIS record. A "T" indicates comments are provided, and "F" indicates comments are not provided.

A6.5.2.2. Part II, The Contract Solicitation Is Issued. This part shows the schedule of events for development of the PWS and issuing the contract solicitation, as well as a description of the type and kind of contract solicitation issued, and the refined manpower data. Milestone dates for each event are entered in chronological order (e.g., Performance Work Statement (PWS) must first be completed before a contract solicitation can be issued). Complete the record as follows (numbers and titles shown below correspond to the data element numbers and titles used in the CAMIS software program):

17a. PWS Start Date (Original Milestone). Original milestone date when work on PWS development is scheduled to begin. Date must be entered when record is created. Once established, date cannot be changed. Entries are required for all records created after 31 Jan 88 and for records created prior to that date where the entry for DE 4a is "P" (i.e., in-progress).

17b. PWS Start Date (Revised Milestone). Revised milestone date, if any, when work on PWS development is scheduled to begin. Date must be entered or changed when DE 17c is not filled and current date equals or exceeds date entered in DEs 17a or 17b; this date must be greater than the last day of the reporting quarter. It may be changed as often as necessary.

17c. PWS Start Date (Actual Date). Date when work on PWS development actually started. Date must be entered as soon as date is known. Entries are required for all records created after 31 Jan 88 and for records created prior to that date where the entry for DE 4a is "P" (i.e., in-progress).

18a. PWS Completion Date (Original Milestone). Original milestone date when work on PWS development is scheduled for completion. Date must be entered when record is created. Once established, date cannot be changed. Entries are required for all records created after 31 Jan 88 and for records created prior to that date where the entry for DE 4a is "P" (i.e., in-progress).

18b. PWS Completion Date (Revised Milestone). Revised milestone date, if any, when work on PWS development is scheduled for completion. Date must be entered or changed when DE 18c is not filled and current date equals or exceeds date entered in DEs 18a or 18b; this date must be greater than the last day of the reporting quarter. It may be changed as often as necessary.

18c. PWS Completion Date (Actual Date). Date when work on PWS development was actually completed. Date must be entered as soon as date is known. Entries are required for all records created after 31 Jan 88 and for records created prior to that date where the entry for DE 4a is "P" (i.e., in-progress).

19a. Contract Solicitation Issued Date (Original Milestone). Original milestone date when the contracting officer is scheduled to issue the contract solicitation. Date must be entered when record is created. Once established, date cannot be changed. Entries are required for all records created after 31 Jan 88 and for records created prior to that date where the entry for DE 4a is "P" (i.e., in-progress).

19b. Contract Solicitation Issued Date (Revised Milestone). Revised milestone date, if any, when the contracting officer is scheduled to issue the contract solicitation. Date must be entered or changed when

DE 19c is not filled and current date equals or exceeds date entered in DEs 19a or 19b; this date must be greater than the last day of the reporting quarter. It may be changed as often as necessary.

19c. Contract Solicitation Issued Date (Actual Date). Date when the contracting officer actually issued the contract solicitation. Date must be entered as soon as date is known. Entries are required for all records created after 31 Jan 88 and for records created prior to that date where the entry for DE 4a is "P" (i.e., in-progress).

20a. Solicitation Type Code. The type of solicitation used to obtain contract bids or proposals. Information must be entered when DE 19c is filled. Authorized code values and definitions in CAMIS Table 6 are:

B -Negotiated (Best Value Acquisition)

N -Negotiated (Other Than Best Value Acquisition)

S -Sealed Bid

20b. Solicitation Type Name. A clear text translation of the solicitation type code (DE 20a). Operator entry is not required. The program automatically enters information from CAMIS Table 6.

21a. Solicitation Kind Code. Indicates whether the competition for the contract was limited to a specific class of offerors. Information must be entered when DE 19c is filled. Authorized code values and definitions in CAMIS Table 7 are:

A - Restricted to Small Business

B - Small Business Administration 8(a) Set Aside

C - "Javits-Wagner-O'Day Act" (JWOD)

D - Other Mandatory Sources

U - Unrestricted

21b. Solicitation Kind Name. A clear text translation of the solicitation kind code (DE 21a). Operator entry is not required. The program automatically enters information from CAMIS Table 7.

22. Command Descriptive Work Center Title. A command-assigned title intended to more precisely describe the work performed by the CA. This is an optional command entry. An entry is recommended when DE 2b is too broad or too generic to accurately define the work being performed.

23. Number of Previous CA Initiatives. The number of times the activity has been subjected to a cost comparison or direct conversion. Information must be entered when record is created. An entry is required for all conversion category code 1 records, as well as conversion category code 2 and 3 records created after 31 Jan 88. Enter "0" when activity has not been previously subjected to a cost comparison or direct conversion.

24-28a. UMD Authorizations (DEs 24, 25, 26a, 27a, and 28a). The number of officer, airman and civilian UMD manpower authorizations included in the initial announcement or the refined number of authorizations approved by HQ USAF/XPMR. This number represents the number of authorizations existing in the activity prior to performing the most efficient organization (MEO). Information must be entered upon creation of the CAMIS record and match the number of "R" coded authorizations on the UMD. Entries are not required for initiatives where no UMD positions are allocated; however, an explanation in the Command Comments (DE 16) as to why no authorizations exist must be provided (e.g., cur-

rently being performed by contractor). Also, comments must be provided in DE 16 (Command Comments) for any approved UMD authorization refinements. The program automatically enters totals for DEs 26a and 28a.

26b-28b. Work Years Expended (DEs 26b, 27b, and 28b). The number of military and civilian work years required to perform the work accomplished prior to development of the MEO. Includes all sources of manpower required to perform the work, including personnel that are assigned, borrowed, diverted, detailed, contract support, nonappropriated fund, local nationals, etc. Information must be entered upon creation of the CAMIS record. Entry must reflect the total work years required to perform the work at the time the function was announced. A workyear is the use of 2,087 paid hours. Less than one-half work year of effort should be rounded down, and one-half work year or more should be rounded up. The program automatically enters the total for DE 28b.

29a-29b. Program Element Codes (PECs). The PECs assigned to the military and civilian authorizations entered in DEs 24, 25 and 27a. Information must be entered when record is created. When more than two PECs are assigned, enter the most predominant PEC in DE 29a and the word "MULTIPLE" in DE 29b. If desired, list the other PECs in the Command Comments (DE 16) for future reference.

30a-30b. Air Force Function Code (AF FAC). The 4-digit AF FAC that describes the type of work identified in the PWS. Information must be entered when the record is created. Value entered must be on CAMIS Table 8. Contact AFMIA/MIC to enter new valid AF FACs in Table 8. When more than two AF FACs are required to describe the work in the PWS, enter the most predominant one in DE 30a and "XXXX" (Multiple Functions) in DE 30b. If desired, list the other AF FACs in the Command Comments (DE 16) for tracking and future reference.

31a-31b. Air Force Function Code Title. Title of the AF FAC entered in DEs 30a and 30b. Operator entry is not required. The program automatically enters information from CAMIS Table 8.

A6.5.2.3. Part III, In-house And/Or Contractor/ISSA Costs Are Compared. This part shows the schedule of events leading up to bid opening and the preliminary decision results of that event. Milestone dates for each event are entered in chronological order (e.g., the Government Bid for a cost comparison or Cost Estimate for a direct conversion must be completed before bid opening is held). Complete this record as follows (numbers and titles shown below correspond to the data element numbers and titles used in the CAMIS software program):

32a. In-house Bid Completion Date (Original Milestone). Original milestone date established for completion of the Government Cost Estimate, including the independent review. Date must be entered when record is created. Once established, date cannot be changed. This information is required for all Category 1 and 2 cost comparisons approved after 31 Jan 88 or where the entry for DE4a is "P" (i.e., in-progress) and Category 3 records created after 30 Nov 97.

32b. In-house Bid Completion Date (Revised Milestone). Revised milestone date, if any, when the Government Cost Estimate will be completed. Date must be entered or changed when DE 32c is not filled and current date equals or exceeds date entered in DEs 32a or 32b; this date must be greater than the last day of the reporting quarter. It may be changed as often as necessary.

32c. In-house Bid Completion Date (Actual Date). Date when the Government Cost Estimate was actually completed. Date must be entered as soon as date is known. This information is required for all Category 1 and 2 cost comparisons approved after 31 Jan 88 or where the entry for DE4a is "P" (i.e., in-progress) and Category 3 records created after 30 Nov 97.

33a. Bid Opening Date (Original Milestone). Original milestone date established for comparing the Government's Cost Estimate to the individual contractor or ISSA bids or proposals. Date must be entered when record is created. Once established, date cannot be changed. This information is required for all records created after 31 Jan 88 and for records created prior to that date where the entry for DE4a is "P" and data elements 33c is not filled.

33b. Bid Opening Date (Revised Milestone). Revised milestone date, if any, for comparing the Government's Cost Estimate to the individual contractor or ISSA bids or proposals. Date must be entered or changed when DE 33c is not filled and the current date equals or exceeds date entered in DEs 33a or 33b; this date must be greater than the last day of the reporting quarter. It may be changed as often as necessary.

33c. Bid Opening Date (Actual Date). Actual date the Government Cost Estimate was compared to the individual contractor or ISSA bids or proposals. Date must be entered, as soon as date is known. This information is required for all records created after 31 Jan 88 and for records created prior to that date where the entry for DE4a is "P" and data element 33c is not filled.

33d. OMB Time Limits Exceeded Comments. A memo field used to report the status of cost comparisons/direct conversions that may exceed the OMB established time periods (18 months for single-function cost comparisons and 36 months for multiple function cost comparisons). Comments will include the following: (1) the date the cost comparison was to be initially completed, (2) the estimated new date of completion, (3) a description of problems encountered that prevented the timely completion of the cost comparison, (4) actions taken to mitigate the problem(s), and (5) the current status of the cost comparison. Must be entered for all records where DE 4a="P" and DE 33b or DE 33a is greater than 18 months for single functions and 36 months for multi functions from the date entered in DE 5. CAMIS Report 32 provides a listing of those cost comparisons that are expected to exceed OMB desired time limits. Entry is required for both cost comparisons and direct conversions completed (DE 37c) after 30 Nov 97; however, only cost comparisons are reported on CAMIS Report 32.

34a. Preliminary Decision Code. The preliminary results of the cost comparison as announced by the contracting officer at the time the bids or proposals are compared. Information must be entered when DE 33c is filled. An entry is required for all conversion category code 1 and 2 records. Authorized code values and definitions in CAMIS Table 9 are:

- I - In-house
- C - Contract
- S - ISSA

34b. Preliminary Decision Name. A clear text translation of the Preliminary Decision Code (DE 34a). Operator entry is not required. The program automatically enters information from CAMIS Table 9.

35. Cost Method Code.

a. The procedures under which the cost comparison/conversion was conducted. Authorized code values and definitions are:

- (1) For Category 1 Records:

- 1 - Cost comparison conducted under the incremental costing procedures in effect before CY 80.
- 2 - Cost comparison conducted using the full costing procedures in OMB Circular A-76, published 29 May 79.
- 3 - Cost comparison conducted under the alternative costing procedures implemented by DoD in Mar 82.
- 4 - Cost comparison conducted under the new costing procedures in the revised OMB Circular A-76, published 4 Aug 83.

(2) For Category 2 and Category 3 Records.

- 1 - Simplified cost comparison conducted under the new costing procedures in the revised OMB Circular A-76, published 4 Aug 83, or streamlined cost comparison conducted under the new procedures in the revised OMB Circular A-76 Supplement, published in Mar 96.
- 2 - Direct conversion implemented by the Department of Defense in Oct 88.

b. Must be entered as soon as possible but not later than the date DE 33c is filled.

36. Number of Bids or Proposals Received. The number of commercial bids or proposals received by the contracting officer in response to the solicitation. Information must be entered when DE 33c is filled.

A6.5.2.4. Part IV, The Contract/ISSA Is Awarded or Solicitation Is Canceled. This part shows the schedule for awarding the contract or canceling the solicitation and the final decision results. Complete this record as follows (numbers and titles shown below correspond to the data element numbers and titles used in the CAMIS software program):

37a. Contract Award/Solicitation Cancellation Date (Original Milestone). This is the original milestone date established for either awarding the contract or canceling the solicitation. For conversions to contract, this is the date the contract could be awarded in a formal advertised solicitation or the date the contractor could be authorized to proceed on a conditional award contract in a Negotiated solicitation. For retentions in-house, this is the date the solicitation would be canceled. Date must be entered when record is created; date entered must be greater than 31 Jan 88 and for records created prior to that date where the entry for DE4a is "P" (in-progress). Once established, date cannot be changed.

37b. Contract Award/Solicitation Cancellation Date (Revised Milestone). Revised milestone date, if any, for either awarding the contract or canceling the solicitation. Date must be entered or changed when DE 37a is filled and DE 37c is not filled and current date equals or exceeds date entered in DEs 37a or 37b; this date must be greater than the last day of the reporting quarter. It may be changed as often as necessary.

37c. Contract Award/Solicitation Cancellation Date (Actual Date). Actual date the contract was awarded or the solicitation canceled. Date entered must be greater than 31 Jan 88 and for records created prior to that date where the entry for DE 4a is "P" (in-progress). Date must be entered as soon as date is known. When this date is filled in, DE 4A (Project Status Code) must then be changed to "C" (indicating the initiative is completed).

38a. Final Decision Code. The final result of the comparison between in-house and contractor/ISSA costs, including direct conversions. The contracting officer either awards the contract or cancels the solicitation. Information must be entered when DE 37c is filled. This entry represents the final decision reached based on the results of the cost comparison, direct conversion, and/or any appeals. As such, it may be different from the preliminary decision entered in DE 34a. Authorized code values and definitions in CAMIS Table 9 are:

I - In-house

C - Contract

S - ISSA

38b. Final Decision Name. A clear text translation of the Final Decision Code (DE 38a). Operator entry is not required. The program automatically enters information from CAMIS Table 9.

39a. Decision Rationale Code. Rationale for awarding a contract or canceling the solicitation. Authorized code values and definitions in CAMIS Table 10 are:

B -Best Value

C - Cost

N - No Satisfactory Commercial Source

O - Other

Code definitions. Enter "B" when the cost comparison was conducted using best value (i.e., Cost/Technical Tradeoff) acquisition procedures. Enter "C" when the work will be performed in-house or by a contractor/ISSA based on cost. Enter "N" when the work will be performed in-house because no satisfactory commercial source was available (e.g., no bids or proposals were received or the pre-award survey resulted in the determination that no commercial sources were responsive or responsible). Enter "O" when other codes do not describe the decision rationale. Information must be entered when DE 37c is filled. The requirement for this information for Category 1 records has always existed; however, the requirement for this information did not exist until 1 Feb 88 (as determined by the date entry in DE5) for category 2 records and 1 Oct 89 (as determined by the date entry in DE37C) for category 3 records.

39b. Decision Rationale Name. A clear text translation of the decision rationale code (DE 39a). Operator entry is not required. The program automatically enters information from CAMIS Table 10.

40. Congressional Notification or RCS: HAF-XPM(AR) 8001 Memorandum Date. Enter the information as follows: (1) For initiatives that require congressional notification, enter the date Congress was notified by SAF/LLP of the AF intention to convert a CA to contract or ISSA performance. Date must be entered as follows: When DE 37c is filled and DE 1="1" or "2" and DE 38a="C" (contract) and DE 27a is greater than 10 appropriated fund civilians. (2) For initiatives that do not require congressional notification, enter the date of the RCS: HAF-XPM(AR) 8001 memorandum notifying HQ USAF/XPMR of the final decision. The 8001 date must be entered for all records not requiring congressional notification (as stated above) when DE 37c is greater than 30 Nov 97.

41. HQ USAF Manpower Allocation. The total number of manpower positions allocated by HQ USAF as a result of the cost comparison or direct conversion. When the final decision is in-house, enter the total number of positions approved and allocated by HQ USAF for continued in-house operation. When the final decision is contract, enter the total number of contract administrative positions, if any, approved and

allocated by HQ USAF. Information must be entered when DE 37c is filled with a date later than 30 Sep 83; entries prior to that date are encouraged when the information is available.

42a. Date MEO Implemented. The date MEO implementation is completed. The requirement applies to all records where DE 1 = "1" and DE 37c is greater than 30 Sep 89 and DE 38a = "I" (in-house).

42b. Post-MEO Performance Review Date. The most recent date the MEO was subjected to a formal review by the AFAA. Make no entry if the activity has not been subjected to a review. This data element only applies to category 1 and category 2 records where DE 38a = "I" and DE 42a is greater than 31 Mar 96.

42c. Post-MEO Review Comments. If the MEO was subjected to a Post-MEO Review audit after the first full year of performance, enter the results of the review audit. This data element only applies to category 1 and category 2 records where DE 42b is greater than 31 Mar 97.

43a. Contract Type Code. The type of contract awarded; or when the activity remains in-house, the type of contract requested in the solicitation. Information must be entered when entry for DE 37c is filled. Authorized code values and definitions in CAMIS Table 11 are:

FFP - Firm Fixed Price

FP-EPA - Fixed Price with Economic Price Adjustment

FPI - Fixed Price Incentive

CPIF - Cost Plus Incentive Fee

CPAF - Cost Plus Award Fee

CPFF - Cost Plus Fixed Fee

TM-LH - Time and Material or Labor Hour

43b. Contract Type Name. A clear text translation of the contract type code (DE 43a). Operator entry is not required. The program automatically enters information from CAMIS Table 11.

44. Prime Contractor Size. Size of the contractor awarded the contract. Information must be entered when DE 37c is filled with a date later than 30 Sep 85 and DE 38a is "C" (contract). Authorized code values and definitions are:

S - Small or Small/Disadvantaged Business

L - Large Business

45. Actual Length - 1st Performance Period. Expressed in months, the actual length of time covered by the first performance period only; it does not include option periods. Must be entered when DE 38a="C" (contract) or "S" (ISSA) and DE 37c (Contract Award/Solicitation Cancellation Date) is filled. Must also be filled when DE 38a="I" (in-house) and DE 37c is filled with a date greater than 30 Sep 89. Actual length of 1st performance period normally represents the actual number of months between either the Contract/ISSA Start Date in DE 52c (when DE 38a="C" or "S") or the Solicitation Cancellation Date in DE 37c (when DE 38a="I") and the end of the fiscal year. Entry is normally greater than 0 and less than 13.

46a-46e. CCS Performance Periods. Expressed in months, the length of time covered by each performance period in the cost comparison or direct conversion. Information must be entered when DE 37c is filled with a date later than 30 Sep 83. Entries prior to that date are encouraged when the information is

available. Entry for DE 46a is normally greater than 0 and less than 13; entry for DEs 46b and 46c cannot exceed 12; and entry for DE 46d can be a zero or any whole number. The program automatically enters the total for DE 46e. These data elements must be filled regardless of whether an activity remains in-house or goes contract.

C1 through C19. COMPARE CCF Information. The “Total” columnar costs reflected for each line number of the CCF. These costs must be entered for both cost comparison and direct conversion initiatives completed after 30 Nov 97. Costs reported prior to this date under other CCFs were converted by AFMIA to correspond with the COMPARE CCF issued on 6 Sep 96. Costs entered should be rounded to the nearest thousand, for the first performance period and all option periods. Enter Total column costs for each line of the COMPARE CCF, rounded to the nearest thousand, as follows:

		ENTER FOR:		
CAMIS DATA ELEMENT & TITLE	ENTER VALUE FROM COMPARE CCF Line #	Standard Streamlined Comparisons (i.e., DE1 = 1 or 2)	and Cost	Direct Conversions (DE1 = 3)
C1. Personnel	1	Yes		Yes
C2. Materiel & Supply Cost	2	Yes		Yes
C3. Other Spec Attributable Costs	3	Yes		Yes
C4. Overhead Costs	4	Yes		Yes
C5. Cost of Capital	5	Yes		Yes
C6. One Time Conversion Costs (ENRC)	6	Yes		Yes
C7. Additional Costs	7	Yes		Yes
C8. Total In-house Costs	8	Yes		Yes
C9. Contract or ISSA Price	9	Yes		Yes
C10. Contract Admin Costs	10	Yes		Yes
C11. Additional Costs	11	Yes		Yes
C12. One-time Conversion Costs	12	Yes		Yes
C13. Gain on Assets	13	Yes		Yes
C14. Federal income Tax (Deduct)	14	Yes		Yes
C15. Total Contract or ISSA Costs	15	Yes		Yes
C16. Minimum Conversion Differential	16	Yes		No
C17. Adjusted In-house Cost	17	Yes		Yes
C18. Adjusted Contract/ISSA Cost	18	Yes		Yes
C19. Decision	19	Yes		Yes
C20. – C22. Reserved (No entries required)				

C23. Number of Government Work Years Bid. The number of work years required to perform the work described in the PWS after conducting the MEO. This entry is equal to the number of work years in the in-house bid. Information must be entered for all conversion category code 1 records when DE 37c is

filled. For conversion category code 2 and 3 records, the information is automatically entered by CAMIS from DE 28b.

C24. Number of Government Work Years Saved. Number of work years saved as a result of the MEO. Operator entry is not required. Information is automatically computed by subtracting the post-MEO work years entered in DE C23 from the pre-MEO work years entered in DE 28b.

C25. Original Operating Costs. The estimated cost of the function(s) prior to the development of the MEO, in thousands of dollars, rounded to the nearest thousand, for the first performance period and all option periods. One method of developing these costs is to add to the total Government bid (Line 8 of the COMPARE CCF), an estimate of those costs specifically eliminated by the Management Plan. Before adding these cost savings to the Government bid, accumulate and inflate these savings for all performance periods using the same inflation procedures used to develop the Government Cost Estimate. Information is entered as soon as available; however, it must be entered when DE37C is filled. This data element applies to all category 1 cost comparisons, completed after 30 Sep 89. For all category 2 cost comparisons and category 3 direct conversion records created after 30 Nov 97, the information is automatically entered by CAMIS from DE C8.

C26. Savings. The estimated savings from the cost comparison for the first performance period plus all option periods, in thousands of dollars, rounded to the nearest thousand. Operator entry is not required. When DE 38a="I" (in-house), entry is automatically computed by subtracting the total in-house costs entered in DE C8 from the original operating costs in DE C25. When DE 38a="C" (contract) or "S" (ISSA), entry is automatically computed by subtracting the total contract/ISSA costs entered in DE C15 from the original operating costs in DE C25. This information applies to category 1 records completed after 30 Sep 89 and for Category 2 and Category 3 records completed after 30 Nov 97.

A6.5.2.5. Part V, The Contract/ISSA Starts. This part shows events associated with start of the contract or ISSA, as well as personnel actions and challenges resulting from the CA initiative. Milestone dates for the contract or ISSA start must proceed the contract award date in Part IV. Complete this record as follows (numbers and titles shown below correspond to the data element numbers and titles used in the CAMIS software program):

52a. Contract or ISSA Start Date (Original Milestone). Original milestone date established for the contractor or ISSA to start full operation of the CA should the final decision be contract or ISSA. Date must be entered when record is created. Once entered, date cannot be changed.

52b. Contract or ISSA Start Date (Revised Milestone). Revised milestone date, if any, for the contractor or ISSA to start full operation of the CA. Date must be entered or changed when DE 52c is not filled and current date equals or exceeds date entered in DEs 52a or 52b; this date must be greater than the last day of the reporting quarter. It may be changed as often as necessary. NOTE: An entry is not required when the final decision is in-house (DE 38a="I").

52c. Contract or ISSA Start Date (Actual Date). Actual date the contractor or ISSA began full operation of the CA, as reflected in the contracting documents. Date must be entered as soon as date is known. NOTE: An entry is not required when the final decision is in-house (DE 38a="I").

53a. Number of Permanent Employees Separated. Enter the number of MEO employees who were separated from Federal employment as a result of the contract or ISSA award. Information must be entered when DE 52c is filled. NOTE: An entry is not required when the final decision is in-house (i.e., DE 38a="I").

53b. Number of Permanent Employees Transferred to Equal Positions. Enter the number of MEO permanent employees who were reassigned to positions of equivalent grade as a result of the contract or ISSA award. Excludes employees reassigned to an ISSA activity. Information must be entered when DE 52c is filled. NOTE: An entry is not required when the final decision is in-house (i.e., DE 38a="I").

53c. Number of Permanent Employees Transferred to Lower Positions. Enter the number of MEO permanent employees who were reassigned to lower grade positions as a result of the contract or ISSA award. Excludes employees reassigned to an ISSA activity. Information must be entered when DE 52c is filled. NOTE: An entry is not required when the final decision is in-house (i.e., DE 38a="I").

53d. Number of Permanent Employees Retiring Early. Enter the number of MEO permanent employees who took early retirement as a result of the contract or ISSA award. Information must be entered when DE 52c is filled. NOTE: An entry is not required when the final decision is in-house (i.e., DE 38a="I").

53e. Number of Permanent Employees Retiring Normally. Enter the number of MEO permanent employees who took normal retirement as a result of the contract or ISSA award. Information must be entered when DE 52c is filled. NOTE: An entry is not required when the final decision is in-house (i.e., DE 38a="I").

54. Number of Temporary Employees Separated. Enter the number of MEO permanent employees who were separated from Federal employment as a result of the contract or ISSA award. Information must be entered when DE 52c is filled. NOTE: An entry is not required when the final decision is in-house (i.e., DE 38a="I").

55a. Number of Employees Entitled Severance. Enter the estimated number of MEO employees entitled to severance pay upon their separation from Federal employment as a result of the contract or ISSA award. Information must be entered when DE 52c is filled. NOTE: An entry is not required when the final decision is in-house (i.e., DE 38a="I").

55b. Number of Employees Hired by the Contractor/ISSA. Enter the number of MEO civilian employees (full-time or otherwise) that will be hired by the contractor/ISSA, or his or her subcontractors, at the start of the contract. Do not include retirees. Information must be entered when DE 52c is filled. NOTE: An entry is not required when the final decision is in-house (i.e., DE 38a="I").

56. Estimated Severance Entitlements. The total estimated amount of severance to be paid to all MEO employees as a result of the contract or ISSA award. Excludes employees reassigned to an ISSA activity. Enter the amount in thousands of dollars (rounded to the nearest thousand). Information must be entered when DE 52c is filled. NOTE: An entry is not required when the final decision is in-house (i.e., DE 38a="I").

57a. Administrative Appeal Filed. Indicates whether an administrative appeal was filed. Information must be entered when DE 37c is filled. Entry must be as follows: "Y" (Yes) or "N" (No).

57b. Administrative Appeal Source. Indicates who filed the administrative appeal. Entry must be as follows: "I" (In-house), "C" (Contractor), "B" (Both Competing Parties, i.e., in-house and contract or ISSA), or "S" (ISSA). NOTE: When the source entry is "B," explain in the Command Comments (DE 16) the reasons for both parties appealing and the result.

57c. Administrative Appeal Result. Indicates whether the administrative appeal upheld. Entry must be as follows: "Y" (Yes), "N" (No), or "P" (Pending). NOTE: When the result is "Y" and the final decision

(DE 38a) still equals the preliminary decision (DE 34a), provide comments in the DE 16 explaining why the decision remained unchanged.

58a. GAO Protest Filed. Indicates whether a GAO protest was filed. Information must be entered when DE 37c is filled. Entry must be as follows: "Y" (Yes) or "N" (No).

58b. GAO Protest Source. Indicates who filed the GAO Protest. Entry must be as follows: "I" (In-house), "C" (Contractor), "B" (Both Competing Parties, i.e., in-house and contract or ISSA), or "S" (ISSA). NOTE: When the source entry is "B," explain in the Command Comments (DE 16) the reasons for both parties filing GAO protests and the result.

58c. GAO Protest Result. Indicates whether the GAO Protest upheld. Entry must be as follows: "Y" (Yes), "N" (No), or "P" (Pending). NOTE: When the result is "Y" and the final decision (DE 38a) still equals the preliminary decision (DE 34a), provide comments in the DE 16 explaining why the decision remained unchanged.

59a. Grievance Filed. Indicates whether a grievance was filed. Information must be entered when DE 37c is filled. Entry must be as follows: "Y" (Yes), "N" (No).

59b. Grievance Result. Indicates whether the grievance was upheld. Information must be entered when DE 37c is filled and DE 59a is "Y". Entry must be as follows: "Y" (Yes), "N" (No), or "P" (Pending).

60a. Arbitration Requested. Indicates whether the Federal Labor Relations Agency (FLRA) was asked to arbitrate. Information must be entered when DE 37c is filled. Entry must be as follows: "Y" (Yes) or "N" (No).

60b. Arbitration Result. Indicates the ruling of the FLRA. Entry must be as follows: "Y" (Yes) if the FLRA decision was in the Government's favor, "N" (No) if the decision was not in the Government's favor or "P" (if the decision is still pending).

61. Staff Hours Expended. The estimated number of in-house staff hours expended by the installation on the cost comparisons or direct conversions from the time it was announced until the final decision (DE 37c) was made. Includes time spent by all installation activities that participated in the initiative (e.g., servicing manpower and organization office, Office of Primary Responsibility (OPR), Financial Analysis Office, Contracting, Civilian Personnel, (includes civilian personnel doing Mock RIFs, Legal, etc). Does not include any time spent on overall A-76 program management (e.g. interpretation of policy or procedural guidance applicable to all initiatives, development of the MEO, or waiting time (i.e., initiative not being actively worked). Do not include staff hours expended by contractors hired to perform any aspect of the cost comparison (i.e., development of the PWS, QASP, Government Cost Estimate, TPP). **Important:** Ensure this data element is updated each quarter for all in-progress initiatives and those initiatives completed in the reporting quarter. Enter the cumulative number of staff hours each reporting quarter. For conversion category 1 and 2 records, an entry is required when DE 37c is greater than 30 Sep 85. For conversion category 3 records, an entry is required when DE 5 is greater than 30 Nov 97.

62. Total Costs Expended. The estimated cost, in thousands of dollars, rounded to the nearest thousand, of conducting the cost comparison or direct conversion. Includes the total cost of staff hours expended and shown in DE61 (both direct and indirect) by the installation from the time the public announcement is made until a final decision is made. In-house staff hour costs **will** be calculated by applying an average hourly wage rate to each category of employee staff hours (i.e., officer, airman, and civilian). Develop the average hourly wage rates by dividing the current fiscal year wage rates, shown in CAMIS Table 12 (ensure FY costs are current) for each category of employee, by 2087 paid hours. Also includes non-labor

costs (e.g., travel, reproduction, etc., as well as the costs of any contractors hired to perform any portion of the cost comparison or direct conversion). For any non-labor costs, use a best estimate of actual costs incurred. **Important:** Ensure this data element is updated each quarter for all in-progress initiatives and those initiatives that were completed in the reporting quarter. Enter the cumulative total costs expended each reporting quarter. For conversion category 1 and 2 records, an entry is required when DE 37c is greater than 30 Sep 85. For conversion category 3 records, an entry is required when DE 5 is greater than 30 Nov 97.

A6.5.2.6. Part VI, The Performance Periods Are Completed. This part shows a comparison of the winning bid to the actual costs, adjusted costs, and change of contractors. Various portions are completed following completion of the first, second, and third performance periods. Complete this record as follows (numbers and titles shown below correspond to the data element numbers and titles used in the CAMIS software program):

63a, 64a, and 65a. Contract, ISSA, or In-house Bid. The contract, ISSA or in-house bid for the first, second, and third performance periods (in thousands of dollars, rounded to the nearest thousand). Information must be entered as follows:

For Contract or ISSA Decision: Information must be entered for each performance period when DE 37c is greater than 30 Sep 85 and DE 52c is filled. For each performance period, enter the contractor or ISSA bid price or offer as reflected in columns 1 (first performance period), 2 (second performance period), and 3 (third performance period) of Line 9 from the COMPARE CCF.

For In-house Decision: Information must be entered for each performance period when DE 1="1", DE 37c is filled with a date later than 30 Sep 89, and DE 38a="I" (in-house); it must also be filled when DE 1="2" or "3" and DE 37c is filled with a date later than 31 Mar 96 and DE 38a="I" (in-house). For each performance period, enter the in-house bid price as reflected in columns 1 (first performance period), 2 (second performance period), and 3 (third performance period) of Line 8 from COMPARE CCF.

63b, 64b, and 65b. Actual Contract or ISSA Costs. Total amount actually paid to the contract/ISSA offeror for the first, second, and third performance periods (in thousands of dollars, rounded to the nearest thousand). Information must be entered upon completion of the first, second, and third performance periods when DE 37c is filled with a date later than 30 Sep 85 and Final Decision (DE 38a) is "C" (contract) or "S" (ISSA). Differences of more than 10% between the bid price and actual costs must be explained in DE 16 (Command Comments). CAMIS Standard Report 22 identifies contract costs that differ by a plus or minus 10%.

63c, 64c, and 65c. Adjusted Contract or ISSA Costs. Enter the adjusted contract or ISSA costs, in thousands of dollars (rounded to the nearest thousand), for the first, second, and third performance periods. This adjusted cost shall include actual Department of Labor wage increases and costs for omissions and/or errors in the original PWS. Do not include costs related to new mission requirements nor their associated wages. This entry is developed by subtracting new mission requirement costs from the actual contract or ISSA costs (as shown in DEs 63b, 64b, and 65b) for each performance period. When there are no new mission requirement costs, this entry will equal the contract or ISSA costs entry. Determine new mission requirement costs by working with the functional OPR(s) and contracting office. Information must be entered upon completion of each performance period when DE 1="1" and DE 37c is filled with a date later than 30 Sep 89 and Final Decision (DE 38a) is "C" (contract) or "S" (ISSA). This data element applies to Conversion Category Code 1 records only.

63d, 64d, and 65d. Adjusted In-house Costs. Enter the total in-house cost of the MEO, in thousands of dollars (rounded to the nearest thousand), for first, second, and third performance periods. An entry is required even if the activity went to contract or ISSA performance. This cost shall include civil service pay increases but exclude increases associated with new mission requirements not included in the original scope of work of the function. When the activity is contract or ISSA operated, this entry represents an estimate of those costs (LESS new mission requirement costs) that would have been experienced if the activity had remained in-house. Determine new mission requirement costs by working with the functional OPR(s) and other base level offices, as required. Information must be entered upon completion of each performance period when DE 1="1" and DE 37c is filled with a date later than 30 Sep 89. This data element applies to Conversion Category Code 1 records only.

63e. Actual In-house Costs, First Performance Period Only. An estimate of the actual in-house cost for the first performance period (in thousands of dollars, rounded to the nearest thousand). Includes all costs, including those associated with mission changes, pay increases, and omissions/errors in the original PWS. Determine added costs, if any, by working with the functional OPR(s), and when considered appropriate, other base level offices (e.g., the financial management office). The actual in-house cost estimate is the sum of the original MEO bid price and these estimated additional costs. Applies to Conversion Category Code 1 records completed after 30 Sep 89 where the final decision was in-house. Also applies to Conversion Category Code 2 and 3 records completed after 31 Mar 96 where the final decision was in-house. Information must be entered upon completion of the first performance period. Entry is not required if the function was converted to contract/ISSA performance.

65e. Reasons for Missing Contract/ISSA Costs. Explains why cost information for DEs 63a through 65d is permanently unavailable. Information must be entered only when the cost information required by DEs 63a through 65d is permanently unavailable. Do NOT make an entry for temporary reasons (e.g., late availability of data or ongoing contract resolicitation). Authorized codes and definitions are:

C - Contract was consolidated with another contract and cost breakout is not possible.

T - Contract/ISSA was terminated and workload eliminated, or workload has been permanently returned in-house.

66. Contractor Changed. Tells if the contractor for the second or third performance period has changed from the original contractor. Information must be entered when DE 63b (Actual Contract Costs for 1st Performance Period) is filled. Entry codes and definitions are:

Y - Yes, the contractor has changed.

N - No, the contractor has not changed.

67. Prime Contractor Size. Tells the size of the new prime contractor. Information must be entered when entry for DE 66 (Contractor Changed) is "Y" and entry for DE 68 (Reason For Change) is "C," "D," "N," or "U." Code values and definitions are:

S - New contractor is small/small disadvantaged business.

L - New contractor is large business.

68. Reason for Change. Explains the reason for the contractor change, followed by the FY during which the change occurred. Information must be entered when entry for DE 66 (Contractor Changed) is "Y." Code entry must be followed by the last two digits of the FY during which the change occurred (e.g., R97). Authorized code values and definitions are:

C - Contract workload consolidated with other existing contract workload.

D - New contractor took over because original contractor defaulted.

I - Returned in-house because of original contractor default, etc., within 12 months of start date and because in-house bid is the next lowest. NOTE: This code may not be used with conversion category code 3 records.

N - New contractor replaced original contractor because Government decided not to renew contract in option years.

R - Returned in-house temporarily pending resolicitation due to contractor default, etc.

S - The workload was assumed by ISSA.

U - Contract workload was consolidated into a larger (umbrella) cost comparison.

X - Other –the function was either returned to in-house performance or eliminated because of base closure, realignment, budget reduction, or other change in requirements.

RS1 Through RS9. Reserved. No entries are required.

A6.5.2.7. Part VII, MEO Enhancements Are Summarized. For each of the following data elements, enter “Y” if improvements were developed, approved and included in the management study or “F” if improvements were not developed. This part applies only to conversion category code 1 records where DE 37c is later than 30 Sep 84. See the CAMIS Software Program User's Guide for special program operating instructions associated with entries to these data elements (numbers and titles shown below correspond to the data element numbers and titles used in the CAMIS software program).

69. Facility/Layout Improvements.

70. Equipment Improvements.

71. Automation Improvements.

72. Organizational Structure Improvements.

73. Work Procedures Improvements.

74. Needless Work Eliminated.

75. Personnel Costs Reduced by Adding Temporary, Part-time, & Intermittent Positions.

76. Personnel Costs Reduced by Lowering Average Grades.

77. Personnel Costs Reduced by Establishing Multi-skilled Positions.

78. Personnel Costs Reduced by Requiring Overtime in Lieu of Additional Positions.

79. Other Enhancements. This data element is used to identify and describe other enhancements not addressed by data elements 69 through 78.

A6.5.2.8. Part VIII, Internal Command Information. This part is reserved for use by the commands to maintain information useful to their internal program management. The CAMIS program provides a variety of data elements in this part, and no error checks are made. The only requirement is that entries match the size and type of make-up for each data element (i.e., character, numeric, etc). Commands issue instructions, as required, concerning their use. Some basic guidance follows (numbers and titles shown below correspond to the data element numbers and titles used in the CAMIS software program).

80 through 83. Character. Accepts any alphabetical, numeric, or special character entries. Maximum size of any single entry cannot exceed 18 characters. Entries cannot be used in mathematical computations.

84 through 87. Numeric. Accepts only numeric entries. Maximum size of any single entry cannot exceed 8 numeric characters. Entries can be used in mathematical computations.

88 through 89. Date. Accepts only date entries. Entry format must be MMDDYYYY (i.e., month/day/year).

90. Comments. This is a memo field for entering comments. There is no limit on the amount of comments that may be entered. See the CAMIS Software Program User's Guide for special program operating instructions associated with entries to this data element.

A6.5.2.9. Mandatory Edit Checks. Accurate maintenance and reporting of CAMIS data records is essential to qualitative assessment of the AF CA Program and associated planning, programming, and budgeting actions. It is also essential for early detection and resolution of real or potential problems. Accordingly, reporting activities must edit and correct their database prior to producing the quarterly CAMIS report. As a minimum, the CAMIS automated error check routines specified below must be executed in conjunction with the development of the quarterly CAMIS report. In addition, this section provides Instructions for identifying and reporting instances where contract costs vary by 10% or more and where maximum allowed time limits for completion of a CA initiative have or will be exceeded.

A6.5.2.9.1. Error Check (CAMIS Main Menu Option 5). Execute this edit routine at both the servicing manpower and organization offices and commands to automatically edit records and produce a printed list of errors, if any, contained in the CAMIS data records. When possible, correct all errors prior to producing and submitting the quarterly CAMIS report. Errors which cannot be corrected must be explained in the command comments (DE 16) and reference the FQ and data element to which the error pertains (e.g., FQ 1/99, DE61, Staff Hours Expended: Staff hours did not change from previous quarter since we were awaiting approval to break-out the initiative).

A6.5.2.9.2. Review Critical Elements (CAMIS Main Menu Option 0, Submenu Option 3). This routine contains two sub-options that commands should run to automatically compare the current and new (import files) CAMIS data records and to produce the following printed reports:

A6.5.2.9.3. Records Added and Deleted Report (CAMIS Main Menu Option 0, Submenu Option 3, Sub-option 1). Print this report for a list of records added or deleted since the last reporting quarter. Review the list to ensure all record additions and deletions are legitimate and have HQ USAF/XPMR approval. Advise AFMIA/MIC, by telephone or in writing, the reason for all record deletions.

A6.5.2.9.4. Changes to Critical Elements Report (CAMIS Main Menu Option 0, Submenu Option 3, Sub-option 2). Print this report for a list of changes to critical data elements whose values changed and impact planning, programming, and budgeting actions. Review the list to ensure all changes are legitimate. All changes must be explained in the CAMIS Command Comments (DE 16), except increases to DE 61 and DE 62 on in-progress records or records that were completed during the report quarter.

A6.5.2.9.5. CAMIS Standard Report 22, Contract Costs Over or Under 10% of Bid Price. Print this report to identify all CA initiatives that have contract costs over or under 10% of the bid price in any or all performance periods. Provide explanations in the Command Comments (DE 16) for the reasons for the increase/decrease of the actual costs versus the bid price. This information is required to respond to various congressional and other high level inquiries.

A6.5.2.9.6. CAMIS Standard Report 28, CA Initiatives That Exceed or Are Projected to Exceed Maximum Allowed Time (Single & Multifunction Studies) by Fiscal Quarter (FQ). Print this report to identify all in-progress CA initiatives that have exceeded or are projected to exceed their maximum allowed completion time (OMB and statutory time limits). For each CA initiative that appears on this report, provide comments in CAMIS DE 16 explaining the reason(s) for the delay and planned course of action and/or assistance required, if any, to either cancel the initiative or speed its completion. See [Chapter 6](#) of this Instruction for procedures for canceling CA initiatives, when required.

Attachment 7**FORMAT FOR DOCUMENTING MANAGEMENT PLAN**

MANAGEMENT PLAN OF (Function) , (Installation)

A7.1. Purpose for Management Plan:

A7.1.1. To develop the optimum organizational structure to accomplish essential (title) function.

A7.1.2. To determine and document the specific management improvements on which the optimum structure is based.

A7.2. Current Operations of Function. (This section describes the authorized organization and operations at the start of the Management Plan. The most current of each of the below should be included.)

A7.2.1. Mission statement.

A7.2.2. Organization chart or charts.

A7.2.3. Unit Manpower Document (UMD).

A7.2.4. Responsibility of essential functions.

A7.2.5. Operation procedures.

A7.2.6. Technology utilized.

A7.2.7. Workload data.

A7.2.8. Personnel analysis.

A7.2.9. Material analysis.

A7.2.10. Equipment analysis.

A7.2.11. Facility analysis.

A7.3. Discussion of Organization and Operations. (In this section, the current organization and operations are discussed and compared to possible new ways of doing the work. The cost comparison's methodology employed is described, and the results and conclusions of the analysis are presented. Rationale for recommendations in paragraph **A7.4.** (this attachment) should evolve from the conclusions presented here. Each of the below topics should be addressed.)

A7.3.1. Mission. (Discuss the current mission and any anticipated changes.)

A7.3.2. Organization. (Discuss whether the structure is appropriate to its mission, function, internal conditions, and environment.)

A7.3.3. UMD.

A7.3.4. Responsibility. (Discuss whether authority and accountability are properly balanced in the organization's hierarchical structure.)

A7.3.5. Operation Procedures. (Discuss whether the system is integrated and is efficiently utilizing people, material, and equipment.)

A7.3.6. Position Structure. (Discuss whether the structure is the most effective and economical based on work to be performed.)

A7.3.7. Technology Review. (Discuss whether available laborsaving systems are being employed.)

A7.3.8. Workload Data. (Discuss the current workload and any anticipated changes.)

A7.3.9. Material Analysis. (Discuss current and future amounts and types of material.)

A7.3.10. Equipment Analysis. (Discuss the current and future types of equipment.)

A7.3.11. Facility Analysis. (Discuss whether the type and location of the work area is conducive to smooth performance.)

A7.4. Recommendations. This section makes the argument for the optimum structure with reference to relevant subparagraphs in paragraph **A7.3.** (this attachment) and any supporting attachments. For Cost/Technical Tradeoff acquisitions, this section of the Management plan, in effect, is the basis for the in-house TPP. This section should provide sufficient detail to facilitate the development of the in-house TPP. The TPP is developed as part of the Management Plan. The description of the recommended organization includes the following information for the Management Plan:

A7.4.1. Mission.

A7.4.2. Organization chart or charts.

A7.4.3. Recommended UMD.

A7.4.4. Responsibility of essential functions.

A7.4.5. Operation procedures.

A7.4.6. Technology review.

A7.4.7. Workload.

A7.4.8. Personnel.

A7.4.9. Material.

A7.4.10. Equipment.

A7.4.11. Facilities.

A7.5. Analysis of Resources Impact. (This section portrays the effect of the recommendations upon the overall organization resources. The following areas should be addressed.)

A7.5.1. Funding. (Personnel savings, costs for new equipment, total savings to Government, etc.)

A7.5.2. Personnel. (Number of grades and spaces increased or decreased.)

A7.5.3. Equipment and Facilities. (Cost for recommended changes and projected savings from their utilization.)

A7.5.4. Other impacts.

A7.6. Other Documentation. Included in the Management Plan as separate documents are:

A7.6.1. Quality Assurance Surveillance Plan (QASP). A description of the Government's in-house QASP and how it will differ, including resources, if services are provided by ISSA or contract and why.

A7.6.2. Assets. When existing assets used by the MEO are not provided to the ISSA or contractor for use, an analysis of the benefits to the Government is required.

A7.6.3. Transition Plan. A plan for the transition to or from current organizational structure to MEO or contract/ISSA performance--designed to minimize disruption, adverse impacts, capitalization, and start-up requirement. The Transition Plan will ensure MEO, ISSA or contract implementation begins upon a final cost comparison decision.

A7.6.4. Government Cost Estimate. A description of all costs associated with the performance of the MEO calculated in accordance with this Instruction.

A7.7. For Cost/Technical Tradeoff Acquisitions Where a TPP is Prepared. The TPP is developed as part of the Management Plan. Specific details regarding handling of the TPP are in [Chapter 11](#) of this Instruction.

Attachment 8

USEFUL LIFE AND DISPOSAL VALUE TABLE

<u>Disposal Value</u> <u>Expected FSC</u> <u>No.</u>	<u>Nomenclature</u>	<u>Factor as a</u> <u>Useful Life</u> <u>(Years)</u>	<u>Percent of</u> <u>Acquisition</u>
1005	Guns, through 30mm	15	0.03150
1010	Guns, over 30mm up to 75mm	20	0.01180
1015	Guns, 75mm through 125mm	25	0.00630
1025	Guns, over 125mm through 200mm	25	0.02140
1030	Guns, over 200mm through 300mm	25	0.02610
1040	Chemical Weapons and Equipment Launchers, Rocket and Pyrotechnic	16	0.02000
1080	Camouflage and Deception Equipment	10	0.01750
1090	Assemblies Interchangeable between Weapons in Two or More Classes	25	0.02250
1095	Misc. Weapons	20	0.01060
1105	Nuclear Bombs	19	0.05500
1110	Nuclear Projectiles	14	0.05500
1115	Nuclear Warheads and Warhead Sections	19	0.05500
1125	Nuclear Demolition Charges	15	0.05500
1127	Nuclear Rockets	15	0.05500
1135	Fusing and Firing Devices, Nuclear Ordnance	16	0.00080
1190	Specialized Test and Handling Equipment, Nuclear Ordnance	8	0.00600
1195	Miscellaneous Nuclear Ordnance	15	0.05500
1220	Fire Control Computing Sights and Devices	8	0.00290
1230	Fire Control System, Complete	11	0.05500
1240	Optical Sighting and Ranging Equipment	11	0.01800
1250	Fire Control Stabilizing Mechanisms	11	0.01760
1260	Fire Control Designating and Indicating Equipment	12	0.00580
1265	Fire Control Transmitting and Receiving Equipment, except Airborne	11	0.00390
1270	Aircraft Gunnery Fire Control Components	11	0.00220
1280	Aircraft Bombing Fire Control Components	11	0.00220
1285	Fire Control Radar Equipment, except Airborne	11	0.01190
1290	Misc. Fire Control Equipment	19	0.00790

<u>Disposal Value</u> <u>Expected FSC</u> <u>No.</u>	<u>Nomenclature</u>	<u>Factor as a</u> <u>Useful Life</u> <u>(Years)</u>	<u>Percent of</u> <u>Acquisition</u>
1336	Guided Missile Warheads and Explosives Components	20	0.05500
1337	Guided Missile and Space Vehicle Explosive Propulsion Units	20	0.05500
1338	Guided Missile and Space Vehicle Inert Propulsion Units	22	0.05500
1340	Rockets, Rocket Ammo, and Rocket Components	18	0.03620
1370	Pyrotechnics	9	0.05500
1375	Demolition Materials	10	0.01370
1377	Cartridge and Propellant Activated Devices and Components	9	0.01280
1385	Surface Use Explosive Ordnance Disposal Tools and Equipment	12	0.05500
1398	Specialized Ammo Handling and Servicing Equipment	12	0.00520
1410	Guided Missiles	19	0.01550
1420	Guided Missile Components	15	0.00130
1425	Guided Missile Systems, Complete	16	0.05500
1427	Guided Missile Subsystems	16	0.05500
1430	Guided Missile Remote Control Systems	19	0.00450
1440	Launchers, Guided Missile	17	0.00660
1450	Guided Missile Handling and Servicing Equipment	17	0.00650
1510	Aircraft Fixed Wing	16	0.01660
1520	Aircraft, Rotary Wing	17	0.01000
1540	Gliders	17	0.05500
1550	Drones	16	0.05500
1560	Airframe Structural Components	20	0.02480
1610	Aircraft Propellers	10	0.04580
1615	Helicopter Rotor Blades, Drive Mechanisms, and Components	10	0.03520
1620	Aircraft Landing Gear Components	10	0.02710
1630	Aircraft Wheel and Brake Systems	10	0.04920
1650	Aircraft Hydraulic, Vacuum and De-icing System Components	10	0.02190
1660	Aircraft Air Conditioning, Heating, and Pressurizing Equipment	10	0.02230

<u>Disposal Value</u> <u>Expected FSC</u> <u>No.</u>	<u>Nomenclature</u>	<u>Factor as a</u> <u>Useful Life</u> <u>(Years)</u>	<u>Percent of</u> <u>Acquisition</u>
1670	Parachutes Aerial Pick Up, Delivery, Recovery Systems, and Cargo Tie Down Equipment	7	0.05520
1680	Misc. Aircraft Accessories and Components	7	0.01920
1710	Aircraft Arresting, Barrier & Barricade Equipment	25	0.05500
1720	Aircraft Launching Equipment	25	0.01910
1730	Aircraft Ground Servicing Equipment	20	0.03120
1740	Airfield Specialized Trucks and Trailers	9	0.06370
1810	Space Vehicles	20	0.05500
1830	Space Vehicles Remote Control Systems	20	0.05500
1840	Space Vehicles Launchers	20	0.05500
1850	Space Vehicles Handling & Servicing Equipment	20	0.05500
1860	Space Survival Equipment	30	0.05500
1905	Combat Ships and Landing Vessels	20	0.02530
1910	Transport Vessels, Passenger and Troop	30	0.05500
1915	Cargo and Tanker Vessels	30	0.08540
1925	Special Service Vessels	25	0.08540
1930	Barges and Lighters, Cargo	27	0.11050
1935	Barges and Lighters, Special Purpose	30	0.19830
1940	Small Craft	23	0.06350
1945	Pontoons and Floating Docks	30	0.14420
1990	Misc. Vessels	20	0.08740
2010	Ship and Boat Propulsion Components	20	0.10260
2030	Deck Machinery	20	0.03310
2040	Marine Hardware and Hull Items	20	0.16570
2050	Buoys	20	0.11050
2090	Misc. Ship and Marine Equipment	20	0.04810
2210	Locomotives	29	0.16510
2220	Rail Cars	40	0.10270
2230	Right-of-Way Construction and Maintenance Equipment, Railroad	20	0.18690
2240	Locomotive and Rail Car Accessories and Components	14	0.09980
2250	Track Materials, Railroad	14	0.41000
2305	Ground Effect Vehicles	15	0.00000

<u>Disposal Value</u> <u>Expected FSC</u> <u>No.</u>	<u>Nomenclature</u>	<u>Factor as a</u> <u>Useful Life</u> <u>(Years)</u>	<u>Percent of</u> <u>Acquisition</u>
2310A	Passenger Motor Vehicles, Passenger Cars and Station Wagons	6	0.17000
2310B	Passenger Motor Vehicles, Buses (11 or more passengers)	8	0.17000
2310C	Passenger Motor Vehicles, Ambulances	7	0.17000
2320A	Trucks and Truck Tractors, Wheeled, Less than 12,500 (payload 1 ton and less)	6	0.17960
2320B	Trucks and Truck Tractors, Wheeled, 12,500 through 16,999 (payload 1-1/2 through	7	0.17960
2320C	Trucks and Truck Tractors, Wheeled, 17,000 and over (payload, 3 tons and over)	9	0.17960
2320D	Trucks and Truck Tractors, Wheeled, Multiple Drive Vehicles	6	0.17960
2330	Trailers	23	0.10090
2340	Motorcycles, Motor Scooters, and Bicycles	12	0.27310
2350	Combat, Assault and Tactical Vehicles, Tracked	14	0.32820
2410	Tractors, Full Track, Low Speed	14	0.27620
2420	Tractors, Wheeled	13	0.22700
2430	Tractors, Track Laying, High Speed	14	0.07420
2510	Vehicular Cab, Body and Frame Structural Components	10	0.14180
2520	Vehicular Power Transmission Components	12	0.16220
2530	Vehicular Brake, Steering, Axle, Wheel and Track Components	12	0.12170
2540	Vehicular Furniture and Accessories	18	0.06950
2590	Misc. Vehicular Components	10	0.07040
2805	Gasoline Reciprocating Engines, except Aircraft and Components	7	0.05680
2810	Gasoline Reciprocating Engines, Aircraft and Components	12	0.03430
2815	Diesel Engines and Components	12	0.13330
2835	Gas Turbines and Jet Engines, except Aircraft and Components	15	0.03590
2840	Gas Turbines and Jet Engines, Aircraft, and Components	12	0.01770
2845	Rocket Engines and Components	12	0.00110
2910	Engine Fuel System Components, Nonaircraft	12	0.08010

<u>Disposal Value</u> <u>Expected FSC</u> <u>No.</u>	<u>Nomenclature</u>	<u>Factor as a</u> <u>Useful Life</u> <u>(Years)</u>	<u>Percent of</u> <u>Acquisition</u>
2915	Engine Fuel System Components, Aircraft	12	0.03010
2920	Engine Electrical System Components, Nonaircraft	12	0.10320
2925	Engine Electrical System Components, Aircraft	12	0.07940
2930	Engine Cooling System Components, Nonaircraft	12	0.21960
2935	Engine Cooling System Components, Aircraft	12	0.07410
2945	Engine Air and Oil Filters, Strainers and Cleaners, Aircraft	12	0.01710
2950	Turbosuperchargers	12	0.08260
2990	Misc. Engine Accessories, Nonaircraft	12	0.07770
2995	Misc. Engine Accessories, Aircraft	12	0.04100
3010	Torque Converters and Speed Changers	12	0.05930
3020	Gears, Pulleys, Sprockets and Transmission Chain	12	0.04640
3040	Misc. Power Transmission Equipment	12	0.03220
3110	Bearings, Antifriction, Unmounted	12	0.22140
3120	Bearings, Plain, Unmounted	12	0.04780
3130	Bearings, Mounted	12	0.07800
3210	Sawmill and Planing Mill Machinery	15	0.28410
3220	Woodworking Machines	15	0.27370
3405	Saws and Filing Machines	20	0.30870
3408	Machining Centers and Way-Type Machines	20	0.07490
3410	Electrical and Ultrasonic Erosion Machines	10	0.09750
3411	Boring Machines	20	0.49610
3413	Drilling and Tapping Machines	15	0.40160
3414	Gear Cutting and Finishing Machines	10	0.29580
3415	Grinding Machines	15	0.35060
3416	Lathes	20	0.39840
3417	Milling Machines	20	0.28220
3418	Planners and Shapers	20	0.27660
3419	Misc. Machine Tools	15	0.17920
3422	Rolling Mills and Drawing Machines	10	0.68350
3424	Metal Heat Treating and Nonthermal Treating Equipment	25	0.11720
3426	Metal Finishing Equipment	20	0.06630
3431	Electric Arc Welding Equipment	10	0.09870

<u>Disposal Value</u> <u>Expected FSC</u> <u>No.</u>	<u>Nomenclature</u>	<u>Factor as a</u> <u>Useful Life</u> <u>(Years)</u>	<u>Percent of</u> <u>Acquisition</u>
3432	Electric Resistance Welding Equipment	15	0.09900
3433	Gas Welding, Heat Cutting, and Metalizing Equipment	15	0.06760
3436	Welding Positioners and Manipulators	30	0.26880
3438	Misc. Welding Equipment	10	0.04880
3439	Misc. Welding, Soldering, and Brazing Supplies and Accessories	5	0.10980
3441	Bending and Forming Machines	25	0.42250
3442	Hydraulic and Pneumatic Presses, Power Driven	10	0.20140
3443	Mechanical Presses, Power Driven	11	0.59410
3444	Manual Presses	30	0.29670
3445	Punching and Shearing Machines	15	0.44830
3446	Forging Machinery and Hammers	20	0.77560
3447	Wire and Metal Ribbon Forming Machines	18	0.24600
3448	Riveting Machines	10	0.14120
3449	Misc. Secondary Metal Forming and Cutting Machines	10	0.35220
3450	Machine Tools, Portable	20	0.13280
3455	Cutting Tools for Machine Tools	10	0.09890
3456	Cutting and Forming Tools for Secondary Metalworking Machinery	10	0.05500
3460	Machine Tool Accessories	15	0.17410
3461	Accessories for Secondary Metalworking Machinery	12	0.04320
3465	Production Jigs, Fixtures, and Templates	5	0.02280
3470	Machine Shop Sets, Kits, and Outfits	10	0.03570
3510	Laundry and Dry Cleaning Equipment	13	0.04570
3520	Shoe Repairing Equipment	17	0.08550
3530	Industrial Sewing Machines and Mobile Textile Repair Shops	12	0.15030
3540	Wrapping and Packaging Machinery	9	0.07350
3590	Misc. Service and Trade Equipment	10	0.09100
3605	Food Products Machinery and Equipment	30	0.10530
3610	Printing, Duplicating, and Bookbinding Equipment	16	0.04310
3611	Industrial Marking Machines	10	0.02200

<u>Disposal Value</u> <u>Expected FSC</u> <u>No.</u>	<u>Nomenclature</u>	<u>Factor as a</u> <u>Useful Life</u> <u>(Years)</u>	<u>Percent of</u> <u>Acquisition</u>
3620	Rubber and Plastics Working Machinery	8	0.45180
3625	Textile Industries Machinery	11	0.12760
3635	Crystal and Glass Industries Machinery	10	0.02610
3650	Chemical and Pharmaceutical Products Manufacturing Machinery	9	0.07850
3655	Gas Generating and Dispersing Systems	12	0.07350
3660	Industrial Size Reduction Machinery	9	0.27300
3680	Foundry Machinery, and Related Equipment & Supplies	10	0.12610
3690	Specialized Ammo and Ordnance Machinery and Related Equipment	12	0.03410
3693	Industrial Assembly Machine	12	0.00450
3694	Clean Work Stations, Controlled Environment, and Related Equipment	12	0.06430
3695	Misc. Special Industry Equipment	4	0.07580
3710	Soil Preparation Equipment	19	0.11580
3740	Pest, Disease & Frost Control Equipment	13	0.03980
3750	Gardening Implements & Tools	6	0.06510
3805	Earth Moving & Excavating Equipment	13	0.23800
3810	Cranes & Crane-Shovels	17	0.17690
3815	Crane & Crane-Shovel Attachments	10	0.08990
3820	Mining, Rock Drilling, Earth Boring, Equipment	14	0.23860
3825	Road Clearing & Cleaning Equipment	11	0.13130
3830	Truck & Tractor Attachments	11	0.22870
3835	Petroleum Production & Distribution Equipment	14	0.15980
3895	Misc. Construction Equipment	14	0.11170
3910	Conveyors	12	0.06850
3915	Materials Feeders	12	0.06850
3920	Materials Handling Equipment Nonself Propelled	22	0.09070
3930A	Whse Trucks and Tractors, Self Propelled, Gasoline, Fork Truck (2,000 pounds to	8	0.18600
3930B	Whse Trucks and Tractors, Self Propelled, Gasoline, Fork Truck (over 6,000 pound	10	0.18600
3930C	Whse Trucks & Tractors, Self Propelled, Gasoline, Tractor	8	0.18600

<u>Disposal Value</u> <u>Expected FSC</u> <u>No.</u>	<u>Nomenclature</u>	<u>Factor as a</u> <u>Useful Life</u> <u>(Years)</u>	<u>Percent of</u> <u>Acquisition</u>
3930D	Whse Trucks & Tractors, Self Propelled, Gasoline, Crane	12	0.18600
3930E	Whse Trucks and Tractors, Self Propelled, Gasoline, Platform Truck	8	0.18600
3930F	Whse Trucks and Tractors, Self Propelled, Gasoline, Straddle Truck	15	0.18600
3930G	Whse Trucks and Tractors, Self Propelled, Electric, All types	15	0.18600
3940	Blocks, Tackle, Rigging, and Slings	12	0.09610
3950	Winches, Hoists, Cranes, and Derricks	13	0.10230
3990	Misc. Materials Handling Equipment	30	0.08710
4010	Chain and Wire Rope	10	0.05110
4020	Fiber Rope, Cordage, and Twine	10	0.06810
4030	Fittings for Rope, Cable, and Chain	10	0.13160
4110	Refrigeration Equipment	11	0.07070
4120	Air Conditioning Equipment	10	0.03820
4130	Refrigeration and Air Conditioning Components	16	0.04260
4140	Fans, Air Circulators, and Blow Equipment	7	0.04790
4210	Fire Fighting Equipment	14	0.06550
4220	Marine Lifesaving and Diving Equipment	10	0.05650
4230	Decontaminating and Impregnating Equip	17	0.05870
4240	Safety and Rescue Equipment	19	0.02530
4310	Compressors and Vacuum Pumps	10	0.07590
4320	Power and Hand Pumps	15	0.04270
4330	Centrifuges, Separators, and Pressure and Vacuum Filters	20	0.04900
4410	Industrial Boilers	9	0.03780
4420	Heat Exchanges and Steam Condensers	28	0.09730
4430	Industrial Furnaces, Kilns, Lehrs, and Ovens	10	0.06590
4440	Dryers, Dehydrators, and Anhydrators	10	0.04550
4460	Air Purification Equipment	11	0.03710
4510	Plumbing Fixtures and Accessories	15	0.05910
4520	Space Heating Equipment and Domestic Water Heaters	8	0.08360
4540	Misc. Plumbing, Heating, and Sanitation Equipment	8	0.03010

<u>Disposal Value</u> <u>Expected FSC</u> <u>No.</u>	<u>Nomenclature</u>	<u>Factor as a</u> <u>Useful Life</u> <u>(Years)</u>	<u>Percent of</u> <u>Acquisition</u>
4610	Water Purification Equipment	14	0.04550
4620	Water Distillation Equipment, Marine and Industrial	15	0.15610
4710	Pipe and Tube	10	0.07790
4720	Hose and Tubing, Flexible	10	0.06130
4730	Fittings and Specialties, Hose, Pipe, and Tube	10	0.04830
4810	Valves, Powered	10	0.02200
4820	Valves, Nonpowered	10	0.04910
4910	Motor Vehicle Maintenance and Repair Shop Specialized Equipment	11	0.06630
4920	Aircraft Maintenance and Repair Shop Specialized Equipment	20	0.01580
4925	Ammo. Maintenance, Repair, and Checkout Specialized Equipment	21	0.01670
4927	Rocket Maintenance, Repair, and Checkout Specialized Equipment	10	0.05500
4930	Lubrication and Fuel Dispensing Equipment	15	0.05000
4931	Fire Control Maintenance and Repair Shop Specialized Equipment	9	0.01180
4933	Weapons Maintenance and Repair Shop Specialized Equipment	15	0.01910
4935	Guided Missile Maintenance, Repair, and Checkout Specialized Equipment	19	0.00400
4940	Misc. Maintenance and Repair Shop Specialized Equipment	20	0.04480
5110	Hand Tools, Edged, Nonpowered	10	0.09260
5120	Hand Tools, Nonedged, Nonpowered	21	0.05530
5130	Hand Tools, Power Driven	10	0.10310
5133	Drill Bits, Counterbores and Countersinks, Hand and Machine	10	0.24070
5136	Taps, Dies and Collets, Hand and Machine	10	0.08080
5140	Tool and Hardware Boxes	20	0.26420
5180	Sets, Kits, and Outfits of Hand Tools	23	0.03830
5210	Measuring Tools, Craftsmen	10	0.04870
5220	Inspection Gages and Precision Layout Tools	12	0.03170
5280	Sets, Kits, and Outfits of Measuring Tools	25	0.01010
5410	Prefabricated and Portable Building	8	0.02480

<u>Disposal Value</u> <u>Expected FSC</u> <u>No.</u>	<u>Nomenclature</u>	<u>Factor as a</u> <u>Useful Life</u> <u>(Years)</u>	<u>Percent of</u> <u>Acquisition</u>
5411	Rigid Wall Shelters	20	0.02440
5420	Bridges, Fixed and Floating	17	0.07250
5430	Storage Tanks	7	0.06830
5440	Scaffolding Equipment and Concrete Forms	5	0.06830
5445	Prefabricated Tower Structures	23	0.05230
5450	Misc. Prefabricated Structure	25	0.01300
5670	Architectural and Related Metal Products	10	0.59160
5680	Misc. Construction Materials	69	0.09590
5805	Telephone and Telegraph Equipment	23	0.02370
5810	Communications Security Equipment and Components	16	0.00400
5811	Other Cryptologic Equipment and Components	11	0.01250
5815	Teletype and Facsimile Equipment	22	0.00990
5820	Radio and Television Communications Equipment, except Airborne	8	0.02440
5821	Radio and Television Communications Equipment, Airborne	24	0.01010
5825	Radio Navigation Equipment, except Airborne	24	0.01370
5826	Radio Navigation Equipment, Airborne	24	0.01440
5830	Intercommunication and Public Address Systems, except Airborne	24	0.01740
5831	Intercommunication and Public Address Systems, Airborne	25	0.00610
5835	Sound Recording and Reproducing Equipment	22	0.01430
5840	Radar Equipment, except Airborne	23	0.00920
5841	Radar Equipment, Airborne	24	0.00530
5845	Underwater Sound Equipment	13	0.01140
5850	Visible and Invisible Light Communication Equipment	24	0.00320
5855	Night Vision Equipment, Emitted and Reflected Radiation	25	0.01180
5860	Stimulated Coherent Radiation Devices, Components, and Accessories	25	0.00710
5865	Electronic Countermeasures, Counter Countermeasures and Quick Reaction Capability	20	0.00270
5895	Misc. Communications Equipment	23	0.00670
5905	Resistors	8	0.01020

<u>Disposal Value</u> <u>Expected FSC</u> <u>No.</u>	<u>Nomenclature</u>	<u>Factor as a</u> <u>Useful Life</u> <u>(Years)</u>	<u>Percent of</u> <u>Acquisition</u>
5910	Capacitors	8	0.02320
5915	Filters and Networks	25	0.00930
5920	Fuses and Lightning Arrestors	25	0.03120
5925	Circuit Breakers	10	0.07490
5930	Switches	10	0.01550
5935	Connectors, Electrical	22	0.20610
5940	Lugs, Terminals, and Terminal Strips	8	0.01660
5945	Relays and Solenoids	25	0.01360
5950	Coils and Transformers	8	0.01350
5955	Piezoelectric Crystals	8	0.00650
5960	Electron Tubes and Associated Hardware	8	0.01000
5961	Semiconductor Devices and Associated Hardware	8	0.01040
5962	Microcircuits, Electronic	8	0.00540
5963	Electronic Modules	8	0.05500
5965	Headsets, Handsets, Microphones, and Speakers	24	0.04280
5970	Electrical Insulators and Insulating Materials	8	0.34930
5975	Electrical Hardware and Supplies	23	0.03730
5977	Electrical Contact Brushes and Electrodes	8	0.02080
5985	Antennas, Waveguide, and Related Equipment	8	0.02020
5990	Synchros and Resolvers	14	0.01650
5995	Cable, Cord and Wire Assemblies, and Communications Equipment	24	0.04160
5999	Misc. Electrical and Electronic Components	20	0.01010
6030	Fiber Optic Devices	20	0.05500
6070	Fiber Optic Accessories and Supplies	20	0.05500
6080	Fiber Optic Kits and Sets	20	0.05500
6105	Motors, Electrical	10	0.05310
6110	Electrical Control Equipment	8	0.02450
6115	Generators and Generator Sets, Electrical	19	0.06500
6116	Fuel Cell Power Units, Components, and Accessories	15	0.22880
6120	Transformers: Distribution and Power Station	36	0.07870
6125	Converters, Electrical, Rotating	25	0.02880
6130	Converters, Electrical, Nonrotating	22	0.01750
6135	Batteries, Primary	15	0.02510

<u>Disposal Value</u> <u>Expected FSC</u> <u>No.</u>	<u>Nomenclature</u>	<u>Factor as a</u> <u>Useful Life</u> <u>(Years)</u>	<u>Percent of</u> <u>Acquisition</u>
6140	Batteries, Secondary	25	0.06910
6145	Wire and Cable, Electrical	25	0.16290
6150	Misc. Electric Power and Distribution Equipment	15	0.02550
6210	Indoor and Outdoor Electric Lighting Fixture	16	0.03950
6220	Electric Vehicular Light and Fixtures	10	0.04580
6230	Electric Portable and Hand-Lighting Equipment	17	0.03440
6240	Electric Lamps	10	0.06920
6250	Ballasts, Lampholders, and Starters	10	0.03910
6310	Traffic and Transit Signal Systems	4	0.03520
6320	Shipboard Alarm and Signal Systems	4	0.02680
6340	Aircraft Alarm and Signal Systems	25	0.05500
6350	Misc. Alarm, Signal, and Security Detection Systems	6	0.01380
6515	Medical and Surgical Instruments, Equipment and Supplies	9	0.02540
6520	Dental Instruments, Equipment, and Supplies	8	0.07660
6525	X-Ray Equipment and Supplies: Medical, Dental, and Veterinary	9	0.03570
6530	Hospital Furniture, Equipment, Utensils, and Supplies	10	0.04180
6540	Opticians' Instruments, Equipment, and Supplies	10	0.06230
6545	Medical Sets, Kits & Outfits	10	0.05600
6605	Navigational Instruments	15	0.00870
6610	Flight Instruments	17	0.02300
6615	Automatic Pilot Mechanisms and Airborne Gyro Components	25	0.01170
6620	Engine Instruments	15	0.03040
6625	Electrical and Electronic Properties Measuring and Testing Instruments	15	0.01550
6630	Chemical Analysis Instruments	5	0.01700
6635	Physical Properties Testing Equipment	13	0.06620
6636	Environmental Chambers and Related Equipment	10	0.02200
6640	Laboratory Equipment and Supplies	20	0.02120
6645	Time Measuring Instruments	25	0.05540
6650	Optical Instruments	8	0.02310
6655	Geophysical and Astronomical Instruments	25	0.02020

<u>Disposal Value</u> <u>Expected FSC</u> <u>No.</u>	<u>Nomenclature</u>	<u>Factor as a</u> <u>Useful Life</u> <u>(Years)</u>	<u>Percent of</u> <u>Acquisition</u>
6660	Meteorological Instruments and Apparatus	20	0.01050
6665	Hazard-Detecting Instruments and Apparatus	16	0.01440
6670	Scales and Balances	18	0.04770
6675	Drafting, Surveying, and Mapping Instruments	19	0.02440
6680	Liquid and Gas Flow, Liquid Level, and Mechanical Motion Measuring Instruments	10	0.02870
6685	Pressure, Temperature, and Humidity Measuring and Controlling Instruments	10	0.02530
6695	Combination and Misc. Instruments	8	0.02060
6710	Cameras, Motion Pictures	25	0.05290
6720	Cameras, Still Picture	24	0.01820
6730	Photographic Projection Equipment	25	0.03520
6740	Photographic Developing and Finishing Equipment	24	0.03320
6750	Photographic Supplies	25	0.08640
6760	Photographic Equipment and Accessories	24	0.01360
6780	Photographic Sets, Kits, and Outfits	22	0.03240
6910	Training Aids	20	0.00960
6920	Armament Training Devices	20	0.03220
6930	Operation Training Devices	21	0.00620
6940	Communication Training Devices	21	0.00790
7010	ADPE Configuration	8	0.00730
7021	ADP Central Processing Unit, Digital	15	0.00730
7022	ADP Central Processing Unit, Hybrid	15	0.00730
7025	ADP Input/Output and Storage Devices	13	0.01010
7030	ADP Software	15	0.00970
7035	ADP Accessorial Equipment	13	0.00720
7040	Punched Card Equipment	15	0.00870
7045	ADP Supplies and Support Equipment	11	0.01500
7050	ADP Components	15	0.00950
7105	Household Furniture	10	0.09940
7110	Office Furniture	10	0.16200
7125	Cabinets, Lockers, Bins, and Shelving	20	0.09470
7195	Misc. Furniture and Fixtures	10	0.061
7310	Food Cooking, Baking, and Serving Equipment	12	0.05400
7320	Kitchen Equipment and Appliances	18	0.05600

<u>Disposal Value</u> <u>Expected FSC</u> <u>No.</u>	<u>Nomenclature</u>	<u>Factor as a</u> <u>Useful Life</u> <u>(Years)</u>	<u>Percent of</u> <u>Acquisition</u>
7330	Kitchen Hand Tools and Utensils	14	0.05500
7340	Cutlery and Flatware	14	0.05500
7350	Tableware	8	0.05500
7360	Sets, Kits, and Outfits: Food Preparation and Serving	10	0.11410
7420A	Accounting and Calculating Machine, Electric	12	0.01460
7420B	Accounting and Calculating Machine, Manual	15	0.01460
7430B	Typewriters and Office Type Composing Machines, Manual	15	0.06100
7450	Office Type Sound Recording and Reproducing Machines	12	0.01170
7460	Visible Record Equipment	10	0.02260
7490	Misc Office Machines	12	0.03300
7710	Musical Instruments	12	0.14670
7730	Phonographs, Radios, TV Sets: Home Type	8	0.05500
7830	Recreational and Gymnastic Equipment	10	0.05500
7910	Floor Polishers and Vacuum Cleaning Equipment	12	0.05720
8110	Drums & Cans	10	0.37650
8115	Boxes, Cartons & Crates	10	0.09650
8120	Commercial and Industrial Gas Cylinders	10	0.54360
8125	Bottles and Jars	6	0.05500
8130	Reels and Spools	10	0.05500
8135	Packaging & Packing Bulk Materials	10	0.11690
8140	Ammo and Nuclear Ordnance Boxes, Packages, and Special Containers	15	0.12330
8145	Specialized Shipping and Storage Containers	22	0.06550
8340	Tents and Tarpaulins	5	0.04860
8345	Flags and Pennants	5	0.08300
8415	Clothing, Special Purpose	5	0.10810
8820	Live Animals, Not Raised for Food	3	0.55050
9320	Rubber Fabricated Materials	5	0.19400
9340	Glass Fabricated Materials	5	0.04140
9515	Armor Plate	10	0.19000
9530	Metal Bar	10	0.47510
9535	Metal Plate	10	0.52440
9905	Signs, Advertising Display, ID Plates	8	0.05500

<u>Disposal Value</u> <u>Expected FSC</u> <u>No.</u>	<u>Nomenclature</u>	<u>Factor as a</u> <u>Useful Life</u> <u>(Years)</u>	<u>Percent of</u> <u>Acquisition</u>
9910	Jewelry	45	0.95000
9915	Collectors and/or Historical Items	99	0.95000
LIST	Listing	0	0.00000

NOTE: This table contains average values often used to compute depreciation costs and disposal/transfer costs. The code "List" means a separate listing was used to summarize some or all of these costs; when used, applicable values are shown on the listing. IMPORTANT: When considered appropriate, an installation may develop their own useful life and disposal values.

Attachment 9

TAX RATE TABLE

NOTE: Tax rates are in relation to business receipts. They do not reflect revisions contained in the 1987 Standard Classification Manual.

<u>Code No.</u>	<u>Industry</u>	<u>Tax Rate (%)</u>
Extractive Industries		
10-01-0400	Agriculture Production	0.80
10-01-0600	Agriculture Services	0.50
20-02-1010	Mining Iron Ores	3.80
20-02-1070	Mining Copper, Lead, Zinc, Gold and Silver Ores	8.30
20-02-1098	Mining Other Metals	0.60
20-03-1150	Coal Mining	1.10
20-05-1430	Sand, Gravel, Dimension, Crushed and Broken Stone	2.20
Construction		
30-06-1510	General Building (Construction)	0.40
30-06-1531	Operative Builders (Construction)	0.80
30-07-1600	Heavy Construction	0.80
30-08-1711	Plumbing, Heating, and Air Conditioning	0.40
30-08-1731	Electrical Work	0.50
30-08-1798	Other Special Trades	0.50
Manufacturing		
40-09-2010	Meat Products	0.50
40-09-2020	Dairy Products	2.10
40-09-2030	Preserved Fruits and Vegetables	2.00
40-09-2040	Grain Mill Products	2.10
40-09-2050	Bakery Products	1.10
40-09-2060	Sugar and Confectionary Products	1.90
40-09-2089	Bottled Soft Drinks and Flavorings	2.10
40-09-2096	Other Food and Kindred Products	0.90
40-12-2315	Men's and Boy's Clothing	1.50
40-12-2345	Women's and Children's Clothing	1.10
40-12-2388	Other Apparel and Accessories	0.50
40-12-2390	Other Fabricated Textile Products	0.50

<u>Code No.</u>	<u>Industry</u>	<u>Tax Rate (%)</u>
40-13-2415	Logging, Sawmills, and Planing Mills	2.10
40-13-2430	Millwork, Plywood, and Related Products	1.30
40-13-2498	Other Wood Products	0.50
40-14-2500	Furniture and Fixtures	1.10
40-15-2625	Pulp, Paper, and Board Mills	2.80
40-15-2699	Other Paper Products	2.40
40-16-2710	Newspapers (Printing and Publishing)	3.70
40-16-2720	Periodicals (Printing and Publishing)	1.60
40-16-2735	Books, Greeting Cards, and Misc. Publishing	3.90
40-16-2799	Commercial and Other Printing and Printing Trade Services	1.10
40-17-2815	Industrial Chemicals, Plastic Materials, and Synthetics	3.30
40-17-2830	Drugs	5.90
40-17-2840	Soap, Cleaners, and Toilet Goods	2.10
40-17-2850	Paints And Allied Products	1.50
40-17-2898	Agricultural and other Chemical Products	1.60
40-18-2998	Petroleum and Coal Products, Not Elsewhere Classified	1.30
40-19-3050	Rubber Products, Plastics, Footwear, Hose and Belting	1.60
40-19-3070	Misc. Plastics and Products	1.00
40-20-3140	Leather Footwear	1.30
40-20-3198	Leather and Leather Products Not Elsewhere Classified	0.80
40-21-3225	Glass Products	1.80
40-21-3240	Cement, Hydraulic	0.80
40-21-3270	Concrete, Gypsum and Plaster Products	1.40
40-21-3298	Other Nonmetallic Mineral Products	2.30
40-22-3370	Ferrous Metal Industries and Misc. Primary Metal Products	1.20
40-22-3380	Nonferrous Metal Industries	1.10
40-23-3410	Metal Cans And Shipping Containers	1.90
40-23-3428	Cutlery, Hand Tools, and Hardware; Screw Machine Products, Bolts, and Similar Products	2.20
40-23-3430	Plumbing and Heating, Except Electric and Warm Air	2.00
40-23-3440	Fabricated Structural Metal Products	1.00
40-23-3460	Metal Forgings and Stampings	1.00
40-23-3470	Casting, Engraving and Allied Services	1.00
40-23-3480	Ordnance and Accessories, Except Vehicles and Guided Missiles	1.20
40-23-3490	Misc. Fabricated Metal Products	1.00
40-24-3520	Farm Machinery	1.20

<u>Code No.</u>	<u>Industry</u>	<u>Tax Rate (%)</u>
40-24-3530	Construction and Related Machinery	1.60
40-24-3540	Metal Working Machinery	1.10
40-24-3550	Special Industry Machinery	1.10
40-24-3570	Office and Computing Machines	5.20
40-24-3598	Other Machinery, except Electrical	1.70
40-25-3665	Radio, Television, and Communication Equipment	1.30
40-25-3670	Electronic Components and Accessories	2.40
40-25-3698	Other Electrical Equipment	2.20
40-26-3710	Motor Vehicles and Equipment	1.70
40-27-3725	Aircraft, Guided Missiles, and Parts	3.00
40-27-3730	Ship and Boat Building and Repairing	0.80
40-27-3798	Other Transportation Equipment, Except Motor Vehicles	1.30
40-28-3815	Scientific Instruments and Measuring Devices; Watches and Clocks	4.00
40-28-3845	Optical, Medical, and Ophthalmic Goods	2.90
40-28-3860	Photographic Equipment and Supplies	2.50
40-29-3998	Misc. Manufacturing and Manufacturing Not Allocable	1.40

Transportation & Utilities

50-30-4000	Railroad Transportation	2.50
50-30-4100	Local and Interurban Passenger Transit	0.40
50-30-4200	Trucking and Warehousing	0.60
50-30-4400	Water Transportation	1.20
50-30-4500	Transportation By Air	2.00
50-30-4600	Pipe Lines, Except Natural Gas	1.50
50-30-4700	Transportation Services Not Elsewhere Classified	0.40
50-31-4825	Telephone, Telegraph, and Other Communication Services	3.10
50-31-4830	Radio and Television Broadcasting	4.40
50-32-4910	Electric Services	3.00
50-32-4920	Gas Production and Distribution	1.70
50-32-4930	Combination Utility Services	3.00
50-32-4990	Water Supply and Other Sanitary Services	2.70

Wholesale Trade

61-33-5004	Groceries and Related Products	0.30
61-34-5008	Machinery, Equipment, Supplies	0.60
61-35-5010	Motor Vehicles and Automotive Equipment	0.60

<u>Code No.</u>	<u>Industry</u>	<u>Tax Rate (%)</u>
61-35-5030	Lumber and Construction Materials	0.30
61-35-5050	Metals and Minerals, Except Petroleum and Scrap	0.70
61-35-5060	Electrical Goods	0.50
61-35-5070	Hardware, Plumbing and Heating	0.50
61-35-5098	Other Durable Goods	0.50
61-35-5110	Paper and Paper Products	0.40
61-35-5129	Drugs, Chemicals, and Allied Products	0.50
61-35-5130	Apparel, Piece Goods, and Notions	0.60
61-35-5150	Farm-Product Raw Materials	0.30
61-35-5170	Petroleum and Petroleum Products	0.30
61-35-5180	Alcoholic Beverages	0.30
61-35-5190	Misc. Nondurable Goods; Wholesale Trade Not Allocable	0.50

Retail Trade

62-36-5220	Building Materials Dealers	0.40
62-36-5251	Hardware Stores	0.40
62-36-5265	Garden Supplies and Mobile Home Dealers	0.40
62-37-5300	General Merchandise Stores	1.10
62-38-5400	Food Stores	0.30
62-39-5541	Gasoline Service Stations	0.20
62-39-5598	Other Automotive Dealers	0.30
62-40-5600	Apparel and Accessory Stores	1.10
62-41-5700	Furniture and Home Furnishing Stores	0.80
62-42-5800	Eating and Drinking Places	0.60
62-43-5912	Drug Stores and Proprietary Stores	0.60
62-43-5921	Liquor Stores	0.20
62-43-5995	Other Retail Stores	0.60
63-44-5997	Wholesale and Retail Trade Not Allocable	0.30

Services

80-52-7000	Hotels and Other Lodging Places	1.00
80-53-7200	Personal Services	0.80
80-54-7310	Advertising Services	0.70
80-54-7389	Business Services, Except Advertising	0.80
80-55-7500	Auto Repair and Services	0.70
80-55-7600	Misc. Repair Services	0.40

<u>Code No.</u>	<u>Industry</u>	<u>Tax Rate (%)</u>
Miscellaneous Services		
80-56-7812	Motion Picture Production, Distribution, and Services	1.80
80-56-7830	Motion Picture Theaters	1.10
80-56-7900	Amusement and Recreation Services, Except Motion Pictures	1.40
80-57-8015	Physicians' Services	0.20
80-57-8021	Dentists' Services	0.10
80-57-8050	Nursing and Personal Care Facilities	0.20
80-57-8071	Medical Laboratories	1.20
80-57-8099	Other Medical Services	0.70
80-57-8111	Legal Services	0.20
80-57-8200	Educational Services	0.50
80-57-8980	Misc. Services, not Elsewhere Classified	0.50

Attachment 10

IC 01-1 TO AFI 38-203, COMMERCIAL ACTIVITIES PROGRAM

19 JULY 2001

SUMMARY OF REVISIONS

This change updates the office of primary responsibility from AF/XPMR to AF/XPMS. It also makes changes to implement some of the Air Force Tiger Team recommendations, to ensure compliance with OMB Transmittal Memorandum 22, and to incorporate the procedures (issued in a 28 Mar 01 AF/XPM memo) to follow for exception to the SSET membership policy.

1.8.5.15. Ensure the CSMSG meets its obligation for making certain that the appropriate individuals participating in an A-76 cost comparison or direct conversion (i.e., MEO Team, Independent Review Official/Team, PWS Team, Government Management Plan Development Team, Administrative Appeal Team, etc) receive the required A-76 training. Required training is identified in a matrix found at the Air Force Manpower & Innovation Agency (AFMIA) web site

<https://www.afmia.randolph.af.mil/xpms/cs/Training/index.htm>. This training shall be upon study announcement or prior to starting a specific A-76 process, e.g. attend Performance Work Statement (PWS) training before writing a PWS.

10.2.11. The Government should establish a source selection evaluation or advisory team. Individuals (civilian or military) who hold positions in the function under study, who have a direct personal interest in the outcome of the study (e.g., their spouse's employment, stock ownership, etc), or who participated in the development of the Government Management Plan should not be members of the team, unless the Head of the Contracting Activity (HCA) authorizes an exception. Exceptions will be authorized only in compelling circumstances and, in such cases, the HCA shall provide a written statement of the reasons for the action. The following process should be followed when requesting exceptions to this policy:

10.2.11.1. The contracting officer or SSA will submit a request, with justification, to the HCA. Under DFARS 202.101, HCA refers to the director of contracting at the MAJCOM or to SAF/AQC, depending on who is doing the contracting. If the HCA concurs with the rationale given, the HCA has decision authority. The HCA should state concurrence and provide a written response back to the requester for the official files. Recommend the Servicing Manpower Office review these requests as the A-76 program manager.

10.2.11.2. The criteria for approval are that a conflict of interest will not exist or that it can be mitigated as allowed in FAR Subpart 9.5, and that the circumstances are compelling enough to necessitate inclusion of these individuals on the SSEB.

10.2.12. Individuals that fall into one of the categories in paragraph **10.2.11.** can serve as nonvoting technical advisors to the source selection evaluation or advisory team. Technical advisors should not see contractor proposals. Preferably, the identity of offerors should be shielded during the evaluation process by removing contractor names and submitting Alpha or Numerical designators (e.g., Proposal A, Proposal B, Proposal C, etc.). In this way, actual and perceived conflicts can be avoided. Evaluators would not mistakenly reveal to a technical advisor the identity of contractors, even when discussing only an excerpt from a technical proposal.

10.2.13. The MEO will be implemented (even when using preferential procurement, e.g. sole source, etc.) any time a cost comparison results in an in-house decision. (See paragraph 10.4. of this Instruction.) If a solicitation has been set-aside for a small business and the in-house is selected upon cost comparison, the MEO will be implemented. The solicitation will not be reissued on an unrestricted basis for competition among large businesses after comparing the in-house cost estimate to the contract offer. HQ USAF/XPM approval is required to implement the MEO when a cost comparison cannot be performed due to a lack of responsive offers from responsible contractor or ISSA sources (see paragraph 10.9. of this Instruction).

18.2.6. The AAP is limited to a maximum of 30 calendar days from the date of the end of the Public Review Period during which the contracting officer received the appeals. In complex cases, extensions to the AAP may be granted by the command XP in 30-day increments as necessary to allow proper and prudent review. If the AAP is to exceed 60 calendar days, AF/XPM shall be notified.

18.2.9. The commander appoints an AAP Authority who is either (1) at least two organizational levels above the official who certifies the MEO or (2) independent of the function(s) being cost compared. (For example if refuse collection is being cost compared, the AAP Authority may not be from Civil Engineering.) The individual appointed must also be one organizational level above or senior in rank to the Source Selection Authority (SSA). (For example, if the SSA is the Installation Commander, the AAP Authority must reside at the MAJCOM HQs.) It is recommended this appointment be made early in the cost comparison process to ensure the AAP Authority is independent of the cost comparison process in case an appeal is submitted.

18.2.11. The AAP Authority shall appoint an AAP Review Team to ensure the various experts appropriately and adequately address the appealed items. This team resolves questions from directly affected parties relating to determinations resulting from the cost comparison. It is recommended this appointment be made early in the cost comparison process to ensure the team members are independent of the cost comparison process in case an appeal is submitted.

18.2.11.1. The AAP Review Team must include at a minimum contracting, legal, functional, manpower, and financial representatives. Upon receipt of the appeal(s), the AAP Authority can scale down membership (based on the recommendation of the Servicing Manpower Office) if the appealed items do not warrant the full array of expertise originally identified. These members should, however, remain on call. AAP Review Team members must meet the criteria set forth in DoD Interim Guidance [Attachment 5](#), Paragraph 4 (a), (b) and (c) of OSD (AT&L) Memorandum dated 3 April 2000.

18.3.1. Appeals must be submitted within the public review period (that starts after the date all supporting documentation is made publicly available) to be considered.

18.4.10. The members of the AAP Review Team analyze each element of the appeal, develop recommendations, and forward recommendations to the AAP Authority for final decision. The AAP Review Team and AAP Authority are to consult with anyone necessary, including the Source Selection Evaluation Team (SSET) chair for the specific study, in evaluating the appeal before arriving at any conclusions. It is critical that all information directly related to the issues under appeal is made available to the appeal review team and that all relevant facts are considered before a final decision is made.

18.4.14. For A-76 cost comparisons with 300 or more positions, the AAP Review team prepares draft appeal findings for the AAP Authority's review and approval.

18.4.14.1. The AAP Authority provides the draft appeal findings document to interested parties and AF/XPM and gives interested parties five working days to review and comment after public release.

18.4.14.2. The AAP Authority provides draft appeal findings on cost comparisons below the 300-position threshold upon AF/XPM request.

18.4.15. The AAP Review team reviews comments received, makes recommendations and forwards all information to the AAP authority. The AAP Authority makes the final AAP decision based on the information received from the AAP Review Team.

18.4.16. The AAP Authority provides the appellant(s) a final decision in writing by return receipt requested, certified mail, in accordance with the timelines in paragraph **18.2.6**. Other directly affected parties are also provided a copy of the final decision. Other interested parties may be provided a copy under FOIA.

18.4.17. The AAP Authority maintains a copy of the final decision document and copies are provided to each AAP Review Team member, the contracting officer, servicing staff judge advocate, servicing manpower and organization office, and the IRO/Team. HQ USAF/XPMS and AFMIA/MIC will be provided copies upon request.

18.4.18. When there is a reversal of the tentative cost comparison decision, no subsequent or sequential appeals are permitted by any directly affected party. (See paragraph **18.2.7** of this Instruction.)

18.4.19. After AAP has been completed and the AAP Authority has made a final AAP decision, the AAP Authority files an AAP After-Action Report (**Figure 18.2.**) and transmits the report to command XPM, AFMIA/MIC and HQ USAF/XPMS.

18.4.20. The final cost comparison decision is then processed in accordance with **Chapter 17** of this Instruction.