

Manpower and Organization

**GUIDELINES FOR IMPLEMENTING THE AIR FORCE
COMMERCIAL ACTIVITIES PROGRAM**

This pamphlet provides guidelines for implementing the Air Force Commercial Activities (CA) Program. It includes recommended general steering group responsibilities, outlines for management study requirements, step-by-step costing procedures, and formats for cost comparisons, expansions, new requirements, and conversions from contract to in-house performance. This pamphlet also provides steps for conversion of an in-house activity directly to contract and steps for implementing the most efficient and cost effective in-house organization (MEO) and contract decisions. It reflects recommended sealed bid and negotiated acquisition procedures during cost comparisons and outlines administrative appeal procedures (AAP). It outlines reporting and notification requirements and formats. This pamphlet applies to all US Air Force activities including the Air Force Reserve. Use this pamphlet with the companion AFR 26-1, volume 1, which gives the policy for implementing the CA Program.

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Chapter 1

AIR FORCE COMMERCIAL ACTIVITIES PROGRAM OVERVIEW

1-1. Air Force CA Program Overview. The government's basic policy of reliance on the private sector to provide the goods and services required by the government is implemented through the CA Program. The program requires that all activities be reviewed to determine their eligibility for contracting. It further directs that for those activities not requiring in-house operation, the agencies should determine, through the use of cost comparisons with bids solicited from the private sector, the most efficient and economical method of operation. The program provides the means to ensure that activities required to be performed in-house (paragraph 4-3) are not subjected to conversion to contract and that those activities that can be

performed by either contract or in-house personnel are performed by the most economical method of operation. The CA Program consists of four steps that are explained in detail in subsequent chapters. The four steps are:

- a. Governmental function and CA determination process.
- b. CA Inventory.
- c. Reviews.
- d. Cost comparison process.

1-2. Abbreviations, Acronyms, and Terms. Abbreviations, acronyms, and terms used in this pamphlet are listed in attachment 1.

Chapter 2

GOVERNMENTAL FUNCTION AND COMMERCIAL ACTIVITY DETERMINATION PROCESS

2-1. First Step in CA Program. This chapter provides the criteria for determining those activities that are governmental functions and those that are commercial activities. The first step in the Air Force CA Program is that HQ USAF/MOX determines those Air Force activities that are governmental functions and those that are CAs.

2-2. Definitions for Governmental Function and Commercial Activity:

a. **Governmental Function.** A governmental function is one that is so intimately related to the public interest as to mandate performance by Department of Defense (DoD) employees. These functions include those activities requiring either the exercise of discretion in applying governmental authority or the use of value judgment in making decisions for the government. Services or products in support of governmental functions are CAs and are subject to this regulation. Governmental functions normally fall into two categories:

(1) The act of governing; i.e., the discretionary exercising of government authority. Examples include performing criminal investigations, prosecutions, and other judicial functions; managing government programs requiring value judgments, as in directing the national defense; managing and directing the armed services; managing and directing activities performed exclusively by military personnel who are subject to deployment in a combat, combat support, or combat service support role; conducting foreign relations; selecting program priorities; directing Federal employees; regulating the use of space, oceans, navigable rivers, and other natural resources; directing intelligence and counterintelligence operations; and regulating industry and commerce. The functions and responsibilities of the accountable officer, as defined by AFM 67-1, volume I and volume II, are inherently governmental.

(a) Those functions of the accountable officer involving the exercise of substantive discretionary authority in determining the government's requirements and controlling government assets cannot be performed by a contractor and should be retained in-house. The responsi-

bilities of the accountable officer as an individual and the position of the accountable officer are not contractible.

(b) Contractors can perform functions in support of the accountable officer and functions performed according to criteria defined by the government. For instance, contractors may process requisitions, maintain stock control records, perform storage and warehousing, and make local procurement of items specified as deliverables in the contract.

(c) The responsibility for administrative fund control should be retained in-house. The contractor may process all required paperwork up to funds obligation, which will be done by Air Force military or civilian personnel designated as responsible for funds control. The contractor can also process such documents as reports of survey and adjustments to stockage levels, but approval will rest with the accountable officer. In all cases, the administrative control of funds will be retained by the government since a contractor or contractor employees cannot be held responsible for violations of 31 U.S.C.1341, 1342, and 1517 (formerly section 3679 of the Revised Statutes).

(2) Monetary transactions and entitlement (i.e., collecting taxes and disbursing revenue; controlling the treasury accounts and money supply) and administering public trusts.

b. **Commercial Activity.** A CA is an activity that provides a product or service obtainable (or obtained) from a commercial source. A CA is not a governmental function. A CA may be an entire organization or part of an organization. It should be a type of work that is separable from other functions or activities so it is suitable for performance by contract. A CA falls into one of these two categories:

(1) **In-House CA.** A CA operated by Air Force military and civilian or military or civilian personnel.

(2) **Contract CA.** A CA operated with contractor personnel.

2-3. Procedure Application. Attachment 2 lists commercial activities by Air Force functional account codes (AF FAC) and titles.

Chapter 3

COMMERCIAL ACTIVITIES INVENTORY

3-1. Second Step in CA Program. This chapter provides guidelines for developing and maintaining the Air Force CA Inventory, which is the second step in the CA Program. In this step, major commands (MAJCOM) (together with installation commanders), field operating agencies (FOA), and direct reporting units (DRU) develop an inventory which accurately reflects all in-house and contract commercial activities, including the future review schedule for all in-house activities and results of the last review.

3-2. Inventory Maintenance. The CA Inventory should be kept current at all times. Accordingly, MAJCOMs, FOAs, and DRUs should update their inventory as changes occur.

3-3. Use of the Inventory. An inventory is required for:

- a. Managing the Air Force CA Program.
- b. Identifying the work force mix of military, in-service civilians, and contracts.
- c. Responding to congressional and other inquiries associated with the Air Force manpower posture and complying with Office of Management and Budget (OMB) policies.
- d. Satisfying various reporting requirements directed by Congress, OMB, and the Office of the Secretary of Defense.

3-4. Development and Maintenance Guidelines. MAJCOMs, FOAs, and DRUs maintain a CA Inventory on File Part A of their Command Manpower Data System (CMDS). The inventory identifies CAs performed, in both the continental United States and overseas, by either in-house manpower resources or contract. A list of Air Force CAs (by AF FACs), which includes corresponding DoD function codes, is distributed by HQ AFMEA/MEQC in the annual Commercial Activities Inventory Reporting System (CAIRS) Instructions. Unit authorization file (UAF) records in File Part A of the CMDS containing manpower authorizations or contract manpower equivalents (CME) for the performance of services described by these FACs, regardless of the AF FAC under which established, should be coded according to this chapter. AFM 26-749, volume III, provides instructions for CMDS input routines. AFR

700-20, volume I, contains a definition of all listed AF FACs. AFR 26-1, volume III, provides instructions for computing CMEs. Guidelines for developing and maintaining the inventory follow:

a. In-House Commercial Activities. UAF records which contain manpower resources (both funded and unfunded) for the performance of those services described by the AF FACs at attachment 2, regardless of the AF FAC under which established, should be coded as follows:

(1) DoD Function Code (DFC). This is a four- to five-digit alphanumeric code which defines the type of CA work performed. Using the list provided with the annual CAIRS Instructions, select and enter a DFC for each CA which, based on its associated AF FAC definition, most closely describes the type of in-house service provided or required. Caution should be exercised to ensure UAF records containing quality assurance evaluators (QAE) are not coded. The annual CAIRS Instructions provides data needed to establish a DFC table as required by CMDS.

(2) Reason Code (RSC). This is a one-digit alpha code which tells why an activity is performed in-house. A list of these codes and their definitions is in AFR 700-20, ADE CO-451-I. Select and enter a RSC for each CA that most closely describes the reason an activity is performed in-house.

(3) Year of Last Review (YLR). This is a two-digit numeric code representing the last two digits of the fiscal year (FY) when a review was last completed on the CA to determine its most appropriate mode of operation, i.e., in-house or contract. Enter the appropriate FY digits. For example, if a review was last completed in FY 88, enter "88." This field is left blank when the RSC entered on the UAF record is "N"; i.e., never reviewed. **NOTE:** The use of RSC "N" is restricted to activities located outside the United States, its territories or possessions; the District of Columbia; or the Commonwealth of Puerto Rico.

(4) Year of Next Review (YNR). This is a two-digit numeric code representing the last two digits of the FY when a review is scheduled to be completed on the CA to determine its most appropriate mode of operation; i.e., in-house or contract. Enter the appropriate FY digits. For

example, if the review is scheduled for completion in FY 93, enter "93."

NOTE: The YNR may not exceed 5 years from the YLR.

b. Contracted Commercial Activities. Code all UAF records that contain CMEs with a DFC. Enter a DFC which, based on its associated AF

FAC definition, most closely describes the contract services performed or required, regardless of the AF FAC under which established. Entry of a RSC, YLR, or YNR are optional since contracts are continuously monitored and reviewed at each option period.

Chapter 4

CA REVIEWS

4-1. Third Step in CA Program. This chapter provides guidelines for determining the appropriate method of operation; i.e., in-house or contract, for an Air Force CA. This determination is the CA review and is the third step in the CA Program. This review also determines whether or not a cost comparison is conducted.

Section A—Review Procedures

4-2. Decision Trees. Each MAJCOM (together with installation commander), FOA, and DRU accomplishes CA reviews. The decision trees for in-house CAs and expansions (attachment 3), for contracted CAs (attachment 4), and for new requirements (attachment 5) should be used to accomplish these reviews. MAJCOMs, FOAs, and DRUs may use command developed decision trees when approved by HQ USAF/MOX. Command decision trees should include the criteria reflected in paragraph 4-3.

4-3. Decision Tree Criteria. CAs are performed in-house under these criteria:

a. National Defense:

(1) **Military Essentiality.** In most cases, application of this criterion is made considering the wartime and peacetime duties of the specific positions involved rather than in terms of broad functions. If the MAJCOM, FOA, or DRU has a large number of similar CAs with a small number of essential military personnel in each CA, action should be taken to consolidate the military positions consistent with military requirements. Economical performance by either Air Force civilian employees or by contract employees can then be explored for accomplishing a portion of this work. A CA, staffed with military personnel, may be retained in-house for national defense reasons when one of these criteria applies:

(a) The CA is essential for training or experience in required military skills.

(b) The CA is needed to provide work assignments for a rotation base for oversea military assignments.

(c) The CA is necessary to provide career progression to needed military skill levels.

(2) **Signals Intelligence and Telecommunication and Automated Information Systems Security.** Before making a determination that

an activity involving signals intelligence, as prescribed by Executive Order 12333, and Telecommunications and Automated Information Systems Security, as prescribed by National Security Decision Directive 145, should be subjected to a cost comparison, a determination should be made of the risk to national security of using commercial sources. The MAJCOM, FOA, or DRU provides HQ USAF/MOX its assessment of the risk to national security of using commercial sources. HQ USAF/MOX sends the assessment to the Director, National Security Agency, who determines if the risk to national security is acceptable.

(3) **National Intelligence.** Before making a determination that an activity involving the collecting, processing, producing or disseminating of national intelligence as prescribed by Executive Order 12333 should be subject to cost comparison, the MAJCOM, FOA, or DRU should specifically identify the risk to national intelligence of using commercial sources. The MAJCOM, FOA, or DRU provides HQ USAF/MOX its assessment of the risk to national intelligence of using commercial sources. HQ USAF/MOX sends the assessment to the Director, Defense Intelligence Agency, who determines if the risk to national intelligence is acceptable.

(4) **Core Logistics.** Core logistics activities reported to Congress under the provisions of Public Law (PL) 99-145, Section 1231, are retained in-house unless the Secretary of Defense grants a waiver as provided for by 10 U.S.C. 2464.

(5) **Firefighting and Security Guard Functions.** Firefighting and security guard functions are retained in-house under provisions of 10 U.S.C. 2465, except:

(a) At locations outside the United States (including its territories and possessions; the District of Columbia; or the Commonwealth of Puerto Rico) at which military personnel would have to be used for the performance of these duties at the expense of unit readiness.

(b) On a government-owned but privately operated installation.

(c) A function under contract on September 24, 1983.

b. **No Satisfactory Commercial Source Available.** Air Force civilian personnel may perform

Air Force CAs when one of these circumstances can be demonstrated:

(1) **Nonavailability.** There is no satisfactory commercial source capable of providing the product or level of service that is required. Before concluding there is no satisfactory commercial source available, the installation commander should make all reasonable efforts to identify available sources.

(a) The installation commander's efforts to find satisfactory commercial sources should be carried out according to the Federal Acquisition Regulation (FAR), as supplemented.

(b) Where the availability of commercial sources is uncertain, at least three notices of the requirement should be placed in the *Commerce Business Daily* (CBD) over a 90-day period. (This action is taken according to FAR 7.303.) When a bona fide urgent requirement occurs, the publication period in the CBD may be reduced to two notices over a 30-day period. Specifications and requirements in the notice may not be unduly restrictive and may not exceed those required of government personnel or operations.

(c) HQ USAF/MOX approves the use of an exemption due to no satisfactory commercial source available.

(2) **Unacceptable Delay.** Use of a commercial source may cause an unacceptable delay or disruption of an essential program. In-house operation of a CA on the basis that use of a commercial source would cause an unacceptable delay or disrupt an essential Air Force program requires a specific documented explanation.

(a) The delay or disruption should be specific as to cost, time, and performance measures.

(b) The delay or disruption should be shown to be of lasting or unacceptable nature. Temporary disruption caused by conversion to contract is not sufficient support for using this criterion.

(c) It should be shown that commercial sources are not able, and the government is able, to provide the product or service when needed. The fact that an Air Force CA involves a classified program, is part of the Air Force basic mission, or that there is the possibility of a strike by contract employees is not sufficient reason for in-house performance of that activity. Further, urgency alone is not an adequate reason to continue in-house operation of a CA.

(d) HQ USAF/MOX approves the use of an exemption due to an unacceptable delay or disruption of an essential program.

c. **Patient Care.** Air Force military and civilian or military or civilian personnel may perform CAs at Air Force hospitals when the Secretary of the Air Force determines, in consultation with the Air Force Surgeon General, that in-house performance would be in the best interest of direct patient care.

d. Exempted by the Commander. Commercial activities may be retained in-house at the option of the installation commander.

4-4. Decision Tree Application. The decision trees apply to:

a. **In-House CAs.** The installation commanders should complete a review of all in-house CAs every 5 years using the appropriate decision tree for in-house CAs and expansions (see attachment 3). The requirement to review and re-compete every 5 years is necessary to assure that the most efficient operations continue over extended periods of time. Without periodic competition, lapses in efficiency may occur. Conditions and technology change over a 5-year period, and good management dictates that functions be reevaluated at least that often. Results of the review indicating that continued in-house performance is justified will include sufficient documentation to substantiate the decision. If the results indicate continued in-house performance is not justified, HQ USAF/MOX should be notified according to procedures in paragraph 4-5.

b. **CA Expansions.** An expansion is the modernizing, replacing, upgrading, or enlarging of an Air Force in-house CA that involves a cost increase exceeding either 30 percent of the total capital investment or 30 percent of the annual personnel (includes fringe benefits) and material and supply (includes material markup) costs. A consolidation of two or more in-house CAs is not an expansion unless the proposed total capital investment or annual personnel and material and supply costs of the consolidation exceeds the total of the individual CAs by 30 percent or more. Government facilities and equipment normally are not expanded to accommodate expansions if adequate and cost-effective contractor facilities are available. In cases where expansion of an in-house CA is anticipated, a review of the entire CA, including the proposed expansion, is conducted using the appropriate decision tree for in-house CAs and

expansions. If the results of the review indicate that continued in-house performance is not justified under the criteria provided in this pamphlet, HQ USAF/MOX and the MAJCOM, FOA, or DRU should be notified according to procedures in paragraph 4-5.

c. Contract CAs:

(1) When mission changes or wartime tasks dictate that a review of a contract CA is appropriate, the review should be accomplished using the decision tree for in-house CAs and expansions. When the results of the review indicate that in-house operation is justified under the criteria established in paragraph 4-3, implementation is as follows:

(a) HQ USAF/MOX normally approves the conversion to in-house operation through the Headquarters US Air Force (HQ USAF) Bi-Annual Planning Programming and Budgeting System (BPPBS).

(b) Reallocate resources to support the in-house operation from existing MAJCOM, FOA, or DRU resources.

(c) SAF/AQK approves out-of-cycle conversions to in-house operation, involving a capital investment and annual personnel and material and supply cost of \$500,000 or more, not addressed (due to time constraints) through the HQ USAF BPPBS.

(d) MAJCOM, FOA, or DRU approves out-of-cycle conversions to in-house operation, involving a capital investment and annual personnel and material and supply cost under \$500,000, not addressed (due to time constraints) through the HQ USAF BPPBS.

(2) Contracted CAs are reviewed before issuing a contract resolicitation. When results of the review indicate contract costs may be unreasonable, performance becomes unsatisfactory, or the installation commander exercises his option to compete with the submission of an in-house bid, a cost comparison of a contract CA should be performed if in-house performance is feasible. Resources to support conversions to in-house as a result of cost comparisons should be reallocated from existing MAJCOM, FOA, or DRU resources.

(3) Contracts for contracted CAs that are justified for conversion to in-house performance by cost comparison should be allowed to expire (contract options are not exercised) once in-house capability is established.

d. New Requirements. A new requirement is a newly established need for a commercial product or service. A new requirement does not in-

clude interim in-house operation of essential services pending reacquisition of the services prompted by such action as the termination of an existing contract operation.

(1) The determination of the proper method of operation for a new requirement is made using the appropriate decision tree for new requirements. This review should be accomplished in the earliest stages of the acquisition process. Such plans as the Integrated Logistics Support Plan and Program Management Plan should use the appropriate decision tree for new requirements.

(2) Normally, in those cases where in-house operation of new requirements is not justified using the appropriate decision tree for new requirements, the workload can be performed by contract. If you think commercial prices are unreasonable, conduct an informal preliminary cost analysis to determine if the work can be performed in-house at a lower cost. A cost comparison should be scheduled if in-house performance appears to be more economical.

(3) Actions which are a result of a reorganization of existing workload are not new requirements.

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

(5) Approval to budget for a major capital investment associated with a new requirement does not constitute approval to perform the new requirement with Air Force military and civilian or military or civilian personnel. Government performance is determined according to paragraph 4-3.

Section B—Conversion Approvals and Cost Comparison Requirements

4-5. Conversion Approvals:

a. The installation commander may approve any actions to initiate a conversion of an in-house activity to contract, provided there are no critical military skills or unsatisfactory rotation index skills included, and the conversion will take place budget lead time away. HQ

USAF/MOX approves any exceptions to this policy.

b. In all cases where the installation commander approves initiating conversions, the MAJCOM, FOA, or DRU, and HQ USAF/MOX should be notified of this approval and provided the following information with an information copy to HQ AFMEA/MEQC:

(1) Function.

(2) Location.

(3) Number of funded military and civilian authorizations by Air Force specialty code (AFSC).

(4) Applicable program element code or codes.

(5) Short rationale for action.

NOTE: The date on this notification letter will be the approval date for this action in the CA Management Information System (CAMIS). The installation commander determines the method for making the conversion according to paragraph 4-6 and paragraph 4-7.

4-6. Direct Conversions. Once approved for conversion, an activity can be directly converted to contract without conducting a cost comparison or performing a management study (see chapter 9) if it is performed exclusively by military personnel, is performed wholly or par-

tially by 10 or less Air Force civilian employees who can be placed in comparable positions or retrained, or is performed outside the United States, its territories and possessions; the District of Columbia; or the Commonwealth of Puerto Rico (see chapter 12). According to 10 U.S.C., chapter 146, any activity may be directly converted to contract if the conversion involves the purchase of products and services from a qualified nonprofit agency for the blind or other severely handicapped persons.

4-7. Cost Comparisons:

a. With one exception, all CAs performed wholly or partially by 11 or more Air Force civilian employees are subjected to a cost comparison between the in-house and a contract operation before converting to contract (see chapter 10). The exception is conversions planned for performance by a qualified nonprofit agency for the blind or other severely handicapped persons according to 10 U.S.C., chapter 146.

b. A CA performed wholly or partially by 10 or fewer Air Force civilian employees can be converted to contract by performing a cost comparison. However, the procedures in chapter 12 for direct conversions may be used instead of a cost comparison for supporting the conversion to contract.

Chapter 5

COST COMPARISON PROCESS

5-1. Fourth Step in CA Program. This chapter defines and describes the overall cost comparison process. The cost comparison is the fourth step in the CA Program process.

5-2. Definition of Cost Comparison. A cost comparison is the process of developing an estimate of the cost of performance of a CA by Air Force civilian employees and comparing it to the cost to the government for contract performance of the CA. A cost comparison should be performed on those activities which are operated by 11 or more Air Force civilian employees. These cost comparisons start upon congressional announcement (for comparisons affecting 46 or more civilian employees) or installation commander's approval (for comparisons affecting 45 or fewer civilian employees).

5-3. Cost Comparison Process. The cost comparison process generally includes: making congressional, CBD, *Federal Register* (FR), and local notifications; developing a performance work statement (PWS); determining the most efficient organization (the management study); computing and comparing costs; conducting an independent review; and addressing administrative appeals. Details regarding

these specific activities are covered in subsequent chapters.

5-4. General Information on Cost Comparisons:

a. **Civilian Personnel Versus Military Personnel.** The conclusion that a CA will be cost compared reflects a management decision that the work need not be accomplished by military personnel. Therefore, all direct personnel costs are estimated on the basis of civilian performance.

b. **Funding Coverage.** Funds are budgeted to cover either the cost of the in-house operation required to accomplish the work or the estimated cost of the contract.

c. **Common Costs.** Cost comparisons include all significant costs of both government and contract performance. Common costs (costs that are the same for either in-house or contract operation; e.g., government-furnished property) are not computed, but the basis of the common costs are identified and included in the cost comparison documentation.

d. **Level of Service.** The installation commander should not require in a solicitation a level of performance, service, or equipment not required for the in-house operation.

Chapter 6

STEERING GROUP RESPONSIBILITIES

6-1. General Responsibilities. The decision to conduct a cost comparison for determining relative costs between in-house and contractor performance has an impact on the responsibilities of many staff and functional offices. A steering group, responsible for the cost comparison decisions, should be established at each affected installation and MAJCOM, FOA, or DRU. Steering groups consist of representatives from, as a minimum, the manpower, civilian personnel, contracting, budget, and staff judge advocate (SJA) functions, and the functional office of primary responsibility (OPR). The members of the installation and MAJCOM, FOA, or DRU steering groups provide data and guidance relative to their areas of expertise. Staff agencies taking part should not only respond to technical requests related to cost comparison completion, but as functional experts, they should also completely analyze their own activity and identify all aspects that have an impact on the cost comparison.

6-2. Responsibilities of the Installation Steering Group. General steering group responsibilities are outlined below. Members:

- a. Should sign a statement that they have read AFR 30-30 and AFR 40-735 (as appropriate) and understand the contents.
- b. Establish milestone dates to help make orderly and timely decisions. Attachment 6 is an example of a milestone chart.

6-3. Specific Staff Responsibilities. This list is not intended to be all inclusive, but rather it reflects the major responsibilities normally assigned.

a. **Servicing Manpower Office.** The manpower representative:

(1) Publishes a notification in the FR of the Air Force intent to examine functions for possible conversion to contract.

(2) Chairs the steering group and convenes the steering group at the beginning of a cost comparison.

(3) Briefs the steering group members, at the first steering group meeting, on the importance of integrity and objectivity when conducting the cost comparison. In concert with the contracting and SJA representatives, identifies

employees (military and civilian) who will perform as procurement officials.

(4) Develops a list of procurement officials for each cost comparison initiative and provides it, as well as any modifications, to the contracting officer. As a minimum, the manpower representative:

(a) Obtains certificates from all designated procurement officials. (This requirement is in addition to the requirement for all steering group members to sign a statement that they have read and understand AFR 30-30 and AFR 40-735, as appropriate.) Certificates signed by procurement officials participating in the cost comparison will be sent to the consolidated base personnel office (CBPO) and the central civilian personnel office (CCPO) for filing in member's records. Certificates signed by procurement officials leaving Federal employment are forwarded to the contracting office for filing in the official contract file for each procurement in excess of \$100,000.

(b) Stresses that all information and cost data about the cost estimate should be properly safeguarded. This procedure is necessary to preserve the integrity of the cost comparison. Information which is already available from existing management information systems may be released; i.e., information which would be available even if a cost comparison was not being conducted. The contracting officer should be notified of any information request about a function undergoing cost comparison. Any information subsequently released should be coordinated with the contracting officer.

(c) Outlines the responsibilities of the steering group members.

(5) Ensures authorizations identified within the scope of the cost comparison are coded with an "R" in the military essentiality code (MES) column on the UAF. (If the function remains in-house, ensures those authorizations included in the MEO are coded with an "S.")

(6) Assists the functional OPR in developing the PWS and the Quality Assurance Surveillance Plan (QASP).

(7) Conducts the management study with the assistance of the functional OPR.

(8) Develops the cost comparison with the assistance of appropriate steering group representatives. Ensures that individuals involved in

the process of evaluation of contractor bids or proposals or in the selection of the successful offer do not participate in the determination of the in-house cost estimate.

(a) Prescribes guidance to functional personnel for input to the cost comparison and the detail and format required for the related backup material.

(b) Makes sure that all cost and MEO data are properly safeguarded to prevent compromise and to preserve the integrity of the cost comparison. All cost and MEO data may be made available to the functional OPR chief or unit commander on request.

(c) Certifies, when required, that the in-house estimate is based on the MEO to accomplish the PWS.

(d) Provides AF Form 346, Commercial Activity Cost Comparison Result (In-House to Contract), or AF Form 1282, Commercial Activity Cost Comparison Result (Expansion, New Requirements, and Conversions to In-House Performance), and backup data for all lines to the cost analysis office for independent review, when required, before sending all information to the contracting officer. The review material should include the PWS, the management study, the AF Form 346 or AF Form 1282 with supporting documentation, and the solicitation package.

(e) Provides independently reviewed AF Form 346 or AF Form 1282, and all backup data (include review certification) in a sealed and identified envelope to the contracting officer.

(9) Attends prebid or preproposal conference to answer questions about the procedure and methodology that should be followed in the cost comparison and to receive copies of all contractor questions and government answers.

(10) Attends bid opening or determination of the most advantageous offer meeting and completes cost comparison.

(11) Notifies the servicing CCPO of the results of the cost comparison at the time of the bid opening or at the time of public disclosure for negotiated acquisitions. This allows the CCPO time to process the necessary personnel actions and formally advise local union representatives.

(12) Complies with the congressional notification requirements in chapter 17.

(13) Notifies CCPO upon contract award or cancellation of solicitation.

(14) Notifies MAJCOM Director of Manpower and Organization (M&O) of administrative appeal (see chapter 15).

(15) Maintains complete files on the latest cost comparison according to AFR 4-20, volume 2.

(16) Maintains oversight of MEOs, through validation of manpower requests, equipment requests, etc., to ensure tasks outlined in the PWS are performed with resources estimated in the cost comparison (see chapter 16).

b. Functional OPR. The OPR:

(1) Develops PWS and QASP according to AFR 400-28, volume I. The OPR should not require in a solicitation a level of performance, service, or equipment not required for the in-house operation.

(2) Develops position descriptions, as necessary, to support the MEO.

(3) Provides written backup data as needed by the servicing manpower office.

(4) Prepares and submits an AF Form 813, Request for Environmental Impact Analysis, on the proposed conversion to contract according to AFR 19-2.

(5) Obtains waivers to Air Force regulations, as required, to implement the MEO.

(6) Prepares and submits the purchase request (AF Form 9, Request for Purchase) to the servicing contracting office. If Service Contract Act wage determinations are required, provides a list of job categories so the contracting office can complete and submit the Standard Form (SF) 98, Notice of Intention to Make a Service Contract and Response to Notice, to the Department of Labor. If Davis-Bacon Act (construction) wage rates are required, completes and submits the SF 308, Request for Wage Determination and Response to Request, if there are no published wage rates for the required categories.

(7) Assists the servicing manpower office in conducting the management study. Reviews and authenticates the MEO.

(8) Assists in developing business strategy plan for achieving an economical and high quality result.

(9) Develops a phase-in plan for converting a predominantly military work force to an in-house civilian work force. This is necessary for estimating the cost of the phase-in period.

(10) Develops a transition plan to convert the in-house work force to a contract work force. This is necessary for estimating the cost of transitioning to a contract work force.

(11) Works with the steering group chairperson to determine whether to furnish existing government property to contractors using table 10-1.

c. Civilian Personnel. The civilian personnel officer:

(1) Advises functional OPR on position management during cost-comparison process.

(2) Notifies all affected employees and the labor organization, which is the affected employees' exclusive representative, of the planned cost comparison (including functions or organizations involved, estimated numbers and types of employees affected, general procedures to be followed, and timing of major events). Ensures the employees and union are given an opportunity to provide input; e.g., cost-savings ideas for consideration in the development of the PWS and the management study. Provides, in writing, a monthly update on status of the effort or changes that affect the process to affected employees or their representatives. Such updates should emphasize employees' opportunities to have their views considered. For solicitations under sealed bid procedures, ensures the union is notified before (at least 3 days) bid opening. For all cost comparisons, ensures the union is formally notified of the outcome. Ensures that labor relations obligations under 5 U.S.C., chapter 71, and any applicable collective bargaining agreements are met.

(3) Informs potential civilian employee procurement officials through the employee management relations representative of:

(a) Modifications to the Procurement Integrity Act that allows employees to participate in the cost comparison process without being designated as procurement officials (FAR 3.104-4(h)).

(b) The impact of right-of-first refusal as a result of being designated a procurement official.

(c) The procedures for individuals to request they be allowed to recuse themselves from involvement as a procurement official.

(d) Requirements for procurement officials to sign certain certifications.

(4) Classifies positions, as necessary, to support the MEO. Assists the functional OPR in developing the position descriptions.

(5) Provides data regarding severance pay, relocation, retraining, etc., of affected civilian personnel.

(6) Starts a request for reduction-in-force (RIF) approval as soon as possible if it is esti-

mated that the number of civilian employees meets the threshold for involuntary separation in the Federal Personnel Manual (FPM) 351. Coordinates the request with HQ USAF/DPC; however, RIF notices are withheld until a contract is awarded.

NOTE: The request is made as though a contract has been awarded and contains the same information required in FPM 351.

(7) Identifies positions that are or will be vacant and that could be filled by employees who may be separated if the decision is made to contract.

(8) If the decision is made to convert from in-service to contract, exerts maximum effort to find suitable employment for displaced Air Force civilian employees, including:

(a) Registering them in the DoD Priority Placement Program.

(b) Paying reasonable costs for training and relocating personnel when training and relocating contribute directly to placement.

(c) Coordinating with the Office of Personnel Management (OPM) to ensure displaced employees have access to governmentwide placement programs, including the OPM-operated Displaced Employee Program (DEP) and the Interagency Placement Assistance Program (IPAP).

(d) Coordinating with the Department of Labor and other agencies to promote private sector employment for separated workers.

(e) Consistent with post employment restrictions, advising displaced employees they have the right-of-first refusal for employment on the contract in positions for which they are qualified and assisting them in applying for such employment.

(9) Makes sure that at least a 60-day notice (before contract start date) of a RIF is given to employees. Unless headquarters approval to conduct a RIF is pending according to FPM 351, RIF notices are issued immediately after notification by the servicing manpower office that a contract has been awarded.

(10) Considers the potential impact on affirmative employment efforts throughout the cost comparison process and the conversion to contract operation or to the MEO. Assists management in maintaining equal employment opportunity program emphasis to the extent feasible.

d. Military Personnel. The CBPO is represented on the steering group, when appropriate. The CBPO representative:

(1) Develops a proposed implementation plan for the systematic phaseout of affected military personnel. The plan, as a minimum, includes:

(a) Milestones for conversion to contract operation.

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

(c) Desired date of availability (DOA) of affected military incumbents for placement in assignment availability code 36 (unit deactivation code). HQ AFMPC assignment officials work with MAJCOMs, FOAs, or DRUs to establish mutually agreeable DOAs.

(2) Submits a proposed implementation plan to the MAJCOM, FOA, or DRU Personnel Plans Office.

e. Contracting Office. The contracting officer:

(1) Advises the functional OPR on the development of the PWS and QASP.

(2) Reviews the PWS and QASP to ensure compliance with AFR 400-28, volume I.

(3) Provides business strategy planning as early as feasible in the acquisition cycle to develop a systematic and disciplined approach toward achieving an economical and high quality result. (See AFR 70-14.)

(4) Publicizes the proposed procurement in the CBD (FAR Part 5).

(5) Issues solicitation and any subsequent amendments and modifications. Coordinates all solicitation amendments and modifications documents with steering group chairperson to ensure cost-comparison government estimate is based on the same parameters as potential bidders and offerors.

(6) Presides at prebid and preproposal conference.

(7) Advises the servicing manpower office of scheduled cost comparison date after selection of the most advantageous proposal or receipt of bids, and presides at bid opening or the most advantageous offer meeting.

(8) Notifies the servicing manpower office immediately upon receipt of a protest or an appeal.

(9) Notifies the servicing manpower office in writing when a contract is actually awarded or when solicitation has been canceled.

(10) Develops a contract administrator's plan.

f. Comptroller Office:

(1) Appoints an independent reviewer from the cost analysis function.

(2) Identifies in the base budget submissions the necessary actions to ensure funds are available.

(3) Upon request of the manpower office, conducts an informal cost-benefit analysis to determine if providing government property to a contractor is in the best interest of the Air Force when such analysis lends itself to quantification.

(4) Analyzes the economic effect on the local community when 75 or more DoD employees will be affected by the cost comparison.

g. Base Staff Judge Advocate. The base legal officer reviews the solicitation for legal sufficiency.

h. Base Civil Engineering. The base civil engineer:

(1) Reviews the PWS and makes sure utilities, facilities, and services support are properly provided.

(2) Helps the functional OPR in the environmental assessment of proposals.

(3) Assesses any possible intergovernmental or community impact considerations relative to AFR 19-9 for cost comparisons when 250 or more work years required before MEO.

6-4. Installation Commanders. Although not a member of the steering group, these commanders have the following responsibilities in conducting cost comparisons.

NOTE: In certain circumstances where the activity is not a part of the host base, it may be more appropriate for an official from that activity to carry out these responsibilities.

a. Appointing members to the cost comparison steering group in writing

b. Ensuring timely completion of the cost comparison.

c. Notifying their MAJCOM when projected milestones would cause the cost comparison to exceed 24 months for single function studies or 48 months for multifunction studies.

6-5. Responsibilities of MAJCOM, FOA, or DRU Steering Group. A representative from the Directorate of M&O chairs the steering group. The MAJCOM, FOA, or DRU steering group has similar representation and responsibilities as the installation steering group. The MAJCOM, FOA, or DRU Steering Group:

a. Provides overall guidance and expertise to the installation steering group.

b. Monitors progress of cost comparisons and notifies HQ USAF/MOX and HQ AF-MEA/MEQC when projected milestones would cause the cost comparison to exceed the stan-

dard length of time to complete (paragraph 6-4c).

c. May be combined with the installation steering group if this action will realize additional efficiencies. It may replace the installation steering group where installation capabilities do not exist.

Chapter 7

PERFORMANCE WORK STATEMENT AND QUALITY ASSURANCE SURVEILLANCE PLAN DEVELOPMENT

7-1. Preparation of the PWS and QASP.

This chapter provides instructions for preparation of the PWS and QASP.

a. Preparation of the PWS is critical since it is the basis for the cost comparison. It should be sufficiently comprehensive to ensure that in-house or contract performance satisfies government requirements. The PWS should clearly state what is to be done without describing how it is to be done. The PWS should describe the output requirements of the operation, including the responsibilities and requirements for facilities, equipment, and material. It should also provide measurable performance standards. The PWS forms the basis for both the in-house and contractor cost estimates. Concurrent with the development of a PWS, a QASP is required to ensure a comparable level of performance for either an in-house or contract operation.

b. The PWS and the QASP are prepared according to AFR 400-28, volume I, for cost comparisons and direct conversions.

7-2. Initial Guidance. Upon announcing or initiating a cost comparison, HQ AF-MEA/MEQCA provides supplemental guidance on PWS and QASP development. That guidance includes:

a. Availability and use of existing PWSs and QASPs.

b. Recommended procedures for developing new PWSs and QASPs or refining existing PWSs and QASPs. The procedure used may include workshops.

7-3. Team Effort and Responsibilities. The development of a quality PWS and QASP is the result of a team effort. The principal members of the team are representatives from the functional, contracting, and manpower offices. Advisory personnel (i.e., comptroller, SJA, inspector general, security police, safety, etc.) may be called upon for recommendations in regard to PWS and QASP development as needed. A formal prestudy planning meeting of all parties involved is beneficial to answer questions and prevent delays during PWS development.

a. The functional office representative is considered the team leader, exercising authority and responsibility for the PWS and QASP devel-

opment. The functional office representative determines the required service and standards to measure the quality and level of service.

b. The contracting office representative provides the necessary authority and technical expertise in contracting to ensure the PWS and QASP is in compliance with AFR 400-28, volume I.

c. The manpower representative assists and expedites completion of the PWS and QASP. The manpower representative also facilitates PWS development through workshops and provides guidance on workload collection and documentation.

d. The steering group should afford employees and their bargaining unit representatives an opportunity to contribute to the preparation of the PWS (10, U.S.C., chapter 146).

e. MAJCOM, FOA, or DRU functional OPR will approve PWSs for use within the command.

7-4. Special Considerations:

a. Government-Owned Facilities, Equipment (Capital Assets and Minor Items), and Real Property. An informal cost-benefit analysis (table 10-1) should be used to determine if providing government property to a contractor is in the best interest of the government. Current, accurate, and complete information justifying the determination on government property should be readily available for the independent review. The design of this analysis should not give a decided advantage or disadvantage to either in-house or contract competitors. For purposes of this pamphlet, government property is defined according to the FAR Part 45.

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

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

d. Security Clearances:

(1) Contractor Employees. If there is a requirement for contractor employees to have access to classified information, or controlled or restricted areas in order to provide the product or service, facility security clearances for contractor employees should be processed according to AFR 205-4. Commanders should ensure security clearances for contractor employees are obtained only when a bona fide requirement exists. Contractor employees who do not require access to classified information for work performance, but require entry into restricted areas of the installation, may be authorized unescorted entry only when the provisions of AFR 205-4 are met.

(2) In-House Employees. Commanders should ensure security clearances for in-house employees are obtained only when a bona fide requirement exists.

e. Relationship of the PWS, QASP, and the Management Study. Development of the PWS, QASP, and the management study, as outlined in chapter 7 and chapter 9 are normally accomplished concurrently. A job analysis, as described in AFR 400-28, volume I, is conducted in the development or the adaptation of the PWS. This analysis should be accomplished as the initial stage of the management study. This ensures the management study determines the MEO based on the outputs, standards, and management flexibility, and not on the old methods and procedures.

Chapter 8

SOLICITATION CONSIDERATIONS

8-1. Solicitation Considerations. The invitation for bids or request for proposals should provide for a common standard of performance that permits an equitable comparison of government and contract costs for performing the same work.

a. Offerors should be informed that an in-house cost estimate is being developed and that a contract may or may not result. Include the clause at FAR 52.207-1 for negotiated procurement solicitations.

b. Offers from contractors should be for a basic period and two prepriced options, as a minimum. Prepriced options (up to 4 years) after the basic period are encouraged for continuity of service.

8-2. FAR Compliance. All contracts awarded as a result of a conversion (whether or not a cost comparison was performed) should:

a. Comply with all requirements of the FAR as supplemented.

b. Include a requirement for the contractor to develop a contingency plan explaining how the contractor expands operations in emergency situations and ensures there are no significant interruptions of routine contract services due to labor disputes.

c. Include all applicable clauses and provisions related to the right-of-first refusal for employment by displaced Air Force civilian employees; equal employment opportunities; safety and occupational health; veterans preference; notice of cost comparison; notice to the government of labor disputes; and minimum wages and fringe benefits.

8-3. Preferential Procurement. Solicitations are restricted for preferential procurement when the requirements applicable to these programs (such as small business set-asides or other required sources of supplies and services) are met according to the FAR. Continuation of an in-house CA for lack of a satisfactory commercial source may not be based on lack of response to a restricted solicitation.

8-4. Presidential Committee for Purchase From the Blind and Other Severely Handicapped:

a. Under the Javits-Wagner-O'Day Act (PL 92-28), the Committee for Purchase from the Blind and Other Severely Handicapped was established to increase employment opportunities for the blind and other severely handicapped. Essentially, the committee is comprised of 15 Presidentially appointed members; 11 are from various government agencies and 4 are private citizens. The committee has designated two national agencies as central nonprofit agencies to assist the committee in administering the act and assisting in workshops: the National Industries for the Blind (NIB) and the National Industries for the Severely Handicapped (NISH).

b. Acquisition policies and procedures for implementing the Javits-Wagner-O'Day Act are covered in FAR, Part 8, Subpart 8.7, AFFARS 8.705, and 10 U.S.C. 2461. The contracting officer negotiates with the committee; the functional OPR, together with the servicing manpower office, provides the contracting officer an estimated cost of in-house performance. The committee should determine, however, the final price to use in meeting the requirements of the solicitation. The committee notifies the contracting officer that the service has been added to the procurement list containing services approved by the committee. The price the committee approves is included in the notice the committee issues. CAs that are on the procurement list or are planned for conversion to performance by NISH or NIB agencies will not be cost compared. These CAs will be directly converted to contract according to the above referenced directives.

8-5. Grouping CAs:

a. The installation commander determines which CAs should be grouped in a single solicitation. The installation commander should keep in mind that the grouping of CAs can influence the amount of competition (number of commercial firms that submit bids or proposals) and the eventual cost to the government.

b. The installation commander considers the adverse impact the grouping of CAs into a single solicitation may have on small and small disadvantaged business concerns. CAs being performed wholly by small or small disadvantaged businesses should not be incorporated into a cost comparison unless consolidation is

necessary to meet mission requirements. Actions should ensure these contractors are not displaced merely to accomplish consolidation. Similarly, care should be taken so nonincumbent small and small disadvantaged business contractors are not unduly restricted from competing effectively at the prime contractor level.

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

- (1) Effect on competition.
- (2) Duplicative management functions and costs eliminated through grouping.
- (3) Economies of administering multifunction versus single function contracts, including cost risks associated with the pricing structure of each.
- (4) Feasibility of separating unrelated functional tasks or groupings.
- (5) Effect grouping has on the performance of the functions.

d. When the solicitation package includes totally independent functions which are clearly divisible, severable, limited in number, and not price interrelated, they may be solicited on the basis of an "any or all" bid or offer. Commercial bidders or offerors would be permitted to submit bids or offers on one or any combination of the functions being solicited. These bids or offers would be evaluated to determine the lowest aggregate contract cost to the government. This lowest aggregate contract cost should be compared to the in-house cost estimate based on the MEO for performing the functions in the single solicitation.

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

f. It is recognized that in some cases, decisions may result in the elimination of prime

contracting opportunities for small business. In these cases, special measures should be taken. At a minimum, all competing prime contractors should give small and small disadvantaged business concerns preferential consideration in the award of subcontracts. For negotiated acquisitions, the degree to which this is accomplished should be a weighted factor in the evaluation and source selection process leading to contract award.

g. When commercial activities are grouped in an "all or none" solicitation, the contracting officer should provide the Small Business Administration (SBA), at least 30 days before issuing the solicitation, an explanation as to why the proposed procurement cannot be acquired by multiple contracts to provide small businesses greater opportunity to compete and allow the SBA the opportunity to challenge the consolidation.

h. The contract files should be documented fully to demonstrate compliance with the procedures in paragraph a through paragraph g above.

8-6. No Response to Solicitation. If bids or proposals, or responsive or responsible bids or proposals are not received in response to a solicitation, the in-house cost estimate remains unopened. The contracting officer examines the solicitation and queries potential contractors to ascertain why responses were either not received or were not acceptable. Depending on the results of this review, the contracting officer, in concert with the steering committee, considers restructuring the requirement, if feasible, and reissuing. If the resolicitation does not result in receipt of acceptable responses, the in-house cost estimate is opened and the MEO implemented according to chapter 16.

8-7. Right-of-First Refusal Clause:

a. The clause at FAR 52.207-3, entitled "Right-of-First Refusal of Employment" should be included in all solicitations and resultant contracts. The clause requires the contractor to give qualified government employees displaced as a result of the conversion right-of-first refusal for job openings under the contract. The reference to the word "displaced" is intended to mean any DoD civilian employee affected by conversion to contract operation (including such actions as job elimination or grade reduction). It includes both employees in the function converted to contract and employees outside the

function who are affected adversely through reassignment, the exercise of bumping, or retreat rights. The responsibility for determining qualifications of displaced employees rests solely with the contractor. This determination is not subject to Air Force review.

b. Civilian personnel and contracting officer responsibilities in implementing the right-of-first refusal are:

(1) By the date of contract award, the civilian personnel officer should give the contracting officer an estimate of the number of Air Force employees who are adversely affected as a result of conversion to contract. Within 7 calendar days after the contract award, the contractor should provide the contracting officer enough employment application forms for the number of employees who may be adversely affected. If the contractor does not have specific forms, he or she gives the contracting officer the information required for employment application.

(2) As soon as the civilian personnel officer has identified (usually within 15 days after RIF notices have been delivered) the specific employees who are scheduled to be adversely affected, the civilian personnel officer informs the employees in writing of the "right-of-first refusal" clause and invites the employees to a meeting to receive more information about the clause. The civilian personnel officer gives the contracting officer a list of names of these employees and certifies that the employees were given an invitation to the meeting. The contracting officer explains the meaning of the clause (for example, who is displaced, who determines qualifications, etc.) and the proce-

dures the Air Force follows to make sure the contractor complies. The contracting officer obtains a list of names of all attendees. This list should be retained in the contract administration file.

(a) The civilian personnel officer informs the employees of the provisions of FPM Supplement 990-2.

(b) The civilian personnel officer should give the employees an employment application form from the contractor or inform the employees what information the contractor requires of applicants. The civilian personnel officer should give the employees the name and address of the contractor and tell them that he or she should decide whether or not to submit the application. The employees will be told that their applications should be in the hands of the contractor within 2 weeks of receipt of the employment application form from the civilian personnel officer if they want to be considered for employment according to the clause guaranteeing the right-of-first refusal.

(3) The contracting officer should give the contractor a list of names of Air Force employees scheduled to be adversely affected. The contractor is required to:

(a) Submit, not later than 1 week after contract start date, a list of the names of any applicants on the adversely affected list.

(b) Identify former Air Force employees who rejected offers of employment.

(c) Identify former Air Force employees who have been or will be hired.

(d) Identify the former Air Force employees who, though qualified, were not offered a job because there were not enough jobs.

Chapter 9

MANAGEMENT STUDY

9-1. Basic Guidelines for Management Study. This chapter provides information on how to conduct a management study, as well as the techniques used and documentation required in the study. The Air Force formal programs and training for the performance of management studies are appropriate for teaching how to conduct CA management studies. This chapter should not be used to replace these management techniques, but merely to establish the basic criteria and the interrelationship between the management study and the PWS.

9-2. When the Management Study Is Performed. A management study is performed to analyze completely the method of operation necessary to establish the MEO needed to accomplish the requirements in the PWS. The PWS does not need to be completely written before the management study is complete, but the major decisions on performance standards and whether compliance with the old procedures is mandatory should be made before the MEO can be developed. Development of the MEO is a crucial step in the cost-comparison process. The management study identifies essential functions to be performed and determines performance factors, organizational structure, staffing requirements, and operating procedures for the most efficient in-house performance of the CA. The MEO becomes the basis of the government estimate for the cost comparison with potential contractors. In this context, "efficient" (or cost effective) means that the required level of workload (output, as described in the PWS) is accomplished with as little resource consumption (input) as possible without degradation in the required quality level of products or services. When developing the MEO, the performance standards in the PWS are followed so there are no workload data differences between the in-house and contract cost estimate. The management study, ideally, is a team effort which utilizes the talents of individuals with expertise in management analysis, staffing, position classification, work measurement, value engineering, industrial engineering, cost analysis, contracting, and the technical aspects of the functional area under cost comparison. The servicing manpower office representative, in concert with the legal and contracting steering

group representatives, determines which participants will be required to sign the AFR 30-30, AFR 40-735, and the procurement official certifications. The objective of the management study team is to find new, innovative, and creative ways to provide the required products or services in a cost effective manner.

a. **Mandatory Requirement.** The management study is mandatory for all conversions of activities that are performed wholly or in part by more than 10 Air Force civilian employees except activities that are to be converted to performance by the NIB or the NISH (10, U.S.C., chapter 146).

b. **Relationship to Staffing and Standards.** The estimated workload should be based on the PWS and not necessarily on the current workload, staffing, or work methods. If an existing manpower standard or guide is used, it may be necessary to make upward or downward adjustments. The adjustments are necessary because existing standards or guides may be based on work elements or performance standards or describe work methods which may not be appropriate to accomplish the workload described in the PWS. If current staffing patterns are used, similar upward or downward adjustments may also be needed.

c. **Employee and Union Participation.** Early in the management study, management solicits the views of the employees in the CA under review and their representatives for their recommendations as to the MEO or ways to improve the method of operation.

d. **Resources Specified in MEO.** The installation commander should ensure the in-house operation, as specified in the MEO, is capable of performing according to the requirements of the PWS. The commander ensures the resources (facilities, equipment, and personnel) specified in the MEO are available to the in-house operation. The MEO should reflect only approved resources.

e. **Organization and Position Structuring.** Once PWS workload requirements are determined, an organizational configuration and position structure which best meets the PWS workload should be designed.

(1) The new organization and position structure should arrange the PWS workload in the most efficient manner. The workload should

be divided according to skill levels required. Supervisory and administrative support requirements (not a part of operations overhead) should be included. Also, consideration should be given to multiskilled positions to fully utilize employees; the best mix of work schedules for accomplishing the workload; i.e., full-time, part-time, and intermittent; and the use of overtime (unscheduled, seasonal, or peak workload).

(2) In developing a position structure, position descriptions may have to be written or rewritten. Classification specialists from the CCPO ensure proper structuring (design) of positions according to pay plan; i.e., general schedule (GS), Federal wage system (FWS), or other occupational series and grade. This task should be approached as if all current positions are to be abolished. This theoretical approach helps develop the most efficient, effective organization. These decisions should be made during the management study. The new organization, as defined in the management study, is costed in the cost comparison.

f. Fast Payback Capital Investment Program (FASCAP). FASCAP funds may be used for procuring equipment to enhance the productivity of the activity under cost comparison. As opportunities for equipment purchases are identified during the management study, the request should be documented and promptly processed according to AFR 25-3. Approval should be obtained before completing the management study. If manpower authorizations are identified to amortize the FASCAP purchase, the management study documentation (attachment 7) reflects the specific impact of the approved FASCAP initiative. Total MEO positions required with the equipment and the total required without the equipment are shown. However, for costing purposes, the number of MEO positions associated with the approved method is used. FASCAP funds are not expended to purchase equipment for potential contractor use. Equipment associated with approved FASCAP projects is not purchased until the results of the cost comparison are known. If the CA under study remains in-house the equipment is purchased. If the CA converts to contract the FASCAP project is canceled.

g. Wartime Planning. If a CA provides critical or sensitive services, the management study should include a plan for expansion in emergency situations.

h. Interservice or Intraservice Support Agreements. As a part of the management

study, installations should determine if specific requirements can be met through an interservice or intraservice support agreement with other activities or government agencies having excess capacity or capability.

i. Organizational and Procedural Waivers. The PWS describes the output performance standards of the organization under cost comparison and should be written to provide the maximum possible amount of flexibility to managers who accomplish the job. This should include eliminating compliance with regulatory procedures when more efficient and cost-effective ways are known and adequate measurable standards are developed. Waivers from Air Force regulations to implement the MEO should be obtained before final approval of the MEO. The management study then develops the MEO, taking into account the management flexibility the PWS provides.

9-3. Management Study Principles:

a. The management study should reflect the best efforts of the activity to improve the operations of the area under cost comparison, with primary emphasis on defining what should be done (mission of the activity) and the best way to do it (methods improvement). The best way to accomplish the essential mission may involve changing procedures, revising paper flow, restructuring the organization, reconfiguring facilities, making equipment changes, eliminating or downgrading positions, and using other techniques to provide the same quantity and quality of service with the smallest possible consumption of resources.

b. The MEO may include a recommendation to reduce staffing requirements by consolidating organizations, activities, or functions; eliminating redundant supervision, functions, and tasks; decreasing hierarchical levels; reducing clerical and other support positions; increasing the span of control; and eliminating nonessential positions. If the management study identifies a need for fewer people in the activity, support areas should also be investigated for reduced requirements.

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

9-4. Study Methods. Specific techniques used in management studies can range the entire spectrum of work measurement, value engineering, methods improvement, organizational analysis, position management, systems and procedures analyses, and Total Quality Management Process Action Teams. In some cases, capital investment programs may be available to make the function more productive. (These programs should be pursued as quickly as possible because long acquisition lead time may be required.) The techniques chosen depend on the type of function involved and the data, time, and analysts available. Some of the techniques are outlined below; however, details on applying the techniques may be obtained from many management textbooks. A useful source for these techniques may be found in AFR 25-5.

a. **Analysis Techniques.** There are several specialized analysis techniques which can identify problem areas, duplication of effort, layering of supervision, lost motion, need for delegation, inefficient methods, etc. These techniques include flow process charting, layout analysis, systems and procedures analyses, process measurement analysis, work distribution analysis, linear responsibility charting, functional models, and program evaluation review technique.

b. **Operational Audit.** Operational audit may be used when there is insufficient time or expertise available for more precise techniques. The operational audit requires informed objective judgments by analysts and functional personnel. Staffing by operational audit may also include directed positions required by law and regulation. The basis or reasoning used for the operational audit should be described in the study.

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

9-5. Performance Indicators. The performance requirements of the PWS are developed during the initial job analysis phase of the management study or PWS development. However,

these requirements pertain only to final outputs and assume that the contractor will develop and operate an organization to meet these performance requirements. Therefore, it may be necessary for the study team to develop performance indicators for functions below the final output level to assist in developing the in-house organization. Performance indicators required for developing the in-house organization should be established at the same time the performance indicators for the PWS are developed. This ensures there are no discrepancies or omissions that inflate or deflate the in-house organization for the required outputs. The most direct way of evaluating performance is to count output units and compare them to some predetermined requirements. Similarly, resource requirements can be predicted by comparing each person's average outputs to projected workload. In some cases, output measures which are easily counted may be difficult or impossible to obtain. In all cases, however, indicators of performance should be devised. These performance indicators should reflect the quantitative, as well as qualitative, aspects of organizational output. When quantitative measures are infeasible, other measures, such as, effectiveness, timeliness, or quality, should be used.

a. **Quantitative Measures.** Examples of a measure of level of effort or work actually performed include the number of windows repaired, job orders completed, items issued, and lines typed.

b. **Qualitative Measures.** Examples of a measure of how well outputs were produced against a standard include the item reject rates, number of customer complaints, and accidents per mile. Many times the qualitative standard should be a written description of the results of the work.

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

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

e. **Total Cost Measures.** This is applicable when there is no other adequate measure or when a major managerial responsibility is to contain the cost of the performance. Costs can be

measured on a total or unit cost basis. The cost should seldom be used since the competitive process of the cost comparison should result in the lowest cost to do the job described in the PWS.

9-6. Management Study Documentation.

The management study is a major management analytical evaluation of an organization to determine if the job can be accomplished in a more economical manner. The results of the study are used to develop the government cost to compare with the contractor cost to provide the product

or service. The results of the management study should be documented to show the development and extent of the analytical process and to record the new government organization. Attachment 7 provides the recommended format for documenting the management study. This format contains the minimum documentation required. The management study documentation should include a discussion of all applicable areas covered in the format. The document is the basis on which the Air Force certifies that the government cost estimate is based on the most efficient organization.

Chapter 10

COST COMPARISON COSTING PROCEDURES

Section A—Overview of Costing Procedures

10-1. Overview of Procedures. This chapter provides detailed procedures for developing an estimated cost of Air Force performance of a CA and comparing this cost to the cost of contractor performance of that CA. All Air Force activities requiring a cost comparison should use these procedures. The procedures are in compliance with DoD implementing directives which recognize the absence of a uniform accounting system throughout the Federal Government. When there is a requirement for an economic analysis due to third party financing considerations, PL 97-214 takes precedence and is used instead of a cost comparison.

10-2. Outline of Procedures:

a. This chapter is organized by the major subjects which should be considered when developing in-house and contract cost estimates. Generally, these subjects follow the line-by-line progression of the AF Form 346 (attachment 8, figure 1). This form is used for recording the line-by-line cost estimates. Each line is explained in sufficient detail in this chapter to include computations which are made and documentation which should be retained to support the cost comparison.

b. Section B provides general instructions applicable to developing a cost comparison. Section C describes the procedures to develop the cost of in-house government performance. Section D describes the procedures to develop the cost of contract performance. Section E provides procedures for computing the minimum conversion differential and determining the cost comparison decision.

Section B—General Instructions

10-3. Overview of General Instructions. This section provides some general instructions that are considered when performing a cost comparison. These items apply to developing the cost of in-house government performance as well as developing the contractor operation cost to the government.

a. **Common Costs.** Cost comparisons should consider all significant costs both for in-house

government and contract performance. They should be based on the MEO needed to accomplish the requirements in the PWS. However, costs that would be the same for either in-house or contract operation are not computed, but are identified by type of cost and included in the cost comparison documentation.

b. **Rounding Rule.** All entries are rounded on the AF Form 346 to the nearest dollar. For amounts from 50 to 99 cents, increase the amount to the next dollar and drop amounts under 50 cents.

c. **Prorating Performance Periods.** When the first period of performance is less than a full year, all cost elements, except one-time conversion costs (line 10), are prorated over the number of months in the first performance period. Line 10 instructions for allocating one-time conversion costs are in paragraph 10-15.

d. **Cost-Comparison Documentation.** The cost comparison is documented to provide a record of information to support the entries for each line of the cost comparison. The cost elements involving common costs which are not entered on the AF Form 346 are identified and documented. Each line of the AF Form 346 is addressed to provide rationale for including or excluding specific costs. To the maximum extent possible, the documentation supports the cost comparison without further explanation. The documentation enables a reviewer to track the computations from start to finish. Several sample worksheets are provided in this pamphlet to facilitate computation and documentation.

e. **Documentation Reference.** On the AF Form 346 under the "reference" column, the page number of the attached documentation is entered to support each line of the form.

f. **Standby Costs.** Standby costs are costs incurred for the upkeep of property in standby status. These costs neither add to the value of the property nor prolong its life, but keep it in efficient operating condition or available for use. When an in-house activity is terminated in favor of contract performance and an agency elects to hold government equipment and facilities on standby solely to maintain performance capability, the standby costs are not charged to the cost of contracting since this is a management decision.

g. Cost Factors or Rates. HQ AFMEA/MEQC provides a listing of current cost factors or rates for cost comparisons on a quarterly basis.

h. Inflation Factors. Inflation rates are used in preparing cost estimates to provide realistic base-year costs (if actual or known costs are not available) and outyear costs.

(1) In preparing cost estimates of in-house and contract performance, all known or anticipated increases to be incurred before the end of the first period of performance should be included in each element of cost; e.g., salary increase for government employees, etc. If actual or known costs are used, it is not necessary to further adjust the costs of the first period of performance for inflation. For subsequent periods, inflation factors are normally applied to the estimated costs of the first year of performance. There are some exceptions to inflation which are discussed in each corresponding line item: personnel costs subject to economic price adjustment (EPA) provisions under the Service Contract Act, depreciation costs for facilities and equipment, and cost of minor items.

(2) To calculate projected outyear costs based on inflation:

(a) Determine the amount of each element of cost that is affected by inflation during each period of performance. For each period, ensure the number of months in the period and changes to the PWS have been considered. Include only recurring costs since nonrecurring costs are not inflated.

(b) Multiply the amount of the element of cost determined for each period of performance by the respective inflation factors for the applicable period of performance.

(c) Once adjusted for inflation, enter the total cost of that AF Form 346 line item in the column corresponding to the period of performance.

(d) Show calculations in the formal documentation.

(3) The inflation matrix at figure 10-1 provides a recapitulation of when normally to inflate cost elements for each line of the AF Form 346 in the outyears. There may be exceptions due to the workload in the PWS; therefore, this matrix cannot be used entirely by itself to determine when to inflate cost elements.

LINE NUMBER AND COST ELEMENT	OUTYEAR INFLATION	
	YES	NO
IN-HOUSE PERFORMANCE COST		
1. Personnel Costs	X (if positions are not covered by EPA*)	X (if positions are covered by EPA*)
2. Material and Supply Costs	X (if materials and supplies are not covered by EPA*)	X (if materials and supplies are covered by EPA*)
3. Other, Specifically Attributable Costs		
a. Depreciation		X
b. Rent	X	
c. Maintenance and Repair	X	
d. Utilities	X	
e. Insurance		
(1) Casualty	X	
(2) Liability		X
f. Travel	X	
g. Other Costs		
(1) Minor Items		X
(2) Purchased Services	X (except when contract is long term and labor costs are covered by EPA*)	
(3) Other	X	
4. Overhead Costs		
a. Personnel Costs	X (if positions are not covered by EPA*)	X (if positions are covered by EPA*)
b. Material and Supply Costs	X	
c. Other Specifically Attributable Costs	X (except for any depreciation, minor item, and liability insurance costs)	
5. Additional Costs	X	
6. Total In-House Costs		X

*EPA - Refers to economic price adjustment provisions.

Figure 10-1. Inflation Matrix.

LINE NUMBER AND COST ELEMENT	OUTYEAR INFLATION	
	YES	NO
CONTRACT PERFORMANCE COST		
7. Contract Price		x
8. Contract Administration		
a. Personnel Costs	x	
b. Material and Supply Costs	x	
c. Other Specifically Attributable Costs	x (except for any depreciation, minor item, and liability insurance costs)	
9. Additional Costs	x	
10. One-Time Conversion Costs		x
11. Gain or Loss on Disposal or Transfer of Assets		x
12. Federal Income Tax (Deduct)		x
13. Total Contract Costs		x
DECISION		
14. Conversion Differential		x
15. Total		x
16. Cost Comparison		x

Figure 10-1. Continued.

i. Cost Comparison Period. Cost comparisons should be based on at least a 3-year period. However, the cost comparison period should match the period of the contract plus options as reflected in the contract solicitation.

j. Cost of Conducting the Comparison. Costs related to conducting the cost comparison are collected and reported in the CAMIS but should not be included in the cost comparison.

k. Security Clearances. The costs involved in obtaining security clearances for potential contract employees are considered common costs for the purposes of the cost comparison.

Section C—Developing the Cost of In-House Government Performance

10-4. Outline of Procedures. This section discusses the procedures for developing the specifically attributable, overhead, and additional costs associated with in-house performance of a commercial activity. Specifically attributable costs are incurred 100 percent by the function under cost comparison and are discussed in

paragraph 10-5 through paragraph 10-7. Overhead costs are less than 100 percent attributable to the function under cost comparison and are discussed in paragraph 10-8. Additional costs are discussed in paragraph 10-9. The in-house performance cost is based on the same level of effort and description of work as identified to the contractor in the PWS and other solicitation documents and includes estimates of all significant and measurable costs. The estimated costs of in-house operation of the function undergoing cost comparison are recorded on the AF Form 346 (attachment 8) and are based on these costs: personnel costs; material and supply costs; other specifically attributable costs (i.e.; depreciation, rent, maintenance and repair, utilities, insurance, travel, and other costs); overhead costs (i.e.; operations overhead and general and administrative (G&A) overhead); and additional costs.

10-5. Personnel Costs (Line 1):

a. This line includes personnel costs for accomplishing the requirements specified in the

PWS for the function under cost comparison. It includes salaries, wages, fringe benefits, and other entitlement. Personnel costs, determined by required civilian grades and series, are based on the work described in the PWS and the MEO (determined by the management study) rather than on the current organizational structure.

b. When productive work hours are reflected in the management study, these work hours need to be converted to full-time equivalents (FTE). For full-time and part-time positions, total hours required are estimated by skill and divided by 1,744 annual available hours to determine the number of positions required. For intermittent positions to be expressed in FTEs, total hours required are estimated by skill and divided by 2,015 annual available hours to determine the number of positions required. (The annual available hours exclude annual leave, sick leave, administrative leave, training, and other nonproductive hours. The two factors result from differences in the applicability of such nonproductive time between types of positions.) An example of how to convert PWS workload to personnel requirements is provided in figure 10-2.

c. When PWS workload requirements vary for the various performance periods, the staffing requirements should be developed for each performance period.

d. Figure 10-3 is a worksheet which can be used to compute personnel costs. The worksheet is completed as follows:

(1) Position Title or Skill--(Column A). Show a title for each position as identified in the

MEO; e.g., carpenter, driver, janitor, supervisor, administrative clerk, etc.

(2) Grade and Step--(Column B). Show the grade and step for each type of position or skill; e.g., GS 12/5, WS 6/4, etc.

(3) Number FTEs Required--(Column C). Show the FTEs required for each grade. Specifically identify the part-time and intermittent employee FTEs; express partial FTEs to three decimal places.

NOTE: This is important for fringe benefit or medicare calculations since intermittent and temporary employees get lower benefits than regular tour-of-duty employees.

(4) Annual Salary or Wages--(Column D). Obtain pay information from the servicing CCPO or finance office. Use current pay rates based on the governmentwide representative rate of step 5 for GS and step 4 for FWS employees, or, if available and deemed accurate, an organizationally determined average step within each grade. Use step 5 of the comparable GS pay scale for general manager (GM) positions. For other types of pay categories, work with the servicing CCPO to develop the most appropriate annual salary or wage. Multiply the pay rate by the number of FTEs in column C on the worksheet, except for intermittent positions where actual hours are used. As a rule, express GS salary as an annual rate of pay and FWS salary as an hourly rate. For positions to be used on a pre-arranged regularly scheduled tour of duty, multiply the hourly rate by 2,087 to obtain the yearly pay.

Based on the PWS, the maintenance and electrician requirements for the function under study total 8,448 annual productive hours. Due to the nature of the work, the analyst determined that four full-time employees are needed. In addition, based on the extent and type of electrical work and labor market availability, the analyst, with the help of the personnel office, determines that one part-time electrician working a 20-hour per week schedule plus another part-time or intermittent employee for the remaining hours are appropriate. The analyst determines four full-time maintenance employees will accomplish 6,976 productive hours ($4 \times 1,744 = 6,976$), leaving 1,472 productive hours for the electricians ($8,448 - 6,976 = 1,472$).

The part-time electrician, which equates to .5 of an FTE, can accomplish 872 productive hours ($.5 \times 1,744 = 872$), leaving 600 productive hours for the electrician as an intermittent. The intermittent electrician's 600 hours need to be converted to FTEs for consistency and for ease in identifying the total FTEs of the in-house staffing estimate. The higher availability factor of 2,015 is used. Therefore, the intermittent employee in this example equates to .298 FTEs ($600 \div 2,015 = .298$).

NOTE: Specifically identify the part-time and intermittent FTEs on the personnel cost worksheet (see figure 10-3); also express the partial FTEs to 3 decimal places.

Figure 10-2. Sample Conversion of PWS Workload to Personnel Requirement.

Line 1, Personnel Cost Base Year <u>SEP 91</u>								
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
Position Title or Skill	Grade/ Step	Number ² FTEs Required	Annual Salary or Wages (C x Annual Pay Rate)	Other ² Entitlements	Basic Pay (D+E)	Fringe Benefits (29.55%) Or FICA (7.65%) (F x Rate) ³	Other ² Pay (Medicare)	Personnel Cost (F+G+H)
GS PAY CATEGORY								
Producer	GS 12/5	1	\$42,266.00	None	\$ 42,266.00	\$12,489.60		\$ 54,755.60
Art Director	GS 11/5	1	35,264.00		35,264.00	10,420.51		45,684.51
Chief Engineer	GS 9/5	1	29,145.00		29,145.00	8,612.35		37,757.35
Audio Technician	GS 8/5	2	52,776.00		52,776.00	15,595.31		68,371.31
Camera Operator	GS 7/5	2	47,654.00		47,654.00	14,081.76	\$463.42 ⁴	62,199.18
Video Operator	GS 7/5	2	47,654.00		47,654.00	14,081.76		61,735.76
Stenographer	GS 4/5	1	17,195.00		17,195.00	5,081.12		22,276.12
Clerk Typist	GS 3/5	1	15,319.00		15,319.00	4,526.76		19,845.76
Clerk Typist (Intermittent)	GS 3/5	.149(300 Hrs) ⁵	2,202.06 ⁶		2,202.06	168.46 (FICA)		2,370.52
Subtotal for GS		11.149			\$ 289,475.06	\$85,057.63	\$463.42	\$374,996.11
FWS PAY CATEGORY								
Maint Foreman	WS 6/4	1	\$27,798.84 ⁷		\$ 27,798.84	\$ 8,214.56		\$ 36,013.40
Maint Technician	WG 8/4	3	67,243.14	\$1,681.08 ⁸	68,924.22	20,367.11	\$1,634.36 ⁹	90,925.69
Electrician (part-time)	WG 8/4	.500	11,207.19		11,207.19	3,311.72		14,518.91
Electrician Helper (Intermittent)	WG 4/4	.298(600 Hrs)	5,250.00 ¹⁰		5,250.00	401.63(FICA)		5,651.63
Subtotal for FWS		4.798		\$1,681.08	\$113,180.25	\$32,295.02	\$1,634.36	\$147,109.63
Totals		15.947		\$1,681.08	\$402,655.31	\$117,352.65	\$2,097.78	\$522,105.74
FINAL TOTAL (ROUNDED TO NEAREST DOLLAR)								\$522,106.00

Figure 10-3. Sample Personnel Cost Worksheet.

NOTES:

- ¹ Include salary or wage table in documentation. This column is computed by multiplying column C times the annual pay rate, except for intermittent employees where hours are used.
- ² Document derivation separately.
- ³ Fringe benefit and FICA factors are provided quarterly by HQ AFMEA/MEQC.
- ⁴ One position earns holiday pay for 40 hours. Determine holiday pay by dividing annual salary by 2087 and multiply the result by number of holiday hours ($\$23,827.00 \div 2,087 = \$11.42 \times 40 = \$456.80$). Add medicare tax to holiday pay ($\$456.80 \times 1.0145 = \463.42).
- ⁵ Determine intermittent FTEs by dividing productive hours by availability factor ($300 \div 2,015 = .149$). Indicate number of productive hours in parentheses.
- ⁶ Determine annual salary for intermittent FTEs by dividing annual salary by 2087 ($\$15,319 \div 2,087 \times (300)$ productive hours whose result is $\$2,202.06$).
- ⁷ Determine annual wages for FWS FTEs by multiplying hourly rate by 2087 ($\$13.32 \times 2,087 = \$27,798.84$).
- ⁸ One FWS position earns night differential pay for the entire year. Determine night differential pay by multiplying annual wages by night differential ($\$22,414.38 \times .075 = \$1,681.08$). Obtain night differential pay factor from servicing civilian personnel office.
- ⁹ Overtime will be paid for 100 hours. Determine overtime pay by multiplying hourly wage rate by the number of overtime hours and by overtime pay rate ($\$10.74 \times 100 \times 150\% = \$1,611.00$). Obtain overtime pay rate from servicing civilian personnel office. Add medicare tax to overtime pay ($\$1,611.00 \times 1.0145 = \$1,634.36$).
- ¹⁰ Determine annual wage for FWS intermittent FTEs by multiplying hourly wage rate by number of productive hours ($\$8.75 \times 600 = \$5,250.00$).

Figure 10-3. Continued.

(5) Other Entitlements--(Column E). Include entitlements which also earn fringe benefits. Work closely with the CCPO to make sure all entitlements are considered and to obtain current factors. Some examples of factors are night differential pay for FWS employees, environmental and geographical differential pay, and premium pay for Federal law enforcement officers. Show computations on a separate worksheet and include with the personnel cost worksheet.

(6) Basic Pay--(Column F). Compute basic pay as salary or wages plus other entitlements (column D plus column E).

(7) Fringe Benefits Factor or Federal Insurance Contributions Act (FICA) Rate--(Column G). Multiply basic pay (column F) by either the governmentwide standard fringe benefit factor or FICA rate, as appropriate.

NOTE: HQ AFMEA/MEQC provides quarterly the current fringe benefit factor, medicare rate, and annual salary limitation on medicare tax.

(a) Multiply the current governmentwide standard fringe benefit factor to the applicable portion of basic pay (column F), normally full-time and part-time positions. Included in the fringe benefit factor are:

1. The standard retirement cost factor.
2. The government cost factor to be used for Federal employee insurance (life and health) benefits, plus an additional factor for medicare (up to the annual salary limitation placed on medicare tax).
3. The government cost factor to be used for Federal employee miscellaneous fringe benefits (workmen's compensation, bonuses and awards, severance pay, and unemployment programs).

(b) Multiply the medicare rate to the applicable portion of basic pay (column F); i.e., to positions that are not covered under the Federal Employees Retirement System Act of 1986 but are subject to medicare tax, normally intermittent and temporary positions. Apply medicare only up to the annual salary limitation placed on medicare tax.

(8) Other Pay--(Column H). Include entitlements which do not earn standard fringe benefits. Work closely with the servicing CCPO to make sure all costs are considered. Examples

are night differential pay for GS employees, overtime, holiday, and uniform allowances. Apply the medicare rate to any costs reflected as other pay (up to the annual salary limitation placed on medicare tax), and add to other pay costs (column H). Show computations on a separate worksheet and include this worksheet with the personnel cost worksheet.

(9) Personnel Cost--(Column I). Add basic pay (column F), fringe benefits or FICA (column G), and other pay, including medicare (column H) for all positions and total for both FWS and GS categories. Use this personnel cost figure to compute the actual personnel costs for each period of performance.

e. Figure 10-4 depicts the normal guidelines for determining the application of the fringe benefit factor versus the medicare rate. Consult with the servicing CCPO in making the final determination.

f. Adjustments to current annual personnel costs for each period of performance should be made where the EPA does not apply to reflect anticipated pay increases. There are many possibilities; however, figure 10-5 through figure 10-9 provide an example of the process.

10-6. Material and Supply Costs (Line 2). Material and supply costs are incurred in each period of performance for goods such as raw materials, parts, subassemblies, components, and office supplies. Material and supply costs are calculated only if the materials and supplies are used solely by the function and are not provided to the contractor; otherwise, they are common costs. (See paragraph 7-4a and table 10-1.)

a. Review the PWS and solicitation documents to determine the materials and supplies to be furnished to the contractor and those not furnished to the contractor but needed for in-house performance. For only those materials and supplies required for in-house performance but not furnished to the contractor, review historical records of material and supply usage and cost data prepared for the same or similar work. Adjust historical material and supply usage and cost data to reflect requirements of the PWS. Determine if materials and supplies obtained from other government agencies can be obtained at less cost on the local market.

NOTE: If so, the functional OPR should obtain an applicable waiver according to AFM 67-1 to purchase materials and supplies locally. Include allowances for normal scrap, spoilage, overruns, and defective work. List required material and supplies by quantity needed, unit

price, material markup, and total cost, using the worksheet at figure 10-10. Make a single entry for miscellaneous items such as office supplies. Ensure unit prices are current for the first period of performance. If not, inflate base-year prices.

<u>POSITION¹</u>		<u>BENEFITS²</u>		
<u>TYPE</u>	<u>DEFINITION</u>	<u>PAY CATEGORY³</u>	<u>FRINGE</u>	<u>FICA</u>
Full-Time	Position requiring an individual to work 40 hours per workweek.	GS or GM FWS	x x	
Part-Time	Position requiring an individual to work less than full-time, but for a specific number of hours (usually 15-32 hours per workweek) on a prearranged scheduled tour of duty.	GS or GM FWS	x x	
Intermittent	Position requiring an individual to work an irregular number of hours or days for which there is no prearranged scheduled tour of duty.	GS or GM FWS		x x
Temporary	Position requiring an individual to work a specified period of time (not to exceed a certain length of time) to accommodate temporary or seasonal workload, usually less than 1 year.	GS or GM FWS		x x

¹ There are four typical types of manpower requirements or positions to consider when establishing the MEO. These are: full-time, part-time, intermittent, and temporary. The positions required or established in the MEO should be costed on line 1, not the incumbent of these positions.

² There are two types of benefits to consider when costing the manpower requirements or positions identified in the MEO. These are fringe benefits and FICA. The matrix reflects when to apply these rates. The servicing CCPO should be consulted in making final determinations. The position required or established in the MEO should be costed on line 1, not the incumbent of these positions. Additionally, apply the fringe benefit factor or FICA rate to other entitlements as follows:

Entitlements Earning Fringe Benefits	Entitlements not Earning Fringe Benefits, but Subject to FICA
Night differential pay for FWS positions	Night differential pay for GS positions
Environmental differential and geographical pay	Overtime
Premium pay for Federal Law enforcement officers	Holiday
	Bonuses
	Uniform allowances

³ There are three typical pay categories used in costing the manpower requirements or positions identified in the MEO. These are: GS, GM, and FWS. The servicing CCPO should classify the positions by pay category and grade. Under most conditions, step 5 is costed for GS positions and step 4 for FWS positions. The comparable GS pay scale, step 5, is recommended for GM positions; e.g. if a GM-13 position, the annual pay rate of a GS-13, step 5 would be used. The servicing CCPO should be consulted in determining pay rate and step for other pay categories.

Figure 10-4. Personnel Cost Matrix.

It is September 1991 and costs are being computed for a firm fixed-price contract with two prepriced options for performance periods two and three.

Contract start date is 1 April 1992, and performance periods are: first - 1 April to 30 September 1992; second - 1 October 1992 to 30 September 1993; third - 1 October 1993 to 30 September 1994; additional - 1 October 1994 to 30 September 1995.

Projected pay increases per the President's Budget are as follows: for GS employees, 4.2 percent on 1 October 1992; 4.7 percent in October 1993; 4.3 percent in October 1994; and 4.1 percent in October 1995; for FWS employees, the anniversary date for example purposes is 1 July of each year and the rates are 4.2 percent in 1 July 1992; then 4.7 percent in July 1993; 4.3 percent in July 1994; and 4.1 percent in July 1995.

Figure 10-5. Sample Performance Period Cost Adjustments, General.

FIRST PERFORMANCE PERIOD	(1 April - 30 September 1992)		
	GS PAY (Apr-Sep 92)	FWS PAY (Apr-June 92) + (Jul-Sep 92)	
Current Annual Cost	\$374,996.11	\$147,109.63	\$147,109.63
Projected Pay Increase	x 1.042	None	x 1.042
Months/Year	12	12	12
Months	x 6 (Apr-Sep)	x 3 (Apr-Jun)	x 3 (Jul-Sep)
Subtotals	\$195,372.97	\$ 36,777.41	\$ 38,322.06
	\$195,372.97 + \$36,777.41 + \$38,322.06 = \$270,472.44 (First Period Cost)		

Figure 10-6. Sample Performance Period Cost Adjustments, First Period.

b. Costs associated with materials and supplies obtained from other agencies are also added as a material markup to the material and supply cost. HQ AFMEA/MEQC provides the current standard material markup rates quarterly.

(1) General Services Administration (GSA). Markup is not applied.

(2) Department of Defense. These definitions describe material and supply services provided by the Defense Logistics Agency:

(a) Wholesale Stock Fund. Material for which the Defense Stock Fund has procuring, receiving, storing, and shipping responsibility. The current markup rate is added.

(b) Direct Delivery. Material for which the Defense Stock Fund has procurement responsibility only and which is delivered directly

to the customer from the vendor. The current markup rate is added.

(3) Local Purchase Items. Markup is not applied.

c. Material and supply costs should be projected for all periods of the cost comparison. The first period reflects actual projected costs. The second and subsequent periods are projected using the appropriate inflation factor that HQ AFMEA/MEQC provides quarterly. However, these periods are not inflated for contracts which include an EPA for materials. Such a clause enables a contractor to be reimbursed for future price increases. In the documentation to the AF Form 346, the computations used to derive the entries for all periods of performance are shown. An example of supporting documentation is provided in figure 10-10.

SECOND PERFORMANCE PERIOD (1 October 1992 - 30 September 1993). The second and future periods are projected per inflation guidelines unless the contract contains an economic price adjustment (EPA) clause. Contracts with an EPA are not inflated for the outyears because the contractors are not required to inflate bids or proposals. However, when Department of Labor criteria are being used, certain potential contractor positions may not be covered under an EPA; accordingly, the in-house related cost for corresponding positions must be inflated. The contracting officer assists in determining which positions the EPA clause does not cover. As a general rule, contracts covered by the Service Contract Act include the EPA clause which applies to most positions; therefore, the outyears for such positions are not inflated. However, contracts covered under Davis-Bacon provisions normally do not include an EPA clause; therefore, the outyears are inflated. To continue the example, two positions are not covered under an EPA clause: the producer, GS-12, and maintenance foreman, WS-6. Personnel costs are computed as follows:

POSITIONS NOT COVERED BY AN EPA CLAUSE

<u>GS Pay</u>	<u>(Oct 92 - Dec 92)</u>		<u>(Jan 93 - Sep 93)</u>	
Current Annual Cost (Producer)	\$13,688.90		\$41,066.70	= \$54,755.60 (Base Year Cost)
Projected pay increase for first period	x 1.042		x 1.042	
Projected pay increase for second period	(None)		x 1.047	
Annual GS cost for second performance period	\$14,263.83	+	\$44,802.70	= \$59,066.53 (Second Performance Period)
<u>FWS Pay</u>	<u>(Oct 92 - Jun 93)</u>		<u>(Jul 93 - Sep 93)</u>	
Current Annual Cost (Foreman)	\$27,010.05		\$ 9,003.35	= \$36,013.40 (Base Year)
Projected pay increase for first period	x 1.042		x 1.042	
Projected pay increase for second period	(None)		x 1.047	
Annual FWS cost for second performance period	\$28,144.47	+	\$ 9,822.42	= \$37,966.89 (Second Performance Period)

These increases (\$59,066.53 and \$37,966.89) are added to the cost of positions subject to an EPA clause which follows.

Figure 10-7. Sample Performance Period Cost Adjustments, Second Performance Period.

POSITIONS COVERED BY AN EPA CLAUSE			
<u>GS Pay</u>	<u>(Oct 92 - Dec 92)</u>	<u>(Jan 93 - Sep 93)</u>	
Current annual cost for second period staffing estimate (\$374,996.11 - \$54,755.60)	\$80,060.13	\$240,180.38	= \$320,240.51
Projected pay increase for first period	x 1.042	x 1.042	
Projected pay increase for second period	(None)	(None)	
Projected GS pay increase for full year	\$83,422.66	\$250,267.96	= \$333,690.62
		+	
<u>FWS Pay</u>	<u>(Oct 92 - Jun 93)</u>	<u>(Jul 93 - Sep 93)</u>	
Current annual cost for second period staffing estimate (\$147,109.63 - \$36,013.40)	\$83,322.17	\$27,774.06	= \$111,096.23
Projected pay increase for first period	x 1.042	x 1.042	
Projected pay increase for second period	(None)	(None)	
Projected FWS pay increase for full year	\$86,821.70	\$28,940.57	= \$115,762.27
		+	
Cost of positions not subject to an EPA clause	\$ 59,066.53	\$ 37,966.89	= \$ 99,033.42
Cost of positions subject to an EPA clause	\$333,690.62	\$115,762.27	= \$449,452.89
		+	
Total (Second Period Cost)	\$449,452.89	\$ 99,033.42	= \$548,486.31

Figure 10-7. Continued.

THIRD PERFORMANCE PERIOD (1 October 1993 - 30 September 1994)			
POSITIONS NOT COVERED BY AN EPA CLAUSE			
GS Pay	(Oct 93 - Dec 93)	(Jan 94 - Sep 94)	
Current Annual Cost (Producer)	\$13,688.90	\$41,066.70	= \$54,755.60 (Base Year Cost)
Projected pay increase for first period	x 1.042	x 1.042	
Projected pay increase for second period	x 1.047	x 1.047	
Projected pay increase for third period	None	x 1.043	
Annual GS cost for third performance period	\$14,934.23	\$46,729.22	= \$61,663.45 (Third Performance Period)
FWS Pay	(Oct 93 - Jun 94)	(Jul 94 - Sep 94)	
Current Annual Cost (Foreman)	\$27,010.05	\$ 9,003.35	= \$36,013.40 (Base Year)
Projected pay increase for first period	x 1.042	x 1.042	
Projected pay increase for second period	x 1.047	x 1.047	
Projected pay increase for third period	None	x 1.043	
Annual FWS cost for third performance period	\$29,467.26	\$10,244.78	= \$39,712.04 (Third Performance Period)
These increases (\$61,663.45 and \$39,712.04) are added to the cost of positions subject to an EPA clause which follows.			
POSITIONS COVERED BY AN EPA CLAUSE			
GS Pay	(Oct 93 - Dec 93)	(Jan 94 - Sep 94)	
Current annual cost for second period staffing estimate (\$374,996.11 - \$54,755.60)	\$80,060.13	\$240,180.38	= \$320,240.51
Projected pay increase for first period	x 1.042	x 1.042	
Projected pay increase for second period	(None)	(None)	
Projected pay increase for third period	(None)	(None)	
Projected GS pay increase for full year	\$83,422.66	\$250,267.96	= \$333,690.62
FWS Pay	(Oct 93 - Jun 94)	(Jul 94 - Sep 94)	
Current annual cost for second period staffing estimate (\$147,109.63 - \$36,013.40)	\$83,322.17	\$27,774.06	= \$111,096.23
Projected pay increase for first period	x 1.042	x 1.042	
Projected pay increase for second period	(None)	(None)	
Projected pay increase for third period	(None)	(None)	
Projected FWS pay increase for full year	\$86,821.70	\$28,940.57	= \$115,762.27
Cost of positions not subject to an EPA clause	\$ 61,663.45	\$39,712.04	= \$101,375.49
Cost of positions subject to an EPA clause	\$333,690.62	\$115,762.27	= \$449,452.89
Total (Third Period Cost)	\$449,452.89	\$101,375.49	= \$550,828.38

Figure 10-8. Sample Performance Period Cost Adjustments, Third Performance Period.

ADDITIONAL PERFORMANCE PERIODS. For contracts involving more than three performance periods, each subsequent period would continue to be adjusted using the projected pay increase for positions not covered by an EPA clause. To continue the example, computations are as follows for the period 1 October 1994 through 30 September 1995.

POSITIONS NOT COVERED BY AN EPA CLAUSE

<u>GS Pay</u>	<u>(Oct 94 - Dec 94)</u>	<u>(Jan 95 - Sep 95)</u>	
Current Annual Cost (Producer)	\$13,688.90	\$41,066.70	= \$54,755.60 (Base Year Cost)
Projected pay increase for first period	x 1.042	x 1.042	
Projected pay increase for second period	x 1.047	x 1.047	
Projected pay increase for third period	x 1.043	x 1.043	
Projected pay increase for fourth period	None	x 1.041	
Annual GS cost for third performance period	\$15,576.41	\$48,645.12	= \$64,221.53 (Fourth Performance Period)
		+	
<u>FWS Pay</u>	<u>(Oct 94 - Jun 95)</u>	<u>(Jul 95 - Sep 95)</u>	
Current Annual Cost (Foreman)	\$27,010.05	\$ 9,003.35	= \$36,013.40 (Base Year)
Projected pay increase for first period	x 1.042	x 1.042	
Projected pay increase for second period	x 1.047	x 1.047	
Projected pay increase for third period	x 1.043	x 1.043	
Projected pay increase for fourth period	None	x 1.041	
Annual FWS cost for third performance period	\$30,734.35	\$10,664.82	= \$41,399.17 (Fourth Performance Period)
		+	

These increases (\$64,221.53 and \$41,399.17) are added to the cost of positions subject to an EPA clause which follows.

Figure 10-9. Sample Performance Period Cost Adjustments, Additional (Fourth) Period.

POSITIONS COVERED BY AN EPA CLAUSE			
<u>GS Pay</u>	<u>(Oct 93 - Dec 93)</u>	<u>(Jan 94 - Sep 94)</u>	
Current annual cost for second period staffing estimate (\$374,996.11 - \$54,755.60)	\$80,060.13	\$240,180.38	= \$320,240.51
Projected pay increase for first period	x 1.042	x 1.042	
Projected pay increase for second period	(None)	(None)	
Projected pay increase for third period	(None)	(None)	
Projected pay increase for fourth period	(None)	(None)	
Projected GS pay increase for full year	\$83,422.66	+ \$250,267.96	= \$333,690.62
<u>FWS Pay</u>	<u>(Oct 93 - Jun 94)</u>	<u>(Jul 94 - Sep 94)</u>	
Current annual cost for second period staffing estimate (\$147,109.63 - \$36,013.40)	\$83,322.17	\$27,774.06	= \$111,096.23
Projected pay increase for first period	x 1.042	x 1.042	
Projected pay increase for second period	(None)	(None)	
Projected pay increase for third period	(None)	(None)	
Projected pay increase for fourth period	(None)	(None)	
Projected FWS pay increase for full year	\$86,821.70	+ \$28,940.57	= \$115,762.27
Cost of positions not subject to an EPA clause	\$ 64,221.53	+ \$ 41,399.17	= \$105,620.70
Cost of positions subject to an EPA clause	\$333,690.62	+ \$115,762.27	= \$449,452.89
Total (Fourth Period Cost)	\$449,452.89	+ \$105,620.70	= \$555,073.59

Figure 10-9. Continued.

10-7. Other Specifically Attributable Costs (Line 3). Personnel and material and supply costs previously covered are normally the primary sources of government costs. The remaining elements of costs (depreciation, rent, maintenance and repair, utilities, insurance, travel, and other costs) are also specifically attributable to the function being cost compared. These costs are summarized on a worksheet in figure 10-11. As discussed earlier in this chapter, each element of cost should be adjusted for inflation when appropriate. When requirements differ by period due to changes in the PWS, these adjustments are made before applying inflation factors. Costs that would be the same regardless of the eventual decision, though not calculated, should still be identified in each cost element (for example, under c below, identify maintenance and repair of a government-furnished building as a common cost). Costs which are not 100 percent attributable to the function under study are overhead costs and are discussed in paragraph 10-8.

a. Depreciation Cost:

(1) Depreciation is the method used to spread the cost of tangible, capital assets (e.g., plant and equipment), less residual value, over an asset's useful life. Because land has an unlimited life, it is not a depreciable asset.

(2) Costs for depreciation of capital assets are computed as follows:

(a) Depreciate only those capital assets used solely by the function under cost comparison for in-house operation, but not provided to the contractor as stated in the PWS and solicitation.

(b) If all capital assets owned (or to be acquired) by the function under cost comparison are provided to the contractor, depreciation costs are not calculated.

(c) Assets costing less than \$5,000 are classified as minor items and are not depreciated, but are added to other costs (see g(2) below).

(3) These terms are expanded for clarification:

(a) **Useful Life.** Useful life is the estimated period of economic usefulness of an asset in a particular operation. A representative useful life table for various classes of equipment is provided at attachment 2.

(b) **Residual Value.** Residual value is equal to the disposal values listed at attachment 2 if more precise figures are not available from

the property disposal officer or other knowledgeable authority.

(c) **Depreciable Basis.** Depreciable basis is the original acquisition cost plus the cost of capital improvements less residual value.

(d) **Original Acquisition Cost.** Original acquisition cost is the original purchase price, the costs for transportation and any installation costs incurred in order to place the asset in operation (if not already in the purchase price), and any costs for capital improvements.

(e) **Capital Improvements.** Capital improvements are the costs of major overhauls and modifications which add value or prolong the life of a capital asset (equipment or facility). These costs should be treated as capital expenditures and depreciated over the extended or remaining useful life of either the asset or improvement, whichever is less.

(4) Using the example in figure 10-12, annual depreciation for capitalized equipment is estimated as follows:

(a) Start with the original acquisition cost.

(b) From that figure, subtract the residual value to determine the depreciable basis. Compute residual value by multiplying the original acquisition by the appropriate percentage factor from attachment 2.

(c) Then, determine the year of purchase and the useful life of the asset according to attachment 2.

(d) If the projected useful life from the year of purchase is less than the last year of the performance period, extend the useful life. Extend the useful life throughout the last period of performance or longer based upon actual or planned retirement or replacement practice. Spread the annual depreciation costs over the period of expected use.

(e) Compute annual depreciation by dividing the depreciable basis by the useful life. Depreciate capital improvements separately and then accumulate with the annual depreciation of the original capital asset. Do not inflate annual depreciation for the outyears.

(f) If the useful life shown in attachment 2 is unrealistic for specific assets (regardless of current age), use an alternative method for determining useful life and residual value (based on actual or planned retirement and replacement practices).

NOTE: The MAJCOM, FOA, or DRU should approve this method.

TABLE 10-1

DETERMINING WHETHER TO FURNISH EXISTING GOVERNMENT PROPERTY TO CONTRACTORS

R U L E	A	B
	If	then the property may be
1	facilities are required to perform a service that must be performed on the installation (e.g., food service, transient aircraft services, etc.)	furnished to the contractor (cost is not a factor, FAR Part 45.302-3).
2	facilities are required to perform a service that may be performed on or off the installation and no higher priority use for the facilities exists	furnished to the contractor (availability of government facilities would lower the contractor's bid or offer causing this decision to be in the best interest of the Air Force).
3	facilities are required to perform a service that may be performed on or off the installation but a higher priority use for the facilities exists	retained for in-house use.
4	Air Force-peculiar property (e.g., aircraft support equipment, engine stands, etc.) is required	furnished to the contractor (FAR Part 45.310) (see note 1).
5	shared-use equipment (e.g., equipment that is not used by the activity under cost comparison) is involved	normally not furnished to the contractor (see note 2).
6	property (other than minor items) is not scheduled for replacement within 12 months after the contract start date and is not required by other Air Force functions (see note 3)	furnished to the contractor (see note 2).
7	property (including minor items) is required by other Air Force functions (see note 3)	retained for in-house use.
8	minor items are not required by other Air Force functions (see note 3)	furnished to the contractor (see note 4).

NOTES:

1. Replacement of government-peculiar property is normally at government expense.
2. On an exceptional basis, certain government property is provided to the contractor on a shared-use basis (e.g., heavy-duty cranes, cherry pickers, high-cost test equipment, etc.). Procedures for shared-use must be outlined in the PWS.
3. Property requirements for other Air Force functions will be identified through the servicing base supply function.
4. Availability of excess government property can be expected to lower the contractor's bid or offer by more than the salvage value of the property causing this decision to be in the best interest of the Air Force.

(5) For facilities, the original acquisition cost plus capital improvements (less residual value) is depreciated over the useful life of the facility. Facilities are generally categorized as permanent, semipermanent or temporary, and the useful life is standardized for the entire grouping. Useful life expectancies by type of facility (permanent, 75 years; semipermanent, 50 years; and temporary, 25 years) may be used. If useful life has been exceeded, an engineering projection of anticipated useful life is obtained. As a minimum, useful life is extended throughout the last period of performance or longer based upon the engineering projection of anticipated useful life.

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

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

d. Utilities Cost. This category includes charges for fuel, electricity, telephone, water and sewerage services, etc., that would not continue in the event of contract performance. The amount of these costs applicable to the function under cost comparison are determined either on a metered or allocated basis of consumption. These costs are prorated by a unit of measure that varies directly with consumption (e.g., floor space, type of facility, number of telephones, etc.). Estimates of incurred expenses for the first year of performance are based on current experience appropriately adjusted for anticipated future requirements. Engineering es-

timates are used when historical data are not available. All estimates are appropriately documented with supporting detail. Utilities are inflated for the outyears.

e. Insurance Cost. Operating any government activity involves risks and potential costs from casualty losses (fire, flood, etc.) and liability claims. Insurance normally covers these risks in the private sector, but the government is primarily self-insured and should pay for each loss incurred. To compute and inflate estimated insurance costs, the example at figure 10-13 is used.

(1) Casualty Insurance:

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

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

(c) Accumulated depreciation is not adjusted to determine net book value for the outyears.

(2) Liability Insurance. Liability losses are computed by multiplying 0.0007 times the government personnel-related costs (line 1, Personnel Costs (column I); personnel costs in line 4, Overhead Costs; and the personnel cost in line 5, Additional Cost). Liability insurance is calculated from previously inflated personnel-related costs and should not be inflated again.

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

g. Other Costs:

(1) "Other Costs" is a general category for specifically attributable costs that do not prop-

LINE 2, MATERIAL AND SUPPLY COSTS											
Nomenclature	National Stock Number	Quantity ³ Required	Unit ⁴ Price	Source of Supply	Additive ⁵ Adjustments	Final ¹ Estimated Unit Price	Annual ² Material Cost	Performance Period Cost ⁶			
								First ⁷	Second ⁸	Third ⁹	Fourth ¹⁰
Audio Tape	6750009265200	12	\$ 41.65	GSA Wholesale	0% ¹¹ 4.1% ¹²	\$43.36	\$ 520.32	\$ 260.16	\$ 539.57	\$ 558.99	\$ 578.55
Chrome Film	6750002547099	10	271.73	Local Purchase	0% 4.1%	282.87	2828.70	1414.35	2933.36	3038.96	3145.32
Music Tracks	6750010453221	2	81.93	GSA Retail	0% 4.1%	85.29	170.58	85.29	176.89	183.26	189.67
								\$1759.80	\$3649.82	\$3781.22	\$3913.56
								*****	*****	*****	*****

Inflation is calculated for each performance period, instead of separately for each item. Likewise, items can be grouped to apply material markup rates.

NOTES:

¹Multiply the unit price by the material markup factor and inflation factor to determine the final estimated unit price ($\$41.65 \times 1.041 = \43.36).

²Multiply the quantity required by the final estimated unit price to determine the annual material cost ($12 \times \$43.36 = \520.32 annual FY 92 cost).

³List the basic quantity required, plus any added requirement for scrap, spoilage, and defective items.

⁴List the unit price, from the stock list, in current year dollars (e.g., FY 91).

⁵Adjust the unit price by the material markup and inflation factor to the year of first performance (if required).

⁶If material usage is expected to increase or decrease in any performance period, adjustments must be made to the quantity and cost columns before applying inflation.

⁷The first performance period is 6 months (April - September 92). Prorate the annual material cost over the 6 months to determine the first period costs ($\$520.32 \times 6/12 = \260.16).

⁸The second performance period is October 92 - September 93. The inflation from FY 92 to FY 93 is 3.7%, $\$520.32$ annual FY 92 Material Cost $\times 1.037 = \$539.57$ annual FY 93 Direct Material Cost.

⁹The third performance period is October 93 - September 94. The inflation rate from FY 93 to FY 94 is 3.6%, $\$520.32$ annual FY 92 Material Cost $\times 1.037 \times 1.036 = \558.99 annual FY 94 Direct Material Cost.

¹⁰The fourth performance period is October 94 - September 95. The inflation rate from FY 94 to FY 95 is 3.5%, $\$520.32$ FY 92 Material Cost $\times 1.037 \times 1.036 \times 1.035 = \578.56 annual FY 95 Direct Material Cost.

¹¹Adjust prices by selecting an applicable material markup factor.

¹²Inflate prices from FY 91 to FY 92 by applying an inflation factor additive.

Figure 10-10. Sample Material and Supply Costs Worksheet.

Category	PERFORMANCE PERIODS				
	First	Second	Third	Fourth	Total
Depreciation ¹	\$8,679.50	\$17,359.00	\$17,359.00	\$17,359.00	\$60,756.50
Rent ²	0	0	0	0	0
Maintenance & Repair ²	0	0	0	0	0
Utilities ²	0	0	0	0	0
Insurance ³	934.78	1,930.00	1,987.30	2,046.33	6,898.41
Travel ²	0	0	0	0	0
Other Costs ⁴	<u>462.00</u>	<u>923.00</u>	<u>923.00</u>	<u>923.00</u>	<u>3,231.00</u>
Total ⁵	\$10,076.28	\$20,212.00	\$20,269.30	\$20,328.33	\$70,885.91

NOTES:

- ¹These cost totals are transferred from figure 10-12.
- ²There are no costs associated with these elements based on the requirements of the example study.
- ³These cost totals are transferred from figure 10-13.
- ⁴These cost totals are transferred from figure 10-14.
- ⁵These cost totals are transferred to the AF Form 346, Line 3.

Figure 10-11. Sample Summary, Other Specifically Attributable Costs (Line 3).

erly fit into one of the other elements of cost but do not continue in the event of contract performance. Some examples are purchased services or any work currently performed under contract that has been included in the PWS; packaging and crating (if not already a part of material and supplies); transportation costs; and royalties. These costs should not be duplicated in an overhead area. Purchased services which augment the current in-house work effort and that are included in the PWS are included in line 3 (Other Specifically Attributable Costs). The purchased service price used should reflect an actual contract price; not an estimated price based on past experience. When these purchased services are long term and contain labor costs subject to EPA, the applicable labor portion is not escalated by outyear inflation factors. In addition, purchased services should be offset for potential Federal income tax revenue by applying the rate in attachment 9 to the total cost of purchased services.

(2) Additionally, the recurring cost of minor items which are not immediately consumed by the function being cost compared and not provided to the contractor is included. Minor items are noncapitalized (are not depreciated) durable

items with a current replacement cost that is less than \$5,000; e.g., overhead projectors, office equipment, chairs, etc. The cost of minor items for each performance period is 10 percent of the total current replacement cost of all minor items not provided to the contractor. If the supply source markup increases the item's cost to more than \$5,000, it is still considered a minor item cost. The cost of minor items is not inflated in the outyears. A worksheet is provided at figure 10-14.

10-8. Overhead Costs (Line 4):

a. Overview of Overhead Costs:

(1) Costs incurred to support a function undergoing cost comparison, not 100 percent allocable to that function, are classified as overhead. Overhead is not calculated for cost comparisons with less than 11 work years in the MEO.

(2) For the purposes of this chapter, overhead is captured into two major categories: Operations Overhead and G&A Overhead. Only those costs that do not continue in the event of contract performance are included.

EQUIPMENT (A)	(B)	(C)	(D)
<u>Asset and FSC</u>	<u>Depreciable Basis¹</u>	<u>Useful Life²</u>	<u>Annual Depreciation (B:C)</u>
Video Viewer/6730	\$ 6,887	25	\$275
TV Camera/6710	11,811	25	472
Microphone/5965	4,900	24	<u>204</u>
		Subtotal	\$951
FACILITIES (A)	(B)	(C)	(D)
<u>Facility and Category</u>	<u>Depreciable Basis</u>	<u>Useful Life³</u>	<u>Annual Depreciation (B:C)</u>
1506/P	\$750,750	75	\$10,010
701/S	308,000	50	6,160
1502/T	5,950	25	<u>238</u>
		Subtotal	\$16,408
		TOTAL ⁴	\$17,359

Depreciation is not inflated for the outyears.

NOTES:

¹Depreciate capital improvements over the remaining useful life of the improved asset.

²Substitute approved agency data if the useful life from attachment 8 is not appropriate.

³Use engineering projections to adjust the age of the facility if it exceeds expected useful life guidelines.

⁴Transfer to summary worksheet, figure 10-11, Other Specifically Attributable Costs. Prorate costs to the partial period if the first performance period is less than a full year.

Figure 10-12. Sample Depreciation Worksheet (Part of Line 3, Depreciation).

b. Operations Overhead:

(1) The first overhead category is operations overhead. It is defined as those costs incurred by the first supervisory work center one organizational level above the function being cost compared.

(2) If no positions (a position may be full-time, part-time, or intermittent) or overtime in the supervisory work center one organizational level above the function being cost compared would be eliminated as a result of conversion to contract, operations overhead cost is zero. If positions or overtime would be eliminated, person-

nel costs are computed according to paragraph 10-5, and other costs solely in support of those eliminated positions are also computed. Material and supply costs (computed according to paragraph 10-6) and other specifically attributable costs (computed according to paragraph 10-7) are used for developing costs in support of the eliminated positions. A worksheet is provided at figure 10-15.

c. G&A Overhead:

(1) The second overhead category is G&A overhead and is defined as all support costs, oth-

1. CASUALTY INSURANCE					
A. CAPITAL ASSETS	FEDERAL STOCK GROUP	ORIGINAL ACQUISITION COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE	
Video Viewer	6730	\$ 7,138	\$4,708	\$2,430	
TV Camera	6710	12,471	8,074	4,397	
Microphone	5965	5,119	3,489	<u>1,630</u>	
			Subtotal	\$ 8,457	
B. FACILITY NUMBER AND CODE	ESTIMATED REPLACEMENT COST ¹				
1506 (P)		\$2,200,850			
701 (S)		750,600			
1502 (T)		<u>19,300</u>			
	Subtotal	\$2,970,750			
C. MATERIAL AND SUPPLY					
Average Monthly Material & Supply Stock					
<u>\$ 3,519.60 (Annual Cost)</u> = \$293.30 per month					
12 months					
Average Stockage Level = 2 months supply x \$ 293.30 = \$ 586.60					
D. Minor Items (Noncapital Durable Goods) less Than \$5,000 in Unit Value					
NOUN	FSG	QTY	UNIT PRICE	CURRENT REPLACEMENT COST	
Desks	7110	15 ea	\$100	\$1,500	
Chairs	7110	20 ea	25	<u>500</u>	
			Subtotal	\$2,000	
E. SUMMARY					
CAPITAL ASSETS	REPLACEMENT COST OR NET BOOK VALUE	x	CASUALTY INSURANCE FACTOR	= CASUALTY INSURANCE	
Equipment	\$ 8,457.00				
Facilities	2,970,750.00				
Materials & Supply	586.60				
Minor Items	<u>2,000.00</u>				
	\$2,981,793.60	x	.0005	= \$1,490.90	
F. CASUALTY INSURANCE BY PERFORMANCE PERIOD					
	<u>First</u> ²	<u>Second</u> ³	<u>Third</u> ⁴	<u>Fourth</u> ⁵	<u>Total</u> ⁶
Casualty Insurance	\$745.45	\$1,546.06	\$1,601.72	\$1,657.78	\$5,551.01
2. LIABILITY INSURANCE BY PERFORMANCE PERIOD					
	<u>First</u>	<u>Second</u>	<u>Third</u>	<u>Fourth</u>	<u>Total</u>
Personnel Related Cost Line 1, CCF	\$270,472.44	\$548,486.31	\$550,828.38	\$555,073.59	\$1,924,860.72
Liability Insurance Factor	<u>x .0007</u>	<u>x .0007</u>	<u>x .0007</u>	<u>x .0007</u>	<u>x .0007</u>
Liability Insurance	\$ 189.33	\$ 383.94	\$ 385.58	\$ 388.55	\$ 1,347.40
Liability insurance is calculated from previously inflated personnel-related costs and need not be inflated again.					

Figure 10-13. Sample Insurance Worksheet (Part of Line 3, Insurance).

3. SUMMARY OF INSURANCE					
	<u>First</u>	<u>Second</u>	<u>Third</u>	<u>Fourth</u>	<u>Total</u>
Casualty Insurance	\$745.45	\$1,546.06	\$1,601.72	\$1,657.78	\$5,551.01
Liability Insurance	<u>189.33</u>	<u>383.94</u>	<u>385.58</u>	<u>388.55</u>	<u>1,347.40</u>
Total ⁶	<u>\$934.78</u>	<u>\$1,930.00</u>	<u>\$1,987.30</u>	<u>\$2046.33</u>	<u>\$6,898.41</u>

A separate worksheet is prepared, when required, for other elements of the cost comparison form (e.g., lines 4 and 8).

NOTES:

¹The estimated replacement costs for facilities is derived from Civil Engineering estimates.

²The first performance period casualty insurance cost is prorated for 6 months (April - September 92). Total annual casualty cost is divided by 6 months ($\$1,490.90 \div 2 = \745.45).

³The second performance period casualty insurance cost is inflated by the inflation rate for that period. Inflation rate for FY 92 to FY 93 is 3.7% ($\$1,490.90 \times 1.037 = \$1,546.06$).

⁴The third performance period casualty insurance cost is inflated by the inflation rate for that period. Inflation rate for FY 93 to FY 94 is 3.6% ($\$1,490.90 \times 1.037 \times 1.036 = \$1,601.72$).

⁵The fourth performance period casualty insurance cost is inflated by the inflation rate for that period. Inflation rate for FY 94 to FY 95 is 3.5% ($\$1,490.90 \times 1.037 \times 1.036 \times 1.035 = \$1,657.78$).

⁶These cost totals are transferred to the summary worksheet, figure 10-11.

Figure 10-13. Continued.

er than operations overhead, incurred to support the function being cost compared.

(2) A limit should be placed on the scope of analysis on G&A overhead support costs. Certain support costs incurred by the executive, legislative, and judicial branches of the government are attributable to the various departments and independent agencies. Similarly, certain support costs incurred at the department level would be attributable to the activities within the subordinate organizational levels. G&A overhead support costs vary based on the organizational structures of each department or agency but exist in some form in each. A portion of the support costs incurred above the installation level are theoretically attributable to the function being cost compared. However, for the cost comparison, only the support costs which would be eliminated in the event the function is contracted are calculated. This decision is based on the conclusion that costs involved in funding, policymaking, long-range planning, and directing would continue and be equally applicable to both in-house or contract operation.

(3) Typical G&A overhead type activities have been depicted in figure 10-16. This table is

not all-inclusive, but serves as a starting point to decide not only the typical installation support or service activities (versus mission activities) but also external installation support activities. These support activities include regional personnel support service centers, regional finance centers, supply centers, and tenant activities that provide definable support to the function being cost compared.

(4) All activities internal to the installation that provide definable support to the function being cost compared, excluding operations overhead, should first be listed. Next, those activities external to the installation which provide general or administrative support not available on the installation and which are essential to the operation of the function being cost compared, e.g., regional service center, are listed. If no positions (a position may be full-time, part-time, or intermittent) or overtime within each of these activities are eliminated as a result of conversion to contract, the G&A overhead cost is zero. If positions or overtime would be eliminated, personnel costs are computed according to paragraph 10-5, and other costs solely in support of those eliminated positions are also computed. Material and supply costs (com-

puted according to paragraph 10-6) and other specifically attributable costs (computed according to paragraph 10-7) are used for developing costs in support of the eliminated positions. A worksheet is provided at figure 10-15.

d. **Costing of Military Overhead Positions.** Military positions identified as providing overhead that do not continue in the event of contract performance are costed using the current total annual military standard composite rates and applicable add-on factors for base operating support. These costing procedures apply for computing military positions:

(1) Cost the military positions using the current total annual military standard composite rate (with permanent change of station costs) for the grade being costed, multiplied by the officer or enlisted base operating support factor. These rates and factors are from AFR 173-13, and HQ AFMEA/MEQC provides them on a quarterly basis.

(2) Inflate the military pay (if necessary) using the military compensation inflation factors HQ AFMEA/MEQC provides quarterly. Inflate the total military pay cost; i.e., total annual military standard composite rate with base operating support costs.

10-9. Additional Costs (Line 5). This cost category encompasses any in-house government costs which are not classified appropriately by the cost elements on the AF Form 346, line 1 through line 4. This cost category should reflect those additional in-house government costs resulting from unusual or special circumstances which may be encountered in particular cost comparisons. The total amount of these costs is entered on the AF Form 346, line 5. Common costs that continue to exist, regardless of the mode of performance, are not computed. Amounts entered on line 5 should be supported with a definition of the type of costs reported, a justification for including these costs in the cost comparison, and an explanation of the underlying assumptions. The explanation should include the methods of computation used to determine the cost and a detailed listing of the specific components or elements of cost which comprise the total amount reported on line 5, if applicable. Examples of costs that should be entered on line 5 are:

a. **Hiring and Training a Civilian Work Force.** If the function under cost comparison is predominantly military, the cost of hiring and training a civilian work force to staff the MEO

would be entered on line 5. The size of the new work force would dictate the necessity for computing estimated cost for hiring and training (e.g., the cost of hiring and training a small civilian work force would not be a significant cost; however, hiring and training a large work force may be significant).

(1) If a steering group determines that the costs associated with hiring a civilian work force is significant, then these costs should be entered on line 5. For example, if the civilian personnel office can estimate they will need additional personnel to support the selection, hiring, and processing of a civilian work force to staff the MEO, this cost should be entered on line 5. If the increased workload is supported by temporary overhire, the cost of the salaries and benefits involved are entered on line 5; if temporary duty and overtime support is to be used, only the cost of travel, per diem, and overtime pay is entered.

(2) Likewise, funds expended for recruiting a work force (e.g., advertising) should also be included on line 5 if they are significant. (These estimates should be supplied by the civilian personnel office based on experience in the local area.)

(3) Relocation costs would be included only when specific positions in the MEO have requirements which are expected to be filled only by government employees who would be eligible for a government-sponsored move.

(4) If government training (e.g., courses conducted by Field Training Detachments) is projected to qualify the contract work force and the in-house work force at the same level as specified in the PWS, the cost would be considered the same and no cost would be added to the contract cost or the in-house cost. However, if government-furnished training is projected for the in-house work force only, the cost of the training should be entered on line 5.

b. **Transition to an MEO Work Force.** Typically, a function under cost comparison is required to initiate implementation of the MEO within 1 month after cancellation of the solicitation and complete implementation of the MEO within 6 months after cancellation of the solicitation. This normally involves reducing the work force to MEO specifications. When the function under cost comparison is predominately military, it is necessary to recruit a civilian work force to replace the military. When developing the transition plans to convert from military to a contract civilian work force or in-house

SOURCE OF SUPPLY	ITEM AND STOCK CLASS	CURRENT REPLACEMENT COST	QUANTITY	UNIT TOTAL	MARKUP FACTOR	COST
1. GSA Supplied Items						
Wholesale and Stores	Wastebasket/7105	\$ 5	10	\$ 50	0	\$ 50
Direct Delivery	Bookcase/7110	325	1	325	0	325
Retail	Table/7110	193	3	579	0	579
Nonstores Direct Delivery and Competitive Federal Supply	Typewriter/7430	820	2	1,640	0	1,640
Subtotal						\$ 2,594
2. DoD Supplied Items						
Wholesale	Safe/7110	\$912	1	\$ 912	1.136	\$ 1,036
	File/7110	213	7	1,491	1.136	1,694
Direct Delivery	Desks/7110	680	4	2,740	1.062	2,889
	Calculator/7420	319	3	957	1.062	1,016
Subtotal						\$ 6,635
Total All Minor Items						\$ 9,229
Minor Items x 10% = Annual Cost						\$ 923
HQ AFMEA/MEQC provides quarterly markup factors.						

NOTE: The first performance period cost is prorated for 6 months (April - September). Total annual minor items cost is divided by 2 to determine first performance period cost ($\$923 \div 2 = \462). The cost for subsequent performance periods is based upon 12 months and is not inflated.

Figure 10-14. Sample Minor Items Worksheet (Part of Line 3, Other Costs).

civilian work force, utilization of the outgoing military personnel is a key factor.

(1) If the decision is to perform the work in-house, the transition should be completed within a maximum of 6 months after cancellation of the solicitation. If the decision is to convert to contract, a similar transition period may be appropriate, particularly when a large work force is involved. If the transition period and performance specifications, as specified in the PWS, are exactly the same for in-house and contractor

performance, including the planned man-hours of support to be provided by the outgoing military work force, the cost would be considered the same and no costs would be added to the contract cost or in-house cost. However, if significant differences exist in the transition period or the extent military personnel are programmed to remain and continue working in the function in excess of the MEO, the additional cost associated with the in-house transition will be entered on line 5.

COST CATEGORY	PERFORMANCE PERIODS				
	<u>First</u>	<u>Second</u>	<u>Third</u>	<u>Fourth</u>	<u>Total</u>
Operations Overhead ¹					
Personnel Costs	\$16,082.16	\$33,298.12	\$34,762.10	\$36,204.19	\$120,346.57
Material and Supply Costs	0	0	0	0	0
Other Specifically Attributable Costs (Specify) ²	11.26	23.31	24.33	25.34	84.24
G&A Overhead ³					
Personnel Costs	5,802.93	12,014.96	12,543.21	13,063.56	43,424.66
Material and Supply Costs	0	0	0	0	0
Other Specifically Attributable Costs (Specify) ²	<u>4.06</u>	<u>8.41</u>	<u>8.78</u>	<u>9.14</u>	<u>30.39</u>
TOTALS	\$21,900.41	\$45,344.80	\$47,338.42	\$49,302.23	\$163,885.86

(Enter totals on AF Form 346, line 4)

NOTES:

¹The analysis of operations overhead shows that one full-time position, a GS-7/step 5, can be eliminated as a result of converting the function under study to contract. A further analysis of the costs in support of this position, i.e., material and supply costs and other specifically attributable costs, shows that none can be materially reduced. Personnel cost computations are made per paragraph 10-5; the position is not subject to an EPA clause. The first performance period cost is prorated for 6 months (April - September). This cost is determined by multiplying the annual salary for a GS-7/step 5 by the fringe benefit rate and the inflation factor and multiplying by 6 months ($\$23,827 \times 1.2955\% \times 1.042 \times 6/12 = \$16,082.16$).

The remaining performance period costs would be computed using the same formula with appropriate changes in inflation rates and months in performance periods.

²Liability insurance factor of .0007 is applied to overhead personnel costs.

³The analysis of G&A overhead shows that only one office is materially affected by converting the function under study to contract. One part-time position, GS-4/step 5, 20 hours per week, can be eliminated in the personnel office. A further analysis of the costs in support of this position (see note 1) shows that none can be materially reduced. The position is not subject to an EPA clause. The first performance period cost is prorated for 6 months (April - September). This cost is determined by dividing the annual salary for a GS-4/step 5 by 2, dividing by 12, multiplying by 6, then applying the inflation factor times the fringe benefit factor to obtain the first performance period costs ($\$17,195 \div 2 \div 12 \times 6 \times 1.042 \times 1.2955 = \$5,802.93$).

The remaining performance period costs would be computed using the same formula with appropriate changes in inflation rates and months in performance periods.

Figure 10-15. Sample Overhead Costs Worksheet (Line 4).

(2) When a new civilian work force should be recruited to replace a military work force, management may elect to hire certain key employees before the scheduled conversion date (e.g., supervisory personnel may be hired early to assist in selecting the new work force). When this occurs, the associated costs will be entered on line 5.

10-10. Total In-House Costs (Line 6). The sum of line 1 through line 5 is entered on the AF Form 346, line 6. This entry concludes the development of the in-house cost of the function being cost compared.

Organization Director (Commander)
Comptroller (Budget)
General Counsel (Judge Advocate)
Central Personnel Services
Public Relations (Information Office)
Central Administrative Services
Security (including security clearances)
Data Automation
Procurement and Contracting
Supply
Transportation
Tenant activities providing support to the function under cost comparison

Figure 10-16. Typical General and Administrative Overhead Activities

Section D—Developing the Cost of Contract Performance

10-11. Section D Overview. This section of the chapter deals with determining the cost to the government for acquiring a product or service by contract. It includes determining not only the amount to be paid to the contractor (contract price) but also determining costs that would be incurred only in the event of contract performance. The estimated cost of contracting is recorded on the AF Form 346 and is based on: contract price, contract administration, additional costs, one-time conversions costs, gain or loss on disposal or transfer of assets, and Federal income tax (deduct).

10-12. Contract Price (Line 7):

a. The contract cost estimate is based on firm bids or negotiated proposals competitively obtained and solicited according to the FAR. Existing contract prices (such as those from GSA Supply schedules) are not used in a cost comparison. The contract price is entered on line 7 at the time of bid opening or selection of the most advantageous contractor proposal.

b. The contractor's bid or proposal should be predicated on the same PWS utilized in preparing the government's in-house estimate.

c. The cost comparison period should match the period of the proposed contract as reflected in the solicitation. Cost comparisons should be based on at least a 3-year period. Solicitations issued in connection with a cost comparison nor-

mally contain a basic period and four 1-year options.

d. In determining the amount to be recorded as the contract price, the contract type should be considered. Table 10-2 provides a list of types of contracts used and the contract price to enter on line 7. If the apparent successful bidder or offeror is a tax-exempt organization, the contract price should be adjusted to consider Federal, state, and local taxes. Federal tax rates are reflected at attachment 9 of this pamphlet. Use a rate of .0023 to compute state and local taxes. This adjustment is required to determine which bidder or offeror has the lower overall cost to the government. Figure 10-17 provides a worksheet to make this comparison.

NOTE: This comparison is only to determine which offer or bid to enter on line 7. Once deter-

TABLE 10-2

TYPICAL CONTRACT TYPES AND CONTRACT PRICE

R U L E	A	B
		If the contract type is
1	firm fixed price (sealed bid)	low responsive and responsible bid.
2	firm fixed price (negotiated)	final negotiated successful offer or bid.
3	fixed price contract with flexible pricing arrangements	target price of successful bid or offer.
4	cost reimbursement-type contract	final negotiated estimated cost plus the fee to be earned by the successful offer.
5	cost contract with award fee	estimated cost plus the fixed base fee of the successful offer (see note 2).
6	fixed price contract with award fee	fixed price reflected in the successful bid or offer (see note 2).
7	cost contract with incentive fee	target cost plus the target fee of the successful offer (see note 3).
8	fixed price contract with incentive	target cost plus the target profit of the successful bid or offer (see note 3).
9	time and material or labor-hour contract	estimated total cost of successful bid or offer.

NOTES:

1. If a tax-exempt organization bid or offer is lowest, determine the price to enter on line 7 according to the rule that applies and employ the procedures outlined in paragraph 10-12 to consider Federal, state, and local taxes.
2. Do not include any portion of the award amount.
3. Do not include any amount attributable to the fee adjustment formula.

mined, the actual bid or offer, not the adjusted value, is entered on line 7.

10-13. Contract Administration (Line 8):

a. Contract administration costs are the government-incurred costs of assuring that both the government and the contractor faithfully execute a contract. It includes the cost of reviewing contractor performance for compliance with the terms of the contract (quality assurance surveillance), processing contract payments, negotiating contract changes, and monitoring the closeout of contract operations.

b. The contract administration cost to be entered on the AF Form 346, line 8, is based on requirements as shown on figure 10-18. The requirements vary by size of the function undergoing comparison. The MEO developed in the management study determines the size of the function. If the MEO includes purchased services (i.e., existing service contracts), the CMEs associated with the purchased services should be added to the FTEs reflected in the MEO to determine the number of contract administration positions required. For example, an MEO of 15 FTEs plus 6 CMEs (in an existing contract)

1. Applicable Bids or Offers:	
Tax-Exempt Organization Bid or Offer:	_____
	(Enter bid or offer)
Successful Taxable Organization Bid or Offer:	_____
	(Enter bid or offer)
2. Tax Adjustments:	
Lowest Taxable Organization Bid or Offer (from 1 above)	
X State and Local Tax Factor (.0023)	
State and Local Taxes	
Lowest Taxable Organization Bid or Offer (from 1 above)	
X Federal Income Tax Rate (same as in line 12)	
Federal Income Taxes	
3. Added Adjustments:	
Tax-Exempt Organization Bid or Offer (from 1 above)	_____
+ State and Local Taxes (from 2 above) +	_____
+ Federal Income Taxes (from 2 above) +	_____
Adjusted Tax-Exempt Organization Bid or Offer	
<p>If the adjusted tax-exempt organization bid or offer is <u>less</u> than the lowest taxable organization bid or offer, the unadjusted tax-exempt bid or offer goes on the AF Form 346, line 7. If the adjusted tax-exempt organization bid or offer is <u>greater</u> than the taxable organization bid or offer, the taxable organization bid or offer goes on the AF Form 346, line 7. In cases where they are identical, the unadjusted taxable organization bid or offer goes on the AF Form 346, line 7.</p>	

Figure 10-17. Tax-Exempt Organization Worksheet.

would show a requirement for two contract administration positions. These requirements normally are costed and allocated as civilian positions. Costs related to these positions are computed based on instructions for determining personnel costs (paragraph 10-5). Personnel costs related to these positions are inflated in the outyears. Also, material and supply costs (computed according to paragraph 10-6) and other specifically attributable costs (computed according to paragraph 10-7) are considered when developing costs in support of these positions.

c. Figure 10-18 was developed from a representative sample of agencies' contract administration cost data. This figure represents contract administration staffing limits to be used for a cost comparison. Depending on the

type of function involved, it may be possible to use lower contract administration staffing than is shown in this figure; in this case, requirements are quantified based on a workload measurement using the QASP. In the event the function undergoing comparison is so technically specific or geographically dispersed that the contract administration (including the QASP requirements, as specified in chapter 7 of this pamphlet) personnel requirements would exceed the limits established in figure 10-18, a waiver may be requested according to instructions in table 10-3.

10-14. **Additional Costs (Line 9).** The procedures outlined in this chapter substantially diminish the need to include the elements of additional costs described in this line except in un-

MEO RANGE	CONTRACT ADMINISTRATION STAFFING REQUIREMENTS IN FTE
10 or below	Do not reflect any costs on the AF Form 346, line 8. Likewise, do not include any overhead staffing or related costs on the AF Form 346, line 4.
11-20	1
21-42	2
43-65	3
66-91	4
92-119	5
120-150	6
151-184	7
185-222	8
223-265	9
266-312	10
313-367	11
368-429	12
430-500	13
501-583	14
584-682	15
683-800	16
801-more	Use 2 percent of the MEO to compute administration staffing requirements.

Figure 10-18. Contract Administration Factors.

usual and infrequent circumstances. Additional costs that would only be incurred in the event of contract performance are included.

a. This category encompasses any additional costs to the government, such as transportation or purchased services resulting from unusual or special circumstances, which may be encountered in particular cost comparisons.

b. The supporting documentation for additional costs of transportation should describe the nature of the transportation to be provided; indicate the reasons the additional cost is not incurred by the function being cost compared, but is charged to the contractor; specify the mileage, carrier, rates, and data used to determine the estimated costs; and identify the sources of the data obtained.

c. The total amount of additional costs is entered on the AF Form 346, line 9. Amounts entered on line 9 should be supported by a definition of the type of cost reported, justification for inclusion, methods of computation, and, if applicable, a detailed listing of the cost components.

10-15. One-Time Conversion Costs (Line 10):

a. Overview of One-Time Conversion Costs. When the government discontinues an in-house activity to obtain a commercial product or service by contract, there are usually one-time in-house costs associated with the conversion. These are discussed in the following paragraphs.

b. Material-Related Cost:

(1) A conversion normally results in certain items of material (expendables) becoming excess or available for transfer in-house or to the contractor.

(2) It may be possible to transfer material to the contractor providing the product or service in the future. For purposes of the cost comparison, only the one-time costs associated with transferring material to a contractor are included (physical inventory, packing, crating, transportation, etc.).

(3) When material is disposed of, the benefit is equal to the estimated recovery less the cost of disposal; when material is transferred to another government facility, the benefit is equal to the original cost (now a savings) less the cost of transfer. When a benefit (savings) is determined, it is used as a reduction to the remainder of one-time conversion costs. When the

TABLE 10-3			
REQUEST FOR WAIVER FROM CONTRACT ADMINISTRATION FACTORS			
R U L E	A	B	C
	If manpower requirements	then the servicing manpower office	by including
1	exceed allowances listed in figure 10-18	submits a request for waiver to the MAJCOM, FOA, or DRU M&O office (see note 1)	complete measurement data documented by AF Form 1040, Operational Audit Data, prepared according to AFR 25-5 (see note 2) and a copy of the approved QASP (see note 3).
2	are less than allowances listed in figure 10-18	obtains clearance from the MAJCOM, FOA, or DRU M&O office	information required by the MAJCOM, FOA, or DRU M&O office.

NOTES:

1. The MAJCOM, FOA, or DRU submits requests to HQ AFMEA/MEQC. Manpower requirements must be validated by HQ AFMEA/MEQC and sent to HQ USAF/MOX for approval and notification to the MAJCOM, FOA, or DRU M&O office. HQ USAF/MOX must notify OASD(P&L) within 30 days of any approved decision.
2. Requirements must clearly be based on a QASP.
3. Normally, the QASP is based on efficient management by exception methods and not "over the shoulder" surveillance if the tasks lend themselves to such measurement (see AFR 400-28, volume I). Specific justification must be provided when requirements are not based on management by exception methods. Justification must clearly show why less "manpower intensive" methods do not suffice.

cost of disposal or transfer is greater than the recovery or savings, it is treated as a one-time conversion cost. Materials that become excess as a result of the MEO are not costed.

(4) The cost factors below should be used, if more precise costs are not known, to estimate the cost associated with disposal or transfer of excess government material which results from a conversion to contract performance:

	Percentage of Current Replacement Cost
Packing, Crating, and Handling	3.5%
Transportation	3.75%

c. Labor-Related Costs:

(1) Overview of Labor-Related Costs. A conversion normally results in certain one-time

labor-related expenses. These expenses include severance pay, homeowner assistance, relocation, and retraining expenses. Costs for homeowner assistance, relocation, and retraining expenses should be computed separately from the costs resulting from use of the severance pay factor covered in (2) below. The amount of these expenses is computed in consultation with the CCPO. Only those expenses which can reasonably be expected to be paid out are entered on the AF Form 346. Terminal leave costs, such as lump sum payment of accrued annual leave and costs related to unemployment compensation, are not costed or included.

(2) Severance Pay. Government experience indicates that only a small fraction of the total number of employees affected in conversion actions are actually separated from government

TABLE 10-4			
WAIVER OF STANDARD TWO-PERCENT SEVERANCE PAY FACTORS			
R U L E	A	B	C
	If the waiver is required because costs	then the servicing manpower office	and includes in it
1	are not equal to "0," but exceed the standard costs or are less than the standard costs	submits a request for waiver to the MAJCOM, FOA, or DRU M&O officer (MAJCOM, FOA, or DRU submits the request to HQ AFMEA/MEQC)	an identification of cost comparison or location; a reason for deviation; an estimated percent of employees in the MEO to receive severance pay (see note 1); and a statement from the servicing CCPO that indicates the estimated number of employees to receive severance pay in the alternate method (see note 2) is the most accurate estimate available.
2	are equal to "0"	obtains a clearance from the MAJCOM M&O officer	a statement from the servicing CCPO that there are no severance pay costs, rationale, and other information required by the MAJCOM, FOA, or DRU M&O officer.

NOTES:

1. Severance paid to employees separated as a result of implementation of the MEO (differences between current strength and the in-house bid) does not represent a cost of converting to contract and therefore should not be included in line 10.
2. The alternate method of calculation must clearly consider and exclude employees that:
 - a. May be placed in other government positions in the local area.
 - b. May be placed in other government positions outside the local area.
 - c. May voluntarily separate before the contract effective date.
 - d. May be eligible for retirement.
 - e. Are otherwise not eligible for severance pay (receiving military retirement, etc.).

service. Therefore, it would be inappropriate to enter on the AF Form 346 an amount for severance pay that assumes every employee eligible for severance pay would actually receive severance pay. Past conversion experience indicates that only four percent of the total number of employees assigned to the function being cost compared are separated and receive severance pay. Based on this separation rate and the average civilian employee's severance pay entitlement, a two percent severance pay factor is used in most cost comparisons. For most cost comparisons where the in-house staffing estimate (MEO) is equal to or lower than the number of assigned civilian employees, the two percent factor is multiplied by the annual basic pay from the Personnel Cost Worksheet, column F,

totals (figure 10-3). There are two exceptions to this procedure:

(a) In some cases, where the MEO is higher than the number of assigned civilian employees, an adjustment has to be made. The result from (2) above is multiplied by the ratio of the number of permanent civilian employees assigned to the number of positions reflected in the MEO.

(b) In cost comparisons for which a higher or lower separation rate than four percent can be anticipated, other estimates of severance pay may be used, provided HQ AFMEA/MEQC approves the alternate method of calculation (see table 10-4 for waiver procedures). HQ AFMEA/MEQC provides a copy of approved decisions to HQ USAF/MOX, who in turn advises the Office of the Assistant Secretary of Defense

(Production and Logistics) (OASD (P&L)) within 30 days of these decisions. The standard two percent factor for severance pay is only for the number of employees ultimately eligible for severance pay (see table 10-4, note 2, for typical circumstances which result in employees not being eligible for severance pay). When requesting waivers, the impact that some of these considerations will have on severance pay is speculative at best; however, each should be addressed when considering a waiver. Evidence should be presented which outlines the exceptionally unique circumstances that exist making the two percent factor inappropriate. In the absence of compelling evidence, the standard two percent factor should be used.

d. **Other Transition Costs.** Solicitations, and resultant contracts, may contain contractor phase-in periods which allow the contractor time to transition the function from an in-house function to a contractor operated one. In some cases, such phase-in periods may require assistance from the government as set forth in the solicitation or contract. In such cases, these transition costs may be required to be included on line 10. If the activity under cost comparison is predominantly military, the transition to a contract work force and to an in-house civilian work force may be identical. In this case, no transition cost would be included on line 10. HQ AFMEA/MEQC approval is required in advance of inclusion of personnel transition costs in a cost comparison. HQ AFMEA/MEQC provides a copy of approved decisions to HQ USAF/MOX within 20 days, who in turn advises OASD (P&L) within 30 days of these decisions.

e. **Other Costs.** A conversion normally requires an agency to take certain actions that are not necessary if the activity continues in-house. For example, it may not be possible to terminate a rent or lease agreement without incurring a penalty fee. These penalty fees are also costs of conversion.

f. **One-Time Cost Computation.** Supporting documentation should clearly state the type of cost anticipated, justification for inclusion, and methods of computation. Total one-time conversion costs are allocated evenly to each performance period of the cost comparison. The total one-time costs are divided by the number of periods in the cost comparison. If the cost comparison does not cover 3 full years, the total one-time costs are still allocated evenly over the number of performance periods. For example, the cost comparison has three performance

periods; however, the first period is only 6 months and the second and third periods are each 12 months--totaling 30 months or 2 1/2 years. The total one-time conversion costs (\$30,000) are divided by 3 (the number of performance periods). The result (\$10,000) is reflected in each of the three performance periods. One-time costs are not inflated for the outyears.

10-16. Gain or Loss on Disposal or Transfer of Assets (Line 11). When a function is performed in-house, a decision to contract that operation may eliminate the need for all or some portion of the assets. The value to the government of reducing the need for these assets should be included as a consideration in the cost comparison. Assets that become excess as a result of the MEO are not costed. The worksheet in figure 10-19 provides clarifying comments and explanations for use in dealing with the gain or loss on those assets (capital or minor), which will be disposed of or transferred by the government, if a decision is made to contract for the product or service.

10-17. Federal Income Tax (Line 12):

a. When developing the government's cost of contract performance, the potential Federal income tax revenue should be considered. Since contract performance would provide the contractor with income that is subject to tax, an estimated amount of these taxes is an appropriate deduction from the net cost to the government, unless the prospective contractor is a tax-exempt organization.

b. To simplify the tax computation, an Internal Revenue Service table (attachment 9) provides, by types of industry, tax rates in relation to business receipts. The industry groupings conform to the Department of Commerce-issued Enterprise Standard Industrial Classification. To determine the amount of estimated Federal income tax, the contract price (AF Form 346, line 7) for each period of performance is multiplied by the applicable tax rate. The estimated amount of Federal income tax is entered on line 12 as a deduction from the cost of contracting. This computation is made at the time of bid opening or cost comparison with the most advantageous contractor proposal.

10-18. Total Contract Costs (Line 13). Add line 7 through line 10. If there is a number in parentheses (deduct) in line 11, add this number to the numbers in line 11 and line

Asset ¹ (Capital or Minor Item)	(A) Original Acquisition Cost	(B) Disposal Value Factor (from Atch 2)	(C) Estimated Disposal or Transfer Value (A x B)	(D) Estimated Disposal or Transfer Cost	(E) ² Gain or Loss on Disposal or Transfer (C - D)
Marker, Traffic/4940	\$1554	.0448	\$ 70	\$120	\$50
Airless Spral Unit/4940	2265	.0448	101	174	73
Agitator, Paint/4940	475	.0448	<u>21</u>	<u>36</u>	<u>15</u>
TOTAL GAIN OR LOSS ON DISPOSAL OR TRANSFER					
<p>NOTE: If estimated disposal or transfer cost (D above) is less than estimated disposal or transfer value (C above), enter on line 11³ (in parentheses) as a savings or gain to contract. If estimated disposal or transfer cost (D above) is more than estimated disposal or transfer value (C above), enter on line 11 as a plus or loss to contracting out.</p>					
COMPLETION INSTRUCTIONS					
Data	Comment or Explanation				
Asset - (Capital or Minor Item)	List the nomenclature of the capital asset or minor item. (Expendable items of material that become excess or available for transfer or disposal are covered under line 10 (One-Time Conversion Costs). Line 11 includes capital assets and minor items.)				
(A) - Original Acquisition Cost	List the amount of estimated acquisition cost which includes: 1. Original purchase price. 2. Costs for transportation and any installation costs incurred in order to place the asset in operation (if not already in the original purchase price). 3. Any costs for capital improvements.				
(B) - Disposal Value Factor	Select from attachment 2 the appropriate factor. (It may not be appropriate to use the disposal value factor from attachment 2 (e.g., the asset is only 1 year old). An alternate cost approach may be used if deemed more accurate and must be fully documented.)				
(C) - Estimated Disposal or Transfer Value	Multiply the original acquisition cost (A) by the disposal value factor (B) to arrive at the estimated disposal or transfer value.				
(D) - Estimated Disposal or Transfer Cost	Determine the estimated cost to dispose or transfer the asset. If more precise costs are not available from the property disposal officer or appropriate authority, use these factors: The PCH is 3.5% of the current replacement cost and transportation is 3.75% of the current replacement cost ⁴ .				
(E) - Gain or Loss on Disposal or Transfer	Subtract: Estimated Disposal or Transfer Value (C) - Estimated Disposal or Transfer Cost (D) = Gain or Loss on Disposal or Transfer				
<p>NOTE: If Estimated Disposal or Transfer Cost (D) is less than Estimated Disposal or Transfer Value (C), enter cost (in parentheses) as a savings or gain to contract.</p> <p>If Estimated Disposal or Transfer Cost (D) is more than Estimated Disposal or Transfer Value (C), enter the cost as a plus or loss to contracting out⁵.</p>					

Figure 10-19. Sample Gain or Loss on Disposal or Transfer of Assets Worksheet (Line 11).

NOTES:

- ¹Regardless if the asset is transferred or disposed of, the basic computation is unchanged.
- ²A gain or loss of assets usually occurs in the first performance period. However, there may be cases spelled out in the contract where the contractor is furnished government equipment through the first performance period or longer. The disposal or transfer would take place accordingly. Reflect costs for the performance period in which the assets will be transferred or disposed, normally, the first performance period.
- ³Do not inflate costs on line 11 as they are not recurring costs.
- ⁴To transfer an asset means to realign the responsibility and ownership of the asset from the function undergoing cost comparison to any other government facility or organization (on base, to another base, to another service, etc.). The gaining government user becomes responsible for such things as inventory accountability, maintenance, repair, etc., of these assets.
- ⁵If a cost-benefit analysis (as prescribed in paragraph 7-4a) indicates that the retention of government-owned facilities, equipment, or real property for use elsewhere in the government is cost advantageous to the government, then line 11 will reflect a gain to the government, therefore, a decrease to the cost of contracting on line 11.

Figure 10-19. Continued.

12, and subtract this total from the total of line 7 through line 10. Enter the difference on line 13. If the number in line 11 is not in parentheses, add it to the total of line 7 through line 10. Subtract the total of line 12 from the total of line 7 through line 11. Enter the difference on line 13.

Section E—Conversion Differential and Cost Comparison Decision**10-19. Conversion Differential (Line 14).**

Cost margins have been established that should be exceeded before converting an in-house CA to contract. A cost margin equal to 10 percent of the in-house personnel related costs (total for all performance periods) should be added to the cost of contracting on the AF Form 346. This amount is added to give consideration to the loss of production, the temporary decrease in efficiency and effectiveness, the cost of retained grade and pay, temporary operation of

facilities at reduced capacity, and other unpredictable risks that result any time a conversion is made. See the worksheet in figure 10-20 for computations.

10-20. Total and Cost Comparison (Line 15 and Line 16). Once the conversion differential has been computed and all the elements of contract performance costs are known, sum line 13 and line 14 for all performance periods ("Total" column only). Enter that total on line 15 ("Total" column only). Then subtract line 6 from line 15 and enter the result on line 16 ("Total" column only). A positive result on line 16 supports a decision to accomplish the function in-house and a negative result supports a decision to contract.

10-21. Cost-Comparison Decision (Line 17). Indicate in the appropriate block on line 17 the decision line 16 supports.

CATEGORY	TOTAL COST FOR ALL PERFORMANCE PERIODS
Personnel costs (AF Form 346, line 1)	\$1,924,860.72
Other personnel related costs (AF Form 346, line 3, Liability Insurance Portion from figure 10-13)	1,347.40
Overhead (personnel related costs from figure 10-15; i.e., personnel costs and liability insurance)	163,885.86
Additional Costs (Personnel related costs, line 5)	0
Additional Costs (Liability Insurance Portion, line 5)	<u>0</u>
Total Personnel Related Costs	\$2,090,093.98
Conversion Differential (10% of Total) (Enter on AF Form 346, line 14 under Total Column.)	\$ 209,009

Figure 10-20. Sample Conversion Differential (In-House to Contract) Worksheet.

Chapter 11

COST COMPARISONS FOR EXPANSIONS, NEW REQUIREMENTS, AND CONVERSIONS TO IN-HOUSE PERFORMANCE

11-1. Procedure Differences. This chapter describes the unique methods and procedures which should be used to perform a cost comparison for expansions, new requirements, and conversions of a function from contract to in-house performance. These procedures differ from those in chapter 10 in basically four areas: identification of new or increased costs expected to be incurred; cost of capital on additional assets; one-time conversion costs; and minimum cost differentials. AF Form 1282 (attachment 10) is used for recording these types of cost comparisons.

11-2. Costing Method:

a. The method described in this chapter is used and a cost comparison is performed:

(1) When the government determines it is beneficial to cost compare a contract CA for more economical performance in-house.

(2) For a new requirement.

(3) Where an expansion of an in-house CA is anticipated and the activity is not justified under any of the criteria established in this regulation for in-house operation.

b. The method in chapter 10 is used to develop the cost comparison. However, for conversions to in-house and new requirements, the preparer identifies increases in costs expected to be incurred. For expansions, the increase related to the expansion portion of the function is computed. Then the total impact (existing and expansion) which would result from conversion to contract is computed. In addition to increased personnel and material costs, there might be increased costs for facilities and equipment. The cost of all capital assets not provided to the contractor is computed using the same depreciation method explained in chapter 10. There might also be increases for rent, maintenance and repair, utilities, travel, and support provided by the overhead activities. For example, if a G&A activity requires an increase in overtime or an increase of at least one position, the personnel and associated support costs would be computed and included on the AF Form 1282, line 4. Those governmental costs currently being incurred, which would be the same for either in-house or contract operation, are identified, but not computed.

c. The method for computing the in-house costs of expansions, new requirements, or conversions to in-house performance is the same as the procedures identified in chapter 10 except as noted in this chapter. New procedures are provided for the cost of capital (line 5), one-time conversion cost (line 6), and the cost differential (line 16).

11-3. Cost of Capital (Line 5):

a. An expansion, new requirement, and conversion to in-house performance may require a substantial new government investment in facilities and equipment. The cost of capital should be computed on those additional and currently owned assets to be used solely by the in-house operation which will not be provided to the contractor.

b. The cost of capital is defined as an imputed charge on the government's investment in capital assets necessary for the function to provide the products or services. Basically, the imputed charge for the cost of capital is an opportunity cost: If the capital had been devoted to another use, it would have provided other income or avoided interest expense.

c. To estimate the cost of capital, it is necessary to identify the acquisition cost of new assets or the net book value of assets acquired by transfer. The cost of new assets results from the sum of the purchase price, transportation costs, and any installation costs incurred to place the asset in operation (if not already included in the purchase price). The total cost of an asset received through transfer is the sum of the net book value and the transportation and installation costs. To determine the net book value, the accumulated depreciation is subtracted from the acquisition cost of the asset. Transportation and installation costs are adjusted from the net book value before applying the cost of capital. To determine the cost of capital, a 10-percent opportunity cost rate is applied to the determined total cost of both new and transferred assets used solely by the in-house government function. The results of this computation are entered on the AF Form 1282, line 5, for each performance period. The outyears are not inflated.

11-4. One-Time Conversion Costs (For Expansions, New Requirements, and Conversions from Contract to In-House Performance [ENRC]) (Line 6):

a. New government investment in facilities and equipment is not included as one-time costs under this section. The costs incurred in acquiring facilities or equipment and installing the equipment should be included in the capitalized cost. These costs are handled in the sections dealing with depreciation (paragraph 10-7a) and the cost of capital on additional assets (paragraph 11-3c).

b. Examples of one-time costs include office and plant rearrangements; employee recruiting, training, and relocating expenses; and expenses which are the direct result of discontinuing an existing contract or expanding the in-house operation.

c. The government's one-time costs of expansion, new requirements and conversions from contract to in-house should be determined. Supporting documentation should clearly indicate the type of costs anticipated, the justification for their inclusion, and the computation methods used. Total one-time conversion costs are allocated evenly to each performance period of the cost comparison. The total one-time cost is divided by the number of periods in the cost comparison. If the cost comparison does not cover 3 full years, the total one-time costs are still allocated evenly over the number of performance periods. For example, the cost comparison has three performance periods; however, the first period is only 6 months and the second and third periods are each 12 months (totaling 30 months or 2 1/2 years). The total one-time conversion costs (\$30,000) are divided by 3 (the number of performance periods) and \$10,000 is reflected in each of the three performance periods. One-time costs are not inflated for the outyears.

d. In addition to one-time costs related to in-house performance on line 6, there are one-time labor related costs associated with the expansion of an activity. The one-time severance pay, homeowner assistance, relocation, and retraining costs for the personnel in the existing activity are computed using the procedures in chapter 10, and entered on AF Form 1282, line 12.

11-5. Conversion Differential (Line 16):

a. Before approving an expansion resulting in a conversion from contract to in-house performance on the basis of cost, established cost margins should be exceeded. The cost margin is equal to 10 percent of the government personnel-related cost (in line 1, line 3 (liability insurance portion), line 4, and line 7) and 25 percent of the acquisition cost of new capital assets; i.e., assets not currently government-owned and used solely by the in-house operation.

b. The margin of 10 percent of the government personnel-related cost is consistent with the margin favoring the status quo in cost comparisons of in-house activities and includes the government's contract termination cost (where feasible, conversions should be scheduled to correspond with expiration of existing contracts to prevent termination costs). The 25-percent margin recognizes the risks inherent in government investment in capital assets.

c. The conversion differential cost is computed on line 16 and based on the "total" column only. First, the personnel costs in line 1, line 3, and line 4 are multiplied by 10 percent to obtain the personnel-related cost margin. Second, the acquisition costs of new capital assets not provided to the contractor are multiplied by 25 percent. The two cost margins are added together and entered on line 16.

d. The conversion differential does not apply to new requirements since the activity is not being performed in-house or by a contractor.

11-6. Cost-Comparison Decision. The cost-comparison decision is based upon the results obtained from the AF Form 1282, "Total" column. The cost of contract operation is subtracted from the total cost of in-house operation (line 17 minus line 15). The result is entered on the AF Form 1282, line 18. On line 19, the appropriate decision block is checked. A positive result on line 18 supports the decision to contract the function and a negative result supports the decision to accomplish the function in-house.

Chapter 12

DIRECT CONVERSION PROCEDURE

12-1. Approval Authority. An installation commander may approve conversion of an in-house activity directly to contract, without a cost comparison, if:

a. It is performed exclusively by military personnel.

b. It involves the purchase of products and services from a qualified nonprofit agency for the blind or other severely handicapped persons (10 U.S.C. 2461), regardless of the makeup of the in-house work force.

c. It is completely or partially performed by 10 or less Air Force civilian employees and the following conditions are met:

(1) There are no wartime critical military skills or unsatisfactory rotation index skills included.

(2) The installation commander certifies that all affected civilian employees will be offered jobs at that installation or within the local area, commensurate with their current skills and pay grades. Commensurate is interpreted to mean equal pay scales and grade levels.

(3) If no such vacancies exist, the installation commander certifies that the employees will be offered retraining opportunities for existing or projected vacancies at that installation or within the local area.

(4) The employees right-of-first refusal with civilian contractors does not satisfy (2) or (3) above.

d. If there is reason to believe that commercial prices may be unreasonable, an informal preliminary cost analysis should be conducted to determine whether it is likely that the work can be performed in-house at a cost that is less than anticipated for contract performance. A cost comparison is scheduled if in-house performance appears to be more economical.

12-2. Steering Group Responsibilities. The decision to directly convert to contract has an impact on the responsibilities of many staff and functional offices. As in the cost-comparison process, a steering group should be established at each affected installation and MAJCOM, FOA, or DRU (paragraph 6-1).

12-3. Responsibilities of Installation Steering Group. General steering group re-

sponsibilities are outlined below. Members should:

a. Sign a statement that they have read AFR 30-30 and AFR 40-735 (as appropriate) and understand the contents.

b. Establish milestone dates to help make orderly and timely decisions.

12-4. Specific Staff Responsibilities. This list is not intended to be all inclusive, but rather it reflects the major responsibilities:

a. Servicing Manpower Office. The manpower representative:

(1) Chairs the steering group.

(2) Convenes the steering group at the beginning of a conversion.

(3) Briefs the steering group members, at the first steering group meeting, on the importance of integrity and objectivity when conducting the direct conversion. In concert with the contracting and SJA representatives, identifies employees (military and civilian) who will perform as procurement officials.

(4) Develops a list of procurement officials for each conversion initiative and provides it to the contracting officer. A copy of all modifications to the list should also be provided. As a minimum, the manpower representative:

(a) Obtains certificates from all designated procurement officials (this requirement is in addition to the requirement for all steering group members to sign a statement that they have read and understand AFR 30-30 and AFR 40-735, as appropriate). Certificates signed by procurement officials participating in the conversion are forwarded to the CBPO and CCPO for filing in member's records. Certificates signed by procurement officials leaving Federal employment are forwarded to the contracting office for filing in the official contract file for each procurement in excess of \$100,000.

(b) Stresses that all information and cost data about the cost estimate should be properly safeguarded. This procedure is necessary to preserve the integrity of the conversion. Information which is already available from existing management information systems may be released; i.e., information which would be available even if a conversion was not being conducted. The contracting officer should be notified of any information request about a function un-

dergoing direct conversion. Any information subsequently released should be coordinated with the contracting officer.

(c) Outlines the responsibilities of the steering group members.

(5) Ensures authorizations identified within the scope of the direct conversion are coded with an "R" in the MES column on the UAF.

(6) Assists the functional OPR in developing the PWS and the QASP.

(7) Develops and provides the contracting officer an estimate of the cost for performing the function in-house for all direct conversions, including NISH and NIB negotiations.

(8) Attends prebid or preproposal conference to answer questions about the procedure and methodology that should be followed in the direct conversion and to receive copies of all contractor questions and government answers.

(9) Attends bid opening or most advantageous offer meeting.

(10) Notifies CCPO upon contract award or cancellation of solicitation.

b. Functional OPR. The OPR:

(1) Develops PWS and QASP according to AFR 400-28, volume I.

(2) Prepares and submits an AF Form 813 on the proposed conversion to contract according to AFR 19-2.

(3) Prepares and submits the purchase request (AF Form 9) to the servicing contracting office. If Service Contract Act wage determinations are required, provides a list of job categories so the contracting office can complete and submit the SF 98. If Davis-Bacon Act (construction) wage rates are required, completes and submits the SF 308 if there are no published wage rates for the required categories.

c. Civilian Personnel. The civilian personnel officer:

(1) Advises functional OPR on position management during direct conversion process.

(2) Notifies all affected employees and the labor organization, which is the affected employees' exclusive representative, of the planned direct conversion (including functions or organizations involved, estimated numbers and types of employees affected, general procedures to be followed, and timing of major events). Ensures the employees and union are given an opportunity to provide input; e.g., cost-savings ideas for consideration in the development of the PWS. Provides, in writing, a monthly update on status of the effort or changes that affect the process to affected employees or their

representatives. Such updates should emphasize employees' opportunities to have their views considered. Ensures the union is notified before (at least 3 days) bid opening and given the opportunity to attend the bid opening or is otherwise notified of the outcome of the direct conversion. Ensures that labor relations obligations under 5 U.S.C., chapter 71, and any applicable collective bargaining agreements are met.

(3) Provides data regarding retraining of affected civilian personnel.

(4) If the conversion involves the purchase of products and services from a qualified non-profit agency for the blind or other severely handicapped persons (10 U.S.C. 2461), regardless of the makeup of the in-house work force:

(a) Starts a request for RIF approval as soon as possible if it is estimated that the number of civilian employees meets the threshold for involuntary separation in FPM 351. Coordinates the request with HQ USAF/DPC; however, RIF notices are withheld until a contract is awarded.

NOTE: The request is made as though a contract has been awarded and contains the same information required in FPM 351.

(b) Identifies positions that are or will be vacant and that could be filled by employees who may be separated.

(c) Exerts maximum effort to find suitable employment for displaced Air Force civilian employees.

(d) Makes sure that at least a 60-day notice (before contract start date) of a RIF is given to employees. Unless higher headquarters approval to conduct a RIF is pending according to FPM 351, RIF notices are issued immediately after notification by the servicing manpower office that a contract has been awarded.

(5) Considers the potential impact on affirmative employment efforts throughout the conversion to contract operation. Assists management in maintaining equal employment opportunity program emphasis to the extent feasible.

d. Military Personnel. The CBPO is represented on the steering group, when appropriate. The CBPO representative:

(1) Develops a proposed implementation plan for the systematic phaseout of affected military personnel. The plan, as a minimum, includes:

(a) Milestones for conversion to contract operation.

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

(c) DOA of affected military incumbents for placement in assignment availability code 36 (unit deactivation code). HQ AFMPC assignment officials work with MAJCOMs, FOAs, or DRUs to establish mutually agreeable DOAs.

(2) Submits a proposed implementation plan to the MAJCOM, FOA, or DRU Personnel Plans Office.

e. Contracting Office. The contracting officer:

(1) Advises the functional OPR on the development of the PWS and QASP.

(2) Reviews the PWS and QASP to ensure compliance with AFR 400-28, volume I.

(3) Presides at prebid and preproposal conference.

(4) Advises the servicing manpower office after selection of the most advantageous proposal or receipt of bids and presides at bid opening or the most advantageous offer meeting.

(5) Notifies the servicing manpower office in writing when a contract is actually awarded.

(6) Develops a contract administrator's plan.

f. Budget Office. Identifies the necessary actions to ensure funds are available in the base budget submissions.

g. Base Staff Judge Advocate. The base legal officer reviews the solicitation for legal sufficiency.

h. Base Civil Engineering. The base civil engineer:

(1) Reviews the PWS and makes sure utilities, facilities, and services support are properly provided.

(2) Helps the functional OPR in the environmental assessment of proposals.

(3) Assesses any possible intergovernmental or community impact considerations relative to AFR 19-9 for direct conversions with 250 or more work years required.

i. Installation Commanders. Although not a member of the steering group, these commanders have the following responsibilities in conducting direct conversion.

NOTE: In certain circumstances where the activity is not a part of the host base, it may be more appropriate for an official from that activity to carry out these responsibilities.

(1) Appointing members to the steering group in writing.

(2) Ensuring timely completion of the direct conversion.

12-5. Responsibilities of MAJCOM, FOA, or DRU Steering Group. A representative from the Directorate of M&O chairs the steering group. The MAJCOM, FOA, or DRU steering group has similar representation and responsibilities as the installation steering group. The MAJCOM, FOA, or DRU steering group provides overall guidance and expertise to the installation steering group.

Chapter 13

INDEPENDENT REVIEWS

13-1. Performance Requirements. This chapter outlines the requirements for performing an independent review of all cost comparisons.

13-2. Overview of the Independent Review. An independent review is conducted to substantiate the currency, reasonableness, accuracy, and completeness of the cost comparison. The review ensures that the in-house cost estimate is based on the same required services, performance standards, and workload contained in the solicitation. A representative of the cost analysis activity conducts the independent review. The reviewer scrutinizes and attests to the adequacy and authenticity of the supporting cost comparison documentation. Supporting documentation should be sufficient and should not require additional interpretation.

a. The independent review ensures costs are estimated and supported according to provisions of this pamphlet. It is not the objective of the independent review to validate or approve management decisions concerning the MEO. If no (or only minor) discrepancies are noted during this review, the reviewer indicates the minor discrepancies, signs, dates, and returns the cost-comparison form (AF Form 346 or AF Form 1282) to the preparer. If significant discrepancies are noted during the review, the discrepancies are reported to the preparer for recommended correction and resubmission.

b. The review is completed far enough in advance of the bid or initial proposal receipt date to allow the preparer to correct any discrepancies found before sealing the in-house cost estimate.

c. Independent review procedures are provided in AFR 173-14.

Chapter 14

SEALED BID AND NEGOTIATED ACQUISITION PROCEDURES

14-1. General Guidance and Procedure.

This chapter provides general guidance and summarizes procedures using sealed bid and negotiated acquisitions for cost comparisons. Specific guidance is provided in the FAR. Following the independent review, the preparer submits to the contracting officer the cost comparison form (AF Form 346 or AF Form 1282) and any supporting documentation in a sealed and identified envelope. This should be done before the required submission date for bids or by the date established for receipt of the contractors' initial proposals. The contracting officer ensures the preparer of the cost comparison form has an opportunity to examine all proposed amendments to the solicitation to determine if a correction to the in-house bid is required. Also, the contracting officer should not open the in-house cost estimate until the time the comparison of in-house to contract costs is accomplished.

14-2. Sealed Bid Acquisitions. For sealed bid acquisitions, these guidelines apply:

a. **Bid Opening.** The contracting officer opens the contractor bids. After considering provisions for a tax-exempt and a preference eligible bidder or offeror (paragraph 10-12), he or she records the results, and determines the apparent low contractor bidder. The contracting officer opens the in-house bid and enters on the cost comparison form the price of the apparent low contractor bidder. The manpower representative then completes the proper remaining items on the cost comparison form and advises the contracting officer of the tentative result.

b. **Announcing the Results.** The contracting officer announces the tentative results of the cost comparison. Concurrent with this announcement, the contracting officer:

(1) States that this result is subject to required agency processing, including evaluating for responsiveness and responsibility, completing and auditing the cost comparison form, and resolving any requests for review under the AAPs (chapter 15).

(2) States that no final determination for performance by the government or under contract may be made during the public review period specified in the solicitation plus any additional period required by the AAPs.

(3) Provides, in writing, detailed documentation supporting the initial cost comparison decision to the directly affected parties upon request. (If the documentation is not available when the initial decision is announced, the time allotted for submitting appeals is extended the number of days equal to the delay.) The detailed documentation includes as a minimum:

(a) The completed cost comparison form.

(b) Detailed supporting documentation to the cost comparison form.

(c) Name and bid price of the apparent successful bidder.

(d) Abstract of bids (for sealed bid acquisitions).

(4) Announces the name of the tentative winning contractor (if decision is to contract) or price of the bidder whose bid would have been most advantageous to the government (if decision is to perform in-house).

c. **Explaining Costing Techniques.** When requested, a manpower representative explains cost-estimating techniques and provides backup data to directly affected parties either verbally or in writing.

d. **Public Review Period.** The public review period begins on the day the cost comparison form, detailed supporting documentation, and bid abstract are made available to directly affected parties. The public review period lasts for the period specified in the solicitation (at least 15 workdays, up to a maximum of 30 workdays if the contracting officer considers the action to be complex). Upon completion of the public review period and resolution of any questions raised, a contract is awarded or the solicitation is canceled. If the final decision is to award a contract, congressional notification is made before actual award (chapter 17).

e. **Correcting Discrepancies in the In-House Estimate:**

(1) **Before Comparison.** If it becomes necessary to amend or correct the cost comparison form after it is sealed in an envelope and is in the possession of the contracting officer, the needed changes are made on a revised cost comparison form, which is sealed in another envelope with an explanation for the changes and given to the contracting officer. At bid opening, all envelopes are opened and the changes are explained.

(2) After Comparison. If a discrepancy is identified during the public review period, the manpower representative corrects it during a time that corresponds to the requirement and the validity date of the bids or offers, as stated in the solicitation. The solicitation is not canceled even if there are significant changes, omissions, or defects in the cost comparison. These corrections are made before the expiration of bids and may require the extension of bids. Chapter 15 contains more details on documenting changes.

14-3. Negotiated Acquisitions. For negotiated acquisitions, these procedures apply:

a. Completion of Negotiations. After best and final offers are received, the contracting officer or the source selection authority determines the most advantageous offer to the government. All pre-award review and clearance requirements should be completed before performing the comparison to the in-house estimate. Also, where appropriate, obtain an equal employment opportunity clearance, the local contract file reviews, and MAJCOM contract approval. Before public announcement, the contracting officer opens the sealed cost comparison form in the presence of the manpower representative, enters on the cost comparison form the amount of the most advantageous responsible proposal, and returns the form to the manpower representative who completes the remaining items.

b. Favoring Contract Performance. If the result of the cost comparison favors performance under contract, the contracting officer awards a contract. Concurrently with the award, the contracting officer:

(1) Notifies all bidders and offerors of the result of the cost comparison.

(2) Announces the contractor's name.

(3) Advises directly affected parties that contractor preparations for performance are conditioned upon completion of the public review period specified in the solicitation plus any additional period required by the AAP (chapter 15).

c. Favoring In-House Performance. If the result of the cost comparison favors government performance, the contracting officer:

(1) Notifies directly affected parties of the result of the cost comparison.

(2) Announces the price of the contractor's offer most advantageous to the government.

(3) Advises directly affected parties that the decision is conditioned upon completion of

the public review period specified in the solicitation plus any additional period required by the AAP (chapter 15).

d. Documentation to Directly Affected Parties. The contracting officer will provide, in writing, detailed documentation supporting the initial cost comparison decision to the directly affected parties upon request when the initial decision is announced. (If the documentation is not available when the initial decision is announced, the time allotted for submitting appeals is extended the number of days equal to the delay.) The detailed documentation includes as a minimum:

(1) The completed cost comparison form.

(2) Detailed supporting documentation to the cost comparison form.

(3) Name of the tentative winning contractor if the decision is to contract or the price of the proposal which is the most advantageous to the government if the decision is to perform in-house.

e. Explaining Costing Techniques. When requested, a manpower representative explains cost-estimating techniques and provides backup data to directly affected parties, either verbally or in writing.

f. Public Review Period. The public review period begins on the day the cost comparison form and detailed supporting documentation are made available to directly affected parties. The review period lasts for the period specified in the solicitation (at least 15 workdays, up to a maximum of 30 workdays if the contracting officer considers the action to be complex). Upon completion of the public review period and resolution of any questions raised, a notice to proceed is issued or the solicitation is canceled and the directly affected parties notified of action taken. Congressional notification should be made before the contracting officer issues the notice to commence with the conditioned award (chapter 17).

g. Correcting Discrepancies in the In-House Cost Estimate:

(1) Before Comparison. If it becomes necessary to amend or correct the cost comparison form after it is sealed in an envelope and is in the possession of the contracting officer, the needed changes are made on a revised cost comparison form, which is sealed in another envelope along with an explanation for the changes, and given to the contracting officer. At time of the cost comparison, all envelopes are opened and the changes are explained.

(2) After Comparison. If a discrepancy is identified during the public review period, the manpower representative corrects it during a time that corresponds to the requirement and the validity date of proposals. The solicitation is

not canceled even if there are significant changes, omissions, or defects in the cost comparison. These corrections are made before the expiration of proposals and may require the extension of the proposal acceptance period.

Chapter 15

ADMINISTRATIVE APPEAL PROCEDURES

15-1. Administrative Appeals. AAPs are intended to resolve questions from directly affected parties relating to determinations resulting from cost comparisons performed according to this pamphlet.

15-2. Appeals of Cost Comparison Decisions:

a. Each MAJCOM, FOA, or DRU establishes an administrative appeal review team or board to resolve questions from directly affected parties relating to determinations resulting from cost comparisons performed according to the guidance in this pamphlet. The procedures outlined in this chapter are essential for administrative appeals. The AAPs may not apply to questions about:

(1) Awarding a contract to one contractor in preference to another.

(2) Making Air Force management decisions.

b. The AAPs provide an administrative safeguard to ensure Air Force cost comparisons are conducted fairly, equitably, and according to procedures in this pamphlet. The AAPs should be independent and objective. The procedures may not authorize an appeal outside the Air Force or a judicial review.

c. To ensure consistent AAPs throughout the Air Force, these guidelines apply:

(1) Parameters Constituting an Appeal. For an administrative appeal to be considered eligible for review under the AAP, the appeal should:

(a) Be submitted by the offeror whose bid or proposal was compared to the in-house bid, or by a directly affected DoD civilian employee or his or her representative organization.

(b) Be received by the contracting officer in writing within the number of workdays specified in the solicitation after the date the supporting documentation is made available to the directly affected parties. The appeal period is normally 15 workdays; however, it may be extended to a maximum of 30 workdays if the cost comparison is particularly complex. No final cost comparison decision can be made until the appeal is resolved.

(c) Address specific line items on the AF Form 346 and the rationale for questioning those items.

(d) Demonstrate that the result of the appeal may change the decision.

(2) Establishment of a Base Cost Comparison Administrative Appeal Review Team. An impartial official, who is at a higher level than the official who approved the original cost comparison decision, administers the AAP at the affected installation or at a MAJCOM-designated location. This approving official appoints a team referred to as the Base cost comparison Administrative Appeal Review Team. The team is composed of at least three Air Force members (military or civilian). Although personnel involved in the cost comparison process are not on this team, they could be required to provide additional information or explanations.

(3) Actions Upon Receipt of Appeal:

(a) The appellant sends the appeal to the contracting officer. The contracting officer in turn should immediately provide the appeal, a copy of the original cost comparison form, the solicitation package, and all supporting documentation to the servicing manpower office. The manpower office determines whether the appeal meets all the parameters in c(1) above. If it does not, the appeal is returned to the appellant by the contracting officer, with an explanation covering which parameters were not met. If all appeal parameters are met, the servicing manpower office, as a minimum:

1. Determines who the team approving official should be.

2. Forwards the appeal, along with a copy of the original cost comparison form, backup documentation, and contract solicitation package, to the team approving official.

3. Briefs or explains the team's responsibilities, the appeal process, and the cost comparison procedures to the team approving official.

4. Notifies the MAJCOM M&O director by message, with information copy to HQ USAF/MOX and HQ AFMEA/MEQC. The message should identify the installation point of contact, the appellant, and the date the appeal decision is due. Also, include a brief description of the appeal.

(b) On receipt of the appeal, the team approving official advises the appellant of receipt of the appeal (usually within 5 workdays from receipt of the appeal) by receipt-requested cer-

tified mail. The members of the base team analyze each element of the appeal and give a recommendation upon which the team approving official makes a decision.

(c) If any discrepancies in the cost comparison are identified that require changes to the cost comparison, such changes are made before appeal decision notification and all interested parties are notified (in writing) of the change or changes, including rationale. When making changes to the original cost comparison form and supporting documentation, a complete audit trail is maintained and provided to show changes are a result of appeal discrepancies identified as a result of the AAP. As cost comparison forms are changed to reflect or incorporate corrections, each corrected version is sequentially numbered, dated, and referenced, e.g., Corrected cost comparison form, No. 1, 27 Nov 89, per Appeal Decision (reference and attach applicable appeal documentation and decision).

(d) The team approving official provides to the appellant by receipt-requested certified mail a decision on the appeal within 30 calendar days of receipt of the appeal by the contracting officer.

(4) MAJCOM Cost Comparison Administrative Appeal Review Board. When the team approving official provides a decision on the appeal to the appellant, the appellant is also advised that a further request for review may be made to MAJCOM level. The appellant should make such a request in writing within 10 workdays of the base-level appeal decision to the base team approving official. The scope of the MAJCOM-level appeal review is limited to the contents of the original base-level appeal.

(a) If a MAJCOM-level appeal review is requested, the approving official of the base-level appeal immediately sends the request for MAJCOM-level review, the base-level appeal background file, and the cost comparison form with supporting documentation to his or her MAJCOM M&O Director. FOAs and DRUs notify and request guidance, by message, from HQ USAF/MOX on processing the second-level appeal.

(b) The M&O Director appoints members to the MAJCOM Cost Comparison Admin-

istrative Appeal Review Board. Also, the M&O Director advises the appellant of receipt of the request for MAJCOM-level review (within 5 workdays from receipt of the appeal) by receipt-requested certified mail. The board is composed of at least three Air Force members (military or civilian). Members of the MAJCOM cost comparison steering group would not be members of this board, but may be required to provide additional information or explanations. The board reviews each element of the appeal and gives, by receipt-requested certified mail, a decision within 30 workdays of receipt of the appeal with an information copy to the base team approving official.

(c) On receipt of the decision of the MAJCOM-level appeal review, the contracting officer awards the contract or cancels the solicitation, whichever is applicable.

15-3. Reversal of Cost Comparison Decision:

a. A reversal of a cost comparison decision based upon an administrative appeal presents a unique circumstance. An interested party has no reason to appeal items in a cost comparison if an original decision is advantageous to this party. Only an adversely affected party has any basis for appealing and overturning a decision. If that affected party is successful in having the original decision overturned upon appeal, the party, which had no reason to challenge the original decision, but does upon reversal of the decision, should be given an opportunity to appeal.

b. Therefore, in cost comparisons where original decisions are overturned upon appeal (in-house to contract or contract to in-house), the party which is adversely affected by that reversal should be allowed to submit an appeal, under the same ground rules as the first appeal (paragraph 15-2c). For example, the parameters constituting an appeal, the timeframe allowed for submission and decision, and two levels of appeal (base and MAJCOM, FOA, or DRU) apply equally to each appeal. Further, the team which reviewed the first appeal should review any subsequent appeal at the same level.

c. The appeal cannot be considered if it seeks only to overturn corrections made in the first review by the appeal review team. A review team, when established, is charged with determining the validity of an appeal regarding the contents or calculations of the cost comparison form. A decision of a review team to change items is an

explicit acknowledgement that procedures were either not followed or not correctly applied. Any item from an original cost comparison form changed by a review team should represent the final decision on that item, reflecting a correct application of procedures at that location.

Chapter 16

**MOST EFFICIENT AND COST EFFECTIVE IN-HOUSE ORGANIZATION
AND CONTRACT IMPLEMENTATION**

Section A—MEO Implementation

16-1. Timing of Implementation. The installation commander should initiate implementation of the MEO not later than 1 month after the solicitation is canceled and should complete the implementation within 6 months of canceling the solicitation. The installation commander should take action, within 1 month, to schedule and conduct a subsequent cost comparison when the MEO is not completed as prescribed above. HQ USAF/MOX approval is required to delay a subsequent cost comparison when situations outside the installation commander's control prevent timely or full MEO implementation.

16-2. PWS Conformance:

a. The installation commander should ensure the in-house operations follow the performance standards reflected in the PWS.

b. The servicing manpower office should:

(1) Verify the MEO has been implemented and report the date of implementation in the CAMIS.

(2) Periodically review MEOs to ensure compliance with the provisions of this chapter.

c. The functional OPR should maintain the PWS to reflect all changes in procedures, responsibilities, quality required, and workload volume.

16-3. Resource Limitations:

a. An in-house CA authorized on the basis of a cost comparison is limited to expending, at the maximum, the dollar value of those work years and grades priced-out in the cost comparison. The activity may exercise latitude in resource management (overtime, grade changes, number of work years, equipment, etc.) as long as the changes do not increase the total dollar amount of resources in the cost comparison. An exception may be made if a documented change in workload occurs from that stated in the PWS. These changes would have caused an increase or decrease in contractor costs if the activity was performed by a contractor. The tasks outlined in the PWS are performed with the resources estimated in the cost comparison. If significant additional resources are required

without a corresponding increase in workload, a new cost comparison is required. The main intent is to perform in such a manner that the government is not accused of "buying-in."

b. The in-house work force should not be required to operate under costing procedures or decisions made during the MEO, which in the light of new information, prove to be unworkable. While it is best to correct the deficiency within existing resources, it is not always possible. If deficiencies cannot be corrected within existing resources, this question should be asked: "Is there a substantial likelihood the required additional resources, if reflected in the original government-cost estimate, would have altered the outcome of the cost comparison?" If the answer is affirmative, a new cost comparison is required. If the answer is negative, a new cost comparison is not required.

c. Activities that are retained in-house after a cost comparison are fundamentally Air Force-operated activities governed by Air Force directives (unless specifically waived in developing the management study). In-house MEOs do not enjoy immunity from reduction. Lower funding levels may compel commanders to reduce either the quality or quantity of the workload described in the PWS or terminate the activity altogether. However, a major constraint on the commanders' flexibility when making resource decisions is that the activity should, if continued, be operated by in-house civilian employees. Contract employees or military personnel may not be used instead of in-house civilians with the exception that military personnel may be used temporarily when civilian employees are not available. Lack of funds should not be used as the reason for nonavailability of civilian employees.

16-4. Equipment and Facilities:

a. Equipment and facilities may be changed or added if these actions would normally be taken under a contract operation, if offsetting savings would occur, or for normal replacement. These actions are reflected in the cost comparison to the extent they can be predicted. Complete documentation should be retained for these changes.

b. The MEO is not based on acquiring the equipment unless the equipment availability date is known. Relief for late receipt of this equipment is not approved unless the equipment was included in the PWS as government-furnished equipment, along with the availability date. In this case, either a contractor or an in-house operation would be granted relief for late receipt of the equipment.

16-5. Material and Supply. Material and supply costs in a service organization are sometimes beyond the control of the manager. However, the usage should not vary significantly from the costs estimated in the cost comparison. Significant variances from the in-house usage and the cost estimate require corrective action.

16-6. Manpower Standards Development. CAs present special opportunities to develop and maintain manpower standards. When an activity remains in-house after a cost comparison, changes to manpower occur. These activities do not remain static simply because a cost comparison has been conducted. Manpower and workload relationships should be developed to allow for and to document these changes as follows:

a. Direct labor projected in the in-house cost estimate and the workload specified in the PWS should be used to develop these relationships in the form of a manpower equation. The equation may be applicable to multiple locations having the same performance requirements or may be developed for a single location.

b. The PWS should be used as the basis for a work center description to reflect the tasks involved and the level of performance expected.

c. Once an equation is developed, changes in manpower requirements should result only from changes in workload, procedures, responsibilities, quality required, etc., that directly affect the PWS. For example, the manpower community uses the same test to review increases as the contracting officer uses if the activity goes contract and the contractor attempts to increase prices.

Section B—Contract Implementation

16-7. Timing of Implementation. The PWS governs the contract start date and phase-in provisions. To ensure an orderly transition to a contract operation, the in-house work force

fully supports the orientation or familiarization efforts outlined in the PWS phase-in provisions.

16-8. Funding of Contractor Operated CAs. Activities that are converted to contract after a cost comparison are fundamentally Air Force activities, operated by contractor, governed by the PWS. Funding of contractor-operated CAs is subject to the nuances of the Air Force budget process. Accordingly, contract operations do not enjoy immunity from reductions. Lower funding levels may compel commanders to reduce either quantity or quality of the workload described in the PWS or terminate the activity altogether. For contract operations, the contracting officer should perform any such changes or terminations. A constraint on the installation commander's flexibility when making a resource decision if the activity should, if continued, be operated by contract employees according to the cost comparison decision. Neither in-house civilians nor military personnel may be used instead of contractor employees with the exception that military or in-house civilians may be used temporarily if the contractor defaults.

16-9. Contract Defaults. Contract defaults may result in temporary performance by government personnel or other suitable means; such as, an interim contract source. Personnel detailed to such a temporary assignment should be clearly informed that they return to their permanent assignment when a new contract is awarded.

a. If contractor default occurs in the first contract period and the government was the next low bid or offerer in the cost comparison, the function may be returned to in-house performance under the proposed MEO if still feasible and approved by HQ USAF/MOX. If resolicitation is required, the government may submit a bid for cost comparison with other offerors if it has been determined that in-house performance is still feasible and it is likely that in-house performance may be more economical than that of a contractor. In such cost comparisons, the conversion differentials are not applied to the costs of either in-house or contract performance.

b. If contract default occurs during the second or subsequent period of contract performance, the procedures of paragraph 4-4c(2) apply.

Chapter 17

REPORTING AND NOTIFICATION REQUIREMENTS

17-1. CA Reporting and Notifications. This chapter outlines specific reporting and notification requirements for the CA Program.

Section A—CA Management Information System

17-2. Purpose of CAMIS. CAMIS is the Air Force data base for all in-progress and completed cost comparisons and direct conversions. The data base is maintained according to the CAMIS Users Guide and Instructions distributed by HQ AFMEA/MEQC.

17-3. Reports Submitted:

a. HQ AFMEA/MEQC submits the following reports:

(1) Commercial Activities Management Information System Report, RCS: DD-P&L(Q)1542. Reports are sent to HQ USAF/MOX and the Defense Manpower Data Center in Arlington, Virginia, to arrive by 30 January, April, July, and October. Reports are prepared according to DoD Instruction 4100.33.

(2) Selected Printed Reports. Reports are sent to selected HQ USAF activities and all M&O directors by 10 February, May, August, and November.

b. MAJCOMs, FOAs, and DRUs send a quarterly command CAMIS report (RCS: DD-P&L(Q)1542) to HQ AFMEA/MEQC to arrive by 10 January, April, July, and October. Reports are prepared as outlined in the CAMIS Users Guide and Instructions distributed by HQ AFMEA/MEQC.

c. The servicing manpower office sends a quarterly installation CAMIS report (RCS: DD-P&L(Q)1542) to their command headquarters to arrive by the date established by their command. Prepare report according to CAMIS Users Guide and Instructions unless otherwise specified by the command.

d. The servicing contracting office furnishes contract cost data to the servicing manpower office for the quarterly installation CAMIS report.

Section B—CA Inventory

17-4. Purpose of CA Inventory. The CA inventory identifies all CAs performed by in-house or contract manpower resources, including the review schedule for all in-house CAs and decision results of the last review. The inventory is maintained according to chapter 3 of this pamphlet and annual CAIRS reporting instructions distributed by HQ AFMEA/MEQC.

17-5. Reports Submitted:

a. MAJCOMs, FOAs, and DRUs. These activities submit an annual Inventory and Review Schedule Report, RCS: DD-P&L(A)1540, to arrive at HQ AFMEA/MEQC by 30 September. Negative reports are required. The report:

(1) States that the inventory maintained on their CMDS is accurate for both in-house CAs and contract activities.

(2) Provides explanations for major inventory changes which have occurred since their last report. This includes changes to both in-house CAs and contract activities.

b. HQ AFMEA/MEQC:

(1) Sends the annual Congressional Summary Report to HQ USAF/MOX to arrive by 1 December. This report reflects, by major DoD FAC category (first digit only), the number of in-house manpower authorizations, the number of CMEs, and the percentage of in-house manpower authorizations versus CMEs. Data in the report is as of 30 September of the FY being reported. The report also includes reasons for major changes between the current and previous FY report.

(2) Upon receipt of HQ USAF/MOX approval, sends the Inventory and Review Schedule Report, RCS: DD-P&L(A)1540, to OASD (P&L) to arrive not later than 1 January. This report is submitted according to DoD Instruction 4100.33.

c. HQ USAF/MOX:

(1) Sends the annual Congressional Summary Report to OASD (P&L) to arrive by 15 December.

(2) Provides HQ AFMEA/MEQC the authority to release the Inventory and Review Schedule Report, RCS: DD-P&L(A)1540, to OASD (P&L).

Section C—Congressional Notification**17-6. Congressional Notification:**

a. General Notification Information. Title 10, U.S.C., chapter 146 and PL 102-172 prescribe two congressional notification requirements. These are a notification of:

(1) Intent to study an activity being performed by more than 45 DoD civilian employees for possible performance by a private contractor.

(2) A decision to convert an activity performed by more than 10 DoD civilian employees to contract.

b. Scope of 10 U.S.C., Chapter 146 and PL 102-172. The geographic scope of these laws apply to the United States, its territories and possessions; the District of Columbia; and the Commonwealth of Puerto Rico. For the purposes of reporting, nonappropriated fund employees are not DoD employees. Actions involving direct conversions do not require congressional notification.

c. Congressional Reporting Procedures:

(1) Initial Congressional Announcement. SAF/AQ notifies Congress of the intention to do a cost comparison for those CAs performed by more than 45 DoD civilian employees. Guidelines for installation reporting are in paragraph 4-5b of this pamphlet. The notification is annotated when a cost comparison is planned on an activity listed in the report to Congress on core logistics.

(2) Congressional Notification Before Award. SAF/LL notifies Congress of any decision to convert to contract those CAs performed by more than 10 DoD civilian employees. Before making that notification, SAF/LL first notifies OASD (P&L) at least 5 workdays prior to the congressional notification. Guidelines for MAJCOM, FOA, or DRU reporting are contained in attachment 11. Before awarding a contract or issuing a notice to proceed, MAJCOMs, FOAs, or DRUs must submit the Congressional Reporting Requirements for Commercial Activities (CA) Program, RCS: HAF-MO(AR)8001 to SAF/LL for all cost comparisons, except for those activities performed by 10 or less Air Force civilian employees or those activities performed exclusively by military personnel. Do not proceed with making an award or issuing a notice to proceed until SAF/LL notifies the MAJCOM, FOA, or DRU point of contact that congressional notification has been made.

Section D—Other Notifications

17-7. CBD and FR Notification. According to FAR Subpart 5.2 and 7.3, the servicing contracting office synthesizes the requirement in the CBD and the servicing manpower office publishes a notification in the FR of the Air Force intent to examine functions for possible conversion to contract.

17-8. Local Notification. Upon congressional notification, the installation commander or base official makes an announcement of the cost comparison, including a brief explanation of the cost comparison process to the employees of the activity and to the community. The servicing CCPO ensures appropriate notification is given to employees and their representatives according to applicable collective bargaining agreements. Local Interservice Support Coordinators and the Chairman of the Joint Interservice Resources Study Group should be notified of all cost comparisons and direct conversions.

17-9. Headquarters Notification. Upon completion of a cost comparison or direct conversion, the MAJCOM, FOA, or DRU provides the following information to HQ USAF/MOX:

- a. Function and project number.
- b. Number of full-time equivalents in the MEO.
- c. Program element code or codes.
- d. Date first performance period begins or date MEO will be fully implemented.

17-10. Cost Comparisons and Direct Conversions. The MAJCOMs, FOAs, and DRUs send the documentation and disk files shown in figure 17-1 within 15 workdays following contract award or solicitation cancellation. Provide disk files in ASCII format on 5 1/4-inch diskettes. Label diskettes to indicate title of initiative, command, location, contract award or solicitation cancellation date, diskette contents, and format. An example label follows:

Transient Acft Maint, 9 Apr 89
SAC, Beale AFB CA 95903-5000
Includes PWS and QASP
Format: ASCII

MAJCOMs, FOAs, and DRUs may elect to require their servicing manpower office to directly mail the required documents and diskettes to all addressees shown.

	HQ AFMEA/MEQC MAJCOM M&O	Submit to HQ USAF/MOX
Cost Comparisons		
Completed AF Form 346 or AF Form 1282	X	X
Supporting Documentation to AF Form 346 or AF Form 1282, including Management Study (if performed)	X	
PWS (1 printed and 1 disk file)	X	
QASP (1 printed and 1 disk file)	X	
Appeals or Challenges (if any)	X	
HAF-MOX(AR)8001 Message (if any)	X	X
Direct Conversions		
PWS (1 printed and 1 disk file)	X (Upon Request)	
QASP (1 printed and 1 disk file)	X (Upon Request)	
Appeals or Challenges (if any)	X	

Figure 17-1. Commercial Activities Initiative Documentation.

BY ORDER OF THE SECRETARY OF THE AIR FORCE

OFFICIAL

MERRILL A. McPEAK, General, USAF
Chief of Staff

EDWARD A. PARDINI, Colonel, USAF
Director of Information Management

GLOSSARY OF ABBREVIATIONS, ACRONYMS, AND TERMS

Section A—Abbreviations and Acronyms

AAP—Administrative Appeal Procedure

AF FAC—Air Force Functional Account Code

AFSC—Air Force Specialty Code

BPPBS—Bi-Annual Planning, Programming and Budgeting System

CA—Commercial Activity

CAIRS—Commercial Activities Inventory Reporting System

CAMIS—Commercial Activities Management Information System

CBD—*Commerce Business Daily*

CBPO—Consolidated Base Personnel Office

CCPO—Central Civilian Personnel Office

CMDS—Command Manpower Data System

CME—Contract Manpower Equivalent

DEP—Displaced Employee Program

DFC—DoD Function Code

DOA—Date of Availability

DoD—Department of Defense

DRU—Direct Reporting Unit

ENRC—Expansions, New Requirements, and Conversions to In-House Performance

EPA—Economic Price Adjustment

FAR—Federal Acquisition Regulation

FASCAP—Fast Payback Capital Investment Program

FICA—Federal Insurance Contributions Act

FOA—Field Operating Agency

FOUO—For Official Use Only

FPM—Federal Personnel Manual

FR—*Federal Register*

FTE—Full-Time Equivalent

FWS—Federal Wage System

FY—Fiscal Year

G&A—General and Administrative

GM—General Manager

GS—General Schedule

GSA—General Services Administration

HQ USAF—Headquarters US Air Force

IPAP—Interagency Placement Assistance Program

M&O—Manpower and Organization

MAJCOM—Major Command

MEO—Most Efficient and Cost Effective In-House Organization

MES—Military Essentiality Code

NIB—National Industries for the Blind

NISH—National Industries for Severely Handicapped

OASD (P&L)—Office of the Assistant Secretary of Defense (Production and Logistics)

OMB—Office of Management and Budget

OPM—Office of Personnel Management

OPR—Office of Primary Responsibility

PL—Public Law

PWS—Performance Work Statement

QAE—Quality Assurance Evaluator

QASP—Quality Assurance Surveillance Plan

RIF—Reduction-in-Force

RSC—Reason Code

SBA—Small Business Administration

SF—Standard Form

SJA—Staff Judge Advocate

SLUC—Standard Level User Charge

UAF—Unit Authorization File

UMD—Unit Manpower Document

YLR—Year of Last Review

YNR—Year of Next Review

Section B—Terms Explained

NOTE: The official US Air Force definition for some of these terms is contained in AFM 11-1. These definitions are for the purpose of this pamphlet only.

Commercial Activities Inventory Reporting System (CAMIS) —The automated system used to collect, maintain, and report the Air Force commercial activities inventory. It includes command and base manpower data systems, and special programs maintained by the Air Force Management Engineering Agency.

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

Contract Manpower Equivalent (CME) —Expressions of in-house manpower requirements that would be necessary if contracted workload were performed in-house at the same level of service specified in the contract. CME data are maintained on the manpower data system.

Conversion to Contract—The changeover of a commercial activity from performance by Air Force military or civilian personnel to performance under contract by a commercial source.

Conversion to In-House—The changeover of a commercial activity from performance under contract by a commercial source to performance by Air Force military or civilian personnel.

Current Replacement Cost—Cost that can either be the replacement cost for a new item that replaces the existing one, or can consider the age of the existing item. A local determination is made based on the item to be replaced and costed accordingly. For example, in some cases it may be more practical to replace existing items with other used items that are available through the Defense Disposal Property Office. In other cases, however, items may be replaced with new ones through normal supply channels.

Department of Defense Employees—Civilian personnel of the Department of Defense.

Department of Defense Personnel—Both military and civilian personnel of the Department of Defense.

Directly Affected Parties—Air Force civilian employees and their representative organizations and bidders or offerors on the solicitation.

Full-Time Equivalent (FTE)—The planned use of 2,087 straight time paid hours in a fiscal year (to include authorized leave, training, and administrative time away from the job site). For example, in the case of full-time employees with permanent appointments, "one FTE" is normally comparable to "one employee." However, two part-time employees, each working 500 straight time paid hours in a fiscal year, equal "0.48 FTE."

Installation Commander—The commanding officer or head of an installation or a tenant activity, who has budget and supervisory control over resources and personnel.

Most Efficient and Cost Effective In-House Organization—The organizational structure and resources which best meet the performance requirements of the performance work statement while using minimal amount of resources.

Performance Work Statement (PWS)—A document that accurately describes the essential and technical requirements for items, materials, or services, including the standards used to determine whether the requirements are met. The PWS is written in compliance with AFR 400-28, volume I.

Preferential Procurement Programs—Mandatory source programs such as Federal Prison Industries and the workshops administered by the Committee for Purchase from the Blind and Other Severely Handicapped under the Javits-Wagner-O'Day Act. Also included are small, minority, and disadvantaged businesses, and

labor surplus area set-asides and awards made under the Small Business Act, section 8(a).

Procurement Official—An individual who participates personally and substantially in a procurement process. This includes employees who approve the PWS, sign the AF Form 9, Request for Purchase, participate in the source selection process, or approve modifications to a contract. It also includes servicing contracting personnel. An employee will not become a procurement official solely by participating in the cost comparison process.

Quality Assurance Surveillance Plan (QASP)—An organized written document used for quality assurance surveillance. The document contains sampling guides, checklists, and decision tables. The QASP is written in compliance with AFR 400-28, volume I.

USEFUL LIFE AND DISPOSAL VALUE TABLE

FSC No.	Nomenclature	Expected Useful Life (Years)	Disposal Value Factor as a Percent of Acquisition
1005	Guns, through 30mm	15	3.15
1010	Guns, over 30mm up to 75mm	20	1.18
1015	Guns, 75mm through 125mm	25	0.63
1020	Guns, over 125mm through 150mm	25	5.50
1025	Guns, over 150mm through 200mm	25	2.14
1030	Guns, over 200mm through 300mm	25	2.61
1040	Chemical Weapons and Equipment		
	Launchers, Rocket and Pyrotechnic	15	2.00
1080	Camouflage and Deception Equipment	10	1.75
1090	Assemblies Interchangeable between		
	Weapons in Two or More Classes	25	2.25
1095	Miscellaneous Weapons	20	1.06
1105	Nuclear Bombs	19	5.50
1110	Nuclear Projectiles	14	5.50
1115	Nuclear Warheads and Warhead Sections	19	5.50
1125	Nuclear Demolition Charges	15	5.50
1127	Nuclear Rockets	15	5.50
1135	Fusing and Firing Devices, Nuclear Ordnance	16	0.08
1190	Specialized Test and Handling Equipment,		
	Nuclear Ordnance	8	0.60
1195	Miscellaneous Nuclear Ordnance	15	5.50
1220	Fire Control Computing Sights and Devices	8	0.29
1230	Fire Control System, Complete	11	5.50
1240	Optical Sighting and Ranging Equipment	11	1.80
1250	Fire Control Stabilizing Mechanisms	11	1.76
1260	Fire Control Designating and Indicating		
	Equipment	12	0.58
1265	Fire Control Transmitting and Receiving		
	Equipment, except Airborne	11	0.39
1270	Aircraft Gunnery Fire Control Components	11	0.22
1280	Aircraft Bombing Fire Control Components	11	0.22
1285	Fire Control Radar Equipment, except Airborne	11	1.19
1290	Miscellaneous Fire Control Equipment	19	0.79
1336	Guided Missile Warheads and Explosives		
	Components	20	5.50
1337	Guided Missile and Space Vehicle Explosive		
	Propulsion Units	20	5.50
1338	Guided Missile and Space Vehicle Inert		
	Propulsion Units	22	5.50
1340	Rockets, Rocket Ammunition, and Rocket Components	18	3.62
1370	Pyrotechnics	9	5.50
1375	Demolition Materials	10	1.37
1377	Cartridge and Propellant Activated		
	Devices and Components	9	1.28
1385	Surface Use Explosive Ordnance Disposal		
	Tools and Equipment	12	5.50
1398	Specialized Ammunition Handling and		
	Servicing Equipment	12	0.52

FSC No.	Nomenclature	Expected Useful Life (Years)	Disposal Value Factor as a Percent of Acquisition
1410	Guided Missiles	19	1.55
1420	Guided Missile Components	15	0.13
1425	Guided Missile Systems, Complete	16	5.50
1427	Guided Missile Subsystems	16	5.50
1430	Guided Missile Remote Control Systems	19	0.45
1440	Launchers, Guided Missile	17	0.66
1450	Guided Missile Handling and Servicing Equipment	17	0.65
1510	Aircraft Fixed Wing	16	1.66
1520	Aircraft, Rotary Wing	17	1.00
1540	Gliders	17	5.50
1550	Drones	16	5.50
1560	Airframe Structural Components	20	2.48
1610	Aircraft Propellers	10	4.58
1615	Helicopter Rotor Blades, Drive Mechanisms, and Components	10	3.52
1620	Aircraft Landing Gear Components	10	2.71
1630	Aircraft Wheel and Brake Systems	10	4.92
1650	Aircraft Hydraulic, Vacuum and Deicing System Components	10	2.19
1660	Aircraft Air Conditioning, Heating, and Pressurizing Equipment	10	2.23
1670	Parachutes Aerial Pick Up, Delivery, Recovery Systems, and Cargo Tie Down Equipment	7	5.52
1680	Miscellaneous Aircraft Accessories and Components	7	1.92
1710	Aircraft Arresting, Barrier and Barricade Equipment	25	5.50
1720	Aircraft Launching Equipment	25	1.91
1730	Aircraft Ground Servicing Equipment	20	3.12
1740	Airfield Specialized Trucks and Trailers	9	6.37
1810	Space Vehicles	20	5.50
1830	Space Vehicles Remote Control Systems	20	5.50
1840	Space Vehicles Launchers	20	5.50
1850	Space Vehicles Handling and Servicing Equipment	20	5.50
1860	Space Survival Equipment	30	5.50
1905	Combat Ships and Landing Vessels	20	2.53
1910	Transport Vessels, Passenger and Troop	30	5.50
1915	Cargo and Tanker Vessels	30	8.54
1925	Special Service Vessels	25	8.54
1930	Barges and Lighters, Cargo	27	11.05
1935	Barges and Lighters, Special Purpose	30	19.83
1940	Small Craft	23	6.35
1990	Miscellaneous Vessels	20	8.74
2010	Ship and Boat Propulsion Components	20	10.26
2030	Deck Machinery	20	3.31
2040	Marine Hardware and Hull Items	20	16.57

FSC No.	Nomenclature	Expected Useful Life (Years)	Disposal Value Factor as a Percent of Acquisition
2050	Buoys	20	11.05
2090	Miscellaneous Ship and Marine Equipment	20	4.81
2210	Locomotives	29	16.51
2220	Rail Cars	40	10.27
2230	Right-of-Way Construction and Maintenance Equipment, Railroad	20	18.69
2240	Locomotive and Rail Car Accessories and Components	14	9.98
2250	Track Materials, Railroad	14	41.00
2305	Ground Effect Vehicles	15	0.00
2310A	Passenger Motor Vehicles, Passenger Cars and Station Wagons	6	17.00
2310B	Passenger Motor Vehicles, Buses (11 or more passengers)	8	17.00
2310C	Passenger Motor Vehicles, Ambulances	7	17.00
2320A	Trucks and Truck Tractors, Wheeled, Less than 12,500 (payload 1 ton and less)	6	17.96
2320B	Trucks and Truck Tractors, Wheeled, 12,500 through 16,999 (payload 1 1/2 through 2 1/2 tons)	7	17.96
2320C	Trucks and Truck Tractors, Wheeled, 17,000 and over (payload, 3 tons and over)	9	17.96
2320D	Trucks and Truck Tractors, Wheeled, Multiple Drive Vehicles	6	17.96
2330	Trailers	23	10.09
2340	Motorcycles, Motor Scooters, and Bicycles	12	27.31
2350	Combat, Assault and Tactical Vehicles, Tracked	14	32.82
2410	Tractors, Full Track, Low Speed	14	27.62
2420	Tractors, Wheeled	13	22.70
2430	Tractors, Track Laying, High Speed	14	7.42
2510	Vehicular Cab, Body and Frame Structural Components	10	14.18
2520	Vehicular Power Transmission Components	12	16.22
2530	Vehicular Brake, Steering, Axle, Wheel and Track Components	12	12.17
2540	Vehicular Furniture and Accessories	18	6.95
2590	Miscellaneous Vehicular Components	10	7.04
2805	Gasoline Reciprocating Engines, except Aircraft and Components	7	5.68
2810	Gasoline Reciprocating Engines, Aircraft and Components	12	3.43
2815	Diesel Engines and Components	12	13.33
2835	Gas Turbines and Jet Engines, except Aircraft and Components	15	3.59
2840	Gas Turbines and Jet Engines, Aircraft, and Components	12	1.77

FSC No.	Nomenclature	Expected Useful Life (Years)	Disposal Value Factor as a Percent of Acquisition
2845	Rocket Engines and Components	12	0.11
2910	Engine Fuel System Components, Nonaircraft	12	8.01
2915	Engine Fuel System Components, Aircraft	12	3.01
2920	Engine Electrical System Components, Nonaircraft	12	10.32
2925	Engine Electrical System Components, Aircraft	12	7.94
2930	Engine Cooling System Components, Nonaircraft	12	21.96
2935	Engine Cooling System Components, Aircraft	12	7.41
2945	Engine Air and Oil Filters, Strainers and Cleaners, Aircraft	12	1.71
2950	Turbosuperchargers	12	8.26
2990	Miscellaneous Engine Accessories, Nonaircraft	12	7.77
2995	Miscellaneous Engine Accessories, Aircraft	12	4.10
3010	Torque Converters and Speed Changers	12	5.93
3020	Gears, Pulleys, Sprockets and Transmission Chain	12	4.64
3110	Bearings, Antifriction, Unmounted	12	22.14
3120	Bearings, Plain, Unmounted	12	4.78
3130	Bearings, Mounted	12	7.80
3210	Sawmill and Planing Mill Machinery	15	28.41
3220	Woodworking Machines	15	27.37
3405	Saws and Filing Machines	20	30.87
3408	Machining Centers and Way-Type Machines	20	7.49
3410	Electrical and Ultrasonic Erosion Machines	10	9.75
3411	Boring Machines	20	49.61
3413	Drilling and Tapping Machines	15	40.16
3414	Gear Cutting and Finishing Machines	10	29.58
3415	Grinding Machines	15	35.06
3416	Lathes	20	39.84
3417	Milling Machines	20	28.22
3418	Planners and Shapers	20	27.66
3419	Miscellaneous Machine Tools	15	17.92
3422	Rolling Mills and Drawing Machines	10	68.35
3424	Metal Heat Treating and Nonthermal Treating Equipment	25	11.72
3426	Metal Finishing Equipment	20	6.63
3431	Electric Arc Welding Equipment	10	9.87
3432	Electric Resistance Welding Equipment	15	9.90
3433	Gas Welding, Heat Cutting, and Metalizing Equipment	15	6.76
3436	Welding Positioners and Manipulators	30	26.88
3438	Miscellaneous Welding Equipment	10	4.88
3439	Miscellaneous Welding, Soldering, and Brazing Supplies and Accessories	5	10.98

FSC No.	Nomenclature	Expected Useful Life (Years)	Disposal Value Factor as a Percent of Acquisition
3441	Bending and Forming Machines	25	42.25
3442	Hydraulic and Pneumatic Presses, Power Driven	10	20.14
3443	Mechanical Presses, Power Driven	11	59.41
3444	Manual Presses	30	29.67
3445	Punching and Shearing Machines	15	44.83
3446	Forging Machinery and Hammers	20	77.56
3447	Wire and Metal Ribbon Forming Machines	18	24.60
3448	Riveting Machines	10	14.12
3449	Miscellaneous Secondary Metal Forming and Cutting Machines	10	35.22
3450	Machine Tools, Portable	20	13.28
3455	Cutting Tools for Machine Tools	10	9.89
3456	Cutting and Forming Tools for Secondary Metalworking Machinery	10	5.50
3460	Machine Tool Accessories	15	17.41
3461	Accessories for Secondary Metalworking Machinery	12	4.32
3465	Production Jigs, Fixtures, and Templates	5	2.28
3470	Machine Shop Sets, Kits, and Outfits	10	3.57
3510	Laundry and Dry Cleaning Equipment	13	4.57
3520	Shoe Repairing Equipment	17	8.55
3530	Industrial Sewing Machines and Mobile Textile Repair Shops	12	15.03
3540	Wrapping and Packaging Machinery	9	7.35
3590	Miscellaneous Service and Trade Equipment	10	9.10
3605	Food Products Machinery and Equipment	30	10.53
3610	Printing, Duplicating, and Bookbinding Equipment	16	4.31
3611	Industrial Marking Machines	10	2.20
3620	Rubber and Plastics Working Machinery	8	45.18
3625	Textile Industries Machinery	11	12.76
3635	Crystal and Glass Industries Machinery	10	2.61
3650	Chemical and Pharmaceutical Products Manufacturing Machinery	9	7.85
3655	Gas Generating and Dispersing Systems	12	7.35
3660	Industrial Size Reduction Machinery	9	27.30
3680	Foundry Machinery, and Related Equipment and Supplies	10	12.61
3690	Specialized Ammunition and Ordnance Machinery and Related Equipment	12	3.41
3693	Industrial Assembly Machine	12	0.45
3694	Clean Work Stations, Controlled Environment and Related Equipment	12	6.43
3695	Miscellaneous Special Industry Equipment	4	7.58
3710	Soil Preparation Equipment	19	11.58
3740	Pest, Disease and Frost Control Equipment	13	3.98
3750	Gardening Implements and Tools	6	6.51
3805	Earth Moving and Excavating Equipment	13	23.80

FSC No.	Nomenclature	Expected Useful Life (Years)	Disposal Value Factor as a Percent of Acquisition
3810	Cranes and Crane-Shovels	17	17.69
3815	Crane and Crane-Shovel Attachments	10	8.99
3820	Mining, Rock Drilling, Earth Boring, Equipment	14	23.86
3825	Road Clearing and Cleaning Equipment	11	13.13
3830	Truck and Tractor Attachments	11	22.87
3835	Petroleum Production and Distribution Equipment	14	15.98
3895	Miscellaneous Construction Equipment	14	11.17
3910	Conveyors	12	6.85
3915	Materials Feeders	12	6.85
3920	Materials Handling Equipment Nonself Propelled	22	9.07
3930A	Warehouse Trucks and Tractors, Self Propelled, Gasoline, Fork Truck (2,000 pounds to 6,000 pounds)	8	18.60
3930B	Warehouse Trucks and Tractors, Self Propelled, Gasoline, Fork Truck (over 6,000 pounds)	10	18.60
3930C	Warehouse Trucks and Tractors, Self Propelled, Gasoline, Tractor	8	18.60
3930D	Warehouse Trucks and Tractors, Self Propelled, Gasoline, Crane	12	18.60
3930E	Warehouse Trucks and Tractors, Self Propelled, Gasoline, Platform Truck	8	18.60
3930F	Warehouse Trucks and Tractors, Self Propelled, Gasoline, Straddle Truck	15	18.60
3930G	Warehouse Trucks and Tractors, Self Propelled, Electric, All types	15	18.60
3940	Blocks, Tackle, Rigging, and Slings	12	9.61
3950	Winches, Hoists, Cranes, and Derricks	13	10.23
3990	Miscellaneous Materials Handling Equipment	30	8.71
4010	Chain and Wire Rope	10	5.11
4020	Fiber Rope, Cordage, and Twine	10	6.81
4030	Fittings for Rope, Cable, and Chain	10	13.16
4110	Refrigeration Equipment	11	7.07
4120	Air Conditioning Equipment	10	3.82
4130	Refrigeration and Air Conditioning Components	16	4.26
4140	Fans, Air Circulators, and Blow Equipment	7	4.79
4210	Fire Fighting Equipment	14	6.55
4220	Marine Lifesaving and Diving Equipment	10	5.65
4230	Decontaminating and Impregnating Equipment	17	5.87
4240	Safety and Rescue Equipment	19	2.53
4310	Compressors and Vacuum Pumps	10	7.59
4320	Power and Hand Pumps	15	4.27

FSC No.	Nomenclature	Expected Useful Life (Years)	Disposal Value Factor as a Percent of Acquisition
4330	Centrifuges, Separators, and Pressure and Vacuum Filters	20	4.90
4410	Industrial Boilers	9	3.78
4420	Heat Exchanges and Steam Condensers	28	9.73
4430	Industrial Furnaces, Kilns, Lehrs, and Ovens	10	6.59
4440	Driers, Dehydrators, and Anhydrators	10	4.55
4460	Air Purification Equipment	11	3.71
4510	Plumbing Fixtures and Accessories	15	5.91
4520	Space Heating Equipment and Domestic Water Heaters	8	8.36
4540	Miscellaneous Plumbing, Heating, and Sanitation Equipment	8	3.01
4610	Water Purification Equipment	14	4.55
4620	Water Distillation Equipment, Marine and Industrial	15	15.61
4710	Pipe and Tube	10	7.79
4730	Fittings and Specialities, Hose, Pipe, and Tube	10	4.83
4810	Valves, Powered	10	2.20
4820	Valves, Nonpowered	10	4.91
4910	Motor Vehicle Maintenance and Repair Shop Specialized Equipment	11	6.63
4920	Aircraft Maintenance and Repair Shop Specialized Equipment	20	1.58
4925	Ammunition Maintenance, Repair, and Checkout Specialized Equipment	21	1.67
4927	Rocket Maintenance, Repair, and Checkout Specialized Equipment	10	5.50
4930	Lubrication and Fuel Dispensing Equipment	15	5.00
4931	Fire Control Maintenance and Repair Shop Specialized Equipment	9	1.18
4933	Weapons Maintenance and Repair Shop Specialized Equipment	15	1.91
4935	Guided Missile Maintenance, Repair, and Checkout Specialized Equipment	19	0.40
4940	Miscellaneous Maintenance and Repair Shop Specialized Equipment	20	4.48
5110	Hand Tools, Edged, Nonpowered	10	9.26
5120	Hand Tools, Nonedged, Nonpowered	21	5.53
5130	Hand Tools, Power Driven	10	10.31
5133	Drill Bits, Counterbores and Countersinks, Hand and Machine	10	24.07
5136	Taps, Dies, and Collets, Hand and Machine	10	8.08
5140	Tool and Hardware Boxes	20	26.42
5180	Sets, Kits, and Outfits of Hand Tools	23	3.83
5210	Measuring Tools, Craftsmen	10	4.87
5220	Inspection Gages and Precision Layout Tools	12	3.17
5280	Sets, Kits, and Outfits of Measuring Tools	25	1.01

FSC No.	Nomenclature	Expected Useful Life (Years)	Disposal Value Factor as a Percent of Acquisition
5410	Prefabricated and Portable Building	8	2.48
5411	Rigid Wall Shelters	20	2.44
5420	Bridges, Fixed and Floating	17	7.25
5430	Storage Tanks	7	6.83
5440	Scaffolding Equipment and Concrete Forms	5	6.83
5445	Prefabricated Tower Structures	23	5.23
5450	Miscellaneous Prefabricated Structure	25	1.30
5670	Architectural and Related Metal Products	10	59.16
5680	Miscellaneous Construction Materials	69	9.59
5805	Telephone and Telegraph Equipment	23	2.37
5810	Communications Security Equipment and Components	16	0.40
5811	Other Cryptologic Equipment and Components	11	1.25
5815	Teletype and Facsimile Equipment	22	0.99
5820	Radio and Television Communications Equipment, except Airborne	8	2.44
5821	Radio and Television Communications Equipment, Airborne	24	1.01
5825	Radio Navigation Equipment, except Airborne	24	1.37
5826	Radio Navigation Equipment, Airborne	24	1.44
5830	Intercommunication and Public Address Systems, except Airborne	24	1.74
5831	Intercommunication and Public Address Systems, Airborne	25	0.61
5835	Sound Recording and Reproducing Equipment	22	1.43
5840	Radar Equipment, except Airborne	23	0.92
5841	Radar Equipment, Airborne	24	0.53
5845	Underwater Sound Equipment	13	1.14
5850	Visible and Invisible Light Communication Equipment	24	0.32
5855	Night Vision Equipment, Emitted and Reflected Radiation	25	1.18
5860	Stimulated Coherent Radiation Devices, Components, and Accessories	25	0.71
5895	Miscellaneous Communications Equipment	23	0.67
5905	Resistors	8	1.02
5910	Capacitors	8	2.32
5915	Filters and Networks	25	0.93
5920	Fuses and Lightning Arrestors	25	3.12
5925	Circuit Breakers	10	7.49
5930	Switches	10	1.55
5935	Connectors, Electrical	22	20.61
5940	Lugs, Terminals, and Terminal Strips		1.66
5945	Relays and Solenoids	25	1.36
5950	Coils and Transformers	8	1.35
5955	Piezoelectric Crystals	8	0.65

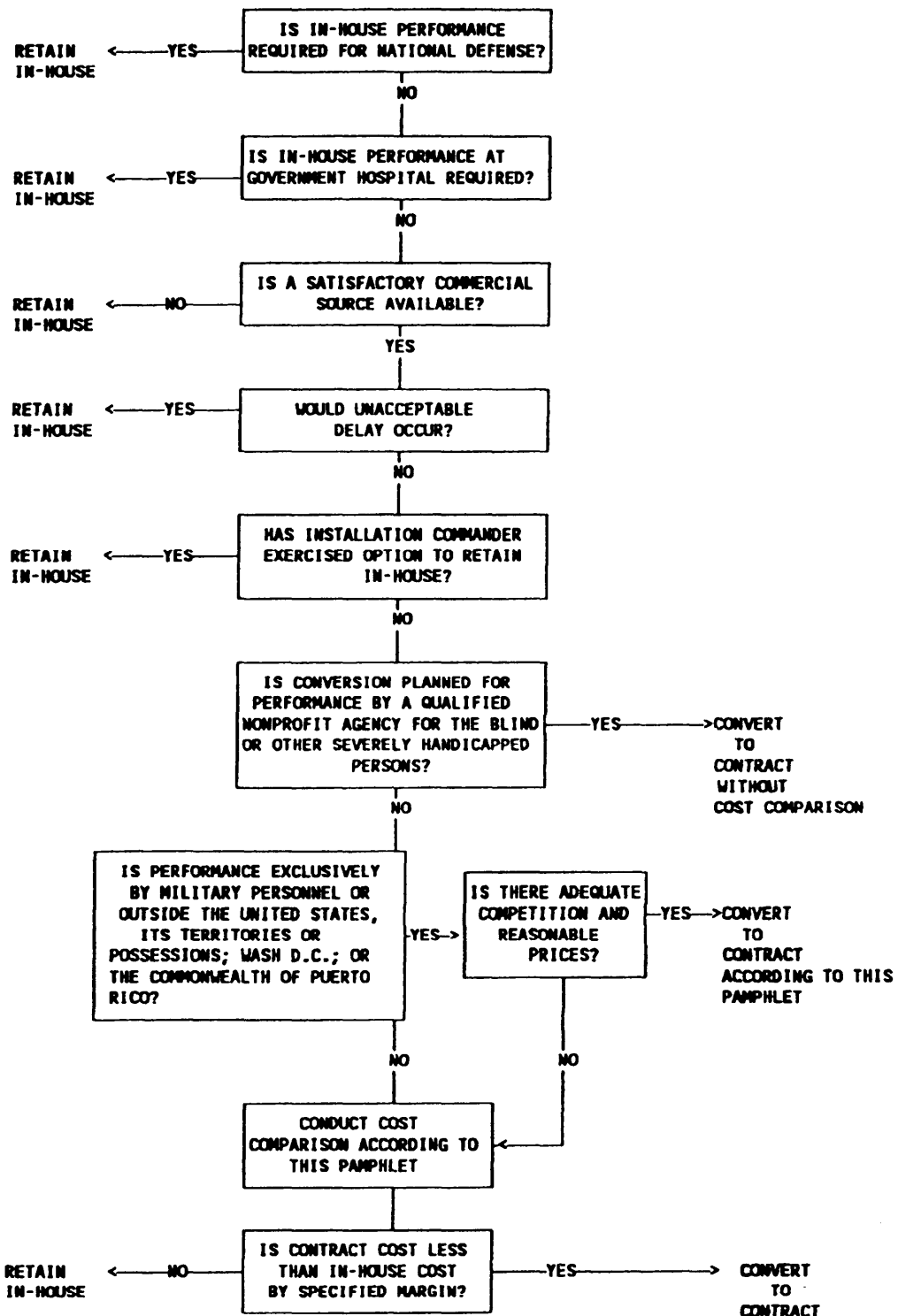
FSC No.	Nomenclature	Expected Useful Life (Years)	Disposal Value Factor as a Percent of Acquisition
5960	Electron Tubes and Associated Hardware	8	1.00
5961	Semiconductor Devices and Associated Hardware	8	1.04
5962	Microcircuits, Electronic	8	0.54
5963	Electronic Modules	8	5.50
5965	Headsets, Handsets, Microphones, and Speakers	24	4.28
5970	Electrical Insulators and Insulating Materials	8	34.93
5975	Electrical Hardware and Supplies	23	3.73
5977	Electrical Contact Brushes and Electrodes	8	2.08
5985	Antennas, Waveguide, and Related Equipment	8	2.02
5990	Synchros and Resolvers	14	1.65
5995	Cable, Cord and Wire Assemblies, and Communications Equipment	24	4.16
5999	Miscellaneous Electrical and Electronic Components	20	1.01
6030	Fiber Optic Devices	20	5.50
6070	Fiber Optic Accessories and Supplies	20	5.50
6080	Fiber Optic Kits and Sets	20	5.50
6105	Motors, Electrical	10	5.31
6110	Electrical Control Equipment	8	2.45
6115	Generators and Generator Sets, Electrical	19	6.50
6116	Fuel Cell Power Units, Components, and Accessories	1522.88	
6120	Transformers: Distribution and Power Station	36	7.87
6125	Convertors, Electrical, Rotating	25	2.88
6130	Convertors, Electrical, Nonrotating	22	1.75
6135	Batteries, Primary	15	2.51
6140	Batteries, Secondary	25	6.91
6145	Wire and Cable, Electrical	25	16.29
6150	Miscellaneous Electric Power and Distribution Equipment	15	2.55
6210	Indoor and Outdoor Electric Lighting Fixture	16	3.95
6220	Electric Vehicular Light and Fixtures	10	4.58
6230	Electric Portable and Hand-Lighting Equipment	17	3.44
6240	Electric Lamps	10	6.92
6250	Ballasts, Lamp Holders, and Starters	10	3.91
6310	Traffic and Transit Signal Systems	4	3.52
6320	Shipboard Alarm and Signal Systems	4	2.68
6340	Aircraft Alarm and Signal Systems	25	5.50
6350	Miscellaneous Alarm, Signal, and Security Detection Systems	6	1.38
6515	Medical and Surgical Instruments, Equipment and Supplies	9	2.54

FSC No.	Nomenclature	Expected Useful Life (Years)	Disposal Value Factor as a Percent of Acquisition
6520	Dental Instruments, Equipment, and Supplies	8	7.66
6525	X-Ray Equipment and Supplies: Medical, Dental, and Veterinary	9	3.57
6530	Hospital Furniture, Equipment, Utensils, and Supplies	10	4.18
6540	Opticians' Instruments, Equipment, and Supplies	10	6.23
6545M	Medical Sets, Kits and Outfits	10	5.60
6605	Navigational Instruments	18	0.87
6610	Flight Instruments	17	2.30
6615	Automatic Pilot Mechanisms and Airborne Gyro Components	25	1.17
6620	Engine Instruments	15	3.04
6625	Electrical and Electronic Properties Measuring and Testing Instruments	15	1.55
6630	Chemical Analysis Instruments	5	1.70
6635	Physical Properties Testing Equipment	13	6.62
6636	Environmental Chambers and Related Equipment	10	2.20
6640	Laboratory Equipment and Supplies	20	2.12
6645	Time Measuring Instruments	25	5.54
6650	Optical Instruments	8	2.31
6655	Geophysical and Astronomical Instruments	25	2.02
6660	Meteorological Instruments and Apparatus	10	1.05
6665	Hazard-Detecting Instruments and Apparatus	16	1.44
6670	Scales and Balances	18	4.77
6675	Drafting, Surveying, and Mapping Instruments	19	2.44
6680	Liquid and Gas Flow, Liquid Level, and Mechanical Motion Measuring Instruments	10	2.87
6685	Pressure, Temperature, and Humidity Measuring and Controlling Instruments	10	2.53
6695	Combination and Miscellaneous Instruments	8	2.06
6710	Cameras, Motion Pictures	25	5.29
6720	Cameras, Still Picture	24	1.82
6730	Photographic Projection Equipment	25	3.52
6740	Photographic Developing and Finishing Equipment	24	3.32
6750	Photographic Supplies	5	8.64
6760	Photographic Equipment and Accessories	24	1.36
6780	Photographic Sets, Kits, and Outfits	22	3.24
6910	Training Aids	20	0.96
6920	Armament Training Devices	20	3.22
6930	Operation Training Devices	21	0.62
6940	Communication Training Devices	21	0.79

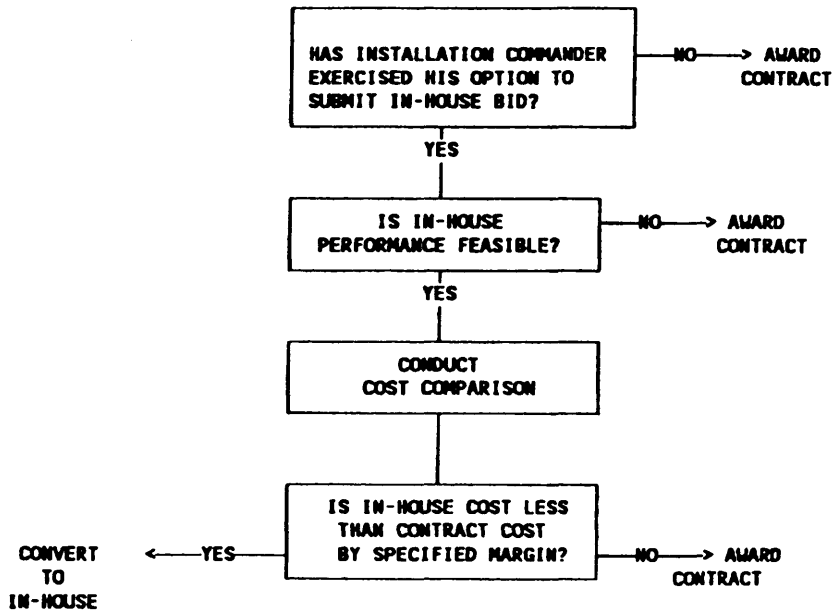
FSC No.	Nomenclature	Expected Useful Life (Years)	Disposal Value Factor as a Percent of Acquisition
7010	ADPE Configuration	8	0.73
7021	ADP Central Processing Unit, Digital	15	0.73
7022	ADP Central Processing Unit, Hybrid	15	0.73
7025	ADP Input/Output and Storage Devices	13	1.01
7030	ADP Software	15	0.97
7035	ADP Accessorial Equipment	13	0.72
7040	Punched Card Equipment	15	0.87
7045	ADP Supplies and Support Equipment	11	1.50
7050	ADP Components	15	0.95
7105	Household Furniture	10	9.94
7110	Office Furniture	10	16.20
7125	Cabinets, Lockers, Bins, and Shelving	20	9.47
7195	Miscellaneous Furniture and Fixtures	10	6.17
7310	Food Cooking, Baking, and Serving Equipment	12	5.40
7320	Kitchen Equipment and Appliances	18	5.60
7330	Kitchen Hand Tools and Utensils	14	5.50
7340	Cutlery and Flatware	14	5.50
7350	Tableware 85.50		
7360	Sets, Kits, and Outfits: Food Preparation and Serving	10	11.41
7420A	Accounting and Calculating Machine, Electric	12	1.46
7420B	Accounting and Calculating Machine, Manual	15	1.46
7430B	Typewriters and Office Type Composing Machines, Manual	15	6.10
7450	Office Type Sound Recording and Reproducing Machines	12	1.17
7460	Visible Record Equipment	10	2.26
7490	Miscellaneous Office Machines	12	3.30
7710	Musical Instruments	12	14.67
7730	Phonographs, Radios, TV Sets: Home Type	8	5.50
7830	Recreational and Gymnastic Equipment	10	5.50
7910	Floor Polishers and Vacuum Cleaning Equipment	12	5.72
8110	Drums and Cans	10	37.65
8115	Boxes, Cartons and Crates	10	9.65
8120	Commercial and Industrial Gas Cylinders	10	54.36
8125	Bottles and Jars	6	5.50
8130	Reels and Spools	10	5.50
8135	Packaging and Packing Bulk Materials	10	11.69
8140	Ammunition and Nuclear Ordnance Boxes, Packages, and Special Containers	15	12.33
8145	Specialized Shipping and Storage Containers	22	6.55
8340	Tents and Tarpaulins 54.86		
8345	Flags and Pennants	5	8.30
8415	Clothing, Special Purpose	5	10.80

FSC No.	Nomenclature	Expected Useful Life (Years)	Disposal Value Factor as a Percent of Acquisition
8820	Live Animals, Not Raised for Food	3	55.00
9320	Rubber Fabricated Materials	5	19.40
9340	Glass Fabricated Materials	5	4.14
9515	Armor Plate	10	19.00
9530	Metal Bar	10	47.51
9535	Metal Plate	10	52.44
9905	Signs, Advertising Display, Identification Plates	8	5.50
9910	Jewelry	45	95.00
9915	Collectors and Historical Items	99	95.00

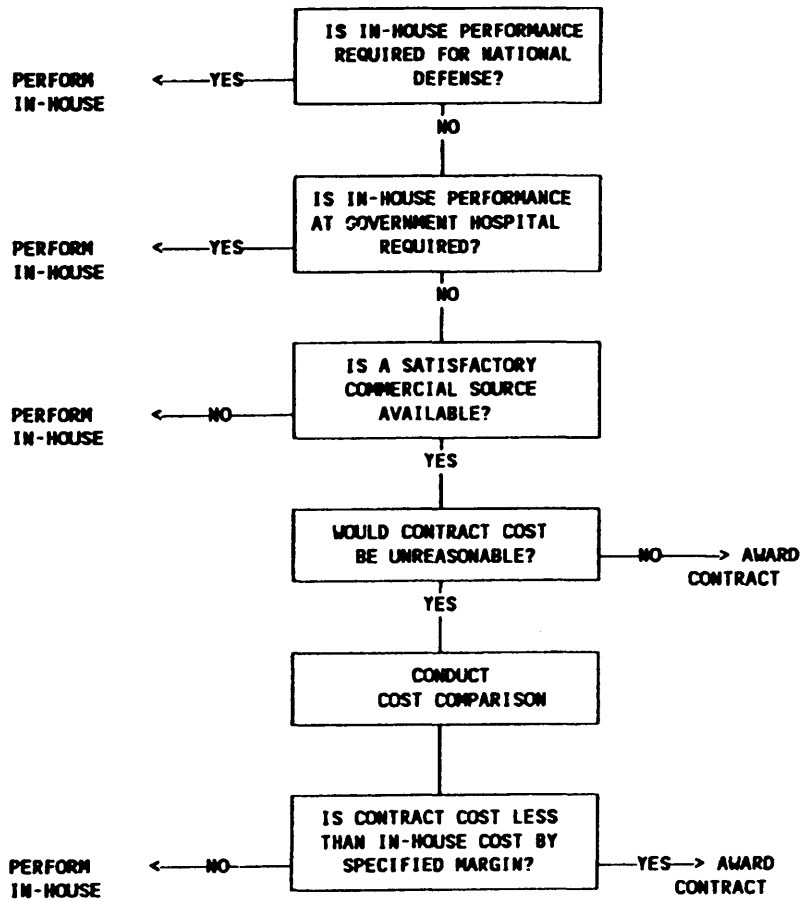
DECISION TREE, IN-HOUSE CAS AND EXPANSIONS



DECISION TREE, CONTRACTED CAS



DECISION TREE, NEW REQUIREMENTS



GENERIC MILESTONE CHART FOR A COST COMPARISON

This attachment shows those milestones or steps typically taken when processing a CA initiative. Installations, MAJCOMs, DRUs, and FOAs are encouraged to develop their own unique milestone charts for each CA initiative and assign OPRs for each milestone (see chapter 6).

1. Steps for Cost Comparisons:

- a. Approves conducting a cost comparison.
- b. Makes congressional and public notification.
- c. Establishes MAJCOM and base steering groups.
- d. Provides notice to CBD and FR.
- e. Initiates collection of cost of conducting the cost comparison for CAMIS reporting.
- f. Advises the affected civilian employees and the local union of the proposed cost comparison and its progress monthly.
- g. Advises the affected civilian and military employees and the local union of consequences associated with being designated procurement officials and certification requirements.
- h. Initiates an environmental impact analysis (AF Form 813).
- i. Assigns an "R" code in the MES column of the unit manpower document (UMD).
- j. Assigns a "36" assignment availability code to military personnel.
- k. Provides the budget officer with an estimate of the contract costs.
- l. Provides draft PWS to affected employees or their representatives.
- m. Completes and coordinates PWS and QASP with servicing manpower officer, Staff Judge Advocate General, contracting officer, and the local union (as a minimum).
- n. Submits plan for phaseout of military personnel to MAJCOM personnel office.
- o. Obtains approval from HQ USAF OPR and HQ USAF/MOR for organizational structures that differ from functional regulations and AFR 26-2.
- p. Completes and sends the position descriptions to the base CCPO for classifying and grading.
- q. Provides employees an opportunity to submit ideas for enhancing productivity.

r. Completes the management study (and sends to MAJCOM manpower office and functional OPR, if required).

s. Issues the SF 98 to Department of Labor for services or the SF 308 for services if Davis-Bacon Act applies.

t. Obtains independent reviewer's coordination on completed PWS.

u. Sends one copy of the approved PWS and AF Form 9 to base contracting.

v. Classifies and grades civilian position descriptions and sends them to the servicing manpower office.

w. Sends the request to conduct RIF to HQ USAF/DPC civilian personnel through MAJCOM civilian personnel (when required).

2. Steps for a Sealed bid Acquisition:

- a. Issues the invitation for bid.
- b. Conducts a site visit and the prebid conference.
- c. Answers questions generated during the prebid conference.
- d. Completes and sends the cost estimate to the cost officer for the independent review and audit.
- e. Completes the independent review and sends the cost estimate to the servicing manpower officer. Servicing manpower officer makes revisions as necessary.
- f. Notifies, before the bid opening (at least 3 days), affected civilians and their union representatives of the time and place of the cost comparison.
- g. Submits the cost estimate to the base contracting officer in a sealed envelope before the time specified in the solicitation for the receipt of contract bids.
- h. Opens the bids.
- i. Determines the apparent low bidder.
- j. Enters price of low contractor bidder on the AF Form 346.
- k. Announces the tentative results and advises interested parties that final determination will not be made until mathematical calculations have been verified and at least 15 workdays (up to 30 workdays) have elapsed (public review period).
- l. Completes cost comparison form, including all required signatures.

m. Sends the Economic Effect Report data requirements to the base cost office after bid opening (when required).

n. Notifies the CCPO of the tentative results.

3. Steps for a Sealed bid Acquisition--In-House Decision:

a. Processes appeals.

b. Notifies MAJCOM M&O, HQ USAF/MOX, and HQ AFMEA/MEQC by message upon receipt of appeal.

c. After appeal is resolved, sends copy to HQ AFMEA/MEQC.

d. Announces the final results of the cost comparison.

e. Cancels the solicitation.

f. Completes the manpower and personnel actions to convert to an all civilian work force.

g. Commences the recruiting action to fill vacancies.

h. Sends documentation as required by paragraph 17-10.

i. Initiates the MEO implementation within 1 month and completes the MEO implementation within 6 months after the solicitation has been canceled.

j. Updates CAMIS to reflect completion date of MEO implementation.

k. Codes CMDS records with MES code "R."

4. Steps for a Sealed bid Acquisition--Contract Decision:

a. Initiates the preaward survey to determine the responsiveness and the responsibility of the low bidder.

b. Processes appeals.

c. Notifies MAJCOM M&O, HQ USAF/MOX, and HQ AFMEA/MEQC by message upon receipt of appeal.

d. After appeal is resolved, sends copy to HQ AFMEA/MEQC.

e. Prepares a message to SAF/LL according to chapter 17 and attachment 11. Sends notification within 10 workdays of anticipated award date.

f. Awards a contract upon receipt of the SAF/LL approval.

g. Announces the final results of the cost comparison.

h. Notifies the contractor that a contract has been awarded.

i. Requests that the contractor attend a preperformance conference.

j. At least 6 weeks before delivery of notices, submits requests for approval to conduct the

RIF if the number of employees to be RIFed is 50 or more.

k. Registers adversely affected employees with the DoD Priority Placement Program.

l. Registers the employees in the DEP and the IPAP.

m. Informs employees in writing of the "right-of-first refusal" and invites the employees to a meeting to receive more information about the clause. Sends the contracting officer a list of the names and a certification that the employees were given an invitation.

n. Conducts a meeting with affected employees. Explains the provisions of paragraph 8-7 (right-of-first refusal).

o. Delivers the RIF notices to the affected employees.

p. Deletes the authorizations from the UMD and adds the applicable QAE or contract administrator authorizations.

q. Sends documentation as required by paragraph 17-10.

r. Starts the contract.

s. Provides the personnel information required by paragraph 8-7 to the contracting officer.

t. Enters CMEs in CMDS.

5. Steps for a Negotiated Acquisition:

a. Issues the request for proposal.

b. Conducts site survey and the preproposal conference.

c. Answers questions generated during the preproposal conference.

d. Completes and sends the cost estimate to the cost officer for the independent review and audit.

e. Completes the independent review and sends the cost estimate to the servicing manpower officer. Servicing manpower officer makes revisions as necessary.

f. Submits the cost estimate to the base contracting officer in a sealed envelope by the time specified in the solicitation for the receipt of contract proposals.

g. Receives the proposals. Begins the negotiations (if required) after evaluating proposal.

h. Conducts a preaward survey to identify a responsible and responsive offeror.

(1) Obtains equal employment opportunity clearance as required by FAR 22.805.

(2) Obtains small business clearance, if required.

(3) Completes the local contracting and legal reviews of the contract file.

(4) Obtains contract clearance (if required) to award contract, subject to results of cost comparison.

(5) Complies with the public announcement requirements of FAR 5.303 and AFFARS 5.303 if the proposed contract award exceeds \$5 million.

i. Informs the servicing manpower officer in writing that a most advantageous offer has been identified.

j. Opens the in-house bid and makes a cost comparison.

k. Enters the most acceptable, responsive, and responsible offer on the AF Form 346. Ensures that all legal reviews and approvals are obtained and returns the form to the servicing manpower officer.

l. Compares the total in-house operation to that of the contract operation and validates all calculations.

m. Sends the Economic Effect Report data requirements to the base cost office after the most advantageous offer meeting (if required).

6. Steps for a Negotiated Acquisition--In-House Decision:

a. Announces the tentative results and advises interested parties that final determination will not be made until the public review period set forth in the solicitation has been completed and any and all appeals have been answered.

b. Processes appeals.

c. Notifies MAJCOM M&O, HQ USAF/MOX, and HQ AFMEA/MEQC by message upon receipt of appeal.

d. After appeal is resolved, sends copy to HQ AFMEA/MEQC.

e. Completes the cost comparison form, including all signatures.

f. Cancels the solicitation.

g. Announces the final results of the cost comparison.

h. Completes the manpower and personnel actions to convert to an all civilian work force.

i. Commences the recruiting action to fill all civilian vacancies.

j. Forwards documentation as required by paragraph 17-10.

k. Initiates the MEO implementation within 1 month and completes the MEO implementation within 6 months after the solicitation has been canceled.

l. Updates CAMIS to reflect date MEO implementation was completed.

m. Codes CMDS records to reflect MES "S."

7. Steps for a Negotiated Acquisition--Contract Decision:

a. Awards a contract.

b. Publicly announces the tentative result of the cost comparison.

c. Informs interested parties that a final decision will not be made until completion of the public review period and disposition of any and all appeals. Completes the cost comparison form, including all required signatures.

d. Explains AAP and provides a copy of the cost comparison to directly affected parties, if required.

e. Processes appeals.

f. Notifies MAJCOM M&O, HQ USAF/MOX, and HQ AFMEA/MEQC by message upon receipt of appeal. After appeal is resolved, sends copy to HQ AFMEA/MEQC.

g. After completing the public review period and resolving any appeals, submits a priority For Official Use Only (FOUO) message to SAF/LL 10 workdays before anticipated issuance of the notice to proceed with conditional award. (Cannot proceed until SAF/LL notifies of the congressional announcement.)

h. Issues the notice to proceed with contract performance upon receipt of the SAF/LL approval.

i. Announces the final results of the cost comparison.

j. At least 6 weeks before delivery of notices, submits requests for approval to conduct the RIF if the number of employees to be RIFed is 50 or more.

k. Registers adversely affected employees with the DoD Priority Placement Program.

l. Registers employees in the DEP and IPAP.

m. Informs employees in writing of the "right-of-first refusal" and invites the employees to a meeting to receive more information about the clause. Sends the contracting officer a list of the names and a certification that the employees were given an invitation.

n. Conducts a meeting with affected employees. Explains the provisions of paragraph 8-7 (right-of-first refusal).

o. Delivers the RIF notices to the affected employees.

p. Deletes the authorizations from the UMD and adds the applicable QAE or contract administrator authorizations.

q. Sends documentation as required by paragraph 17-10.

r. Starts the contract.

s. Provides the personnel information required by paragraph 8-7 to the contracting officer.

t. Enters CMEs in CMDS.

FORMAT FOR DOCUMENTING MANAGEMENT STUDY

MANAGEMENT STUDY OF
 _____ OF
 _____ Function)
 _____ , _____ In-
 stallation) _____

1. Purpose for Management Study:

- a. To develop the optimum organizational structure to accomplish essential (title) function.
- b. To determine and document the specific management improvements on which the optimum structure is based.

2. Current Operations of Function. (This section describes the authorized organization and operations at the start of the management study. The most current of each of the below should be included.)

- a. Mission statement.
- b. Organization chart or charts.
- c. Responsibility of essential functions.
- d. Operation procedures.
- e. Staffing authorization and position structure documents.
- f. Technology utilized.
- g. Workload data.
- h. Personnel analysis.
- i. Material analysis.
- j. Equipment analysis.
- k. Facility analysis.

3. Discussion of Organization and Operations. (In this section, the current organization and operations are discussed and compared to possible new ways of doing the work. The study's methodology employed is described, and the results and conclusions of the analysis are presented. Rationale for recommendations in paragraph 4 (this attachment) should evolve from the conclusions presented here. Each of the below topics should be addressed.)

- a. Mission. (Discuss the current mission and any anticipated changes.)
- b. Organization. (Discuss whether the structure is appropriate to its mission, function, internal conditions, and environment.)
- c. Responsibility. (Discuss whether authority and accountability are properly balanced in the organization's hierarchical structure.)
- d. Operation Procedures. (Discuss whether the system is integrated and is efficiently utilizing people, material, and equipment.)

e. Staffing Authorization. (Discuss the alternate staffing patterns.)

f. Position Structure. (Discuss whether the structure is the most effective and economical based on work to be performed.)

g. Technology Review. (Discuss whether available laborsaving systems are being employed.)

h. Workload Data. (Discuss the current workload and any anticipated changes.)

i. Material Analysis. (Discuss current and future amounts and types of material.)

j. Equipment Analysis. (Discuss the current and future types of equipment.)

k. Facility Analysis. (Discuss whether the type and location of the work area is conducive to smooth performance.)

4. Recommendations. (This section makes the argument for the optimum structure with reference to relevant subparagraphs in paragraph 3 (this attachment) and any supporting attachments. The description of the recommended organization should include the following proposed items.)

- a. Mission.
- b. Organization chart or charts.
- c. Responsibility of essential functions.
- d. Operation procedures.
- e. Staffing authorization and position structure documents.
- f. Technology review.
- g. Workload.
- h. Personnel.
- i. Material.
- j. Equipment.
- k. Facilities.

5. Analysis of Resources Impact. (This section portrays the effect of the recommendations upon the overall organization resources. The following areas should be addressed.)

- a. Funding. (Personnel savings, costs for new equipment, total savings to government, etc.)
- b. Personnel. (Number of grades and spaces increased or decreased.)
- c. Equipment and Facilities. (Cost for those recommended and projected savings from their utilization.)
- d. Other impacts.

**INSTRUCTIONS FOR COMPLETING AF FORM 346, COMMERCIAL ACTIVITY
COST COMPARISON RESULT (IN-HOUSE TO CONTRACT)**

1. General Data: (See figure 1, this attachment.)

a. Agency. Enter "Department of the Air Force."

b. Location. Enter the installation (base name) and state where the function is actually being performed in-house.

c. Function. Enter the title of the Air Force function code describing the type of work that is undergoing cost comparison.

d. Study Code. Enter the 9- or 10-character alphanumeric designator comprised of the component, command, installation, and study type code which identifies the specific cost comparison. HQ AFMEA/MEQC initiates and provides code when developing the cost comparison record for CAMIS.

2. Cost Elements (Line 1 Through Line 13):

a. In-House Performance Costs. Enter the dollar amounts from supporting documentation for line 1 through line 6 under the corresponding "Performance Periods" and "Total" columns. **NOTE:** Line 6, "Total In-House Costs," should be the sum of line 1 through line 5 for each performance period.

b. Contract Performance Costs. Enter the dollar amounts from supporting documentation for line 7 through line 12 under the corresponding "Performance Periods" and "Total" columns.

NOTE: Line 12, "Federal Income Tax (Deduct)," dollar amounts should be offset in parentheses as they reflect deductions from the cost of contracting. Line 13, "Total Contract Costs," should be the sum of line 7 through line 12 for each performance period.

3. Performance Periods:

a. First, Second, Third. Enter the inclusive dates (start and end) covered by each performance period of the cost comparison (reflected by month and year). If dates cover an entire FY, enter only the FY (e.g., FY 89, FY 90, FY 91).

b. Additional. Leave blank if not applicable.

NOTE: Normally, a cost comparison covers a 3-year period to include a basic contract period with two option periods. Adjust the AF Form 346, as necessary, to accommodate longer cost

comparison periods and indicate dates of additional performance periods.

4. Total. Enter the sum of all performance periods for each line item.

5. Reference. Enter the page number or numbers of documentation attached to the AF Form 346 which supports each cost element line. Identify corresponding line number and total pages of supporting documentation attached to the AF Form 346; e.g., line 1 reference might read "1-14" (meaning that line 1 has 14 pages of supporting documentation attached).

6. Decision:

a. Line 14 Through Line 16. Enter the dollar amount from supporting documentation in the "Total" column only.

NOTE: The cost comparison calculation is only done for the "Total" column. A positive result on line 16 supports the decision to accomplish the function in-house; a negative result supports the decision to contract.

b. Line 17. With an "X," check the appropriate block to support the decision in line 16.

7. Signatures:

a. In-House Estimate Prepared By. Enter the name, title, organization, and signature of the person who conducts and prepares the cost comparison, typically, the base manpower representative or steering group chairperson. Sign and date the AF Form 346 before the actual comparison of costs; i.e., before bid opening or receipt of contractor proposals.

b. In-House Cost Estimate Based on Most Efficient and Cost Effective In-House Organization Needed To Accomplish the Requirements in the PWS Certified By. Enter the name, title, organization, and signature of the person who makes the certification, typically, the servicing manpower office chief. Sign and date the AF Form 346 before actual comparison of costs; i.e., before opening or receipt of contractor proposals.

c. In-House Estimate Reviewed By. Enter the name, title, organization, and signature of the person who performs the independent review, typically, the base cost analysis represen-

tative. Sign and date the AF Form 346 before the actual comparison; i.e., before bid opening or receipt of contractor proposals.

d. **Cost Comparison Accomplished By.** Enter the name, title, organization, and signature of the person who accomplishes the actual comparison of costs, typically, the base manpower representative or steering group chairperson. Sign and date the AF Form 346 together with the actual comparison; i.e., at the time of bid opening or selection of the most advantageous proposal.

e. **Cost Comparison Reviewed By.** Enter the name, title, organization, and signature of the person who reviews the cost comparison calculations, typically, the base cost analysis representative. Sign and date the AF Form 346 together with the actual comparison; i.e., at time of bid opening or selection of the most advantageous contractor proposal.

f. **Cost Comparison Decision Approved By:**

(1) **Functional OPR.** Enter the title, organization, and signature of the senior representa-

tative who is from the functional area being cost compared. Sign and date the AF Form 346 together with the actual cost comparison (after validating the cost comparison calculations).

(2) **Principal Deputy Responsible for Function.** Enter the name, title, organization, and signature of designated official responsible for the organization or function being cost compared; e.g., deputy commander for operations, deputy commander for maintenance, deputy commander for resource management, or, for organizational elements, the senior management level below the base or wing commander who is responsible for the function. Sign and date the AF Form 346 together with the actual comparison (after validating the cost comparison calculations).

g. **Contracting Action Approved By.** Enter the name, title, organization, and signature of contracting officer who is responsible for contracting actions. Sign and date the AF Form 346 after the cost comparison decision is made.

COMMERCIAL ACTIVITY COST COMPARISON RESULT

(In-House to Contract)

I. GENERAL DATA						
AGENCY DEPARTMENT OF THE AIR FORCE				LOCATION LOWRY AFB CO		
FUNCTION AUDIOVISUAL SERVICES				STUDY CODE F0ENTMU06		
II. IN-HOUSE VERSUS CONTRACT PERFORMANCE						
COST ELEMENTS	PERFORMANCE PERIODS					REFERENCE
	FIRST 1 Apr - 30 Sep 92	SECOND FY 93	THIRD FY 94	ADDITIONAL FY 95	TOTAL	
IN-HOUSE PERFORMANCE COSTS						
1. PERSONNEL COSTS	\$270,472	\$548,486	\$550,828	\$555,074	\$1,924,860	A-1-A-141
2. MATERIAL AND SUPPLY COSTS	1,760	3,650	3,781	3,914	13,105	B-1-B-7
3. OTHER SPECIFICALLY ATTRIBUTABLE COSTS	10,076	20,212	20,269	20,320	70,885	C-1-C-39
4. OVERHEAD COSTS	21,900	45,345	47,338	49,302	163,885	D-1-D-22
5. ADDITIONAL COSTS	0	0	0	0	0	E-1
6. TOTAL IN-HOUSE COSTS	\$304,208	\$617,693	\$622,216	\$628,618	\$2,172,735	F-1
CONTRACT PERFORMANCE COSTS						
7. CONTRACT PRICE	\$316,129	\$534,562	\$628,078	\$628,078	\$2,106,847	G-1
8. CONTRACT ADMINISTRATION	19,672	40,730	42,964	44,725	148,091	H-1-H-12
9. ADDITIONAL COSTS	0	0	0	0	0	I-1
10. ONE-TIME CONVERSION COSTS	0	0	0	0	0	J-1-J-2
11. GAIN OR LOSS ON DISPOSAL/TRANSFER OF ASSETS	138	0	0	0	138	K-1
12. FEDERAL INCOME TAX (Deduct)	(4,031)	(6,909)	(8,053)	(8,074)	(27,067)	L-1
13. TOTAL CONTRACT COSTS	\$331,908	\$568,383	\$662,989	\$664,729	\$2,228,009	M-1
III. DECISION						
14. CONVERSION DIFFERENTIAL					\$209,009	N-1
15. TOTAL (Lines 13 and 14)					\$2,437,018	O-1
16. COST COMPARISON (Line 15 minus Line 6)					\$264,283	P-1
17. COST COMPARISON DECISION (Check Block)			<input checked="" type="checkbox"/>	ACCOMPLISH IN-HOUSE		Q-1
			<input type="checkbox"/>	ACCOMPLISH BY CONTRACT		
IV. REMARKS						

AF FORM 346, JUL 92

PREVIOUS EDITIONS ARE OBSOLETE.

Figure A8-1.

V. SIGNATURES PRIOR TO COMPARISON		
IN-HOUSE ESTIMATE PREPARED BY		
NAME/TITLE/ORGANIZATION OLGA GARCIA Management Analyst, Manpower Office, 123 Wing	SIGNATURE <i>Olga Garcia</i>	DATE 1 Nov 91
IN-HOUSE ESTIMATE BASED ON MOST EFFICIENT AND COST EFFECTIVE IN-HOUSE ORGANIZATION NEEDED TO ACCOMPLISH REQUIREMENTS IN THE PWS CERTIFIED BY		
NAME/TITLE/ORGANIZATION LINDA F. DUNWIDDIE Chief, Manpower Office, 123 Wing	SIGNATURE <i>Linda F. Dunwiddie</i>	DATE 4 Nov 91
IN-HOUSE ESTIMATE REVIEWED BY		
NAME/TITLE/ORGANIZATION A. G. HINES Cost Analyst, 123 Wing	SIGNATURE <i>A. G. Hines</i>	DATE 12 Nov 91
VI. SIGNATURES AFTER COMPARISON		
COST COMPARISON ACCOMPLISHED BY		
NAME/TITLE/ORGANIZATION OLGA GARCIA Management Analyst, Manpower Office, 123 Wing	SIGNATURE <i>Olga Garcia</i>	DATE 15 Nov 91
COST COMPARISON REVIEWED BY		
NAME/TITLE/ORGANIZATION A. G. HINES Cost Analyst, 123 Wing	SIGNATURE <i>A. G. Hines</i>	DATE 15 Jan 92
COST COMPARISON DECISION APPROVED BY		
NAME/TITLE/ORGANIZATION OF FUNCTIONAL OPR MANUEL E. SALAZAR Chief, Audiovisual Section 123 Communications Squadron	SIGNATURE <i>Manuel E. Salazar</i>	DATE 15 Jan 92
NAME/TITLE/ORGANIZATION OF PRINCIPAL DEPUTY RESPONSIBLE FOR FUNCTION CHARLES L. LEAF, Maj, USAF Commander, 123 Communications Squadron	SIGNATURE <i>Charles L. Leaf</i>	DATE 16 Jan 92
CONTRACTING ACTION APPROVED BY		
NAME/TITLE/ORGANIZATION ANNIE L. ANDREWS Contracting Officer, 123 Contracting Squadron	SIGNATURE <i>Annie L. Andrews</i>	DATE 28 Feb 92

AF FORM 346, JUL 92 (REVERSE)

Figure A8-1. Continued.

TAX RATE TABLE

NOTE: Tax rates are in relation to business receipts. They do not reflect revisions contained in the 1987 Standard Classification Manual.

Code No.	Industry	Tax Rate (%)
Extractive Industries		
10-01-0400	Agriculture Production	0.9
10-01-0600	Agricultural Services	0.6
20-02-1010	Mining Iron Ores	0.7
20-02-1070	Mining Copper, Lead, Zinc, Gold and Silver Ores	0.6
20-02-1098	Mining Other Metals	0.7
20-03-1150	Coal Mining	0.9
20-05-1430	Sand, Gravel, Dimension, Crushed, and Broken Stone	1.8
Construction		
30-06-1510	General Building (Construction)	0.5
30-06-1531	Operative Builders (Construction)	1.2
30-07-1600	Heavy Construction	0.7
30-08-1711	Plumbing, Heating, and Air Conditioning	0.5
30-08-1731	Electrical Work	0.5
30-08-1798	Other Special Trades	0.6
Manufacturing		
40-09-2010	Meat Products	0.7
40-09-2020	Dairy Products	1.2
40-09-2030	Preserved Fruits and Vegetables	1.8
40-09-2040	Grain Mill Products	1.3
40-09-2050	Bakery Products	2.0
40-09-2060	Sugar and Confectionary Products	2.3
40-09-2089	Bottled Soft Drinks and Flavorings	1.9
40-09-2096	Other Food and Kindred Products	1.2
40-12-2315	Men's and Boys' Clothing	1.5
40-12-2345	Women's and Children's Clothing	1.2
40-12-2388	Other Apparel and Accessories	1.3
40-12-2390	Other Fabricated Textile Products	1.2
40-13-2415	Logging, Sawmills, and Planing Mills	1.1
40-13-2430	Millwork, Plywood, Related Products	1.4
40-13-2498	Other Wood Products	1.0
40-14-2500	Furniture and Fixtures	2.4
40-15-2625	Pulp, Paper, and Board Mills	1.6
40-15-2699	Other Paper Products	3.0
40-16-2710	Newspapers (Printing and Publishing)	4.5
40-16-2720	Periodicals (Printing and Publishing)	1.9
40-16-2735	Books, Greeting Cards, and Miscellaneous Publishing	4.1

Code No.	Industry	Tax Rate (%)
40-16-2799	Commercial and Other Printing and Printing Trade Services	1.4
40-17-2815	Industrial Chemicals, Plastic Materials, and Synthetics	2.4
40-17-2830	Drugs	0.7
40-17-2840	Soap, Cleaners, and Toilet Goods	2.0
40-17-2850	Paints and Allied Products	1.8
40-17-2898	Agricultural and Other Chemical Products	2.7
40-18-2998	Petroleum and Coal Products, Not Elsewhere Classified	0.8
40-19-3050	Rubber Products, Plastics, Footwear, Hose, and Belting	2.0
40-19-3070	Miscellaneous Plastics Products	1.5
40-20-3140	Leather Footwear	1.8
40-20-3198	Leather and Leather Products, Not Elsewhere Classified	0.7
40-21-3225	Glass Products	1.6
40-21-3240	Cement, Hydraulic	0.8
40-21-3270	Concrete, Gypsum, and Plaster Products	2.4
40-21-3298	Other Nonmetallic Mineral Products	2.5
40-22-3370	Ferrous Metal Industries, Miscellaneous Primary Metal Products	0.6
40-22-3380	Nonferrous Metal Industries	0.7
40-23-3410	Metal Cans and Shipping Containers	1.9
40-23-3428	Cutlery, Hand Tools, and Hardware; Screw Machine Products, Bolts, and Similar Products	3.4
40-23-3430	Plumbing and Heating, except Electric and Warm Air	3.2
40-23-3440	Fabricated Structural Metal Products	1.4
40-23-3460	Metal Forgings and Stampings	1.4
40-23-3470	Casting, Engraving, and Allied Services	1.5
40-23-3480	Ordnance and Accessories, except Vehicles and Guided Missiles	3.0
40-23-3490	Miscellaneous Fabricated Metal Products	1.9
40-24-3520	Farm Machinery	0.6
40-24-3530	Construction and Related Machinery	0.8
40-24-3540	Metal Working Machinery	1.4
40-24-3550	Special Industry Machinery	1.5
40-24-3570	Office and Computing Machines	7.0
40-24-3598	Other Machinery, except Electrical	2.0
40-25-3665	Radio, Television, and Communication Equipment	1.3
40-25-3670	Electronic Components and Accessories	2.2
40-25-3698	Other Electrical Equipment	2.7
40-26-3710	Motor Vehicles and Equipment	2.4
40-27-3725	Aircraft, Guided Missiles, and Parts	1.2
40-27-3730	Ship and Boat Building and Repairing	1.3
40-27-3798	Other Transportation Equipment, except Motor Vehicles	2.5
40-28-3815	Scientific Instruments and Measuring Devices; Watches and Clocks	3.3

Code No.	Industry	Tax Rate (%)
40-28-3845	Optical, Medical, and Ophthalmic Goods	3.1
40-28-3860	Photographic Equipment and Supplies	3.3
40-29-3998	Miscellaneous Manufacturing and Manufacturing Not Allocable	1.9
Transportation and Utilities		
50-30-4000	Railroad Transportation	1.3
50-30-4100	Local and Interurban Passenger Transit	1.7
50-30-4200	Trucking and Warehousing	1.1
50-30-4400	Water Transportation	0.9
50-30-4500	Transportation by Air	1.4
50-30-4600	Pipe Lines, except Natural Gas	1.5
50-30-4700	Transportation Services, Not Elsewhere Classified	0.5
50-31-4825	Telephone, Telegraph, and Other Communication Services	3.1
50-31-4830	Radio and Television Broadcasting	3.8
50-32-4910	Electric Services	3.7
50-32-4920	Gas Production and Distribution	1.5
50-32-4930	Combination Utility Services	3.8
50-32-4990	Water Supply and Other Sanitary Services	3.6
Wholesale Trade		
61-33-5004	Groceries and Related Products	0.4
61-34-5008	Machinery, Equipment, and Supplies	0.8
61-35-5010	Motor Vehicles and Automotive Equipment	1.9
61-35-5030	Lumber and Construction Materials	0.6
61-35-5050	Metals and Minerals, Except Petroleum and Scrap	0.4
61-35-5060	Electrical Goods	0.9
61-35-5070	Hardware, Plumbing, and Heating	0.8
61-35-5098	Other Durable Goods	0.7
61-35-5110	Paper and Paper Products	0.5
61-35-5129	Drugs, Chemicals, and Allied Products	0.9
61-35-5130	Apparel, Piece Goods, and Notions	0.6
61-35-5150	Farm-Product Raw Materials	0.1
61-35-5170	Petroleum and Petroleum Products	0.3
61-35-5180	Alcoholic Beverages	0.7
61-35-5190	Miscellaneous Nondurable Goods; Wholesale Trade Not Allocable	0.6
Retail Trade		
62-36-5220	Building Materials Dealers	0.9
62-36-5251	Hardware Stores	0.7
62-36-5265	Garden Supplies and Mobile Home Dealers	0.5
62-37-5300	General Merchandise Stores	1.2
62-38-5400	Food Stores	0.5
62-39-5541	Gasoline Service Stations	0.2
62-39-5598	Other Automotive Dealers	0.6
62-40-5600	Apparel and Accessory Stores	1.3

Code No.	Industry	Tax Rate (%)
62-41-5700	Furniture and Home Furnishings Stores	1.1
62-42-5800	Eating and Drinking Places	1.0
62-43-5912	Drug Stores and Proprietary Stores	1.1
62-43-5921	Liquor Stores	0.3
62-43-5995	Other Retail Stores	0.7
63-44-5997	Wholesale and Retail Trade not Allocable	0.6
Services		
80-52-7000	Hotels and Other Lodging Places	1.1
80-53-7200	Personal Services	1.3
80-54-7310	Advertising Services	1.1
80-54-7389	Business Services, except Advertising	1.2
80-55-7500	Auto Repair and Services	0.8
Industry		
80-55-7600	Miscellaneous Repair Services	0.7
80-56-7812	Motion Picture Production, Distribution, and Services	0.9
80-56-7830	Motion Picture Theaters	2.0
80-56-7900	Amusement and Recreation Services, except Motion Pictures	1.0
80-57-8015	Physicians' Services	0.5
80-57-8021	Dentists' Services	0.3
80-57-8050	Nursing and Personal Care Facilities	0.7
80-57-8071	Medical Laboratories	1.4
80-57-8099	Other Medical Services	1.7
80-57-8111	Legal Services	0.5
80-57-8200	Educational Services	1.2
80-57-8980	Miscellaneous Services, Not Elsewhere Classified	0.8

**INSTRUCTIONS FOR COMPLETING AF FORM 1282, COMMERCIAL ACTIVITY
COST COMPARISON RESULT (EXPANSION, NEW REQUIREMENTS
AND CONVERSIONS TO IN-HOUSE PERFORMANCE)**

1. General Data: (See figure 1, this attachment.)

a. Agency. Enter "Department of the Air Force."

b. Location. Enter the installation (base name) and state where the function is actually being performed in-house or will be performed in-house.

c. Function. Enter the title of the Air Force function code describing the type of work that is undergoing cost comparison.

d. Study Code. Enter the 9- or 10-character alphanumeric designator comprised of the component, command, installation, and study type code which identifies the specific cost comparison. HQ AFMEA/MEQC initiates and provides code when developing the cost comparison record for CAMIS.

2. Cost Elements (Line 1 Through Line 15):

a. In-House Performance Costs. Enter the dollar amounts from supporting documentation for line 1 through line 8 under the corresponding "Performance Periods" and "Total" columns. **NOTE:** Line 8, "Total In-House Costs," should be the sum of line 1 through line 7 for each performance period.

b. Contract Performance Costs. Enter the dollar amounts from supporting documentation for line 9 through line 15 under the corresponding "Performance Periods" and "Total" columns. **NOTE:** Line 14, "Federal Income Tax (Deduct)," dollar amounts should be offset in parentheses as they reflect deductions from the cost of contracting. Line 15, "Total Contract Costs," should be the sum of line 9 through line 14 for each performance period.

3. Performance Periods:

a. First, Second, Third. Enter the inclusive dates (start and end) covered by each performance period of the cost comparison, reflected by month and year. If dates cover an entire FY, enter only the FY (e.g., FY 89, FY 90, FY 91).

b. Additional. Leave blank if not applicable. **NOTE:** Normally, a cost comparison covers a 3-year period to include a basic contract period with two option periods. Adjust the AF Form 1282, as necessary, to accommodate longer cost

comparison periods and indicate dates of additional performance periods.

4. Total. Enter the sum of all performance periods for each line item.

5. Reference. Enter the page number or numbers of documentation attached to the AF Form 1282 which supports each cost element line. Identify corresponding line number and total pages of supporting documentation attached to the AF Form 1282; e.g., line 1 reference might read "1-14" (meaning that line 1 has 14 pages of supporting documentation attached).

6. Decision:

a. Line 16 Through Line 18. Enter the dollar amount from the supporting documentation in the "Total" column only. **NOTE:** The cost comparison calculation is only done for the "Total" column. A positive result on line 18 supports the decision to accomplish the function in-house; a negative result supports the decision to contract.

b. Line 19. With an "X" check the appropriate block to support the decision in line 18.

7. Signatures:

a. In-House Estimate Prepared By. Enter the name, title, organization, and signature of the person who conducts and prepares the cost comparison, typically, the base manpower representative or steering group chairperson. Sign and date the AF Form 1282 before actual comparison of costs; i.e., before bid opening or receipt of contractor proposals.

b. In-House Cost Estimate Based on Most Efficient and Cost Effective In-House Organization Needed to Accomplish the Requirements in the PWS Certified By. Enter the name, title, organization, and signature of the person who makes the certification, typically, the servicing manpower officer. Sign and date the AF Form 1282 before the actual comparison of costs; i.e., before bid opening or receipt of contractor proposals.

c. In-House Estimate Reviewed By. Enter the name, title, organization, and signature of the person who performs the independent review, typically, the base cost analysis representative. Sign and date the AF Form 1282 before

the actual comparison; i.e., before bid opening or receipt of contractor proposals.

d. **Cost Comparison Accomplished By.** Enter the name, title, organization, and signature of the person who accomplishes the actual comparison of costs, typically, the base manpower representative or steering group chairperson. Sign and date the AF Form 1282 together with the actual comparison; i.e., at the time of bid opening or selection of the most advantageous contractor proposal.

e. **Cost Comparison Reviewed By.** Enter the name, title, organization, and signature of the person who reviews the cost comparison calculations, typically, the base cost analysis representative. Sign and date the AF Form 1282 together with the actual comparison; i.e., at time of bid opening or selection of the most advantageous contractor proposal.

f. **Cost Comparison Decision Approved By:**

(1) **Functional OPR.** Enter the name, title, organization, and signature of the senior repre-

sentative who is from the functional area being cost compared. Sign and date the AF Form 1282 at the time of cost comparison (after validating the cost comparison calculations).

(2) **Principal Deputy Responsible for Function.** Enter the name, title, organization, and signature of designated official who is responsible for the organization or function being cost compared; e.g., deputy commander for operations, deputy commander for maintenance, deputy commander for resource management, or, for organizational elements, the senior management level below the base or wing commander who is responsible for the function. Sign and date the AF Form 1282 at the time of cost comparison (after validating the cost comparison calculations).

g. **Contracting Action Approved By.** Enter the name, title, organization, and signature of contracting officer who is responsible for the contracting actions. Sign and date the AF Form 1282 after the cost comparison decision is made.

COMMERCIAL ACTIVITY COST COMPARISON RESULT						
<i>(Expansion, New Requirements and Conversions to In-House Performance)</i>						
I. GENERAL DATA						
AGENCY	DEPARTMENT OF THE AIR FORCE			LOCATION	LOWRY AFB CO	
FUNCTION	AUDIOVISUAL SERVICES			STUDY CODE	F0ENTMU08	
II. IN-HOUSE VERSUS CONTRACT PERFORMANCE						
COST ELEMENTS	PERFORMANCE PERIODS					REFERENCE
	FIRST FY 92	SECOND FY 93	THIRD FY 94	ADDITIONAL FY 95	TOTAL	
IN-HOUSE PERFORMANCE COSTS						
1. PERSONNEL COSTS	\$271,787	\$284,561	\$296,797	\$308,966	\$1,162,111	A-1-A-141
2. MATERIAL AND SUPPLY COSTS	26,598	27,582	28,575	29,575	112,330	B-1-B-7
3. OTHER SPECIFICALLY ATTRIBUTABLE COSTS	2,936	3,074	3,207	3,338	12,555	C-1-C-39
4. OVERHEAD COSTS	0	0	0	0	0	D-1-D-22
5. COST OF CAPITAL	0	0	0	0	0	E-1
6. ONE-TIME CONVERSION COSTS (ENRC)	28,793	28,793	28,793	28,793	115,172	F-1
7. ADDITIONAL COSTS	0	0	0	0	0	G-1
8. TOTAL IN-HOUSE COSTS	\$330,114	\$344,010	\$357,372	\$370,672	\$1,402,168	H-1-H-12
CONTRACT PERFORMANCE COSTS						
9. CONTRACT PRICE	\$308,241	\$319,337	\$331,153	\$344,730	\$1,303,461	I-1
10. CONTRACT ADMINISTRATION	0	0	0	0	0	J-1-J-2
11. ADDITIONAL COSTS	0	0	0	0	0	K-1
12. ONE-TIME CONTRACT CONVERSION COSTS	0	0	0	0	0	L-1
13. GAIN OR LOSS ON DISPOSAL OF ASSETS (Expansion)	0	0	0	0	0	M-1
14. FEDERAL INCOME TAX (Deduct)	(4,007)	(4,151)	(4,305)	(4,481)	(16,944)	N-1
15. TOTAL CONTRACT COSTS	\$304,234	\$315,186	\$326,848	\$340,249	\$1,286,517	O-1
III. DECISION						
16. CONVERSION DIFFERENTIAL					\$145,989	P-1
17. TOTAL (Lines 8 and 16)					\$1,548,157	Q-1
18. COST COMPARISON (Line 17 minus Line 15)					\$261,640	R-1
19. COST COMPARISON DECISION (Check Block)				ACCOMPLISH IN-HOUSE		
				x ACCOMPLISH BY CONTRACT		S-1
IV. REMARKS						

AF FORM 1282, JUL 92

PREVIOUS EDITION IS OBSOLETE.

Figure A10-1.

V. SIGNATURES PRIOR TO COMPARISON		
IN-HOUSE ESTIMATE PREPARED BY		
NAME/TITLE/ORGANIZATION OLGA GARCIA Management Analyst, Manpower Office, 123 Wing	SIGNATURE <i>Olga Garcia</i>	DATE 1 Nov 91
IN-HOUSE ESTIMATE BASED ON MOST EFFICIENT AND COST EFFECTIVE IN-HOUSE ORGANIZATION NEEDED TO ACCOMPLISH REQUIREMENTS IN THE PWS CERTIFIED BY		
NAME/TITLE/ORGANIZATION LINDA F. DUNWIDDIE Chief, Manpower Office, 123 Wing	SIGNATURE <i>Linda F. Dunwiddie</i>	DATE 4 Nov 91
IN-HOUSE ESTIMATE REVIEWED BY		
NAME/TITLE/ORGANIZATION A. G. HINES Cost Analyst, 123 Wing	SIGNATURE <i>A. G. Hines</i>	DATE 12 Nov 91
VI. SIGNATURES AFTER COMPARISON		
COST COMPARISON ACCOMPLISHED BY		
NAME/TITLE/ORGANIZATION OLGA GARCIA Management Analyst, Manpower Office, 123 Wing	SIGNATURE <i>Olga Garcia</i>	DATE 15 Nov 91
COST COMPARISON REVIEWED BY		
NAME/TITLE/ORGANIZATION A. G. HINES Cost Analyst, 123 Wing	SIGNATURE <i>A. G. Hines</i>	DATE 15 Jan 92
COST COMPARISON DECISION APPROVED BY		
NAME/TITLE/ORGANIZATION OF FUNCTIONAL OPR MANUEL E. SALAZAR Chief, Audiovisual Section 123 Communications Squadron	SIGNATURE <i>Manuel E. Salazar</i>	DATE 15 Jan 92
NAME/TITLE/ORGANIZATION OF PRINCIPAL DEPUTY RESPONSIBLE FOR FUNCTION CHARLES L. LEAF, Maj, USAF Commander, 123 Communications Squadron	SIGNATURE <i>Charles L. Leaf</i>	DATE 16 Jan 92
CONTRACTING ACTION APPROVED BY		
NAME/TITLE/ORGANIZATION ANNIE L. ANDREWS Contracting Officer, 123 Contracting Squadron	SIGNATURE <i>Annie L. Andrews</i>	DATE 28 Feb 92

AF FORM 1282, JUL 92 (REVERSE)

Figure A10-1. Continued.

**INSTRUCTIONS FOR PREPARING CONGRESSIONAL
REPORTING REQUIREMENTS FOR COMMERCIAL ACTIVITIES (CA) PROGRAM,
RCS: HAF-MO(AR)8001**

Instructions for Completing Message:

1. **From.** Enter MAJCOM, FOA, or DRU of-
fice symbol delegated with responsibility for
certifying the government in-house calculation
is based on the MEO (e.g., chief of staff, M&O
director, OPR for function under cost com-
parison, etc.).
2. **To.** Enter "OSAF WASH DC//LLP//."
Submit required data by priority FOUO mes-
sage at least 10 workdays before anticipated
award date (see note 1).
3. **Info.** Enter "HQ USAF WASH
DC//MOX/DPCP//, OSAF WASH
DC//PAM/GC/AQCO/ACCE//, HQ AFMEA
RANDOLPH AFB TX//MEQC//" as a minimum.
4. **Subj.** Enter "Congressional Reporting
Requirements for Commercial Activities (CA)
Program, RCS: HAF-MO(AR)8001."
5. **Item 1, Function and Study Code.** Enter
title of the Air Force function code describ-
ing the type of work that underwent cost com-
parison (attachment 8, figure 1). Enter 9- or
10-character alphanumeric designator com-
prised of the component, installation, and study
type codes which identifies the specific cost com-
parison. HQ AFMEA/MEQC identifies the code
when they develop the cost comparison record
for CAMIS.
6. **Item 2, Location.** Enter installation
(base name) and state where the function was
actually being performed in-house.
7. **Item 3, Contracting Office.** Enter com-
plete mailing address of the servicing contract-
ing office for the proposed contract.
8. **Item 4, Contracting Officer.** Enter
name, DSN, and commercial telephone num-
bers of the servicing contracting officer.
9. **Item 5, Date of Bid Opening.** Enter date
of bid opening.
10. **Item 6, Amount of Bid Accepted.** Enter
amount from AF Form 346, line 7 (Total).
11. **Item 7, In-House Cost.** Enter amount
from AF Form 346, line 6 (Total).
12. **Item 8, Cost and Expenditures Govern-
ment Will Incur Because of the
Contract.** Enter amount from AF Form 346,
total of line 8 (Total) through line 12 (Total).
13. **Item 9, Cost Advantage In Favor of
Contracting.** Enter amount from AF Form
346, line 6 (Total) minus the total of line 7 (To-
tal) through line 12 (Total).
14. **Item 10, In-House Work Years.** Enter
number of work years required to perform the
work described in the PWS after conducting the
management study.
NOTE: This entry is equal to the number of
work years in the in-house bid (AF Form 346,
line 1).
15. **Item 11, Contract Number, Name, and
Location of Contractor.** Enter the 13-posi-
tion alphanumeric DoD contract number as-
signed to the proposed contract. Enter the name
of the proposed contractor or firm. Enter the
proposed contractor's complete mailing ad-
dress.
16. **Item 12, Set-Aside.** Enter "no," "yes,
small business," or "yes, 8A."
17. **Item 13, Contract Type.** Enter type of
contract awarded (e.g., firm fixed price, fixed
price with economic price adjustment, fixed
price incentive fee, cost plus incentive, cost plus
award fee, cost plus fixed fee, etc.).
18. **Item 14, Phase-In Period and Price.** Enter
inclusive dates (start and end) of phase-in
period, reflected by day, month, and year.
NOTE: Since most cost comparisons do not
have a phase-in or transition period, this entry
is usually "N/A." Enter contract bid price for
phase-in period only.

19. Item 15, First Performance Period and Price. Enter inclusive dates (start and end) covered in the first performance period of the contract, reflected by day, month, and year. Do not include option periods. Enter amount from AF Form 346, line 7, First Performance Period column only.

20. Item 16, Number of Yearly Options. Enter total number of yearly options included in the proposed contract.

21. Item 17, Number of Bids or Proposals Received. Enter total number of bids or offers the contracting officer received in response to the solicitation.

22. Item 18, (Fill in the Number) Permanent and (Fill in the Number) Temporary Civilian Employees Were Assigned to the Function on Bid Opening Day. Enter assigned strength figures obtained from the servicing CCPO.

23. Item 19, About (Fill in the Number) Employees Will be Assigned to Other Government Positions. Enter total number of permanent civilian employees to be reassigned to equal or lower graded positions effective with the start of the contract. Do not include temporary employees or military being reassigned (see note 2).

24. Item 20, About (Fill in the Number) Employees Will Be Retired. Enter the total number of civilian employees who were offered and have accepted the early retirement or normal retirement as a result of the contract award (exclude all employees who retire before contract award), under the provisions specified in civilian personnel regulations (see note 2).

25. Item 21, About (Fill in the Number) Permanent Employees and (Fill in the Number) Temporary Employees Will Be Involuntarily Separated. Enter the total number of permanent civilian employees and the total number of temporary civilian employees who are to be separated from Federal employment as a result of the contract award (see note 2).

26. Item 22. Enter "The government in-house calculation for the function is based on an estimate of the most efficient and cost-effective organization for in-house performance. Contracting does not have a negative impact on the military mission of this function. Also, the entire cost comparison is available." Keep a copy of the base-level certification statement or letter for the MEO on file at the MAJCOM, FOA, or DRU level, and the review documentation identifying the activity for cost comparison. Keep a copy of the entire cost comparison on file at the MAJCOM, FOA, or DRU level, or make reference to where it is readily available at base level.

27. Item 23. Enter "Potential economic effect on the surrounding community. The resulting effect on the total economic impact within the economic impact region is expected to be a decrease of (%). A net decrease in secondary jobs created of (%) will probably occur." Include this statement only if the cost comparison involves 75 or more work years required before MEO. (Work years include military and civilian). To acquire the needed information for this statement, complete the data requirements for the economic effect report (figure 1, this attachment) and send to the base cost analysis office after bid opening or most advantageous offer meeting. If the cost comparison involves 250 or more work years required prior to MEO, consult base civil engineering to complete data requirements (paragraph 6-3h(3)).