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Pamphlet 5-20

Management

Competitive Sourcing Implementation Instructions

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SUMMARY of CHANGE

DA PAM 5-20
Competitive Sourcing Implementation Instructions

This major revision, dated 27 June 2008--

- o Adds new guidance for the preliminary planning phase (chap 2).
- o Provides guidance for managing and executing the Competitive Sourcing Program (throughout).

Management

Competitive Sourcing Implementation Instructions

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History. This publication is a major revision.

Summary. This pamphlet provides guidance for managing and executing the Competitive Sourcing Program. It provides standards for determining if an activity is included in the program, establishes procedures for review of activities to determine if Government personnel will operate the activity and provides instructions for competitions to compare

costs of contract versus agency performance. Decisions to perform work under contract are made under the authority of the Armed Services Procurement Act and the Federal Acquisition Regulation and their supplements.

Applicability. This pamphlet applies to the Active Army, the Army National Guard/Army National Guard of the United States, and the U.S. Army Reserve, unless otherwise stated.

Proponent and exception authority. The proponent of this pamphlet is the Assistant Secretary of the Army for Installation and Environment. The proponent has the authority to approve exceptions to this pamphlet that are consistent with controlling law and regulations. The proponent may delegate the approval authority, in writing, to a division chief within the proponent agency or its direct reporting unit or field operating agency, in the grade of colonel or the civilian equivalent. Activities may request a waiver to this pamphlet by providing justification that includes a full analysis of the expected benefits and

must include formal review by the activity's senior legal officer. All waiver requests will be endorsed by the commander or senior leader of the requesting activity and forwarded through their higher headquarters to the policy proponent. Refer to AR 25–30 for specific guidance.

Suggested improvements. Users are invited to send comments and suggested improvements on DA Form 2028 (Recommended Changes to Publications and Blank Forms) directly to the Assistant Secretary of the Army for Installation and Environment (DAIM–CD), 600 Army Pentagon, Washington, DC 20310–0600.

Distribution. This pamphlet is available in electronic media only and is intended for command levels C, D, and E for the Active Army, the Army National Guard/Army National Guard of the United States, and the U.S. Army Reserve.

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Glossary

Chapter 1

Army Competitive Sourcing Program Overview

1-1. Purpose

This pamphlet describes the procedures for conducting an A-76 competition in accordance with AR 5-20 and the Office of Management and Budget (OMB) Circular No. A-76. It applies to commercial activities at all Army activities in the United States, and may be used by outside the continental United States (excluding Alaska and Hawaii) commanders/directors when doing so conforms to applicable laws, treaties, and international agreements. In the case of conflict between this pamphlet and AR 5-20, OMB Circular No. A-76, and applicable legislation, the latter authorities will govern.

1-2. References

Required and referenced publications and prescribed and related forms are listed in appendix A.

1-3. Explanation of abbreviations and terms

Abbreviations and special terms used in this pamphlet are explained in the glossary.

1-4. Policy

a. In 1921, the Budget and Accounting Act declared that Government is not to compete with the private sector for services. Then in 1955, the Bureau of the Budget announced a national policy to rely on the private sector for goods and services whenever proper and economical to do so. The program has changed throughout the years and emphasis has fluctuated with various administrations, but the basic policy of relying on commercial sources for products and services has not changed.

b. With few exceptions, activities that provide services can be classified into one of two categories: commercial or inherently Governmental. Commercial activities (CAs) are activities that provide services available from private sources. Inherently Governmental activities are those that are not suitable for performance by private sources due to law or exercise of governmental discretion.

c. The Competitive Sourcing (CS) Program emphasizes competition of CAs with the private sector to determine the most efficient and cost-effective means of providing required services. Within the Army, this pamphlet is used as a “tool for managers to make their organizations more efficient and to make better use of dwindling resources.” In addition to encouraging competition, a fundamental requirement of the CS Program is that an activity may not be converted from in-house agency to contract performance, or from contract to in-house agency performance, without conducting a streamlined or standard competition.

d. The Department of Defense (DOD) established policies and procedures for developing the agency cost estimate (ACE) for CS competitions. These policies and procedures are provided in the DOD A-76 Costing Manual is mandatory. In addition, DOD developed eight handbooks to provide assistance to the various CS process participants. It is highly recommended that these handbooks also be reviewed and used as a resource throughout the process. These handbooks are available at <http://sharea76.fedworx.org/sharea76/Home.aspx>.

1-5. Army Competitive Sourcing Program goals

The goals of the Army’s CS Program are to implement the national policy defined in OMB Circular A-76 and to obtain the most cost effective commercial services through competition. When contractors are more cost effective, the Army will make every effort to find its employees continued employment with the Federal Government or the contractor. CS contracts will contain a provision requiring the contractor to offer affected Government employees with the “right of first refusal” for jobs created by the award of the contract for which they are qualified. The CS Program succeeds in reducing costs of Army services because competition is a powerful motivator to apply changes that improve the efficiency of Government operations.

1-6. Procedures

a. A detailed and comprehensive process for conducting CS competitions has been developed and proven effective over the conduct of hundreds of competitions. The timeline for competition has been accelerated by the OMB in recent years. Standardization of documents and procedures for developing agency tender (AT) offers are required to meet these accelerated timelines.

b. Congress is notified of the intent to conduct the competition if the CA is performed by 10 or more DOD civilian employees (in accordance with Title 10 United States Code Section 2461 (10 USC 2461) during the preliminary planning phase (PREPLAN)). Once DA Form 7375 (Commercial Activities Proposed Action Summary (CPAS) is submitted, official notification of the intent to conduct the competition can be publicly announced in the FedBizOpps.gov. After announcement of the competition to Congress (10 or more DOD civilian employees) or Army major subordinate command/field operating agency/HQDA staff support agency (MSC/FOA/HSSA) approval (involving less than 10 employees), the local workforce is notified of the competition and what to expect. The public announcement of the competition in FedBizOpps.gov determines the official “competition start date.” Throughout the competition

process, MSC/FOA/HSSA will keep the workforce informed about the progress of the competition, and consider their suggestions on improving the organization to assist the team of analysts and functional experts organized to conduct the competition (see 10 USC 2467).

c. A performance work statement (PWS) is developed which describes what work is to be accomplished to successfully deliver the required levels of service. The PWS spells out required services and outputs without specifying the method of performing them. Data are gathered on past workload levels, preferably the most recent 12 months, to project future workload requirements. Performance requirements standards are developed to ensure that an acceptable level of performance (ALP) of service is maintained. The PWS also includes the nature and extent of Government-owned facilities, equipment, and other property available to use in accomplishing the work as well as training requirements. An assessment of the quality of available workload and performance data must be made during the PREPLAN. New or additional data collection efforts may be implemented during PREPLAN to ensure accurate and reliable workload data and performance requirements are documented prior to development of the PWS. Data collection is required for all agency positions since PREPLAN occurs before the PWS is developed.

d. After public announcement, the AT official (ATO) will appoint a most efficient organization (MEO) team comprised of technical and functional experts. The MEO team will comply with OMB Circular No. A-76 and assist the ATO in developing the AT to perform the work outlined in the PWS. Top-down and bottom-up approaches have been used in the past to develop the MEO documents. Both have been successful when executed correctly; however, the bottom-up approach is recommended.

(1) Top-down approach is when the current organization, work processes, and costs are documented. Improvements to the current operation are then identified (process, technological, organizational, and so on), and the impact of these improvements on costs, staffing, and work processes are tested and documented. The resulting organization is the MEO. The entire process must be clearly documented in the AT since the ability of the organization to perform is directly related to the rationale and test results used in implementing the improvements. The positive aspect of this approach is that the current method of work accomplishment is readily accepted as meeting the performance standards; only changes to the current method require validation. The negative aspect of this approach is that redundant or unnecessary process steps are often overlooked in the review; thereby, producing a final organization that is not the MEO.

(2) Bottom-up approach is when the work requirements and performance standards required by the PWS are documented. Specific cycle times to complete these requirements are determined and tested. Required organizational structure and staffing are developed and new job descriptions are approved. The resulting organization is the MEO. The development and testing of cycle times must be included in the AT. All tasks required to provide a complete and functional organization must be included in this plan since no "buffer" in resources exists to execute "missed" tasks. The positive aspect of this approach is that the work requirement and tested cycle times result in the most streamlined organization possible for competition. The negative aspect of this approach is that all tasks must be clearly accounted for to ensure the organization can perform the work requirements at the required performance level.

(3) The MEO is the basis for the ACE. Where practical and where it can be done without revealing the MEO to prospective offerors, management improvements may be implemented, as approved by the ATO.

e. Offers (bids or proposals) from prospective public and private-sector service providers are solicited based on the requirements contained in the PWS. The solicitation provides for a common standard of performance and pricing mechanism. Either sealed bidding or contracting by negotiation may be used. Sealed bidding requires an invitation for bid (IFB) that solicits offers, and results in selection of a responsible offeror with the lowest cost. Negotiated contracts require a request for proposals (RFP) that solicits proposals from which the offer presenting the lowest price/technically acceptable process will be selected.

f. Costs the Army will incur to convert the activity to contract and administer the contract are also calculated.

g. During the source selection process the contracting officers (COs) will open and evaluate all offers and tenders (including the AT) to determine technical acceptability. The performance decision will be based on the lowest cost of all offers and tenders determined to be technically acceptable. For private sector offers or public reimbursable tenders to be selected over an incumbent agency's tender in a standard competition, the cost of the private sector offer or public reimbursable tender must include a conversion differential, which is a cost that is the lesser of 10 percent of the incumbent's personnel-related costs or \$10 million over all performance periods stated in the solicitation.

h. The result of the standard competition/streamlined competition tender/offer comparison is announced first to Congress, then locally in the FedBizOpps at <http://www.FedBizOpps.gov>. This "performance decision" is subjected to a public review period that allows interested parties to examine the decision documents and generally contest or protest portions that do not appear to be in accordance with OMB Circular No. A-76 procedures. After contests are resolved by the agency and any Government Accountability Office (GAO) protests are decided, the "final performance decision" is announced to Congress if 10 or more DOD civilian employees are performing the CA. If the AT is determined more cost effective, the solicitation is canceled, a letter of obligation (LOO) is issued and the MEO is implemented. If the competition results in a contract decision, a "notice to proceed" is given to the successful private sector offeror.

i. Many tasks will be completed to Phase-in the current agency operation to the new operation, whether contract or MEO. A Phase-in Plan is developed and executed to ensure that nothing "falls through the cracks." This plan describes

the events and tasks that will occur during the Phase-in period; equipment turnover, personnel actions, training, inventory and procedural changes, telephone number changes, and other “housekeeping” changes caused by the Phase-in. Regardless of the outcome of a competition, special care will be taken to avoid unnecessary trauma and turmoil in the organization under CS competition. All offerors will include their Phase-In costs in their offers.

j. The new operation will be continually monitored to ensure the contract requirements are performed at an acceptable level for quality, timeliness, and reporting. The Government will prepare a Quality Assurance Surveillance Plan (QASP) that sets procedures for conducting surveillance of the new operation. The QASP is used to monitor the performance of the new operation, whether MEO, contract, or public reimbursable. The QASP should be prepared together with the statement of work and define in detail all work requiring surveillance and the method of surveillance. The QASP must be tied to the performance standards or metrics that measure contractor performance to ensure the Government receives quality services, on time, and at the performance levels and prices specified in the contract. The QASP is normally not part of the solicitation. The QASP is a Government document and may be changed unilaterally to better suit the Government’s surveillance requirements.

k. It is important to realize that after the competition process has determined the service provider, there are necessary follow-on actions (that is, maintenance of the PWS, post-competition accountability/contract reviews) to ensure performance and cost savings are tracked and reviewed on a regular basis.

Chapter 2 Planning and Organizing the Competition

Section I Preliminary planning procedures before congressional/public announcement

2-1. Scope

a. A number of preliminary planning steps must be taken before actual congressional announcement of a competition. The most critical is the determination of both the number of activities to be competed (the scope) and the competition’s size in terms of positions affected.

b. The Office of the Assistant Secretary of the Army for Manpower and Reserve Affairs (ASA(M&RA)) develops the Army inherently governmental/commercial activities (IGCA) inventory that will be used to identify activities to be competed.

c. Since Congress passed the Federal Activities Inventory Reform (FAIR) Act of 1998, HQDA has centralized decisionmaking on which activities are contractible, exempt from conversion to contract, and which are inherently governmental. While such decisions are no longer the commander/director’s discretion, the commander/director can submit proposals to change the inventory codes that they believe to be incorrect.

d. If the inventory codes are inaccurate, a proposed change must be submitted through channels, in accordance with instructions published by the ASA(M&RA). Until an official change is made to the inventory codes, the position in question will be treated as the inventory reflects.

e. Proposed changes to the IGCA inventory will be submitted as soon as they are identified. As required in AR 5-20, inherently governmental/exempt changes approved by the ASA(M&RA) during the competition will be reflected in changes to the DA Form 7375.

f. While a whole position is coded inherently governmental for the IGCA, it is possible that only a portion of the position’s work is inherently governmental. The AT must address how the remaining contractible service type work is to be accomplished. Because of this, workload data must be gathered on all tasks performed. The workload supporting the contractible tasks will be used in defining the requirements in the PWS. The workload supporting the inherently governmental tasks will be considered for consolidation when structuring the Continuing Government Organization (CGO) staff.

g. Minor changes to the DA Form 7375 will occur during the competition; however, it is best if the inherently governmental/exempt determination is resolved prior to submission of the original DA Form 7375 and the competition start date. The collection of workload data for all positions will assist in the identification of Government-in-nature tasks. Where possible, these tasks should be combined to reduce staffing requirements.

h. The inventory determines the coding for the individual positions; but the MSC/FOA/HSSA must determine the final scope of the competition.

i. Military personnel of the organization under competition should be converted to civilian positions so they may be returned to the operating forces.

2-2. Major Subordinate Command/Field Operating Agency/Headquarters Staff Support Agency Steering Committee

The MSC/FOA/HSSA may establish a steering committee to determine the scope of the competition and to ensure the

competition is conducted in accordance with established guidance. The committee includes top-level managers responsible for contracting, installation management, human resources, legal, and commercial activities program management. The team usually includes subject matter experts on the activities under competition. The committee chair can appoint other members as deemed necessary to support the committee. Subcommittees may be established to oversee the development of the PWS, the completion of the AT, and the preparation of the independent Government estimate. Firewalls will be established between these subcommittees. Each committee and subcommittee member must sign a letter of nondisclosure and protect the firewalls established between subcommittees. Installation team leads may be required to periodically address the committee.

a. The delegated competitive sourcing official (DCSO) will appoint competition officials; ATO, CO, PWS team leader; and human resource advisor (HRA). The HRA and CO are normally members of the committee. The ATO and PWS team leader are normally members of the installation/activity command staff.

(1) The is responsible for all contracting aspects of the competition, including preparation of acquisition planning documents, selecting solicitation method, issuing solicitation, determination of contract type, obtaining wage determinations from the Department of Labor, controlling negotiations, responding to contests and protests, and contract award. The CO is responsible for the preparation of the solicitation and evaluating the resulting offers/proposals through the Source Selection Evaluation Board (SSEB).

(2) The HRA advises the committee on impacts on personnel based on competition decisions. The HRA coordinates with the Civilian Personnel Advisory Center (CPAC) and the Civilian Personnel Operations Center (CPOC).

b. The CA program managers (PMs)—

(1) Coordinate with the managers responsible for CS programs of MSC/FOA/HSSA activities and request advance notice of planned cost competitions in their activities.

(2) Document information about the competition, including milestones, in the DOD CA Management Information System (DCAMIS) via <https://www.dcamis.army.mil> (directions for entering data are located on the system. In establishing the team, it may be useful to designate three sub-elements within the team; functional, core, and support).

(3) Complete and approve DA Form 7375 and baseline costing data (coordinate competition actions between the staff and higher headquarters).

(4) Ensure that the commander/director or designee complies with 10 USC 2467(b)(1)(A) by consulting with the effected employees and appropriate labor organization at least monthly, during the development of the PWS and AT, and by considering their views regarding the PWS and AT.

(5) Coordinate actions involving commercial activities, which require access to classified information with the installation/activities director (AD) security manager.

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

(7) Ensure installation/subordinate units conducting a competition track and report the staff hours, cost of consultants or contractors, costs of travel, training, or other incremental expenses directly attributed to the conduct of the reported in-progress competitions. Incremental cost tracking by fiscal year is required from the competition's start date to the performance decision. Each DCAMIS competition record's incremental costs must be uploaded, validated, and reviewed annually by 15 November each year the competition is in-progress.

(8) By 15 November annually, provide HQDA CS with the fiscal year's Fixed Costs associated with the organizations competitive sourcing efforts. Fixed costs are reported separately from the DCAMIS data sent to Congress via the annual 647b Report to Congress. OMB guidance for reporting fixed cost is to identify labor costs associated with providing central direction and oversight by an agency headquarters, region, or subordinate units. Include the cost of FTEs that are fully dedicated to managing the Army competitive sourcing competitions and any contract support costs associated with this effort. However, fixed cost must exclude the cost of FTEs or contract support associated with specific competitions or out-of-pocket (incremental) costs for conducting individual competitions; these costs must reported against the specific competition record in DCAMIS.

c. The Army Acquisition Executive, the Head of the Contracting Activity (HCA), or the Principal Assistant Responsible for Contracting are responsible for the appointment of the Source Selection Authority (SSA). The SSA will appoint the SSEB in accordance with FAR Section 15.303, and OMB Circular A-76, attachment B. The SSA will ensure that the SSEB complies with the source selection requirements of the solicitation and the source selection plan. The SSA will not appoint an SSEB until after public announcement. The SSA and the CO may be the same individual. The SSA will—

(1) Be an inherently governmental organization official appointed in accordance with FAR Section 15.303.

(2) Comply with both the FAR applicable supplements, and this circular when performing a streamlined and standard competition.

(3) Be independent of the ATO, HRA, and MEO team.

d. The committee will determine which activities will be competed and oversee the competition process. The committee will determine if the proposed competition will consist of a single activity or will consist of multiple activities.

(1) Related activities might be combined to form one large umbrella competition. The umbrella approach allows treatment of all activities being reviewed as an integrated system of interrelated activities. An example of this is the

“whole base competition” approach. Before using this approach, ensure that all the activities are interrelated, so that contractual or management competition problems do not arise. Smaller competitions generally include all activities under a branch, division, or directorate.

(2) The committee will contact the local Small and Disadvantaged Business Utilization (SADBU) Office before structuring the competition to ensure that small business participation in the solicitation is encouraged to the largest possible extent.

(3) The committee should consider regional and joint service provider competitions. To do so, the team should contact nearby federal MSC/FOA/HSSAs and activities to determine any interest in expanding the scope of the competition to include their workload. These contacts must be made early in the planning process. The committee will ensure compliance with these congressional timelines and thresholds as shown in figure 2-1, below.

Standard Competition	Streamlined Competition
Nomination Requirement	
CPAS (DA Form 7375-R) Submitted by MSC/FOA/HSSA	CPAS (DA Form 7375-R) Submitted by MSC/FOA/HSSA
Thresholds	
Required if >10 Full Time Equivalents (FTEs)	Permissible if 9 or less FTEs
Congressional Notification (Military and contract personnel are not included)	
Pre-competition Announcement: Required prior to start of competition of 10 or more civilian employees on-board [10 USC 2461]	Pre-competition Announcement: Not required if 9 or less civilian employees on-board [10 USC 2461]
Final Performance Decision Congressional Notification: Required after Final Performance Decision if 10 or more civilian employees under competition. (MEO or contract decision). Contract may not be awarded before this notification. MEO may be implemented anytime after certification. MSC/FOA/HSSA forwards approved Final Performance Decision Report to ACSIM. 10 USC 2461 and Section 8014 of the FY04 DoD Appropriations Act require MEO certification and solicitation.	Final Performance Decision Congressional Notification: Congressional notification is not required if 9 or less civilian employees under competition. (MEO or contract decision). MEO may be implemented anytime after certification. Final Performance Decision Report is still required. MSC/FOA/HSSA forwards approved Final Performance Decision Report to ACSIM. Also, both 10 USC 2461 and Section 8014 of the FY04 DoD Appropriations Act require MEO certification and solicitation.
Timelines	
Congressional announcement – followed by FedBizOpps.gov announcement "Clock starts date."	FedBizOpps.gov announcement - "Clock starts date"
Performance decision or one year after Public announcement - followed by FedBizOpps.gov announcement "Clock stops date."	Performance decision, or 90 days after Public announcement, or when converted to standard competition - followed by FedBizOpps.gov

Figure 2-1. Thresholds and reporting requirements

	announcement "Clock stops date."
Components	
Baseline Costing PWS QASP FIREWALL Agency Tender (MEO, Quality Control Plan, Phase-in Plan, ACE).	If 10 or more civilian employees, Agency Tender, Agency Cost Estimate, conduct a MEO, and certify existing agency workforce IAW Attachment C, OMB Circular A-76. FIREWALL Develop estimated contract price for activity or solicit cost proposals IAW FAR.

Figure 2-1. Thresholds and reporting requirements—Continued

2-3. Installation/activity competition officials responsibilities

a. The installation/activity commander/director has the responsibility to execute the competition milestones. The overall tracking of milestones, resources, and responses to committee inquiries is the responsibility of the CA PM. The completion of competition documents such as the PWS, QASP, AT, cost proposal (also known as the ACE), and independent Government estimate (IGE) will be the responsibility of individual teams. Supporting staffs are required to provide advice and guidance to the teams.

b. The Director of Resource Management (DRM) normally serves as the main point of contact on all CS matters and coordinates CS program actions between the steering committee, MSC/FOA/HSSA staff, and higher headquarters at all stages of the competition. Within the U.S. Army Installation Management Command, the management and coordination of CS activities are conducted by the Plans Division.

c. The CS PM, normally located in the DRM, serves as the overall point of contact on all CS policy matters. The PM is responsible for the implementation and management of the CS Program in accordance with OMB, DOD, and DA published guidance. The CS office serves as the official record keeper of CS Program files that may include the original DA Form 7375, revised DA Form 7375, competition announcement, and so on (although it may be wise to have competition related backup files maintained by the functional activity). The CS office is also responsible for ensuring constant and smooth communication between workforce, union, and competition teams including the monthly 10 USC 2461 workforce consultation requirements. Typical PM duties include—

- (1) Developing and submitting completed DA Form 7375 to the AD. Submit changes in accordance with AR 5-20.
- (2) Coordinating competition actions between the staff and higher headquarters.
- (3) Ensuring that the commander/director or designee complies with 10 USC 2467 by consulting with the effected employees and appropriate labor organization at least monthly, during the development of the PWS and AT, and by considering their views regarding the PWS and AT.
- (4) Coordinating actions involving commercial activities, which require access to classified information with the installation/AD security manager.
- (5) Developing and tracking public-private competition progress against established milestone schedules.
- (6) Recording incremental cost (staff hours, cost of consultants or contractors, costs of travel, training, or other incremental expenses directly attributed to the conduct of the reported in-progress competitions) by fiscal year. By 15 November each year, specific costs of conducting an in-progress competition must be collected and processed into each

DCAMIS record via <https://www.dcamis.army.mil> (directions for entering data are located on the system). Cost tracking begins with the competition start date (public announcement) and ends with the performance decision date. Staff hours, contract costs, and other incremental costs needed to resolve any protest in order to reach final decision are excluded and should not be reported. Personnel staff hours are collected in categories for permanent civilian, officer, enlisted, and temporary civilian and encompass the competition's oversight, PWS team, MEO team, human resources, contracting, and legal participants.

(7) Data entry of competition information into DCAMIS via <https://www.dcamis.army.mil> (directions for entering data are located on the system). Each DCAMIS competition record's information should be maintained in current status with data entered as events occur. As a minimum, all organizations should ensure each active DCAMIS record is validated and then reviewed on an annual basis no later than 30 September each year. To ensure accuracy of the DCAMIS competition record, establish multiple DCAMIS users to provide the independent steps of data entry, validation, and review.

d. The PWS team will complete Section C of the solicitation. The team lead will be appointed by the DCSO. The team will develop the work statement and other technical documents required by the CO to detail the Government's contractible work requirements. The team lead will ensure that the functional manager of the activity under competition has thoroughly reviewed these documents prior to their completion. If the functional manager plans on serving on the SSEB, an alternate functional reviewer should be appointed in writing. The team lead coordinates the completed Section C to ensure that the work requirements being contracted are representative of the true need by the Army. Also, private sector consultants may be hired to assist in completion of team documents to augment the PWS team. The team lead should determine if this consulting firm is also involved in the development of the AT or cost proposal. Consulting firms preparing multiple competition documents must have a sufficient firewall in place between internal teams to effectively prevent the sharing of information. The CO should be advised of the consulting firm's firewall efforts.

e. The PWS team leader will be responsible for the assignment of duties and tasks to team members. The team leader serves as the contact point between the team and the rest of the organization, monitors the milestones, sets up monthly meetings with the workforce and/or union representatives, and serves as the official keeper of team and competition records. The team leader also facilitates various team meetings and ensures that appropriate reference materials, office space, automation, supplies, and administrative support are always available for the competition team. The team leader should ensure that all activities under competition are represented on the team. When external organizations provide support to the activity under competition (that is, phone, electrical, printing) these organizations must be provided an opportunity to review the PWS to determine the impact on their providing continued service or support.

f. The ATO will certify the AT and approve the implementation of the competition results. The ATO will establish a MEO team to prepare the AT and/or technical proposal as required by the solicitation. The ATO may chair the MEO team or delegate the responsibility. The AT will present the MEO in terms of organizational structure, staffing requirements, work processes, and level of performance achieved. The AT must meet solicitation requirements as to format and content. The ATO will determine whether the bottom-up or top-down analysis approach will be used in development of the plan.

g. The costing team will prepare the ACE as required by the solicitation. The team will prepare the ACE using the COMPARE software as required by OMB Circular A-76. The ACE represents the resource requirements to execute the AT.

h. The support staff provides advice and assistance to the teams associated with their respective responsibilities. While support staff might not be permanent team members, they are also required to sign nondisclosure statements.

(1) The HRA implements personnel actions in accordance with CS Program requirements through coordination with the CPAC and the CPOC. The HRA advises the commander/director concerning reductions-in-force (RIF), counsels affected employees on placement rights, retraining and placement of displaced employees, provides advice on preparing position descriptions identified in the AT, advises the competition team on position/organization structure issues, and, if the competition results in contract conversion, monitors the implementation of "right-of-first-refusal" offers by the contractor to affected employees. The HRA will be responsible for scheduling sufficient time in competition milestones to accomplish potential human resource actions in accordance with 5 CFR Part 351 (5 CFR 351); performing labor market analysis to determine the availability of sufficient labor to staff the MEO and implement the Phase-in plan.

(2) The Staff Judge Advocate (SJA) or servicing legal office reviews the PWS to ensure legal sufficiency and provides advice on legal issues affecting the conduct of CS competitions. This may include advice on conflict of interest concerns.

(3) The Inspector General reviews completed CS competitions at the commander's/director's request to ensure the agency or contract activity is accomplishing its designated mission with monetary savings.

(4) The CO will review the PWS and QASP prior to completion and advise the PWS team of recommended changes.

(5) The CPAC will serve as the point of contact for all personnel related matters associated with the competition, to

include coordination with the CPOC servicing the MSC/FOA/HSSA. The CPAC will implement personnel actions in support of the competitions. The CPAC will appoint a team member who will be responsible for ensuring that information, guidance and assistance is provided on personnel related matters such as advising the ATO on position management, organizational structures and classifications of duties assigned in the AT; RIF; and counseling affected employees on placement rights, retraining and placement of displaced employees. The CPAC may also serve as the liaison for local union officials, ensuring that the union is kept informed and has the opportunity to provide input on competition matters. The CPAC will advise the ATO on position classification restrictions, classifying position descriptions, including exemptions based on the Fair Labor Standards Act. The CPAC will assist in the development of the cost proposal by providing annual salaries, wages, night differentials, and premium pay amounts. The CPAC will assist in the development of the timing for the Phase-in plan based on MEO requirements and develop an employee transition plan for the incumbent organization early in the standard competition process.

(6) For HRA Employee and Labor-Relations requirements, the CPAC will interface with directly affected employees (and their representatives) from the date of public announcement until full implementation of the performance decision; identify adversely affected employees; accomplish employee placement entitlements in accordance with 5 CFR Part 351; provide post-employment restrictions to employees; determine organization priority considerations for vacant positions; and establish a reemployment priority list in accordance with 5 CFR Part 330. CPAC will also provide the CO with a list of the organization's adversely affected employees, as required by attachment B, OMB Circular A-76 and FAR 7.305(c) regarding the right of first refusal for a private sector performance decision.

(7) A local union official or representative serving as its member's employee representative is responsible for ensuring employee rights and entitlements are enforced and protected during the competition process. The union ensures effective communication between affected parties and the MEO team. It is also the responsibility of the union representative to notify the MEO team when proposed process changes will affect the bargaining agreement. The union official, or representative, reviews the PWS and provides comments, recommendations, and issues/concerns to the MEO team.

i. All team members will be knowledgeable on how to use these implementation instructions and should be familiar with the requirements of AR 5-20. (There are some congressional requirements imposed on the Army and other DOD organizations, that are not imposed on other organizations and, therefore, do not appear in the OMB A-76 Circular.)

j. Management will direct that team members' participation be a priority duty and not "an intrusion on their real jobs." Team members are responsible for fully contributing to the competition process and carrying out their assignments between team meetings. Members may be "detailed" to the team on a full-time basis as the DCSO deems necessary for the timely completion of team responsibilities.

2-4. Restrictive participation

a. Actions of specific individuals are restricted based on CS Program constraints under certain circumstances. Individuals selected (cannot be directly affected employees) for the SSEB are precluded from performing activities related to the AT due to the potential for conflict of interest. Agency employees should consult with their ethics counselor for assistance in resolving conflicts of interest issues.

b. During preparation of the cost competition, it is imperative that all participants understand the conflicts of interest and "right-of-first-refusal" rules. Figure 2-2, below, provides a general guide; however, remember that this is only advisory. Contact the local ethics counselor and legal personnel for further guidance if necessary. As individuals are selected to participate in the AT, they will sign a statement, as shown in figure 2-3, certifying that they will not knowingly disclose any AT information directly or indirectly to any person other than a person authorized by the MEO team leader, CS PM, or the CO.

If you contribute to or write the PWS, then ↓	If you merely contribute to the Agency Tender (Management Study), then ↓	If you KNOW OR APPROVE the Most Efficient Organization (MEO), then ↓	If you merely contribute to the Independent Government Estimate (IGE), then	If you merely contribute to the Quality Control Plan, then ↓	If you merely contribute to the Quality Assurance Surveillance Plan (QASP), then	If you develop or know the Agency Cost Estimate (ACE) then ↓	If you are part of Source Selection Evaluation Board (SSEB), then	If you are the Source Selection Authority (SSA), then ↓
You retain your RIGHT-OF-FIRST-REFUSAL	You CAN contribute to or write the PWS	You CAN contribute to or write the PWS	You CAN contribute to or write the PWS	You CAN contribute to or write the PWS	You CAN contribute to or write the PWS	You CAN contribute to or write the PWS	You CAN contribute to or write the PWS	You CAN contribute to or write the PWS
	You retain your RIGHT-OF-FIRST-REFUSAL	You CAN participate in the Agency Tender	You CANNOT participate in the AT	You CAN participate in the AT	You CAN participate in the AT	You CAN participate in the AT	You CANNOT participate in the AT	You CANNOT participate in the AT
		<u>Your right-of-first-refusal is at risk. See your ethics counselor.</u>	You CANNOT have any knowledge of the MEO or ACE offer	You CAN have knowledge of the MEO	You CAN have knowledge of the MEO	You CAN have knowledge of the MEO	You CANNOT have any knowledge of the MEO or AT	You CANNOT have any knowledge of the MEO or AT
		<u>You Retain Your right-of-first-refusal</u>	You will not participate in developing the IGE without obtaining guidance from contracting officer and legal counsel	You CAN participate in developing the IGE unless you have knowledge of the MEO.	You will not participate in developing the IGE without obtaining guidance from contracting officer and legal counsel	You CAN participate in developing or know the IGE	You CAN participate in developing or know the IGE	You CAN participate in developing or know the IGE
				You retain your RIGHT-OF-FIRST-REFUSAL	You CAN develop the TPP	You CAN develop the TPP	You CANNOT develop the TPP	You CANNOT develop the TPP
					<u>You Retain Your Right-of-First-Refusal</u>	You CAN develop the QASP	You CAN develop the QASP	You CAN develop the QASP
						<u>Your Right-of-First-</u>	You WILL NOT be a member of the activity	You CANNOT be a

♦ **THESE ARE ADVISORY GUIDELINES.** All cases are fact specific and your individual circumstances could impact your rights and obligations under Federal Law and DOD / DA guidance. This includes your right-of-first-refusal for jobs with a contractor. You will contact both your supervisor and the SJA ethics counselor for specific guidance.

♦ Providing advice, input, or suggestions regarding the MEO, ACE, or IGE will not put your right-of-first-refusal at risk. If the cumulative effect is such that you influence or have knowledge of substantial portions of those documents then your "right-of-first-refusal" is at risk.

♦ If you know or approve all or part of the PWS, QASP MEO, ACE, or IGE, then your RIGHT-OF-FIRST-REFUSAL

Figure 2-2. Avoiding conflicts of interest in an A-76 competition non-disclosure statement

If you contribute to or write the PWS, then ↓	If you merely contribute to the Agency Tender (Management Study), then ↓	If you KNOW OR APPROVE the Most Efficient Organization (MEO), then ↓	If you merely contribute to the Independent Government Estimate (IGE), then ↓	If you merely contribute to the Quality Control Plan, then ↓	If you merely contribute to the Quality Assurance Surveillance Plan (QASP), then ↓	If you develop or know the Agency Cost Estimate (ACE) then ↓	If you are part of Source Selection Evaluation Board (SSEB), then ↓	If you are the Source Selection Authority (SSA), then ↓
is at risk. ♦ If you are approached in any manner by any prospective offeror about post-federal employment, then you will notify your supervisor in writing, and will contact an ethics counselor immediately. ♦ Any firm or individual requesting information about a CS review, or your organization's staffing or operations, will be referred to the Commercial Activities Program Manager, ____ ♦ <u>Do not answer the questions.</u> The requester will be referred to the appropriate release authority.						<u>Refusal is at risk.</u> <u>See your ethics counselor</u>	under competition . See the ethics counselor.	member of the SSEB
						↓ <u>Your Right-of-First-Refusal is at risk.</u> <u>See your ethics counselor</u>		

Figure 2-2. Avoiding conflicts of interest in an A-76 competition non-disclosure statement—Continued

CERTIFICATE FOR PERSONNEL PARTICIPATING IN THE (NAME OF
COMPETITION) AGENCY TENDER CONCERNING NONDISCLOSURE, CONFLICTS
OF INTEREST, AND RULES OF CONDUCT

Name: _____ Organization: _____

1. I acknowledge that I have been selected to participate in the Agency Tender identified above. I certify that I will not knowingly disclose any Agency Tender information directly or indirectly to any person other than a person authorized by the Most Efficient Organization (MEO) Team Leader, CS Program Manager, or the Contracting Officer to receive such information. I understand that unauthorized disclosure of such information may impact on the ability of the Agency Tender to prepare a winning offer.

2. I certify that I will observe the following rules of conduct:

- a. I will not solicit or accept, directly or indirectly, any promise of future employment or business opportunity from, or engage, directly or indirectly, in any discussion of future employment or business opportunity with, any officer, employee, representative, agent, or consultant of a competing contractor.
- b. I will not discuss Agency Tender matters with any unauthorized individuals (including Government personnel).
- c. I will not divulge any information concerning documents developed during the Agency Tender process (i.e., Performance Work Statement, MEO, Continuing Government Organization, Agency Cost Estimate, or Quality Assurance Surveillance Plan) to any individuals not a member of the MEO Team.
- d. I understand that substantial or complete knowledge of the MEO will jeopardize my Right of First Refusal should a contractor win the cost competition.
- e. I understand that my obligations under this certification are of a continuing nature.

Signature: _____

Date: _____

Figure 2-3. Non-disclosure statement sample

c. Various types of training are available through the Defense Acquisition University, as well as other Government and service agencies. Private sector training is also available and is recommended as a source. No one single source is recommended over another since requirements will differ from organization to organization. Recommended training sources can be found at the CS Web site at http://www.hqda.army.mil/acsim_ca/.

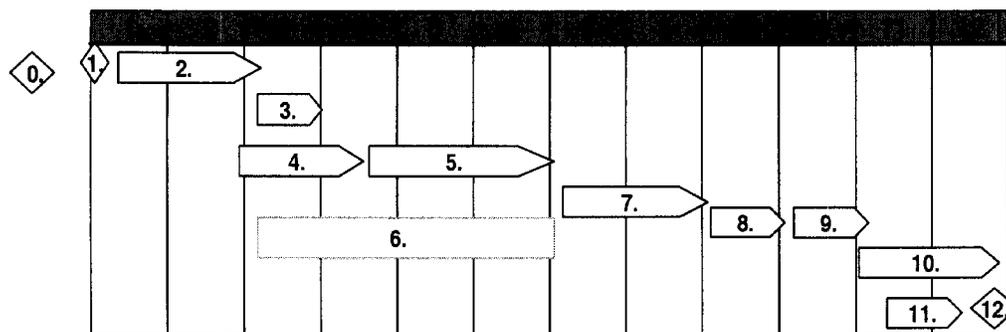
2-5. Office of Management and Budget timeline

a. Timeline (milestone) management is the most important step for successful execution of the competition. The master milestone schedules provide overall completion times for each major requirement of the competition plan and appropriate review and coordination. Figure 2-4, below, shows significant milestones within the A-76 process for public-private competitions. The type and complexity of each competition will be taken into account when developing its milestones.

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

c. The PWS and AT team leaders will independently meet at least monthly with the ATO to determine the progress being made in completion of all requirements. When specific tasks are not being performed in accordance with scheduled times, the team will discuss methods to accelerate the task's completion. When a consensus has been reached on what action to take, the team leader will implement these actions immediately so the overall milestone schedule remains in effect. If no consensus is reached, the team leaders will notify the ATO of the issues. The ATO will direct the necessary actions to be taken.

New OMB 12 Month Timeline (suggested)



- | | |
|--|--|
| 0. Preliminary Planning –minimum 3-12 months | 7. Evaluate proposals |
| 1. Public announcement – <i>start date</i> | 8. Obtain pre-negotiation clearance |
| 2. Write PWS & QA Plan, review and adjust documents & obtain approvals | 9. Discussions w/offerors, modify proposals, review best & final offers, and conduct cost comparison |
| 3. Advertise solicitation for industry comment | 10. SSEB documents recommended offer and legal review conducted |
| 4. Develop source selection documentation, independent government estimate, and solicitation preparation | 11. Obtain post-negotiation business clearance |
| 5. Solicitation period | 12. Performance decision – <i>end date</i> |
| 6. Develop MEO, cost estimate, technical and price proposal | |

Figure 2-4. OMB timeline - negotiated acquisition

2-6. Preliminary planning

Prior to public announcement (start date) of a streamlined or standard competition, the following preliminary planning steps (at a minimum) must be accomplished:

- a. The MSCs/FOAs/HSSAs—
 - (1) *Scope*. Determine the activities and full-time equivalent (FTE) positions to be competed.
 - (2) *Grouping*. Conduct preliminary research to determine the appropriate grouping of activities as business units (that is, consistent with market and industry structures).
 - (3) *Workload data and systems*. Assess the availability and adequacy of workload data, work units, quantifiable outputs of activities or processes, organization or industry performance standards, and other similar data for use in development of competition documents.
 - (4) *Baseline costs*. Determine the activities' baseline costs as performed by the incumbent service provider.
 - (5) *Type of competition*. Determine the appropriate type of competition to conduct (streamlined or standard).
 - (a) An organization will use a standard competition if on the competition start date a commercial activity is performed by—
 1. The organization with an aggregate of more than 10 FTEs.
 2. A private sector or public reimbursable source and the AT will include an aggregate of more than 10 FTEs.
 - (b) An organization will use either a streamlined or standard competition if, on the start date, a commercial activity is performed by—
 1. The organization with an aggregate of 9 or fewer FTEs and/or any number of military personnel or
 2. A private sector or public reimbursable source and the organization cost estimate (for a streamlined competition) or the AT (for a standard competition) will include an aggregate of 10 or more FTEs.
 - (6) *Schedule*. Develop preliminary competition and completion schedules.
 - (7) *Roles and responsibilities of participants*. Determine roles and responsibilities of participants in the process and their availability for the duration of the streamlined or standard competition.
 - (8) *Preparation of DA Form 7375*. Direct the installation/activity to prepare the draft DA Form 7375. Review the draft submission and prepare the final DA Form 7375 for submission to higher headquarters.
 - (9) *Draft documents*. Prepare draft statement of needs/statement of objections, acquisition strategy and other pertinent documents during the preliminary planning phase. Draft documents should be coordinated and submitted to the contracting officer during the preliminary planning phase.
- b. Installation commander/director—
 - (1) *Baseline costs*. Determine the activity's baseline costs as performed by the incumbent service provider. A baseline work year audit report will be produced to verify the number of baseline work years. The accuracy of the baseline directly impacts the accuracy of the savings estimate prepared after the competition is over.
 - (2) *Collection of workload*. Assess the availability of workload data, work units, quantifiable outputs of activities or processes, organization or industry performance standards, and other similar data. Establish data collection systems as necessary. Activities that are considered for competition will require at least 9 months of valid workload data to begin development of the PWS will continue to collect workload data throughout the process resulting in 12 months of data at PWS publication timeframe. During the preliminary planning phase, an activity might be considered for competition but milestones might be established for later years. Since these activities might not be immediately competed, it cannot be concluded that the act of gathering of workload data automatically means an imminent competition announcement is forthcoming. However, all activities that perform some contractible tasks will be competed at some point in time, so it is in the Army's best interest to collect workload data early. Also, managers should always strive to provide supplies, services, and support in the most cost effective manner; therefore, analysis of work processes and collection of workload data should be an ongoing effort once it has been initiated. To support future competition requirements managers are encouraged to use data collection and analysis methods described in this guidance, even if the activity is currently not under consideration for competition. Workload data should be documented by major task level and reflect each work requirement, the output measured, the performance standard to be achieved and the frequency of the task. Identify tasks that are expected to experience workload increases or decreases within the next few years. Collect historical performance data (cycle time) for completion of each workload data task. Updating the mission statement and identification of all major task elements is critical to ensuring the data collection produces adequate results. By adequate, the results must be accurate and usable for the development of the PWS. All work tasks require data collection since the determination of which tasks are to be competed will not be made until data collection is complete.
 - (3) *Information for incumbent service providers*. Inform any incumbent service providers that the activity is under consideration for competition and notify them of the date the determination to compete will be made. Public announcement will be required if the decision is to compete, incumbents should be notified of the date when this public announcement will be made.

(4) *Preparation of DA Form 7375.* Prepare the draft DA Form 7375 as directed by the MSC/FOA/HSSA.

2-7. Commercial activities proposed action summary

The final step in competition planning is to prepare the CPAS (DA Form 7375).

a. This document serves as the initial monitored entry on the milestone schedule and defines the scope of the competition. The DA Form 7375 will be approved by the MSC/FOA/HSSA for all streamlined and standard competitions to include transfer of work from contract to agency performance and agency performance of new requirements.

b. The DA Form 7375 can be locally reproduced on 8 1/2-by 11-inch paper. Additionally, DA Form 7375 may be electronically generated and found at the CS Web site at http://www.hqda.army.mil/acsim_ca/.

c. The electronically generated form will contain all data elements and follow the exact format of the existing printed form. All required signatures will appear on the electronically generated form. The form number of the electronically generated form will be shown as DA Form 7375 and the date will be the same as the date of the current edition of the printed form. It is important to identify the version of the IGCA inventory used as the source document for historical tracking purposes.

Section II Announcement

2-8. Congressional announcement

The DA Form 7375 will be reviewed by the MSC/FOA/HSSA for legal and regulatory sufficiency. The MSC/FOA/HSSA will forward the DA Form 7375 and the draft information for members of Congress (IMC) notification letter, as shown in figure 2-5, below, to the Office of the Assistant Chief of Staff, Information Management (OACSIM) Competitive Sourcing Programs Branch (CSPB), who will finalize all documents required for congressional notification. OACSIM CSPB will inform the MSC/FOA/HSSA when congressional notification is complete.

Honorable XXXX (OACSIM Staff will fill in)
Chairman, Subcommittee on Defense
Committee on Appropriations
United States House of Representatives
Washington, DC 20515

Subject: Commercial Activities Competition, XXXX (Organization Name and Function to be Competed)

Dear Mr. Chairman:

Section 2461 of Title 10, United States Code, requires the Secretary of Defense to submit to Congress a report containing specific information before commencing to analyze certain commercial or industrial type functions for possible change to performance by the private sector.

Pursuant to this provision, the Department of the Army plans to initiate a public-private competition of XXXX (Functions to be Competed) commercial activities performed by XXX civilian full-time equivalent personnel at the XXXX (Organization Name and Location) during fiscal year XXXX. This public-private competition is expected to be completed within 12 months from the public announcement date and the cost to perform the competition is estimated at \$XXXX in Department of Defense (DoD) appropriated funds. The public-private competition will be performed in accordance with the standard competition process in Office of Management and Budget (OMB) Circular No. A-76.

This public-private competition is not the result of a decision by any Army official to impose predetermined constraints or limitations in terms of man-years, end strengths, full-time equivalent positions, or maximum number of employees. If the outcome of the competition favors private sector performance, contract award will be made only if private sector performance is expected to result in savings to the government over the life of the contract. The cost used in the analysis will be based upon responses to a formal solicitation. The contract cost will be based on private sector offers, and the Agency Tender cost estimate will be based on the most efficient organization, i.e., the most cost-effective approach using DoD civilians. Prior to a decision favoring either private sector or agency performance, Congress will be notified of the Army's decision and provided all information and certifications required under section 2461.

If the competition's decision favors private sector performance, displaced civilian employees will be afforded the right-of-first refusal for employment openings with the contractor in positions for which they are qualified. If civilians are displaced as a result of either a private sector or agency decision, the Army will assist these employees in obtaining other employment. Displaced career and career-conditional employees will be registered in the DoD Priority Placement Program and will be afforded preferential consideration within DoD and other Federal agencies for vacancies for which they are qualified. Other placement assistance may also be provided through such means as retraining for other Federal government jobs, soliciting cooperation of other Federal agencies in accepting employee referrals, and requesting assistance from the Department of Labor and state employment services in locating positions in private industry.

Sincerely,

XXXX (OACSIM Staff will fill in)

cc: Honorable XXXX (OACSIM Staff will fill in), Ranking Member

Figure 2-5. Congressional announcement of intent of public-private competition

2-9. Local announcement

The local commander/director announces the intent to conduct a competition after HQDA announces the competition to Congress. In the case of changes to the DA Form 7375 after the original competition announcement, no additional local announcements are required. The initial local notification is made to union leadership consistent with local collective bargaining agreements. Notify the CS PM, functional management, CPAC/CPOC, steering committee, and affected workforce.

2-10. Briefing the workforce

a. The affected workforce will be briefed after congressional notification is made or as part of the local announcement. This meeting must take place before any announcement is made to the general public. Appropriate question and answer pamphlets and other handouts will be provided to further advise the affected workforce.

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

(2) Since a great deal of competition preparation requires input from the agency staff, they will also be advised at this time on what information they will be required to submit to the CS team throughout the course of the competition. Work force input includes valid, up-to-date workload data to be used in the PWS and operational data, which will be used in performing the management competition. Since much of the information is either procurement sensitive or important for the preparation of the agency staff's competitive offer, affected employees will be strongly cautioned about talking with persons who have no official "need to know" or who could seriously compromise the fairness of the process. At this time, it will be explained to the workforce why their complete and accurate participation is essential to the MEO's success.

(3) At this meeting, the competition team will make clear to the workforce that there may be a change in the alignment of the activity, and some reorganization, regardless of the results of the competition. Active participation in the competition by the employees under competition is important to a successful competition (especially in the case of the PWS and AT).

b. All members of the activity under competition should attend this briefing. Representatives from the MSC/FOA/HSSA commander/director's office, appropriate union offices, other offices, and any supporting contract consultant should also attend. The team leader will provide all logistical support at these briefings. This includes adequate facilities, confirmation of the exact date and time; transportation for attendees, when required; and provision of appropriate questions and answers and other documents.

2-11. Work force involvement

The initial meeting with the affected workforce, made immediately after public announcement of the competition, serves as the initial step in preparing this activity for change. The competition team advises affected personnel on the competition's scope and the duties they will be expected to perform. The competition team is required by law (10 USC 2467) to consult with the affected workforce at least monthly throughout the course of the competition and to consider their views on the development and preparation of the PWS and AT. Establish a "hot line" telephone number that can be used by affected staff to anonymously ask questions and find out about the status of the competition. Information about this service should be published in the post newspaper or the special weekly newsletter, which is developed especially to address CS issues and concerns. Also, develop suggestion boxes to allow individuals to provide input on how the competition could be improved, or create employee questionnaires (developed by qualified personnel) to gather appropriate ideas, comments, and suggestions relating to the competition.

2-12. Reduction in force planning and personnel actions

a. Organizational changes. The form and content of the organization undergoing a competition will probably change, regardless of whether it results in a contract decision or an agency decision. Significant changes will probably occur to bring the organization in line with the requirements of the MEO or contract. The greatest potential for savings in preparation of the AT almost always relates to reductions in personnel costs. Therefore, it is vital that the CPAC members of the competition team remain fully informed throughout the entire course of the competition. These representatives have the responsibility of coordinating with the CPOC concerning RIF actions and providing suggestions regarding hiring actions that may arise while the activity is under competition. CPAC representatives are also extremely important in assisting affected personnel in reviewing and updating individual employee personnel 201 files.

(1) All RIF-planning actions will begin early in the competition process and will be completed prior to implementation of the final performance decision. RIF-planning actions include position classification to determine the area the RIF will cover, assessment of possible conversion costs, and development of retraining, placement, and possible retirement estimates. RIF planning entails the development of mock-RIF schedules. This planning will be conducted so that the MSC/FOA/HSSA commander/director will know well in advance of the competition's completion, the impact

of the decision and can estimate the amount of funds to allocate for retraining, placement, retirement, payout of annual leave, and severance pay.

(2) Timely completion of these steps will ensure that the conduct of any actual RIF actions will not be delayed. This will help minimize the amount of uneasiness among the workforce, and will ensure that the final performance decision is implemented in a timely fashion.

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

c. Planning and conducting RIFs—

(1) The MSC/FOA/HSSA will “pre-position” RIF clearance (or RIF notification for a small RIF of fewer than 50 anticipated separations) and Voluntary Early Retirement Authority (VERA) request packages. These packages will be developed based on the assumption that the A-76 competition will result in a contract decision. The MSC/FOA/HSSA will complete these packages about the time the A-76 source selection process is completed, and then hold them until standard competition tender/offer opening. To promote positive labor-management relations, MSC/FOA/HSSA are strongly encouraged to notify concerned labor unions of the development and “pre-positional” nature of these packages.

(2) If the performance decision results in contractor performance, immediately after the initial A-76 competition decision (for example, the day after standard competition tender/offer opening), the MSC/FOA/HSSA will submit the “pre-positioned” RIF/VERA request packages to HQDA. The MSC/FOA/HSSAs transmittal memorandum will clearly state that the packages are based upon the initial A-76 competition decision and are intended for implementation only if that decision becomes final at the end of the public review (contest) period. If the performance decision is to convert to the MEO and if 50 or more separations are anticipated, then the MSC/FOA/HSSA revises the RIF/VERA request packages accordingly. If fewer than 50 separations are anticipated, then only a RIF notification, rather than a RIF clearance request package is required, a VERA request package will be submitted if that authority is needed.

(3) The HQDA will initiate the coordination, approval, and clearance process for a large RIF upon receipt of the request packages from the MSC/FOA/HSSA. By receiving this information earlier, HQDA will be able to complete clearance within HQDA and OSD in time to include the RIF information in the final performance decision IMC. HQDA will obtain VERA approval from OSD subject to the following conditions:

(a) No employee will retire under this VERA before the final performance decision.

(b) The approval is withdrawn if the final performance decision changes the performance decision.

(4) In planning for competition implementation, please keep the following in mind:

(a) “Right-of-first-refusal” is an entitlement for employees who are adversely affected by contracting out and not for those who separate voluntarily. Only employees who are released from their competitive levels, and who are scheduled to be separated or demoted, or whose appointments are terminated prior to expiration dates are considered to be “adversely affected.” Employees who take VERA and/or Voluntary Separation Incentive Pay (VSIP) leave the workforce of their own volition and become ineligible for right-of-first-refusal. Be certain to counsel the workforce of this effect when offering VERA/VSIP.

(b) If 50 or more employees are to be separated by RIF within a commuting area during the year, HQDA will notify the Congress. This need for notification can result from the combined impacts of two or more small RIFs. Coordinate the RIF planning closely with the CPOC and with other Army activities to ensure that this requirement is met.

(c) The MSCs/FOAs/HSSAs will comply with their obligations under the Federal Service Labor Management Relations Statute, and applicable negotiated agreements, before implementing the modified process.

Chapter 3

Performance Work Statement Actions

Section I

Overview

3-1. The performance work statement

a. The definition of a PWS is a statement in the solicitation that identifies the technical, functional, and performance characteristics of the Government’s requirements. The PWS is performance-based and describes the Government’s needs (the “what”), not specific methods for meeting those needs (the “how”). The PWS identifies essential outcomes to be achieved, specifies the required performance standards, and specifies the location, units, quality, and timeliness of work.

b. The PWS tells what work is to be done. The PWS communicates measurable outcomes rather than directs performance processes. A PWS describes the work to be done without prescribing how it will be accomplished. In writing the PWS, accurately define the requirements. Exclude unnecessarily restrictive requirements to permit full and open competition, stating only minimum requirements. If at all possible, avoid features that would unnecessarily restrict or limit the number of prospective private sector offers.

c. The PWS is the basis for solicitation. The PWS is the basic document the CO will use to obtain offers from the private sector, AT, and other interested parties. The PWS becomes Section C of the solicitation. The PWS describes tasks that will be accomplished to satisfy stated requirements of the service to be provided, and reflect the level of performance that is acceptable to the Government at time of delivery. The PWS becomes part of the contract resulting from the solicitation, should the outcome of the competition be conversion to contract. In the event that the MEO is determined to be the most cost effective provider of the required service, a contract will not be awarded. The AT will be bound to accomplish the requirements of the PWS at the levels specified in their proposal.

d. The PWS is the basis for contractor offers and the agency cost estimate. The PWS team writes the PWS (possibly with contractor assistance from a contractor who has no conflicts of interest). The PWS is used by all prospective offerors to prepare their respective tender/proposals. Office of Federal Procurement Policy (OFPP) guidance can provide helpful documents that may be useful in developing the PWS. The OSD PWS Handbook can be downloaded from <http://share76.fedworx.org/share76/library/library.aspx>. Refer to the following OFPP documents in developing the PWS: OFPP Policy Letter 91–2, dated April 9, 1991; OFPP Policy Letter 93–1, dated May 18, 1994; and OFPP Guide to Best Practices for Performance-Based Service Contracting. These documents can be obtained by accessing the OMB Web site at <http://www.whitehouse.gov/OMB/>. The DOD Guidebook for Performance-Based Services Acquisition (PBSA) Handbook can be downloaded from <http://share76.fedworx.org/share76/library/library.aspx>. Many of these and other electronic documents can be downloaded from the Defense Acquisition help desk at <http://share76.fedworx.org/share76/library/library.aspx>.

e. It is important that one or more personnel from the contracting office either participate on the team that develops the PWS or at least serve as an advisor to assist as required. The contracting office representative also will participate in periodic reviews of the draft PWS.

f. The commander/director ensures compliance with 10 USC 2467, which requires that the workforce be consulted at least monthly during development of the PWS and AT and their views on PWS and AT development be considered.

3–2. Typical performance work statement elements

a. *The PWS.* The PWS contains a complete description and workload count of the contractible tasks or services that will be subjected to competition within the activity under review. Description of work should be detailed enough for the offerors to understand the complexity of the requirement and assess the technical level of experience needed to complete the task. The frequency of the work is also required. For example, in the statement "process customers' photographs upon request and have them ready for pick-up in 2 days," the frequency of need is as requested. Workload data, collected over a period of 9–12 months (minimum) is required to determine the workload amount, based on historical requirements. This is needed so the offerors can sufficiently staff their operation to complete this task. The PWS also contains a table of performance standards and performance indicators the Government will use during inspection of the completed tasks to measure the offerors' performance level of services rendered.

b. *Performance standards and indicators.* The PWS not only discusses work to be performed, but also contains a DA Form 5473 (Performance Requirements Summary) (see fig 4–1) with performance standards and indicators (see fig 4–2). Performance standards are "tools" the Government uses to measure levels of performance. A standard is an optimum performance level against which actual performance can be measured or evaluated. For example, in the statement "process customers' photographs upon request and have them ready for pick-up in 2 days," the standard is 2 days. The number of days actually taken to finish this task is the performance level indicator, which determines if the work performed was below, met, or exceeded the standard. Developing accurate performance standards which apply to the MEO and contractor are crucial to ensuring that the actual performance received, regardless of the service provider, meets the customer requirements of the organization under competition. Performance standards must be based on established technical standards, policy guidance, or tested historical service levels. Standards cannot be based on "technical estimates." When standards or guidance are not available, a standard must be tested to determine that the level of performance required will produce the desired results for the agency and is at a level that is readily obtainable.

c. *Workload count.* The PWS not only describes all the contractible tasks or services, but the output, or workload, of those tasks and services. Workload is defined as the total number of work units (outputs) produced by a function, within a specified time. Work units are established to allow for an accurate count of acceptable and authorized production. All workload counts should be reflected for an annual period. Sporadic or fluctuating workload should be reflected for each month within an annual period so that offerors can plan staffing requirements based on need. For example: grass cutting would not be needed in the winter months and the frequency could also peak in the summer and decline in the fall.

d. *Technical exhibits (TE).* The PWS contains TEs containing PWS information too voluminous to fit into the body of the document and various advisory technical publications for use by prospective tender/offerors. TEs include required information such as the DA Form 5473 (see fig 4–1), detailed workload data, Government-furnished equipment, supplies, facilities, and data submissions. Any information that supports the narrative of Government requirements can be included as a technical exhibit. Discussion of some mandatory technical exhibits is included in paragraph 3–6h.

e. *General operating information.* This section provides a broad overview of the PWS and provides prospective tender/offerors with information not otherwise contained in sections of the PWS describing specific tasks and services.

Often times, the CO will have “boilerplate” material that can be used as a starting point. Generally, it contains information such as—

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

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

(3) *Personnel.* This section identifies special requirements and qualifications for key personnel, such as a site manager, customer service representative, and so on. Personnel certification training requirements may also be included here. Remember that the MEO is bound to the exact same certification training requirements and that mandating the training in the PWS may increase the ACE. Also, there are many restrictions on what education or training requirements may be included.

(4) *Security requirement.* Includes classified items, systems, and information; security badges; and physical security and key control. This section includes requirements for security clearances, security procedures, and provides responsibilities relating to physical security and key control. It also provides the requirements for a security badge and indicates the information to be included on them, as well as information regarding who will bear the cost for them.

(5) *Contingencies.* This section includes requirements to cover mobilization and disaster relief. The requirement to develop a strike contingency plan will be in this section.

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

(7) *Hours of operation.* This section specifies the hours when workers will be available for customers and when work is performed.

(8) *Vehicle registration.* This section advises the tender/offers of what the requirements are for registration of their privately company-owned and employee-owned vehicles.

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

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

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

(12) *Government computer/networks.* This section specifies whether the agency will make Government computers, local area networks, information management/information technology support, and network security available to all prospective providers. It also specifies whether the use of Government furnished computers and networks shall be used for conducting official business only.

Section II

Developing the Performance Work Statement

3–3. Identify essential requirements

a. The first step in development of the PWS is to thoroughly review the workload data of the present organization. The PWS team should discuss these work tasks with functional members to determine which tasks are essential and which are not. The essential tasks should be represented in the work statement as the Government’s requirement. The non-essential tasks represent work that was conducted by the current organization but will not be required of the winning offeror. These non-essential tasks should be identified and provided to the CS PM.

b. Determine which tasks are Government-in-nature and exempt, since these are not included in the PWS. The tasks that are contractible provide the foundation for describing what services are required by the Government. These service requirements are represented in narrative form within the work statement and include substantiating data to quantify the need and establish the performance standards in TEs.

3–4. Data collection

a. Managers are responsible to establish and implement effective operational methods to accomplish their assigned mission within available resources. To improve these operational methods as resources constantly change, managers must be knowledgeable of the workload drivers, required level of performance needed to accomplish the mission, and the minimum essential resources needed before causing negative impacts on mission accomplishment. Data collection should be an ongoing process. However, in past competitions, the data collection methods used did not always result in sufficient information for management to adequately quantify work requirements and establish performance standards for all key work areas. Therefore, data collection methods described in this guidance should be initiated to prepare for future competitions.

b. If existing data collection methods are not sufficient to provide this level of detail, then management must initiate new (or modified) data collection methods. Prior to public announcement (start date) of a streamlined or standard competition, the Government must—

- (1) Be able to identify the current work requirements.
- (2) Identify which work requirements are contractible in nature.
- (3) Quantify the performance standard for these work requirements.
- (4) Provide historical workload and performance data for these work requirements.

c. Data collection is also valuable to managers because it requires a focused analysis on the tasks currently being performed and identifies those that can be eliminated or modified to save much needed resources. It also clarifies the performance requirements and identifies where these are being exceeded, not being met, or not being monitored. Workload data, performance data, and task requirement data are all key elements of the data collection effort.

d. One of the first steps in collecting adequate task requirement data is to analyze the existing tasks being performed. This can be established by reviewing job descriptions, interviewing key managers, and updating the mission statement. The focus of this analysis is to determine the essential outputs of the organization. These outputs represent the essential requirements that must be completed to successfully meet the activity's mission. Be cautious not to "get into the weeds" and have hundreds of minor tasks requiring workload data collection. Perform a job analysis of the activities by breaking these down into sub-activities. The sub-activities will be similar to key categories of work that would be reflected as unique units. For example, an activity with the mission to provide logistical support might have the key activities of supply, transportation, and maintenance. The sub-activities for supply might be processing customer requests, receiving stocks, and storing stocks.

e. Experienced managers can often perform a job analysis with minimal external assistance; especially if the job descriptions represent current organizational needs and the mission statement is current. However, when the analysis is conducted, the focus will be on translating the sub-activities into the outputs of the organization under competition to meet its mission successfully. Detailed job analyses can consist of organizational analysis, tree diagramming, activity analysis, and data gathering.

f. Organizational analysis is the process used to determine and develop an accurate and complete mission statement of the activity under competition. Simply stated, the organizational analysis provides frameworks for determining what services (outputs) are performed by the activity. These services or outputs will also become essential for development of a future work statement.

(1) To ensure that the organization's mission statement correctly reflects all services or outputs performed, a review of specific U.S. laws, DOD and DA regulations, directives, agreements, and memoranda relating to the organization's requirements should be compared to the existing mission statement. The mission statement should be rewritten until it includes all of the organization's major requirements enumerated in the above-mentioned documents. The installation will submit a request to change the regulation or other directive. If the organization is performing work not specified in these documents that is in fact required, the installation will submit a request to change the regulation or other directive.

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

Name of Organization:
Mission Statement:
Organizational Elements: [State each Div/Br]
Services Performed:
o Normal
o Contingent

Figure 3-1. Sample format for an organizational analysis

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

g. Tree diagramming outlines the sub-activities the activity performs and links these in a logical flow as shown in figure 3-2, below.

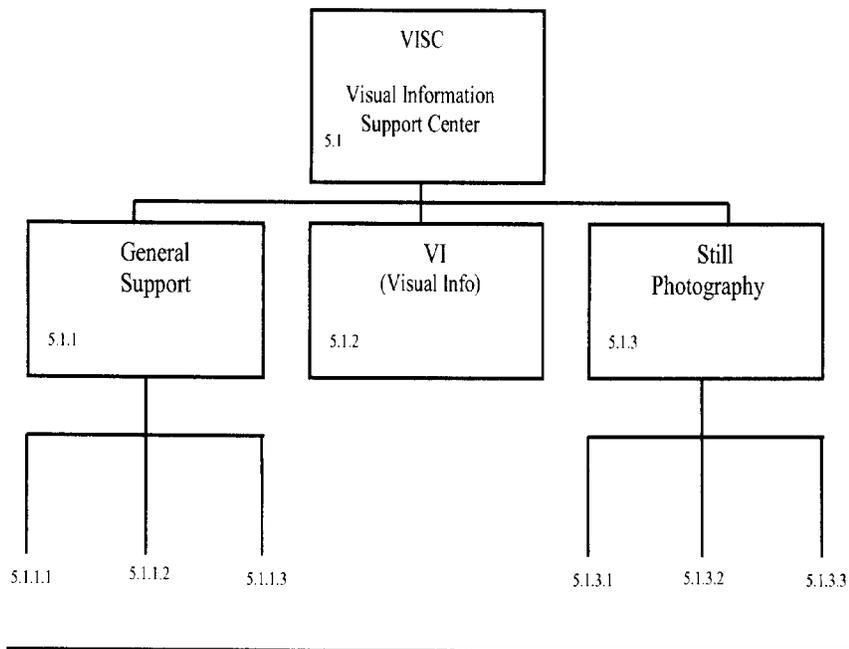


Figure 3-2. Sample tree diagram

(1) Tree diagramming is breaking down sub-activities into specific components of that work. The work breakout display resembles an organization chart, but the breakout of tasks is functionally, not organizationally oriented. Design the first level of the tree diagram using the general headings of work developed during organizational analysis. The diagram will follow the flow of work from beginning to end of the work cycle. The flow of work may cross work centerlines, but the functional alignment will highlight workflow, functional interfaces, bottlenecks, and redundancies. Inefficiencies will begin to show up while tracking workflow and will become more apparent during task analysis. These inefficiencies are part of the data collection for the current operation. These inefficiencies should not be included in a performance work statement, but must be quantified for use as efficiencies in the MEO documentation.

(2) Extraneous work is also identified through the tree diagramming process. Extraneous work is performed by the activity, but it is outside the scope and responsibility of the function's mission requirements. For example, mission directives state only one 8x10 picture will be printed for inclusion in a person's promotion folder; however, the photography branch prints two so that the individual can have a photo also. This is work that is being conducted and should be captured in the data collection process. Extraneous work will be considered for elimination by the PWS Team during the writing of a PWS, if competition is announced. The extraneous work should be identified to the CS PM during the data collection process.

(3) Each subsequent level in the tree diagram breaks the general work headings into parts and subparts of increasing specificity. The box numbers show the relationship of the lower parts to the higher-level parts. For example, General Support, numbered 5.1.1, is related to Visual Information Support Center 5.1. The work break down continues until all tasks are accounted for and placed under their respective category of work.

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

ORGANIZATION: Visual Information Support Center (VISC)			
INPUT	WORK ACTIVITY	OUTPUT	INCLUDE IN PWS?
Written portrait request	Determine validity of portrait request	Valid portrait request	Yes
Telephone request for portrait	Document portrait request	Valid portrait request	Yes
Valid portrait request	Portrait sitting	Portrait; completed portrait request	Yes

Figure 3-3. Sample activity analysis

(a) Each activity analysis worksheet consists of three major sections and they are as follows:

1. The input section where those things that initiate or are needed to perform a work process is listed.
2. The work activity section, which lists, in sequence, the actions or changes that are required to achieve a result.
3. The output section that lists those things or services produced by the work.

(b) Identifying inputs under the activity analysis process will determine those activities that are necessary to produce the required products or services of the organization. Inputs are simply the needs, requests, or directions that cause work to be generated or start. Note that the activity analysis shows the tasks, but not who performs the task. Each "input" will be related to some "output." An "output," in turn, can be an "input" for some other task. For example, "processing customer requests for supplies" might have an input of "customer request" or "requisition request." The output would be the completed requisition document.

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

2. Record these inputs in the first column of the form for activity analysis. Remember, if valid input exists, then work will be done. Work that is being performed but no specific requirement to conduct the work can be found; it may no longer be needed. Contact the customer or activity that is receiving the output to determine if the item is of value to

them; and ask for the directive or guidance requiring the output. For example, a report that is generated routinely and provided to a customer may have started as a favor and has evolved to a "requirement" over time.

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

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

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

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

(d) Review each work process produced in the "work activity" column and list outputs, or work units, in the "output" column opposite the appropriate work process that produced it. Include all outputs of each work process. Each activity may have several different outputs. Next, analyze each output for each work process to determine which of the outputs signifies that the work process has been accomplished. These are classified as significant outputs and are used to determine those work processes measured during performance analysis.

(e) The significant outputs will be the objective of the work activity. It normally is not one of the interim outputs, but it may have the same characteristics of one or a combination of interim outputs. The significant output may not be the final selected output for which performance standards will be developed. However, it is necessary to determine the significant output because each work activity will be reevaluated based on the need to produce that particular output. After identifying which of the outputs are significant, circle them on the activity analysis worksheet. These significant outputs are the key to measuring overall performance levels. Determining the performance requirements for these significant outputs, and then determining whether the activity is meeting these requirements will provide an adequate overall determination of the activity to meet mission requirements. This eliminates the need to develop standards for each unique task accomplished by the activity. Usually, data on output, or work unit, volume is found within records for work control. For example, a maintenance activity can determine their annual quantity of work outputs by counting the number of work orders received, completed, and on hand for a twelve month period. A review of these records will establish completion times and reflect the timeliness of the work.

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

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

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

4. The work units will be selected in such a way that allows existing management systems and planned systems to incorporate them. For instance do not count each step in a process as a work unit because the product becomes a work unit at the end of the process. That is, the product is the output, not the intermediate steps.

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

6. Each work unit will be selected so that the work unit count can be readily verified. The work units will be selected in such a way that the anticipated work counts may be easily converted into staff-hours.

7. Significant outputs will be measured against some predetermined level of quality. These standards can be derived from applicable directives, organization standards or work location specifications, and will be measurable, quantifiable, and attainable. Paragraph 3-5, below, discusses how to determine these performance standards and indicators of performance.

8. At the completion of activity analysis, general work headings will be developed for all activities of the organization. Tasks that appear to be inherently governmental/exempt tasks should be identified to the CS PM. General work headings are categories of work, such as visual information productions, still photography, and so on. The general work headings identified will be evaluated against the validated mission statement. If the work heading does not support the mission statement, either the mission statement is not accurate or performance of the work is not required. If the work is no longer required, it will be eliminated. Assumed work from another organization will be transferred back to that organization.

9. After completing the job analysis, begin collection of work load data counts. A format for the data collection

should be developed and data gathered for a minimum of 30 days. After this starting period, test the results of the data collection to ensure that work being performed is actually being clearly identified in the data collection results. Adjust the data collection format to represent all tasks. Further amend the format to include requirements for performance time; this will enable management to establish a minimum historic level of performance accomplishment.

3-5. Performance standards

a. It is important to know the level of performance being accomplished. This level is not always the required level of performance however. Published standards in technical doctrine, industry standards, and equipment operating instructions can reflect a different level of required performance. Customer expectations may also be greater or lesser than the current level of performance provides.

b. After job analysis, establish performance standards for all critical tasks. Performance standards state the characteristics of properly completed outputs. Performance standards will contain standards for both quality and timeliness and may contain standards for reporting. Good performance standards will be measurable, quantifiable, and attainable. If standards are unreasonably high, the costs to provide that level of service also would be unreasonably high. Therefore, performance standards will be attainable under normal operation at minimal acceptable levels of performance (ALPs) without increases in the cost of service. Performance standards are not driven by what activity performs the work.

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

d. When describing performance standards, remember that the objective is to describe acceptable, completed outputs. Use terminology that describes the characteristics or conditions of the output. Example of bad performance standard, "Have three workers at the Help Desk at all times." Example of good standard, "Answer all calls to the Help Desk within 2 rings 90 percent of the time." Do not use phrases that imply work will be done, but use present or past tense descriptions. For example, "background spotlight will be positioned to avoid hot spots on the film." This light positioning description specifies particular characteristics that separate an acceptable output (area of maximum brightness) from an unacceptable one. The following is an example of an improperly worded standard, "position background spotlights to light the background behind the subject's head." This example characterizes a specific task rather than an output performance standard. It specifies work to be done; it does not describe a properly completed output.

e. Performance standards may be provided by organization directives or documented historical data of agency performance and reflect the actual minimum requirements of the Government. Avoid demanding more than is required. Just as the job analysis process removed the nice-to-have tasks from the activities list; the performance standards analysis should eliminate unnecessary, or sometimes unattainable, performance levels.

3-6. Identifying performance indicators

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

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

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

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

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

(5) Costs can be measured on a total or unit cost basis. However, costs will seldom be used as a measure of performance since this could tend to dictate cost of the service.

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

ACTIVITY: Still Photography		
PERFORMANCE INDICATOR	STANDARD	ACCEPTABLE Level of Performance
Turn-around time	3 workdays	4%
Number of 8 x 10 photographs	112 per month	4%
Cost per 8 x 10 photograph taken and processed	\$5.00 each	10%

Figure 3-4. Sample performance indicators

c. Organization directives may specify the performance indicators to use when evaluating the process. If no prescribed indicators exist, management must decide what indicators will be used to measure the process. Indicators may be based on historical records, or organization imposed quality levels. Rates in terms of time and distance and accuracy are particularly useful for this purpose. Remember a reasonable standard should also bear some relation to the criticality of the service required. For example, work requests that are routinely backlogged for months before completed, might not need a standard for timeliness or reporting, but would still require a standard for quality.

3-7. Acceptable levels of performance

a. No one is a perfect performer; therefore, establishing perfect performance as the acceptable level expected is not necessarily realistic. An allowable error rate for the critical outputs of each required service will be determined. Unexpected problems do arise that cause some outputs to not meet the requirements of the performance standards. These problems are not due to a specific inability to perform, but to circumstances beyond the performer's control. It would not be reasonable for the Government to fail to recognize that these circumstances do happen. Therefore, performance standards must be reviewed to determine if a minor reduction in the performance level below the established standard requirement would be an acceptable performance level to the Government. For example, "An activity is required to complete supply requisitions within 6 hours of receipt. Although, the standard for timeliness is 6 hours, orders that are completed within 6 hours and 9 minutes would not cause any measurable degradation to the supply function. The Government would establish an acceptable level of performance of 2.5 percent to indicate it is acceptable performance to provide the service within 6 hours and 9 minutes." The error rate merely recognizes that people and systems are not perfect.

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

c. Determine ALPs for work to be done, and if that work is critical and/or sensitive in nature (safety, health and issuing controlled assets), then the ALP will be a small number, possibly 0. The results of improper performance will be weighted against the cost of ensuring problems do not occur. Try to evaluate the impact of the ALP on the user of

the output and the producer. Although a larger ALP may save resources in the function, it may cost the user significantly more in resources to replace or correct the output. Therefore, consider the effect on the whole system.

3-8. Data gathering

The next important step in the PWS process is the collection of significant work center data including higher headquarters guidance, directives, standing operating procedures (SOPs) and other available information that govern the work center. It advises functional representatives about methods to be used in performing the competition, and how and why specific data are to be collected. This interaction will allow for increased accuracy in data collection and fact-finding, and will reduce workforce anxiety by involving them in the process and lessening their resistance to change.

a. Subsequent analysis of the collected data will help decide later if it will be included in the PWS. For example, workload data associated with the tasks to be included in the PWS, and information on facilities that will be furnished for contractor use are two categories for which accurate data will be identified.

b. Collecting workload data is an extremely important activity. The PWS will include a workload exhibit showing how often the services are to be provided during the standard competition period for example, during the performance period covered by the standard competition). The PWS is the basis for offerors proposals and the AT. Historical information gathered from existing standard Army data systems, manual data collection systems, or automated data collection systems will be used to estimate the service frequency. Projected changes in workload during the competition period will also be shown in the PWS.

c. Collect workload data from the activity under competition. The activities will usually have data from existing reports or management information systems in the functional activity. While performing an analysis, identify reports or other documentation that will provide historical data. Research and identify directives that require submission to find out which reports are required.

(1) Use DA Form 7194 (Historical Workload Data) to collect workload/work units. DA Form 7194 will be locally reproduced on 8 1/2-by-11-inch paper. A copy for reproduction purposes is located at the back of this pamphlet. Compile workload by work unit, with at least 9 to 12 months of workload data. (United States Army Audit Agency has found that less than 9 months of workload data closely correlates with problems in developing the AT.)

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

(3) After collecting historical workload data, identify changes that are anticipated during the competition period. Projected changes in workload during the competition period will be included in workload frequency projections. These changes will be identified. Determine if the activity under competition has developed and established an automated data collection system to collect workload and resource data. Standard Army data systems will be utilized to collect this data whenever possible. Document the workload in a manner that shows the interrelationship between the PWS, MEO, and the Streamlined/Standard Competition Form. This will make it easier to develop the "PWS/MEO crosswalk" that will be included in the AT. A good "PWS/MEO crosswalk" will streamline the SSEB process and may avoid problems during the contest process.

d. Develop a data collection system if there is no automated or other type of data collection system in place to collect workload and resource data. Either a manual data collection system or an automated system using off-the-shelf software is acceptable. The data will be updated continuously.

(1) The first 9 to 12 months of workload being analyzed will be historical data, not current data. The initial 9 to 12 months of historical data will be from the previous 12 months' activity, if available. Start collecting current data at or before the beginning of the competition and replace the oldest month of historical data with current data when 12 months of current workload has been gathered. At a minimum, 9 months of workload data are required.

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

(3) It is conceivable that gathering a full 12 months of workload data will not be possible. In this event, you can extrapolate 9 month's data into 12 months. Remember to document and record the formula used and the rationale for using it. Describe any peaks and valleys in the workload which may signify significant aberrations in performance of required tasks. In any event, a minimum of 9 months of historical data is required.

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

e. Collect and analyze copies of management reports and SOPs on manpower, funding, and other significant data which activities under competition are required to submit to higher headquarters. Requirements for these reports will be spelled out in higher headquarters directives or SOPs approved by higher headquarters' commander/directors. Collect and analyze copies of this documentation.

Section II Writing the Performance Work Statement

3–9. Cautions

a. During the preliminary planning phase, the activity performed a detailed analysis of work requirements. Parts of this analysis will be used to assist in development of the draft work statement. Before the work statement can be finalized, the PWS team will ensure that any conclusions derived from the analysis are supportable. Coordination of the draft PWS with key functional staff members is also needed to identify any work performed that was overlooked in the initial writing phase.

b. The performance indicators, standards, and ALPs identified during the preliminary planning phase will now be grouped together in a logical way for inclusion on the DA Form 5473, which is a technical exhibit to the PWS. The DA Form 5473 serves as the foundation for the development of competitive offers and the QCP. It also is the base document for the Government's QASP.

c. Representatives of the affected workforce should review the draft DA Form 5473 and inform the PWS team of any tasks that should be added or deleted, and of any performance standard that is incorrect. The PWS team should investigate any changes and determine if the DA Form 5473 requires adjustments. When you have verified the recommended changes to the task list, modify the corresponding sections of the DA Form 5473 accordingly.

d. The draft PWS will be reviewed by the installation contract and legal staffs to ensure that the document is worded correctly and contains all required elements. This review will also help ensure that disagreements do not occur in the interpretation of statements in the PWS because ambiguous or imprecise language was used. This includes the use of vague terms and words with more than one specific meaning. If legal disagreements result from the use of such unclear language, courts generally rule against the party (agency) who prepared the contract.

e. Use the term "service provider will" to specify that a particular requirement is binding upon the contractor or Government. The term "will," will be used to declare a future action on the part of the Government.

f. Be careful of the terminology used and its usage. Use the same words and phrases throughout the PWS to signify the same concepts/meanings. Several important examples of this include, but are not limited to—

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

(2) References to particular sections of the PWS will be consistent and personnel will always be defined as "service provider personnel." By specifically defining all important terms and concepts within the document and adhering to that specific definition, it is less likely that disagreements will occur between the Government and prospective tender/offers over the PWS requirements.

(3) Instructions, publications, manuals, and so on will be referenced by specific paragraph or chapter rather than by the entire publication.

g. When describing what will be done, prepare the PWS in a narrative format indicating all requirements, which will be met. The PWS tells what will be done to meet the Government's requirements and not "how" to do it. Unless it is essential to satisfy the Government's minimum needs, or is required by law, the PWS will not indicate "how" the work is to be accomplished. Both the Government and prospective tender/offers make determinations on how these requirements can be met in the most economical fashion. This forms the basis for development of the offers and eventual competition. When drafting the PWS for service provider performance (Government and private), use the phrase "The service provider will" when describing work to be done.

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

i. Other important considerations are as follows:

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

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

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

(4) *Unacceptable terminology.* Avoid the use of ambiguous terms such as “any,” “either,” “and/or,” or “etc.” when writing the PWS. These words are not specific enough for PWS requirements and imply to the offerors that a choice exists on which requirements will be met. For the same reasons, you will not use pronouns. They are not sufficiently precise and lead to misunderstandings on PWS requirements.

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

3–10. How to use the tree diagram

In writing the PWS, use an outline to link the services together in a logical flow of activities. Use the tree diagram you developed in the preliminary planning phase as the basis for the outline. State the sequence of tasks as sub-parts of the major task heading, such as photography might have as subparagraphs, motion photography, and still photography. Break down these two subparagraphs into sub-subparagraphs, if required.

3–11. General hints for structuring

a. The PWS states the requirements which will be met to successfully perform the activity under competition. The following is a general discussion to provide an idea of what specific information will be in each section of the PWS to accomplish each task.

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

c. Section C–2 gives “definitions and acronyms.” In this section, define all special terms and phrases, including acronyms, used in the PWS. These definitions will be stated in clearly understandable language, which can be clearly understood by all parties.

d. Section C–3 is “Government-furnished property and services.” Perform a cost-benefit analysis to decide if it is more beneficial to provide prospective contractors with specific Government-furnished items or services. If this analysis indicates that the function’s work requirements can be performed more economically by providing specific items or services by the contractor, list them in this section. If the list of Government-furnished property (GFP) or services is extensive, make it a TE and reference it in Section C–3. The Government normally provides the contractor with the stock of expendable supplies on-hand for the function at the time of contract start. However, it might be more advantageous to exhaust the on-hand stock and require that the contractor provide all expendables since products used are subject to change and remaining stock would have to be inventoried by both parties at the end of the contract. Also specify in this section what, if any, equipment and supplies that the contractor will return to the same amount furnished by the Government at the end of the contract. (This section will not duplicate information in the applicable property clause.)

e. Section C–4 states requirements for “contractor-furnished property and services.” Advise the contractor to furnish all property, services, and equipment needed to perform the requirements of the contract, except for those items specifically enumerated in Section C–3. The burden of determining exactly what items and services are required under this section is the responsibility of the contractor.

f. Section C–5 lists “specific tasks that will be performed.” This section is the heart of the entire document. To prepare this section, refer to the tree diagram and activity analysis to determine those significant tasks, which have been selected for inclusion in the PWS. After the selected activities have been grouped as they appear in the tree diagram, transfer them to this section of the PWS, using the tree diagram’s logical progression to determine where each activity will be placed. Group the performance indicators, performance standards, and ALPs together in the same logical way for inclusion on the DA Form 5473.

g. Section C–6 lists specific “Applicable Documents.” Analysis of the activity under review will have produced a list of applicable technical orders, specifications, regulations, and manuals. List the most current version of each of these documents in this section, indicating that these documents are available for review in a technical library. The technical library will be available for tender/offerors during the pre-proposal/pre-offer conference solicitation period (see chap 6).

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

(1) The DA Form 5473, is a detailed outline of the major elements in the PWS. DA Form 5473 can be locally reproduced on 8 1/2-by-11 inch paper. A copy for reproduction purposes is located at the back of this pamphlet. Additionally, DA Form 5473 may be electronically generated. The electronically generated form will contain all data elements and follow the exact format of the existing printed form. All required signatures will appear on the electronically generated form. The form number of the electronically generated form will be shown, as DA Form 5473

and the date will be the same as the date of the current edition of the printed form. It details output, performance standards, ALPs, and method of surveillance for these required services.

(2) Workload data will be gathered and documented in a TE to provide an audit trail between the PWS and AT.

(3) The equipment TE refers to Government-furnished physical assets needed to accomplish the required tasks enumerated in Section C-5. When the list of Government-furnished equipment (GFE) is not lengthy, you will include this information in Section C-3 in the body of the PWS. A sample equipment list is illustrated in figure 3-5, below.

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

Figure 3-5. Sample of equipment list for Government furnished-equipment TE

(4) The supplies TE lists those items used in the work center and provides historical data on the types and amounts of materials required to perform services (see fig 3-6, below).

REPAIR PARTS - SUPPLIES				
NOMENCLATURE	STOCK/PART NUMBER	QTY	AVAIL THRU GOV SUPPLY SYS?	60 DAY STOCK
Microphone switch	5240-42-534-2671	5	No	6
TV antenna, attached	5481-71-654-2314	6	No	6
Projector sprocket, 16 MM	5214-25-876-0987	4	No	3
TV cart caster	6910-00-000-0365	12	Yes	9

Figure 3-6. Sample of supplies list for repair parts and supplies TE

(5) The facilities' TE lists all Government facilities currently being used to meet mission requirements that will be offered to the contractor for use (see fig 3-7, below).

GOVERNMENT FURNISHED FACILITIES

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

<u>BUILDING NUMBER</u>	<u>APPROXIMATE SQUARE FEET</u>
314	2141
322	8198
4022	9238
1060	800
2482	1924

Figure 3-7. Sample of facilities list for Government-furnished facilities TE

(6) The data requirements TE lists all data, forms, reports, and other documents that the contractor will deliver under the contract. The DD Form 1423 (Contract Data Requirements List) will be used for this purpose. Figure 3-8, below, provides an example of information included on the CDRL (which is included in the solicitation, not submitted by the contractor), is a sample of the report that the contractor will be required to submit. A team effort will be used to evaluate these requirements for accuracy. Consult with the CO prior to including CDRLs in the PWS.

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

Figure 3-8. Sample contract data requirements list

3-12. Numbering

As stated above, the numbering of paragraphs in Section C-5 will follow the work breakdown of tasks as outlined in the tree diagram. (This is also known as work breakdown structure.) The major paragraph headings in this section will be numbered 5.1, 5.2, 5.3, and so on to denote major distinct work requirements necessary to accomplish the activity being competed. Subsections of these major paragraph headings will be broken down further to denote tasks required to accomplish each of the major work requirements. For example, major requirement 5.1 will be broken down to 5.1.1, 5.1.1.1, and so on to denote subsequent requirements necessary to accomplish the main requirement listed in paragraph 5.1. Each major work requirement will be broken down to the lowest level of detail consistent with performance-based contracting.

Section III

Performance Work Statement Review

3-13. Reviewing the performance work statement

Ensure the draft PWS is reviewed by functional and staff proponent offices prior to delivering the document to the CO for inclusion in a solicitation (see chap 6). All appropriate review officials are listed as follows:

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

b. The CO will review the PWS and make recommendations that will improve the solicitation. The CO is responsible for preparing the solicitation that incorporates the PWS. Consequently, keep the CO informed at each step in the PWS process from the initial draft onward. The CO will review each revised version of change in the draft PWS as it occurs until the final document is incorporated into the solicitation. It is important to maintain version control.

c. In the early portion of the competition, include legal counsel to provide expertise on specific legal matters. Particular legal questions relating to the PWS will be given in writing to the servicing legal office for their review and opinion before completing the first draft of the PWS. These include the use of certain functional employees as members of the PWS team and SSEB (for example, conflict of interest and right of first refusal eligibility), and clarification of imprecise language or ambiguities in the PWS. In any case, a legal review will be performed before the CO issues the solicitation for public and private-sector offers.

d. The security office will review the PWS for installation security issues, such as access to secured areas, requirements for security clearances, safeguarding classified information/proprietary information from unauthorized disclosure. Submit the PWS to the security office for review and approval prior to forwarding the PWS to the contracting office. The security office will provide a DD Form 254 (Department of Defense Contract Security Classification Specification) for inclusion with the PWS if required.

e. The safety officer should review the PWS to ascertain there is no potential wording written into the PWS that would make the Government liable for potential or current safety hazards. The safety officer is also responsible for reviewing the facilities listed in Section C-3, or the TE containing Government-furnished facilities to see if there are existing safety considerations which will be identified in the PWS.

f. The MSC/FOA/HSSA Steering Committee should be provided a copy of the completed first draft of the PWS for review. Each steering committee member should review the document to ensure all required specialties have been adequately addressed in the PWS. This committee also determines if the document in its entirety sufficiently addresses all major concerns adequately from Section C-1 through C-5.

g. Ask at least one disinterested party at the installation to review the document once it has been completed. The disinterested party will review the document to see if the thoughts flow in a logical progression and move smoothly from one major topic to the next. The directions and tasking described in the document should be easily understandable. The reviewer will also check all references to ensure that the references are stated correctly and valid. This is of particular importance when reviewing paragraph references to workload and the DA Form 5473. Lastly, advise the reviewer to identify any terms used in the document that are not understood. If the reviewer did not understand some of the terminology used, it is conceivable that potential tender/offers will also find it difficult to understand.

h. Higher headquarters (if different from the MSC/FOA/HSSA Steering Committee) may or may not wish to review the completed PWS. Determine higher headquarters' policy on this. If higher headquarters review is required, allocate sufficient time within the milestone schedule to accommodate this review.

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

contracting office staff. Keep in mind the firewall requirement to separate the personnel required to prepare and review the MEO documentation from personnel responsible for PWS preparation.

j. If MSC/FOA/HSSA higher headquarters requires a final review of the completed document, complete all installation final reviews prior to forwarding the completed PWS to MSC/FOA/HSSA. The final review of the PWS should be conducted by the PWS team leader, the CO, and joined by representatives from the following organizations:

- (1) Legal.
- (2) Security and safety offices.
- (3) Staff.
- (4) Security personnel (if applicable).
- (5) Safety officer.
- (6) Steering committee.
- (7) Disinterested parties.

3-14. Time constraints

Keep in mind the time required to perform each of the steps in the PWS process, and establish milestones in a realistic and economical fashion.

Chapter 4

Performance Requirements Summary (DA Form 5473)

4-1. DA Form 5473

The DA Form 5473 lists those tasks that are key performance indicators of the activity and is the culmination of the major steps involved in developing a PWS. The result is a list of key required services, standards of performance, associated ALPs, the identification/description of the products/services to be counted (lot description), and the determination of appropriateness of the performance standards for evaluation. See sample performance requirements summary in figure 4-1, below.

PERFORMANCE REQUIREMENTS SUMMARY

For use of this form, see DA PAM 5-20; the proponent agency is ACSIM.

REQUIRED SERVICE	PARAGRAPH NUMBER	STANDARD	MAXIMUM ALLOWABLE DEGREE OF DEVIATION FROM REQUIREMENT (ALP)	METHOD OF SURVEILLANCE	THE PROPORTION OF REQUIRED SERVICE TO TOTAL CONTRACT PRICE
(RS-1) Provide data requirements (CDR)	C-5.5	CDR submitted in accordance with DD Form 1423	No defect. Lot is number of CDR in a month	100% inspection	_____%
(RS-2) Provide motion photography	C-5.4	<p>a. Timeliness</p> <p>(1) Priority - completed by data and time required on work order form.</p> <p>(2) Routine -</p> <p>(a) Simple - working hours (b) Medium - working hours (c) Complex - working hours</p> <p>b. Quality - completed work shall meet to exceed samples referenced in contract and shall meet customer's needs</p>	_____% Lot is the number of motion photography work order completed during a month	Random Sampling	_____%

DA FORM 5473, MAR 2008

PREVIOUS EDITIONS ARE OBSOLETE.

APD V1.00

Figure 4-1. Sample performance requirement summary

4-2. DA Form 5473 use

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

4-3. DA Form 5473 contents

The following are the major elements of the DA Form 5473:

a. Required service. This column contains a brief summary of each required service to be monitored. The required service will be written in the active voice and state the action required to be performed. Examples are, provide audio products; provide still photography; and maintain equipment.

b. The PWS paragraph reference. This column lists the paragraph number in the PWS specifying each required task. If more than one paragraph describes a required service, list all paragraph references sequentially.

c. Performance standards. For each of the required services ensure a clear description of an appropriate performance standard which describes the characteristics of completed outputs emanating from the required tasks. These completed outputs will be measurable and described in terms of quality and timeliness, so that a distinction can be made between satisfactory and unsatisfactory performance. See sample performance standard in figure 4-2, below.

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

Figure 4-2. Sample of a performance standard

d. The ALPs.

(1) This column lists the ALPs that denote the amount of deviation from the performance standard the Army is willing to accept. It determines what performance deviation is allowed, taking into account that mistakes do unintentionally occur. As stated earlier, perfect performance (0 percent ALP) is probably unnecessary to attain for most services (with the exception of health, safety, and security), and the cost to do so may be unrealistically high. The Government's requirement for acceptable performance is the same for all service providers. Therefore, the AT and all other offerors must prepare offers based on contract performance levels that meet (or exceed) the acceptable performance levels reflected in the DA Form 5473.

(2) Formal reduction percentages can be used within fixed-price contracts, when performance standards are independent of each other, performance oriented, and measurable. Reductions in contract payments are made under fixed price contract when contractor performance falls below the minimum ALP, resulting in unacceptable service.

(3) When using RFP solicitations (see chap 6), negotiate the specific reduction percentages based on required ALPs. This column will be left blank when the Government initially issues the RFP. Ask prospective offerors to complete this column as part of their proposal.

(4) The relative importance of each required service shown on the DA Form 5473 might be useful in developing an award fee plan. When a cost-plus award fee type contract is used, add the deduct analysis to show the relative importance of each required service.

(5) Also identified in column 4 with the ALP, is the description of the lot (population). An ALP has no significance

without a quantity to be rated against. The lot description identifies the units of output to be counted. Lots are similar to work unit counts in that each will be a reflection of completed units of work. Each lot description will be directly representative of its corresponding “required service” from column 2. The lot size is the number of times the service is conducted during a specified period (normally one month, but can be more frequent).

(6) The surveillance method column will show the method of surveillance used to monitor the service requirement stated in column 21. Use one of the following surveillance methods: random sampling, planned sampling, 100 percent inspection, validated customer complaints, management information systems, periodic checklists, and unscheduled inspections. More than one method may be shown for each service requirement. If more than one method will be used, also show the criteria for applying both methods (such as switching from one method to the other). NOTE: Releasing information in this column could be detrimental to the agency, as the contractor could take advantage of the information and provide incomplete service. Disclosure of this information may restrict the contracting officer’s flexibility in administering the contract. However, if payment analysis is specified in the contract, (usually for only fixed price contracts) the method of surveillance will be shown in the DA Form 5473 to be included as a technical exhibit in the solicitation. If payment analysis is not used, this column is usually left blank in the DA Form 5473 included in the solicitation. Complete this column for the DA Form 5473 to be included as part of the QASP.

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

4-4. Development of the DA Form 5473

As stated earlier, development of the DA Form 5473 begins during job analysis when performance indicators, standards, and ALPs are initially developed (see sec II of this chap). Ensure that, whenever possible, requirements for items developed during job analysis and included in the DA Form 5473 are based on historical data and source documents relating to agency performance. When this is not possible, collect sufficient workload data to validate the items in the DA Form 5473. This is to ensure that both the agency and contractor workforce are measured against the same standards.

Chapter 5 Calculating Competition Costs

Section I Overview

5-1. Introduction

a. This chapter provides a good description of how the costs are estimated for the standard competition (see chap 7) that determines whether a CA will be performed in-house or by the selected ACE are provided in the DOD A-76 Costing Manual (<http://share76.fedworx.org/share76/library/library.aspx>). Compliance with the DOD A-76 Costing Manual is mandatory.

b. Federal policy (OMB Circular A-76) and law require that a standard or streamlined competition be held to determine the least costly mode of performance, agency or contract. This mode of performance is used for future work unless a later competition changes the determination.

c. The decision to contract or not to contract commercial activities is determined by a competition of the AT and the selected private sector and public reimbursable offers. The contractor offers are based on the same solicitation (and PWS) as the ACE. To ensure fairness, the ACE and contract prices are not disclosed until the “performance decision” is announced.

d. The most critical aspect for proper preparation of an ACE is thorough documentation. This includes both COMPARE generated worksheets and additional supporting documentation such as receipts and subcontractor invoices that are required to provide clear and thorough explanations for how all cost elements, calculations and estimates were determined and common cost elements identified. The supporting documentation will be developed so that diverse audiences that are typically not involved in the A-76 standard competitions easily understand it. These will include but are not limited to the individuals certifying the Standard Competition Form/Streamlined Competition Form (SCF/SLCF), potential appellants, contest and protest adjudicators, lawyers, judges, and auditors. In most instances, these individuals rely solely upon the written record (that is, supporting documentation) to understand, validate, defend, dispute, and resolve issues surrounding the rationale for and calculations of the ACE.

5-2. Cost estimating process

a. The COMPARE software, along with a detailed user manual and costing help desk, is available at <http://www.compare76.com/>.

b. Standard factors are used in developing cost estimates. Because actual costs are often difficult and time-consuming to determine, or do not reflect the total cost to the Government, many of the factors affecting costs are standardized to provide an estimate with a reasonable expenditure of time. Most of these standard factors are based on Government-wide experience or averages. Standard cost elements have been incorporated into COMPARE and applied automatically by the software when applicable.

c. The cost estimating process begins as soon as AT development begins. Costing data collection and estimation typically concludes with the submission of the AT.

5-3. Current cost data

Agency cost elements are based on the most current factors/estimating procedures, the MEO, and the current solicitation.

a. Personnel costs are based on current General Schedule (GS) and Federal Wage Schedule (FWS) wage rates in effect when the cost estimates are developed. Cost estimates use the last full fiscal year's accounting reports or more recent cost data, such as the current Army master data file (AMDF) unit price. If this information does not reflect a normal operating level from which to project estimates, the normal operating level is used for costing. Rationale and data sources will be shown in the comments section of COMPARE.

b. Changes to the ACE after the SSEB review has been conducted and after the AT has been submitted to the CO can only be made in accordance with paragraph 5-12. No other "fixes" are allowed after the first contractor offer has been opened.

Section II Calculating Costs

5-4. Overview

a. *Public-private competition costs.* To reflect the full cost of performance by the Government, organizations and public reimbursable sources will calculate cost estimates in accordance with this chapter for public-private competitions. An organization will not deviate from this chapter. A private sector source will propose a price or estimated cost in accordance with attachment B, OMB Circular A-76 and the FAR.

b. *COMPARE.* Organizations will use COMPARE (the costing software that incorporates the costing procedures of this chapter) to develop cost estimates and generate the SCF or SLCF. The COMPARE version in effect as of the performance decision date will be used when determining a performance decision.

c. *Standard competitions.* Organizations will calculate and manually enter the required cost data for SCF lines 1, 2, 3, 5, 9, and 11. COMPARE then automatically computes SCF lines 4, 6, 8, and 10. After the CO enters the required data for SCF lines 7 and 12, COMPARE automatically computes SCF lines 12, 13, 14, 15, 16, 17, and 18 and no further manual calculations are required for the SCF. After all costs have been entered into COMPARE the SCF is automatically generated for signature and certification of the performance decision. Public reimbursable cost estimates will be calculated and manually entered based on the required cost data for SCF lines 1a, 2a, 3a, and 5a. COMPARE then automatically computes SCF lines 4a and 6a.

d. *Streamlined competitions.* Organizations calculate and certify the cost of performing the activity with Government personnel in accordance with attachment C of OMB Circular A-76 for a minimum of three performance periods by completing SLCF lines 1, 2, 3 (limited to awarded contracts supporting agency performance of the activity), 4, and 6. An agency may base the agency cost estimate on the incumbent activity; however, an agency is encouraged develop a more efficient organization, which may be an MEO.

e. *Competitions between private sector and public reimbursable sources.* A public reimbursable source may only respond to a solicitation by submitting a public reimbursable tender that is developed in accordance with attachment B, OMB Circular A-76. The public reimbursable tender includes a cost estimate that will be calculated in accordance with attachment C, OMB Circular A-76 and entered on SCF lines 1a-6a. The CO will determine the cost adjustments to be included on SCF line 8 (Contract Administration) and SCF line 12 (Federal Income Tax Adjustment). The CO will ensure no costs are entered on SCF lines 9, 10, 11, and 14.

f. *Excluded costs.* Organizations and public reimbursable sources will not include the following in cost estimates:

- (1) Retained rate of basic pay for civilian employees (5 CFR 536).
- (2) Costs for conducting the streamlined or standard competitions.
- (3) Organization separation incentive programs such as VERA and VSIP, which are programs used to preclude involuntary civilian separations resulting from RIFs.

g. *Conversion differential.* In a standard competition, an organization will determine the conversion differential, in accordance with paragraph D of attachment C, OMB Circular A-76. The conversion differential is added to a non-incumbent's cost of performance and is the lesser of 10 percent of the MEO personnel-related costs (SCF line 1) or \$10 million over all performance periods stated in the solicitation. Organizations will not calculate the conversion differential in a cost estimate for a streamlined competition.

h. Performance periods. An organization or a public reimbursable source will reflect the same performance periods required by the solicitation on the SCF.

i. Rounding rule. An organization or a public reimbursable source will round all line entries on the SCF/SLCF to the nearest dollar.

j. Phase-in costs. An organization or public reimbursable source will reflect Phase-in costs that are associated with the specific Phase-in actions and are documented in the Phase-in plan. Organizations and public reimbursable sources will calculate the Phase-in costs associated with the change from the incumbent provider on SCF lines 1–5 or SCF lines 1a-5a, as appropriate.

k. Inflation. OMB issues a transmittal memorandum in the Federal Register to identify changes to the federal pay raise assumptions and inflation factors (based on the President’s annual budget). These annual pay raise assumptions and inflation factors will be used in an organization or a public reimbursable cost estimate for pay and non-pay categories of cost as follows:

(1) Through the end of the last performance period for pay and non-pay categories of cost that are not subject to an economic price adjustment.

(2) Through the end of the first performance period for pay and non-pay categories of cost that are subject to an economic price adjustment. COMPARE automatically computes inflation on a daily basis, which is calculated using 365.25 days per year, to account for leap years.

l. Standard cost factors. Organizations and public reimbursable sources will use the standard A–76 costing factors identified at figure 5–1 to calculate cost estimates. Figure 5–1, below, identifies the types of and sources for standard costing factors as well as specific costing factors in effect at the time of publication of this circular. Updates to these cost factors will be posted on the OMB Web site at <http://www.OMB.gov>. When a standard cost factor changes, the DOD updates the tables in COMPARE and posts the table update on SHARE A–76! Prior to posting a table update, the DOD tests the change to the software, and reviews the change with OMB. An organization will not deviate from the cost factors required by this chapter. When preparing cost estimates, organizations and public reimbursable sources will—

(1) Use the standard cost factors that are in effect as of the solicitation closing date.

(2) Apply known, projected changes to these standard cost factors, if the organization or public reimbursable source will incur these costs before the end of the first performance period. If a standard cost factor changes before the performance decision date, the CO will ensure the organization and public reimbursable cost estimates reflect the standard cost factors that are in effect on the performance decision date.

Table of Standard A-76 Costing Table of A-76 Costing Factors			
Title	Originating Source	Category of Cost	Factor¹
Casualty Insurance Cost Factor	OMB Transmittal Memoranda	Non-pay	0.5%
Civilian Position Full Fringe Benefit Cost Factor	OMB Transmittal Memoranda	Pay	36.45%
Contract Administration Cost Factors and Allowable Grades	OMB Circular A-76	Pay	Figure C6.
Conversion Differential	OMB Circular A-76	Non-pay	10% or \$10 million
Cost of Capital Cost Factors	OMB Circular A-94, <i>Discount Rates to be Used in Evaluating Time-Distributed Costs and Benefits (Appendix C)</i>	Non-pay	Depends Upon Capital Asset
Insurance and Health Benefit Cost Factor	OMB Transmittal Memoranda	Pay	6.7%
Federal Insurance Contribution Act (FICA) Cost Factor ²	Social Security Administration	Pay	7.65%
Federal Wage System (FWS) Pay Schedules	Civilian Personnel Management Service Wage and Salary Division	Pay	Multiple Wages
Foreign Country Operations & Maintenance Inflation Cost Factors	Local Determination	Non-pay	Depends Upon Location
Fuels Inflation Cost Factors	Office of the Under Secretary of Defense (Comptroller), <i>National Defense Budget Estimates for the FY xx Budget (Green Book)</i>	Non-pay	Depends Upon Fiscal Year
Full-Time, Part-Time & Temporary Annual Productive Hours for Civilian Positions	OMB Circular A-76	Not Applicable	1,776 Hours
General Schedule (GS) Pay Schedules	OPM Office of Compensation Administration	Pay	Multiple Salaries
Intermittent Annual Productive Hours for Civilian Positions	OMB Circular A-76	Not Applicable	2,007 Hours
Labor Inflation Cost Factors for Civilian Positions	OMB Transmittal Memoranda	Pay	Depends Upon Fiscal Year
Labor Inflation Cost Factors for Military/Uniformed Services Positions	OMB Transmittal Memoranda	Pay	Dependent Upon Fiscal Year
Medicare Benefit Cost Factor	Social Security Administration	Pay	1.45%
Military/Uniformed Services Composite Pay Rates	Military Departments: Office of the Under Secretary of Defense (Comptroller) <i>FYxx Department of Defense Reimbursable Rates Tab K (All Services)</i> Other Uniformed Services: <i>Dependent Upon Agency Comptroller Determination</i>	Pay	Depends Upon Uniformed Service and Fiscal Year
Miscellaneous Fringe Benefit Cost Factor	OMB Transmittal Memoranda	Pay	1.7%
Non-Appropriated Fund Pay Schedules	Civilian Personnel Management Service Wage and Salary Division	Pay	Multiple Wages
Old Age and Survivors Death Insurance Maximum Taxable Earnings (salary limit)	Social Security Administration	Pay	\$97,500
Old Age and Survivors Death Insurance Cost Factor	Social Security Administration	Pay	6.2%
Operations & Maintenance Inflation Cost Factors	Office of Management and Budget Transmittal Memoranda	Non-pay	Depends Upon Fiscal Year
Overhead Factor	OMB Circular A-76	Pay and Non-pay	12%
Personnel Liability Insurance Cost Factor	OMB Transmittal Memoranda	Pay	0.7%
Other One-Time Conversion Cost Factor	OMB Circular A-76	Non-pay	1%

Figure 5-1. Table of A-76 costing factors

Severance Pay One-Time Conversion Cost Factor	OMB Circular A-76	Pay	4%
Special Class Retirement Cost Factor (Law Enforcement & Fire Protection)	OMB Transmittal Memoranda	Pay	39.8%
Special Class Retirement Cost Factor (Air Traffic Control)	OMB Transmittal Memoranda	Pay	37.6%
Standard Civilian Retirement Benefit Cost Factor	OMB Transmittal Memoranda	Pay	26.6%
Tax Rates	Internal Revenue Service Statistics of Income Division <i>Statistics of Income Corporation Sourcebook and North American Industry Classification System</i>	Non-pay	Depends Upon Industry Grouping in Source Document
Useful Life and Disposal Values	OMB Transmittal Memoranda	Non-pay	Depends Upon the Capital Asset
¹ The factors listed in this column are factors in effect on the publication date of this circular. ² For social security (i.e., Old Age and Survivors Death Insurance and Medicare).			

Figure 5-1. Table of A-76 costing factors—Continued

m. Standard Competition Form. Organizations and public reimbursable sources will use the Standard Competition Form (SCF) for a standard competition. The ATO, public reimbursable source, CO, and SSA will sign the certification statements.

n. Organization cost estimate. Based on the AT, the solicitation, and attachment B, OMB Circular A-76, the ATO will calculate and certify the organization cost estimate on SCF lines 1-6, and calculate SCF lines 8-17.

o. Public reimbursable cost estimate. Based on the public reimbursable tender, the solicitation, and attachment B, OMB Circular A-76. A public reimbursable source will calculate and certify the public reimbursable cost estimate on SCF lines 1a-6a.

p. Negotiated acquisition. For a negotiated acquisition, the CO will determine, through price analysis and cost realism as required by attachment B, OMB Circular A-76 if the organization cost estimate (SCF lines 1-6) and a public reimbursable cost estimate (SCF lines 1a-6a) are calculated in accordance with attachment C, OMB Circular A-76. The SSA ensures the performance decision is based on evaluating offers and tenders in accordance with attachment B, OMB Circular A-76, and certifies either a low-cost performance decision as supported by SCF line 17 or an other-than-low-cost performance decision as supported by the source selection decision documentation.

q. Sealed bid acquisition. For sealed bid acquisitions, the CO will determine (as required by attachment B, OMB Circular A-76) if the costs entered on SCF lines 8-18 are accurate and calculated in accordance with attachment C, OMB Circular A-76. Organizations and public reimbursable sources will reflect cost estimates using the SCF.

r. Streamlined Competition Form. Agencies will not calculate the conversion differential in a cost estimate for a streamlined competition. When performing a streamlined competition, an organization will calculate and certify SLCF lines 1, 2, 3, 4, 6, 7, 8, 12, 13, 17, and 18 in accordance with attachments B and C, OMB Circular A-76. The cost estimate for a public reimbursable source will be calculated and certified on SLCF lines 1a, 2a, 3a, 4a, and 6a. Organizations will reflect cost estimates using the SLCF. Different individuals, as required by Attachment B, OMB Circular A-76, will sign the certification statements.

5-5. Cost of organization performance

a. Personnel costs (SCF/SLCF line 1/1a). Personnel costs for an organization cost estimate will be entered on SCF line 1 for a standard competition or SLCF line 1 for a streamlined competition. Personnel costs in a public reimbursable cost estimate will be entered on SCF line 1a for a standard competition or SLCF line 1a for a streamlined

competition. Organizations and public reimbursable sources will include sufficient written documentation of all personnel costs included in cost estimates for the CO to conduct price analysis and cost realism as required by attachment B, OMB Circular A-76. Personnel costs for organizations and public reimbursable cost estimates will be calculated as provided below. Organizations will determine and manually input the cost data for this SCF/SLCF line into COMPARE. COMPARE automatically computes line 1 and line 1a totals based upon user inputs.

b. Labor costs. Organizations and public reimbursable sources will calculate all labor costs to reflect the staffing (that is, MEO) necessary to meet the solicitation requirements and include these costs in cost estimates. These labor costs include, but are not limited to, direct labor; labor for supervision and management related support to the tender (that is, MEO) such as labor for quality control, labor for MEO administration and inspection based on the MEO letter of obligation, labor for contract administration and surveillance for MEO subcontract, and indirect labor. An organization will determine direct labor costs based on the Government personnel costs for labor that will be dedicated to the MEO. To calculate direct labor, organizations will identify the specific MEO staffing, wage/grade classifications, salaries, wages and other entitlements such as fringe benefits, overseas allowances, uniform allowances, and overtime and other local personnel costs expended to perform the MEO. Direct labor includes resources dedicated to performing the requirements of the solicitation and labor for supervision and management related support to the tender (that is, MEO) such as labor for quality control.

c. Prorated labor. Organizations and public reimbursable sources will prorate the cost of Government personnel who will not be 100 percent dedicated to the organization in the tender (that is, MEO) based on the amount of dedicated time the organization expects these civilian positions to provide to the organization (that is, MEO). For example, if a GS-13 position or applicable National Security Personnel System (NSPS) pay schedule spends 20 percent of their time performing management oversight of an activity being competed, the prorated cost is entered on SCF line 1 as 0.20 FTE in the grade of GS-13, step 5 or applicable NSPS pay schedule. Organizations and public reimbursable sources will calculate prorated labor in cost estimates and enter these costs on SCF line 1 or line 1a, as appropriate.

d. Administration and inspection costs for an MEO LOO. The organization cost estimate will include labor costs for MEO administration and inspection. These costs include, but are not limited to, monitoring performance and compliance with the MEO LOO for all performance periods. A public reimbursable cost estimate will not include these administration costs since they are accounted for on SCF/SLCF line 8.

e. Full-time equivalents. Based on workload requirements, organizations and public reimbursable sources will determine the productive work hours for the organization in the MEO and then convert these productive hours into FTE positions. After the FTE determination, an organization will establish the staffing for the organization in the tender MEO, which includes the number of positions and grades necessary to meet the FTE requirements. For example, if an organization determines that 35.789 FTEs of direct labor will be necessary to meet the workload requirements, the organization will then convert the 35.789 FTE requirements into the number of positions and corresponding grades necessary to fill these requirements, resulting in a staffing level of 36 positions for the organization in the AT. The organization then calculates the cost of the 36 positions and enters the cost on line 1 or line 1a, as appropriate. In this example, the work associated with the 0.789 FTEs was converted into a whole position based on a specific staffing approach; however, another organization might elect to use intermittent or part-time positions to accomplish the 0.789 FTE requirements. After these FTE calculations and staffing determinations, organizations and public reimbursable sources will determine and add the staffing for indirect labor to the organization in the tender to support the direct labor (man-year) requirements.

f. Rounding FTEs. Round FTE calculations to three decimal places (for example, 0.000 FTEs).

g. Full-time, part-time, temporary, and seasonal FTEs. An organization will determine the required number of FTEs by identifying the total hours required, by skill and grade, and then divide by 1,776 annual productive hours. The productive hours will exclude annual leave, sick leave, administrative leave, training, and other nonproductive hours.

h. Intermittent FTEs. An organization will determine the required number of FTEs by identifying the total hours required, by skill and grade, and then divide by 2,007 annual productive hours.

i. Civilian position pay and wages calculation. Organizations and public reimbursable sources will calculate civilian pay and wages for cost estimates using—

- (1) Local pay salaries and wages at a rate of step 5 for GS, and step 4 for FWS, positions.
- (2) The mid-grade, or mid-band and mid-step level for pay-banded or demonstration project positions.
- (3) The locality pay for the location, or each location in a multi-location competition.
- (4) The length of time in grade for each grade in a developmental series, as determined by the HRA.

j. Pay rate changes. Organizations and public reimbursable sources will implement pay rate changes in cost estimates when the pay rate changes become “known.” The specific point at which these pay rate changes become “known” is after the President signs the executive order approving the pay rate changes and the executive order is made available to the public. The cost of a pay rate change is incurred by the Government based upon the effective date of the pay tables, regardless of whether the President signs the treasury/postal authorization bill for a given fiscal year. Therefore, organizations and public reimbursable sources will incorporate pay rate changes in cost estimates if the effective date of the new pay table is prior to or the same day as the first day of the Phase-in period; and the signed Presidential executive order approving the pay rate changes is available to the public. If an organization or public

reimbursable source has prepared a cost estimate but a performance decision is pending, the organization or public reimbursable source will update the cost estimate to reflect these “known” pay rate changes prior to the performance decision being made.

k. Civilian position fringe benefits and Federal Insurance Contribution Act (FICA). Organizations and public reimbursable sources will calculate civilian fringe benefits and FICA based upon the basic pay for each position in the cost estimate. Basic pay for GS positions is the position’s annual salary plus any applicable “other civilian position pay entitlements” (see para 5–5t, below). Basic pay for FWS positions is the position’s annual wages including shift differential pay and environmental pay plus any applicable “other civilian pay entitlements” (see para 5–5t, below). Organization and public reimbursable sources will multiply basic pay by the following Government-wide standard factors. COMPARE automatically computes the costs for these entries.

l. Full-time and part-time permanent civilian positions. On the publication date of OMB Circular No. A–76 full-time and part-time permanent civilian positions receive the civilian position full fringe benefit cost factor of 32.85 percent of the position’s basic pay. The 32.85 percent civilian position full fringe benefit cost factor is the sum of the standard civilian position retirement benefit cost factor (24.0 percent), insurance and health benefit cost factor (5.7 percent), Medicare benefit cost factor (1.45 percent), and miscellaneous fringe benefit cost factor (1.7 percent).

m. Retirement benefit cost factors. The standard civilian retirement benefit cost factor represents the cost of the weighted Civilian Service Retirement System/Federal Employees Retirement System (CSRS/FERS) 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 contributions. Consult OMB Circular A–76 for the most current standard civilian retirement benefit cost factor for civilian positions and retirement cost factors for special class civilian positions.

n. Insurance and health benefit cost factor. Consult OMB Circular A–76 for the most current standard civilian retirement benefit cost factor for civilian positions and retirement cost factors for special class civilian positions.

o. Medicare benefit cost factor. Consult OMB Circular A–76 for the most current standard civilian retirement benefit cost factor for civilian positions and retirement cost factors for special class civilian positions.

p. Miscellaneous fringe benefit cost factor. Consult OMB Circular A–76 for the most current standard civilian retirement benefit cost factor for civilian positions and retirement cost factors for special class civilian positions (workmen’s compensation, bonuses, awards, and unemployment programs). Based on the Office of Personnel Management (OPM) civilian award policy, there are two general categories for civilian awards. Category one is for special acts (that is, cash awards, bonuses) that are over and above a civilian employee’s expected annual performance, and category two is for awards that are based on a civilian employee’s annual performance rating (that is, cash awards, bonuses, quality step increases). Category one civilian awards are not included in the miscellaneous fringe benefit factor (these costs are entered under para 5–5s, below). Category two civilian awards are included in the miscellaneous fringe benefit factor.

q. Temporary and intermittent civilian positions. The full benefit factor is not applied to temporary and intermittent civilian positions. Organizations and public reimbursable sources will apply the FICA cost factor to civilian positions not covered by CSRS/FERS (typically intermittent and temporary civilian positions). Consult OMB Circular A–76 for the most current FICA cost factor. The FICA cost factor equates to a percentage of the Old Age and Survivors Death Insurance benefits and a percentage of Medicare benefits. There is an annual maximum earnings limitation for the Old Age and Survivors Death Insurance benefit portion of the FICA tax.

r. Seasonal civilian positions. Seasonal civilian positions are employed on a recurring basis for less than 12 months each year. Organizations and public reimbursable sources will calculate the cost of a seasonal position based on 1,776 annual productive hours, and determine the number of seasonal civilian positions as a seasonal full-time or seasonal part-time position based on the number of annual hours the civilians will be scheduled to work. Organizations and public reimbursable sources will then calculate permanent seasonal civilian positions using the civilian position full fringe benefit cost factor, and temporary seasonal civilian positions using the FICA cost factor.

s. Other civilian pay. Organizations and public reimbursable sources will calculate other civilian pay for each position in the cost estimate, when applicable. Other civilian pay includes pay that is subject only to FICA taxes. Examples of this type of pay include, but are not limited to, premium pay, night differential pay for GS positions, overtime pay, holiday pay, category one civilian awards, civilian bonuses, and uniform allowances.

t. Other civilian pay entitlements. Organizations and public reimbursable sources will calculate other civilian pay entitlements for each civilian position in the cost estimate, when applicable. Organization and public reimbursable sources will identify these entitlements and use current cost factors for each entitlement identified in cost estimates. In a standard competition, the HRA will identify these entitlements and obtain the current cost factors for each entitlement identified in the organization cost estimate. Examples of these entitlements include, but are not limited to, night differential pay for FWS positions, environmental differential pay and premium pay (for civilian fire fighters and law enforcement officers). Organizations will determine and manually input the cost data for this cost entry into COMPARE.

u. Non-foreign area civilian employee cost-of-living allowance. Organizations and public reimbursable sources will calculate cost-of-living allowances for each position in the cost estimate, when applicable. Organizations will determine

and manually input the cost data for this cost entry into COMPARE. A cost-of-living allowance is applied to any civilian employee position that will physically perform work in the following locations:

- (1) Alaska.
- (2) Hawaii.
- (3) Guam.
- (4) Puerto Rico.
- (5) The United States Virgin Islands.
- (6) The Commonwealth of the Northern Mariana Islands.

v. *Administration and surveillance for MEO subcontracts.* If a mix of Government positions and subcontracts is included in a tender, organizations and public reimbursable sources will calculate the cost of labor for the administration and surveillance of these subcontracts and enter the cost on line 1 or 1a, as appropriate. An organization will enter the actual costs of MEO subcontracts and fee-for-service agreements, as well as the cost of Government furnished material, equipment, facilities, and services for these subcontracts, on line 3 or line 3a, as appropriate. A public reimbursable source will enter the actual costs of subcontracts and fee-for-service agreements, as well as the cost of public reimbursable furnished material, equipment, facilities, and services for these subcontracts, on line 3a. Organizations will determine and manually input the cost data for this cost entry into COMPARE.

w. *Labor escalation.* Inflation for wages and salaries of civilian positions and private sector service positions (often referred to as “labor escalation”) is included in private sector cost proposals, organization cost estimates, and public reimbursable cost estimates based on the solicitation requirements for economic price adjustment for labor inflation. The Service Contract Act (SCA), the Davis-Bacon Act (DBA), and FAR Part 22 determine an economic price adjustment for services and construction labor. To calculate inflation for civilian positions in cost estimates, organizations and public reimbursable sources will comply with the following guidance, which is consistent with the requirements in FAR Part 22 for submission of private sector offers. COMPARE automatically computes the applicable inflation costs based on the user input selections in accordance with the following:

(1) If a solicitation does not include either FAR clause 52.222–43 or 52.222–44, an organization will apply inflation to all civilian positions for all performance periods through the end of the last performance period stated in the solicitation.

(2) If a solicitation does include either FAR clause 52.222–43 or 52.222–44, organization and public reimbursable sources will inflate labor costs in cost estimates as follows:

(a) For civilian positions that are subject to an economic price adjustment (for example, the position description states the position is nonexempt under the Fair Labor Standards Act (FLSA), inflation is applied only through the end of the first period of full performance.

(b) For civilian positions that are not subject to an economic price adjustment for example, the position description states the position is exempt under the FLSA, inflation is applied for all performance periods through the end of the last performance period stated in the solicitation.

(3) The SCA and the DBA do not apply to civilian positions; however, the FLSA can be applied to civilian positions consistent with SCA since both the FLSA and SCA use the same definitions for employees that perform services. On the basis of these common definitions, and since the private sector uses the SCA and the DBA (as prescribed in FAR Part 22) to determine which private sector positions are subject to an economic price adjustment, organizations and public reimbursable sources will use the FLSA to determine which civilian positions are subject to an economic price adjustment in cost estimates. The determination of whether a civilian position is exempt or nonexempt under the FLSA is required by OPM when civilian position descriptions are classified. Therefore, when an official civilian position description is classified as exempt under the FLSA, the civilian position is not subject to an economic price adjustment and labor costs are inflated for all performance periods through the end of the last performance period stated in the solicitation. When a position description is classified as nonexempt under the FLSA, the civilian position is subject to an economic price adjustment but only if the solicitation includes FAR clause 52.222–43 or FAR 52.222–44; in that case, labor costs for non-exempt positions are inflated through the end of the first period of full performance.

x. *Labor inflation cost factors.* An annual OMB transmittal memorandum identifies the federal pay raise assumptions and inflation cost factors (for example, pay increases expressed in percentages) for civilian positions. This transmittal memorandum provides an update to the pay inflation cost factors used to estimate projected civilian pay costs and to specify the year in which these labor inflation cost factors become effective. Organizations and public reimbursable sources will apply the labor inflation cost factors (specified in the annual OMB transmittal memorandum) on the day immediately following the end of the effective period of the GS, applicable NSPS pay schedule or FWS pay schedules used in the organization cost estimate.

y. *General schedule.* Since GS pay schedules are effective on the first day of the first full pay period beginning on or after January 1 of each year, organizations and public reimbursable sources will apply the labor inflation cost factors in January of each year following the end of the effective period for the pay schedule used in cost estimates for GS positions. For example, if the GS pay schedule in use is effective on January 12, 2005, the 2006 pay inflation factor is applied on January 12, 2006. The labor inflation cost factor for each year provided in the transmittal memorandum is

applied on January 12 of each subsequent year of performance included in the cost estimate as required by the performance periods stated in the solicitation.

z. Federal wage schedule. FWS pay schedules are effective for a 12-month period, and differ from GS pay schedules in that effective dates for FWS pay schedules occur during any month of the year and vary by location. For FWS positions, organization and public reimbursable sources will apply the labor inflation cost factors at the end of the effective period of the FWS pay schedule used in the cost estimates. Organizations and public reimbursable sources will apply FWS labor inflation cost factors to FWS pay as follows:

(1) *January to September effective dates.* For FWS pay schedules with effective dates from January 1 through September 30, organizations and public reimbursable sources will use the labor inflation cost factor that corresponds to the year of the end date of the effective period for the FWS pay schedule. For example, if an FWS pay schedule is effective from April 20, 2005, to April 19, 2006, the 2006 labor inflation cost factor is used on April 20, 2006. On April 20 of each subsequent year, the labor inflation cost factor that corresponds to each subsequent year is used.

(2) *October to December effective dates.* For FWS pay schedules with effective dates from October 1 through December 31, organization and public reimbursable sources will use the labor inflation cost factor that corresponds to the year following the end date of the effective period for the FWS pay schedule. For example, if an FWS pay schedule is effective from October 20, 2005, to October 19, 2006, the 2007 labor inflation cost factor is used on October 20, 2006. On October 20 of each subsequent year, the labor inflation cost factor that corresponds to each subsequent year is used.

aa. Uniformed services labor. Army policy prohibits military personnel as part of the MEO. If military positions are being competed and work assigned to those positions is assigned in the PWS, the AT will include civilian positions to perform that work.

ab. Material and supply costs (SCF/SLCF line 2/2a). Material and supply costs in an organization cost estimate will be entered on SCF line 2 for a standard competition or SLCF line 2 for a streamlined competition. Material and supply costs in a public reimbursable cost estimate will be entered on SCF line 2a for a standard competition or SLCF line 2a for a streamlined competition. Organizations and public reimbursable sources will include sufficient written documentation of all material and supply costs included in cost estimates for the CO to conduct price analysis and cost realism as required by attachment B, OMB Circular A-76. Organizations will determine and manually input the cost data for this SCF/SLCF line into COMPARE. Organizations and public reimbursable cost estimates will calculate material and supply costs as follows:

(1) *General.* Material and supply costs are incurred in each performance period for goods such as raw materials, parts, subassemblies, components, fuel, and office supplies. Organizations and public reimbursable sources will adjust historical or engineering estimates of material and supply use, and cost data, to reflect the solicitation requirements in cost estimates. An organization will calculate material and supply costs and include these costs in the organization cost estimate only if the materials and supplies are required for the AT but are not provided to all prospective providers as GFP in the solicitation. The CO includes instructions for material and supply costs in the solicitation (FAR 51.101). Organizations and public reimbursable sources will comply with the solicitation instructions for calculating the cost of materials and supplies in cost estimates and enter the costs on line 2 or 2a, as appropriate. For material and supplies not provided as GFP but needed to meet the requirements of the solicitation, a public reimbursable source will calculate the cost of materials and supplies in accordance with this paragraph, reflect these costs in the cost estimate, and enter the costs on line 2a.

(2) *Cost ceiling.* If the solicitation includes a material and supply cost ceiling, organizations and public reimbursable sources will include this ceiling cost in cost estimates and enter the cost on line 2 or line 2a, as appropriate. If a solicitation does not include a material and supply cost ceiling, organization and public reimbursable sources will calculate the full cost of materials and supplies, including inflation if required, and enter these costs on line 2 or 2a, as appropriate.

(3) *Material related costs.* Organizations and public reimbursable sources will list required material by the quantity needed, unit price, inflation for out-years, and enter the total cost in cost estimates on line 2 or line 2a, as appropriate. Material costs include, but are not limited to, material, transport, handling, availability, delay costs, and established allowances for normal scrap, spoilage, overruns, and defective work. Organizations and public reimbursable sources may make a single entry for miscellaneous items such as office supplies in cost estimates.

(4) *Inflation.* Organizations and public reimbursable sources will calculate an estimate for material and supply costs in cost estimates for all performance periods, including adjustments for non-pay inflation identified in the annual update of non-pay inflation factors issued by an OMB transmittal memorandum. Organizations and public reimbursable sources will calculate unit prices to the end of the first period of full performance and inflate and/or prorate the cost of materials and supplies in the cost estimate in accordance with instructions in the solicitation. Organizations and public reimbursable sources will review Section B (Supplies or Services and Prices) and any special clauses in Section H (Special Contract Requirements) of the solicitation to determine if an economic price adjustment applies to materials and supplies. If materials and supplies listed in Section B are subject to an economic price adjustment, organizations and public reimbursable sources will inflate these costs through the end of the first period of full performance in cost estimates. If materials and supplies listed in Section B are not subject to an economic price adjustment, organizations and public reimbursable sources will inflate these costs by applying the applicable inflation factors (if any) for all

performance periods through the end of the last performance period stated in the solicitation. If fuel costs are entered on line 2 or line 2a, the fuels (non-pay) inflation cost factor will be used to apply inflation to the fuel costs.

ac. Other specifically attributable costs (SCF/SLCF line 3/3a). Other specifically attributable costs in an organization cost estimate will be entered on SCF line 3 for a standard competition or SLCF line 3 for a streamlined competition. Other specifically attributable costs in a public reimbursable cost estimate will be entered on SCF line 3a for a standard competition or SLCF line 3a for a streamlined competition. Organizations and public reimbursable sources will include sufficient written documentation for all other specifically attributable costs included in cost estimates for the CO to conduct price analysis and cost realism as required by attachment B, OMB Circular A-76. Organizations and public reimbursable cost estimates will calculate other specifically attributable costs as follows:

(1) *Depreciation.* Organizations and public reimbursable sources will use the Useful Life and Disposal Value Table to calculate residual value, and The Federal Accounting Standards for PPE (both documents are posted on the OMB Web site) to establish depreciation schedules, rates of depreciation, and other related guidance. If a capital asset is fully depreciated; used in the tender; and not provided to all prospective providers as GFP in the solicitation, organization and public reimbursable sources will extend the life of the capital asset for all performance periods through the end of the last performance period stated in the solicitation or until replacement. Organization and public reimbursable sources will calculate the depreciation using the extended life and original acquisition cost. If a capital asset involves a capital improvement, organization and public reimbursable sources will calculate the cost of the capital improvement as a separate asset in cost estimates and enter this cost on line 3 or 3a, as appropriate. The cost of capital improvements will be entered as a separate asset entry because capital improvement costs are depreciated from the date of the capital improvement, not from the original acquisition date. The total depreciable acquisition cost is the sum of the capital asset's acquisition, transportation, and installation costs minus the capital asset's residual value. COMPARE automatically computes the costs required for this entry based upon the cost data entered for this line.

(2) *Minor items.* Minor items are individual assets costing less than \$25,000. Organizations and public reimbursable sources will not depreciate minor items in cost estimates.

(3) *Capital assets.* Capital assets are major items costing \$25,000 or more. An organization will depreciate capital assets not provided to all prospective providers as GFP in the solicitation and enter the depreciation cost on line 3 or 3a, as appropriate. If a capital asset is to be jointly used in the AT (that is, MEO) and another organization activity that is not included in the streamlined or standard competition and not provided to all prospective providers as GFP in the solicitation, an organization will prorate the cost of this joint usage of the capital asset on line 3. For capital assets not provided as GFP but needed to meet the requirements of the solicitation, a public reimbursable source will calculate depreciation costs for major items in the cost estimate and enter the cost on line 3a beginning with the first performance period the major item is required and all subsequent performance periods stated in the solicitation. COMPARE automatically computes the costs required for this entry based upon the cost data entered for this line.

(4) *Calculation method.* Organizations and public reimbursable sources will calculate depreciation using straight line accounting methods and enter this depreciation on line 3 or line 3a, as appropriate, as annual depreciation for each performance period stated in the solicitation. If a major item 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. COMPARE automatically computes the costs required for this entry based upon the cost data entered for this line.

(5) *Facilities.* If facilities are not provided to all prospective providers as GFP in the solicitation, an organization will use OMB Circular A-76's attachment C's Useful Life Expectancy Table to estimate the cost of facilities in the organization cost estimate and enter this cost on line 3 or 3a, as appropriate.

ad. Cost of capital. An organization will only calculate the cost of capital for capital assets included in the organization cost estimate if the item is not provided to all prospective providers as GFP in the solicitation and scheduled for purchase within any of the performance periods stated in the solicitation. An organization will enter the appropriate cost of capital costs on line 3. To estimate the annual cost of capital, an organization will first identify the total depreciable acquisition cost of new purchased capital assets or the market value of capital assets acquired by transfer, forfeiture or seizure. An organization will base the total depreciable acquisition cost on the value of the capital asset, plus transportation costs (if not already included in the purchase price) and installation costs to place the capital asset in operation minus any applicable residual value. An organization will compute the cost of capital by applying the applicable nominal rate (cost of capital factors) provided by OMB Circular A-94, to the determined total depreciable acquisition cost of the purchased capital assets or to the market value of capital assets acquired by transfer, forfeiture or seizure. If a major item is to be jointly used between the tender (that is, MEO) and another organization activity that is not included in the streamlined or standard competition, an organization will prorate the capital asset's cost of capital on line 3 based on the percentage used by the organization. For capital assets not provided to all prospective providers as GFP in the solicitation, but needed to meet the requirements of the solicitation, a public reimbursable source will calculate the cost of capital in accordance with this paragraph, reflect this cost in the cost estimate, and enter the costs on line 3a. COMPARE automatically computes the costs required for this entry based upon the cost data entered for this line.

ae. Rent. If rented or leased assets are used in the AT but are not provided to all prospective providers as GFP in the solicitation, an organization will calculate rental and lease costs in the organization cost estimate and enter the cost on

line 3. Rent is incurred for, but not limited to, the use, operation and maintenance of land, building space, plant and machinery. An organization will calculate rental or lease costs that are associated with the AT on an allocated basis for all performance periods for which the costs will be incurred. For rent not provided as GFP but needed to meet the requirements of the solicitation, a public reimbursable source will calculate rental and/or lease costs in accordance with this paragraph, reflect these costs in the cost estimate, and enter the costs on line 3a. Organizations will determine and manually input the cost data for this cost entry into COMPARE.

af. Utilities. If utilities are provided for the AT but are not provided for all prospective providers as GFP in the solicitation, an organization will calculate and enter the cost of utilities on line 3. Utility costs include, but are not limited to, electricity, telephone, water, and sewage services. An organization will calculate the amount of these utility costs on an allocated or a metered basis for all performance periods for which costs will be incurred. For utilities not provided as GFP but needed to meet the requirements of the solicitation, a public reimbursable source will calculate costs for utilities in accordance with this paragraph, reflect these costs in the cost estimate, and enter the costs on line 3a. Organizations will determine and manually input the cost data for this cost entry into COMPARE.

ag. Insurance. See figure 5–2, below, for insurance requirements.

(1) *Casualty insurance.* Organizations and public reimbursable sources will calculate casualty insurance premiums in cost estimates and enter these costs on line 3 or line 3a as appropriate for all materials and supplies, minor items, and capital assets that are not provided to all prospective providers as GFP in the solicitation, or if the solicitation includes terms that specify that property losses may be assessed to private sector sources. Organizations and public reimbursable sources will calculate casualty insurance premiums for capital assets by multiplying the net book value of each capital asset as of the beginning of each performance period that the organization will use the capital asset by 0.005 (the casualty insurance cost factor). Organizations and public reimbursable sources will calculate casualty insurance premiums for minor items not provided to all prospective providers by multiplying the annual cost, inflated as appropriate, of each minor item by 0.005 (the casualty insurance cost factor). Organizations and public reimbursable sources will calculate casualty insurance premiums for materials and supplies by multiplying a one-month average value of material and supplies by 0.005 (the casualty insurance cost factor) times a one-month average value of material and supplies. Organizations and public reimbursable sources will calculate casualty insurance premiums for each performance period that they will use the capital assets, minor items, materials, and supplies. COMPARE automatically calculates this entry if the items are not Government furnished. Organizations will determine and manually input the cost data into COMPARE for solicitations that specify that property losses may be assessed to private sector sources.

(2) *Government furnished property casualty insurance.* While the FAR includes many GFP clauses that may be included in a solicitation, the following table provides an extract of FAR GFP clauses that a solicitation is likely to contain for a standard competition. The GFP clause, included in the solicitation, determines whether casualty insurance costs for GFP will be included on line 3 or line 3a, as appropriate. For solicitations that include both firm-fixed-price and cost reimbursement contract line item numbers in section B, the solicitation identifies the GFP clause that applies to a specific contract line item number. For example, the solicitation may apply FAR clause 52.245–5 to the material and supply ceiling cost, indicating that insurance is not required for the material and supply dollars. The same solicitation may designate FAR clause 52.245–2 to GFP vehicles, indicating that the vehicles require casualty insurance. When vehicles leased from the General Services Administration are used in the AT but are not provided to all prospective providers as GFP in the solicitation, an organization will include the cost of casualty insurance on line 3 if the General Services Administration lease terms make the lessee liable for vehicle damage. Based upon the FAR provisions included in the solicitation, organizations may be required to determine and manually input the cost data into COMPARE.

GFP CLAUSES AND CAUSALTY INSURANCE REQUIREMENTS				
FAR Reference	Liability Assigned to Private Sector and Public Reimbursable Sources	Is GFP Casualty Insurance Required in the Cost Estimate?		
		Materials	Capital Assets	Minor Items
52.245-2	Yes	Yes	Yes	Yes
52.245-2 Alt 1	No	No	No	No
52.245-4	Yes	Yes	Yes	Yes
52.245-5	No	No	No	No

Figure 5-2. Insurance requirements

(3) *Liability insurance.* Organizations and public reimbursable sources will calculate the cost of personnel liability insurance in cost estimates and enter the cost on line 3 or line 3a, as appropriate. Organizations and public reimbursable sources will calculate the cost of personnel liability insurance by multiplying the total personnel-related costs on line 1 (or line 1a, as appropriate) by 0.007 (the personnel liability insurance cost factor). Organizations and public reimbursable sources will calculate the cost of additional liability insurance (not associated with personnel liability) that is assigned to the private sector in the solicitation by multiplying the estimated liability ceiling identified in the solicitation by 0.007 (the personnel liability insurance cost factor). If the solicitation requires additional liability insurance to cover certain high-risk activities (that is, environmental, air traffic control, child care, ammunition handling, air cargo, nuclear fuel handling), organizations, and public reimbursable sources will calculate the cost of this additional liability insurance in cost estimates and enter this cost on line 3 or line 3a, as appropriate. COMPARE automatically calculates this entry.

ah. Travel. Organizations and public reimbursable sources will calculate the costs for travel not provided as Government furnished to all prospective providers in the solicitation and enter these costs on line 3 or line 3a, as appropriate. Organizations and public reimbursable sources will calculate the projected cost of travel that will be expended by organization or public reimbursable sources and identified in tenders unless the solicitation includes a ceiling cost for travel reimbursement or states that travel is Government-furnished for all prospective providers. If the solicitation includes a cost ceiling for travel, organization and public reimbursable sources will include the cost ceiling in cost estimates and enter the cost on line 3 or line 3a, as appropriate. Unless a cost ceiling is provided, organizations and public reimbursable sources will inflate travel costs for all performance periods through the end of the last performance period stated in the solicitation or as required by the economic price adjustment clause in the solicitation. Organizations will determine and manually input the cost data for this cost entry into COMPARE.

ai. The MEO subcontracts. Organizations and public reimbursable sources will include the cost of each subcontract included in a tender but not made available to all prospective providers in the solicitation as a subcontract in cost

estimates and enter the costs on line 3 or line 3a, as appropriate. Organizations and public reimbursable sources will calculate the total cost of a subcontract by including the following in cost estimates: the contract price for each contract, or cost estimate for each fee-for-service agreement; the cost of any related Government-furnished material, equipment, facilities, and services not provided to all prospective providers as GFP in the solicitation; inflation for all performance periods through the end of the last performance period stated in the solicitation, as appropriate; and the offset for federal income tax for each subcontract with the tax rate applicable to each subcontract (see para C12. in attachment C, OMB Circular A-76). Organizations will determine and manually input the cost data for this cost entry into COMPARE. COMPARE automatically computes the applicable inflation and federal income tax offset.

(1) *Nonrecurring workload.* Organizations and public reimbursable sources may calculate overtime and surge or other types of nonrecurring workload as an MEO subcontract cost, if the services are purchased using either a Government purchase card or a task order under an existing contract. When purchasing services with a Government purchase card or task order under an existing contract, organizations and public reimbursable sources will calculate the cost of the purchased services in the cost estimate and include the offset for federal income tax for each subcontract with the tax rate applicable to each subcontract (see the "Federal Income Tax Adjustment" paragraph in attachment C, OMB Circular A-76), and inflation for all performance periods through the end of the last performance period stated in the solicitation, as appropriate.

(2) *Administration and surveillance of subcontracts.* Organizations and public reimbursable sources will calculate the cost of labor for the administration and surveillance for each subcontract (for both recurring and nonrecurring workload) and administration of the Government Purchase Card Program.

aj. Maintenance and repair costs. Organizations and public reimbursable sources will calculate the cost of maintenance and repair, if applicable, for capital assets and minor items to account for the cost of routine maintenance on buildings and for equipment and enter these costs on line 3 or 3a, as appropriate. These costs do not include capital improvements that add value to a capital asset, which are calculated in depreciation costs. Organizations and public reimbursable sources will calculate maintenance and repair costs for capital assets and minor items that are not provided to all prospective providers as GFP in the solicitation and for capital assets or minor items that are provided to all prospective service providers as GFP in the solicitation but maintenance, replacement, or repair are not provided as GFP in the solicitation. Organizations will determine and manually input the cost data for this cost entry into COMPARE.

ak. Other costs. Organizations and public reimbursable sources will include costs that do not fit the other line 3 or line 3a categories of cost in the "other costs" category of line 3 or line 3a. Examples of "other costs" include, but are not limited to, purchased services for packaging and crating (if not already included in the cost of material and supplies), transportation costs; royalties, overhead projectors, office equipment, tools, chairs, desks, and cabinets.

(1) *Minor items.* As part of "other costs," organizations will include 10 percent of the replacement cost of minor items not provided to all prospective providers as GFP in the solicitation, for each performance period included in the solicitation. If the minor item is to be jointly used by the AT (that is, MEO) and another organization activity that is not included in the streamlined or standard competition and not provided to all prospective providers as GFP in the solicitation, an organizations will prorate the cost of this joint usage of a minor item on line 3 based upon 10 percent of the purchase price. For minor items not provided as GFP but needed to meet the requirements of the solicitation, a public reimbursable source will calculate 10 percent of the replacement value of the minor items in the cost estimate and enter the cost on line 3a, beginning with the first performance period the public reimbursable source expects to replace the minor item and for all subsequent performance periods stated in the solicitation. For minor items, and any necessary replacements, that are provided as GFP in the solicitation, organizations and public reimbursable sources will not include costs. When minor items are provided as GFP and prospective providers are responsible for replacement, organizations and public reimbursable sources will include 10 percent of the replacement cost of the minor items in cost estimates, beginning with the first performance period where replacement of the minor item is required and all subsequent performance periods stated in the solicitation. Organizations and public reimbursable sources will include costs for casualty insurance of minor items that are not GFP, including instances where the replacement of the minor items is the responsibility of prospective providers. Organizations will determine and manually input the cost data for this SCF/SLCF line into COMPARE. COMPARE automatically computes the 10 percent minor item replacement cost.

(2) *Award fee.* Before a solicitation may include an award fee for an organization source (in addition to other prospective providers), the DCSO will determine if an organization source may receive such an award fee. If the award fee arrangements are approved by the DCSO and the solicitation states that the award fee will be available for all prospective providers, the organization will include the award fee in the cost estimate and enter the fee on line 3 as "other costs." A public reimbursable source will include the award fee in the cost estimate and enter the fee on line 3a as "other costs." Organizations and public reimbursable sources will not inflate the cost of the award fee in cost estimates. Organizations will determine and manually input the cost data for this cost entry into COMPARE.

(3) *Training costs.* Organizations and public reimbursable sources will calculate training costs for training not made available as Government furnished to all prospective providers in the solicitation and enter these costs on line 3 or 3a, as appropriate. Organizations and public reimbursable sources will calculate training costs, including travel costs, for recurring and/or specialized training necessary to maintain required licensing or certification. Organizations will determine and manually input the cost data for this cost entry into COMPARE.

al. Overhead (SCF/SLCF line 4/4a). Organizations and public reimbursable sources will enter overhead in cost estimates on line 4 or 4a, as appropriate. An organization will include overhead for a standard or streamlined competition by overhead for each performance period by multiplying the SCF line 1 civilian position costs, including fringe benefits, by 12 percent (the overhead factor). A public reimbursable cost estimate will include overhead for a streamlined or standard competition by calculating overhead for each performance period by multiplying the SCF line 1a civilian position costs, including fringe benefits, by 12 percent (the overhead factor). Organizations and public reimbursable sources will not calculate overhead for uniformed services labor costs. COMPARE automatically calculates this SCF/SLCF line.

am. Additional costs (SCF line 5/5a). This SCF line includes costs not otherwise represented or accounted for on lines 1–4 or lines 1a–4a. An organization will enter additional costs on SCF line 5. A public reimbursable source will enter additional costs on SCF line 5a. Additional costs include, but are not limited to, costs resulting from unusual or special circumstances. When these costs are included the source will provide additional documentation to explain the underlying assumptions and methods of computation. Organizations and public reimbursable sources will include sufficient written documentation of all additional costs included in cost estimates for the CO to conduct price analysis and cost realism as required by attachment B, OMB Circular A–76. Organizations and public reimbursable sources will not use line 5 or line 5a in a streamlined competition. Organizations will determine and manually input the cost data for this SCF/SLCF line into COMPARE.

(1) *Expansions of existing activities, new requirements, or conversion from private sector to organization performance.* An organization will enter the one-time additional costs of an expansion, new requirement or conversion from a private sector or public reimbursable source to organization performance on line 5. An organization will not include any new investment by the organization in facilities and equipment as one-time costs. An organization will include the costs incurred when acquiring facilities or equipment and installing the equipment in the capitalized cost. Government facilities and equipment will not normally be expanded to accommodate new or expanded organization requirements if cost-effective private sector or public reimbursable facilities and equipment are available. If the AT is dependent upon the organization’s purchase or construction of new facilities or other capital asset purchases, the standard competition will be delayed until the approval to purchase or the construction of such items is obtained.

(2) *Medical physical exams.* Organizations and public reimbursable sources will calculate the costs associated with the civilian safety and health requirements of 29 CFR, including medical physical examinations, and enter these costs on line 5 or 5a, as appropriate. The cost of performing medical physical exams is not included in the 12 percent overhead factor. These medical physical exams are a direct cost to all prospective providers.

an. Total cost of organization performance (SCF/SLCF line 6/6a). The total organization cost estimate calculated on line 6 is the sum of lines 1–5. The total public reimbursable cost estimate calculated on line 6a is the sum of lines 1a–5a. COMPARE automatically calculates this SCF/SLCF line.

5–6. Adjusted cost of private sector or public reimbursable performance

a. Contract price or public reimbursable cost estimate (SCF/SLCF line 7). In a standard competition, the CO will enter the private sector contract price, or public reimbursable cost estimate on SCF line 7, as appropriate. In a streamlined competition, the organization will enter an estimated contract price or public reimbursable cost estimate on SLCF line 7.

(1) *Contract price.* If a contract price is entered on line 7, the CO will comply with the source selection process requirements in attachment B, OMB Circular A–76 and will determine the contract price based on the contract type stated in the solicitation.

(a) *Sealed bid acquisition.* The CO will enter the firm fixed price of the low responsible, responsive private sector offeror on line 7.

(b) *Negotiated acquisition.*

1. *Firm fixed price contract.* The CO will enter the negotiated contract price on SCF line 7.

2. *Firm fixed price incentive fee contract.* The CO will enter the target cost and target profit on SCF line 7.

(c) *Cost-reimbursement contracts (FAR 16.3).*

1. *Cost plus incentive fee contract.* The CO will enter the negotiated estimated cost plus incentive fee.

2. *Cost plus award fee contract.* The CO will enter the negotiated estimated cost plus award fee.

3. *Cost plus fixed fee contract.* The CO will enter the negotiated estimated cost plus fixed fee.

4. *Cost sharing contract.* The CO will enter the negotiated estimate.

(2) *Public reimbursable cost estimate.* The CO will enter the cost estimate submitted by a tax exempt organization on SCF/SLCF Line 7 only if the calculations required by this paragraph indicate the tax exempt organization is the lowest cost provider. The CO will document these calculations as part of the SCF supporting documentation. If a cost estimate is submitted by a public reimbursable source, the CO will make the following calculations to determine the cost to enter on SCF/SLCF line 7 (a):

(a) Calculate the federal tax adjustment for any private sector contract price.

(b) Subtract this federal tax calculation from the private sector contract price.

(c) Compare these adjusted private sector contract price, with all public reimbursable cost estimate to determine the lowest cost provider.

(d) Enter the lowest cost on SCF/SLCF line 7.

(3) *Tax-exempt organization.* The CO will enter the cost estimate submitted by a tax exempt organization on SCF/SLCF line 7 only if the calculations required by this paragraph indicate the tax exempt organization is the lowest cost provider. The CO will document these calculations as part of the SCF supporting documentation. If a cost estimate is submitted by a tax-exempt organization, the CO will make the following calculations to determine the cost to enter on SCF/SLCF line 7 (a):

(a) Calculate the federal tax adjustment for any non-tax-exempt contract price.

(b) Subtract this federal tax calculation from non-tax-exempt contract price.

(c) Compare these adjusted private sector contract price, with any tax-exempt organization cost estimates and any public reimbursable cost estimate to determine the lowest cost provider.

(d) Enter the lowest cost on SCF line 7.

(4) *Performance bond.* When a solicitation requires private sector sources to provide a performance bond, the CO will exclude the cost from the private sector source's contract price on SCF line 7. The solicitation bid structure will facilitate the elimination of this cost (see attachment B, OMB Circular A-76).

b. *Contract administration costs (SCF/SLCF line 8).* An organization will calculate and enter contract administration costs on line 8 using the contract administration cost factors and allowable grades in figure 5-3, below, based on the total MEO staffing (total line 1 FTEs plus an estimate of labor for MEO subcontracts). These contract administration cost factors account for a full range of labor and non-labor requirements for contract administration. Contract administration costs include the costs associated with reviewing compliance with the terms of the contract, processing payments, negotiating change orders, and monitoring the closeout of contract operations. An organization will not include the cost of surveillance performed by quality assurance evaluators, as required by the quality assurance surveillance plan, on SCF line 8, since these are common costs regardless of the source of the selected service provider (for example, organization, public reimbursable, private sector). Organizations will inflate contract administration costs using the labor inflation cost factors for civilian positions in figure 5-3, below. COMPARE automatically computes the costs required for this SCF/SLCF line based on the factors in figure 5-3, below. Organizations will not include any other contract administration costs.

Contract Administration Factors and Allowable Grades					
MEO STAFFING	CONTRACT ADMIN FTE	GRADES			
		GS-12	GS-11	GS-9	GS-6
10 or Less	.5	1	0	0	0
11-20	1	1	0	0	0
21-50	2	1	1	0	0
51-75	3	1	1	1	0
76-100	4	1	1	1	1
101-120	5	1	1	2	1
121-150	6	1	2	2	1
151-200	7	1	2	2	2
201-250	8	2	2	2	2
251-300	9	2	2	3	2
301-350	10	2	3	3	2
351-450	11	2	3	4	2
451 and Above					

Figure 5-3. Administration factors and grades

c. *Additional costs (SCF line 9).* SCF line 9 will include any additional costs to the organization, such as transportation or purchased services, resulting from unusual or special circumstances. An organization will document these additional costs to describe the nature of the cost item, and indicate the reason the additional cost will not be incurred if the activity is performed by the organization source. When performance of an activity is converted from organization performance to either a private sector or public reimbursable source and the organization elects to retain existing equipment and facilities on standby, solely for the purpose of maintaining an organization performance capability, an organization will not add these standby costs to the cost of the private sector or public reimbursable performance on SCF line 9. An organization source will include sufficient written documentation of all additional costs included in cost estimates for the CO to conduct price analysis and cost realism as required by attachment B, OMB Circular A-76. Organizations will not calculate line 9 in a streamlined competition. Organizations will determine and manually input the cost data for this SCF/SLCF line into COMPARE.

(1) *Nonprofit organization fees.* When a Javits-Wagner-O'Day participating nonprofit organization (as defined by FAR Part 8), such as National Industries for the Severely Handicapped (NISH) or the National Institute for the Blind, participates in a standard competition, the CO will include the 4 percent fee paid to the Committee for Purchase from People Who Are Blind, NISH, or National Institute for the Blind on SCF line 9. The CO will determine if the 4 percent is included in or excluded from the contract price. If the 4 percent is included in the contract price, the CO will enter the contract price on SCF line 7 and will not enter the 4 percent on SCF line 9. If the 4 percent is excluded from the contract price, the CO will enter the contract price on SCF line 7 and will enter the 4 percent fee on SCF line 9.

(2) *Incentive fees.* When an Indian Tribe competes as a private sector source in a standard competition, or is a subcontractor to a competing private sector source, and the Indian Incentive Program described in FAR Part 26 is authorized, the CO will include the 5 percent incentive fee identified in FAR Part 26 on SCF line 9.

d. *One-time conversion costs (SCF line 10).* When an organization converts an activity performed by Government personnel to a private sector or public reimbursable source, one-time conversion costs may be incurred by the organization. An organization source will include sufficient written documentation of all one-time conversion costs included in cost estimates for the CO to conduct price analysis and cost realism as required by attachment B, OMB

Circular A-76. Organizations will not calculate line 10 in a streamlined competition. Organizations will calculate one-time conversion costs for severance costs and other costs as provided below and will not calculate any other one-time conversion costs. COMPARE automatically calculates this SCF/SLCF line.

(1) *Severance costs.* An organization will calculate one-time conversion costs for severance pay at 4 percent (the severance pay one-time conversion cost factor) of SCF line 1 basic pay, adjusted for inflation, for the first period of full performance (not the Phase-in period) stated in the solicitation. If the first period of full performance is less than one full year, an organization will annualize the basic pay only for the purpose of determining one full year of severance pay one-time conversion costs.

(2) *Other costs.* An organization will calculate other one-time conversion costs as 1 percent (the other pay one-time conversion cost factor) of SCF line 1 basic pay, adjusted for inflation, for the first period of full performance stated in the solicitation (not the Phase-in period). Organizations will not calculate any other one-time conversion costs except this 1 percent. This “other cost” accounts for all other one-time conversion costs such as relocation and retraining. If the first period of full performance (not the Phase-in period) is less than one full year, an organization will annualize the basic pay only for the purpose of determining one full year of other pay one-time conversion costs.

(3) *Annualize basic pay.* To annualize basic pay, divide the total inflated basic pay reflected in the first period of full performance on SCF line 1 by the number of days in the second performance period and then multiply the result by 365.25 days (which accounts for leap year).

e. Gain on assets (SCF line 11). An organization will calculate the estimated gain on assets on SCF line 11, with supporting documentation to justify the type and calculation of asset disposal or transfer. The SCF line 11 entry is the gain from the sale or transfer of Government assets at the net book value of the asset as of the start date of the first performance period. An organization will calculate this gain to account for Government material or equipment included in the AT when this material or equipment is not provided to all prospective providers as GFP in the solicitation and is not needed by the organization if the standard competition results in either a private sector or public reimbursable performance decision. This gain on assets generates revenue for the Government; therefore, the cost reduces the total cost of private sector or public reimbursable performance. An organization will only enter a negative number or zero on SCF line 11 to represent a gain on assets. An organization source will include sufficient written documentation of all gain on assets costs included in cost estimates for the CO to conduct price analysis and cost realism as required by attachment B, OMB Circular A-76. Organizations will not calculate line 11 in a streamlined competition. COMPARE automatically calculates this SCF/SLCF line after the organization manually selects the period in which the capital asset is disposed of or transferred (see fig 5-4, below).

f. Federal income tax adjustment (SCF/SLCF line 12). The cost entered on line 12 represents revenue generated for the Government that is subtracted from the total cost of private sector performance. An organization will only enter these costs as a negative number, unless the private sector source is a tax-exempt organization. When entering the contract price, the CO will determine and enter the appropriate industry code from the Tax Rate Table, which is based on the North American Industry Classification System, to calculate line 12. An organization will use the Tax Rate Table on the OMB Web site to calculate line 12 for each performance period stated in the solicitation. An organization will enter on line 12 the net increase of federal income tax that is expected if a performance decision results in a conversion from organization performance to private sector performance. The Internal Revenue Service provides the Tax Rate Table by types of industry and appropriate tax rates in relation to business receipts. The industry groupings are based on the North American Industry Classification System. COMPARE automatically calculates this SCF/SLCF line based on the tax rate table entry input by an organization.

GAIN ON CAPITAL ASSETS (SAMPLE CALCULATION)			
(A) Capital Asset	(B) Original Acquisition Cost	(C) Accumulated Depreciation	(D) Net Book Value (B minus C)
Capital Equipment = Bus	\$30,000	\$24,900	\$5,100
Capital Facility = Cafeteria	\$625,000	\$502,000	\$123,000
Column	Instructions		
A. Capital Asset	Identify the name of each specific capital asset		
B. Original Acquisition Cost	Enter the original acquisition cost of the asset, plus transportation and installation costs if not included in the purchase price, plus any capital improvement costs made to that asset		
C. Accumulated Depreciation	Enter the accumulated depreciation for the asset		
D. Net Book Value	Enter the net book value at the date of the first performance period. This is the gain on asset cost entered on the SCF. The cost of disposal or transfer is not included in the net book value		

Figure 5-4. Gain on capital assets

g. *Total adjusted cost of private sector or public reimbursable performance (SCF/SLCF line 13).* In a standard competition, the cost on line 13 represents the total cost to the Government of private sector performance (or public reimbursable performance if a public reimbursable cost estimate is entered on SCF line 7), which is the sum of SCF lines 7, 8, 9, 10, 11, and 12. In a streamlined competition, the cost on line 13 represents the total cost to the Government of private sector performance (or public reimbursable performance if a public reimbursable cost estimate is entered on SLCF line 7), which is the sum of SLCF lines 7, 8, and 12. COMPARE automatically calculates this SCF/SLCF line.

5-7. Conversion differential (Standard Competition Form line 14)

a. An organization will calculate the conversion differential by multiplying SCF line 1 personnel costs for all performance periods by 10 percent. If the calculated conversion differential is less than \$10 million, the organization will enter the calculated conversion differential on line 14. If the calculated conversion differential is greater than or equal to \$10 million, the organization will enter \$10 million on line 14. Organizations will not calculate line 14 in a streamlined competition. COMPARE automatically calculates this SCF/SLCF line.

b. For expansions, new requirements, or conversions from contract to organizational performance, an organization will add the conversion differential to SCF line 6 of the organization cost estimate when an organization is performing a standard competition and the potential exists for a conversion from a private sector provider (contract performance) to organization performance with Government personnel; organization performance of a new requirement with Government personnel; or organization performance with Government personnel of an expansion of requirements for an existing CA. Since organization performance of a new requirement or an expansion of an existing CA is justified based upon a standard competition, an organization will calculate the conversion differential as if the private sector source is the incumbent provider for a new requirement or an expansion of an existing CA. For a standard competition of an expansion, the conversion differential is distributed to organization, private sector, and public reimbursable sources based on the percentage of SCF line 1 attributed to the expansion workload, as follows:

(1) *Standard competition of a segregable expansion.* For a standard competition of the segregable 30 percent of an expansion, an organization will add all of SCF line 14 (conversion differential) to the total cost of organization performance reflected on SCF line 6 to generate the adjusted total cost of organization performance on SCF line 15.

(2) *Standard competition of activity and expansion.* For a standard competition of an entire expansion of a CA (for example, the existing CA performed by Government positions plus the 30+ percent expansion), an organization will multiply the conversion differential on SCF line 14 by the percentage of Government position costs on SCF line 1 that represents the expansion of recurring workload; add the result to the total cost of organization performance reflected on SCF line 6; and enter the adjusted total cost of organization performance on SCF line 15. The organization will multiply the percentage of SCF line 1 (personnel) costs that represents the organization work currently performed by SCF line 14 (conversion differential); add the result to the total cost of private sector or public reimbursable performance on SCF line 13; and enter the total adjusted cost of private sector or public reimbursable performance on SCF line 16. The organization will divide the total SCF line 1 costs assigned to the expanded work for all performance periods by the total SCF line 1 costs for all performance periods to generate the percentage of organization position costs for the expanded work. To generate the percentage of organization position costs for the work performed by the organization, the organization will divide the total SCF line 1 costs assigned to the work performed by the organization for all performance periods by the total SCF line 1 costs for all performance periods.

c. For a standard competition of a CA where the incumbent providers are a combination of private sector and organization sources, and the AT converts the portion of the work performed by the private sector performance to organization performance using Government positions, the organization will apportion the conversion differential to each source based upon the percentage of work performed by each incumbent source at the time of public announcement. If the AT includes an MEO subcontract, the organization will not calculate any conversion differential for the MEO subcontract on the SCF. Therefore, an organization will calculate the conversion differential as follows:

- (1) Calculate the conversion differential for the AT.
- (2) Calculate the value of the conversion differential for the work performed by the private sector that will be converted to organization performance using Government positions.
- (3) Enter the difference on SCF line 14.

5-8. Adjusted total cost of organization performance (Standard Competition Form line 15)

If a standard competition is conducted to determine whether a CA will be converted from private sector or public reimbursable performance to organization performance, the organization will add the conversion differential from SCF line 14 to SCF line 6 and enter the sum on SCF line 15. The total amount for all performance periods on SCF line 13 is then replicated on SCF line 16. Organizations will not calculate line 15 in a streamlined competition. COMPARE automatically calculates this SCF/SLCF line.

5-9. Adjusted total cost of private sector or public reimbursable performance (Standard Competition Form line 16)

If a standard competition is conducted to determine whether an activity will be converted from organization performance to private sector or public reimbursable performance, the organization will add the conversion differential from SCF line 14 to SCF line 13 and enter the sum on SCF line 16. The total amount for all performance periods on SCF line 6 is then replicated on SCF line 15. Organizations will not calculate line 16 in a streamlined competition. COMPARE automatically calculates this SCF/SLCF line.

5-10. The cost difference

In a standard competition, the organization will calculate the cost difference by subtracting SCF line 15 from SCF line 16 and will enter the sum on SCF line 17. In a streamlined competition, the organization will calculate the cost difference by subtracting SLCF line 13 from SLCF line 6 and will enter the sum on SLCF line 17. COMPARE automatically calculates this SCF/SLCF line.

5-11. Low-cost provider

For a low-cost decision in a standard competition, a positive number on line 17 indicates a decision for organization performance by Government personnel, and a negative number indicates a decision for a private sector or public reimbursable performance. For either a low-cost decision or an other-than-low-cost decision in a standard competition, an “x” on SCF line 18 indicates the SSA’s decision. For an other-than-low-cost decision, the SSA will document the reasons for such a decision in accordance with attachment B, OMB Circular A-76. For a streamlined competition, the cost difference entered on SLCF line 17 indicates the low cost performance decision. COMPARE automatically calculates this SCF/SLCF line.

5-12. Changes to the agency cost estimate

a. Sealing the ACE. The AT, including the ACE and SCF/SLCF, is sealed in an envelope and delivered to the CO to be safeguarded. The following information will be included on the outside of the envelope:

- (1) Solicitation number.
- (2) The day/month/year the ACE was sealed.
- (3) The solicitation amendment number (if any) through which day the ACE is effective.
- (4) Point of contact: name, telephone number.

b. Allowable modifications to the ACE prior to the tender/solicitation closing date.

(1) Changes to the AT, including the ACE, are permitted up to the tender/solicitation closing date for the receipt of initial contract offers. (This “tender/solicitation closing date” is the closing date for proposals received in response to an RFP or the tender/offer opening date received in response to an IFB.)

(2) Allowable changes include any modifications to the AT including revisions to the MEO, calculation errors, cost factor changes directed by OMB including inflation factors, wage and salary tables, fringe benefit factors, and foreign exchange rates, if applicable.

c. Allowable modifications to the ACE after the tender/solicitation closing date. (This is often referred to as the “no tampering provision.”) The following will be the only three instances where changes will be made to ACE prior to a standard competition decision but after the tender/solicitation closing date:

(1) Formal modifications to the solicitation affecting the requirements in the PWS that will be reflected in the AT that may impact the ACE.

(2) Changes directed by the SSA.

(3) Official salary/wage rate adjustments directed by OPM and inflation rate changes directed by OMB, will be made to the agency and contract offerors after private sector proposals are received but before a performance decision is determined, for negotiated acquisitions only.

(4) No OPM or Department of Labor (DOL) wage rate changes will be made after the tender/solicitation closing date because all contract/public reimbursable offers and the ACE are opened on the tender/solicitation closing date, for sealed bid acquisitions.

d. Re-submission to the CO. The following are the procedures for re-submission of the ACE to the CO after a change has been made.

(1) If a change is made, resubmit the ACE in accordance above with the following exceptions:

(a) The original ACE remains sealed and in the possession of the CO.

(b) The revised ACE reflecting any changes is created and certified by the appropriate parties who will specify:

1. The changes have been in accordance with this chapter.
2. The new ACE will be sealed in a new envelope and submitted to the CO.

(2) The following information will be included on the outside of the envelope:

(a) Solicitation number.

(b) The day/month/year the ACE was sealed.

- (c) The solicitation amendment number (if any) through which the ACE is effective.
- (d) Reason for the change.
- (e) Point of contact name and telephone number.

Chapter 6

Solicitation and Source Selection

This chapter describes the solicitation and source selection processes that follow preparation of the PWS (see chap 3) and prior to standard competition tender/offer opening completion of the AT (see chap 7). It also describes the activities involved in solicitation planning, soliciting offers/proposals, and source selection. Generally, solicitation and source selection conducted as part of a competition follow the same procedures as any other solicitation and source selection for services.

Section I

Solicitation

6-1. Purpose

The purpose of the CS Program is to identify the most efficient and cost effective method of performance of a CA. Since the least costly mode/method of performance is not known in advance, the Army compares the cost of agency performance with the cost of contract performance. To compare these costs requires soliciting offers (offers and/or proposals, in the case of contractors) from these offerors.

6-2. Solicitation

a. A solicitation is a formal document used to communicate Government requirements to prospective offerors and to solicit offers (includes tenders and proposals). It contains the PWS (which is Section C), attachments to the PWS such as maps and TEs (Section J), the instructions, conditions, and notices to prospective offerors (section L), and evaluation factors for award (Section M). CS solicitations take one of two forms, IFB or RFPs. In accordance with FAR Parts 15.204-1 through 15.204-5, COs will prepare solicitations and resulting contracts using the uniform contract format outlined in figure 6-1, below.

<u>Section</u>	<u>Title</u>
Part I – The Schedule	
A	Solicitation / contract form
B	Supplies or Services and Prices/Costs
C	Description of specifications/statement of work/ PWS
D	Packaging and Marking
E	Inspection and Acceptance
F	Deliveries or performance
G	Contract administration data
H	Special contract requirements
Part II – Contract Clauses	
I	Contract clauses
Part III – List of Documents, Exhibits, and Other Attachments	
J	List of Attachments
Part IV – Representations and Instructions	
K	Representations, certifications, and other statements of offerors or respondents
L	Instructions, conditions, and notices to offerors or respondents
M	Evaluation factors for award

Figure 6–1. Uniform contract format

(1) The IFB is a solicitation document used in sealed bidding. There are two key considerations in selecting the sealed bidding method. The PWS requirements will be clearly stated, and these requirements will remain relatively stable during the life of the contract. The sealed bidding process permits no discussion with offerors. Also, no changes to the IFB are permitted after the contractor's offers are opened.

(2) Under sealed bidding, a contract is awarded to the responsible offeror who was responsive to the requirements stated in the IFB and whose offer was the lowest price offered. A contract that results from an IFB will be fixed-price. An invitation for offers may be used when the following requirements outlined in FAR 6.401(a) are met:

- (a) Time permits the solicitation, submission, and evaluation of sealed bids.
- (b) The award will be made on the basis of price and other price-related factors.
- (c) It is not necessary to conduct discussions with the responding offerors about their offers.
- (d) There is a reasonable expectation of receiving more than one sealed offer.

b. If the CO determines that sealed bidding is not appropriate, then the negotiation method is used. The solicitation document used in the negotiation method is the RFP. The RFP has the same purpose as the IFB; that is, to communicate the Government's requirements to prospective offerors and solicit offers (proposals) from them. The RFP usually calls for separate proposal volumes for technical (that is, how the offeror will perform the PWS requirements), management, past performance, and cost proposals from the offeror.

6-3. Development of the solicitation

The solicitation phase begins after finishing the PWS, issuing the <http://www.FedBizOpps.gov>, and before starting the AT development. The solicitation cannot proceed until the CO has reviewed the PWS to ensure that it is adequate and appropriate to serve as a basis for solicitation and award and that the SJA or legal office has reviewed the document for legal sufficiency. The AT is due on the same date as the private sector offers and public reimbursable proposals. The AT will be opened and evaluated at the same time as all other received offers. The solicitation process ends with the selection of the contract offer that will be compared to the AT at standard competition tender/offer opening where offers from an IFB or the best value/proposal (from a RFP under the pilot program) are compared against the "agency offer" (agency cost estimate) and the apparent low offeror is identified; the result of this competition is referred to as the performance decision.

6-4. Solicitation competition team role

The solicitation process and the planning for solicitation and selecting an offeror (that is, the acquisition process) are the responsibility of the CO. The CO will provide guidance through the acquisition process. However, the CS team plays a vital role in working with the CO to complete the following acquisition tasks:

- a. Developing the Acquisition Plan (AP).
- b. Developing the DA Form 3953 (Purchase Request and Commitment) or Aquiline PRweb electronic purchase request (Purchase Request and Commitment (PR&C)).
- c. Developing the IGE.
- d. Input for the determination of personal/non-personal services.
- e. Developing the request for wage determination. SF 98/98A (Notice of Intention to Make a Service Contract and Response to Notice).
- f. Developing the Source Selection Plan (SSP) and evaluation factors (that is, price, technical, and past performance).
- g. Developing and Publishing the synopsis for publication in the <http://www.FedBizOpps.gov>.
- h. Developing the Award Fee Rating Plan (if applicable).
- i. Providing information to the CO to allow them to determine what clauses and provisions are applicable.
- j. Issuing the solicitation.
- k. Responding to pre-award inquiries.
- l. Coordinating the pre-offer or pre-proposal conference.
- m. Evaluation of proposals.
- n. Source selection.

6-5. Solicitation acquisition package

a. Upon completion of the PWS and acquired acquisition plan/acquisition strategy approval, proceed with solicitation. To begin the acquisition solicitation process, the functional manager will provide the CO with a funding document, DA Form 3953, Aquiline PRweb electronic purchase request.

b. The DA Form 3953 is prepared by the functional manager and provides the CO with the certification of funds

necessary to initiate the procurement process. The DA Form 3953 is included as part of the acquisition package which may include the following:

- (1) Certification statement of funds availability. (Note: In the event the competition results in a contract decision, availability of funds is certified following the final performance decision, but before contract award.)
- (2) An IGE.
- (3) An AP (if required).
- (4) Technical evaluation factors for award (if factors in addition to price apply).
- (5) A PWS and attachments.
- (6) Inspection and acceptance requirements.
- (7) Service delivery and performance requirements.
- (8) DD Form 254.
- (9) Special contracting clauses and provisions that apply to CS-related procurements, including site visit and technical library information.
- (10) Acquisition strategy in accordance with AFARS 5137.5.

6-6. Pre-award inquiries

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

b. Ensure that the team developing the AT provides questions and comments to the CO. This is to ensure that the team developing the AT has equal, but not greater, access to solicitation information as the other tender/offerors.

6-7. Pre-offer or pre-proposal conference

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

b. The pre-offer or pre-proposal conference is a meeting held to the following:

- (1) Discuss and explain the solicitation, including any revisions that have been made.
- (2) Address any inquiries from tender/offerors.
- (3) Provide an opportunity for offerors to view the technical library, which has been assembled for their use, and photocopy documents required in preparing a realistic tender/offer or proposal. The CO will arrange a date and time for tender/offerors to view the technical library, designate an individual to safeguard documents in the technical library while being inspected/photocopied by tender/offerors, and determine whether fees will be charged for photocopied documents.
- (4) Conduct the site visit.
- (5) Explain any revisions that have been made to the PWS and/or solicitation requirements.
- (6) Address any inquiries from tender/offerors.

c. The CO will ask for written answers to questions raised during the conferences.

d. The pre-proposal conference may be held at the same time as the site visit. Prior to the pre-proposal conference, the CO will announce to prospective offerors a date for a site visit for inspection of the worksite and GFP. The CO will arrange the date and time for the site visit with the manager of the activity under competition and CS manager to ensure that the site visit will not interfere with normal operations of the organization. Site visits will be conducted during working hours, unless exceptional circumstances exist that are documented in writing.

e. A technical library will be established and available to the offerors by appointment after the solicitation is issued. Consider posting the technical library on the Web site.

6-8. Precautions in participation

Individuals participating in the AT (including the development of the MEO and agency cost estimate) and the source selection process could be prohibited from employment consideration on contracts resulting from a competition. (This employment restriction is part of the amended Procurement Integrity Act.) Therefore, employees participating in the development of the AT or participating on source selection will consult their ethics counselor for guidance on prohibited conduct, conflicts of interest, and employment restrictions.

Section II

Acquisition Planning

6–9. The Acquisition Plan

a. The FAR Subpart 7.1 requires Government agencies to develop a strategy for managing the acquisition process. This strategy is called acquisition planning. Depending on the dollar value of the proposed acquisition, the CS team may be required to develop an AP prior to start the acquisition process. Acquisition planning occurs while developing the PWS and begins immediately after the competition announcement.

b. The AFARS 5137.5 requires the development and approval of an acquisition strategy before a solicitation for services may be issued.

c. The refers to 7.103 and it addresses AP requirements, approval authority thresholds, and other responsibilities. The MSC/FOA/HSSA may establish separate monetary thresholds governing AP development for dollar thresholds lower than the limits prescribed by AFARS.

d. The FAR 7.104(c) states that acquisition planning is a requiring activity function and the planners will coordinate with the CO in all acquisition planning. The DFARS 207.105 outlines the required AP contents. The written AP will address all the technical, business, management, and other significant considerations that will control the acquisition.

e. The AFARS 5137.5 requires Army Service Strategy Panel approval of the AP prior to soliciting for tender/offerors. Note that you don't have to wait for approvals before starting work on the PWS. However, it must be after public announcement.

f. The CO will ensure the appropriate funding is available prior to the contract being signed, by consulting with legal counsel and/or resource management personnel.

6–10. The Small Business Act

a. The FAR Subpart 10 requires market research be conducted. Prior to making the acquisition strategy decision, the CO, with assistance from technical representatives, must conduct market research to determine sources available to provide the commercial services under competition. Small business sources should be sought to the maximum extent practicable commensurate with the size and complexity of the competition to comply with the Small Business Act and FAR Subpart 19.

b. In accordance with the Small Business Act as implemented under FAR Subpart 19, the Small Business Administration Procurement Center representatives should be included in the acquisition planning process as early as possible. Additionally, the CO will ensure that small business specialists at the Army Command (ACOM) and HQ Army level are advised of proposed strategy as early as possible in the process to be able to provide advice/guidance on small business participation in prime contracts and subcontracting.

6–11. Independent Government estimate

a. Before the tender/proposal due date, individuals who have knowledge of the work to be competed, prepare the IGE. For the competition, these individuals are typically the functional manager and the CO representative. The IGE, which is used by the SSEB and the SSA, is the projected estimated cost to acquire the services in the acquisition. The IGE is prepared as soon as work is included in the PWS and will be completed before the solicitation is issued (but will be completed no later than the tender/proposal due date). Note: The IGE is in no way associated with the ACE based on the Government's MEO used in standard competitions.

b. The IGE is prepared in as much detail as necessary to portray what it will cost a contractor to perform the work. Estimates range from very simple to very complex depending on how complicated the services are and if data is available to develop the IGE. The simple estimate may be based on budget history and the preparer's technical knowledge. The complex estimate may be based on drawings, specifications, performance standards, industry standards, workload, prior contracts, special competitions, and any other historical data.

c. Before beginning development of the IGE, check with the CO for local and AD guidance on any specific format requirements.

d. The IGE will have cost estimates, with rationale explaining each estimate, for all of the elements that contribute to the contract price. Some of the elements to be estimated are—

- (1) Labor by categories of work (obtain DOL wage determinations).
- (2) Labor hours required for each category.
- (3) Equipment and materials.
- (4) Travel.
- (5) Other costs.
- (6) To quantify the estimate in terms of dollars, apply fringe benefits and other overhead costs.
- (7) Calculations to cover general and administrative and profit or fee.

e. The IGE is used by the source selection for information only. The information will not be discussed with or released to anyone who does not have a need to know. The IGE will document the rationale explaining the estimate for every element of cost.

f. Since the IGE is an acquisition and source selection procurement-sensitive document, access to information concerning the IGE will be limited to Government personnel whose official duties require knowledge of the estimate.

g. Avoiding conflicts of interest. The following individuals will not participate in IGE preparation:

- (1) Personnel who participated in development of the AT or the ACE.
- (2) Personnel who have knowledge of the MEO or the ACE.
- (3) Members of the cost committee of the SSEB.
- (4) If private sector consultant support is used, different people may perform the IGE development; therefore ACE development and a firewall will exist between them and personnel of the MEO team.

6-12. Determination of personal/non-personal services

In reviewing the PWS, the CO will determine if it contains any personal services. Personal service contracts are strictly prohibited unless specifically authorized by law. A personal services contract, by its expressed terms or how it is administered, makes contractor personnel appear to be Government employees. An indicator of a personal services contract is when it appears that contractor personnel are subject to relatively close and continuous Government supervision. The CO competition team representative will advise to either omit those PWS tasks identified as personal services, or rewrite the task descriptions to recast the work as non-personal services.

6-13. Application of Service Contract Act and Davis-Bacon Act

a. See the DOD A-76 Costing Manual regarding how these two statutes affect wage rates used in the agency and contract offers.

b. Certain categories of labor costs associated with the private sector offerors are subject to determined by the application of the SCA (see FAR Part 22.10) or the DBA (FAR 22.4). These acts establish minimum hourly rates for various categories of labor. The CO will obtain necessary wage determinations from the DOL to include in the solicitation. All wage determinations can be found at <http://www.wdol.gov>; there is no longer a requirement to submit SF 98 or SF 98A. Contracts over \$2,500, which are primarily for services, are covered by the SCA. Wage determinations set the minimum wages and fringe benefits that contractors and/or their subcontractors will pay their employees in the performance of contracts subject to the SCA. The wage determination becomes part of the solicitation. Contract actions involving construction, expected to exceed \$2,000, require application of the DBA. Segregable construction related task orders over \$2,000 contained in a service contract are covered by DBA. In general, the Government, at least SCA-covered contracts, will usually reimburse labor cost escalations. Since the most current SCA wage determinations will be incorporated into an SCA covered contract, the Government does not inflate Government costs in areas that a contractor cannot escalate costs. Similar treatment is given to those positions performing construction type work covered by the DBA. (However, DBA will not usually apply to the PWS in an A-76 standard competition). The CO or the Department of the Army Labor Advisor will be consulted if there are any questions regarding application of SCA or DBA.

c. Application to CS competitions. In preparing the ACE, MEO positions will be marked as either being subject to an economic price adjustment (EPA), or not. Positions subject to an EPA are inflated using factors applicable to (and through) the first performance period only. The objective is to ensure that the Government does not inflate costs for skills that a contractor has been told not to escalate. It is important to consider the type of contract being used for the acquisition.

(1) The EPA provision is marked "yes" within COMPARE for any MEO position that is equivalent to a labor category found on the DOL wage determination. The CO will provide the CS team with a copy of the DOL wage determination that will be included in the solicitation. The human resource office will work with the analyst to identify and document the MEO labor categories found in the DOL wage determination. Sometimes this is a perfect match (that is, plumber to plumber). However, many labor categories will not be an exact match in title between the MEO positions and the DOL wage determination. The CS team and/or the CO will correlate positions by reviewing the civil service position description and the SCA Dictionary of Occupations to determine similarity. The DOL wage determination includes labor categories that are not supervisory or management positions.

(2) When an option is exercised and a new wage determination is incorporated, the contract price is adjusted to account for the difference between the contractor's actual wages and the wages called for in the most current wage determination. The EPA provision is marked "no" within COMPARE.

(3) If any segregable construction work is included in the solicitation, the DBA will also be given special consideration in the ACE. The rule for applying the DBA in contracts that are not primarily for construction is set out at FAR 22.402(b), which dictates when the standard DBA-related clauses are included in contracts that are not primarily for construction. "Construction, alteration, or repair" is defined at FAR 22.40. In solicitations that are covered by DBA, the contract offeror will pay DBA wages as set out in a DOL wage determination for DBA-covered work. DOL wage determinations for construction are not issued annually but only upon the expiration or as a modification of the existing determination. For those MEO labor categories that are for construction-type work, the EPA provisions will be marked as "yes" in COMPARE when using a fixed price or cost reimbursement contract.

6-14. Federal business opportunities Web site

Before issuing the solicitation, a synopsis of the services/activities in the competition will be published in the FedBizOpps.gov. For any requirement in the FAR to publish a notice, the CO will transmit the notice to the FedBizOpps.gov Web site (FAR Subparts 5.1 and 5.101).

a. As required by the Small Business Act (15 USC 637(e)) and the Office of Federal Procurement Policy Act (41 USC 416), COs will disseminate information on proposed contract actions as follows:

b. For proposed contract actions expected to exceed \$25,000, by synopsisizing in the FedBizOpps.gov (see FAR Subpart 5.201).

c. For proposed contract actions expected to exceed \$10,000, but not expected to exceed \$25,000, by displaying in a public place, or by any appropriate electronic means, an unclassified notice of the solicitation or a copy of the solicitation satisfying the requirements of FAR Subpart 5.207(c). The notice will include a statement that all responsible sources may submit a response, which if timely received, will be considered by the agency. The information will be posted not later than the date the solicitation is issued and will remain posted for at least 10 days or until after quotations have been opened, whichever is later.

d. If solicitations are posted instead of a notice, the CO may employ various methods of satisfying the requirements of FAR 5.207(c). For example, the CO may meet the requirements of FAR 5.207(c) by stamping the solicitation, by a cover sheet to the solicitation, or by placing a general statement in the display room.

e. The CO need not comply with the display requirements of this section when the exemptions at FAR 5.202(a)(1), (a)(4) through (a)(9), or (a)(11) apply, when oral or Federal Acquisition Computer Network (FACNET) solicitations are used, or when providing access to a notice of proposed contract action and solicitation through the FedBizOpps.gov and the notice permits the public to respond to the solicitation electronically.

f. The COs may use electronic posting of requirements in a place accessible by the general public at the Government installation to satisfy the public display requirement. COs using electronic systems for public posting that are not accessible outside the installation will periodically publicize the methods for accessing the information.

g. Electronic posting of requirements in a place accessible by the general public at the Government installation may be used to satisfy the public display requirement. COs using electronic systems for public posting that are not accessible outside the installation will periodically publicize the methods for accessing such information.

h. In addition, one or more of the following methods may be used:

(1) Preparing periodic handouts listing proposed contracts, and displaying them as in FAR 5.101(a)(2).

(2) Assisting local trade associations in disseminating information to their members.

(3) Making brief announcements of proposed contracts to newspapers, trade journals, magazines, or other mass communication media for publication without cost to the Government.

(4) Placing paid advertisements in newspapers or other communications media, subject to the following limitations:

(a) The COs will place paid advertisements of proposed contracts only when it is anticipated that effective competition cannot be obtained otherwise (see FAR 5.205(d)).

(b) The COs will not place advertisements of proposed contracts in a newspaper published and printed in the District of Columbia unless the supplies or services will be furnished, or the labor performed, in the District of Columbia or adjoining counties in Maryland or Virginia (44 USC 3701).

(c) Advertisements published in newspapers will be under proper written authority in accordance with 44 USC 3702 (see FAR 5.502(a)).

i. The FAR requires that the CO use the FedBizOpps.gov to determine the availability of commercial sources. It is the CO's responsibility to prepare the synopsis; however, they may ask the CS team to provide a paragraph describing the requirements in the PWS.

j. The CO cannot determine that commercial sources are not available to meet the requirement without issuing the FedBizOpps.gov notice at least three times within a 90-day period. The synopsis will also be published in mass media in nearby cities if notices in the FedBizOpps.gov fail to produce interested offerors/offers. If no parties indicate interest in the three FedBizOpps.gov announcements, the CO will consider changing some characteristics of the acquisition package so that industry will look more favorably on the acquisition and choose to participate. This situation will likely result in a new acquisition in which the previous activities considered for an A-76 standard competition would be packaged differently. If there are still no interested commercial sources, at this point the CO may then cancel the competition.

k. The SADB office will also assist in identifying potential offerors.

6-15. Selecting solicitation method and contract

Deciding which method is appropriate to the solicitation (sealed bidding or negotiation) is an important decision for which the CO is responsible. The CO/SSA considers many factors in selecting the appropriate method to use in any acquisition, such as the type and conditions of work to be performed, and workload realism.

a. The two main types of Government contracts are fixed-price and cost-reimbursement. A fixed-price contract, which best uses the basic profit motive of business enterprise, is used when the risk involved is minimal to the Government or can be predicted with an acceptable degree of certainty. A fixed-price contract puts the most risk on the

offerors. Cost-reimbursement type contracts will be considered when a reasonable basis for fixed-pricing does not exist. The FAR requires contracts resulting from sealed bidding (IFB) be fixed-price while contracts resulting from negotiation (RFP) may be fixed-price or cost-reimbursement or a combination of both.

b. In selecting the contract type, the CO may solicit input from discussions between the CS manager, the functional manager, and the CO representative. Selection of a contract type is made by the CO. Negotiating the contract type and negotiating prices are closely related and will be considered together. Negotiations will be directed toward selecting a contract type (or combination of types) that will appropriately tie profit to contractor performance. The objective is to choose a contract type and price (or estimated cost and fee) that will result in reasonable contractor risk and provide the contractor with the greatest incentive for efficient and economical performance. Note: The contract type will match the conditions of the procurement. Do not attempt to force-fit the procurement into a particular contract type.

6–16. Award fee contracts

a. One kind of incentive contract is an award-fee contract (cost-plus-award-fee or fixed-price-award-fee). The CO is responsible for developing the Award Fee Plan but will require substantial input from the CS team and functional manager. To decide on an award-fee contract, the CS team will need to develop an award fee-rating plan. The CO CS team representative will solicit the advice in developing an award fee-rating plan. OMB Circular A–76 states that for solicitation with an award fee for all prospective providers, including the AT, the competitive sourcing official (CSO) will determine if procedures are in place permitting an AT to receive such an award fee.

b. The award fee consists of the following:

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

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

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

6–17. Evaluation factors

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

b. Typical evaluation factors include price/cost, quality, and past performance will be included in the evaluation factors. Quality may be expressed in terms such as the offeror's technical excellence, management capability, personnel qualifications, prior experience, and delivery schedule compliance.

c. Price of a technically acceptable offer is the deciding factor in many source selections. In certain acquisitions, the Government may select an offeror, other than the lowest price, whose proposal presents the greatest value to the Government based on the evaluation factors.

d. The solicitation for the cost competition will clearly state the evaluation factors that will be considered in making a source selection. The solicitation will also state the relative importance of each evaluation factor. Numerical weights, which may be applied in evaluating proposals, will not be disclosed in the solicitation. Section L describes the information that offerors will address in their proposals. Section M informs offerors how the Government will evaluate the proposals.

6–18. Contract clauses and provisions

a. The CO will ensure that standard clauses and those pertaining specifically to CS competitions are included in the solicitation. Standard clauses and provisions are paragraphs that tell prospective offerors of specific requirements with which they will comply.

b. These standard clauses are usually contained in Section I.

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

d. There are two clauses that pertain specifically to procurements under the CS Program. They are called the "notice of standard competition" clause and the "Right of First Refusal" clause. The "notice of standard competition" clause has two separate versions, one for sealed offer procurements and one for negotiated procurements. The "notice of standard competition" clause notifies offerors that the award of a contract resulting from the solicitation is contingent on the outcome of a CS standard competition. The "right of first refusal" clause (FAR 52.207–3) requires the contractor

to grant a right-of-first-refusal to displaced Government employees for employment openings under the contract for which they are qualified. The contractor determines whether the Government employees are qualified for open positions.

e. In addition to the standard clauses, the solicitation may include a requirement for a strike contingency plan describing the actions the contractor will take to avoid interruption of service such as a labor strike. The solicitation may have a requirement for the contractor to participate in mobilization planning and exercises. Remember the contractor may require a security clearance to control sensitive information or gain access to secure areas within the worksite.

f. It is important that contractor employees not supervise Government personnel. Ensure the solicitation reflects this restriction.

6-19. Issuing the solicitation and source selection

Once the CO has received the PWS and prepared the other sections of the solicitation (see fig 6-1), the solicitation can be issued. Normally this is done through the CO's Web site. This is not usually the final copy of the solicitation. As potential offerors review the draft solicitation and submit questions, changes may be necessary. Changes will be submitted, through the same format, via amendments to the solicitation.

Section III

Source Selection

6-20. Source selection process

The entire process by which the Government examines and evaluates offers/proposals offers, leading to the contract award, is called "source selection." The source selection process can be formal or informal. The source selection process is considered "formal" when someone other than the CO is appointed the SSA. It involves developing a Source Selection Plan (SSP) to evaluate proposals submitted in response to an RFP. "Informal" means that the CO is the SSA.

6-21. When source selection occurs

Source selection planning begins early in the acquisition process. Before issuing the solicitation, the SSP will be developed, and the SSA will approve the SSP. In addition, a SSEB may be appointed to assist the SSA with the technical evaluation of the proposals. Evaluation of proposals occurs after the closing date for receipt of offers. The source selection process ends with the selection of the contract offer that will be compared to the AT at standard competition. The result of this competition is referred to as the performance decision.

6-22. Source selection team

a. If the CO decides on a formal source selection process, a source selection team or source selection organization will be formed. This typically consists of a SSA and a SSEB. A Source Selection Advisory Council (SSAC) may also be appointed to assist the SSA/SSEB. The SSAC is a senior group that performs a comparative analysis of proposals, while the SSEB evaluates each proposal individually against the evaluation factors. The SSAC may also provide guidance to the SSEB.

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

c. As required by the FAR, requisite action will be taken to assure there are no potential conflicts of interest in the membership of the source selection organization. Adequate measures will be in place to avoid the potential for or appearance of a conflict of interest. Usually, the SSA is the CO or a top executive with thorough understanding of all factors bearing on the source selection.

d. The SSEB consists of technical and cost experts (one member being appointed as chair) who evaluates the proposals. The size of the SSEB will vary depending on the estimated contract cost and complexity of PWS requirements. The SSEB cannot include any members who may be directly affected by the performance decision, including DOD civilian employees, military personnel, non-appropriated fund employees, and contract employees whose work is being competed (for example, included in the PWS). Individuals in positions classified as CGO may serve on the SSEB if none of their work is included in the PWS. Contractors may be used as technical advisors but not voting members of the SSEB. In addition, AT team members may not serve on the SSEB, unless an exception is authorized by the HCA. Individuals who participated in preparing the ACE. Individuals whose work is included in the PWS. Spouses and immediate family of the above individuals.

e. Exceptions authorized to allow the above individuals to participate on the SSEB will be provided in a written statement of the reasons for the action. Exceptions will be authorized only in compelling circumstances.

f. The individual certifying the MEO may not serve on the SSEB or be the SSA.

g. It may be necessary for Government civilian employees or military personnel from other installations or locations

to serve on the SSEB or as evaluators in order to avoid the appearance of conflict of interest. MSC/FOA/HSSA are encouraged to arrange for individuals to serve on SSEBs at other installations, as this provides valuable experience in how the process works and avoids the appearance of conflict of interest. Military personnel may serve as technical advisors. Technical advisors may not have access to contractor cost proposals.

h. Senior military and civilian officials representing the various functional areas involved in the competition may serve on a SSAC. SSAC members are not full-time SSEB members, but can oversee and provide guidance to the SSEB. However, it is preferable to have representatives from the MSC/FOA/HSSA serve on the SSAC to avoid conflict of interest problems.

i. In addition to the restrictions discussed in paragraph 6–9, additional considerations exist for Government personnel who may be seeking employment with an offeror. Serving as a member of the SSAC would be considered “personal and substantial” involvement according to FAR 3.104–3 if participation involved ranking individual proposals. However, providing general technical information about a functional area to the SSEB may not constitute personal and substantial involvement. What constitutes ‘personal and substantial involvement’ is set out at 5 CFR Part 2635.402(b)(4) and will vary from case to case. Please consult the local ethics counselor, who is usually the installation SJA or legal office. When local functional experts excuse themselves because of a desire to discuss employment with an offeror, it may be necessary to seek functional expertise from other installations, the MSC/FOA/HSSA, or through consultants to assist the SSEB.

6–23. The Source Selection Plan

a. The SSP is the written guide for the source selection process. It will be completed before the solicitation is issued and it will be completed prior to the tender/proposal due date. It describes how proposals will be solicited and evaluated. It also reflects and describes who will evaluate proposals, composition of the source selection organization, the relative importance of evaluation criteria, functional areas required to be presented, and determination of security needs. The AT will be evaluated by the SSEB at the same time as the private sector offers. In essence, the SSP is the Government’s description of how it intends to determine which offer for the Government and select the most advantageous private sector offer to compare to the ACE. It establishes the relative importance of selection criteria.

b. The CO will oversee the preparation of the SSP. It will be reviewed by the CS manager, legal advisor, key SSEB and SSAC members, and approved by the SSA before issuance of the solicitation. While the selection process is formally set in motion by the designation of the SSA, most basic planning and preparation for evaluation will be completed prior to that time. Preparation of the SSP will be initiated in advance of the SSA appointment and prior to solicitation.

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

- (1) Translate the objectives stated in the AP or the acquisition strategy into a specific approach for evaluating proposals and selecting the lowest price or technically acceptable offeror.
- (2) Communicate selection approach to CS manager, CO, legal advisor, SSA, SSAC, and SSEB.
- (3) Serve as a directive to the SSEB.
- (4) Describe the specific criteria and techniques to be used to evaluate proposals.
- (5) Schedule milestones for procurement.

6–24. Evaluation of request for proposal proposals (and agency tender)

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

b. The evaluation provides an assessment of the offeror’s understanding of PWS requirements and ability to perform the work in the PWS. The SSEB will look at the offeror’s response to the information requirements and selection criteria defined in Sections L and M of the solicitation. The SSEB will separately evaluate whether the offeror’s price for performing the PWS requirements is reasonable and realistic. Evaluation of proposals is a full-time effort for the SSEB.

c. After evaluating all proposals, the SSEB will compile and document the strengths and weaknesses of each proposal.

d. The CO determines whether discussions are necessary or if a contract can be awarded from the initial proposals. If discussions are to be conducted, the CO will establish a competitive range comprised of all of the most highly rated proposals. However, the CO may determine that the number of most highly rated proposals that might otherwise be included in the competitive range exceeds the number at which an efficient competition can be conducted, in which case the CO may limit the number of proposals in the competitive range to the greatest number that will permit an efficient competition among the most highly rated proposals.

e. If discussions are necessary, they will be conducted with all offerors in the competitive range. Discussions are

undertaken with the intent of allowing offerors in the competitive range to revise their proposals and to maximize the Government's ability to select the most advantageous offer and obtain the lowest price or technically acceptable offer based on the requirements and the evaluation factors in the solicitation. If, after discussions have begun, an offeror originally in the competitive range is no longer considered to be among the most highly rated offerors being considered for award, that offeror may be eliminated from the competitive range whether or not all material aspects of the proposal have been discussed, or whether or not the offeror has been afforded an opportunity to submit a final proposal revision. At the conclusion of discussions, each offeror still in the competitive range will be given an opportunity to submit a final revised proposal.

f. Should offers change as a result of discussions, the SSEB will reevaluate them.

6-25. Source selection decisions

Once the CO receives final revised proposals, the SSEB completes final evaluations and the SSA uses the factors established in the solicitation to make the source selection decision. The SSA uses the evaluations rankings, ratings, and recommendations prepared by the SSEB and SSAC in making the decision. The SSA selects the one offeror that will be compared with the AT during standard competition tender/offer opening.

6-26. No acceptable offer

When a restricted solicitation (for example, small business set-aside) fails to receive an acceptable offer or offers, the solicitation will be reissued as unrestricted. When an unrestricted solicitation fails to produce an acceptable offer or offer, the commander/director will request approval from the component competitive sourcing official (CCSO) to end the competition, cancel the solicitation and implement the MEO.

Chapter 7 Standard Competition and Streamlined Competition

Section I Tender/Offer Standard Competition Process

7-1. General

The tender/offer for a standard competition is the actual comparison of the estimated agency costs to those of the selected contractor offeror. The selected contractor offer (offer or proposal) is entered on line 7 of the SCF. The result of the standard competition is the performance decision and concludes the source selection process. Section I of this chapter covers the tender/offer standard competition, contests and protests, and final performance decision processes for a standard competition. Section II covers those processes for a streamlined competition.

7-2. Sealed and negotiated procurement

a. Sealed tender/offer procurement. The standard competition is performed on the date specified in the solicitation as the tender/offer opening date.

b. Negotiated procurement. The standard competition is conducted after all negotiations have been completed and offerors have submitted their final proposal revision. For a formal source selection, the SSEB provides an evaluation of proposals to aid in the final selection of the best and final proposal. The SSA selects the offer that provides the low price/ technically acceptable bid (as specified in the solicitation) to the agency. The SSAC may also provide input to the SSA (see chap 6). The selected offeror's bid is then compared to the AT through the completion of the SCF.

c. Notification. Notify the MSC/FOA/HSSA of the date of the standard competition tender/offer opening so they can take the necessary action in response to a contest or protest.

7-3. Participants at standard competition tender/offer opening

a. The standard competition tender/offer opening is normally conducted by the CO, a CS office representative, and/or a representative from the Internal Review Office (IRO). The CS office participant may be the CS PM.

b. Who attends the standard competition tender/offer opening depends on the type of acquisition chosen. Sealed tender/offer is an open procedure that may be attended by all interested parties. This includes any or all of the tender/offerors, the employees of the activity under competition, union representatives, and any other parties involved in the decision. The only constraint on the number of participants is the location where the tender/offer opening is held. In many cases, this is a conference room in the procurement office. Be aware of any space constraints and consult with the CO before announcing the time and location of the performance decision. If the room is small, the employees will have to nominate two or three individuals to represent them rather than all attending. Under a negotiated procurement, only the CO, the CS office representative, and/or a representative from the IRO may attend the standard competition. The name of the low tender/offeror is not released until after certain formalities and congressional notification if the performance decision is to contract) are completed by the CO. Therefore, all information pertaining to the standard

competition is regarded as sensitive until these formalities and other required announcements discussed below are accomplished. (FAR 3.104-4(b) and 15.207(b))

7-4. Standard competition results

a. Sealed tender/offer procurement. After receiving the SSA's choice of offeror, the CO opens the envelope containing the SCF and the CS office representative enters the price of the low offeror in COMPARE. Following this, the CS office representative performs the calculations necessary to complete the SCF. Once the calculations have been verified, the CO or their designee announces the performance decision and states that the final performance decision will be made upon resolution of any contests and GAO protests. It is subject to review by the contracting officials, including further evaluation of the tender/offers to ensure they are responsive and responsible. The CO advises the attendees of this. At this time, the CO also sets the dates for the Public Review Period and for receipt of contests. "Responsive" means that the tender/offer complies in all respects with the invitation for tender/offers (for example, is submitted on time and with all forms completed correctly). "Responsible" means ensuring that the offeror has or will have the capacity, capability, and financial resources to complete the job. Also, the contractor will not appear on the list of parties excluded from procurement actions. Convene an employees meeting to inform all affected employees of the performance decision and make sure everyone hears the same thing at the same time. Make arrangements for the meeting in advance and secure a meeting place that will accommodate the entire affected workforce. If the meeting will be held in a central location, such as the post theater, transportation may be needed to and from the meeting site. This is the time to remind the employees of the administrative contest procedures and of the dates for public review and submitting contests. Remind them of their employment rights and that now is the time to make sure their personnel files are in order. Be sure to let them know that, even if the performance decision is for the MEO, there will be changes in the future, and in all likelihood a RIF.

b. Negotiated procurement.

(1) Prior to the time set for the standard competition, the CO will have received the source selection decision from the SSA. At the standard competition, the CO, in the presence of the CS office representative (or someone from the IRO), opens the sealed envelope containing the SCF and the CS office representative enters the amount of the selected offeror's cost proposal in COMPARE. The CS representative then completes the calculations on the SCF. As in the sealed tender/offer procedure, a representative from the IRO then verifies the calculations.

(2) The commander/director will publicly announce the performance decision to the affected employees and public and private offers. The best way to accomplish this is to convene a meeting of all the affected employees so they all hear the same message. Again, make the arrangements for the meeting, transportation, and etc. well in advance of the scheduled announcement date.

7-5. Public review

a. The public review period provides all interested parties an opportunity to review the documentation supporting the ACE and the completed SCF. The purpose of the review is to ensure that there were no errors in computing the agency cost, or in completing the SCF. The following documentation is generally made available to affected parties during the public review period. The solicitation, including the PWS; the completed SCF; back-up documents for the ACE, such as the audit trail and materials list; the complete AT; a completed Section B containing the selected contract offeror's cost proposal; and the name and price of the apparent successful offeror/tender/offeror. (Note: Any portion of the contractor's offer identified as proprietary information may not be released.)

b. Plan for the public review period prior to the standard competition tender/offer opening date. Arrange for a facility for the review period with necessary furnishings for the reviewers. Be prepared to move the appropriate documentation to that location immediately following the standard competition tender/offer opening.

c. Directly interested party is the AT official who submitted the AT; a single individual appointed by a majority of directly affected employees as their agent; a private sector offeror; the official who certifies the public reimbursable tender.

d. For sealed tender/offer procurement, the CO will announce the dates for the public review period at the standard competition tender/offer opening. These dates will correspond with those specified in the solicitation. The public review period will begin on the date of tender/offer opening and will last for a period of 20 calendar days. All documentation provided for review will be made available on the day of tender/offer opening. The CO may extend the period to a maximum of 30 calendar days if the standard competition is particularly complex.

e. For negotiated procurement, the public review period will begin on the business day following employee notification of the performance decision. All documentation provided for review will be made available on the day following employee notification. The public review period lasts for 20 calendar days from the date all documentation was provided. The CO may extend the period to a maximum of 30 calendar days if the standard competition is particularly complex.

f. If any directly interested party finds what is believed to be an error, they may file an administrative contest following published procedures. If no contest or GAO protest is submitted, complete DA Form 7379 (Commercial Activities (CA) Final Performance Decision Report) and proceed with the cost competition process.

g. Installation notifies local congressional members or their staffs. For an agency (in-house) decision, use the sample IMC congressional notification format shown in figure 7-1, below. If DA Form 7379 is selected as private-sector (contract) performance, then use the sample IMC congressional notification format as show in figure 7-2, below.

Honorable **XXXX (OACSIM Staff will fill in)**
Chairman, Committee on Armed Services
United States Senate
Washington, DC 20510

Subject: Commercial Activities Competition, **XXXX (Organization Name and Function Competed)**

Dear Mr. Chairman:

Section 2462 of Title 10, United States Code, requires the Secretary of Defense to notify Congress of the results of a public-private competition performed in accordance with Office of Management and Budget Circular A-76.

The public-private competition of **XXXX (functions competed)** at **XXXX (location)** commenced on **XXXX (date of public announcement in FedBizOpps.gov)**. There were **XXX** authorized civilian positions performing the function when this competition was announced to Congress. The competition resulted in a decision that in-house performance is more cost effective and will result in annual savings of **\$XXXX** when compared to the baseline costs of **\$XXXX** at the time of announcement. The Agency Tender offer was **\$XXXX** over a five-year performance period. There were **XXX** acceptable private sector offers. The best total contract bid was **\$XXXX** over a five-year performance period, which was compared to the in-house cost. The Most Efficient Organization (MEO) is **XXX** authorized civilian positions. There are currently **XXX** civilian employees on board that will be affected by this decision.

Reduction in Force (RIF) notices will be given to affected civilian employees not later than 60 days prior to the effective RIF date.

MEO implementation is projected for **XXXX (Month, Day, and Year)**.

The estimated personnel that are eligible for Voluntary Early Retirement Authority and Voluntary Separation Incentive Pay are **XXX**, that will be placed elsewhere are **XXX**, and that may be separated by RIF are **XXX**. The Army will continue to make every effort to minimize the adverse impact on the affected civilian employees. This includes aggressive outplacement efforts, normal attrition, hiring controls, registration in the Department of Defense Priority Placement Program, separation incentives, and offers of early retirement. All possible placement opportunities are being explored to assist affected employees.

The Department of the Army certifies that (1) the government's calculation of the cost of performance of the function by Department of Defense civilian employees is based on an estimate of the most cost effective manner for performance of the function by Department of Defense civilian employees that meets the needs of the Department with respect to factors other than cost, including quality and reliability; (2) the public-private competition did not include any predetermined personnel constraint or limitation in terms of man years, end strength, full-time equivalent positions, or maximum number of employees; and (3) the entire public-private competition is available for examination.

Sincerely,

XXXX (OACSIM Staff will fill in)

cc: Honorable **XXXX (OACSIM Staff will fill in)**, Ranking Member

Figure 7-1. Sample information for members of Congress format letter—congressional notification of agency decision

Honorable XXXX (OACSIM Staff will fill in)
Chairman, Committee on Armed Services
United States Senate
Washington, DC 20510

Subject: Commercial Activities Competition, XXXX (Organization Name and Function Competed)

Dear Mr. Chairman:

Section 2462 of Title 10, United States Code, requires the Secretary of Defense to notify Congress of the results of a public-private competition performed in accordance with Office of Management and Budget Circular A-76.

The public-private competition of XXXX (functions competed) at XXXX (location) commenced on XXXX (date of public announcement in FedBizOpps.gov). There were XXX authorized civilian positions performing the function when this competition was announced to Congress. The competition resulted in a decision that contract performance is more cost effective and will result in annual savings of \$XXXX when compared to the baseline costs of \$XXXX at the time of announcement. There was XXX acceptable private sector offers. The offer from XXXX (selected private sector offeror) was \$XXXX over a five-year performance period. The Agency Tender offer was \$XXXX over a five-year performance period. There is a one-time conversion to contract cost of approximately \$XXXX. There are currently XXX civilians on board that will be affected by this decision.

Reduction in Force (RIF) notices will be given to affected civilian employees not later than 60 days prior to the effective RIF date.

Award of the contract is projected for XXXX (month, day, and year). Performance is scheduled to begin on XXXX (month, day, and year).

The estimated personnel that are eligible for Voluntary Early Retirement Authority and Voluntary Separation Incentive Pay are XXX, that will be placed elsewhere are XXX, and that may be separated by Reduction in Force (RIF) are XXX. The Army will continue to make every effort to minimize the adverse impact on the affected civilian employees. This includes aggressive outplacement efforts, normal attrition, hiring controls, registration in the Department of Defense Priority Placement Program, separation incentives, and offers of early retirement. All possible placement opportunities are being explored to assist affected employees.

The Department of the Army certifies that (1) the government's calculation of the cost of performance of the function by Department of Defense civilian employees is based on an estimate of the most cost effective manner for performance of the function by Department of Defense civilian employees that meets the needs of the Department with respect to factors other than cost, including quality and reliability; (2) the public-private competition did not include any predetermined personnel constraint or limitation in terms of man years, end strength, full-time equivalent positions, or maximum number of employees; (3) the performance of the XXXX by contractor personnel will have no effect on the military mission of XXXX (4) the conversion to a BASOPS contract will have negligible economic effect on the local community; and (5) the entire public-private competition is available for examination.

Sincerely,

XXXX (OACSIM Staff will fill in)

cc: Honorable XXXX (OACSIM Staff will fill in), Ranking Member

Figure 7-2. Sample information for members of Congress format letter—congressional notification of private-sector decision

7-6. Contests

a. A directly interested party, as defined by the OMB Circular A-76, as amended, and paragraph C-3 of this publication, may contest certain actions taken in connection with an A-76 standard competition. A directly interested party includes the ATO, a single individual appointed by a majority of the directly affected employees as their agent, a private sector offeror, or the Government official who certifies the public reimbursable tender. The individual appointed by the majority of the directly affected employees is to be one of the directly affected employees

b. The following actions are subject to contest:

- (1) A solicitation.
- (2) The cancellation of a solicitation.
- (3) A determination to exclude a tender or offer from a standard competition.
- (4) A performance decision, including, but not limited to, compliance with the costing provisions of OMB Circular A-76, as amended, and other elements in the Army's evaluation of offers and tenders.
- (5) Termination or cancellation of a contract or LOO if the challenge contains an allegation that the termination or cancellation is based in whole or in part on improprieties concerning the performance decision.

c. Contests to competitions are submitted to the CO. To be eligible, the contest must be submitted in writing and received within 10 calendar days after the date that all supporting documents are made public by the CO. The CO, for good cause shown, or where it is determined that a contest raises issues significant to the agency's acquisition system, may consider the merits of any contest which is not timely filed. The CO should acknowledge receipt of the contest and forward to the MSC/FOA/HSSA within 5 calendar days. The MSC/FOA/HSSA will assign a CO or other authorized official to adjudicate the contest. A decision should generally be made within 35 calendar days of receipt of the contest and the CO must notify OACSIM of the contest/protest decision following the format shown in figure 7-3, below.

(Letterhead)

COMMERCIAL ACTIVITIES CONTESTS DENIED

The installation's higher headquarters recently denied two contests filed against the process followed in conducting a recent A-76 competition on contracting at <Fort xxxxx> <xxxxxxx> division.

The contest decision was made on <insert date>. The results of the Commercial Activities competition will be submitted to Department of the Army and Congress. When that notification is complete, the final performance decision on the competition will have been reached.

The contract, which has a proposed start date of <contract start date>, will affect approximately # employees in the <division name>. <Fort xxxxx> officials announced <date> that <company name> had tentatively been chosen as the primary contractor for <function> at <Fort xxx>.

The competition, implemented by the Department of Defense pursuant to Congressional mandate, was conducted to determine whether operations will be contracted-out to a private industry or remain as government-operated functions.

Those <function> employees affected, as well as the local union, had the option to contest the decision in writing by addressing costing issues and noncompliance with Office of Management and Budget Circular A-76. The circular outlines the federally mandated means to compete commercial activities currently performed by federal workers.

The federal government's long-standing policy is to rely on the private sector to supply the goods and services it needs, except those that are Continuing Government Organization in nature, when the private sector can provide them more efficiently.

(Commander/Director's signature block)

Figure 7-3. Sample letter format—Contest/Protest Decision

- d. A contest will be governed by the procedures of FAR Subpart 33.103 and AFARS 5133.103.
- e. No party may contest any aspect of an A-76 streamlined competition.

7-7. Government Accountability Office protests

- a. An interested party, as defined by the Competition in Contracting Act (31 USC 3551(2)), may file a protest to the GAO, in an A-76 competition where the procurement system is used to select the service provider.
- b. An actual or prospective offeror or offeror in an A-76 competition is generally an interested party. In an A-76 competition involving an activity or function of the Army performed by more than 65 FTE civilian employees, the ATO is also an interested party and may file a protest on behalf of the MEO to the GAO on that competition.
- c. Where the ATO is entitled to file a protest for the MEO, the ATO may, in addition, file a protest when requested by the majority of the employees of the function engaged in the A-76 competition. When requested by the majority of the employees to file a protest, the ATO may decline to file this protest when, in their opinion, there is not a reasonable basis for this protest. The ATO decision not to file a protest on behalf of the employees is not subject to administrative or judicial review. Whenever the ATO makes a decision that there is no reasonable basis for a protest on behalf of the employees, the ATO must make written notification to Congress.
- d. If an interested party files a protest in an A-76 competition involving an activity or function of the Army performed by more than 65 FTE civilian employees, a person representing a majority of employees of the Army agency who are engaged in the performance of the activity or function subject to the A-76 competition and the ATO may intervene in the protest. (The exclusive representative, under 5 USC 7111, of the employees of the Army agency who are engaged in the performance of the activity or function subject to the A-76 competition is deemed to be the person entitled to intervene in the protest.)
- e. Protests based on alleged improprieties in a solicitation which are apparent prior to offer opening or the time set for receipt of initial proposals must be filed prior to offer opening or the time set for the receipt of initial proposals. In all other cases, protests must be filed not later than 10 days after the basis of the protest is known or should have been known (whichever is earlier), with the exception of protests challenging a procurement conducted on the basis of competitive proposals under which a debriefing is requested and, when requested, is required. In such cases, the initial protest must be filed not later than 10 days after the date on which the debriefing is held.
- f. There is no requirement to file a contest or exhaust administrative remedies before filing a protest in an A-76 competition.
- g. If a protest is filed, the GAO will notify the applicable CO. The CO will take the action required of the "agency" in FAR 33.104 and provide notification of the protest in accordance with existing Army acquisition procedures.
- h. The GAO has 100 days (or 65 days under the express option) from filing the protest to issue a decision on the protest.
- i. The CO will take the necessary action to implement the GAO decision on the protest.

Section II Streamlined Competitions

7-8. Streamlined competition approaches

There are two possible approaches to conducting streamlined competitions. Essentially the difference between the two is whether a MEO is developed. The option chosen will depend on agency need, resources, time, and policy constraints. OMB Circular A-76 allows the use of either type of streamlined competition for functions that are performed by 65 or fewer FTEs. However, Congress requires creation of an MEO and solicitation for streamlined competitions involving 10 or more DOD civilian employees.

7-9. Streamlined competition team requirements

For streamlined competitions with no MEO, two teams are required; a PWS/solicitation and IGE team and a private sector cost team. Streamlined competitions with development of a MEO require these two teams plus an additional team for preparation of a solicitation.

7-10. Process for a streamlined competition

- a. The streamlined competition (for example, non-MEO) process is conducted differently from both a standard A-76 competition and a streamlined competition with an MEO. For instance, less documentation is required in the non-MEO streamlined competition and the time frame for completion is shorter.
- b. The time frame for a streamlined competition is 90 calendar days after the public announcement of the competition. The CCSO may grant a one-time 45-calendar-day extension to this period if the competition uses the solicitation method for cost comparison. This extension must be granted before the public announcement of the

competition. If the competition is not completed within the allotted time frame, it must be converted to a standard competition. There are no individual PWS team requirements; however, a PWS or a documented list of requirements is needed to ensure that the costs for the private sector estimate and the in-house costs are both fair representations of costs for the same amount of work. The documented list of requirements forms the basis for the market research used to develop the private sector cost estimate. As noted above, two teams are required to complete the streamlined competition process. The PWS team is responsible for using the COMPARE cost comparison software to document the ACE. The market research team/private sector cost team is responsible for conducting market research to build the private sector cost estimate, which is used for the cost comparison.

c. In this process, as in the other types of competitions, the conflict of interest guidance outlined in figure 2–2 should be followed.

7–11. Process for a streamlined competition with a most efficient organization

a. Three teams are required for a streamlined competition with a MEO. One team develops the IGE for comparison with the MEO; a second team, the MEO team, creates the MEO itself; while the third team, the market research/private sector cost team, is responsible for building the private sector cost estimate and conducting the cost comparison.

b. The creation of a MEO can make the activity under competition more competitive because it allows the in-house workforce to achieve a higher level of efficiency before its comparison with private sector offers. MEO development will take additional time and resources. Therefore, if the development of a MEO is anticipated, the CCSO may grant a one-time 45-calendar-day extension (added to the usual 90-day streamlined competition time frame) before public announcement. If the competition is not completed within the allotted time frame, it must be converted to a standard competition or a request for additional time must be made to OMB. For functions with 10 or fewer FTEs, the extra resource requirements and the inability to reduce FTEs and still meet mission requirements should be factored into the decision on whether to create a MEO.

c. To create an MEO—

(1) Document the current as-is organization, including the level of effort currently needed to perform workload and process descriptions.

(2) Identify areas for improvement and efficiencies where possible.

(3) Provide recommendations to personnel and established processes to achieve maximum efficiency.

(4) Create the ACE on the basis of the MEO organization.

d. In a streamlined competition with MEO, as in the other types of competitions, the conflict of interest guidance should be followed. Membership on the MEO team is subject to the same requirements as a standard competition, including support from the HRA.

7–12. Streamlined cost process and information

After public announcement of the competition, the CO will calculate, compare, and certify costs based on the scope and requirements of the activity under competition to determine and document a cost-effective performance decision. These steps are accomplished through completion of the SLCF as outlined in the following subsections.

7–13. Cost of agency performance

In accordance with attachment C of OMB Circular A–76, the ATO will calculate and certify the cost of performing the activity with Government personnel for a minimum of three performance periods by completing SLCF line 1 (Personnel Costs), line 2 (Material and Supply Costs), line 3 (Other Specifically Attributable Costs (items that do not fit into lines 1, 2, or 4; limited to awarded contracts supporting agency performance of the activity)), line 4 (Overhead Costs), and line 6 (Total Cost of Agency Performance). Specific guidelines for using the required cost comparison software, COMPARE, are provided on the SHARE A–76 Web site, in the COMPARE User’s Guide, and in attachment C of OMB Circular A–76. These sources should be checked frequently, since updates to the software occur regularly.

7–14. Cost of private sector/public reimbursable performance

The CO will determine an estimated contract price for performing the activity with a private sector source by using documented market research or soliciting cost proposals in accordance with the FAR. The CO may also determine an estimated cost for performing the activity with a public reimbursable source by calculating (or requesting that a public reimbursable source calculate) SLCF lines 1a, 2a, 3a (limited to awarded contracts), 4a, and 6a.

7–15. Using the market research method for streamlined cost comparisons

a. If the market research method is used for the streamlined cost comparison, it is important to develop a comparable private sector cost by researching what the market is paying for a particular service. Two valuable sources for initial research are the DOL Web site at <http://www.salary.com>, which provide a perspective on how functions are categorized and insight on salary ranges for different localities.

b. The objective of market research is to obtain information on the service industry that is the focus of the streamlined competition. There are no specific procedures for performing this research. Instead, the research should be

tailored to each acquisition. Different kinds of services also may call for different approaches. One suggested approach for beginning the market research process is as follows:

(1) *Step 1.* Compile an inventory of contracts or interagency agreements concerning similar functions, including direct and oversight labor costs (that is, Defense Logistics Agency (DLA)). The CO is a good resource for identifying these contracts. After this step, previous engagements have shown a decision maker should determine whether DLA chooses to use a public reimbursable or a commercial source of data from the inventory of analogous contracts. COMPARE uses one or the other on SLCF line 7.

(2) *Step 2.* Translate the PWS by functional category into the appropriate unit of measurement (hours, line items, and so on). Because market research will yield data in terms of hourly rates, it is helpful to understand how many hours it takes to produce each service. Experience has shown that it is important to account for management hours/duties in a separate category when translating work into hours. For example, a financial services function has direct work requirements for invoice processing; if eight invoices are processed per day using two FTEs worth of hours (16 hours), then each invoice takes an average of 2 hours to process. The key is to determine whether the processing includes management review time/quality control. If at all possible, the activity under review and quality control should be captured separately from the invoice processing activity because it is a separate workload. If management review/quality control is included in the average processing time (for example, the 2 hours), these activities should be noted as part of the category of work.

(3) *Step 3.* Compute contract direct labor rates for each functional category in the PWS using the GS grades provided in interagency agreements or direct labor rates from contracts.

(4) *Step 4.* Extend hourly workloads for each functional category by interagency or contract direct labor rates (that is, calculate the total cost of the labor hours for each service). For example, if 2 hours of labor is required to produce a widget according to the PWS and the private sector charges \$100/hour, the total estimated cost for the contractor to produce a widget is \$200. Experience has shown that in modeling private sector costs it is important to document the elements used as the basis for pricing (that is, all labor rates, labor category descriptions, and the justification for and analysis behind selection of a contract and labor category/rate within a contract).

(5) *Step 5.* If management FTEs and hours are included in the functional unit under competition, management and oversight costs should be categorized and priced. If management duties and workload are *not* separately stated in the PWS but are included in the direct work hour estimates (that is, if 2 hours per invoice includes management FTE/hours), DLA can determine what percentage of total labor hours are management hours. For example, if 10 percent of the hours required for each invoice are for management oversight, the 10 percent calculation equates to a number of hours priced at a manager's hourly labor rate as opposed to the rate for a technician who only processes the invoice.

(6) *Step 6.* In this step, the CO must enter and certify an estimated contract price or public reimbursable cost on SLCF line 7, in accordance with attachment C of OMB Circular A-76, for a minimum of three performance periods. This total is computed by adding the results of steps 4 and 5. COMPARE will then automatically calculate lines 8, 13, 17, and 18. Explanation of line items can be found in the COMPARE User's Guide.

7-16. The solicitation method

a. A second method for conducting the streamlined competition cost comparison involves solicitation of cost proposals from the private sector in accordance with the FAR. In using this method, the steps described for the market research method should be followed with the following exceptions.

(1) The CO may issue a draft request for proposals on FedBizOpps.gov to solicit information from potential offerors instead of conducting market research. The announcement should state that the Government is seeking to identify vendors with the capability of and interest in performing the services/functions that are the subject of the procurement.

(2) Once the draft proposals have been received, the CO will translate the proposals into an estimated contract price and enter the data on SLCF line 7, in accordance with attachment C of OMB Circular A-76, for a minimum of three performance periods.

b. If the solicitation method is chosen for a streamlined (for example, non-MEO) competition, the CCSO may grant a one-time 45-calendar-day extension (added to the usual 90-day streamlined competition time frame). Such extensions must be granted before public announcement.

7-17. Adjusted cost estimate

The CO will calculate and certify the adjusted costs for SLCF lines 8, 12, 13, and 17 to determine and certify a cost-effective source, as reflected on SLCF line 18, in accordance with attachment C of OMB Circular A-76. The CO will not calculate any other SLCF lines for a streamlined competition.

7-18. Cost estimate firewalls

The SSA will ensure that the person preparing the ACE and the person preparing the private sector/public reimbursable cost estimate are different and will not share information concerning their respective estimates.

7-19. Additional considerations for a streamlined competition

Unlike a standard competition which requires an agency to determine the conversion differential in accordance with

OMB Circular A-76, as amended, agencies will not calculate the conversion differential in a cost estimate for a streamlined competition.

7-20. Summary of the streamlined process

There are several major differences between the streamlined competition, the streamlined competition with a MEO, and a standard A-76 competition. OMB Circular A-76 allows streamlined competitions for those functions that are performed by 65 or fewer FTEs. The development of an MEO is recommended for all streamlined competitions, but is required by Congress for those involving 10 or more FTEs.

a. As mentioned previously, although there is no formal PWS requirement for streamlined competitions, work requirements still must be identified. For competitions for which a PWS is not developed, work outcomes must still be described. The requiring activity (RA) will develop work outcomes regardless of the type of streamlined competition it plans to conduct.

b. The time frame for a streamlined competition without an MEO is 90 calendar days from public announcement to the performance decision. If the RA chooses to develop an MEO or issues a solicitation for private sector offers, the time frame for the competition can be extended to 135 calendar days (the basic 90-day period plus one 45-day extension) if granted by the CCSO. If the RA cannot complete an announced streamlined competition within the time limit, the RA must convert the streamlined competition to a standard competition and request an additional extension from OMB through the agency and the Office of Secretary of Defense Competitive Sourcing Official using the deviation procedure in paragraph 5.c. of OMB Circular A-76. (Note: Extensions can only be granted if an MEO is created and must be requested before announcement of the competition.)

c. A public competition is not required for either the MEO or the non-MEO in a streamlined competition. Instead, the work that is described should be compared to comparable service offerings in the private sector. The CO either should survey the marketplace to determine what the cost of the service is in the private sector or should solicit private sector offers. The Internet is a useful tool for such research. Personal interviews with service providers (SP) in the private sector may also be conducted.

d. Because a public competition is not required for streamlined competitions, the ACE should be entered into COMPARE and compared to the results of the market research survey. If the ACE is the lower cost, the work should remain in-house and should either maintain its current organization or implement the MEO. If the agency cost is higher than the market research cost, the RA is required to develop a solicitation for the work of that function.

e. If the work will remain in-house, the CO should issue a letter of obligation. If the work will not be performed by the in-house workforce, the CO should develop and publish a solicitation to select a private sector or public reimbursable SP. The CO is responsible for publishing the results of the competition on FedBizOpps.gov. In addition, the RA is required to implement post-competition activities in accordance with OMB Circular A-76 and these implementing instructions.

7-21. Streamlined Competition Form certifications

a. A SLCF review consistent with procurement integrity, ethics, and standards of conduct rules, including the restrictions of 18 USC 208, the SSA will allow incumbent SP to review the SLCF before the public announcement of a performance decision.

b. If there are 10 or more DOD civilian employee positions, a congressional announcement is made prior to public announcement by submitting congressional notification to OACSIM following the formats shown in figures 7-1 (for agency decision) and 7-2 (for private-sector decision). The agency must make a formal public announcement (at the local level and via FedBizOpps.gov) of the performance decision. In addition, the SLCF will be made available to the public upon request. However, if the ACE includes any support contracts, the agency will not release any proprietary information contained in these contracts.

c. Implementing the Streamlined Performance Decision. The RA will implement the performance decision resulting from a streamlined competition as follows:

(1) In the event of an in-house loss (private sector price or public reimbursable cost estimate is lower than the total cost of agency performance), the CO may issue a solicitation to select a private sector or a public reimbursable SP. For a private sector performance decision, the CO will award a contract in accordance with the FAR and will implement FAR 7.305(c), the right of first refusal. For a public reimbursable performance decision, the CO will execute a fee-for-service agreement with the public reimbursable source.

(2) In the event of an in-house performance decision (cost of agency performance is less than the private sector price or public reimbursable cost estimate), the CO and the official responsible for performing the commercial activity will execute a letter of obligation.

Section III

Most Efficient Organization Letter of Obligation

7-22. Requirement

When the MEO offer is the selected offer of the standard competition, the MEO offer is bound to meet the performance output and standards of the PWS and within the terms of the solicitation. At this point, the MEO will be treated as a contractor. As such, the CO will execute a LOO with an official responsible for performing the commercial activity. The CO will draft this letter for the commander/director's signature because the CO understands the types of obligations and responsibilities a contractor would be held to under a similar situation. However, it is recommended that the commander/director and CO sign this letter to the MEO to indicate their commitment to the MEO's responsibility to perform to the level stated in the PWS within the resources tender/offer. The PWS needs to be maintained in order to justify adding and deleting resources (dollars, people, and subcontracts) due to mission changes.

7-23. Most efficient organization letter of obligation process

a. The letter, which is initiated by the CO, will be signed by the official responsible for the MEO. The process is as follows:

(1) The SCF and supporting worksheets that itemize the MEO ACE to include the full time equivalent positions, SCF line 2, Materials, SCF line 3, Other Specifically Attributable Costs, and line 5, Other Costs.

(2) The PWS and supporting technical exhibits are simply referred to as the PWS document.

(3) The requirement to maintain the PWS indicating any changes to increased or decreased work requirements. It is important to explain to the MEO Phase-in team how the PWS would have been maintained had a contract been awarded and how this responsibility now transfers to the MEO operations. The CO will explain to the MEO Phase-in team the contracting practice of "conforming" changes to a master document while maintaining the audit trail of the revised document. This technique is explained in detail as follows:

(a) Relevant solicitation requirements such as—

1. The responsibility to replace GFP when it is no longer usable at the expense of the MEO.

2. The responsibility to maintain GFP at the expense of the MEO.

3. The responsibilities to maintain a quality control program and conform to the stated quality requirements (that is, how the QASP requirements are levied on agency performance).

(b) A reminder of the post MEO performance review requirements (AR 5-20, para 2-6) to include the official start date of the MEO.

b. The letter will be signed by the head of the MEO and returned to the commander/director and CO.

7-24. Version control

Version control is a technique that provides you with a living document of the most current version while maintaining the history of document changes. This approach uses slip-sheet change pages that are inserted into the conformed copy and replaces the older version of the same page. The old version of the page is retained in a separate notebook to maintain a history of the changes. This technique provides the using organization a complete PWS document of the most current version of requirements and helps maintain the supporting documentation required for the post competition accountability. For the original document, in its footer, insert the date of the original document so that each page is dated. When a change is generated, incorporate the changed requirement, writing it in the body of the original document in the appropriate section. Then change the date in the footer only for those pages that were changed to record the new requirement. Insert the changed pages with the new date in the footer, substituting the page for the old page so the document reads as a whole document. File the old page in a separate notebook in chronological order of the change. Make a handwritten note on the document in the top right corner of the new date of the substituted page, which just replaced it. This allows a reviewer to track how the changes were incorporated. It is strongly recommended to write a brief explanation of why the change occurred including the impact on the MEO staffing. File this documented explanation with the old page version in front of the old page.

Chapter 8

Contract Administration and Quality Assurance

Section I

General

8-1. Contract administration

Contract administration refers to those actions taken by the Government to monitor and administer the contract. This

includes inspection or surveillance of contractor performance, preparing and negotiating modifications and processing contract payments. Regardless of the selected service provider, MEO or contractor, an organization will—

- a.* Monitor performance for all performance periods stated in the solicitation.
- b.* Implement the quality assurance surveillance plan.
- c.* Retain the solicitation and other documentation from the streamlined or standard competition as part of the competition file.
- d.* Maintain the currency of the contract file, consistent with FAR Subpart 4.8 for contracts, MEO letters of obligation, and fee-for-service agreements.
- e.* Record the actual cost of performance by performance period.
- f.* Monitor, collect, and report performance information, consistent with FAR Subpart 42.15 for purposes of past performance evaluation in a follow-on streamlined or standard competition.

8–2. Contract officer’s representative

a. A variety of people are involved in contract administration, including the CO, the contracting officer’s representative (COR), contract specialists, QAEs, the property administrator, and even the customers.

b. The CO is the only official who has the authority to create or modify a contract and is the only person who can sign contracts on behalf of the Government.

c. The CO appoints the COR in writing. In this letter of appointment, the CO delegates certain authority to the COR to act as a designated representative. The COR is frequently the supervisor of the QAEs. The COR appointment letter cautions the COR not to overstep their authority to avoid risking contractor claims.

(1) Duties most commonly delegated to CORs include—

(a) Verify that the contractor performs the technical requirements of the contract in accordance with the contract terms, conditions, and specifications.

(b) Perform, or cause to be performed, necessary inspections and verify that the contractor has corrected all deficiencies.

(c) Maintain liaison and direct communications with the contractor. All written correspondence will be signed “Contracting Officer’s Representative” with a copy furnished to the CO.

(d) Monitor the contractor’s performance; notify the contractor of discrepancies observed during surveillance, and request corrective action. Record and report to the CO incidents of faulty or non-conforming work, delays, or problems. Submit monthly reports concerning performance of services to the CO.

(e) Coordinate site entry for contractor personnel and ensure the GFP provided for in the PWS is available when required.

(f) Maintain complete records to describe the performance of duties as COR.

(g) Direct actions of QAEs.

(2) A COR cannot—

(a) Award or sign any contract, delivery order, or modification.

(b) Obligate payment of monies.

(c) Permit work that is not included in the contract.

(d) Make or change any contractual agreements, commitments, or modifications involving prices, quantities, quality, or delivery schedules.

d. The QAE maintains the following functions:

(1) The QAE is the inspector for the contract. The QAE’s primary duty is to monitor the contractor’s performance of the required services using the plans and formats included in the QASP. The QAE is someone who is technically proficient in the activities being performed by the contractor. The QAE often works directly for the COR in performing their duties. The COR appoints the QAEs in writing and defines the scope of their authority and area of responsibility.

(2) The QAE’s job is to perform surveillance of the contractor’s work. The QAE is not authorized nor expected to offer advice to the contractor on how the work will be performed. Since QAEs are frequently employees who performed the work before the cost competition, QAEs may be inclined to tell the contractor how they did the work. This will be avoided. If the contractor follows the QAE’s advice and the work did not meet the PWS standards, the contractor could be relieved of responsibility by stating that the QAE’s instructions were followed. Also, the contractor could file a claim for additional payment if the method recommended by the QAE required more people or work hours. Although the QAE may mean well, the results could be damaging to the Government.

e. The Government will appoint an individual to administer property that is turned over to the contractor. Although the contractor will have a property administrator or manager appointed to maintain accountability of the property in its care, the Government will also keep certain records and monitor the contractor to ensure they maintains the property properly. The Government’s property administrator will work with both the COR and the CO in fulfilling responsibilities to ensure all actions comply with the contract. The following duties and responsibilities are most commonly assigned to the Government’s property administrator:

(1) Evaluate the contractor’s requests for changes to existing GFP.

- (2) Assure timely submission of contractually required reports.
 - (3) Verify any nonconformance to Occupational Safety and Health Administration standards of GFP or facilities reported by Government representatives or contractor management personnel.
 - (4) Obtain a written statement from the contractor reporting incidents of loss, damage, destruction, or unreasonable consumption of Government property.
 - (5) Provide information regarding damage, destruction, or unreasonable consumption of Government property to the CO for determination of contractor responsibility.
 - (6) Make recommendations to the CO concerning the contractor's liability. (The CO makes the final written determination.)
 - (7) Provide, in the case of cost-plus-award-fee contracts, any recommendation needed to determine the part of the award fee, which may be predicated on the contractor's control, and usage of GFP.
 - (8) Develop plans for monitoring the administration of GFP in the possession of the contractor.
 - (9) Maintain property control data files.
- f.* One of the most important persons to monitor the work performed by the contractor is the customer who requests the work. The customer is in the best position to recognize errors in the work. Through use of an effective customer complaint program, the customer can provide excellent testimony of the contractor's performance.

8-3. Recruiting and training surveillance personnel

- a.* The CPAC should begin recruiting and training the QAEs in time for them to be on-board and trained when the contract starts. The job descriptions for the COR and QAEs are developed and approved as part of the AT. Since the QAEs will be working for the COR, the COR position should be filled first, if possible, to allow the COR to participate in the selection of personnel to fill the QAE positions. If this is not possible, the functional manager, or a panel of managers will make the selections.
- b.* The COR should be familiar with all aspects of the activities covered by the contract. The COR should also have had some management or supervisory experience since the COR will be managing the surveillance operations and advising the QAEs.
- c.* The QAEs will be technically experienced in the activities they will inspect. They will also be able to communicate effectively.
- d.* The COR and QAE positions should be filled by personnel who worked in the activity prior to the conversion to contract. They are the most natural nominees for the positions since they are familiar with the work to be performed and the installation. The COR and QAE's prior corporate knowledge can facilitate the Phase-in to contractor operation.
- e.* Military positions will not be designated as COR and/or QAEs.
- f.* Once the COR and QAE positions have been filled, these individuals will all receive as much training as possible before the contract or MEO start date. If the surveillance staff is not familiar with what is required of them, they will not be able to adequately monitor the contractor's/MEO's performance. The CO is responsible for ensuring CORs and QAEs are properly trained.
- g.* It is important for the COR and QAE personnel to become knowledgeable with the requirements of the contract and the QASP. This is a shared responsibility between their supervisors and the CO to make this happen. This element will be included as an evaluation factor in the COR's and QAEs' performance appraisal.

(1) The COR and each QAE should be given at least one complete copy of the contract and the QASP as soon as appointed and receive all subsequent modifications. It is a good practice to give the COR one for their own use and a second one to use as an office copy. Since the COR will monitor the entire contract surveillance effort, they need to be familiar with the required services and other contract clauses.

(2) The QASP contains instructions for conducting surveillance and the forms to report the results of their inspections. The COR and QAE will understand this document to perform their duties. It may be helpful if the team who develops the QASP is available to discuss it with the COR and QAE staff and to clarify any problems before the contractor or MEO starts to work.

Section II Quality Assurance

8-4. Quality assurance and quality control

a. Quality assurance (QA) is a structured process used to monitor the actions of either the contractor or the MEO to ensure the Government obtains the required services. The information gained in QA evaluations also supports decisions related to contract payments, deductions, and award fee determinations.

b. Both QA and quality control (QC) are frequently confused or used interchangeably. However, they refer to distinctly different actions performed by different organizations. QA involves those actions taken by the Government to inspect goods or services to determine whether they meet the requirements of the contract. QC, on the other hand, refers to those actions taken by a contractor or the MEO to control their production of goods or services so that they

will meet the requirements of the contract. A requirement to develop and submit a QC Plan will be included in every solicitation.

c. The following people perform QA:

(1) The QA may be performed by a separate organizational element (in the CGO staff or delegated to an organization not under competition) comprised of the COR and the QAEs. Do not confuse the supervisor's quality control of his/her employee's work with QA. This staff may be augmented by a clerical position to assist in completing the surveillance forms and correspondence.

(2) The positions in the CGO staff are not intended to perform QA. The QA positions are fully justified in the AT. CGO staff will not have the added responsibility of QA.

8-5. Quality Assurance Surveillance Plan

a. The QASP is a formal document the Government prepares to ensure a systematic inspection of the required services. Since the contractor's QC plan is an evaluation item during source selection, it will reflect the contractor's understanding of the requirements, not the Government position. Because the QC plan is evaluated, many commander/directors prefer to regard the QASP as a procurement sensitive document. The QASP is not a part of the PWS, and will not be issued with the solicitation for the following three reasons:

(1) The QASP is subject to changes throughout the life of the contract and will not be made a part of the contract.

(2) The contractor will not rely on the QASP as a format for their QC plan.

(3) The QAEs will make revisions to the QASP based on the contractor/MEO QC plan.

b. The QASP has several uses and they are as follows:

(1) It provides the QAEs with a guide to systematically and effectively monitor the contractor or MEO performance.

(2) It outlines the corrective procedures to be taken against the contractor or the MEO for deficient performance. These measures include issuance of contract discrepancy reports requiring corrective action responses and determinations affecting contract payments and award fee determinations.

(3) It may provide a means whereby the CO or COR can evaluate the performance of the QAEs in monitoring PWS execution.

c. Developing the QASP is done as follows:

(1) The QASP is developed by the PWS team. Since they wrote the PWS, they are intimately familiar with the required services and can use that knowledge in writing the QASP.

(2) The QASP is based on the DA Form 5473 and the workload contained in the PWS. The DA Form 5473 is key to developing the QASP since it lists the required key services, the standards which will be met, the ALP, the lot composition, the planned method of surveillance, and, if appropriate, the contract deduction percentage. All of this information is required by the COR and QAEs to complete their surveillance forms and compile reports of contractor or MEO performance.

(3) The QASP is a detailed, step-by-step plan for inspecting the services. When designing the plan, keep in mind the number of contract administration personnel allowed by regulatory guidance.

8-6. Quality Assurance Surveillance Plan components

a. Although the QASP will be tailored to meet the specific PWS requirements and operating conditions, certain regulations govern the basic methodology and procedures.

b. The following is the recommended format for the QASP, based on American National Standards Institute (ANSI)/ASQC Z1.4-1993, OFPP Pamphlet No. 4, AFARS, OFPP Guide to Best Practices for Performance-Based Services, DOD Performance-Based Services Acquisition Guide, and Army experience.

(1) *Introduction.*

(a) Purpose.

(b) Activities surveyed.

(2) *How to use the plan.*

(a) Scheduling.

(b) Sampling procedures.

(c) Inspection procedures.

(d) Documentation/reporting procedures.

(3) *Types of surveillance forms.*

(a) DA Form 5475 (COR/QAE Surveillance Schedule).

(b) Sampling guide.

(c) DA Form 5481 (Tally Checklist).

(d) DA Form 5476 (Surveillance Activity Checklist).

(e) DA Form 5477 (Customer Complaint Record).

(f) DA Form 5478 (Decision Table).

- (g) DA Form 5479 (Contract Discrepancy Report (CDR)).
- (h) Work statement discrepancy report.
- (4) Annexes.
- (a) DA Form 5473 (Performance Requirements Summary (PRS)).
- (b) Table of inspection sample sizes.
- (c) Inspection sampling plans.
- (d) Contract deduction formula.

c. Use this structural guide to formulate the QASP. The surveillance procedures are essentially the same, whether evaluating MEO or contractor performance. Reporting procedures will differ in that reports will not be forwarded through the CO for agency operations, but through an individual or office specifically designated for that purpose. Notifications to correct deficiencies will be processed similarly for both; however, contract deductions and award fee payments do not apply to the MEO.

d. Sampling techniques are as follows:

(1) Before selecting the most effective surveillance method, review the lot composition previously determined by the PWS competition team. The primary factor to consider when selecting the appropriate lot is whether monitoring it will measure the required service. The ideal lot is one that is homogeneous, can be readily batched, and does not require observation while the contractor or agency workforce is performing the actual work, but can be inspected later on a random basis. Examples include work orders, manifest entries, inventory data cards, purchase orders, and specific performance objectives in the DA Form 5473.

(2) Changes to the DA Form 5473 may be necessary as surveillance techniques are tested and the ALPs are verified for each required service during the test surveillance period. Changes to the DA Form 5473 constitute a modification to the contract, which will be executed by the CO.

(3) Various surveillance methods and combinations of methods can be used to monitor contractor or MEO performance. In selecting the surveillance method for each requirement, keep in mind the type of requirement to be monitored, other surveillance requirements, and availability of surveillance resources. Also consider the geographical layout of the installation. Travel to and from inspection sites may dictate which surveillance method is chosen. The following paragraphs discuss methods of surveillance and the considerations for their use.

(4) Random sampling is as follows:

(a) Random sampling is the preferred method for service contracts because it provides a non-biased, comprehensive evaluation of contractor or MEO performance with an efficient use of limited inspector personnel.

(b) Random sampling is a method whereby some part, but not all of contractor or MEO performance, is evaluated. What distinguishes it as random sampling is that each service output in the lot has an equal chance of being selected for inspection. In this manner, the QAE need only make a few observations from which to project the quality of the entire lot. The organization performing the work does not know which service output will be observed; consequently all will be done correctly. Also, the QAE is prevented from biasing the sample by their own judgment. The disadvantage to random sampling is that it may fail to focus attention on a specific problem area.

(c) Random sampling is preferred when surveillance resources are limited, the surveillance lot is large and relatively homogeneous, the service requirements occur continuously or frequently (otherwise an inspector may have to be devoted full time to one activity), the activities are located in the same general geographical area, and a well documented performance audit trail is available to use for evaluation, such as completed work orders, tape library logs.

(5) Planned sampling is as follows:

(a) Planned sampling also inspects some part, but not all of the activities being monitored. Work outputs are selected in accordance with subjective criteria established in the QASP. These criteria will be documented and applied consistently throughout the observation period and from one period to the next. Surveillance consistency enables the QAE to detect trends in performance and requires less inspector training time and document/report revisions. The advantages to this method are that the QAE can focus attention on known problem areas, and the contractor or MEO has greater incentive to improve those deficient areas. However, because the observations are not selected randomly, the quality of the sampled output can not be compared with the lot as a whole. The "lot" is the group of service output, such as work orders, from which a sample will be drawn and inspected to determine conformance with contract requirements. The number of outputs in the lot is the lot size. The QAE fills in the lot size each month based on the amount of work performed.

(b) Planned sampling is preferred when specific services will be monitored due to individual importance or cost and/or where the contractor or MEO has a record of poor performance, the surveillance population (lot) is small, the services to be monitored are at several sites and can be scheduled to conserve inspection travel time, or the activity does not need to be monitored as rigorously as in 100 percent or random sampling.

(c) Planned sampling is especially useful for service contracts when you have a large installation or activities in more than one geographical area to survey. Use planned sampling to determine the dates or days, or even part of the day to survey a certain activity so that the QAEs do not have to travel from one end of the post to the other. Obtain random sampling of the work by randomly selecting which output you survey within the activity.

(6) One hundred percent inspection.

(a) This is an inspection method whereby all outputs are monitored. This method provides the best indication of contractor or MEO performance and the most documented basis for taking contract payment actions. However, it requires extensive COR and QAE resources and therefore is not practical for most service requirements.

(b) One hundred percent inspection is preferred when the PWS requirement is so critical that nonperformance would pose a direct risk to the safety of personnel or property, or when the work occurs infrequently and the output population is small. A list of the services considered so critical as to require 100 percent inspection is listed in the DA Form 5473. You will normally use one of the other surveillance techniques for all other required services.

(7) Customer complaints.

(a) Design a customer survey questionnaire to be used as an essential part of a well-publicized customer complaint program. In time of resource constraints, the use of customer surveys provides an effective and efficient indicator of contractor performance. Customer surveys will only supplement other surveillance efforts and be analyzed by surveillance personnel trained in validating customer complaints. People knowledgeable in research methods and questionnaire writing will craft preparation of the proposed customer survey. Customers should be made aware of minimal contractor performance requirements to be sure that customer responses to survey are valid indicators of actual contractor performance. The survey form will contain a statement of minimal contractor performance requirements as specified in the PWS during contract formation. Customer expectations may exceed the requirements of the contract. Despite its advantages, customer survey techniques cannot entirely replace other surveillance procedures, which provide the necessary basis for measuring acceptability of contractor performance and taking deductions for poor or omitted performance.

(b) This inspection method is initiated by the receipt of a customer complaint or observation concerning contractor or MEO performance. A QAE will evaluate each customer complaint and validate the accuracy before any action can be taken. If the complaint proves valid, the CO can issue a contract discrepancy report documenting the unsatisfactory performance.

(c) For this method to be successful, establish a well-publicized customer complaints program to mediate justifiable grievances and provide an avenue for action.

(d) Customer complaints will not be used to take action regarding contract payment. Since the work output observed is not selected in accordance with established criteria as in random or planned sampling, the results tend to be biased. However, this method is useful in focusing on problem areas that might not be observed during normal surveillance or because of limited surveillance resources. Customer complaints will not be the primary method of surveillance.

e. Surveillance forms.

(1) *Sampling guide.* One of the first steps is to prepare a sampling guide for each required service planned for survey. The sampling guide identifies the ALP associated with the requirement, the lot and sample size, how the output sampling and inspection will be performed, the number of defects that will be allowed before the performance is considered unsatisfactory, and, if applicable, the contract deduction computation. (Contract deduction computations are only used with firm fixed price contracts.) Other information required to complete the sampling guide is on the DA Form 5473. A sampling guide is provided at figure 8-1, below.

SAMPLING GUIDE #1

(Name of Organization) (PRS # xx)

1. ACCEPTABLE LEVEL OF PERFORMANCE (ALP): ____%
2. LOT SIZE FOR SAMPLING: Lot size is the number of graphic art requests in each month.
3. SAMPLE SIZE:
4. SAMPLING PROCEDURE:
 - a. By the last day of the month, the COR/QAE will estimate the number of graphic art requests that will occur the next month. This is the lot size.
 - b. Using the lot size, determine the sample size. Divide this sample size by 4 to find the number of graphic art requests that will be inspected each week. Add 20% to the number of weekly samples to inspect. These are the overdraw samples.
 - c. On the first workday of the week, or shortly thereafter, gather all graphic art requests completed the previous week. Number them starting at 01 until each request has been chronologically numbered. If there are "blanket" requests, then separately number each line item. Go to the random number table and select a group of numbers equal to the sample size for that week. The resulting numbers selected are those requests, which will be subject to inspection. When, in the random number selection process, the same number is selected more than once, the COR/QAE will disregard the duplicate selection(s).
5. EVALUATION PROCEDURES:
 - a. Customers whose names appear on the requests selected each week will be contacted in the most convenient manner to determine if the graphic art products were accomplished on time (i.e., verify that due dates on the selected requests were met and the customer notified on or before the due date to pick up the completed work) and were of satisfactory quality. Customers may be interviewed in person, by telephone, or by a form letter questionnaire. Alleged unsatisfactory quality products may be compared against the technical quality samples maintained by the COR/QAE to verify discrepancies. All unsatisfactory quality work will be rejected and, when possible, returned for re-accomplishment.
 - b. Both timeliness and quality criteria will be met in order for performance to be acceptable. If proper requests authorization is a contract requirement, then timeliness, quality, and proper requests approval criteria will be met in order for performance to be acceptable.
 - c. Sometimes the COR/QAE will find it impossible to reach the person named on requests after numerous tries during a reasonable period of time. In those cases, use an overdraw sample.
 - d. Record all findings on the graphic art tally checklist.
6. PERFORMANCE CRITERIA:
 - a. Performance is acceptable if ____ or less sample items were rated unacceptable during the month.
 - b. Performance is unacceptable if ____ or more sample items were rated unacceptable during the month.

Figure 8-1. Sample format for sampling guide

(a) The ALP is the maximum percent defective or the maximum number of defects per hundred units that can be considered average. Exceeding this allowable variance from the standard will cause the service to be unsatisfactory. As stated previously, an ALP is the maximum allowable degree of deviation from perfect performance of each requirement before the Government considers contractor performance unsatisfactory. An ALP does not say the contractor may knowingly offer defective service to the Government. An ALP recognizes defective performance sometimes happens unintentionally.

(b) The sample is the representative outputs drawn from the lot for inspection. The number of outputs in the sample is the sample size. The sample size is determined by using the sample size table (see table 8-1). A detailed discussion on how to use the sample size table is provided below.

(c) The sampling procedure for random sampling above determines which outputs will be inspected. A detailed discussion on the use of the random number table is provided in paragraph 8-7b, below.

(d) The inspection procedure is a brief description of how the QAE will conduct inspection. It lists the standards of performance for the specific required service.

(e) Performance criteria indicate the level of defects at which the service will be rejected. Performance may be acceptable with two defects, but unacceptable with three. The acceptance/rejection levels are based on the ALP and the sample size. Actual acceptance/rejection numbers are found in the acceptance tables.

(2) *DA Form 5481 (Tally Checklist)*. Prepare a DA Form 5481 for each sampling guide and, if applicable, for each surveillance checklist. The DA Form 5481 is used to tally information on inspection observations and defects. The information listed below is found on the DA Form 5481. However, only the first item is completed before the actual inspection occurs.

(a) The title of the service requirement being surveyed.

(b) An identifier for each observation recorded, such as the work order number.

(c) The date and time the observation occurred.

(d) Whether the performance was satisfactory or unsatisfactory.

(e) Space for the contractor's official or the MEO supervisor initials if an observation is found defective.

(3) *DA Form 5476*. Use this checklist for those required services, which cannot be feasibly surveyed using random sampling techniques. Such requirements include those, which occur infrequently or are not important enough to monitor on a regular basis. The following items are normally listed on the DA Form 5476: the required service, the PWS paragraph number, method of surveillance, and compliance entries such as dates or noteworthy actions.

(4) *DA Form 5477*. This record is used to document customer complaints of unsatisfactory performance, the validity of the complaint, time and date the responsible official was notified, and the actions taken to correct the problem.

(5) *DA Form 5479*. QAEs should use the DA Form 5479, to document unsatisfactory performance by the contractor. This report includes a description of the deficiency signed by the CO, the contractor's explanation for the problem and the corrective action to be taken, the Army's evaluation of the contractor's response, and the action the Army intends to take (such as payment or fee deductions, or issuance of cure notice). When completed and signed, the DA Form 5479, along with the associated DA Form 5481, becomes the documentary base supporting any action deemed necessary to ensure the contractor's compliance with the contract provisions.

(6) *Payment analysis*.

(a) If the percent of defective performance does not exceed the ALP, the service will be paid by the Government. Under the inspection clause for fixed price contracts the contractor will re-perform the defective service when directed at no increase in contract price. Errors found in services not scheduled for observation will be brought to the contractor's attention but not used to count as a defect for determining if the contractor met the ALP. Any Government-caused discrepancies (delay, disruption) are not counted against the contractor's performance.

(b) An ALP does not relieve a contractor from performing the percentage of services required under the contract. While overall performance may be satisfactory, the Government has the contractual right to receive full value for money paid at least at the contractual standard. Conversely, the Government has the right to withhold payment for all contracted services, which fail to meet established criteria.

(c) An ALP identifies difference between satisfactory and unsatisfactory performance. In a fixed price contract, an ALP represents the maximum deviation from expected performance before proportionate deductions for documented defects. In a cost reimbursement contract, an ALP represents average performance. Consistent performance better than an ALP could earn a contractor an increased award fee or other incentive payments if such incentives are provided under the contract.

(d) When the defective service cannot be corrected by re-performance, the Government may reduce the contract price or award fee in accordance with the DA Form 5473 to reflect the reduced value of those services received below acceptable levels of quality.

(e) Where performance is unsatisfactory and efforts to obtain satisfactory performance fail, the CO may consider termination for default. We emphasize the CO's discretionary right under the default clause to default a contractor for

failure to comply with the terms and conditions of the contract. Often the contractor may improve in one area of performance after receiving deductions or reduction of award fee but then reduce services in other areas to minimize overall contract costs.

8-7. Use of surveillance tables

a. Inspection sample sizes table (see table 8-1, below).

Lot size	Normal sample size	Medium sample size	Small sample size
2-8	2	2	2
9-15	3	2	2
16-25	5	3	3
26-50	8	5	5
51-90	13	5	5
91-150	20	8	8
151-280	32	13	13
281-500	50	20	13
501-1,200	80	32	20
1,200-3,200	125	50	32
3,201-10,000	200	80	32
10,001-35,000	315	125	50
35,001-150,000	500	200	80
150,001-500,000	800	315	80
500,001-Over	1,250	500	125

(1) This table gives the number of items required in a sample based on the total number of items in the lot. To determine the sample size, know the lot size. The lot is the number of occurrences or how often a service is provided in a given time period (usually a month). Because the lot size may vary each month, use the sample size table each month to get the corresponding number of samples to inspect. To determine the lot size, count the frequency of the service to be sampled during the sample period.

(2) To determine the sample size, find the lot size in the left hand column of the inspection sample size table. Use that number to find the corresponding sample size. Use the normal sample size unless circumstances warrant a smaller sample. Use the smaller sample size if the contractor or MEO performance has been satisfactory in the past and you prefer to devote the surveillance resources to another area. Consider using the smaller sample size if you have limited surveillance resources.

b. Random numbers.

(1) Use random numbers to select which outputs are to be sampled. For example, let's say the lot size or population is 500 and from table 8-1, decide on a normal sample size; this equates to a sample size of 50. Go to the Excel program on the computer and click on the down arrow of Σ . Click on "more functions." In the window at the top of the screen at select a category, choose "Math & Trig" and "Rand" under the activity name. Click on OK. In the operating window at the top of the screen see = RAND(). Complete the formula by adding (500-1)+1. Ensure there are no spaces in the formula which will look like this: =RAND()*(500-1)+1. Next, click on OK. In the upper left corner of the Excel matrix sheet will be the first random number. Click on the lower right corner of the cell and drag it down to cell 50. This is 50 random numbers to be used for the sampling survey.

(2) The use of variety in random number tables ensures that detectable patterns do not occur. For each new sample, start with a new formula or click on the lower right side of cell 1 and drag it to the right. This will give a new random number start point. Click on the lower right corner of this new random number and drag it down to the 50th cell. This is 50 newly generated random numbers. This method can be repeated for another set of 50 random numbers. To eliminate decimals, click on the column header (for example, A) and click on format at the top of the page, then cells, number, and click the decimal places arrow down to 0. Click on OK.

(3) Random sample selection of consecutively numbered observations.

(a) For this example use work orders. However, this procedure works equally well with any type of output that can be identified with consecutive numbers. If the lot size for the activity is 200 work orders, a random sample of 32 work orders will be selected for inspection. This can be done at the beginning of the month (before the work orders are written) or at the end of the month (to select work orders already completed and on file).

(b) If there are 200 work orders to select from, begin by listing the lowest work order number. This could be #001 or any initial number.

(c) Next list the highest work order number. In this case, it could be #200, or the last number in the group, depending on the initial number of work orders.

(d) To illustrate this procedure, the work order numbers used will range from #445 to #645. This means that the sample size of 32 will be selected from within these two boundaries.

(e) Random selection of days Some service requirements can best be sampled by using the days in the month as the lot. This method could be applied to the media library so you could survey all requirements within the library activity on the given day. Days can be randomly selected by numbering them from 01 to 31, or less as appropriate. Because only two significant digits are needed, use only the first two or last two numbers of the random number grouping when selecting the sample.

(f) Select the required number of days in the sample from within the range of the lowest to the highest numbered day. If it is not feasible to sample on weekends or holidays, disregard those observations selected that happen to fall on those dates and continue the selection process until the proper number of days has been chosen.

c. Decision Table, DA Form 5478.

(1) The DA Form 5478 assists the COR and QAE personnel to identify problem areas by listing the symptoms and possible sources of the problems observed. The table establishes questions for each potential source to determine contributing factors followed by suggested review procedures and preventive measures. In this manner, determine whether Army practices contributed to the problem or whether the contractor or the MEO is at fault. Additionally, this table provides a means to evaluate the corrective action taken by the contractor or MEO.

(2) If, at the end of the month's inspection it is determined that the number of defects exceeds the ALP as defined in the sampling guide, that month's service is considered unsatisfactory. The COR and/or QAE go to the appropriate DA Form 5478 and find the specific task which is unsatisfactory. The DA Form 5478 identifies the possible causes of the unsatisfactory performance and lists a number of questions which, when answered will probably pinpoint the source of the problem. If it is determined, based on the DA Form 5478 that the Government action has not directly contributed to the problem, issue a DA Form 5479 for that required service or performance area. If it is determined that the Government did directly contribute to the problem (for example, if Government-furnished materials are not provided on time) no action is taken against the contractor.

(3) The identification of problems made using the DA Form 5478 can also be used to perform a meaningful evaluation of the contractor's explanation and corrective action as documented by their reply on the DA Form 5478. DA Form 5478 can be locally reproduced on 8 1/2-by 11-inch paper. A copy for reproduction purposes is located at the back of this pamphlet. Additionally, DA Form 5478 may be electronically generated. The electronically generated form will contain all data elements and follow the exact format of the existing printed form. All required signatures will appear on the electronically generated form. The form number of the electronically generated form will be shown, as DA Form 5478 and the date will be the same as the date of the current edition of the printed form.

8-8. Department of Defense test method standard

a. This military standard (MIL-STD-1916, 1 April 1966) is to be used by all departments and agencies of DOD.

b. Beneficial comments (recommendations, additions, deletions) and any pertinent data which may be of use in improving this document should be addressed to: Commander, U.S. Army Armament Research, Development and Engineering Center (AMSTA-AR-EDE-S), Picatinny Arsenal, NJ 07806-5000.

c. The DOD procurement practices encourage industry innovation and provide flexibility to achieve the benefits of continuous improvement.

d. There is an evolving industrial product quality philosophy that recognizes the need for quality policy changes that will provide defense contractors with opportunities and incentives toward improvement of product quality and cooperative relationships between the contractor and the Government.

e. Process controls and statistical control methods are the preferable means of preventing non-conformances, controlling quality, and generating information for improvement. An effective process control system may also be used to provide information to assess the quality of deliverables submitted for acceptance. Suppliers are encouraged to use process control and statistical control procedures for their internal control and to submit effective process control procedures in lieu of prescribed sampling requirements to the Government for approval.

f. Sampling inspection by itself is an inefficient industrial practice for demonstrating conformance to the requirements of a contract and its technical data package. The application of sampling plans for acceptance involves both consumer and producer risks; and increased sampling is one way of reducing these risks, but it also increases costs. Suppliers can reduce risks by employing efficient processes with appropriate process controls. To the extent that such practices are employed and are effective, risk is controlled and, consequently, inspection and testing can be reduced.

g. The following points provide the basis for this standard:

(1) Contractors are required to submit deliverables that conform to requirements and to generate and maintain sufficient evidence of conformance.

(2) Contractors are responsible for establishing their own manufacturing and process controls to produce results in accordance with requirements.

(3) Contractors are expected to use recognized prevention practices such as process controls and statistical techniques.

h. This standard also provides a set of sampling plans and procedures for planning and conducting inspections to assess quality and conformance to contract requirements. This standard complies with the DOD policy of eliminating acceptable quality levels (AQLs) and associated practices within specifications.

i. For use of the QASP, the paragraphs in this section of chapter 8 are for personnel who will be assigned as COR and QAEs. These instructions should help these individuals by acquainting them with the various forms they will use to survey the required work and explaining how to complete those forms. They may also be useful to those who are writing the QASP in that these discussions may help better understand what is being written.

j. The surveillance schedule is as follows:

(1) One of the duties of the COR is to develop a monthly schedule for inspections based on the QASP requirements. This schedule indicates when the various PWS requirements will be monitored. Complete the monthly schedule by the last workday of the preceding month before the inspection. Include in the schedule all required services on the DA Form 5473 and those areas considered essential to adequately monitor performance. Remember that surveillance will cover all hours of operation. Schedule random observations at night, on weekends, and on holidays if the service is performed during these periods.

(2) This monthly schedule shows what the QAEs are monitoring at all times. Provide copies of the finished surveillance schedule to the QAEs so they can use the information to plan their activities and perform their inspections.

(3) Mark the surveillance schedule "FOR OFFICIAL USE ONLY", and do not show it to the contractor or the MEO to preserve the integrity of the inspection procedures. If the schedule is shown to the contractor or the MEO, they will have advance warning of the areas to inspect and may use this information to skew their performance. Submit a copy of the surveillance schedule to the CO for information and review.

(4) When preparing the surveillance schedule, first program those activities involving planned sampling or 100 percent inspection. The remaining days are designated to examine the logs, documentation, reports and workdays of the randomly sampled functions.

(5) Document and explain the reasons for any changes to the surveillance schedule and send a copy of the revised schedule to the CO. Actual surveillance activity recorded on the checklists will be comparable to the monthly schedule. Also, the CO and the COR will be able to monitor the QAE's performance by using the monthly schedule as updated.

l. Surveillance forms (DA Form 5475 and 5476).

(1) *Sampling guide.*

(a) The criteria used to determine what outputs the QAE will observe and whether surveillance occurs on a random or planned sampling basis, is specifically described in the applicable sampling guide. The QAE can use the sampling guide as an outline for surveillance of a specific required service. In a one-page format the sampling guide tells the QAE the ALP, lot and sample sizes, how to select the sample, what to look for when inspecting the samples, and at what level of defects the QAE will reject the sample.

(b) The ALP, sampling procedures, and inspection procedures should be typed on the form in the original QASP. The lot size, sample size, and performance criteria (accept/reject rate) will vary from month-to-month depending on the actual number of outputs. The COR or the QAE should fill in this information before the first of each month to be ready to begin the monthly inspections.

(2) *DA Form 5481.*

(a) The QAE should prepare DA Form 5481 for each sampling guide and DA Form 5476 and should use the DA Form 5481 to record information resulting from the inspections. The QAE should write the title of the service requirement being inspected and an identifier for each observation, such as the work order number, on the form prior to beginning their inspection. At the actual time of the inspection, the QAE should note the date and time the observation occurs and whether the performance is satisfactory (based on the standards noted on the sampling guide and the DA Form 5473). If the QAE finds that a particular service is unsatisfactory or defective, the QAE will obtain the contractor's manager or the MEO supervisor's initials on the DA Form 5481. This signature does not signify that the manager or supervisor agrees with the annotation, only that the manager or supervisor has been informed of the deficiency.

(b) The QAE should compare the tally of observations and defects at the end of each month to the acceptable number of defects specified in the appropriate sampling guide. (Any errors detected during the course of surveillance, even if not of sufficient degree to render the service unsatisfactory in terms of the ALP parameters, will require corrective action, if possible.) If contractor performance is judged unsatisfactory on any service requirement, the COR or the QAE should prepare a DA Form 5479 for that service. In any event, the DA Form 5481 becomes the supporting documentation for any further action against the contractor or the MEO.

(3) *DA Form 5476.*

(a) The QAE should use the DA Form 5476 when inspecting those services, which cannot be feasibly monitored using random sampling techniques, which occur infrequently or are not important enough to monitor on a regular basis.

(b) Before beginning the inspections for the month, the QAE should write the title of the service on the DA Form 5476 and complete the first three columns. The QAE will find all of this information in the DA Form 5473 and the PWS. Under the column entitled "Method of Surveillance", the QAE should specify exactly how the inspection will be conducted, including when (such as quarterly), what will be inspected (such as physical inventory), what date to begin the inspection (such as first working day following the end of the quarter), and how to determine if performance is satisfactory (based on the percent deviation or ALP specified in the DA Form 5473).

(c) The two remaining columns on the form are completed at the time of the actual inspection. The QAE will note the date the inspection is completed and any remarks relative to observations. Again, if the QAE deems performance is unsatisfactory, they need to obtain the contractor's manager or the MEO supervisor's initials on the DA Form 5476.

(d) Depending on the service inspected, using the DA Form 5476, the QAE should complete a DA Form 5481.

(4) *DA Form 5477.* During the course of the month, customer complaints may be received about the quality of service. Validate each complaint received to ensure that the service was required and that the standard was not met. Customer complaints may be received in writing on the DA Form 5477 or telephonic complaints, depending on how the customer complaint program is structured.

(a) *Telephonic complaints.*

1. If using telephonic, as well as written complaints, maintain an adequate supply of forms to fill out during the conversation. For each complaint record the date and time of the call and the individual's name and the organization where they work. Next, record the nature of the complaint. Be certain to get all details from the individual calling, such as what the service is, when they observed the unsatisfactory performance, where, and in what way the service is defective. If possible (if providing PWS paragraphs was part of the customer complaint program), ask the customer for the PWS paragraph which outlines the service and the performance standard. If the individual does not have this information, research the PWS.

2. Take action to validate the complaint as soon as possible following the call. View the service site or the products, which are unsatisfactory. If the complaint is valid (the service or products do not meet the PWS requirements or performance standards), inform the contractor's manager or the MEO supervisor of the complaint as soon as possible and note the date and time this notification was provided on the DA Form 5477. Next, describe the action taken by the manager or supervisor to correct the defect. Also note if the service cannot be corrected, such as arriving late for scheduled production support. Lastly, insert the validating official's name.

(b) *Written complaints.* DA Form 5477 should be submitted with the first four blocks of information provided. Again, if the complainant does not have the PWS reference, research the information. Validation procedures for written complaints are the same as those for telephonic complaints.

(5) *DA Form 5479.*

(a) DA Form 5479 documents unsatisfactory performance by the contractor. The COR or QAE should initiate the DA Form 5479 by filling in the contract number and title and a description of the problem. The QAE should describe the problem in detail, including a clear statement of what was wrong (how the service failed to meet the PWS requirements or performance standard) and the PWS reference for the service. A continuation sheet may be attached to fully describe the problem.

(b) The DA Form 5479 is forwarded to the CO for signature. Only the CO can sign this report. The CO will forward the DA Form 5479 to the contractor's manager, who will provide a response to the finding, describe the action that will be taken to prevent recurrence, and return the form to the CO.

(c) Once the CO has made an evaluation of the contractor's response and the action the Army intends to take, (such as payment deduction, cure notice, and so on), the DA Form 5479 and the associated DA Form 5481 become the documentation base supporting any action deemed necessary to ensure the contractor's compliance with contract provisions. The COR maintains a copy of the DA Form 5479 and the supporting documentation in the contract files.

8-9. Quality Assurance Surveillance Plan changes

a. Unilateral changes to the QASP may be made as needed. The contractor or the MEO does not have to be made aware of planned revisions. The QASP is not a part of the contract.

b. As the performance period progresses, it may be necessary to increase or decrease the level of inspecting some services. This may occur when performance is consistently good or consistently bad.

(1) If observation of the contractor or the MEO reveals consistently good performance, recommend the amount of surveillance be reduced, providing the following conditions are met.

(a) The preceding four lots (usually months) have been acceptable and the number of defects in each of the lots was less than one half of the acceptance level (such as 2 defects or less are found in a sample with an acceptance level of 5 defects).

(b) A normal sample size was used for each of the preceding lots.

(c) The CO determines that reduced inspection is advisable.

(2) Reduced inspection decreases the sample size and changes the acceptance/rejection levels. Therefore, the appropriate adjustments will be made to the sampling guide using the reduced sample size on the sample size table and the acceptance/rejection rate indicated on the table for reduced inspections.

(3) Continue to use the reduced level of inspection indefinitely unless the number of defects exceeds the acceptance level in any one month, or unless the CO directs a return to normal inspection. (Remember to re-adjust the sampling guide when returning to normal inspection.)

(4) Increased inspection.

(a) Recommend tightened surveillance when the preceding four lots (usually months) have been rejected on original inspection.

(b) Tightened inspection increases the acceptance/rejection levels. As for reduced inspection, appropriate adjustments will be made to the sampling guide using the acceptance/rejection rate indicated on the table for tightened inspections.

(c) Continue to use tightened inspection unless observations reveal that the last five consecutive samples have been acceptable on original inspection.

c. At the outset of the performance period, usually during the first 30 to 60 days of operation, surveillance can be relaxed somewhat. This is the time when the contractor or the MEO will be working out any problems in their operations. Therefore, conduct reduced inspections, as described below. Before taking any action, review the PWS or contract to ensure compliance with any requirements.

8-10. Test surveillance

a. Once the QASP is completed you should perform test surveillance. Test surveillance will allow one to validate the effectiveness of the QASP for monitoring contractor or MEO performance. This is also the time to assess the accuracy of the ALPs and to ensure that checklists fully cover the required services and performance standards. By seeing the plan in operation, determine if any changes are needed and make revisions before actual surveillance begins.

b. Test and revise the QASP during the period the solicitation is on the street and negotiations are going on. Normally, allow for 30 days of test surveillance and time after that for revisions. At any rate, finish the plan and incorporate any changes before implementing the performance decision.

c. The CS team can conduct the test surveillance providing they have completed all other cost competition requirements. Although they may not be fully qualified technical experts, they can generally tell whether the plan will work. If possible, have some technical expertise in the activity under competition involved with the test surveillance effort. Borrow from the experience of other QA personnel available at the installation.

d. While conducting the test surveillance, be aware of opportunities to consolidate surveillance requirements and reduce the time and resources needed. Watch for duplication of effort among required services.

e. This is also a good time to review the methods of surveillance and the services planned for survey. If unable to get a random sample because of the structure of the service or output, take a look at the other surveillance methods to see if one will work better. It may be that the output being performed for surveillance does not fully or properly reflect the required service. With this information available, reconsider the outputs or restructure the checklists to ensure adequate inspection of the service.

f. When analyzing test surveillance results, keep in mind that inspectors may not know much about the activity and consequently may take longer to conduct an inspection than the QAEs will once they become familiar with the plan. Don't be overly quick to revise the plan based on these time frames. Instead focus on the performance standards and service requirements. If the QASP does not reflect what to inspect, now is the time to change it. In addition, the service provider's QCP will be used as the basis for finalizing the QASP upon actual implementation.

8-11. Customer complaint program

a. A good customer complaint program depends largely on how well the program is publicized and how well the customer is educated as to their responsibilities and recourse. If the plan is to use customer complaints as a surveillance method, the customers will be familiarized with the procedures and forms they have to complete. As soon as the final performance decision is made to award a contract or implement the MEO it is the QAE's responsibility to make sure customers know how important it is to complete the form properly. QAEs will work with the customers in developing the customer complaint program.

b. Provide the information on the customer complaint procedures to all customers of the activity and issue instructions and contact numbers in the installation newspaper and bulletin. This information will include several copies of the DA Form 5477 (Customer Complaint Record) instructions for filling out DA Form 5477 and telephone numbers for the COR/QAEs. The names of the surveillance personnel will also be provided if available. If the names are not available, publish them as soon as they are available.

c. Informing the customers on how to properly complete the DA Form 5477 and the importance of accurate customer complaint reporting, the QAE's job will be easier and less time consuming. Remember the QAE should validate each customer complaint before corrective action can be taken. Properly educated customers are less likely to file invalid complaints than those who do not understand the process.

d. In addition, design a customer survey questionnaire to be used as an essential part of a well-publicized customer complaint program. In time of resource constraints, the use of customer surveys provides an effective and efficient means of monitoring performance. Customer surveys will only supplement other surveillance efforts and be analyzed by surveillance personnel trained in validating customer complaints. People knowledgeable in research methods and questionnaire writing will craft preparation of the proposed customer survey. Customers will be made aware of minimal performance requirements to be sure that customer responses to survey are valid indicators of actual performance. The survey form will contain a statement of minimal performance requirements as specified in the PWS. Customer expectations may exceed the requirements of the PWS. Despite its advantages, customer survey techniques cannot entirely replace other surveillance procedures, which provide the necessary basis for measuring acceptability of performance.

Section III

Contract Administration and Most Efficient Organization Documentation

8–12. Documenting performance

One of the most critical factors in administering the contract or executing the MEO is maintaining accurate and complete contract administration/MEO files. It is important to keep comprehensive and accurate documentation of all surveillance activities. This is the only way to substantiate claims of nonperformance against the contractor or the MEO. This is especially critical under the contract mode to enable the CO to properly determine the actions required regarding payments or remedial actions.

8–13. Contract administration

a. Records for the inspection file will be completed in a timely and accurate manner in order for the CO or persons designated to administer the MEO to take necessary action.

b. Every inspection made by the COR or QAE will be scheduled, documented, and filed for future reference, audit, and proof of inspection. Document and file records of other interactions between the COR/QAE and the contractor or MEO, such as customer complaints, equipment breakdowns, and meetings. Documentation may take the form of DA Form 5476, DA Form 5479, minutes of meetings, or correspondence between the Government and the contract manager or MEO supervisor.

c. The COR will retain all documentation related to the contract or PWS execution in the COR files. During the performance period, individual QAEs may retain extra copies of surveillance reports. At the conclusion of the contract period, forward the complete file to the CO for inclusion in the official contract files. At the conclusion of MEO operation, forward the documents to the appropriate office at the installation that maintained oversight of the operation.

d. Forward copies of documentation concerning unsatisfactory performance to the CO (or designated oversight office for the MEO) within five working days after the end of the inspection period (usually each month). If the unsatisfactory performance is serious enough to warrant issuing a contract discrepancy report before the end of the inspection period, forward it to the CO within 5 working days of the incident.

e. At a minimum, the COR files should include the following:

- (1) Copies of letters of appointment for the COR and QAEs.
- (2) A copy of the contract (or the PWS for the MEO) and all modifications.
- (3) A copy of the QASP.
- (4) All correspondence initiated by the functional representative regarding contract or MEO performance.
- (5) The names and position titles of individuals on the contract administration staff.
- (6) Record of all inspections performed and their results.
- (7) Memorandum for record or minutes of any pre-performance meetings or conferences.
- (8) Memorandum for record, or minutes of meetings, on dialog with the contractor or MEO pertaining to the contract or LOO performance.
- (9) Applicable laboratory test reports.
- (10) Records regarding the contractor's QC Plan and system and the results of the QC effort.
- (11) A copy of approved surveillance schedules.

Section IV

Annual Contract Cost-Effectiveness Review

8–14. Cost-effectiveness reviews

Commanders/directors will conduct annual cost-effectiveness reviews of their CS contracts to ensure costs remain reasonable. The cost-effectiveness review focuses on identifying changes in workload and inflation that have occurred since the contract began. The fact that contract costs have grown does not necessarily indicate a problem in contract operations.

8–15. Performing the review

a. To perform the review, identify cost increases and decreases that are the result of changes in the work, as well as those that are caused by increases in DOL wage rates and true cost overruns. The following procedures identify these various factors in cost growth and determine when conducting a competition of a contracted activity may be warranted. Obtain all contract modifications for the first year of the contract. Sort the modifications into the following three categories:

- (1) Work related.
- (2) Wage increases.
- (3) True cost overruns.

b. The total of all modifications added to the contractor's original offer will equal the actual amount paid to the contractor for that year. Award fees are excluded for analytical purposes.

c. When the annual contract cost-effectiveness review indicates that agency costs would be lower than the costs of contract performance, agency performance will not be considered until the CO has exhausted all efforts to develop a competitive contract price through negotiations. (Note: During these efforts, the projected agency cost determined in the annual contract cost-effectiveness review will be safeguarded to avoid compromising a possible future standard competition.)

8–16. Purpose of post competition accountability

a. A post competition accountability is a formal review and inspection of the MEO that results from a competition. Typically, this review will be conducted following the end of the first full year of performance. The MSC/FOA/HSSA will ensure that post competition accountability is conducted for all MEOs which are greater than 65 FTE and at least 50 percent of MEOs less than or equal to 65 FTE.

b. The post competition accountability confirms that the MEO has been implemented in accordance with the AT, establishes the MEO's ability to perform the services of the PWS, and confirms that actual costs are within the estimates for formal mission or scope of work changes.

c. The MEO implementation may be measured in terms of the FTE, grade structure and the contract support included in the AT.

d. The MEO performance will be evaluated based on the requirements in the PWS. Special inspections and a review of the activity's implementation of the QASP may be necessary.

e. Cost conformance may be determined by an analysis of actual labor and material costs against the personnel, material, and other specifically attributable costs on the final SLCF/SCF. Care will be taken to assure that adjustments are made for retained or saved pay and for fringe benefit factors when using actual cost records. Remember that costs estimated for purposes of the SLCF/SCF are not the same as actual costs since standard or average factors were used (for example, fringe benefits, inflations, position steps, and overhead) to develop the cost of agency performance.

f. Minor cost or performance deficiencies may be corrected to maintain the integrity of the standard competition process. A period of time consistent with that given to the contractor may be given to the agency or fee for service agreement to correct any deficiencies found. Failure to correct deficiencies that would individually or in aggregate invalidate the original cost competition result, or any finding of a significant deviation from the requirements of the PWS, will result in one of the following:

(1) As with a contract default, if an agency failure to perform is identified, including failure to implement the MEO as provided by the AT, the CO will award the work to the offeror who participated in the standard competition, if feasible.

- (2) If award to that offeror is not feasible, a new competition will be initiated.

Chapter 9 Phase-in Plan

Section I Understanding Phase-in

9–1. Elements of Phase-in

a. In any conversion or change from one method of operating to another, an important element is the Phase-in plan. For a competition, agencies will develop a Phase-in Plan, which is part of the AT. It will ensure a smooth changeover from one method of operation (by Government or contractor) to a new method (by either Government or contract employees) that results from implementing a final performance decision of a CS competition.

b. Transfer of facilities, functions, equipment, and materials, and placing employees affected by the final performance decision, will be individually addressed in the Phase-in Plan. Don't wait for the cost competition final performance decision to start planning for the Phase-in Plan.

9-2. Planning for Phase-in

a. The Phase-in to a new organization can be made more efficiently by mitigating work disruption and easing employee turmoil as much as possible.

b. Since a Phase-in will occur regardless of whether the final performance decision results in conversion to contract or to a MEO, plans will be made early within the competition to avoid problem areas. Refer to the milestone schedule for the key milestones of the A-76 and RIF process. Also, a sample press release for Phase-in to a contractor is located in figure 9-1 at the end of this chapter.

9-3. Determining functions

a. The MEO is responsible for Phase-in planning and ensuring that actions necessary for Phase-in are timely and conducive to final implementation.

b. Phase-in planning starts at the beginning of the competition and is completed before implementation of the final performance decision. Actual Phase-in, however, does not take place until clearance from the MSC/FOA/HSSA to implement the results of the standard competition, after the final performance decision.

c. Although actual Phase-in to contract performance is the responsibility of the functional manager, competition team members will still play a vital role in the Phase-in. They will assist functional managers and the CO by preparing information for use in public affairs announcements and articles for installation newspapers and bulletins announcing future changes in operation. The Phase-in Plan will clearly delineate who is responsible for carrying out the listed actions.

9-4. Cautions

There are some cautions that each member of the CS team should know during Phase-in. A competition is difficult and disruptive to the workforce. Since very few people accept change well, team members will be aware of feelings and possible reactions to the competition. Be alert to efforts to sabotage the competition. Keys, buildings, vehicles, and information will be kept in a locked area. Equipment, files, vehicles, and buildings will be secured daily. It is unlikely to have problems with damage in these areas, but it is easier to prevent than to replace, repair, or start from scratch.

Section II

Phase-In of New Operation

9-5. Current agency operation to most efficient organization

The Phase-in Plan for converting from the current agency operation to a MEO covers the following:

a. Conducting a mock RIF and identifying who in the current organization will be impacted during Phase-in to the MEO. The actual RIF will not occur until a final performance decision is reached. Preparation of the mock RIF, as well as conducting the actual RIF is a CPOC responsibility.

b. Retraining efforts for displaced employees for new jobs at the installation. It will be important to train employees displaced because of the MEO. Assisting managers and employees in locating sources of training is a CPAC responsibility.

c. The CPAC conducts employee counseling, briefing sessions, and providing handouts explaining Phase-in. The CPAC is also responsible for informing affected employees of their rights, benefits and placement opportunities, severance pay entitlements, unemployment benefits, and RIF procedures.

(1) Displaced employees who previously worked in the activity being competed, as well as others who were "bumped" by displaced employees from the activity being competed, are eligible for job consideration under the DOD priority placement programs. The CPAC can assist them in obtaining placement assistance in other organizations at the installation and/or Government organizations within the local geographic area.

(2) If an employee cannot be placed, they may be eligible for severance pay or unemployment benefits. Normally, an employee receives severance pay after attaining tenure. The CPAC will determine employee tenure based on the projected date for final performance decision.

(3) Unemployment benefits vary from state to state; however, even temporary employees can be considered for unemployment benefits. The CPAC is responsible for conducting discussions on unemployment benefits and recommending alternative offices that employees may consult for assistance, such as their state employment office.

d. The CPAC provides employee counseling, that covers Government job application procedures, including completion of Optional Form (OF) 612 (Optional Application for Federal Employment). Employees will be advised to update their personnel file and keep it current. At any time, employees can file a continuation sheet or change to their personnel file. During counseling sessions, CPAC will encourage employees to review their file and update any missing or wrong information. Employees can help themselves by maintaining a record/file that includes all training,

awards, additional duties, and positions held during their career. They also have the opportunity to file for positions of interest at other local Government installations, state and local governments, and private industry.

e. The functional manager, who may want to enlist the assistance of the other MEO team members who helped develop the AT, carries out transfer and/or realignment of responsibilities as specified in the AT.

f. New job descriptions, as necessary, for MEO positions, are developed in the AT with the assistance of the CPAC.

g. The security officer is responsible for security clearances for all newly hired personnel, as necessary, including keys, badges, and vehicle registration. The security officer is responsible for obtaining and verifying security clearances, and will begin preparation to obtain the necessary clearances following the performance decision. As necessary, the functional manager will prepare requests for vehicle registration, identification cards or security badges.

h. Requirements for licenses and certifications and arrangements for any physical examinations specified in the PWS or the AT is the functional manager's responsibility.

i. Transfer of facilities no longer required and relocated activities outlined in the AT are the joint responsibility of the functional manager and the Director, Public Works (DPW).

j. The functional manager will develop a full inventory of the facilities, equipment and supplies to identify stockage levels of supplies, facilities to be used, and equipment that will be used or identified for disposal.

k. Disposal of equipment no longer needed, or the transfer of excess equipment to other installation organizations is the joint responsibility of the functional manager and property disposal office.

l. The DOIM will update the installation telephone directory and reassign telephone numbers as necessary.

m. The functional manager will update a list of points of contact and publish it in the installation newspaper and/or bulletin.

n. The DPW will make changes regarding the use of utilities, to include changing any accounts or payment requirements.

o. Transfer of funds and correct budget accounts. The DRM needs to ensure that appropriate actions are taken to establish new cost centers and obtain or transfer any funds immediately following the final performance decision.

p. Public affairs notification prepared by the public affairs office and the ATO, which carries the commander's/director's message of support and endorsement for the MEO is important. A successful Phase-in can only occur with higher-level support.

q. The management team provides information and documents to the functional managers to ensure that the new organization is able to Phase-in correctly from the very start. Among these will be copies of the PWS, new SOPs that describe any changes to previous procedures, and a technical library that contains a complete set of regulations and directives governing the methods to be used by the new organization.

r. Phase-in milestones prepared by the ATO and the functional manager cover when each Phase-in action will be completed. Phase-in from the current operation to the MEO will be completed as soon as possible after the final performance decision.

9-6. Current agency operation to contract

When the agency starts its Phase-in to a contract operation, the Phase-in Plan will cover the following:

a. Mock RIF identifying whom in the current organization will be impacted in Phase-in to contract operations. The actual RIF will occur once the final performance decision is reached. Preparation of the mock RIF, as well as conducting the RIF itself is a CPOC responsibility.

b. The CPAC will obtain retraining for displaced employees for new jobs at the installation.

c. The CPAC is responsible for employee counseling, briefing sessions, and handouts explaining Phase-in, informing employees affected by Phase-in to contract operations of their rights, benefits and placement opportunities, their right-of-first-refusal to employment opportunities with the contractor, severance pay entitlements, unemployment benefits, and RIF procedures following announcement of the final performance decision.

(1) Employees who previously worked in the activity being competed, but were displaced as a result of the competition, as well as employees "bumped" by displaced employees from the activity being competed, are eligible for DOD priority placement programs. CPAC can assist in obtaining placement assistance in other organizations and/or Government organizations within the local geographic area of the installation.

(2) If an employee cannot be placed, they may be eligible for severance pay or unemployment benefits. Normally, an employee receives severance pay after attaining tenure in a particular job. CPAC will determine employee tenure based on the projected date for the final performance decision.

(3) Unemployment benefits vary from state to state; however, even temporary employees can be considered for unemployment benefits. Discussions that CPAC conducts on unemployment benefits will include recommending employees consult their state unemployment office for assistance in determining individual unemployment benefits eligibility. Also, contact state or local unemployment offices so they can prepare for unemployment claims.

(4) Employee counseling will cover Government job application procedures to include completing the OF 612 (Application for Federal Employment) or submit a resume using the Army Civilian Resume Builder and Answer site (<https://cpolst.belvoir.army.mil/public/resumebuilder/builder/index.jsp>), a site designed to assist employees in entering

their resume into the Army's Centralized Resumix System. Employees will be advised to update their personnel file. At any time, employees can file a continuation sheet or a change to their personnel file. During counseling sessions, CPAC will encourage employees to review their file and update any information that is missing or wrong, advise employees to help themselves by maintaining a record/file that includes all training, awards, additional duties, and positions held during their career.

(5) Employees also have the opportunity to file for positions of interest at other local Government installations, state and local government, and private industry.

d. The CO should provide a list of affected employees to the contract SP a minimum of 45 calendar days before contract start to ensure that employees are offered the right-of-first-refusal. The SP benefits by hiring a staff that is trained and familiar for their new organization. The CS team will ensure that the service provider is assisted in interviewing potential employees by providing a location for interviews.

e. New job descriptions, as necessary, for the CGO, COR, and QAE positions are developed in the AT with the assistance of the CPAC.

f. Advertise and make selections for COR/QAE positions for this particular contract agreement. CPAC should start recruitment immediately following the performance decision based on the job descriptions developed by the MEO. COR/QAE positions will be filled before start of contractor operations. Also, provide the COR and QAEs a copy of the PWS and surveillance plan so that they become familiar with their duties and responsibilities prior to Phase-in to contractor operations.

g. The functional manager should transfer and/or realign responsibilities as specified in the AT.

h. The functional manager and DPW should transfer facilities no longer required and relocate activities as outlined in the AT.

i. Joint inventory should be conducted by the Army and contractor representatives to determine the quantity and operational condition of each inventory item identified for transfer to the contractor. Should any discrepancies be found in quantity, working order or suitability, the CO will resolve in accordance with the applicable Government property clauses in the contract. The functional manager will participate in the joint inventory.

j. The functional manager and property disposal office should dispose of equipment no longer needed, or transfer excess equipment to other installation organizations.

k. The Director of Information Management (DOIM) updates and makes any required changes in the directory, to include reassigning telephone numbers to the contractor, and CGO for telephone charges to be billed to the contractor.

l. Introductions are arranged between the contractor and appropriate installation managers by either the CS manager or functional manager. This is usually an informal introduction done at a routine staff meeting. A listing of points of contact, such as the COR, QAE, functional manager, and other individuals with whom the provider will come into daily contact is also provided for future reference during this meeting.

m. Publish an updated list in the installation newspaper and/or bulletin of all new points of contact, location, and phone numbers.

n. The DPW and budget office will make changes in the use of utilities, to include changing any accounts or payment requirements, if the Government isn't providing utilities to the contractor. The Phase-in Plan needs to address any special procedures to transfer use of utilities and communication services specified in the contract agreement as Government-furnished. Remember to include these special procedures as if the procedure is compared to starting up a new company. Also, there is a crosswalk between what the previous owner had and what will be needed at this time.

o. The DRM will establish new cost centers for the CGO organization and obtain or transfer any necessary funds immediately after the final performance decision.

p. Providing information and documents to the contractor will be copies of the PWS, new SOPs that describe any changes to previous procedures, and a technical library that contains a complete set of regulations and directives governing operations of the activity under competition.

q. The CO ensures that the contractor has obtained all licenses and certifications specified in the solicitation, and has made arrangements for any necessary physical examinations for employees.

r. Identify methods for contractor personnel to ensure security is provided for facilities available for the contractor use and to obtain security badges and automobile decals. Identify information for specific requirements and office hours in addition to any requirements for security clearances required by the solicitation. Representatives from the security office can provide specifics relating to the installation. The Phase-in Plan will include where and how keys are obtained for federal facilities, who is an authorized user, and the number of keys for each facility.

s. Notification prepared by the public affairs office and ATO which carries the commander/director's message of support and endorsement of the contractor organization. This is important. A successful Phase-in can only occur with higher-level support.

t. Phase-in milestones are prepared by the ATO and functional manager covering specific times when each Phase-in action will be completed. Phase-in from the current operation to contract operation should be completed within 60 days after final performance decision.

u. Within the Phase-in Plan, the CS team will address the transfer of accountability for any buildings, office space, storerooms, or furniture that was not identified for contractor use.

v. Any facilities or equipment not identified for contractor use may be retained for the use of the CGO organization, transferred to other organizations at the installation, or disposed of.

9-7. Current contract to most efficient organization

Phase-in from current contractor operation to a new agency organization will cover the following:

- a. The functional manager will transfer and/or realign responsibilities as specified in the AT.
- b. The CPAC will review new job descriptions for MEO positions developed.
- c. The CPAC plays a key role in this Phase-in action of recruiting for positions in the MEO. The CPAC ensures that recruitment actions are initiated promptly, so that the MEO is in place by the date set for completing Phase-in from contractor operations. As with any Phase-in, the agency will provide the quality assurance evaluation of the MEO operation, in accordance with the QASP, and the staffing and procedures outlined in the AT.
- d. The CPAC will obtain retraining for QA personnel, displaced due to contract agreement cancellation, and training the new workforce.
- e. Functional manager will ensure all requirements for licenses and certifications and arrangements for any physical examinations required by the PWS or the AT are fulfilled.
- f. The installation security officer is responsible for obtaining security clearances for all newly hired personnel, keys, badges, and vehicle registration and verifying security clearances for all newly hired personnel, and will begin governmental preparation to obtain the necessary clearances following the performance decision. As necessary, the functional manager will prepare information and requests for vehicle registration, identification cards, or security badges.
- g. The DRM will update DA Pam 10-1 to reflect the new organization.
- h. Prior to the agency taking over the operation, the CO, functional manager, and contractor representative will conduct a Joint inventory of all GFE and supplies, and inspect all contractor-occupied buildings. The agency is responsible for clearing the contractor provider of any responsibility for the equipment, property, supplies or materials, and acquiring (and having in place) any new equipment needed to perform the mission under the MEO.
- i. Disposal of GFE no longer needed, transfer of excess equipment to other installation organizations, and ensuring that all equipment and property is inventoried and transferred or disposed/assigned to the appropriate organization is the joint responsibility of the functional manager and the property disposal office.
- j. The DPW should make changes regarding use of utilities, to include canceling contractor accounts and establishing MEO accounts.
- k. The DRM should establish new cost centers for the MEO and obtain or transfer any funds immediately following the final performance decision.
- l. The DOIM updates installation telephone directory and reassigns telephone numbers to the MEO and cancels contractor accounts.
- m. The functional manager will publish an updated list of points of contact in the installation newspaper and/or bulletin.
- n. Provide information and documents to the functional manager to ensure that the new organization is able to activate correctly from the very start. Among these will be copies of the PWS, new SOPs that describe any changes to previous procedures, and a technical library that contains a complete set of regulations and directives governing the methods to be used by the new organization.
- o. Notification prepared by the public affairs office and the ATO which carries the commander/director's message of support and endorsement for the MEO is important. A successful Phase-in can only occur with higher-level support!
- p. The ATO, the functional manager, and the CO will prepare Phase-in milestones covering when each Phase-in action will be completed. Refer to milestone schedule in chapter 2 for more information.

9-8. Team review

When the Phase-in Plan is completed, have it reviewed by other members of the team. Include the functional manager, installation security officer, installation safety officer, civilian personnel officer, SJA, or other members of the steering committee. Since the Phase-in Plan is part of the AT, ensure that conflicts of interest and right-of-first-refusal rules and regulations are discussed with the reviewers.

9-9. Phase-In helpful hints

Phase-in to a new organization needs to be smooth to ensure that the mission is met regardless of the service provider. It will be helpful to keep the Phase-in process clearly in mind throughout the competition. It is important to respect each worker's feelings that are part of the activity under competition. It is imperative to ensure that all QAE and COR personnel are adequately trained and ready to take on the job. Considerations for negotiations and transfer will start early in the competition. Supplies, keys, and reference materials will be secured before changeover to the new organization. Anyone connected with the RIF process will be included early in the competition. Finally, all actions will tie together and assist in eliminating problem areas for a smooth Phase-in to occur (see fig 9-1, below).

FOR IMMEDIATE RELEASE

<date>

COMMERCIAL ACTIVITIES PROCESS CONTINUES

<Location> - As part of the continuing process in the recent Competitive Sourcing Competition, xxx employees of <Fort xxxx> received hand-delivered letters of separation today, though there are more than xxx vacancies on post for which they may be considered. XXX employees were given notice of reduction in grade or were reassigned to jobs at their current grade. XX have found jobs through the Priority Placement Program. Additionally, all separated employees are registered or have the right to register through the PPP. XXX employees opted for the voluntary separation incentives.

The notices are a result of the final reduction in force following <company name> being chosen as the primary contractor for <function> in the <organization> at <Fort xxxxx>. There are more than xx civilian vacancies in the garrison and about xxx civilian positions installation wide. Additionally, <company name> has said it needs more than xxx employees from the local workforce, with a critical shortage in <functions>. In <month and year>, <Fort xxxx> announced that <company name> had been chosen as the primary contractor for <function> at <Fort xxxx>, affecting about xxx employees. The announcement was the result of the ongoing A-76 competitive sourcing competition implemented by the Department of Defense pursuant to Congressional mandate for the purpose of improved efficiency in government operations. Army-wide competitions are being conducted on many activities at Army installations.

The <Fort xxxx> commander/director has pledged to continue to work to place as many employees in vacant positions and retain quality personnel in the <Fort xxxx> work force.

Figure 9-1. Sample press release for Phase-in to contractor

Appendix A References

Section I

OMB Circular A-76

Performance of Commercial Activities, revised 29 May 2003 (Cited in paras 1-6, 5-5.) (Available at <http://www.whitehouse.gov/omb/circulars/>.)

AFARS

Army Federal Acquisition Regulation Supplement (Cited in paras 6-5, 6-9.) (Available at <http://farsite.hill.af.mil/VFAFAR1.HTM>.)

FAR

Federal Acquisition Regulation (Cited in paras 2-2, 2-3, 5-4, 5-5, 5-6, 6-2, 6-10, 6-13, 6-14, 6-15, 6-18, 7-6, 8-1.) (Available at <http://www.arnet.gov/far/>.)

DOD A-76 Costing Manual

(Available at <http://sharea76.fedworx.org/ShareA76/search/showsingledoc.aspx?docinfoid=2585>.) (Cited in paras 1-3, 4-1, 4-6, 5-1, 5-13, 6-14.) (Available at <http://www.dtic.mil/whs/directives/>.)

Section II

Related Publications

A related publication is a source of additional information. The reader does not have to read it to understand this publication.

AR 5-14

Management of Contracted Advisory and Assistance Services

AR 25-55

The Department of the Army Freedom of Information Act Program

AR 415-28

Real Property Category Codes

AR 570-4

Manpower Management

DA Pam 10-1

Organization of the United States Army

DODD 4100.15

Commercial Activities Program. (Available at <http://www.dtic.mil/whs/directives/>.)

DODD 5400.07

DOD Freedom of Information Act (FOIA) Program. (Available at <http://www.dtic.mil/whs/directives/>.)

DOD Instruction 4100.33

Commercial Activities Program Procedures. (Available at <http://www.dtic.mil/whs/directives/>.)

OMB Circular A-94

Memorandum for Heads of Executive Departments and Establishments. (Available at <http://www.whitehouse.gov/omb/>.)

DFARS

Defense Federal Acquisition Regulation Supplement (Available at <http://farsite.hill.af.mil/VFDFARA.HTM>.)

MIL-STD-1916

DOD Preferred Methods for Acceptance of Product. (Available at <http://assist.daps.dla.mil/quicksearch/>.)

5 CFR 350

Antiperspirant Drug Products for Over-the-counter Human Use. (Available at <http://www.gpoaccess.gov/cfr/index.html>.)

5 CFR 351

Reduction in Force. (Available at <http://www.gpoaccess.gov/cfr/index.html>.)

5 CFR 536

Grade and Pay Retention. (Available at <http://www.gpoaccess.gov/cfr/index.html>.)

29 CFR

Labor. (Available at <http://www.gpoaccess.gov/cfr/index.html>.)

5 USC 7111

Exclusive recognition of labor organization. (Available at <http://uscode.house.gov/>.)

10 USC 2461

Public-private competition required before conversion to contractor performance. (Available at <http://uscode.house.gov/>.)

10 USC 2462

Reports on public-private competition. (Available at <http://uscode.house.gov/>.)

10 USC 2464

Core logistics capabilities. (Available at <http://uscode.house.gov/>.)

10 USC 2465

Prohibition on contracts for performance of firefighting or security-guard functions. (Available at <http://uscode.house.gov/>.)

10 USC 2466

Limitations on the performance of depot-level maintenance of materiel. (Available at <http://uscode.house.gov/>.)

10 USC 2467

Cost comparisons: inclusion of retirement costs; consultation with employees; waiver of comparison. (Available at <http://uscode.house.gov/>.)

10 USC 2469

Contracts to perform workloads previously performed by depot-level activities of the Department of Defense: requirement of competition. (Available at <http://uscode.house.gov/>.)

10 USC 4532

Factories and arsenals: manufacture of; abolition of. (Available at <http://uscode.house.gov/>.)

15 USC 637

Aid to small business; Additional powers. (Available at <http://uscode.house.gov/>.)

31 USC 3551

Procurement Protest System; Definitions. (Available at <http://uscode.house.gov/>.)

41 USC 416

Procurement notice. (Available at <http://uscode.house.gov/>.)

44 USC 3701

Advertisements for contracts in District of Columbia. (Available at <http://uscode.house.gov/>.)

44 USC 3702

Advertisements not to be published without written authority. (Available at <http://uscode.house.gov/>.)

Section III**Prescribed Forms**

DA Form are available on the Army Publishing Directorate Web site (www.apd.army.mil).

DA Form 5473

Performance Requirements Summary (Prescribed in para 3-2*d*.)

DA Form 5475

COR/QAE Surveillance Schedule (Prescribed in para 8-6*b*3.)

DA Form 5476

Surveillance Activity Checklist (Prescribed in para 8-6*b*3.)

DA Form 5477

Customer Complaint Record (Prescribed in para 8-6*b*3.)

DA Form 5478

Decision Table (Prescribed in para 8-6*b*3.)

DA Form 5479

Contract Discrepancy Report (Prescribed in para 8-6*b*3.)

DA Form 5481

Tally Checklist (Prescribed in para 8-6*e*7.)

DA Form 7194

Historical Workload Data (Prescribed in para 3-8*c*1.)

DA Form 7375

Commercial Activities Proposed Action Summary (CPAS) (Prescribed in para 2-81*e*.)

DA Form 7379

Commercial Activities (CA) Final Performance Decision Report (Prescribed in para 7-5*f*.)

Section IV

Referenced Forms

Except where otherwise indicated below, the following forms are available as follows: DA Forms are available on the Army Publishing Directorate Web site (www.apd.army.mil); DD Forms are available from the OSD Web site (<http://dtic.mil/whs/directives/infomgt/forms/formsprogram.htm>). SFs and OFs are available from GSA Web site (<http://www.gsa.gov>.)

DA Form 2028

Recommended Changes to Publications and Blank Forms

DA Form 3953

Purchase Request and Commitment

DD Form 254

Department of Defense Contract Security Classification Specification

DD Form 1423

Contract Data Requirements List (2 Data Items)

OF Form 612

Optional Application for Federal Employment

SF Form 98

Notice of Intention to Make a Service Contract and Response Notice

SF Form 98A

Notice of Intention to Make a Service Contract and Response Notice (Attachment A)

**Appendix B
New Terms versus Old Terms**

The following table (table B-1) presents a list new terms used in the current circular and their equivalent as used in the previous circular.

New term or terms to use	Old term or terms not to use
Activity	Function
Contest	Administrative Appeal
Agency Cost Estimate	In-house Cost Estimate
Agency Performance	In-house Performance, Government Performance
Agency Tender	Management Plan, In-house Offer, Government Bid
Agency Tender Official	MEO Certifying Official
DCAMIS	CAMIS
COMPARE	Win.COMPARE
Competition Number	CAMIS Number
Competition Title	CAMIS Title
Competitive Sourcing Official	9.a. Official
Conversion Differential	Minimum Conversion Differential
Fee-for-Service Agreement	Interservice Support Agreement (ISSA)
Final Performance Decision	Final Cost Comparison Decision, Win
First Period of Full Performance	First Full Performance Period
Post Competition Accountability	Post-MEO Review
Previous Circular	Old Circular, RSH
Private Sector or Public Reimbursable Price (Line 7)	Contract or ISSA Price (Line 7)
Public-Private Competition	Study, A-76 Study, Initiative, A-76 Initiative
Public Reimbursable	ISSA Provider
Selected Provider, Selected Source	Winner
Solicitation Closing Date	Bid Due Date, Bid Opening Date
Source	Sector
Standard Competition	Cost Comparison, Study
Standard Competition Form (SCF)	Cost Comparison Form (CCF)
Streamlined Competition	Streamlined Cost Comparison, Study
Streamlined Competition Form (SLCF)	Streamlined Cost Comparison Form (CCF)
No longer applicable or used	Affected Parties
"	Administrative Appeal Authority
"	Core Capability
"	Direct Conversion
"	Independent Review (IR), Independent Review Official (IRO)
"	Preferential Procurement Programs

Appendix C

Commercial activities and commercial activity function codes

C-1. Commercial activities

A commercial activity is a recurring service that can be performed by the private sector and is resourced, performed, and controlled by the organization through performance by Government personnel, a contract, or a fee-for-fee agreement. A commercial activity is not so intimately related to the public interest as to mandate its performance by Government personnel. Commercial activities may be found within, or throughout, organizations that perform inherently governmental activities or classified work.

C-2. Coding rules for the Inherently Governmental and commercial activities inventory

a. When coding for the IGCA Inventory, manpower authorizations are grouped by function and coded to indicate the type of work performed. In some cases, this may not correspond to job titles (for example, civilian job series or military occupational specialties). For instance, although accountants are typically found in accounting activities and engineers in an engineering function, in some cases, a budget analyst may be working in an accounting function or a geologist in an engineering function. Therefore, the type of work (for example, function) and not type of position (for example, job series or occupational specialty) is coded.

b. The IGCA inventory accounts for the type of work authorized to be performed-manpower authorizations-regardless of whether the position is vacant or filled. Authorizations are reported regardless of whether the incumbent of the position is borrowed or diverted to perform other work; is on temporary or extended detail, leave, or training; or has full- or part-time collateral duties. To report hours worked vice manpower authorizations would complicate efforts to reconcile inventory data with manpower reported in the DOD Manpower Requirements Report (DMRR) and the President's budget (PB). In addition, because the DOD IGCA inventory is generally initiated before the end of the fiscal year, to provide a full year's accounting of the actual hours worked would be impossible.

c. The IGCA inventory is based on current processes, procedures, organizational structures, equipment, and workloads. Organizations may not omit or add manpower authorizations or code manpower based on presumed improvements to organizational structures, equipment, technologies, work arrangements, processes, or procedures. To do otherwise would skew the manpower data and complicate efforts to reconcile inventory numbers with what is reported to OSD and OMB.

d. The IGCA inventory reports manpower authorizations not re-aggregated workload. Organizations may not re-aggregate workload and report by FTEs for the following reasons:

e. Manpower accounts for one-year increments of full-time support necessary to accomplish a specific mission or function at a given performance level, using specific skill sets, and based on validated manpower methodologies. Manpower often combines work from more than one function to accomplish a specific mission in an efficient and cost-effective manner. In such cases, re-aggregating the workload and reporting by FTE could misrepresent the number of manpower required to accomplish the mission. For instance, if ten system operators (each spending approximately ninety percent of their time operating and ten percent maintaining the system) are needed to accomplish a mission involving 24-hour operations, it would be inappropriate to re-aggregate the work and report nine FTEs for operation and one FTE for maintenance. In this example, reporting FTEs instead of manpower would incorrectly imply that nine operators and one maintainer could accomplish the mission when, in fact, one maintainer could not support a mission requiring 24-hour operations. In this case, utilizing ten operators (who also perform maintenance tasks) is the most effective way to accomplish the mission and fully utilize the personnel.

f. Wartime manpower requirements that are authorized during peacetime are based on wartime vice peacetime availability rates, whereas FTEs are based on peacetime compensable hours. In such cases, re-aggregating the workload and reporting by FTE could misrepresent the numbers required to accomplish the wartime mission and complicate efforts to reconcile inventory data with what is reported in the DMRR and the PB.

g. When a manpower authorization involves two or more functions, it should be coded based on the type of work performed the most. (For instance, in the example above, ten operators would be reported even though they spend part of their time on maintenance tasks.) There are two exceptions—

(1) When the type of work performed is in direct support of a management function and the work is inextricably tied to and cannot be separated from the management function, the manpower is coded with the management function code and not the support function code. For example, the development and issuance of personnel policies may have a public affairs aspect that must be considered. To the extent the public affairs consideration is performed by personnel officials who are developing personnel policies, the manpower is coded as a management headquarters personnel function vice public affairs operation. In such a case, the public affairs work is considered to be an inherent part of the management function. To code the public affairs work with a separate function code would inappropriately imply that the work could be performed as a separate activity. In all cases, all of the manpower necessary to perform the management function is coded with the appropriate management function code.

(2) If the type of work in one functional group directly supports and cannot be separated from operations in a second functional group, the manpower is coded with the function code from the second functional group. However, if the support work is separately identifiable and severable, it is coded with the appropriate support function code. For

example, drafting correspondence dealing with office operations and proof reading correspondence for content are administrative support services that require comprehensive knowledge of the daily operations and responsibilities of the office for their proper execution. In this example, the administrative support services (that is, drafting and proof reading correspondence) cannot be separated from the activities they support. To code them as administrative support services would inappropriately imply that the work could be performed as a separate activity. Typically, non-severable support includes tasks that require close continual supervision (as distinguished from general oversight); comprehensive knowledge of the daily operations, or in some sense involves a part of the operation supported. In all cases, non-severable support is coded with the function code it supports since it is an inherent part of that function. It is not coded as a separate function based on the type of position.

h. The definitions for the acquisition activities in this List are not intended to reflect or align with the department's definition for the "Acquisition Workforce" as addressed in DOD Instruction 5000.58 or various Defense authorization acts dealing with the acquisition workforce. (Note: See section 922(d) of the Fiscal Year (FY) 2000 National Defense Authorization Act (NDAA) (Public Law (PL) 106-65), section 931(d) of the FY 1999 NDAA (PL 105-261), and section 912(b) of the FY 1998 NDAA (PL 105-85). The department's definition for the "Acquisition Workforce" is based on organizations and occupational series. As explained above, DOD activities are based on the type of work performed regardless of its organization. Those activities are not based on, and do not necessarily relate to, occupational series or military occupational specialties.

i. If an organization identifies manpower performing a function that is not on the list, the manpower is coded using the "99-Other" function code within the function group that most closely identifies the type of work being performed. If the manpower numbers are significant (for example, over 100), the organization should submit a request for a new function code, title, and definition or for modification to a current functional definition to address work omitted from the list. Requests should be sent to the ASA (M&RA).

j. Organizations may augment the list of DOD function codes for their internal use by adding sub-activities to the list provided so long as the sub-activities fit within the DOD coding structure by falling under one of the activities already on the list. Organizations may not create new functional categories or groups or new function codes without prior approval from the ASA (M&RA). This coding arrangement will allow organizations to identify sub-activities for their internal use and still aggregate the manpower data without compromising the DOD coding structure when reporting to the OSD. Requests to change or add codes, titles, or definitions or revise the taxonomy (for example, functional categories, groups, or functions) will be submitted to the ASA (M&RA) for approval.

k. The CA function codes can be found at the ASA (M&RA) portal. Follow the directions to get to the site. The site address is <http://www.asamra.army.pentagon.mil/igca>.

Accessing Army competitive sourcing forms To access the latest Army Competitive Sourcing Forms visit the following Web site: http://www.hqda.army.mil/acsim_ca/LIBRARY/LIBMAIN.ASPX. From the DOCUMENT AREA drop down list, highlight "Competition - Forms", then click the SEARCH button to pull up a list of available forms. Select the desired form or document format by clicking on the specific document's "File Name;" then select either "OPEN" or "SAVE."

Glossary

Section I Abbreviations

ACE

agency cost estimate

ACOM

Army Command

AD

activity director

AFARS

Army Federal Acquisition Regulation Supplement

ALP

acceptable level of performance

AP

Acquisition Plan

AR

Army regulation

ASA(I&E)

Assistant Secretary of the Army (Installation and Environment)

ASA (M&RA)

Assistant Secretary of the Army (Manpower and Reserve Affairs)

ASCC

Army Service Component Command

AT

agency tender

ATO

agency tender official

CA

commercial activity

CDL

contract data requirements list

CFR

Code of Federal Regulations

CCSO

component competitive sourcing official

CGO

Continuing Government Organization

CO

contracting officer

COR

contracting officer's representative

CPAC

Civilian Personnel Advisory Center

CPOC

Civilian Personnel Operations Center

CS

competitive sourcing

CSO

competitive sourcing official

CSRS

Civilian Service Retirement System

DA

Department of the Army

DBA

Davis-Bacon Act

DCAMIS

Defense Commercial Activity Management Information System

DCSO

delegated competitive sourcing official

DFARS

Defense Federal Acquisition Regulation Supplement

DMMR

DOD Management Requirements Report

DOD

Department of Defense

DOIM

Director of Information Management

DOL

Department of Labor

DPW

Director of Public Works

DRU

Direct Reporting Unit

DRM

Director of Resource Management

EPA

economic price adjustment

FAIR

Federal Activities Inventory Reform

FAR

Federal Acquisition Regulation

FERS

Federal Employees Retirement System

FLSA

Fair Labor Standards Act

FOA

field operating agency

FTE

full-time equivalent

FWS

Federal wage schedule

GAO

Government Accountability Office

GFE

Government-furnished equipment

GFP

Government-furnished property

GS

general schedule

HCA

head of contracting activity

HQDA

Headquarters, Department of the Army

HRA

human resources advisor

HSSA

Headquarters, Department of the Army Staff Support Agency

IFB

invitation for bid

IGCA

inherently governmental and commercial activities

IGE

independent Government estimate

IRO

Internal Review Office

LOO

letter of obligation

MEO

most efficient organization

MSC

major subordinate command

NISH

National Industries for the Severely Handicapped

NSPS

National Security Personnel System

OFPP

Office of Federal Procurement Policy

OMB

Office of Management and Budget

OPM

Office of Personnel Management

PB

President's budget

PM

program manager

PR&C

purchase request and commitment

PREPLAN

preliminary planning

PWS

performance work statement

QA

quality assurance

QAE

quality assurance evaluator

QASP

Quality Assurance Surveillance Plan

RA

requiring activity

RFP

request for proposal

RIF

reduction-in-force

SADBU

Small and Disadvantaged Business Utilization

SCA

Service Contract Act

SJA

Staff Judge Advocate

SOP

standing operating procedure

SP

service provider

SSA

Source Selection Authority

SSAC

Source Selection Advisory Council

SSEB

Source Selection Evaluation Board

SSP

Source Selection Plan

TE

technical exhibit

USC

United States Code

VERA

Voluntary Early Retirement Authority

VSIP

Voluntary Separation Incentive Pay

Section II**Terms****Acceptable levels of performance**

The ALP is the maximum percent defective or the maximum number of defects per hundred units considered satisfactory for purposes of a sampling inspection. It is the allowable variance from a standard expressed by narrative description before the Government will reject the specific service.

Acquisition plan

The AP addresses the technical, business, management, and other significant considerations that will control acquisition. The responsibility for drafting the AP lies with the requiring activity with assistance from the contracting office.

Activity analysis

Activity analysis states what starts a job, what takes place when doing the job, and the outcome of the job.

Acquisition planning

The process by which the efforts of all personnel responsible for an acquisition are coordinated and integrated for a comprehensive plan for fulfilling the agency need in a timely manner and at a reasonable cost.

Activity

A specific task or grouping of tasks that provides a specialized capability, service or product based on a recurring Government requirement. Depending on the grouping of tasks, an activity may be an entire function or part of a function. An activity may be inherently governmental or commercial in nature.

Advanced Acquisition Planning System

Dollar thresholds for acquisition strategy development are lower than those for acquisition plans. Some acquisitions over Army Command/Army Service Component Command/Direct Reporting Unit/field operating agency/HQDA staff support agency (ACOM/ASCC/DRU/FOA/HSSA) established dollar thresholds but under the AP dollar threshold require preparation of an AAP system. Although less formal than an AP, the principles of AP should still be incorporated.

Adversely affected civilian personnel

Federal civilian employees serving competitive or excepted service appointments in tenure groups I, II, or III, who are identified for release from their competitive level by an agency, in accordance with 5 CFR Part 351 and 5 USC

Chapter 35, as a direct result of a performance decision resulting from a streamlined or standard competition. This includes both employees in the activity converted to contract and employees outside the activity who are affected adversely by reassignment of employees in the activity converted to AT or contract. It includes reassignment requiring displacement, changes to lower grades or separation or the exercise of bumping or retreat rights.

Agency cost estimate

The ACE is the Government's offer. It is the cost to perform the work as outlined in the MEO. The staffing required to do the workload specified in the PWS is the basis for the in-house cost proposal (estimate). It is a part of the AT.

Agency performance

The performance of work by Army employees, including military, civilian, and non-appropriated fund employees.

Agency tender

The AT is submitted in response to a solicitation for a standard competition. The AT includes an MEO, agency cost estimate, MEO quality control plan, MEO Phase-in plan, and copies of any MEO subcontracts (with the private sector providers' proprietary information redacted). The AT is prepared in accordance with attachment B, OMB Circular A-76 and the solicitation requirements.

Agency tender official

An inherently governmental agency official, with decisionmaking authority, who is responsible for the AT and represents the AT during source selection.

Affected parties

Federal employees that will or could be impacted by a decision to convert to or from agency or contract performance as a result of a standard competition, and their representatives, are affected parties. An agency, or parts of agencies, that submit a tender or offer to provide services through a service provider are also considered affected parties.

Army Service Component Command

An Army force, designated by the Secretary of the Army, comprised primarily of operational organizations serving as the Army component for a combatant commander. If designated by the combatant command, serves as a Joint Forces Land Component Command, or Joint Task Force. Command responsibilities are those established by the Secretary and normally associated with operational control and administrative control.

Asset acquisition cost

Sum of the purchase price and of the costs (for transportation; packing, crating, handling; installation, and so on) incurred to place an asset in use.

Asset useful life

Estimated period of economic usefulness of an asset in a particular operation.

Augmentation contract

Means of performing recurring projects or continuing services portions of a CS workload without using MEO personnel. Augmentation contracts may be awarded without A-76 competition, in accordance with the new requirement, and expansion criteria in AR 5-20.

Baseline workyear

The number of personnel workyears it has taken to perform the work being competed during the 12 months prior to public announcement. For civilian workyear, include work performed by assigned, temporary, seasonal, intermittent, part-time, borrowed, and detailed civilian personnel as well as overtime; and for military workyear, include assigned, borrowed, diverted, and detailed military personnel. Include workload eliminated for management efficiencies during the development of the PWS. Exclude inherently governmental work and work that has been exempted from competition. Calculate baseline workyear by conversion to FTEs. For full and part-time civilians, total the hours and divide by 1,776 annual available hours to determine the number of FTE positions. For intermittent civilians, divide by 2,007. For military, divide by 1,740. Round down less than one-half year of effort, and round up one-half year or more. Use these workyear figures as the baseline for determining the personnel savings identified by the AT.

Bench stock

On-hand supplies appropriate for assignment to the individual worker in advance of need.

Best value

Expected outcome of an acquisition that, in the Government's estimation, provides the greatest overall benefit in response to the requirement for Information Technology proposals authorized under the pilot program.

Bid

An offer submitted in response to an IFB. The IFB is the solicitation document used in sealed bid contracting. Contract award will be made to the responsible offeror whose bid is responsive to the terms of the IFB and is most advantageous to the Government considering only price and price-related factors included in the IFB.

Capital assets (tangible)

Structures, machinery, and equipment having an original acquisition cost of \$25,000 or greater.

Capital improvement costs

Cost of major overhauls and modifications that add to the value or prolong the life of capital assets.

Casualty and liability insurance costs

Cost of Government self-insurance against casualty losses and liability claims.

Casualty losses

Costs of replacing equipment, facilities, materials, supplies, and minor items destroyed by fire, earthquake, tornado or flood.

Civilian employee

An individual who works for a Federal agency on an appointment without time limitation who is paid from appropriated funds, which include working capital funds. A foreign national employee, temporary employee, term employee, non-appropriated fund employee, or uniformed personnel are not included in this definition.

Collective bargaining agreement (PC1)

The negotiation of employment matters between employers and employees through the use of a bargaining agent designated by an uncoerced majority of the employees within the bargaining unit. Under the National Labor Relations Act, offeror employees have a statutory right to organize, join unions, and bargain collectively. The fact that these employees are working on Government facilities under a Government contract does not deprive them of their statutory rights.

Commercial activity

A recurring service that can be performed by the private sector. This recurring service is an agency requirement that is funded and controlled through a contract, fee-for-service agreement, or performance by Government personnel. Commercial activities may be found within, or throughout, organizations that perform inherently governmental activities or classified work.

Commercial source

A commercial source is any business or other concern that is eligible for contract award in accordance with the Federal Acquisition Regulation (FAR).

Common/"wash" costs

Costs that will be incurred regardless of the outcome of the competition and are, therefore, not included in the cost comparison (for example, GFP, security clearance processing, quality assurance, utilities, joint inventory costs, and other facilities support services.)

COMPARE

Windows-based A-76 costing software that incorporates the costing procedures of the OMB A-76 circular. Agencies must use COMPARE to calculate and document the costs on the SLCF for a streamlined competition or the SCF for a standard competition. The software is available through the SHARE A-76! Web site at <http://sharea76.fedworx.org/inst/sharea76.nsf/CONTDEFLOOK/HOME-INDEX>.

Competition

A formal evaluation of sources to provide a commercial activity that uses pre-established rules (for example, the FAR, OMB Circular A-76). Competitions between private sector sources are performed in accordance with the FAR. Competitions between agency, private sector, and public reimbursable sources are performed in accordance with the FAR and this publication. The term "competition," as used in this circular includes streamlined and standard competitions performed in accordance with this publication, and FAR-based competitions for agency-performed activities,

contracted services, new requirements, expansions of existing work, and activities performed under fee-for-service agreement.

Competition officials

The agency officials appointed before a standard competition is announced and must be inherently governmental. These individuals perform key roles and have essential responsibilities for the successful completion of the standard competition. Competition officials are the AT official, contracting officer, source selection authority, human resource advisor, and PWS team leader.

Competitive sourcing implementation instructions

This pamphlet provides the mechanics of the commercial activities process.

Competitive sourcing official

An inherently governmental agency official responsible for the implementation of OMB Circular A-76. For DOD, it is the Deputy Under Secretary of Defense (I&E).

Component

An organizational grouping within an agency, such as a bureau, center, military service, or field activity.

Component competitive sourcing official

An inherently governmental official responsible for the implementation of OMB Circular A-76. Within the Army, it is the ASA (I&E).

Conditional award

A contract award made upon the performance decision in a competition involving a negotiated acquisition. Offeror performance is conditioned on the offeror's proposal being the most advantageous offer.

Contractible

Any CA, which is included in the PWS (not exempt). The FAIR process sets up a distinction between reviewable and exempt activities.

Contract administration

Contract administration includes those inherently governmental activities performed by warranted contracting officers, contract administrators, the contracting officer's representative, and related payment evaluation staff. Contract administration is not to be confused with contract quality control, performance evaluation, or inspection that are defined as commercial activities by AR 5-20.

Contract discrepancy report

A report used by the COR to document unsatisfactory performance by the contractor.

Contracting officer

A CO is the only person with the authority to create, modify or terminate a contract. The contracting officer is the only official who can obligate the Government through a contract.

Contracting officer's representative

The COR is the individual appointed in writing by the contracting officer and delegated specific authority to monitor offeror performance.

Conversion differential

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

Conversion from contract

Conversion from contract to agency performance (sometimes referred to as "re-federalization") means the change of a contractible activity from performance by contract with a commercial source to performance by Federal employees with Government resources. Unless ten or fewer contract employees perform the activity, an A-76 competition must be conducted before the conversion. "Conversion from contract" also includes the conversion of expansions and/or new requirements (work) from contract performance to agency performance.

Conversion to contract

A conversion to contract is the change of performance of a contractible activity from agency performance by Federal employees to performance by a commercial source.

Cost-plus-award-fee contract

A cost-plus-award-fee contract is a cost-reimbursement contract that provides for a fee consisting of a base fee amount (which may be zero) fixed at inception of the contract, and an award amount, based upon a judgmental evaluation by the Government, sufficient to provide motivation for excellence in contract performance.

Cost realism

The costs in an offeror's proposal are realistic for the work to be performed, reflect a clear understanding of the requirements, and are consistent with the various elements of the offeror's technical proposal.

Cost-reimbursement contract

Cost reimbursement contracts are suitable for use only when uncertainties involved with contract performance do not permit costs to be estimated with sufficient accuracy (FAR 16.301-2). The offeror would then be reimbursed for allowable expenses within a pre-established ceiling.

Crosswalk

The tracking from the number of man-hours required to accomplish the workload to job descriptions that would perform the work.

Current operations

This describes the organization as it exists at the outset of the competition, including staffing, organization facilities, equipment, and any problems that affect efficient operation.

Decision table

The decision table identifies the possible causes of the unsatisfactory performance and lists a number of questions which, when answered will probably pinpoint the source of the problem.

Delegated competitive sourcing official

A general officer or senior executive service civilian who is delegated certain responsibilities from the CCSO (for example, ASA (IL&E) for implementation of OMB Circular A-76 within the organization.

Depreciation

Method used to spread the total cost of a tangible capital asset, less residual value, over an asset's useful life. Annual depreciation cost is computed by dividing the depreciable basis (acquisition cost plus capital improvements less residual value) by the useful life of the asset.

Deviation

An A-76 competition deviation, when approved by OMB, allows conversion to or from agency or contract without a competition. Deviation requests must include sufficient justification and be submitted through command channels to the Army CCSO HQDA for approval and forwarding to Office of the Secretary of Defense. Additionally, the deviation will apply to the entire standard competition process and may not be used to deviate from specific provisions or cost factors within the process.

Direct staffing

Personnel directly involved in producing the outputs of the activity under competition whose efforts can be directly traced to a unit of output.

Directly affected employees

Civilian employees whose work is being competed in a streamlined or standard competition or, under the provisions of Section 2014 of the FY 04 Appropriations Act.

Directly interested party

The ATO who submitted the AT; a single individual appointed by a majority of directly affected employees as their agent; a private sector offeror; or the official who certifies the public reimbursable tender.

Displaced employee

Any civilian employee, including a temporary employee, adversely affected by a conversion to contract. Adverse actions include job elimination, grade reduction, and reassignment to another position. Displaced employees include

those in the activity converted to contract and those outside the activity who are affected adversely by reassignment or the exercise of bumping or retreat rights related to a RIF resulting from the conversion.

Disposal value (same as residual value)

Value at disposition (less costs of disposal/transfer) estimated at the time of an asset's acquisition.

Divestiture

An agency's decision to eliminate a Government requirement for a commercial activity. No service contract or fee-for-service agreement exists between the agency and the private sector after a divestiture. By divesting of a commercial activity, an agency elects not to control the activity and cedes ownership and control of the activity's associated assets (that is, equipment, facilities, property) and resources (agency manpower and budgeting for the activity). The agency has no role in the financial support, management, regulation, or oversight of a divested activity. Moving, transferring, or converting a commercial activity from agency performance to private sector or public reimbursable performance is not a divestiture.

Employee transition plan

A written plan developed by the HRA for the potential transition of the agency's civilian employees to an MEO, or to private sector or public reimbursable performance. This plan is developed early in the streamlined or standard competition process, based on the incumbent Government organization, to identify projected employee impacts and the time needed to accommodate such impacts, depending on the potential outcomes of the competition. The employee transition plan differs from a Phase-in plan, which is developed by prospective providers responding to a solicitation.

Exclusion

Activities outside the scope of the CS program because of legislative (for example, research, development, test, and evaluation activities, depot level maintenance, and firefighting and security guard activities) or administrative requirements.

Exempt

Exempt activities are commercial activities which are not subject to the A-76 process either by statute (for example, security guards, fire department), or other rationale approved by the ASA (M&RA).

Exemptions to A-76 competitions

Commanders/Directors can convert to contract (excluding depot contracts and contracts for depot maintenance) without a streamlined or standard competition under Section 8014 of the DOD, Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico, and Pandemic Influenza Act, 2006 (PL 109-148), which exempts from such competitions under 10 USC 2461, a qualified firm under at least 51 percent ownership by an Indian tribe or Hawaiian organization. It also authorizes conversions to qualified organizations such as NISH and JWOD.

Expansion

An expansion is the modernization, replacement, upgrading or the enlargement of an agency contractible activity or capability. If the expansion involves a 30 percent increase in the operating cost of the activity, including FTEs, or a 30 percent increase in the total capital investment to perform the activity, a competition is required prior to authorizing agency performance. A consolidation of two or more existing contractible activities is not an expansion, unless the total operating cost is 30 percent greater than the total of the individual components.

FedBizOpps.gov

This is the public notification media by which U.S. Government agencies identify proposed contract actions and contract awards.

Federal activity inventory reform act inventory

The inventory of FTEs, grouped by function at each unit or location, determined to not be GIN, exempt from private sector performance by reason of law, or exempt for private sector performance by reason of national security.

Final performance decision

The decision made upon resolution of contests and GAO protests. (See "performance decision.") For a final contract decision, the CO awards the contract after the ASCC/MS/FOA/HSSA submits the Final Performance Decision Report and the HQDA Office of the Chief Legislative Liaison makes the Final Performance Decision Notification to Congress. For a final agency decision, the installation completes implementation of the MEO after the ASCC/MS/FOA/HSSA submits the DA Form 7379 to HQDA and Congress is notified.

Firewall

Ensuring that members of the PWS team do not participate on the MEO team and ensuring that members of the MEO team do not participate in the PWS team or SSEB.

Firm-fixed-price contract

A firm-fixed-price contract uses the basic profit motive of business enterprise. It is used when the risk involved is minimal or can be predicted with an acceptable degree of certainty.

First period of full performance

The performance period following the Phase-in period when the service provider becomes fully responsible for performing the activity. The first performance period is used to implement the new service provider's Phase-in plan; therefore, full performance of the service provider does not occur until the second performance period, which may be referred to as the base period, full performance, or the first period of full performance. This first period of full performance may be less than or more than 12 months. The first period of full performance is the second performance period (the performance period immediately following Phase-in period) regardless of the second performance period's length.

Fringe benefits

Fringe benefits include such things as retirement (that is, 401k, CSRS, FERS), health insurance, life insurance, disability insurance, bonuses, and awards.

Foreign national employee

An employee that is not a United States citizen who is employed by the United States Government and works outside the United States, its territories or possessions, under a system in which an executive agency is the official employer of the foreign national employee and assumes responsibility for all administration and management activities associated with the employee's employment.

Full-time equivalent

The staffing of Federal civilian employee positions, expressed in terms of annual productive work hours (1,776) rather than annual available hours that includes non-productive hours (2,080 hours). FTEs may reflect civilian positions that are not necessarily staffed at the time of public announcement and staffing of FTE positions may fluctuate during a streamlined or standard competition. The staffing and threshold of FTE requirements stated in this pamphlet reflect the workload performed by these FTE positions, not the workload performed by actual Government personnel. FTEs do not include military personnel, uniformed services, or contract support.

Function code

The numerical code used to categorize an agency's commercial, inherently governmental, and exempt activities for inventory reporting purposes.

General and administrative overhead

Identifies personnel outside the organization under competition and exclusive of the first supervisory level above the organization under competition. This includes such activities as civilian personnel, resource management, legal, procurement, and so forth.

General and administrative overhead costs

All support costs, other than operations overhead costs, incurred for the activity under competition.

Continuing government organization

The CGO activities are Government activities that are so intimately related to the public interest as to mandate performance by Government employees or military personnel. These activities include those activities that require either the exercise of discretion in applying Government authority or the making of value judgments in making decisions for the Government. All activities are either CGO activities or contractible activities. Governmental activities normally fall into the following two categories:

- a. The act of governing (for example, the discretionary exercise of Government authority).
- b. Monetary transactions and entitlements.

Government-furnished property

Government facilities and equipment on hand, programmed for use by the MEO, and offered to prospective offerors "as is."

Government-owned contractor-operated

A facility owned by the Government and operated by a contractor.

Human resources advisor

An inherently governmental agency official who is a human resource expert and is responsible for performing human resource-related actions to assist the ATO in developing the AT.

Implementation date

The date the contract becomes effective and the offeror begins operation or the date the ATO fully implements the MEO.

Independent Government estimate

The IGE is the Government's estimate of the costs the private sector would charge to do the work. This is not to be confused with the ACE. The IGE documents cost estimates for all of the elements that contribute to the contract price and is used by the CO during negotiations with offerors for comparing the cost of doing business. It is used to ensure the offerors' cost estimates are not buy-ins or their costs elevated.

Indirect staffing

Personnel involved in support of producing the outputs of the activities under competition whose efforts cannot be traced directly to a unit of output.

Incumbent service provider

The source (for example, agency, private sector, or public reimbursable source) providing the service when a public announcement is made of the streamlined or standard competition.

Inherently governmental and commercial activities

The inventory of all commercial (reviewable and exempt) and inherently governmental FTEs by location, unit, and organizational activity. It consists of the information from the manpower document table of distribution and allowances and modified table of organization and equipment with two additional columns, activity code and reason code.

Information technology

Any equipment or interconnected system or subsystem of equipment used in the automatic acquisition, storage, manipulation, management, movement, control, display, switching, interchange, transmission, or reception of data or information by the agency. For purposes of this definition, equipment is used by an agency if the equipment is used directly by the agency, or is used by a contractor under a contract with the agency that requires its use or to a significant extent, its use in the performance of a service or the furnishing of a product. The term "information technology" includes computers, ancillary equipment, software, firmware and similar procedures, services (including support services), and related resources, and does not include any equipment that is acquired by a contractor incidental to a contract; or contains imbedded information technology that is used as an integral part of the product, but the principal function of which is not the acquisition, storage, manipulation, management, movement, control, display, switching, interchange, transmission, or reception of data or information. For example, heating, ventilation, and air conditioning equipment, such as thermostats or temperature control devices, and medical equipment where information technology is integral to its operation, are not information technology.

Interested parties

For purposes of challenging the contents of an agency's commercial activities inventory pursuant to the Federal Activities Inventory Reform Act, an interested party is—

a. A private sector source that is an actual or prospective offeror for a 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.

b. A representative of any business or professional association that includes within its membership private sector sources referred to in *a*, above.

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

d. The head of any labor organization referred to in 5 USC 7103(a)(4), that includes within its membership officers or employees of an organization referred to in paragraph *c*, above.

Inventory

The CA inventory is a list of activities performed by Federal Government sources for the executive agency that, in the

judgment of the head of the executive agency, are not inherently Governmental activities and includes the workyears or FTEs expended on each contractible activity during the preceding fiscal year.

Liability claims

Claims against the Government for damage/injury caused/sustained by its employees.

Lot size

The lot (population) is the group of service output, such as work orders; therefore, the number of outputs in a lot is the lot size.

Major subordinate commands

Major subordinate commands is a new term used to refer collectively to ACOMs, ASCCs, and DRUs.

Most efficient organization initial decision

See “performance decision”.

Most efficient organization letter of obligation

A formal agreement that an organization implements when a standard or streamlined competition results in organization MEO performance.

Most efficient organization subcontracts

Contracts between an agency and the private sector that are included in the AT or fee-for service agreements with a public reimbursable source that are included in the AT. In addition to the cost of MEO subcontracts, agency or public reimbursable cost estimates must include support costs associated with MEO subcontracts such as GFP, and contract administration, inspection, and surveillance.

Most efficient organization team

A group of individuals, comprised of technical and functional experts, formed to assist the ATO in developing the AT.

MIL-STD-1916

Military standard that provides a set of sampling plans and procedures for planning and conducting inspections to assess quality and conformance to contract requirements. This standard complies with the DOD policy of eliminating acceptable quality levels and associated practices within specifications.

Minor items

Non-depreciable durable items whose current replacement cost is less than \$5,000.

Most efficient organization

The most efficient organization is the Government’s planned organizational structure for performing the work outlined in the PWS, the cost of which is detailed in the AT. The MEO also includes the ACE, quality control plan, Phase-in Plan, and MEO support contracts.

Multi-function competition

A competition that includes more than one CA function code as identified in the DOD Inventory of Commercial and Inherently Governmental Activities annual Guide to Inventory Submission.

New requirement

An agency’s newly established need for a commercial product or service that is not performed by the agency with Government personnel; a fee-for-service agreement with a public reimbursable source; or a contract with the private sector. An activity that is performed by the agency and is reengineered, reorganized, modernized, upgraded, expanded, or changed to become more efficient, but still essentially provides the same service, is not considered a new requirement. New ways of performing existing work are not new requirements.

Non-pay categories of cost

Costs in a cost estimate that are not related to pay. Non-pay categories of costs include, but are not limited to, materials, supplies, equipment, facilities, capital assets, and minor items and the inflation for these costs.

Net book value

Depreciable basis less accumulated annual depreciation costs (see “depreciation”).

Offeror

An offeror is a prospective offeror or service provider who submits an offer to the Government in response to the Government's RFP or IFB. The RFP is the solicitation document used in the negotiated procurements. The RFP communicates Government requirements to prospective offerors and solicits proposals (for example, offers) from them. The RFP usually calls for separate technical (how) and cost (how much) proposals from the offeror.

Operations overhead costs

Those costs incurred by the first supervisory work center one element above and in support of the activity under competition.

Organizational analysis

This process is used to determine the accurate and complete mission statement of the activity. It provides a framework for determining what services (outputs) are provided by the activity under competition.

Outsourcing

The transfer of a service activity previously performed by the Government to an outside service provider.

Overhead

Overhead includes two major categories of cost, operations overhead and general and administrative overhead. Operations overhead includes costs that are not 100 percent attributable to the activity being competed but are generally associated with the recurring management or support of the activity. General and administrative overhead includes salaries, equipment, space, and other tasks related to headquarters management, accounting, personnel, legal support, data processing management, and similar common services performed external to the activity, but in support of the activity being competed. A standard twelve percent overhead factor is an estimated federal agency overhead factor that is calculated in agency and public reimbursable cost estimates for streamlined and standard competitions.

Past performance

An indicator that may be used in the source selection process to evaluate a prospective provider's previous performance on work comparable to that being competed, for the purpose of predicting the quality of future performance relative to other offers or public reimbursable tenders. FAR 42.1501 describes the information used to evaluate past performance, and FAR 15.305(a)(2) provides guidance for the consideration of past performance in the source selection process.

Performance decision

The process of formally comparing the estimated cost of agency performance with the cost of commercial or service provider sources. The opening of cost comparison offers results in the performance decision.

Performance indicator/measure

The performance indicator is the tool used to measure actual occurrence to the performance standard. The performance indicator determines if the work performed was below, met, or exceeded the standard.

Performance measures

Performance measures provide a series of indicators, expressed in qualitative, quantitative, or other tangible terms that indicate whether current performance is reasonable and cost effective. Performance measures can include workload and output-to-cost ratios, transaction ratios, error rates, consumption rates, inventory fill rates, timeliness measures, completion and back order rates, and so on. Quality service measures may include responsiveness rates, user satisfaction rates, and so on.

Performance requirements summary

DA Form 5473 lists those tasks that are key performance indicators of the activity. The result is a list of key required services, standards of performance, associated ALPs, the identification of the services to be counted, and the determination of appropriateness of the performance standards for evaluation.

Performance standard

Verifiable, measurable levels of service in terms of quantity, quality, timeliness, location, and work units. Performance standards are used in a performance-based PWS to do the following:

- a. Assess (for example, inspect and accept) the work during a period of performance.
- b. Provide a common output-related basis for preparing private sector offers and public tenders.
- c. Compare the offers and tenders to the PWS. The requiring activity's ALPs are normally stated in the PWS. The solicitation includes performance standards.

Performance work statement

A performance work statement is a statement of the technical, activity, and performance characteristics of the work to be performed, identifies essential activities to be performed, determines performance factors, including the location of the work, the units of work, the quantity of work units, and the quality and timeliness of the work units. It serves as the scope of work and is the basis for all costs entered in the SCF.

Performance decision

Performance decision is the decision made at the time of standard competition offer opening to retain a CA as is or convert a CA to contract, agency, or service provider performance. The performance decision may differ from the Final Performance Decision because of actions such as public review of the competition, determinations of offeror responsibility, contests, or protests to the Government Accountability Office (GAO).

Personal services contract

A personal services contract, by its expressed terms or how it's administered, makes offeror personnel appear to be Government employees. This happens when it appears that offeror personnel are subject to relatively close and continuous Government supervision.

Phase-in period

The period during which activity operations transfer to a MEO or contractor operation.

Phase-in Plan

A prospective provider's plan to replace the incumbent provider that is submitted in response to the solicitation. The Phase-in Plan is implemented in the first performance period and includes details on minimizing disruption, adverse personnel impacts, and start-up requirements. The Phase-in Plan is different from the employee transition plan developed by the HRA.

Post-competition accountability

When services are performed by the agency, as a result of a competition, including those involving a service provider, a formal review and inspection of the MEO should be conducted. Typically, this review should be conducted following the end of the first full year of performance. Post competition accountability confirms that the MEO has been implemented in accordance with the Phase-in Plan; establishes the MEO ability to perform the services of the PWS; and confirms that actual costs are within the estimates contained in the agency cost estimate. Adjustments may be made and will be documented for formal mission or scope of work changes. Post competition accountability must be conducted for all MEOs that are greater than 65 FTE and at least 50 percent of MEOs 65 or less FTE.

Pre-award inquiries

Written questions and comments about PWS specifications, terms, and conditions in the solicitation.

Pre-offer conference

A meeting held to provide a site visit, provide an opportunity for offerors (including those submitting proposals and tenders) to view the publications library assembled for their use in preparing a realistic offer, explain any revisions made to the PWS and/or solicitation requirements, and answer any questions from offerors.

Preferential procurement program

See definition of "required source of supplies and services."

Price analysis

Ensures the costs in an offeror's proposal are realistic for the work to be performed, reflect a clear understanding of the requirements, and are consistent with the various elements of the offeror's technical proposal.

Privatization

A federal agency decision to change a Government-owned and Government-operated commercial activity or enterprise to private sector control and ownership. When privatizing, the agency eliminates associated assets and resources (manpower for and funding of the requirement). Since there is no Government ownership and control, no service contract or fee-for-service agreement exists between the agency and the private sector after an agency privatizes a commercial activity or enterprise. Moving work from agency performance with Government personnel to private sector performance where the agency still funds the activity is not privatization.

Proposed organization

A detailed description of the MEO, including staffing, organization chart, facilities, equipment, and operating procedures. This also gives the staffing and organization for the CGO activities and discusses the relationship of the MEO to the CGO operation or of an offeror and the CGO operation.

Prospective providers

Private sector, public reimbursable, and agency sources that may submit responses (offers or tenders) in response to an agency's solicitation.

Provider

An agency, private sector, or public reimbursable source that is performing or will perform, a commercial activity; sometimes referred to as a service provider.

Public announcement

An agency's formal declaration that the agency has made a decision to perform a streamlined or standard competition, or performance decision in a streamlined or standard competition. The CO makes these announcements via FedBizOpps.gov.

Public reimbursable source

A service provider from a federal agency that could perform a commercial activity for another federal agency on a fee-for-service or reimbursable basis by using either civilian employees or federal contracts with the private sector.

Public reimbursable tender

A federal agency's formal response to another federal agency's solicitation for offers or tenders. The public reimbursable tender is developed in accordance with this publication and includes a cost estimate, prepared in accordance with attachment C, OMB Circular A-76.

Performance work statement team

A group of individuals, comprised of technical and functional experts, formed to develop the PWS and quality assurance surveillance plan, and to assist the CO in developing the solicitation. Individuals of this team cannot be a member of the MEO team or the SSEB.

Quality assurance

This is a structured program used by the Army to monitor the actions of either the offeror or the MEO to ensure the Army gets the work done that is required by the PWS.

Quality assurance evaluator

The QAEs are personnel technically qualified with work experience in the type activities they will inspect. They also should be skilled in preparing reports and statistical analysis sampling.

Quality Assurance Surveillance Plan

The QASP is the formal document prepared by the Army to ensure a systematic inspection of the required services. The QASP should be prepared together with the statement of work and define in detail all work requiring surveillance and the method of surveillance. The QASP must be tied to the performance standards or metrics that measure contractor performance to ensure the Government receives quality services, on time, and at the performance levels and prices specified in the contract. The QASP will not be part of the solicitation. The QASP is a Government document and may be changed unilaterally to better suit the Government's surveillance requirements. Sometimes referred to as the Quality Assurance Plan.

Quality assurance surveillance

Quality assurance surveillance is the method by which Federal employees will monitor agency or contract performance to ensure that the standards of the PWS are met within the proposed costs.

Quality control

Refers to actions taken by an offeror or the MEO to control the production of goods or services so that they will meet the requirements of the PWS.

Real property

Buildings and grounds, utilities system, structures, surfaced areas, and improvements identified in the category codes of AR 415-28. Includes equipment affixed and built into a facility as an integral part.

Reasonable or competitive prices

The expected range of prices resulting from experience obtained through the competitive free enterprise system for like or similar activities. Determinations are to be made by the contracting officer.

Recurring commercial activities

A recurring commercial activity is one that is required by the Government on a consistent and long-term basis. This definition does not imply an hourly, daily, monthly or annual requirement, but must, in a general sense, be repetitive in nature, wherein the expected workload can be reasonably estimated.

Reduction-in-force

Release of civilian employees by separation, demotion, or reassignment requiring displacement resulting from lack of work, reorganization, or reclassification due to a change of duties-an involuntary reduction of civilian personnel.

Representatives of directly affected employees

In the case of directly affected employees represented by a labor organization appointed by a majority of directly interested employees accorded exclusive recognition under 5 USC 7111, a representative is an individual designated by that labor organization to represent its interests. In the case of directly affected employees not represented by a labor organization under 5 USC 7111, a representative is an individual appointed by directly affected employees as their representative.

Request for proposal

The solicitation document used in the negotiation method is the RFP. The RFP usually calls for separate technical (how to perform PWS requirements) and cost (how much) proposals from the offeror.

Required source of supplies and services

These sources are those specified in FAR Part 8 and include Federal Prison Industries, Inc. and services available from the sources identified on procurement lists established by the Committee for Purchase From People Who Are Blind or Severely Disabled under the Javits-Wagner-O'Day Act (41 USC 46-48c). Though not included under FAR Part 8, direct conversions to qualified firms under at least 51 percent ownership by Indian tribes or native Hawaiian organizations are also included as preferential procurement sources.

Restricted solicitation

A solicitation where a select group (that is, small businesses) may submit a proposal.

Right of first refusal

Federal employees adversely affected by a decision to convert to contract performance have the right of first refusal for jobs for which they are qualified that are created by the award of the contract. Such adversely affected employees could affect employees outside the activity being competed. The contractor determines if the Federal employee is qualified for the vacancy.

Sample

A sample consists of one or more service outputs drawn from a lot (population), the outputs being chosen at random. The number of outputs in the sample is the sample size.

Sampling guide

The sampling guide identifies the ALP associated with the requirement, the lot and sample size, how the output sampling and inspection will be performed, and the number of defects that will be allowed before the performance is considered unsatisfactory.

Segregable expansions

A segregable expansion is an expansion of currently contracted, agency work that could be provided using the current approach or could, without severe additional administrative burden, be provided by another competitive offeror. Economy of scale is not justification for dismissing new or expanded work as segregable; economy of scale will be tested through competition. See AR 5-20, para 2-6.

SHARE A-76!

SHARE A-76! is the DOD Web site that contains links to the A-76 process, best practices, and related documents; it can be accessed at <http://sharea76.fedworx.org/inst/sharea76.nsf/CONTDEFLOOK/HOME-INDEX>.

Single-activity competition

A competition that has only one CA function code.

Solicitation

The formal document containing the PWS, attachments to the PWS such as maps and technical exhibits, and the conditions and terms prospective offerors must meet for procuring services by contract. (See definition for RFP.)

Source selection

The process of issuing a solicitation, and receipt and evaluation of proposals.

Source selection authority

A competition official with decisionmaking authority that is responsible for source selection as required by the FAR and OMB Circular A-76. The SSA and CO may be the same individual.

Source Selection Evaluation Board

The team or board appointed by the SSA to assist in a negotiated acquisition.

Source Selection Plan

A plan for the source selection process, describing how proposals will be solicited from industry, and how they will be negotiated. It reflects who will evaluate proposals, composition of the SSEB, activities to be presented, determination of security needs, and a timetable for contract execution.

Standard competition

A process that develops the PWS and MEO, solicits offers, evaluates all offers and tenders and compares the agency cost with the cost of the selected offeror or offeror to determine whether to continue or change the method of performance for providing services. (Also see "competition.")

Standard Competition Form (SCF)

The form that documents and certifies all costs calculated in the standard competition in accordance with attachment C, OMB Circular A-76.

Start date

The start date for a streamlined or standard competition is the date that the agency makes a formal public announcement (in FedBizOpps.gov) of the agency's decision to perform a streamlined or standard competition.

Streamlined Competition Form (SLCF)

The form that documents and certifies all costs calculated in the streamlined competition, in accordance with attachment C, OMB Circular A-76.

Streamlined competition

An expedited process (65 or less FTEs and any number of military personnel) that uses the current cost of agency workforce performance for comparison to a private sector source providing services of the same general type and scope, with an estimated or solicited contract cost for the private sector source.

Surveillance activity checklist

Used for those required services, which cannot be inspected, using random sampling techniques.

Surveillance schedule

A schedule based on the QASP requirements, which indicates when the various PWS requirements will be monitored. The surveillance must cover all hours of operation to include nights, holidays, and weekends.

Tender

The Government response to the solicitation.

Tender/offer opening

For sealed bid procurements, tender/offer opening is the date and time established to open, read aloud, and display the offers received in response to an IFB. For negotiated procurement actions the term is solicitation closing date-the time set in the RFP, and monitored by the contracting office, that all proposals must be received. For sealed bid procurements, "tender/offer opening" is the same as the "performance decision" because the contract tender/offers are

opened at the same time as the agency cost estimate. For a negotiated procurement, only the price negotiated with the selected offeror and the ACE are compared at the “performance decision.”

Transfer

A change in the method of performance from contract to agency.

Transfer competition

See definition for “conversion from contract.”

Tally checklist

The tally checklist is used to tally information on inspection observations and defects.

Unrestricted solicitation

An “unrestricted solicitation” is a solicitation that any organization, to include small businesses can provide offers/proposals.

Useful life

The estimated period of economic usefulness of a capital asset.

VERA

Voluntary early retirement authority must be approved by DOD. During the open window period, an employee may volunteer for early retirement. Employee must meet the eligibility for early retirement. In most cases, VSIP is offered along with VERA.

VSIP

During an open window period, an employee may volunteer to resign or optionally retire with incentive pay in order to lessen the impact of a RIF. If the employee’s request is approved, the employee receives up to \$25,000, or severance pay, whichever is less. Incentive pay is paid in a lump sum amount.

Wage determination

The wage determination sets the minimum wages and fringe benefits that offerors and/or their subcontractors must pay their employees subject to the DBA or Service Contract Act. The wage determination becomes part of the solicitation.

Waiver

A waiver is a determination by the office of the Secretary of Defense CSO, made in accordance with AR 5–20 that specified contractible activities may be converted to or from agency, contract or service provider performance, without competition. A waiver may be justified by reasons other than cost. Consult OMB Circular A–76 and AR 5–20 for specific guidance on waivers.

Section III

Special Abbreviations and Terms

The section contains no entries.

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