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Washington, DC 20314-1000

CERM-MC

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Management

COMMERCIAL ACTIVITIES PROGRAM

Limited supplementation of this regulation is permitted but is not required. If supplements are issued, DIVCDR and CDR separate FOA will furnish one copy of each to CDR USACE (CERM-MC) and (CEIM-PD), WASH DC 20314-1000; DISTCDR will furnish required copies to appropriate DIVCDR.

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CHAPTER 1

SCOPE

1-1. Purpose.

a. This regulation prescribes policies, procedures and responsibilities for managing and carrying out the Commercial Activities (CA) Program. It implements Office of Management and Budget (OMB) Circular A-76 for civil works-funded activities. It is to be read in conjunction with the Federal Acquisition Regulation (FAR), which establishes uniform policies and procedures for acquisition/contract matters for use by all Federal agencies.

b. This regulation does not provide authority to enter into contracts, nor does it provide authority to justify a conversion to contract solely to meet personnel ceilings or to avoid salary limitations.

1-2. Applicability. This regulation applies to all U.S. Army Corps of Engineers (USACE) civil works-funded activities performed within the United States and its territories and possessions. AR 5-20 applies to activities funded in whole or in part with DOD appropriations, with the following exceptions: required and related publications listed in Appendix A cover all Corps activities; the descriptions of excluded, excepted and exempted activities in Appendix B apply to all Corps activities; the general functional area (GFA) codes in Appendix C are the only codes to be used by USACE activities regardless of funding; the tables, figures and forms included in Appendix D apply to all Corps activities; the instructions in Appendixes E, F, G and H apply to the entire USACE; and the definitions of terms in the Glossary will be used throughout the Corps. This regulation is consistent with the principles and requirements of the AR.

1-3. References. Required and related publications and referenced forms are listed in Appendix A.

1-4. Explanation of Abbreviations and Terms. Abbreviations and special terms used in this regulation are defined in the Glossary.

1-5. Program Objective. The objective of the Corps CA Program is to improve the management of Corps resources.

This objective is achieved by first determining if performance of an ongoing in-house CA by a private sector enterprise may be feasible, and if it is, then determining if it may be less costly to the Government to obtain those services from the private sector. This objective is also achieved by determining when it may be less costly to the Government to bring an existing contract back in-house. When either of these conditions exists, the cost of contracting the activity will be compared to the cost of in-house performance to determine who will do the work. This comparison is done to provide competition, achieve economies, and enhance productivity.

1-6. Policy. It is USACE policy to:

a. Rely on competitive private enterprise to supply the products and services needed by the USACE. This policy is stated in OMB Circular A-76 and reaffirmed in this regulation. This policy also recognizes that Governmental functions must be performed by Government personnel, that some functions must be performed by the Government to support national defense, that in some instances there may be no satisfactory private commercial source available, and that proper attention must be given to the relative cost of performing the work in-house versus performing the work by contract.

b. Conform to AR 5-20 and its established procedures for civil works-funded activities except as specifically noted in this regulation.

c. Use products or services available from other Government agencies if technically or economically justified (see paragraph 3-8).

d. Approve the establishment or expansion of an in-house activity to provide commercially available products or services to Army, DOD or other Federal agencies when operational factors or costs justify such establishment or expansion according to this regulation. See paragraph 3-11.

1-7. Program Suspension during Mobilization. Upon mobilization, the CA Program will be suspended from all requirements to obtain approval to establish, expand, continue, convert, or transfer CAs. Reporting and other administrative requirements also will be suspended when a Presidential or other official directive is issued to mobilize the armed services.

1-8. CA Study Process. CA studies consist of the following steps, which are covered in the specified areas of this regulation:

- a. Identify CAs (paragraphs 2-1 through 2-3).
- b. Review CAs (paragraph 2-7).
- c. Conduct annual inventory (paragraph 2-8 and Appendix G).
- d. Submit request to declare an activity a Governmental function or request approval of an exception to the CA Program (paragraph 2-3), or submit a Decision Summary (RCS CSCOA-111), Figure 2-3, to request an exemption (paragraphs 2-5 and 2-6), or submit a Direct Conversion Decision/Request (RCS CSCOA-128), Figure 3-1, to obtain approval/provide information on direct conversion actions (paragraph 3-3), or, if the activity will be studied, submit a Commercial Activities Proposed Action Summary (CPAS) (RCS CSCOA-112), (paragraph 3-10 and Figure 2-2), or Commercial Activities Transfer (or New Requirement) CA Study Proposal (RCS CSCOA-115), Figure 3-2 (paragraph 3-11).
- e. Receive CPAS approval (paragraph 3-12).
- f. Write performance work statement (PWS) (paragraph 3-19).
- g. Conduct management study (Chapter 3, Section VI).
- h. Issue solicitation (paragraph 3-21).
- i. Prepare Government in-house estimate (paragraph 3-39 and Appendix E).
- j. Obtain independent review from audit entity (paragraph 3-40).

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k. Conduct bid opening/make initial decision (paragraph 3-41).

l. Hold appeals period/public review period (Chapter 3, Section VIII).

m. Submit Final Decision Report (RCS CSCOA-113), Figure 3-3 (paragraph 3-55).

n. Obtain approval to implement final decision (paragraph 3-55).

o. Implement decision (paragraph 3-55).

p. Five years from the previous review date, repeat the entire process beginning with item b.

1-9. Responsibilities.

a. The CA Program Directors are:

(1) For civil works funded CA, the Assistant Secretary of the Army (Civil Works) (ASA(CW));

(2) For DOD-funded CA, the Assistant Secretary of the Army (Installations and Logistics) (ASA(I&L));

(3) For mixed civil works and DOD-funded activities, the ASA(CW) and the ASA(I&L);

b. The Commander, USACE, will:

(1) Be the USACE CA Program proponent;

(2) Approve or disapprove requests from either HQUSACE staff elements or field operating activities (FOA) to exclude any function as Governmental;

(3) Approve or disapprove requests from either HQUSACE staff elements or FOA to except a function (except those described in paragraph 2-2a(2)(b) through (e) from the CA Program;

(4) Determine the USACE position of FOA requests for in-house performance of CAs for noncost reasons that require ASA-level approval;

c. The Director of Resource Management will:

- (1) Serve as the overall manager of the Corps CA Program
- (2) Publish guidance on Corps CA policies and procedures.
- (3) Be the primary point of contact within HQUSACE for CA matters.
- (4) Respond, in coordination with functional proponents, to Congressional and secretariat correspondence pertaining to CA studies that are the responsibility of more than one functional proponent.
- (5) Develop and maintain the Corps CA Inventory (Appendix G).
- (6) Notify Congress, through secretariat channels, of decisions to initiate CA studies and decisions resulting from CA studies as appropriate.
- (7) Coordinate Corps staff review of proposals submitted by divisions and USACE staff proponents of FOA for the conduct and termination of CA studies of either existing in-house activities or contracted activities for possible change in method of performance, and for CA studies of possible in-house performance of proposed new activities.
- (8) Develop and prepare, in coordination with HQUSACE functional proponents, USACE position on proposed GFA codes for incorporation in Appendix C.
- (9) Prepare and maintain Corps instructions for implementing OMB Circular A-76. Issue guidance consistent with AR 5-20.
- (10) Publish procedures for incorporating CA budget actions into the normal manpower programing and budget cycle.
- (11) Maintain and audit trail on CA manpower programing and CA study decision results and ensure that necessary adjustments are made in a timely manner.

d. HQUSACE staff elements assigned functional proponency for the CA functions in Appendix B and

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Appendix C, and HQUSACE staff proponents of laboratories and separate FOA will:

(1) Designate a single office within their staff element as the point of contact (POC) for all CA matters.

(2) Provide functional guidance, in coordination with CERM-MC, on the CA Program to divisions, laboratories and separate FOA for the conduct of CA studies in their assigned functional areas to include:

(a) Developing positions on CA study proposals submitted by FOA.

(b) Identifying Corps administrative and reporting requirements that detract from the productivity of activities subject to a CA study and initiating appropriate action to revise Corps guidance or obtain relief from requirements imposed by higher authorities.

(c) Organizing activities into multifunctional and/or regional packages for CA study.

(d) Developing prototype PWS. Monitoring adaptation of prototype PWS by FOA to specific activities.

(e) Providing guidance to FOA, in coordination with CERM-MC, on improvement of methods of operation, acquisition of productivity enhancing equipment, staffing and organizational structures, and other actions to obtain an efficient and cost effective in-house organization.

(f) Monitoring the execution of CA studies, in coordination with CERM-MC, and responding to Congressional and other inquiries.

(3) Develop, in coordination with CERM-MC, the Corps staff position on recommendations for continued in-house performance of CA for reasons other than cost, and submit recommendations to the USACE Commander or Deputy, or to ASA(I&L) through ASA(CW) as appropriate for approval.

(4) Designate lead divisions, laboratories or separate FOA for CA studies involving more than one division, laboratory or separate FOA.

(5) Designate FOA responsible for CA pilot studies of functions not previously studied under the CA Program.

(6) Provide functional expertise on proposed GFA codes for incorporation in Appendix C.

e. The Principal Assistant Responsible for Contracting (PARC) will:

(1) Ensure, in coordination with the Chief Counsel, that CA policies and procedures are consistent with the provisions of the FAR and its supplements as CA studies are conducted and implemented.

(2) Assist the Director of Resource Management in developing guidance on procurement aspects of the CA Program, and in resolving procurement-related problems at all FOA levels.

(3) Assist, in coordination with the Director of Resource Management, HQUSACE staff elements in developing PWSS for their functional areas, and in responding to questions on procurement-related CA issues.

f. The Chief Counsel will:

(1) Advise, in coordination with PARC, whether CA policies and procedures are legally consistent with the FAR and its supplements.

(2) Determine if application of this regulation to a CA is inconsistent with law and is excepted in accordance with paragraph 2-2a(2)(b) through (e).

(3) Advise the Commander, USACE, the Director of Resource Management, and other HQUSACE staff elements on all legal matters related to the CA Program.

g. The Small and Disadvantaged Business Utilization Officer will assist in ensuring that maximum consideration is given to small and small disadvantaged businesses in CA policies and procedures.

h. The Chief of Public Affairs, in coordination with the Director of Resource Management, will provide public affairs support and guidance for public announcements relating to CA actions.

i. The Engineer Inspector General will include provisions in inspections that will ensure that the CA Program is being carried out according to established policies.

j. The Director of Personnel (HQUSACE) will:

(1) Advise on whether CA program policies are consistent with civilian personnel statutes, policies and procedures, including reduction-in-force (RIF) procedures, contractual requirements, and recognized labor organization agreements.

(2) Provide input, as necessary, to factors for personnel-related costs used in CA studies for items such as personnel fringe benefits, severance pay entitlement, homeowner's assistance, and pay rate determination. These factors are developed jointly by the Directorate of Resource Management and the functional proponent.

k. Commanders of divisions, districts, and separate FOA will:

(1) Direct and manage the Corps CA Program as required by this regulation.

(2) Appoint a CA Program Manager and an alternate to administer and coordinate the operation of the CA Program.

(3) Publish instructions as necessary. Guidance will ensure that day-to-day actions with CA implications are coordinated with the CA Program Manager.

(4) Approve direct to contract actions and submit Direct Conversion Decisions/Requests as provided in paragraph 3-3.

(5) Identify new requirements, expansions and transfers and ensure that new start or expansion approval is obtained for projects involving CA prior to, or concurrent with, any budgetary action to obtain funding.

(6) Obtain approval of the purchase of new equipment that does not constitute a new start or expansion during the course of a CA study but prior to the approval of the management study. This applies unless such approval depends on the approval of the management study of the outcome of the cost comparison.

(7) Ensure that entries made on either ENG Form 4843A-R, Cost Comparison of In-house and Contract Performance (RCS CSCOA-116), or ENG Form 4843B-R, Cost Comparison of Expansions, New Requirements and Conversions to In-house Performance (RCS CSCOA-116), are reviewed and verified for correctness by a qualified individual assigned to the FOA who is independent of the preparation of the Government's in-house cost estimate. See Appendix D for examples of these forms and instructions on completing them.

(8) Ensure that audit trails of costs and workyears of studied activities are maintained.

(9) Determine whether activities under their control are or are not CA, in accordance with OMB Circular A-76 and the guidance provided in this regulation in Chapter 2, Appendix B, Appendix C and Glossary. Requests for decisions on all questionable areas, including the declaration of any function to be a Governmental function, will be forwarded through channels to the HQUSACE proponent for that function for advice and possible approval by the Commander or Deputy Commander, USACE, or higher authority as appropriate. Perform CA studies.

(10) Request personnel ceiling and budget adjustments to support new requirements, expansions and transfers where in-house performance has been proven cost effective through a CA study.

(11) Ensure that the Personnel Officer and Equal Opportunity Officer are included in the planning for and conduct of CA studies from the beginning of the process.

(12) Use all reasonable means to minimize the number of separations of permanent employees from Federal employment by:

(a) Implementing selective hiring freezes for vacancies in activities not subject to CA studies. Those employees potentially affected by CA studies may then be considered for placement in those activities.

(b) Using temporary and other nonpermanent appointments for all positions in the activity under study and other positions at FOA filled by new hires. This consideration will provide placement opportunities for employees who may be affected by a RIF.

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(c) Implementing reasonable job re-engineering or training efforts to help potentially excess employees qualify for jobs in other fields.

(13) Monitor the performance of contractors under PWSs or of the in-house work force constituted in the most efficient organization (MEO) following the completion of CA studies.

(14) Prepare and submit inventory reports.

1. The Personnel Officer (FOA) will:

(1) Announce, in conjunction with the Public Affairs Officer and the Resource Management Officer/Comptroller, approved CA studies to the affected work force, and inform appropriate union officials of these approved CA studies. Union officials and employees will be kept informed of CA study actions from approval through study completion.

(2) Coordinate planned management actions related to CA studies with the Equal Opportunity Office, employees and unions representing the affected work force to minimize personnel turbulence and adverse effects on employees.

(3) Participate as team member in the CA management study by:

(a) Providing position management advisory services;

(b) Performing position classification audits;

(c) Developing position descriptions;

(d) Securing position management officer decisions as required by AR 690-500, Chapter 501;

(e) Evaluating and classifying positions in activities under CA study according to Office of Personnel Management (OPM) position classification standards, including civilian spaces established to replace military workyears;

(f) Scheduling position classification surveys and reorganization proposals to coincide with the planned management study schedule. This should be done to conserve management as well as Personnel Office resources.

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(4) Determine the requirements of CA-related provisions in agreements negotiated between the FOA and the union(s).

(5) Provide information to the CA Program Manager on, and monitor compliance with:

(a) The requirements of agreements between the FOA and union(s) impacting a CA study; and

(b) The specific actions required to fulfill those agreements and corresponding milestones for the CA study schedule.

(6) Plan and execute RIF actions.

(7) Participate in developing selection/training programs and position descriptions for contract administration and quality assurance evaluation (QAE) personnel.

(8) Monitor out-placement programs, including retraining, in accordance with AR 690-400, Chapter 410.

(9) Assist the contracting officer in monitoring contractor compliance with displaced employees' right of first refusal for jobs with the contractor.

(10) Help place personnel in other Federal jobs and in jobs with the contractor.

(11) Inform the FOA Commander of noncompliance with implementation of approved personnel actions in connection with the MEO.

CHAPTER 2

IDENTIFYING, REVIEWING AND INVENTORYING COMMERCIAL ACTIVITIES

2-1. General. The three initial steps in the CA process are discussed in this chapter. These are (a) to identify which activities are CA and which are excluded Governmental functions, (b) to review CAs, determine if any are or could be excepted or exempted from cost comparison study, and establish study schedules, and (c) to prepare annual inventories.

2-2. Activity Categories. All activities performed by or for the USACE can be divided into either CAs or Governmental functions (see Appendix B, Appendix C, Figure 2-1 in Appendix D, and Glossary).

a. CA (that is, activities that could be performed by the private sector). This group can be further subdivided into activities that are subject to, or excepted or exempted from, the CA program, as follows:

(1) CA that are subject to cost comparison study.

(2) Excepted CA (listed in Appendix B), that is, CA that have, in accordance with paragraph 2-3a, been determined not to be subject to cost comparison study for one of the following reasons:

(a) Activities performed outside the United States and its territories and possessions.

(b) Products or services provided from other Federal agencies required by law to furnish them (mandatory sources).

(c) Products or services required by treaties or international agreements.

(d) Products or services where their acquisition in accordance with this regulation would be inconsistent with law. Architect and engineering (A-E) and surveying and mapping services must be procured using Brooks Act procedures. A methodology for reconciling Brooks Act and OMB Circular A-76 requirements will be published at a later date. General functional areas (GFAs) C120, C125, C127, and C128 in Appendix C are affected by this determination.

(e) Research and development (R&D) activities. However, R&D support activities are to be included in CA studies even if they are funded by R&D appropriations.

(f) Activities that are not separable from other excepted, excluded or exempted activities for performance by a contractor or an in-house work force.

(g) Activities that are not recurring, are related to support of specific projects, or have a total lifespan of less than two years. However, a series of one-year tasks expected to cover more than a two-year span is continuous activity and is governed by this regulation. A methodology for projecting the workload associated with such activities and comparing associated Government in-house costs to contractor bids/offers will be published at a later date.

(h) Expert and consulting services governed by AR 5-14.

(3) Exempted CA (listed in Appendix B), that is, CA that have, in accordance with paragraphs 2-5 and 2-6, been determined not to be subject to cost comparison study.

b. Governmental functions (listed in Appendix B), or activities that must be performed in-house due to their special nature. These activities are excluded from cost comparison study and include:

(1) Governmental activities associated with a CA (for example, management functions that would remain if a CA were contracted).

(2) Governmental activities which stand alone (for example, program development).

2-3. Determination of Excluded Activities.

a. The first step an FOA should take in determining whether a particular activity is subject to cost comparison study under this regulation is to compare the activity to the list in Appendix B of excluded Governmental functions.

b. If the activity is included in Appendix B, the FOA should document the study file and refer to the instructions in Appendix G for inventory of activities.

c. If the activity is not included in Appendix B and there is a question as to whether the activity is a Governmental function, the FOA may submit a request for declaration of the activity as a Governmental function to CDR USACE (CERM-MC) WASH DC 20314-1000 for advice and possible decision by the Commander or the Deputy Commander, USACE. The request should include the number of spaces proposed for exclusion, as well as the rationale for requesting that this determination be made. In addition, the FOA should refer to the instructions in Appendix G for inventory of activities.

d. If the activity is not included in Appendix B and the FOA does not decide to submit a request for determination of a Governmental function, the FOA should refer to paragraph 2-2a(2) to determine if the activity could be expected from cost comparison study for other reasons.

e. Questions concerning which activities have been excluded, excepted or exempted should be referred to the functional proponent so that the basic documents by which these approvals were obtained can be consulted.

2-4. Determination of Excepted Activities.

a. If the activity corresponds to the list of exception rationales in paragraph 2-2a(2), the FOA should submit documentation explaining the relationship of its activity to these types of exception possibilities to the functional proponent for HQUSACE staff review and decision by the Commander, Deputy Commander, or Chief Counsel. In addition, the FOA should refer to the instructions in Appendix G for inventory of activities.

b. If the activity is not listed in paragraph 2-2a(2) or if an exception request is denied, the FOA should next determine if an exemption request has been granted, in accordance with paragraph 2-5, or if an exemption request can be supported, in accordance with paragraph 2-6.

c. Questions concerning which activities have been excluded, excepted or exempted should be referred to the functional proponent so that basic documents by which these approvals were obtained can be consulted.

d. The inventory instructions in Appendix G should be followed.

2-5. Determination of Exempted Activities.

a. FOA should next compare the subject activity to the GFA codes listed in Appendix C.

b. If there is a match, the FOA should next determine if an approved exemption for the activity exists (see Appendix B). If there is an exemption already approved, the FOA should ensure that the inventory instructions in Appendix G are followed and that an in-depth review of the activity is accomplished within five years of the approval date.

c. If there is a match between the subject activity and Appendix C but no exemption request has been previously approved, the FOA should determine if a rationale for exemption exists (see paragraph 2-6).

d. Questions concerning which activities have been excluded, excepted or exempted should be referred to the functional proponent so that the basic documents by which these approvals were obtained can be consulted.

2-6. Exemption Rationales. Rationales justifying an exemption are national defense requirements, the lack of a satisfactory commercial source, the delay or disruption of an essential program, or special security considerations. Justification may address one or more of these reasons.

a. National defense requirements that may compel in-house performance are deployability, military training, and military overseas rotation base.

(1) Deployability.

(a) In-house performance may be required if the activity or its assigned personnel are designated deployable in approved contingency plans. Non-deploying activities that support mobilization, deployments, or other contingencies may also have to be retained in-house for national defense reasons. The ability of potential contractors to perform the functions overseas or in support of deployment, mobilization, or other contingency must be considered in the review. Requirements that cannot be met by either an in-house work force or a potential contractor do not justify in-house performance. An example of such a requirement is the rapid expansion of a work force in an isolated area in an area with a labor shortage. The inability to meet national defense requirements must be unique to contract performance.

(b) In-house performance may be required to maintain positions for military personnel who may be deployed as individuals or with modification table of organization and equipment (MTOE) units. Recommendations for in-house performance must cite the directive designating the deployable positions. Some of the positions in the activity may not be designated for deployable personnel. If so, the recommendation must explain why the non-deployable part of the activity cannot be separated for CA study. The FOA Commander may set aside from CA studies work that is required for the training of deployable MTOE units and not consider the work for performance by a table of distribution and allowances (TDA) activity or a contractor.

(2) Military training. Activities that train military personnel in certain combat-unique or combat-related skills may be retained in-house for national defense reasons. Descriptions of this type of training are provided under the U series of GFA codes in Appendix C. Normally, training that can be conducted by Government employees can also be conducted by contractor employees.

(3) Military Overseas Rotation Base. Rotation base positions provide soldiers with meaningful jobs in their particular skills between overseas tours. Activities may be performed in-house to maintain rotation base positions for military enlisted personnel. The Deputy Chief of Staff for Personnel in AR 570-4 publishes a list of each military occupational specialty for which a rotation base must be maintained in the continental United States and Hawaii.

b. The lack of availability of a satisfactory commercial source is a second justification for requesting an exemption for an activity from the CA Program. This must be proved through the submission of CPAS (see paragraph 3-10) and the search for commercial sources outlined in paragraph 3-18. USACE has agreed to abide by the Congressional announcement requirement set forth in Defense Authorization Acts. Therefore, advertising and other efforts to locate commercial sources will not begin until Congress has been notified that an activity is being studied for possible conversion to contract, unless the activity requires only HQUSACE approval. In that case, advertising and other efforts to locate commercial sources may begin after HQUSACE approval is received.

c. The third possible rationale for submitting an exemption request is that the use of a commercial source would cause an unacceptable delay or disruption of an essential program. Recommendations to perform an activity in-house on the basis of delay or disruption must explain the delay or disruption in terms of cost, time, performance measures, and effects on mission performance. Also, the disruption must be shown to be lasting and unacceptable. Transitory disruptions caused by conversions are not sufficient grounds, although an unacceptable delay in responding to short-term natural disaster situations could provide a sufficient reason for seeking an exemption from potential contracting. The function may have been performed by contract elsewhere or at a different time. If so, the recommendation must explain why circumstances are substantially different. Lastly, it must be shown that the in-house work force is able to provide the product or service.

d. The last rationale for exemption is special security considerations. A risk assessment of CAs that handle intelligence information (such as mail rooms or messenger services) will be conducted by the FOA Security and Law Enforcement Officer to determine if using commercial sources to accomplish the work of that activity poses a threat to national intelligence. This assessment will be included in the CPAS (see paragraph 3-10) for decision by the Director, Defense Intelligence Agency, or the Director, National Security Agency, in coordination with the HQUSACE staff before the CA is approved for study.

2-7. Exemption Request Documentation.

a. FOA will submit a Decision Summary (RCS CSCOA-111), Figure 2-3, through channels to CDR USACE (CERM-MC) WASH DC 20314-1000 to obtain ASA-level approval of an exemption request wherever in-house performance of a CA is sought for noncost reasons. The Decision Summary may be classified if in-house performance is justified by classified plans or mission assignments. A Decision Summary must be submitted under any of the following circumstances:

(1) An exemption request can be supported using any or all of the rationales of national defense, delay or disruption of an essential Government program, or lack of a satisfactory commercial source;

(2) In-house performance of a new requirement or continued in-house performance of an expanded activity is proposed for noncost reasons. If this action requires construction of a new facility or purchase of equipment, the Decision Summary must be submitted and approved before the construction or equipment purchase is entered into the Corps budget. (In-house performance of a new requirement or continued in-house performance of an expanded activity for cost reasons is covered in paragraph 3-11.)

(3) Transfer of work from contract to in-house performance is proposed for noncost reasons.

b. If a Decision Summary receives ASA-level approval, the FOA will, upon notification from CERM-MC, enter the pertinent information in the next annual update to the inventory. Exemptions are valid for five years from date of ASA-level approval. Therefore, the activity will be reviewed not later than the fifth fiscal year after exemption approval. The approved Decision Summary will be retained in the FOA records until the next review is completed.

c. That an activity involves a classified program, or is part of a basic mission, or could possibly be involved in a strike by contract employees, or is an urgent requirement does not provide adequate justification for in-house performance. It must be clearly shown that commercial sources are not able and the Government is able to provide the product or service when needed.

d. If no exemption rationale exists, then the FOA should prepare to study the CA as outlined in Chapter 3 and refer to Appendix G for instructions on inventorying the activity.

2-8. Requirement to Categorize Activities. FOA shall initially categorize each activity in accordance with paragraphs 2-3 through 2-5. FOA shall schedule studies of activities not excluded, excepted, or exempted. During each five-year period after the initial categorizing and studying, each activity will be reviewed, i.e., reexamined, to determine whether to study contracted or in-house activities. This review should be phased so that not more than five years passes between the time of CA is studied and the time it is reviewed for restudy. Note that all CAs are included in the annual CA inventory (see paragraph 2-9).

2-9. Efficiency Review (ER) Program. Excluded, excepted, and exempted activities will be subject to study under the Efficiency Review (ER) Program. Portions of CAs that may not be contracted out will be studied under the CA Program, included in the CPAS (see paragraph 3-10 and Figure 2-2) and the CA management study (see paragraph 3-36 and Figure 3-5), but not the PWS prepared for the CA (see paragraph 3-19) nor the solicitation (see paragraph 3-21) nor the Government's in-house cost estimate (see paragraph 3-39).

2-10. Commercial Activities Inventory Requirement.

a. The USACE Commercial Activities Inventory, maintained by the Director of REsource Management, is an annual listing of activities performed by or for the Corps. The primary information included is the FOA responsible for the study, the location of the activity, the functions performed, and the resources, both in-house and contractual, expended to accomplish the activity.

b. CAs not specifically described in each series shall be reported against the general 999 code for the series.

c. Instructions for preparation and submission of inventory data are in Appendix G.

d. Corps CA will not be subdivided below major GFA category level (see Appendix C) to create non-reportable sub-functions utilizing less than one whole workyear. In addition, when two or more sub-GFAs (e.g., S716A and S716B) will be included in a single CA study, they should be combined and reported under the major GFA (e.g., S716).

e. Records will be maintained at FOA to support all entries for activities in the inventory. Records will be identified, maintained, and disposed of according to AR 25-400-2, The Modern Army Recordkeeping System (MARKS), file number 5-20a. The following information will be documented, collected, and preserved for each activity included in the inventory:

(1) Source of data for each inventory submission and the methodology used to identify and record all resources to include dollars and manpower;

(2) Changes in workload, mission, and methods of performance;

(3) Manpower authorization documents and any changes to them;

(4) Results of CA studies, expansions and new requirements affecting the activity;

(5) Justification for and approval of requests for exemption, exceptions and exclusion from CA study.

CHAPTER 3

CONDUCT OF COMMERCIAL ACTIVITIES STUDIES

Section I. General Information

3-1. Introduction. Commercial activities (CA) studies establish the relative costs of in-house and contract performance of existing or proposed CAs. When responsive bids are received from responsible private sources, the results of the costs comparison concluding each study will dictate the decision to continue or change the method of performance. Therefore, before beginning a CA study, the process outlined in Chapter 2 must be performed to determine if only one method of performance is proper. If it is, then that method is continued. If it is not necessarily the only method that can be used to accomplish the function in question, then a CA study must be undertaken to determine whether the required products or services will be provided by either an in-house work force or a private contractor.

3-2. Conditions Requiring the Conduct of CA Studies. A CA study will be conducted when:

a. Conversion of an existing in-house CA either wholly or partially DOD-funded has been proposed for any reason but was not approved by the ASA(I&L) (see AR 5-20 dated 20 October 1986, paragraph 4-26 for guidance on DOD-funded activities), and the total number of civilian employees is fewer than 45 (pure DOD funded) or fewer than ten (mixed funded); or

b. Conversion to contract performance was proposed but was not approved by the FOA Commander where the CA is staffed with ten or fewer civil works-funded civilians; or

c. An analysis of an existing in-house activity determines that no compelling noncost reasons exist for in-house performance; or

d. An analysis of an existing contract reveals that in-house performance may be less costly to the Government than performance by any available commercial source (see Chapter 2 and paragraph 3-11); or

e. An evaluation of a proposed expansion of an in-house activity finds that no compelling noncost reasons exist for in-house performance of the expanded activity; or

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f. In-house performance of a new requirement is feasible and may be less costly to the Government than any available commercial source; or

g. The fifth fiscal year arrives after the final decision in the first study. Another CA study may be made earlier than the fifth fiscal year if in-house performance is no longer cost effective because of changes in missions, workloads, or the commercial market.

3-3. Direct Conversion to Contract Performance. (AR 5-20 dated 20 October 1986, paragraph 4-2, as legislatively amended, provides guidance on mixed and pure DOD funded activities.) A CA study is not required to be conducted before conversion to contract performance of an existing in-house CA if all the following requirements in subparagraphs a-g are met:

a. Activity Size. The number of contractible civilian employees in the CA (on board or authorized and expected to be on board before a conversion to contract is completed) is:

- (1) If purely DOD funded, 45 or fewer; or
- (2) If purely civil works or mixed funded, ten or fewer employees.

b. Management Decision Criteria. The following standards should be applied in making the decision for direct conversion to contract performance:

- (1) The conversion would make sense from a management or performance standpoint;
- (2) The activity has not been and will not be reorganized or in any other way changed to reach a personnel threshold to circumvent the need to perform a full CA cost comparison study.
- (3) The conversion would result in a fair and reasonable price from a qualified commercial source and in an estimated total cost to the Government that is less than the current in-house performance by a factor of at least ten percent of in-house personnel costs (but see paragraph 3-3e); and
- (4) The affected permanent civilian employees could be placed elsewhere within the Government or with the private

contractor through the exercise of the right of first refusal (but see paragraph 3-3f).

c. Approvals and Reports.

(1) If the activity is purely DOD funded and has 45 or fewer employees, the FOA Commander must submit a direct Conversion Decision/Request (RCS CSCOA-128), Figure 3-1, through channels to CDR USACE (CERM-MC) WASH DC 20314-1000 to obtain approval from the ASA(I&L) and to inform ASA(CW). The cover letter for Direct Conversion Decisions/Requests should include an update of any CA inventory and/or CPAS data elements that have changed since the last submission. Especially important are revised milestone dates for solicitation issued, bids opened, appeals period completed, and full contract performance begun.

(2) If the activity is purely civil works funded and has ten or fewer employees, the following procedures apply:

(a) Districts must submit a Direct Conversion Decision/Request to obtain Division-level approval to perform the activity under contract. The approved Direct Conversion Decision/Request will be submitted to CDR USACE (CERM-MC) WASH DC 20314-1000 for information purposes not less than six weeks before the solicitation is issued. Revisions to CA inventory and/or CPAS data elements should be submitted as required in paragraph 3-3c(1).

(b) Separate FOA must submit a Direct Conversion Decision/Request to obtain HQUSACE approval to perform the activity under contract. Revisions to CA inventory and/or CPAS data elements should be submitted as required in paragraph 3-3c(1).

(3) If the activity is mixed funded and has 45 or fewer employees, the approvals and reports are the same as required in paragraph 3-3c(1) above.

(4) Not later than one month after bid opening, the FOA will submit through channels to CDR USACE (CERM-MC) WASH DC 20314-1000 the Final Decision Report for Direct Award to Contract Actions (RCS CSCOA-129) shown in Figure 3-4 on all activities converted directly to contract regardless of method of funding.

d. Employee Notification. When a decision is made to make a direct conversion, the employees and any involved

unions should be notified of the proposed contracting. These employees and any other interested parties will have the right after bid opening to make a formal appeal of the justification for the decision (that is, the numbers used in the cost estimates). The appeals procedures are contained in Section VIII of this chapter.

e. Requirement for Full CA Studies. Projected results in paragraph 3-3b(3) cannot be guaranteed. A solicitation may result in the lowest bid or offer being higher than expected and possibly higher than the Government's in-house cost estimate. In the case that the lowest responsive, responsible bid (or offer) exceeds the Government's in-house costs estimate, it may be necessary to cancel the solicitation and conduct a full CA study. See FAR 14.404-1 and FAR Subpart 7.3. Bidders are notified in the solicitation that CA contracts are awarded only when comparative costs favor contracting.

f. Employee Placement. it is possible that all affected permanent civilian employees may not be placed, even though management had projected otherwise at the time the decision was made to convert an activity directly to contract. Some anticipated jobs for displaced employees may not materialize or the employees may decide not to accept them. This is permissible if the potential for placing displaced employees was based on a thorough and proper evaluation of information known at the time the activity was proposed for a direct-to-contract action.

g. Instructions for Costing.

(1) In preparing the simplified cost comparison required in the Direct Conversion Decision/Request format, some supplemental costs (those designated "if appropriate" on the format) will not be included for activities with ten or fewer employees--that is, ten or fewer civilian employees plus any additional military personnel because positions occupied by military personnel may be converted directly to contract without restriction. These supplemental costs will be estimated for CA with 11-45 employees. Estimated contractor costs can be based on past history of similar contracts at other Corps locations or on the Contracting Officer's best estimate of probable contractor prices.

(2) The FOA Commander will designate a local independent reviewer other than the internal review office to review all direct conversion proposals regardless of

size and funding. This individual--someone who played no part in preparing either the Government's in-house or contractor price estimates--should validate the source data used for each of the cost elements included in the simplified cost comparison, validate the estimation techniques used for the final figure for each of these cost elements, and verify the arithmetic calculations for the entire simplified cost comparison included in the Direct Conversion Decision/Request format. Cost engineers are likely candidates for this function.

(3) In pure DOD and mixed funded studies, HQUSACE will not issue clearance to proceed until cost summaries are received reflecting contractor costs for Social Security (less Medicare) and thrift plans (if any). If more specific data is not available, Social Security cost estimates may be based on labor cost comprising 80% of total contract price. Assume no contractor thrift plan cost.

h. In all direct conversion actions, the requirements in paragraph 3-20 will be followed.

Section II. Planning for Commercial Activities Studies

3-4. Personnel Planning.

a. Activities programed for CA study must be separated from other activities for in-house or contract performance so that the positions that would be directly affected by conversion to contract can be identified.

b. During the initial planning for a CA study, FOA should consider consolidations or other realignments of functions that will increase the efficiency of in-house performance. If deviation from ER 10-1-3 is indicated, it should be requested as early as possible in the planning process. FOA should submit organizational deviation requests to CDR USACE (CERM-MO) WASH DC 20314-1000.

3-5. Acquisition Planning.

a. Acquisition planning for CA studies will begin when the CA study schedule is developed. The Contracting Officer, CA Program Manager, and functional managers must decide which activities will be formed into solicitation packages. The size and content of the packages affect the projected length and complexity of the acquisition process. Preparation of the CPAS (paragraph 3-10) requires

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the coordinated development of an acquisition approach. An assessment of the availability of commercial sources must be made and a recommended contract type identified. Table 3-1 shows a list of contract types, and their advantages and disadvantages. See AR 5-20 dated 20 October 1986, paragraphs 4-3f and 4-5 for guidance on DOD funded activities.

b. All multi-function packages currently under contract as a result of a CA cost comparison will be analyzed to determine how they are to be resolicited.

c. The FAR and its supplements establish dollar thresholds and requirements for submission of acquisition plans through contracting channels to HQDA for approval. See AFARS 7.102(93). Acquisition plans which require HQDA approval will be submitted through channels for ASA review at least six months before the resolicitation is expected to be issued.

d. Acquisition planning is the subject of FAR Parts 7 through 12.

3-6. Previously Studied CAs. A previously studied CA may be included in a package of activities for CA study if required for economic or operational reasons. However, a new CA study should not be made until the in-house cost data made public during the first study has changed enough to preclude compromising the confidentiality of the Government's in-house cost estimate and independence of commercial bids (see paragraph 3-44). Proposals to conduct a CA study before the fifth fiscal year after completion of the previous study must be justified in the CPAS (paragraph 3-10).

3-7. Consolidation of Activities for Commercial Activities Study; Small and Disadvantaged Businesses.

a. Consolidation.

(1) Functions will be consolidated into multi-function packages when the resulting organization, if contracted or if retained in-house, would be reasonably mission effective and cost efficient. In addition, logical and economical solicitation packages will be prepared to promote spirited competition and the lowest cost to the Government.

(2) The work in existing contracts that have been awarded using non-CA procedures may be included in the PWS

written for the CA study for solicitation to prospective contractors. If this is done, the cost of these contracts and the Governmental contract administration costs of these contracts should be treated as "Other Costs" on line 3 of the Government's in-house cost estimate.

(3) Any multi-function packages must comply with the provisions of Title II of P.L. 95-507, amendments to the Small Business Act. Also see FAR Part 19, Small Business and Small Disadvantaged Business Concerns.

b. Small business.

(1) Section 8(A) contracts with the Small Business Administration (SBA) shall not be used to procure services which are being evaluated under CA program procedures except (see AR 5-20 dated 20 October 1986, paragraph 4-3 for guidance on DOD funded activities), for civil works-funded CAs, as may be approved by the OASA (SADBU) and the ASA(CW), and the ASA(CW), the ASA(I&L), and the OASA(SADBU) for mixed-funded CAs. Requests for approval will be processed through acquisition channels with coordination by small and disadvantaged business utilization (SADBU) specialists and CA personnel at all levels. No negotiations shall be conducted with the SBA until all approvals have been obtained. Contracting officers will make all offers to SBA after approval.

(2) FAR Subpart 19.8 governs section 8(A) contracts.

(3) CAs being performed wholly by small or small and disadvantaged businesses at the time of a decision to conduct a CA study will not be incorporated into CA studies. Consolidation of these contracts into the CA study, however, may be indicated where such action is necessary to meet mission requirements or where one contractor's performance is not severable from the performance of another contractor. Consolidations must be coordinated with SADBU specialists at all levels and approved at the ASA level (see paragraph 3-7b(1)). The CA study file will be fully documented to reflect such decisions.

(4) FAR Part 19 governs small business and small disadvantaged business concerns.

(5) FAR Subpart 19.5 governs small business set-asides.

3-8. Interagency Agreements.

a. There are several types of interagency agreements governing the provision of services by one Government agency to another Government agency, with many factors to be considered in selecting the proper type of agreement in each situation.

(1) Where another Government agency has the ability to provide a needed service and has an excess of capacity to take on this additional work, the USACE as the requiring agency may use the procurement process to establish commercial prices. The prospective providing agency would furnish the USACE a firm price for the product or service which would then be compared by the USACE to a price from a bidder in the private sector. The USACE would then award a contract if the private sector price is more economical (see paragraph 1-6c). This work may be technical in nature or concern the provision of general support services.

(2) Corps policy on obtaining support services--not technical services or mission-oriented work--from another DOD activity under the Defense Regional Interservice Support (DRIS) Program is set forth in subparagraphs b through j. See AR 5-20 dated 20 October 1986, paragraph 4-4, for guidance on DOD-funded activities.

(3) Another type of situation where interagency agreements are used appears in several long-standing agreements for both providing and receiving work from other Government agencies (i.e., U.S. Geological Survey, Environmental Protection Agency, National Weather Service, and National Wildlife Service). Corps policy on these agreements is not governed by either the excess capacity methodology presented in paragraph 1-6c or the policy on intra- or interservice support agreements contained in subparagraphs b through j. Where another Government agency has the expertise to perform certain technical or mission-oriented work, it is USACE policy to continue with such agreements. It is the providing agency's responsibility to determine whether their in-house staff will be used to do the work or whether competitive bids will be obtained.

b. The CA Program interfaces with the interservice and intraservice support program, which is designed to promote interservice and interagency support between activities of the DOD as well as among participating non-DOD activities. The goal of the program is to improve effectiveness and economy of operations by consolidating the provision of support services available to DOD activities and other Federal agencies.

c. Studies are conducted in a specified sequence. Each study will be completed before the next one is begun. The following sequence will be observed:

- (1) Intraservice,
- (2) Interservice (DRIS) (see paragraph 1-6c),
- (3) CAs.

d. Although national defense or other noncost reasons may compel in-house performance of an activity, they do not necessarily dictate performance by USACE employees. The reviewing FOA should determine if the required services can be obtained from another FOA or agency under intra- or interservice support arrangements. The potential for interservice support arrangements should be determined in coordination with the Joint Interservice Resource Study Group (JIRSG) Chairperson of the JIRSG region in which the activities under review are located. The JIRSG is responsible for implementing the DRIS Program throughout the various regions of the world.

e. Reviews and studies of CAs that provide interservice support shall be conducted by the supplying activity and coordinated with the FOA Commander.

f. Mission activities performed by tenants, such as communications, health services, etc., should be considered for consolidation. The decision to consolidate these functions in one CA study should be coordinated with HQUSACE.

g. Prior to CPAS submission, FOA Commanders will provide the local JIRSG Chairperson listings of ongoing CA studies so that the schedules for CA studies and JIRSG studies can be coordinated, as provided in DOD 4000.19, AR 5-16 and ER 5-1-6.

h. If a DRIS study result is to have interservice or intraservice performance of a contractible function, the activity will not be considered for CA study until such time as the DRIS study has been completed. If the DRIS study does not result in an interservice or intraservice determination, the CA study will proceed.

i. The final decision in a CA study may be to contract the function; a subsequent DRIS study may determine that it is more cost-effective to include the workload of other DOD components in that expanded scope of work. Employees of DOD components who are displaced as a result of combining their workload into a contract will have the right of first refusal for employment with the contractor in positions for which they are qualified.

j. The final decision in a CA study may be to retain the function in-house; the FOA may subsequently consider the possibility of combining that work with that of other DOD components. This consolidation should be undertaken only if a DRIS study indicates that an actual savings in manpower and dollars would then accrue to the other DOD components.

k. Questions concerning interservice support policy should be submitted to CDR USACE (CERM-MO) WASH DC 20314-1000.

Section III. Commercial Activity Study Approval Process

3-9. Government-Furnished Equipment and Facilities.

a. Preliminary FOA judgments on whether or not to furnish Government equipment or facilities to contractors should be identified in the CPAS (see paragraph 3-10) developed by the FOA at the time it proposes to conduct a CA study. Some decisions are easy. The Government, for example, rather than a contractor, would furnish a lock or a dam for work done at such a facility. Many decisions, however, will be much more complicated. They will involve consideration, in accordance with FAR Part 45, of more than one of the following four basic options:

- (1) Government-owned, contractor-operated (GOCO) facilities with Government-furnished equipment (GFE);
- (2) GOCO without GFE;
- (3) Contractor-owned, contractor-operated (COCO) facilities with GFE; or
- (4) COCO without GFE.

b. Within these four basic options are possibilities for partial furnishing of facilities or equipment. Whatever options or mixtures are chosen, the decision will be based on a comprehensive, documented analysis of the costs and benefits of offering versus not offering and disposing or making other use of the facilities and equipment for review by the independent reviewers (USAAA or CEAO) and, after the initial decision at bid opening, to the general public.

c. Facilities.

(1) If only one of the facilities options (i.e., GOCO or COCO) will be offered to potential contractors in the solicitation, then the justification must be sent to CDR USACE (CERM-MC) WASH DC 20314-1000 for approval at least six weeks prior to the scheduled arrival of the independent reviewers. A list of all functions approved for GOCO-only solicitation is given below. The independent reviewers require a HQUSACE waiver for single method solicitation of any function not in this list:

<u>GFA</u>	<u>Function</u>
C106	Operation of Recreational Areas
C109	Fish and Hatcheries
C112	Operation and Maintenance of Dams
C115	Operation and Maintenance of Locks and Bridges
C118	Operation and Maintenance of Hydropower Facilities
C119	Operation and Maintenance of the Washington Aqueduct
H115	Clinics and Dispensaries
S709	Custodial Services
S710	Pest Management
S712	Refuse Collection and Disposal Services
S713	Food Services
S724	Guard Service

<u>GPA</u>	<u>Function</u>
S725 to S730	Utilities
T807	Visual Information (VI) Services
T809	Administrative Telephone Service
T816	Telecommunication Centers
T817	Other Communications and Electronics Systems
T820A	Word Processing Centers
T820D	Internal Mail and Messenger Service
W825	Maintenance of ADP Equipment
Z991 to Z999	Maintenance, Repair, Alteration and Minor Construction of Real Property

(2) When a waiver is required, the request must be supported by a cost-benefit analysis of what is most cost advantageous to the Government. The only exception is when the choice of a single option is based on valid noneconomic grounds (such as serious security considerations) that can be presented in a self-explanatory, documented justification which would be both understandable and credible to HQUSACE, the independent reviewer, and the general public.

d. Equipment. If only one of the equipment options (i.e., with or without GFE) will be offered, a HQUSACE waiver is not required. Nevertheless, the documentation for the independent reviewers must be supported by a cost-benefit analysis and/or a strong noneconomic justification.

e. The thorough analysis required in the above paragraphs ensures that all facility and equipment options are considered, that neither the private sector nor the in-house work force is given an unfair advantage in the cost comparison process, and that if the activity is converted to contract performance it will operate as well as possible.

f. Sometimes it is impossible to prejudge what options will be most advantageous to the Government. For example, although it is often better to have contractor-furnished equipment so that contractor performance is not dependent on the condition of Government equipment, or that machine usage costs are reduced by spreading them to more customers, there are other conditions under which it is better for the Government to furnish equipment, as when specialized and/or expensive equipment is not owned by many contractors and failure to finish such equipment could result in few or no bidders, to the exclusion of small

businesses, or in a near monopoly position for a winning bidder. Similarly, use of contractor facilities could be the most economical option if these facilities are shared by other customers or their location yields lower rental costs. Conversely, these savings might be more than offset by transportation expenses and additional Government administrative costs created by the need to deal with off-site facilities. It is difficult to obtain data on all such factors, especially since they can vary considerably by geographical region and nature of the companies that are interested in bidding at any given time. Frequently, therefore, the only way to determine what is most advantageous to the Government is to offer all feasible options to potential contractors in the solicitation and see what results.

g. If provision of GFE has been shown to provide an incentive for a contractor to neglect maintenance of the GFE, it may in the Government's best interest not to offer GFE or to provide in the contract for Government inspection of the GFE and the appropriate payment deductions for improper maintenance.

h. Where it is uncertain as to which approach to take, the preferred alternative is to offer all feasible options in the solicitation. The PWS and the Government's in-house cost calculations must be produced both under the assumption that Government facilities and/or equipment will be furnished and under the assumption that they will not be furnished. Then each of these versions of the Government costs must be compared to the corresponding version of the contractors' bids or offers. This extra work will pay large dividends, though, as will the analysis of options described above, if the result is a more cost effective contract for the Government.

i. Supplies and material. Contractors should normally be required to provide supplies and materials that will be consumed or expended in the performance of a function.

3-10. Commercial Activities Proposed Action Summary (CPAS) (RCS CSCOA-112).

a. The FOA will submit a CPAS (RCS CSCOA-112), shown in Figure 2-2, to obtain HQUSACE approval to study an in-house CA for possible change in method of performance. The format provided in Figure 2-2 will be used to gain approval of all proposed studies regardless of method of funding. The CPAS provides the information required for

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HQUSACE staff review and for Congressional announcement (see paragraph 3-12). The CPAS is submitted in letter format with the appropriate elements of information included in the narrative. The CPAS will be coordinated with:

- (1) FOA CA Program Manger,
- (2) Functional managers,
- (3) Procurement and small business specialists,
- (4) Manpower manager,
- (5) Personnel Officer,
- (6) Equal Opportunity Officer, and
- (7) Counsel.

b. The CPAS is prepared by the originating FOA, endorsed by the FOA Commander, and forwarded through channels to CDR USACE (CERM-MC) WASH DC 20314-1000 to obtain HQUSACE approval. The CPAS will be marked "For Official Use Only--Protective Marking Cancelled on Announcement of Initial Decision or Cancellation of CA Study." The approval/announcement procedures for CPAS are covered in paragraph 3-12.

c. Submission and approval of a CPAS do not substitute for the requirement to submit and obtain approval of an acquisition plan when required by procurement regulations (see FAR Part 7).

d. CPAS submissions will be maintained by the FOA and CERM-MC. After the initial decision in the CA study is announced (see paragraph 3-41), interested parties may review the CPAS at any time.

e. No CPAS can be cancelled (see paragraph 3-15) or substantially altered without HQUSACE approval.

3-11. Commercial Activities Transfers, New Requirements, and Expansions.

a. General. Transfers, new requirements and expansions (all defined in the Glossary) require the special treatment explained below. Guidance will be supplied on whether or not new work resulting from legislation (such as the Water Resources Development Act of 1986 (P. L. 99-662)) is governed by this paragraph.

b. Transfer Process.

(1) FOA commanders will submit a Commercial Activities Transfer Proposal (RCS CSCOA-115), Figure 3-2, to obtain HQUSACE approval to make a CA study of a contracted activity (see AR 5-20 dated 20 October 1986, paragraph 4-8a, for guidance on DOD-funded activities).

(a) Justification for performing the study includes projections of contract price as well as cost estimates of in-house performance. The decision to request approval to conduct a CA study of a transfer activity should be made only when analysis of an existing contract by the contracting office and the functional manager, either upon exercise of contract option periods or at contract expiration, indicates that in-house performance might be less costly than any available commercial source.

(b) Only after exhausting all efforts to develop a competitive contract price through negotiation, repackaging, and reprocurement should the feasibility of in-house performance be considered.

(c) Requests for additional personnel spaces or funds to establish and maintain the in-house activity must be included and justified with the transfer proposal. If the required workyears cannot be accommodated within the Corps' manpower ceiling, a request for adjustment will be submitted for decision during the appropriate phase of the budget process.

(2) A transfer CA study does not involve an existing in-house work force; therefore, no requirement exists to notify Congress and the restrictions in paragraph 3-12 do not apply.

(3) Separate approval is not required to study augmentation contracts for possible in-house performance. If augmentation contracts are to be studied, the CPAS proposing a CA study of the augmented in-house activity will include data on these contracts as well as on the in-house work force.

(4) The CA transfer study is carried out using the procedures specified in the management study and PWS sections of this regulation. The FOA will prepare the Government's in-house cost estimate according to the procedures in Appendix E and will complete ENG Form 4843B-R, Cost Comparison of Expansions, New Requirements and Conversions to In-house Performance (RCS CSCOA-116), to document these costs.

(5) If problems arise in establishing an in-house work force by the contract expiration date, use of part time and temporary employees is recommended.

c. New requirement approval process.

(1) FOA Commanders will submit a Commercial Activities New Requirement Proposal (RCS CSCOA-115), Figure 3-2, through channels to CDR USACE (CERM-MC) WASH DC 20314-1000 to obtain HQUSACE approval to conduct a CA study for possible in-house performance of a newly established need for a commercial product or service (see AR 5-20 dated 20 October 1986, paragraph 4-8, for guidance on DOD-funded activities). FOA should submit this proposal only when it is likely that in-house performance of a new requirement will be less costly than any available commercial source.

(2) If a cost-effective contract can be obtained to perform a new requirement, the work may be contracted without a CA study. The requirements in paragraph 3-11b apply to proposed CA studies of new requirements as well as transfers to in-house performance.

d. Expansion approval process.

(1) In-house activities must be reviewed when a proposed increase in costs or capital investment meets the criteria of an expansion (see Glossary). A CA study will be conducted when expansion of an in-house activity is proposed and no noncost reasons exist that compel in-house performance. The results of a CA study will determine whether the activity will be converted to contract or expanded as an in-house operation. FOA Commanders will

obtain approval to conduct a CA study of an expanded operation by submitting a CPAS according to paragraph 3-10 (see AR 5-20 dated 20 October 1986, paragraph 4-9, for guidance on DOD-funded activities). Since an in-house work force is involved, the statutory requirements for Congressional announcement (paragraph 3-12) apply to expansion CA studies.

(2) Separate approval is not required to study augmentation contracts for possible in-house performance. If they are proposed for study, they will be included in the initial CPAS.

(3) If the expansion includes construction of a new facility, completion of the CA study may be deferred until six months before the activity will move into the new facility. The CA study can be deferred only for activities that must be performed in a Government facility despite who performs the--a contractor or an in-house work force.

(4) The requirements in paragraph 3-11b(4) apply to expansions as well as to transfers to in-house performance.

e. New requirement or expansion approval is not required for the following:

(1) Repair and maintenance of real property, as defined in AR 420-10; restoration of equipment to its original state or designed productive capacity.

(2) Alteration of existing real property, as defined in AR 415-35, that is not directly related to an increase in the productive capacity of an in-house activity.

(3) Installation of equipment, such as air conditioning or heating, that is not directly related to an increase in the productive capacity of an in-house activity.

(4) Replacement of a damaged or wornout machine with a similar machine designed to perform the same or like task.

(5) Construction that is not directly related to an increase in productive capacity of an in-house activity such as a general access road or installation of perimeter fencing.

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(6) Addition of authorizations to meet previously recognized requirements. The authorizations must have been reduced or held below requirements because of nonworkload-related manpower ceilings.

(7) In-house performance of essential services pending reacquisition when a contract has been terminated.

(8) Actions required solely to comply with the requirements of the National Environmental Policy Act or the Occupational Safety and Health Act.

(9) Projects accomplished under the Energy Conservation Investment Program; other projects initiated to achieve Army energy reduction goals.

f. New requirement or expansion approval is required for the following:

(1) Operation and maintenance of a newly constructed lock, dam, laboratory, etc. where that particular activity was never performed before (new requirement);

(2) Operation and maintenance of an existing facility, where the operation and maintenance are currently performed in-house at an annual cost of \$400,000 and the capacity of the facility has been expanded by \$150,000 in annual operating costs (expansion);

(3) Reactivation of an in-house activity that was discontinued because of ceiling restrictions or other reasons (new requirement).

3-12. Congressional Announcement Requirements.

a. Section 502 of the DOD Authorization Act, FY 1981, P.L. 96-342 (1980), requires the Secretary of Defense to give Congress timely announcement of any decision to study certain in-house activities for possible conversion to contract. Section 502 has been amended by Defense Authorization Act for FY 1986 (P.L. 99-145). AR 5-20 dated 20 October 1986, paragraph 4-6, provides guidance on this topic for DOD-funded activities. The Corps of Engineers has agreed with DA that the Congressional announcement requirement will be applied to all DOD employees, regardless of their method of funding. Activities operated by detailed, diverted, or borrowed civilian personnel will be included in the announcement requirement as well as those with authorized staffing.

b. Announcement is not required for CA studies that do not involve an in-house work force (such as transfers from contract to in-house performance) or those that involve a work force of ten or fewer civilian employees. These studies can begin after they are approved by HQUSACE. Announcement is required for all studies with more than 40 civilian employees.

c. HQDA prepares Congressional announcements, using information submitted in the CPAS (paragraph 3-10). Announcements to Congress may include any number of studies being added to the Corps' CA study program. After an announcement has been delivered to Congress, and/or notification has been received from HQUSACE, FOA Commanders will ensure that union officials and affected personnel are informed of CA study actions (see paragraph 3-17). The Chief of Public Affairs will authorize public release of the information contained in the Congressional notification/approval document.

d. The USACE agreement with HQDA to abide by the statutory requirement for timely announcement as well as the requirement for HQUSACE approval limit the actions that can be taken before Congress is informed of a CA study or before approval to conduct the study has been received. Also, the participation of a fully informed work force is required to perform the study properly. The following restrictions apply to CA study actions before Congressional announcement/HQUSACE approval:

(1) Notices of the requirement in the Commerce Business Daily or other advertisements for commercial sources to perform a specific activity's functions may not be published.

(2) The specific management study that will determine the most efficient and cost-effective in-house organization for the Government's in-house cost estimate may not be performed. Other management studies, manpower surveys, efficiency reviews, and other actions to improve productivity may be accomplished before Congressional announcement/HQUSACE approval.

(3) The Government's in-house cost estimate may not be prepared.

(4) The PWS to be used in the solicitation of bids or proposals may not be developed, nor may the solicitation be prepared.

(5) Reviews, CA study planning and programing, and preparation of the CPAS are actions leading to the decision to conduct a CA study. These actions may occur before Congressional announcement/HQUSACE approval. Proposed CA studies will not be disclosed to the public or unauthorized employees before Congress is notified or before HQUSACE approves the study. Documents that identify specific activities for proposed CA study will be marked "For Official Use Only--Protective Marking Cancelled Upon Public Release."

e. Upon notification of CPAS approval, FOA will compute the costs of the beginning organization using the procedures set forth in Appendix E for the equivalent of lines 1 through 5 of either ENG Form 4843A-R or ENG Form 4843B-R. This information will be reported in paragraph 2.g. of the Final Decision Report (RCS CSCOA-113), Figure 3-3.

3-13. Publicizing CA Study Sonication Status.

a. HQDA will publish the schedule to conduct CA studies of CAs in the Commerce Business Daily and the Federal Register according to OMB Circular A-76, part 1, chapter 1, paragraph C.1.b.

b. The status of CA studies will be publicized using the following minimum requirements (see FAR Part 5):

(1) HQUSACE through HQDA will publicize CA contract opportunities and inform private industry of the solicitation status of CA studies. Publicizing current information will:

(a) Increase competition,

(b) Broaden industry participation,

(c) Keep interested parties informed of the progress of CA studies.

(2) By the first business day of January and July of each year, HQUSACE will provide HQDA the following information, based on field input, for all CA studies in which a solicitation is expected to be issued within one calendar year:

- (a) CA Study Number,
- (b) FOA,
- (c) Location,
- (d) Title of Study,
- (e) Scheduled Solicitation Issue Date,
- (f) Scheduled Bids/Initial Offers Receipt Date,
- (g) Scheduled Final Decision Date,
- (h) CA POC's name, address and commercial telephone number to answer all questions on these dates,
- (i) Contracting POC's name, address, and commercial telephone number to answer all questions on anticipated procurement actions.

(3) In January and July of each year, HQDA will issue a public release in the Commerce Business Daily on the solicitation status of those CA studies meeting the requirements in 3-13b(2) above. At this time proper modifications should be made to those studies previously included to maintain currency of the information.

(4) Requests for information on the status of identified studies will be satisfied by copies of these releases.

3-14. Public Release Authorization.

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

b. In carrying out CA studies, the confidentiality of both the Government's in-house cost estimate and contract prices will be maintained to ensure complete independence of the two. This confidentiality will be maintained until the cost comparison is completed and the initial decision is announced. Persons who have knowledge of the Government's in-house cost estimate will not take part in the negotiation or source selection process other than in an assisting or advisory capacity and only if there are no other candidates for those duties. Before the initial decision the Government's in-house cost estimate, or information from which it could readily be derived, will not be released to anyone outside the Government, including:

- (1) The public,
- (2) Potential contractors,
- (3) Employee unions,
- (4) Anyone other than those persons who have a need-to-know because they will prepare or review the Government's in-house cost estimate.

c. The Government's in-house cost estimate should be based on a proposed streamlined MEO that may be changed significantly from the current and past organization in:

- (1) Organizational and position structure,
- (2) Staffing,
- (3) Methods of operation,
- (4) Operating costs.

d. The cost of operation under this proposed MEO must be protected to ensure that potential contractors' bids are based on the work to be performed and not on the price required to bid below the in-house competition. However, potential contractors must not be denied information they require for a full understanding of the nature and quantity of the work to be performed under contract. Information on historic or current in-house performance may be released in most cases. Information that has been widely disseminated at the FOA, reported to Congress, or otherwise made readily obtainable through unofficial means is not confidential and should not be denied to requestors even if it may be

prejudicial to the confidentiality of the Government's in-house cost estimate.

e. Requests for information related to a current or proposed CA study should be processed according to AR 340-17 and the Freedom of Information Act (FOIA), Section 552, Title 5, United States Code. Such requests often do not refer to a CA study or a specific procurement action or even mention the CA Program. Typically, requests may be for release of the FOA table of distribution and allowances (TDA) or other manpower manning document, command operating budget, or other information that would reveal the organizational structure, staffing, or projected costs of an activity undergoing or scheduled for CA study. All requests for information that may be relevant to a CA study, even though the information is received in a nonprocurement context, must be carefully reviewed for possible association with current or future Government in-house cost estimates and treated as a request for procurement information.

f. The premature disclosure of Government-generated advance procurement information could significantly harm the Government's commercial interests. Such information is normally considered exempt from disclosure under exemption (5) of the FOIA, 5 USC 552(b)(5), and AR 340-17. Exemption 5 may also apply to CA study information that is preliminary in nature when premature disclosure would interfere with the cost comparison process. FOA conducting CA studies will follow the procedures below to identify and protect information that may be exempt from release:

(1) All determinations regarding the treatment of information relevant to a CA study should be made jointly by the CA Program Manager, functional managers, the Contracting Officer responsible for issuing the solicitation, and the FOA Counsel.

(2) Information that may be exempt from release will be identified as early as practicable with a comprehensive review of information occurring no later than the CPAS submittal date (see paragraph 3-10).

(3) Information identified as being potentially exempt from disclosure will be marked "For Official Use Only" (FOUO) according to AR 340-17 and treated accordingly.

(4) FOIA requests for FOUO or other information that is determined to be exempt should be referred to the proper

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Initial Denial Authority for procurement matters, CDR USACE
(CECC-C) WASH DC 20314-1000.

(5) Referrals to Initial Denial Authority will include a written justification for exemption of the information.

g. The categories of CA information below are provided for guidance in determining what information normally should be treated as exempt from release:

(1) Information that discloses the Government's in-house cost estimate and, therefore, is normally not releasable until the initial decision in a CA study includes:

(a) The Government's in-house cost estimate;

(b) The management study that developed the MEO used for the Government's in-house cost estimate;

(c) The proposed TDA or other manpower manning document for the MEO;

(d) Budget data for the activity that show the projected operating costs of personnel resources;

(e) The CPAS.

(2) Information that may disclose the Government's in-house cost estimate and may not be releasable in certain situations includes:

(a) A current approved TDA or other manpower manning document showing all or a large portion of the in-house organization as it will be organized under the MEO;

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

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

(3) Information that normally should not be withheld from potential contractors or others requesting it includes:

(a) Information on past, current, and projected functions and workloads that is necessary for a private bidder or offeror to fairly and adequately prepare a bid or offer based on the PWS contained in the solicitation;

(b) Obsolete TDAs or other manpower manning document and staffing data;

(c) Current or obsolete operating procedures;

(d) Information that has been widely distributed at the FOA without protection so that it could be obtained easily without official request;

(e) Information that is compiled and published on Army-wide or USACE-wide performance of CAs and prior year budget execution reports or other reports on resource consumption.

h. Upon announcement of the initial decision, all interested parties must immediately be given access to the following:

- (1) The cost comparison,
- (2) The Government's in-house cost estimate,
- (3) The Management study,
- (4) USAAA or CEAO report,
- (5) Supporting appendices and attachments.

i. The period for submission of appeals (see Section VIII of this chapter) may not begin until this basic information is made available. Other information relevant to the cA study should be made available unless release would be clearly prejudicial to legitimate Government interests. Information should be made available at the FOA where the affected work force is physically located and at the location of the contracting office issuing the solicitation if they are geographically separated. The objective in release of information upon announcement of the initial decision is to provide a full understanding of the Government's decision to all interested parties.

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3-15. CA Study Termination. FOA may submit written requests to terminate in-progress CA studies to CDR USACE (CERM-MC) WASH DC 20314-1000 at any time prior to initial decision. Such requests must be fully justified. In no case will a study be terminated without HQUSACE approval. See AR 5-20 dated 20 October 1986, paragraph 4-15, for guidance on DOD-funded activities.

3-16. Tracking Funds and Manpower. Tracking CA manpower authorizations and savings helps to determine program progress and to adjust programing in the year of execution.

a. First, the current authorized strength of the organization to be studied is included in the CPAS that is either approved by HQUSACE or announced to the Congress. This data will become the baseline for manpower and fund changes throughout the term of the CA study. (See paragraph 3-12e on computing the costs of the beginning organization.)

b. Then, FOA manpower managers should develop and maintain an audit trail to justify all additions and deletions to these approved/announced authorized numbers for manpower and funds (see Appendix D for ENG Form 4842-R, Effect of CA Study on FOA Manpower (RCS CSCOA-96), and ENG Form 4841-R, Effect of CA Study on FOA Funds (RCS CSCOA-96). Instructions on completing these forms are contained in Appendix F.). FOA will submit this documented audit trail for both manpower and funding changes and justification for changes as a part of the Final Decision Report (RCS CSCOA-113) (see paragraph 3-55 and Figure 3-3).

3-17. Work Force and Union Involvement

a. Government employees and their unions should be encouraged to participate in CA Studies following notification of announcement/approval described in paragraph 3-12. Suggestions should be solicited for improving the in-house organization and the accuracy of the PWS. The completed PWS should be made available to the employees of the studied activities and may be made available to their unions for their review and comment. The findings and recommendations portions of the management study, but not the MEO, may be discussed with the affected employees and their union before the FOA Commander approves the management study. Detailed staffing and cost information that would clearly jeopardize the confidentiality of the Government's in-house cost estimate

will not be released in these discussions. A deadline should be set for submitting comments and suggestions. Management officials should carefully consider comments and suggestions received by the deadline. The management study documentation will include a record of the employee and union participation in developing the PWS and the management study, addressing all comments and suggestions.

b. The invitation to comment (a above) is strictly to help management make decisions. It does not constitute permission to infringe upon management's reserved right to make decisions about contracting out (5 U.S.C. 7106(a)(2)(B)). Also, the invitation to comment on the PWS and management study does not extend to any other part of the CA study, such as the terms and conditions of the solicitation or the Government's in-house cost estimate.

Section IV. Acquisition Aspects of the Commercial Activities Study

3-18. Availability of Commercial Sources.

a. An assessment of the availability of commercial sources should be made at the beginning of the CA study. If review of bidders lists, inventories of contractors, and other information indicate contract sources are available, the CA study should proceed.

b. In accordance with FAR 5.204, 15.404 and 36.302, the Contracting Officer shall publicize presolicitation notices in the Commerce Business Daily. Solicitations will be synopsized following the publication of these notices as prescribed in FAR 5.201 and 5.203.

c. If the availability of commercial sources is not certain, action must be taken early in the CA study to find potential contractors, especially small businesses and small businesses owned or controlled by minority and disadvantaged persons.

(1) Help should be sought from the General Services Administration (GSA), SBA, and the Domestic and International Business Administration in the Department of Commerce.

(2) The contracting office will place at least three notices of the requirement in the Commerce Business Daily over a 90-day period in accordance with FAR 5.205(d). When

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the requirement is urgent, publication in the Commerce Business Daily may be reduced to two notices over a 30-day period as specified in FAR 5.205(d).

d. Notices and formal requests for help from Government agencies will not be published until Congress has been notified of the intent to conduct a CA study or until HQUSACE has approved the study (see paragraph 3-12).

e. If a satisfactory commercial source cannot be found, FOA will submit a Decision Summary (RCS CSCOA-111) (paragraph 2-6) through channels to CDR USACE (CERM-MC) WASH DC 20314-1000 for approval. Upon approval from either ASA(CW) or ASA(I&L) (or both these ASAs if the study is mixed funded), the CA study will be cancelled and the activity retained in-house. If commercial sources are available in a later assessment, a new CA study will be programmed and initiated. (See paragraph 3-43 on maintaining the confidentiality of the Government's in-house cost estimate.)

3-19. Performance Work Statements.

a. The use of a PWS prepared according to OFPP Pamphlet No. 4 is required in all USACE CA studies. The PWS will describe all functional and performance characteristics of the work, the location of the work, the units of work, the quantity of work units, and the quality and timeliness of the work units.

b. The HQUSACE functional proponent may issue command-unique instructions for adapting a standard PWS for FOA use. Before preparing the CPAS (Figure 2-2 and paragraph 3-10), FOA will contact the HQUSACE functional proponent to determine the availability of a standard PWS and the current command instructions for adaptation.

c. Quality assurance (QA) plans will be developed in conjunction with the PWS and management study.

d. Contract administration will be assigned in accordance with FAR Subpart 42.2.

e. All PWS will be reviewed and approved one organizational level above the originating FOA.

3-20. Multiyear Contracting and Options. The solicitation in a CA study should provide for approximately five full years of contract performance. This may be accomplished by

either multiyear contracting (see FAR Subpart 17.1) or providing in the solicitation for a base contract period and priced options to total five full years of contract performance (see FAR Subpart 17.2). This is required for a valid cost comparison and to guard against "buy-ins." If the contract period would be concurrent with the FY because of annual funding, the solicitation should provide for five full FYs of contract performance. If the initial contract would not begin with the FY, CA study planning for annual funded activities will normally allow for an initial contract period of at least six months followed by four option years.

3-21. Solicitation Requirements.

a. Mobilization Requirements. Requirements for the contractor to plan for mobilization and take part in Army planning and exercises must be included in solicitations and contracts so that the requirements can be identified and quantified to permit proper pricing and funding. Proposed and existing contracts will be examined by functional managers to ensure contractor participation in mobilization planning and exercises. A contractor's participation in mobilization planning and exercises may require access to a higher level of classified information than is required in the day-to-day performance of the contract.

b. Security Requirements. The FOA Security and Law Enforcement Officer will determine when a CA requires access to classified information. He will identify the control procedures to be incorporated into the PWS and prepare the necessary documents specifying these requirements. Requirements for security clearances and special procedures to control the dissemination of secure information must be included in the contract. The FOA Security and Law Enforcement Officer will participate in the source selection process to ensure that prospective contractors have the capabilities required to safeguard secure information.

c. Strike Contingency. When a CA includes critical functions requiring continuous operation, the solicitation will require offerors to submit a labor strike contingency plan detailing the actions the contractor will take to assure no significant interruption of contract services because of labor disruptions.

d. The FOA may issue a solicitation at any time after receiving HQUSACE approval to conduct the CA study, including separate approvals required by paragraph 3-9. The approval to conduct a CA study is not acquisition approval if there are other acquisition requirements, such as those for ADP services in AR 18-1, that must be met. The solicitation may not be issued until the PWS has been reviewed by the work force and their union, if appropriate (paragraphs 3-17 and 3-19). In no event will the solicitation be issued if the PWS on which it is based is known to be inaccurate.

e. Solicitations will be issued according to applicable procurement regulations. Other acquisition requirements for CA studies are discussed in this chapter, Section IV.

f. The solicitation should state clearly that Government personnel will not be retained to help the contractor phase in to full performance after the conversion date; bidders are therefore informed of the performance requirements they must fulfill from the first date of contract operation. When the Government requires or desires a transition period, the solicitation will state that time will be made available for contractor indoctrination before the contract start date.

g. The solicitation will also specify that 15 working days will be allotted for review of the CA study by interested parties after announcement of the initial decision.

h. The solicitation will not include the work associated with excepted, excluded or exempted tasks nor the work to be performed by the residual organization if the function goes contract.

i. Space/workyear reductions for economy and efficiency-related programs such as ER and value engineering (VE) will not be initiated in the six months before the solicitation is issued.

j. Any contract proposal to be compared with the Government's in-house MEO cost estimate will be selected from a competitive solicitation.

3-22. Labor Considerations. Commercial activities contracts may require the application of the Service Contract Act (SCA) or the Davis-Bacon Act (DBA).

a. Service Contract Act. Contracts subject to the Service Contract Act of 1965 require minimum wage determinations from the Administrator, Wage and Hour Division, Department of Labor (DOL). The Contracting Officer will request a wage determination from DOL no earlier than 120 calendar days, and no later than 60 calendar days, before the solicitation release date. When a delay of 60 or more calendar days occurs in the solicitation process, the Contracting Officer will request an updated wage determination from DOL.

b. Davis-Bacon Act.

(1) Normally, construction projects are not included in CA studies and will be competed separately. However, requirements in a contract (subject to the SCA) calling for construction, alteration, renovation, and painting performed in response to a service call or work order in excess of \$2,000 are subject to the DBA.

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

(3) When the service call or work order is clearly for construction, alteration, renovation or painting, the DBA will apply unless the value of the work order is less than \$2,000, in which case the SCA will apply.

(4) Work will not be separated or aggregated to avoid the applicability of either the SCA or the DBA. Service call or work order estimates used to determine the applicability of either act will be based on the least cost alternative.

Section V. General Information on Management Studies

3-23. Requirement for Management Studies. A formal management study must be part of all CA studies involving an existing or proposed in-house CA. The staffing and the organizational and procedural recommendations included in the management study and approved by the FOA Commander ensure execution of the mission requirements in the PWS, establish the most efficient organization for performing that work, and form the basis for the estimation of the Government's in-house costs included in the cost comparison.

3-24. Purpose of Management Studies.

a. The CA management study establishes the MEO and position structure that is able to perform the required services and compete with commercial sources. The staffing proposed by the MEO must be related to an achievable level of service. Management study proposals should be based on expected use and a level of service that can be supported within projected resources.

b. The management study also identifies whole-position changes in staffing of overhead or support activities (such as the finance and accounting office) as well as positions required for contract administration.

c. In addition, the CA management study must present the structures of both the residual in-house organization if the CA study results in a contract decision and the in-house organization in its most efficient configuration if the CA study result is to retain the function in-house. It also documents management improvements made in relation to tasks (excepted, excluded or exempted) that will not be included in the solicitation.

d. The CA management study also validates essential mission requirements, includes performance factors, identifies equipment necessary to perform the work, documents reporting systems for workload and staff hours, and establishes staffing standards.

3-25. Effects of Management Studies on Other Organizations.

a. Conversion to contract performance of any but the smallest in-house activities will cause changes to the functions and workloads of the FOA staff element responsible for the contracted activity. If contracting would result in reducing one or more whole positions in the overhead activities, these reductions must be identified in the management study so that the associated costs can be included in the Government's in-house cost estimate (Appendix E). The organization and staffing of the functional area chief's office must be set up as part of the management study to identify whole-position changes in overhead and to ensure proper performance of the Government's responsibilities if the final decision is to convert to contract performance. Operation of the functional area chief's office with contracted operating elements is described in OFPP Pamphlet No. 4.

b. Activities that provide support to the activity under study must be surveyed to determine if streamlining or contracting would cause personnel reductions in their operations. Reductions in these activities related to implementing the MEO must also be separately identified in the management study since the Government's in-house cost estimate will include position reductions of this type as well as those in overhead activities which are attributable to contract conversion.

3-26. Timing of Management Studies.

a. Because of the lead time that may be required, programing the acquisitions of new equipment and improvement of facilities that would improve productivity should begin as soon as it is known that a CA study will be undertaken. During the management study the possibility of using Productivity Capital Investment Programs for equipment acquisition should be investigated.

b. Administrative and regulatory requirements that reduce productivity must be identified and corrected as early as possible. Requests to rescind, modify, or obtain exceptions to requirements that reduce productivity should be forwarded through channels to the agencies that establish the requirements. Information copies of FOA requests will be provided to CDR USACE (CERM-MC) WASH DC 20314-1000.

c. As part of the effort to improve methods of operation, VE and the possibilities of obtaining needed services from other agencies, especially those with proven expertise in that particular field (see paragraph 3-8), should be considered during the management study.

d. When a management study proposes a non-standard organization or functional alignment which departs from that specified in USACE organizations and functions regulations (ER 10-1-2 and ER 10-1-3), deviation approval is required in accordance with ER 10-1-3 before the management study can be implemented. Deviations will be submitted to CDR USACE (CERM-MO) WASH DC 20314-1000. Allow at least four weeks for the evaluation process.

e. The management study and development of the PWS are normally performed concurrently. A job analysis, described in OFPP Pamphlet No. 4, is conducted as the first step in developing or adapting the PWS. This analysis must be integrated with the initial stages of the management study

to ensure that the outputs and standards of the management study and the PWS are identical. The management study will not be approved until the PWS is complete and the work requirements and performance levels agree.

Section VI. Management Study Process

3-27. Team Selection. The management study should be conducted by a team with expertise in management analysis, manpower, position classification, work measurement, VE, CA program management, cost estimating, industrial engineering, and the functions under study. A senior person from the management analysis activity in the Resource Management Office/Office of the Comptroller should be the management study team leader to ensure impartiality of the results. The management study must be coordinated with the person responsible for the entire CA study. The management study leader should have the means available to task representatives with the required expertise to serve on the management study team. Prior coordination with the Personnel Officer and the functional manager is necessary to ensure cooperation and access to resources from these areas for the study team. Also, coordination with the HQUSACE manpower representative is required to ensure that only minimum essential staffing is properly documented in the completion of Schedules X, manpower manning documents, and TDA.

3-28. Sources of Information. The study team should use all available information about the organization under study. Some valuable sources of information are:

- a. Civilian personnel classification and position management reviews,
- b. Manpower surveys,
- c. Audits,
- d. Inspections and staff visit reports,
- e. Previous studies,
- f. Available detail or summary level standards,
- g. Standard operating procedures.

3-29. Management Improvements. Primary emphasis should be placed on determining the most efficient and economical way to perform essential missions through consideration of:

- a. Procedural changes,
- b. Revisions in paper flow,
- c. Restructure of the organization or job redesign,
- d. Facility layout change,
- e. Equipment improvements,
- f. Elimination of nonessential positions or addition of specialized positions,
- g. Consolidation of organizations, activities, or functions,
- h. Elimination of redundant supervision, leaders, functions or tasks,
- i. Reduction in the number of reporting levels,
- j. Increase in supervisory span of control,
- k. Reduction in clerical and other support positions using staffing patterns, staffing ratios or other methods such as technological advancements.

3-30. Disposition of Military Personnel. If military positions are present in the organization under study, they will be converted to civilian positions for cost comparison purposes. Military personnel assigned to the CA under study will not be transferred until the MEO is implemented. Civilian grades and series will be based on the work described in the PWS and MEO rather than on current organization structure. Assistance from the Personnel Office is essential in determining the grade accuracy and number of positions in the Government's in-house staffing estimate. (See paragraph 3-56 on treatment of military and civilian spaces.)

3-31. Management Study Disciplines and Techniques. The analytical techniques used should be described in the management study report. Some techniques that may be used are:

a. Methods study and management improvement techniques. Several special management analysis techniques exist that can be used to identify problems, duplication of effort, layering of supervision, lost motion, need for delegation, and inefficient methods. These techniques include developing a flow chart of the process, layout analysis, systems and procedures analysis, work distribution analysis, task lists, and linear responsibility charting. Special training in these techniques is available at the Army Management Engineering Training Activity at Rock Island Arsenal, IL.

b. Technical estimates. This study method may be used to supplement other methods but not replace the need to collect actual data. The technical estimate requires informed subjective judgments by analysts and functional personnel. Staffing by technical estimate may also include directed positions required by law and regulation. Measurement methods such as timing of a good operator or examination of historical experience may be used to help in developing a technical estimate. The reasons for using the technical estimate should be described in the study.

c. Requirements determination techniques. Official, Army-wide, workload-driven manpower staffing standards or guides may be used whenever possible to determine minimum essential manpower requirements. This practice ensures consistency and technical adequacy throughout the Army. In the absence of officially approved, workload-driven manpower standards, other approaches may be used with the advice and consent of the HQUSACE manpower representative. (These approaches include technical estimates, statistical techniques, and work measurement methods.)

d. Statistical techniques. Statistical techniques generally use historical data to project workloads and staffing. They are useful when historical workload and workyear data are available or can be developed. Statistical techniques offer rapid coverage and accurate projections of staffing and workload. Examples are the Manpower Task Force (MANTAF) and the Force Configuration (FORCON) models currently used to estimate military construction and civil works funded manpower requirements.

e. Work sampling and performance standards. These techniques are detailed and accurate. Because of the relatively short timeframes normally associated with CA studies, ratio delay techniques are useful in providing quick and accurate measures of nonproductive time. Work sampling is especially applicable to smaller functional areas. Analysts should use all information in existence at FOA and other activities that have detailed or summary level standards available.

f. Position analysis. Position classification specialists and management analysts should analyze the position structure of the organization. The analysis should be as detailed as time permits. The analysts should determine the proper supervisor-to-employee ratio, the need for assistants, and if high-grade positions are diluted with low-grade work. Revised job descriptions proposed for the MEO should be submitted with the management study where job requirements change as a result of the management study. DA Pam 690-36, Chapter 2, and DA Pam 690-8 provide guidance on position analysis. These pamphlets are available through publication distribution channels.

3-32. Performance Indicators.

a. The performance requirements of the PWS normally pertain only to final outputs. 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.

b. Performance indicators needed to develop the in-house organization should be established at the same time the performance indicators for the PWS are developed. This will ensure no discrepancies or omissions occur that would increase or decrease the size of the in-house organization. The most direct way of evaluating performance is to count output units and compare them to some predetermined requirement. Similarly, resource requirements can be predicted by comparing average outputs per person to projected workload. In some cases, obtaining output information that is easily counted is difficult. In all cases, however, indicators of performance can be devised. When quantitative measures are not feasible, other measures, such as effectiveness or quality, can be used.

c. Five types of performance indicators are generally used in CA management studies:

(1) Quantitative. This indicator measures work actually performed, such as number of windows repaired, number of items issued, and number of job orders completed.

(2) Qualitative. This indicator measures how well output units are produced, such as evaluation of item, reject rates, number of customer complaints, number of accidents per mile.

(3) Timeliness. This indicator measures the average elapsed time to complete a work unit compared to a requirement, such as response time, average time to issue supplies, average time between submission of a work request and completion of work.

(4) Effectiveness. This indicator measures mission performance, through such statistics as per cent of items inoperable because of nonavailability of repair parts, equipment deadline rates, pest infestation rate.

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

3-33. Personnel Requirements. All personnel requirements will be expressed in terms of FTEs as prescribed in the Cost Comparison Handbook (CCH) included in Part IV of the Supplement to OMB Circular A-76. When productive hours are used as the basis for computing FTEs, the annual available hours specified in the CCH (1,744 hours for full-time positions and 2,015 for intermittent positions) will determine the staffing requirements. When methods other than productive hours are used (such as manpower standards, prior experience, and work measurement), the method used will be documented in the management study. Personnel requirements, functions and organization must be developed for the residual in-house organization for the function under contract operation and for the MEO if the function stays in-house. Personnel requirements for excluded and exempted tasks should be separately described and identified in the management study.

3-34. Contract Administration Personnel; Contract Administration Waivers.

a. The CA management study identifies the FOA contract administration staffing requirements. Additional positions established for contract administration cannot exceed those

allowed by Table 3-2 unless specifically justified and approved as specified in paragraph 3-34b. Any additional positions established to administer a contract resulting from that particular CA study will be identified by series and grade. (For guidance on DOD funded activities, refer to AR 5-20 dated 20 October 1986, paragraphs 3-3b, c, and d, and 4-22e.)

b. Contract administration staffing requirements that exceed the established FTE limits require an ASA-level waiver. The reason for the deviation from the limits and the supporting alternative computations and documentation will be submitted through channels to CDR USACE (CERM-MC) WASH DC 20314-1000 at least six weeks before the scheduled independent review. Waiver requests will be supported by a detailed justification for deviation from the limits specified based on efficient and effective performance of the contract administrator functions identified in FAR Part 42. The documentation submitted for purely civil works funded activities must cover the same topics as those identified in AR 5-20, 20 October 1986, paragraph 3-3b for mixed and purely DOD funded activities. The justification may be based on the function under study being so technically complicated or geographically dispersed that the established FTE limits will not result in effective contract administration. The contractor may not provide sufficient quality control, resulting in an additional contract administration effort. In providing any justification, keep in mind that QA plans will be implemented even if activities remain in-house. Thus, contract administration efforts relating to QA enforcement can reflect only the difference between what would be required for contract QA that is greater than what is needed for in-house QA.

c. QAE may also be performed by existing FOA staff positions on a part-time or additional duty basis. The cost of this QA effort is common to both the in-house and contractor methods of performance in the cost comparison.

d. Any proper estimating procedure may be used to identify potential placement of personnel into contract administration and QAE positions. Employees so identified should receive training in contract administration and QAE duties well in advance of the conversion. If necessary, training may be initiated before a decision is made to convert a function to contract performance. Since this is

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a planning action, more people may receive training than are actually placed in contract administration and QAE positions.

e. When contract administration and QAE positions are not expected to be filled through RIF or priority placement procedures, recruitment may be initiated up to the point of commitment. Discussions on recruitment for these positions (as well as reassignment to other positions) must emphasize that no predetermination has been made as to the outcome of the CA study (that is, whether the function will go contract or stay in house), and that position offers will be made only if the final decision is to convert to contract.

3-35. Documentation of the Management Study. The format for Documenting Management Study, Figure 3-5, presents the format for a management study report. An individual not involved in the study should be able to review the study and follow the logic presented. The office performing the management study should retain previous reports, audits, inspections, surveys and studies as backup to the study report. Note that the documentation must cover the MEO as well as the residual organization for the function under contract operation. It should also include discussion of excluded, excepted and exempted tasks. Quality control and quality assurance procedures for an in-house operation should also be discussed to assure the work performed meets the standards contained in the PWS.

3-36. Approval of the Management Study.

a. Management studies should not be approved so far in advance that, by the time the solicitation date is reached, the information and workload data are outdated. Final validation for a management study should normally not be granted earlier than a few months before the scheduled release of the solicitation.

b. Except for new requirements and expansions, required higher level approvals for acquisition of equipment, facilities, and ADP systems must be obtained before approval of a management study, unless approvals depend on completion of the management study or are contingent on the outcome of the CA study.

c. Only the FOA Commander or his deputy will approve management studies. The management study will be marked "For Official Use Only--Protective Marking Cancelled Upon

Announcement of Initial Decision or Cancellation of CA Study." If essential information in the management study is classified, the classified material will be handled according to AR 340-17. The management study, including the MEO certification, are permanent records and will be retained.

3-37. Certification of the MEO.

a. The FOA Commander or his deputy must certify the MEO. Figure 3-5 prescribes the format for this certification, which will be attached to the Government's in-house cost estimate when it is submitted to the Contracting Officer. If the final decision in the CA study is to convert to contract and more than 40 civilian employees are involved, Congress is notified of the use of the MEO in the cost comparison based on the FOA Commander's certification.

b. CA management study teams seek to identify the most efficient and effective in-house organizations to perform CAs. This means that the required level of workload is accomplished with as little resource consumption as possible without degradation of the required level of products or services. Key to understanding the scope and purpose of the FOA Commander's MEO certification is the term "as possible." In-house Government activities are to be organized, staffed, and operated as efficiently as possible, using available resources, within Army, OMB and USACE regulatory policies. Certification of the MEO does not remove the requirement to operate within Government requirements.

c. The requirement of FOA Commanders to operate both in-house and contracted functions within Army, OMB and USACE regulatory policies and available resources does not preclude FOA Commanders from requesting either waivers or changes to existing (or future) Army, OMB and USACE policies.

d. All CA studies and the resulting Government in-house or commercial contractor operation must be conducted according to Army, OMB and USACE regulatory policies and available resources. MEO certification does not relieve FOA Commanders nor their functional staffs from this requirement.

3-38. Implementation of the Management Study.

a. OMB, DOD, DA and USACE policy dictate that in-house organizations resulting from CA study decisions operate as projected. Implementation of the MEO must therefore be initiated within one month after the final decision (USACE clearance to cancel the solicitation) and be completed within six months of this date.

b. It is the FOA Commander's option to implement and test the MEO upon his approval of the management study. The MEO will not be implemented before the final decision date in a CA study, however, if implementation would jeopardize the confidentiality of the Government's in-house cost estimate, reduce authorized spaces/FTE, or adversely affect employees. The in-house work force will implement levels of performance and QA measures required of potential contractors and described in the PWS and resulting solicitation upon which all commercial firms bid. Where practical, attrition and reassignments of employees from excess positions will be used to implement the MEO.

c. Management is responsible for ensuring that jobs are properly classified and employees are productively engaged in necessary work. Voluntary reassignments and management-initiated directed reassignments as well as management actions to correct improper position classifications are not restricted. However, no occupied positions should be eliminated between the date the solicitation is issued and the final decision date. Position structure improvements will be effected as vacancies occur.

d. In addition, it is expected that contract operations will be conducted as projected as much as possible. Implementation of the residual in-house organization under a contract decision must coincide with the contract award date.

e. The results of all CA study decisions will be reviewed by FOA and perhaps by other agencies to ensure compliance with approved CA study recommendations including management study results, PWS, and expected costs. Responsibilities of the CA Program Manager at the FOA in this evaluation process are outlined in paragraphs 3-58. In addition, paragraph 3-55 contains additional guidance on implementation of the management study.

Section VII. The Cost Comparison Process

3-39. Preparation of the Government's In-House Cost Estimate.

a. FOA will use ENG Form 4843A-R, Cost Comparison of In-House and Contract Performance (RCS CSCOA-116), to document the cost to the Government of performing the functions and work in the PWS using the in-house organization proposed in the management study. The Government's in-house cost estimate also establishes some of the costs to be added to the contract price to arrive at the full cost of contract performance. Procedures for developing the Government's in-house cost estimate are in Appendix E. Guidance on computation of severance pay is contained in paragraph 3-52. The cost of performing Governmental, excepted or exempted functions, or the cost of the residual organization which would be implemented in case of a contract decision, will not be included.

b. The management study, to include a draft change to the TDA or other manpower manning document for the MEO, and position structures of the in-house organization and the residual staff necessary to manage the function under contract must be approved before the Government's in-house cost estimate can be completed. Those documents are procurement sensitive and should be protected.

c. Preparation of the Government's in-house cost estimate should be a team project. The team should be composed of CA program, resource, and functional managers; the Personnel Officer; technical experts for the function(s) under study; and cost engineers. No person who may benefit or may be affected adversely by the results of a CA study will take part in developing the Government's in-house cost estimate or evaluation and selection of contractors' bids or offers. No person will take part in calculating the Government's in-house cost estimate or evaluation and selection of contractors' bids or offers until he has reviewed his responsibilities under AR 600-50.

d. Persons involved in calculating the Government's in-house cost estimate will not discuss their activities or findings with unauthorized persons. Unauthorized persons include persons outside the Government and Government personnel involved in acquisition duties or the evaluation of contractors' bids or proposals related to the CA study. Also included is anyone whose knowledge of the Government's in-house cost estimate could compromise the confidentiality

of the in-house costs and the independence of potential contractors' bids or offers. This restriction on discussion remains in effect until announcement of the initial decision and release of the Government's in-house cost estimate and related material to the interested parties.

e. Standard cost factors to be used in the cost comparison process are prescribed in the CCH, in this regulation, and in periodic guidance issued by letters and messages. Deviation from prescribed factors is permitted only under certain circumstances, must be documented carefully, and receive HQUSACE approval in most cases. Most deviations in studies with DOD-funded employees must gain final approval of HQDA (see AR 5-20 dated 20 October 1986, paragraph D-2). USAAA requires these MACOM waivers in their audits of studies involving more than ten FTE and CEO, which is responsible for auditing Corps CA studies of activities with ten or fewer FTE, also requires these waivers. Standard cost factors result in consistent application of rules on all studies and minimize the frequency and probable success of employee or private company appeals that studies were not carried out in compliance with those rules. The most fertile grounds for such appeals exist when there are deviations from standard factors.

f. In-house cost elements will be based on the most current, relevant data that can be obtained. The cost of future years' performance will be projected based on this data. Personnel costs will be based on the general schedule (GS) and wage board (WB) rates that will be in effect, according to current assumptions, at the time of bid opening or closing dates for receipt of best and final offers. Estimates of non-personnel costs that are based on historical information generally will be estimated by using the last 6 to 12 months of available accounting reports. Fewer than 12 months will be used only with seasonal work for which there are no significant costs for some months. Documented exceptions to this policy may be made if current cost data is not available or does not reflect a normal operating level to project CA costs. (See paragraph E-4 on documentation of the Government's in-house cost estimate.)

g. If mandated changes to inflation factors, pay rates, and other relevant factors occur after USAAA or CEO review but before bid opening or closing date for best and final offers, then the cost data must be revised. The revisions to the original estimate should be prepared on a

separate schedule showing the revised costs and the authority for change (for example, new inflation factors or new GS pay rates transmitted by the Comptroller of the Army (COA)). The mathematical computation of these changes should then be verified by an independent party such as the FOA Audit Office/Internal Review Office. A schedule showing the revisions should be attached to the original ENG Form 4843A-R used at bid opening and delivered to the Contracting Officer. Reverification by USAAA or CEAO is not required.

h. The person preparing the estimate (or the team chief) signs and dates ENG Form 4843A-R in the "In-house Estimate Prepared By" item of the estimate. The completed estimate, supporting documents, the PWS, the management study, and the solicitation and all amendments are then provided to USAAA for review of activities involving over ten FTE or to CDR USACE (CEAO) WASH DC 20314-1000 for review of smaller activities.

3-40. Independent Review of the Government's In-House Estimate.

a. USAAA or CEAO will be notified when work begins on the Government's in-house cost estimate. The completed estimate for a single function activity must be provided to USAAA or CEAO at least 60 days before it is due to be submitted to the Contracting Officer for bid opening/conduct of the cost comparison. If the estimate is for a multifunctional activity, the estimate must be provided to USAAA or CEAO at least 120 days before it is due to the Contracting Officer for the cost comparison/bid opening.

b. The time and effort required for the independent review of a Government in-house cost estimate is determined by the auditor, taking into consideration the adequacy of the supporting documentation provided. The study team should develop a table cross-referencing the MEO and the PWS to identify any work not included in both documents. The documentation provided should be sufficient to require no additional interpretation by the independent reviewers. Therefore, the FOA should furnish, for preliminary review, the PWS, management study, ENG Form 4843A-R, and the completed CA Audit Checklist, Figure 3-6 (RCS exempt: AR 335-15, paragraph 5-2e(1)) to the regional USAAA office for studies of activities with over ten FTE, or to CEAO for studies of ten or fewer employees. The use of the Commercial Activities System (CAS) for generation of the

cost comparison form is mandatory for all studies requiring review beginning after 1 November 1986. For studies of ten and under FTE, the FOA may request a HQUSACE waiver of this requirement. The independent reviewers will schedule an audit after completing the preliminary review of the required material.

c. USAAA or CEAO substantiates the currency, reasonableness, accuracy, and completeness of costs that can be determined before bid opening. These reviewers also ensure that the Government's in-house cost estimate is based on the same PWS as is contained in the solicitation. If USAAA or CEAO notes any discrepancies not involving management decisions or interpretation in its review of the Government's in-house cost estimate, these discrepancies will be resolved with the preparer of the estimate. If the discrepancies cannot be resolved at the FOA, they are referred to HQUSACE. Correspondence on discrepancies will include only the cost elements in question, not the entire estimate. In no case will the Government's in-house cost estimate be submitted to the Contracting Officer with unresolved discrepancies that affect any of the cost elements.

d. After completing its review of the Government's in-house cost estimate, PWS, and management study, USAAA or CEAO will prepare a report noting the reviewing agency's opinion on the reasonableness of the estimated costs. The audit entity will sign the ENG Form 4843A-R and attach a signed copy of the report. The preparer of the Government's in-house cost estimate will deliver the estimate, the independent audit report, and summarized supporting data to the Contracting Officer in a sealed envelope. The estimate must be given to the Contracting Officer by the required submission date for bids or initial proposals from contractors.

e. Changes in workload and mission requirements may require changes to be made in the PWS. If so, PWS changes that cause changes in the Government's in-house cost estimate require a subsequent review by the original auditing activity.

3-41. Completion of the Cost Comparison/Initial Decision.

a. Sealed bidding and competitive negotiation.

(1) FOA will keep CDR USACE (CERM-MC) informed of the currently scheduled bid opening date/cost comparison

date at all times. HQUSACE confirms this date with the FOA one week prior to the scheduled date. FOA will inform HQUSACE the day the initial decision is made whether the outcome is to go contract or to keep the function in-house. This is accomplished by telephone (RCS exempt: AR 335-15, paragraph 5-2c(3)).

(2) An appeal may be filed under either type of procurement within the 15-day time period. If a decision of the appeal board or resolution of protests changes the cost of in-house or contract performance, the cost comparison will be recomputed. If this recomputation reverses the original decision, the directly affected parties will be given another chance to submit appeals. After all appeals and protests are resolved, the FOA will prepare the final decision documentation according to paragraph 3-55. When HQUSACE issues clearance to end the CA study, the Contracting Officer will, depending on the final decision, authorize the contractor to proceed on the conditioned award contract, or cancel the conditioned award contract or cancel the solicitation if a contract was not awarded.

(3) A complete record of the CA study will be made available to interested parties upon request. The record will be retained in the FOA files for five years or until completion of a later CA study of the activity, whichever occurs first.

(4) For studies involving DOD funded CAs, the information specified in AR 5-20 dated 20 October 1986, paragraph 4-32a(1)(a) through (h) must be supplied at the time of initial decision.

b. Sealed bidding.

(1) The sealed envelope containing the Government's in-house cost estimate will be opened and announced at the public bid opening after all bids are recorded. The cost comparison computation will be performed using the apparent low bid. The computations will be verified by a qualified person assigned to the FOA who did not take part in preparing the Government's in-house cost estimate. The Contracting Officer will announce to the interested parties the initial decision, which is subject to the evaluation of bids, to convert or remain in-house. The abstract of bids, completed cost comparison, and supporting data related to the Government's in-house cost estimate will immediately be made available to interested parties

for review. The interested parties will be informed of the appeal procedures in Section VIII of this chapter and told that they have 15 working days to submit appeals. All of these actions should take place at the public bid opening if possible. Any delay of any of these actions beyond the day of public bid opening must receive prior approval from CERM-MC.

(2) If no clearly acceptable bids are received, neither the Government's estimated cost of in-house performance computed using Appendix E nor the independent Government estimate will be revealed. The confidentiality of the Government's in-house cost estimate will be safeguarded until it is decided that no further solicitation will be issued (see paragraph 3-43 on the confidentiality of the Government's in-house cost estimate and see paragraph 3-42 on resolicitations).

(3) The final decision is reached after all appeals and protests have been resolved. The FOA will report the decision to HQUSACE per paragraph 3-55. HQUSACE will give clearance to end the CA study; the Contracting Officer will either award a contract or cancel the solicitation.

(4) The announcement procedures in AFARS 5.303 will be followed.

c. Competitive negotiation.

(1) Contracting Officers or their designees are responsible for source selection unless another official is designated as the source selection authority (see FAR 15.6).

(2) Once the source selection process is completed and all pre-award approvals and clearances required by procurement regulations have been obtained, the Contracting Officer and the preparer of the Government's in-house cost estimate will compute the cost comparison. A qualified person assigned to the FOA who did not take part in preparing the Government's in-house cost estimate will review and verify the cost comparison computations. The FOA Commander or a designated representative having authority over all activities in the CA study will approve the initial decision. Cost comparison, verification, and approval are conducted in private.

(3) There may be no acceptable proposals. If so, the Government's in-house cost estimate will not be opened. The decision to resolicit or cancel the CA study will be made according to paragraph 3-42.

(4) If the cost comparison is in favor of contract, the initial decision to award a contract will be reported to HQUSACE by telephone (RCS exempt: AR 335-15, paragraph 5-2c(3)). Besides award clearance from HQUSACE (CERM-MC), other procedures may be necessary through acquisition channels before award of a conditioned contract. These procedures must be followed before any release of information. After clearance has been provided by HQUSACE, the Contracting Officer will award a conditioned contract. As soon as the conditioned award has been made, the Contracting Officer will announce the results of the cost comparison to all interested parties. The cost comparison, supporting documents, and name of the contractor will be made available to the interested parties. They will be told that the contract award is conditioned on the outcome of the appeals process and that they have 15 working days to submit appeals.

(5) If the cost comparison is in favor of in-house performance, the initial decision will be reported to HQUSACE by telephone (RCS exempt: AR 335-15, paragraph 5-2c(3)). The Contracting Officer will announce the initial decision to the interested parties. The cost comparison and supporting documents will be made available to the interested parties according to procurement regulations. The interested parties will be told they have 15 working days to submit appeals.

3-42. Resolicitations after Unsuccessful Initial Solicitations.

a. A solicitation set aside for small business may fail to produce a responsive bid or offer from a responsible firm to compare to the Government's in-house cost estimate. If so, the solicitation should be reissued on an unrestricted basis in accordance with FAR sections 19.506 and 19.507.

b. When a responsive bid or offer from a responsible firm cannot be obtained through an unrestricted solicitation or resolicitation, FOA will assess the possibility of obtaining responsive bids through repackaging of the functions, expanded advertising, or other means to attract responsive and responsible private

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firms. The assessment may indicate that further solicitation is unwarranted. If so, FOA may request permission through channels to CDR USACE (CERM-MC) WASH DC 20314-1000 to cancel the solicitation. HQUSACE will then issue clearance to end the CA study and retain the function in-house (see paragraph 2-5b).

3-43. Confidentiality of the Government's In-house Cost Estimate.

a. Confidentiality of the Government's in-house cost estimate will be protected until the CA study is ended. If another CA study might be made within two years of the conclusion of the study in which no valid bids or offers were received, the Government's in-house cost estimate will not be released. Its confidentiality will be maintained until announcement of the initial decision and release of documents in the second study (see AR 340-17 and FOIA, section 552, Title 5, U.S.C. for additional guidance on release of information).

b. A previously studied CA may be included in a package of activities for CA study if required for economic or operational reasons. However, a new CA study should not be made until the Government's in-house cost data made public during the first study has changed enough to preclude compromising the confidentiality of the Government's in-house cost estimate and independence of commercial bids. Proposals to conduct a CA study before the fifth fiscal year must be justified in the CPAS (paragraph 3-10).

Section VIII. Appealing the Initial Decision

3-44. Appeals Procedures.

a. Who may appeal. Any interested party may appeal the initial decision made in a CA study. "Interested party" includes employees of the activity under study, unions and other employee organizations representing affected Federal employees, and bidders or offerors who responded to the solicitation.

b. How to appeal. Appeals must be in writing and are to be filed with the Contracting Officer.

c. Effect of appeal. The appeals process is intended to safeguard the interests of all interested parties. The appeals board makes an informal administrative review of the issues raised in appeals of the initial cost comparison decision. The appeals procedure is not judicial in nature and does not provide for judicial review or for further levels of appeal. The decision of the appeals board is final. Decisions on appeals are not subject to negotiation, arbitration, or agreement.

d. What may be appealed. Only the following may be appealed:

- (1) The initial decision in a cost comparison, i.e., to contract out or to retain performance in-house; or
- (2) Decisions to convert directly to contract performance based on a direct conversion proposal. (See paragraph 3-48.)

e. What may not be appealed. Concerns about decisions or issues other than those in subparagraph d above do not provided a basis for appeal, e.g., the decision to conduct a CA study, the relative merits of the particular organizational structure and staffing established by an approved management study, the PWS, the choice of one contractor over another, or the effect of a conversation to contract on the local community. Management decisions are not subject to appeal.

f. What must be included in an appeal. An appeal will not be considered unless:

- (1) It alleges that a material deviation has been made from the cost comparison guidance contained in Appendix E, and
- (2) The alleged deviation is of sufficient magnitude to affect the cost comparison decision (whether to contract out or to perform in-house), and
- (3) It identifies specific line items on either ENG Form 4843A-R or ENG Form 4843B-R and elements of the Government's in-house cost estimate and sets forth specific reasons for challenging those elements.

g. Appeals period. The Contracting Officer will establish and announce the appeals period (i.e., the times and dates for the beginning and ending) when the initial decision is announced. The appeals period will not begin until the cost comparison and all supporting documents are available to interested parties. The appeals period will normally be 15 working days and may not exceed 30 working days.

h. Rebuttal period. Interested parties may request in writing from the Contracting Officer a copy of any or all timely appeals as a basis for submitting rebuttals. The Contracting officer will establish and announce the rebuttal period, which will commence at the end of the appeals period and will not exceed 5 working days. Any interested party may file a rebuttal. Only timely written rebuttals will be considered. Only issues raised during the appeals period may be addressed in rebuttals.

3-45. Receipt of Appeals. When the Contracting Officer receives an appeal, it will be datestamped, and copies will immediately be sent to:

- a. The FOA CA Program Manager,
- b. The division CA Program Manager, who will immediately distribute it to the appeals board,
- c. CDR USACE (CERM-MC) WASH DC 20314-1000,
- d. Any interested parties who have requested copies of appeals.

3-46. Appeals Board Decisions on Appeals. The appeals board will make the final decision in a CA study based on the initial decision, taking into consideration all timely appeals and rebuttals. No further appeals will be considered, even if the initial decision is reversed. Appeals will be answered within 30 calendar days after receipt.

a. In making its decision, the appeals board has access to all resources and documents involved in the CA study.

(1) The appeals board may require Government personnel involved in the CA study to provide more information or explanation of the CA documents.

(2) The appeals board may also request any interested party who has submitted an appeal or rebuttal to provide additional information.

b. The CA Program Manager who is consultant to or member of the appeals board will develop the file for the appeals board. The file should include:

(1) An analysis of each appeal and rebuttal, with a synopsis of each issue raised, an explanation of which line items on either ENG Form 4843A-R or ENG Form 4843B-R are involved, a discussion of the CA rules pertinent to each issue and how they were applied in formulating the Government's in-house cost estimate, and the FOA's position on each issue.

(2) The detailed Government's in-house cost estimate and all supporting documentation for each cost element of the Government's in-house cost estimate.

(3) A copy of each appeal and rebuttal and any other correspondence concerning appeals or rebuttals.

(4) The audit report prepared by USAAA or DAEN-AO.

(5) The approved management study and PWS.

(6) The solicitation.

(7) The abstract of bids.

(8) Applicable regulations and guidance, other than OMB Circular A-76, AR 5-20, and this regulation.

(9) The file upon which a final decision is based should include a detailed legal review by the FOA Office of Counsel.

c. The appeals board will prepare a written decision on each appeal, taking any rebuttal specifically into consideration. Two or more appellants may submit appeals on the same or similar allegations. If so, the appeals board, at its discretion, may consider the appeals concurrently and prepare a single written decision.

(1) Dismissed appeals. Any appeal that is determined to be materially not in compliance with the requirements for appeals in paragraph 3-44 may be dismissed by the board, with a statement of the reason for its dismissal, without discussion of its allegations.

(2) Denied appeals. If the decisions of the appeals board on the appeals or rebuttals do not reverse the initial decision, a final decision in accordance with the initial decision will be made.

(3) Sustained appeals. If the appeals board sustains an appeal, thus changing the outcome of the cost comparison, the board chairperson will direct the revision of the CCF. The decision will be reported immediately to CDR USACE (CERM-MC) WASH DC 20314-1000. The revised computations are to be revalidated by USAAA or CEAO, as appropriate. Only after the revalidation will the decisions of the appeals board be distributed in accordance with subparagraph d below.

d. A copy of the decision on each appeal will be:

(1) Given to the appellant and to other interested parties, the Contracting Officer, and the FOA CA Program Manager;

(2) Attached to the Final Decision Report (paragraph 3-55);
and

(3) Placed in a library or reading room for public review.

3-47. Establishment of Appeals Board. Each division (or CDR USACE, for division-level, laboratory, or separate FOA studies) will appoint appeals boards as necessary to address all appeals and rebuttals. A board may be appointed to consider appeals of a specific initial decision or to consider appeals of all initial decisions during its tenure or in its assigned area. A board need not be appointed until at least one appeal has been received, but potential board members should be identified earlier.

a. The board will be composed of at least three members. Members should be senior civilian or military personnel who as a group have experience or training in all of the following: CA program requirements, contracting, management, and cost estimating. One of the board members should be an attorney from the Office of Counsel.

b. Board members must be impartial and avoid even the appearance of a conflict of interest. The following persons may not serve as members of the appeals board:

(1) Those who took part in the CA study that is the subject of the appeal;

(2) Those having any direct association with the activity under study;

(3) Those working or who have spouses, children, parents, siblings, or household members working in the activity under study; and

(4) Those working for the organization having direct jurisdiction or control over the activity under study.

c. At least the chairperson of the appeals board will be:

(1) From an organization that neither supports nor receives support from the organization being studied;

(2) From another FOA or command;

(3) Of the same or higher grade or military rank (or its equivalent) as the official who approved the initial decision.

3-48. Appeals of Decisions to Convert Directly to Contract Performance.

a. Any interested party may appeal decisions to convert directly to contract performance.

b. An appeal under this paragraph must comply with the requirements of paragraphs 3-44 through 3-47, except as provided in subparagraphs c and d below.

c. An appeal under this paragraph must address reasons why the Government's in-house cost estimate is erroneous or reasons why fair and reasonable prices will not be obtainable.

d. Appeals must be timely:

(1) For mixed-funded or DOD-funded activities, the appeal must be filed within 30 days of the date of a CBD notice of the decision to convert to contract.

(2) For civil works funded activities, the appeal must be filed within 30 days of the date of a CBD notice of the decision to convert to contract or 15 working days of bid opening, whichever is later.

3-49. GAO and Agency Protests. GAO and agency protests are subject to FAR Part 33 and EFARS Part 14 and are not covered in this regulation.

Section IX. Personnel Considerations

3-50. Reduction-in-force (RIF). The goal of RIF planning is to place all affected employees. Every reasonable effort will be made to avoid involuntary separation through planning, placement and retraining efforts. Separation by RIF may be unavoidable in some instances even after all reasonable efforts have been exhausted. In that event every effort will be made to help separated employees find continuing employment elsewhere, particularly through first refusal rights with the CA contractor.

a. General guidance for RIF planning is contained in Federal Personnel Manual (FPM), Chapter 351; and AR 690-300, Chapter 351. These regulations apply to USACE employees regardless of their method of funding. In planning a RIF based on conversion of in-house activities to contract operation, the factors in subparagraphs b through g must be considered:

b. The conduct of several CA studies over an extended period of time at an FOA may result in successive RIFs. When feasible, CA study milestone planning should be coordinated to permit a single RIF action to reduce the turbulence created by separate RIF actions.

c. The Personnel Officer will provide the Contracting Officer a list of all employees who are expected to be displaced by conversion to contract. The list will be sent to the Contracting Officer at the time of contract award or at least no later than 45 days before the effective date of the RIF. The Contracting Officer will give this list to the contractor.

d. RIF notices required as a result of conversion to contract may not be issued until HQUSACE approval of the final decision is received and a notice to proceed on the contract is issued.

e. Issuance of RIF notices should be coordinated with the Contracting Officer to ensure correct timing and enable the Contracting Officer to determine the effective date of the contract. A reasonable amount of time must be made available between the date of initial decision and the date of conversion to minimize adverse actions affecting employees.

f. Career and career-conditional employees affected by a RIF must be given advance notice of at least 60 days while in a work status.

g. The Personnel Office will inform separating employees of possible obligations to file defense-related employment reports prescribed in AR 600-47.

3-51. Right of First Refusal.

a. FAR clause 52.207-3 will be included in all contracts awarded as a result of a CA study. This clause provides that employees displaced as a result of conversion to contract performance will have the right of first refusal for employment openings under the contract in positions for which they are qualified (consistent with Government post-employment conflict of interest standards). The right of first refusal applies to employees in the activity converted to contract and to employees outside of the activity who are affected adversely by conversion.

b. The Personnel Officer will assist the Contracting Officer as needed in determining the contractor's compliance with the provision of the contract on the right of first refusal. The contractor is solely responsible for determining qualifications of displaced employees. Such determinations are not subject to review by the USACE.

(1) The timing of the presentation and content of the right of first refusal list are important. Providing a comprehensive list too early may be harmful if only a small number of personnel are actually considering employment with the contractor. The status of affected employees will be better known after responses have been received from the initial RIF notices.

(2) The right of first refusal list will distinguish between permanent and temporary employees. Permanent employees should be encouraged to schedule interviews with the contractor as early as possible during the recruiting period.

c. The Personnel Officer and the affected employees should be encouraged to provide the contractor with information about all of their work experience and skills for which the contractor may be recruiting.

3-52. Out-placement Programs/Severance Pay.

a. Outplacement.

(1) Besides placement rights provided by RIF regulations and FAR clause 52.207-3, priority placement efforts for displaced employees will be extended under DOD 1400.20-1-M and FPM Chapter 330. The provisions of AR 690-400, Chapter 410 will govern the retraining of all career employees.

(2) Allowable travel and transportation costs for displaced employees who accept continued Federal employment outside the commuting area will be determined according to Joint Travel Regulations, Volume II.

(3) Guidance to preclude overpayments of severance pay when an employee's entitlement to such payments ends is contained in Section 550.701(b)(5), (6), and (7), Title 5, Code of Federal Regulations, and Section 5595(d), Title 5, United States Code, as implemented in FPM Supplement 990-2, Book 550, subchapter 7.

b. The following unique severance pay provisions apply to RIF separations caused by CA actions:

(1) Otherwise eligible employees who accept employment with the contractor within 90 days of conversion to contractor performance are not entitled to severance pay beyond the date they go to work for the contractor. This

restriction applies regardless of how the accepted position compares to their former Government position.

(2) Employees who are offered comparable employment by the contractor on or before the date of the transfer of the function to the contractor are not entitled to severance pay. This is true whether they accept or refuse the offer. An offer of comparable employment made after the date of transfer may be declined without affecting severance pay eligibility.

(3) Part IV of the Supplement to OMB Circular A-76 specifies that a factor of two percent of total personnel base pay costs be used to estimate separation costs for inclusion in the total for one-time conversion costs (ENG Form 4843A-R, line 10). Appendix E of this regulation provides some additional guidance on computations for this category of costs. However, circumstances may exist in which a strict application of this percentage could result in a substantial overstatement or understatement of severance costs. In those circumstances, request for deviation from the two percent standard must be submitted by the FOA through channels to CDR USACE (CERM-MC) WASH DC 20314-1000.

(4) Justification for the deviation may include alternative methodologies based on prior experiences with RIF actions and informed judgment on the expected disposition of the affected work force. In these cases, associated cost estimates can be prepared in consultation with the Personnel Office, DOD Priority Placement Program Administrator, and management of the studied activity.

(5) These alternative estimates will consider all possible dispositions of the work force, to include employees who are expected to retire, work for the contractor, be placed in another Government job without relocation at the same or different grade, relocate to another Government job, or be separated from Government service. Requests for deviation must be submitted for approval at least six weeks prior to the scheduled arrival of the independent reviewer. The request must contain the alternative methodology, the supporting documentation, and a detailed justification supporting the deviation. A survey of employees on their anticipated plans will not, in itself, constitute sufficient justification. DOD experience has shown substantial differences between such plans and what employees actually do under RIF circumstances. Therefore, supplemental information must be

furnished to further support the likelihood that severance pay will exceed the two percent level.

e. Comparable employment is not limited to an offer of a job with equal pay. It must also include the offer of substantially equal leave, life insurance, health, and retirement benefits. In almost all instances in which the contractor makes an employment offer, experience shows that the offer does not constitute comparable employment. FOA will not deny severance pay on the basis of comparable job offers without HQUSACE approval. If questions exist on the comparability of the offer, all pertinent information will be submitted through channels to CDR USACE (CEPE-ZA) WASH DC 20314-1000 for a determination.

f. An employee will be responsible for the repayment of any severance pay overpayments occurring as the result of failure to terminate such payments when entitlement ends. To eliminate overpayments of severance pay, the Personnel Office hiring an employee in receipt of severance pay will immediately notify the paying agency of the hire. The notification should be by telephone and confirmed at a later date by providing the paying agency with a copy of the appointment SF 50 (Notification of Personnel Action).

g. When an in-house activity is converted to contract, the Personnel Office will supply the Contracting Officer, within three workdays of the contract start date, a list of separated employees who are entitled to receive severance pay. The contractor will be required by the terms of the contract to provide the names of former employees on the list who accept positions with the contractor during the 90 days after the conversion to contractor performance. This notification is to occur within five days of the date the person goes to work for the contractor. The Personnel Office should ensure employees entitled to severance pay are advised, at the time of separation, that it is in their best interest to notify the paying agency of any reemployment that might affect their entitlement.

Section X. Final Decisions

3-53. Economic Effects Analysis.

a. If the initial decision in a CA study is to convert to contract and more than 75 military and civilian employees will be directly affected (their jobs contracted out), the FOA must prepare an Economic Effects Analysis for inclusion with the Final Decision Report (paragraph 3-55).

CERM-MC includes the results of this analysis in the final decision notification to Congress. The analysis is conducted to comply with statutory reporting requirements which the USACE has agreed to abide by; it does not affect the decision to convert to contract performance.

b. The analysis uses the Economic Impact Forecast System (EIFS) at the Construction Engineering Research Laboratory (CERL), U.S. Army Corps of Engineers, Champaign, IL, to predict the economic effects on the local community of the net change in local employment and Government expenditures caused by conversion to contract. The analysis requires the actual contract price as an input data element; it cannot be made before the initial decision. FOA will not make an economic effects analysis in anticipation of a contract decision.

c. Data entered in the EIFS should be developed from the best available estimates of the effect of conversion on employment and expenditures. Normally, the effects of conversion on the civilian economy will be very small because decreases in Government employment and direct expenditures are offset by contract employment and expenditures. In some cases, where most Government employees are placed in other jobs in the area and additional people are hired by the contractor, the economic effects of conversion may be positive.

d. Appendix H contains instructions for the preparation of the Economic Effects Analysis.

3-54. Effects of Commercial Activities Study on USACE Resources.

a. The FOA will complete ENG Form 4841-R, Effect of CA Study on FOA Funds (RCS CSCOA-96), and ENG Form 4842-R, Effect of CA Study on FOA Manpower (RCS CSCOA-96) to document the effects of the CA study decision, whether in-house or contract, on programed funds and manpower. These forms will be submitted through channels as enclosures to the Final Decision Report (see paragraph 3-55).

b. The requested data will meet both funding and manpower information requirements of the manpower programming and budget cycle. They also provide an accounting of spaces/workyears studied and allow for any reapplication of spaces/workyears by the FOA, HQUSACE, or HQDA, as appropriate.

c. Instructions for completing these two forms are contained in Appendix F.

3-55. Final Decisions.

a. The FOA will submit the Final Decision Report (RCS CSCOA-113), Figure 3-3, with enclosures requesting approval to implement the initial decision where a complete CA study was performed. The FOA will submit the Final Decision Report for Direct Award to Contract Actions (RCS CSCOA-129), Figure 3-4, with enclosures through channels requesting approval to implement an initial contract decision where the simplified cost comparison was performed and approval from the appropriate authority was received for the direct conversion (see paragraph 3-3).

b. In either case the final decision documentation will be submitted after the appeals board has issued final decisions on all appeals and issues raised during the appeals process, and after all protests have been resolved.

c. CERM-MC uses the final decision documents for Congressional notification and clearance to end the CA study. Final decision documents must be received at HQUSACE not later than 30 working days before the desired final decision implementation date--the date desired to cancel the solicitation, award the contract, or provide authority to proceed on the conditioned award.

d. If the final decision is to convert to contract, HQUSACE will coordinate any required notifications to Congress and subsequently issue clearance to convert. Upon receipt of this clearance, the Contracting Officer will proceed to conduct actions necessary to complete the award. RIF notices may not be issued until the Contracting Officer has awarded a firm contract or authorized the contractor to proceed on a conditioned award contract.

e. If the final decision is to remain in-house, HQUSACE will issue clearance after all required notifications are made. Upon receipt of clearance, the KO will cancel the solicitation or the conditioned award contract. The activity will begin reorganization into the structure and staffing MEO recommended by the management study not later than 30 days after cancellation and complete the change within six months of cancellation. RIF notices required to reorganize will be issued concurrent with the cancellation.

f. Alterations to the organization, position structure, and staffing of the reorganized activity (MEO) require HQUSACE approval. A possible rationale is the occurrence of significant changes (unanticipated at the time of the management study) to the functions and workloads in the PWS. The reorganized activity will operate under the performance standards established by the PWS and solicitation package just as a contractor would have been expected to do. The performance standards will be modified when any approved changes in functions or workloads occur after the initial reorganization.

3-56. Treatment of Spaces Associated with CA Studies.

a. Authorizations for military personnel will be deleted from the TDA or other manpower manning document in the FY after CA study final decision. If the final decision is to retain the activity in-house, the authorizations for military personnel and the borrowed military manyears used in the activity will be replaced by civilian authorizations as required. Adjustments will be reported according to paragraph 3-54 and Appendix F for both in-house and contract decisions. (Disposition of military personnel during the CA study is covered in paragraph 3-30.)

b. Civilian authorizations in activities under CA study will not normally be deleted from the TDA or other manpower manning document until the CA study decision is final. Adjustment of civilian authorizations to the performance level of the Government's in-house cost estimate will be based on the data submitted in the Final Decision Report (paragraph 3-55). This will occur through normal budget and manpower processes.

c. HQUSACE policy on CA studies funded purely with civil works funds is to initially allow divisions and separate FOA to retain any savings as a result of a CA study or direct conversion to contract action. However, the total workload, manpower requirements, and manpower allocations from OMB will be reviewed during the subsequent normal manpower allocation process, and will be retained only if justified.

d. HQDA policy on reclaiming spaces in mixed and purely DOD funded CA studies varies. Refer these questions to CDR USACE (CERM-MC) WASH DC 20314-1000 for the latest policy guidance.

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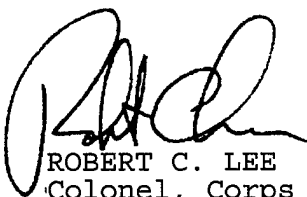
3-57. Contract Administration Functions. Contract administration is discussed, among other places, in Subchapter G of the FAR, Contract Management. It includes Parts 42 through 51. See AR 5-20 dated 20 October 1986, paragraphs 3-3a and 4-17 for guidance on DOD funded activities. As each option year of the contract is exercised, the Contracting Officer will advise the CA Program Manager of the annual contract costs of each CA being performed under contract for the previous year.

3-58. Commercial Activities Study After Action Evaluations.

a. On the one-year anniversary date of the final decision to convert to contract performance or to cancel the solicitation and retain the function in-house, FOA will review the operation and submit the Commercial Activities Study After Action Report (RCS exempt: AR 335-15, paragraph 2-e(7)), Figure 3-7. This report will be submitted through channels to CDR USACE (CERM-MC) WASH DC 20314-1000.

b. Other evaluations conducted of DOD funded CAs, either mixed or pure, are described in AR 5-20 dated 20 October 1986, paragraph 4-28c(4).

FOR THE COMMANDER:



ROBERT C. LEE
Colonel, Corps of Engineers
Chief of Staff

8 Appendices

- APP A - References
- APP B - Excluded Governmental Functions, Excepted and Exempted Activities
- APP C - Description of General Functional Area (GFA) Codes
- APP D - Tables, Figures and Forms
- APP E - Cost Comparison Procedures
- APP F - Resources Impacts
- APP G - Procedures for Preparing the USACE Commercial Activities Inventory (Reserved)
- APP H - Economic Effects Analysis

APPENDIX A

REFERENCES

Section I. Required Publications

AR 5-20, Commercial Activities Program.
DOD Directive 4100.15, Commercial Activities Program.
DOD Instruction 4100.33, Commercial Activities Program
Procedures.
OFPP Pamphlet No. 4, A Guide for Writing and Administering
Performance Statements of Work for Service Contracts.
OMB Circular A-76, Performance of Commercial Activities.

Section II. Related Publications

A related publication is merely a source of additional
information. The user does not have to read it to understand
this regulation.
AFARS, Army Federal Acquisition Regulation Supplement.
AR 1-35, Basic Policies and Principles for Interservice,
Interdepartmental, and Interagency Support.
AR 5-14, Managing Analytical Support Services.
AR 5-16, Army Supplement to Defense Regional Interservice Support
(DRIS) Regulation.
AR 25-1, The Army Information Program.
AR 25-5, Information Management for the Sustaining Base.
AR 25-400-2, The Modern Army Recordkeeping System (MARKS).
AR 37-100-XX, The Army Management Structure.
AR 340-17, Release of Information and Records from Army Files.
AR 380-5, Information Security Program.
AR 381-1, Control of Dissemination of Intelligence Information.

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AR 570-4, Manpower Management.
AR 570-5, Manpower Staffing Standards System.
AR 600-47, Reporting Procedures on Defense Related Employment.
AR 690-300, Employment.
AR 690-400, Employee Performance and Utilization.
AR 690-500, Position Classification, Pay, and Allowances.
AR 715-6, Proposal Evaluation and Source Selection.
CFR, Code of Federal Regulations.
DA Pam 5-4-1, Management Survey Handbook.
DA Pam 5-4-5, Value Engineering Handbook.
DA Pam 690-8, Guide to Position Management for Key Military and Civilian Personnel.
DA Pam 690-36, A Civilian Personnel Office Guide to the Commercial Activities Program.
DFARS, Defense Federal Acquisition Regulation Supplement.
DOD 1400.20-1-M, DOD Program for Stability of Civilian Employment: Policies, Procedures, and Programs Manual.
DOD 4000.19-R, Defense Regional Interservice Support (DRIS) Regulation.
DOD 5230.22, Control of Dissemination of Intelligence Information.
EFARS, Engineer Federal Acquisition Regulation Supplement.
ER 5-1-6, Defense Regional Interservice Support (DRIS) Program.
ER 5-1-7, Efficiency Reviews.
ER 10-1-2, General Policies.
ER 10-1-3, Organization and Functions.

ER 37-2-10, Accounting and Reporting - Civil Works Activities.

ER 690-1-500, Position Management.

FAR, Federal Acquisition Regulation.

FPM, Federal Personnel Manual.

FPM, Bulletin 330-75, Assistance for Preference Eligibles in
Restricted Positions in Contracting Out Situations.

FPM Supplement 990-2.

HQDA Letter 5-86-1, Army Organizational Efficiency Review
Program.

Misc Pub 8-2, Joint Travel Regulations, Volume II.

OMB Circular A-64, Position Management Systems and Employment
Ceilings.

Section III. Referenced Forms

SF 50, Notification of Personnel Action.

SF 98, Notice of Intention To Make a Service Contract and
Response to Notice.

DD 254, Contract Security Classification Specification.

Section IV. Prescribed Forms

ENG Form 4843A-R, Cost Comparison of In-house and Contract
Performance.

ENG Form 4843B-R, Cost Comparison of Expansions, New Requirements
and Conversions to In-house Performance.

ENG Form 4842-R, Effect of CA Study on FOA Manpower.

ENG Form 4841-R, Effect of CA Study on FOA Funds.

APPENDIX B
EXCLUDED GOVERNMENTAL FUNCTIONS,
EXCEPTED AND EXEMPTED ACTIVITIES

B-1. General.

a. The primary purpose of this Appendix is to identify Governmental functions approved to date by the Commander or the Deputy Commander, USACE. It also identifies specific functions that have been excepted from the CA Program by rulings from the Chief Counsel, USACE. The general definitions of the terms "Governmental function," "exclusion," "exception," and "exemption" are contained in the Glossary. Procedures and rationales for obtaining approval for removing all such types of activities from CA cost comparison study are contained in Chapter 2.

b. This Appendix presents those activities which have been removed from the CA Program by type and then by the HQUSACE directorate which received that approval. It also includes the date of the documented approval so that the source documents can be obtained from the proponent if necessary.

B-2. Excluded Governmental Functions.

a. Directorate of Engineering and Construction--Engineering Government Functions dated 29 Aug 1984, amended 22 Nov 1985 and 27 Mar 1987.

(1) Management and Supervision. This includes only the management, supervisory and decision-making activities normally performed by the Chief of the Engineering Division and the branch and section chiefs. The inseparable personal support they require may be included if necessary to avoid potential personal services contracts. Inseparable support personnel should be considered as a part of the main-line function, e.g., a secretary working for Chief, Engineering Division, whose clerical duties require constant interaction with the supervisor should be considered an inseparable function. Any direct project work of a task-oriented nature is not included in this Government function.

(a) Program Management. This includes only those activities necessary to monitor program status; to identify and resolve problems and issues; to develop and coordinate policies and guidance; to develop procedures for cost control and quality control; and to provide technical and management overview of programs to ensure compliance with established practices, procedures, policies, guidance and schedules. Typical examples would include management of the Dam Safety and Periodic Inspections Programs. (See paragraph B-2a(2) for Program Development.)

(b) Technical Assistance. This includes engineering services which are essentially advisory in nature where no reports, studies, and/or investigations are involved. Efforts here are very short term, non-reimbursable responses to technical inquiries from sources outside the Corps of Engineers.

(c) Approval of Answers to Inquiries. This includes the review and approval of Corps and Engineers' replies to communications received from special interest groups, Congressional representatives, other Federal and non-Federal agencies, and the public at large. NOTE: This does not include preparing the answers.

(d) Personnel-Related Activities. This includes the activities of both engineering supervisors and employees which are required by regulations regarding personnel management and administration. Typical examples of the activities include development of job descriptions, performance evaluations, training/developmental plans, and recruitment and hiring.

(2) Program Development. This includes activities necessary to plan, program and budget proposed engineering activities within the technical, policy, and budgetary constraints imposed, including development of alternatives and expected impacts of each. It also includes interfaces with other offices and agencies as necessary to ensure compliance with established guidance and constraints.

(3) Project and Contract Management and Coordination. This includes management and coordination of activities from project planning through design and construction to turnover and post completion inspection(s) including development and interpretation of engineering standards, criteria, guidance and policy and coordination of both detailed engineering and other input in development of the necessary documents (e.g., correspondence, reports,

budgets, schedules, design memoranda, plans and specifications); and management of biddability and constructability reviews and Title II Services required to execute the project. This also includes coordination of all aspects of a project with state and local governments, other offices and agencies, legislatures, public meetings and contractors to facilitate a final product that is satisfactory to the needs of the user.

(a) Supervision of Engineering Division Contracts. This includes only defining and approving scopes of work, specifications and Government estimates; negotiating and approving contracts; and managing contracts. NOTE: This does not include actual preparation of scopes of work.

(b) Cost Estimates. This includes the evaluation and approval of project cost estimates to support the programming and budgeting process and the evaluation and approval of cost estimates (of fair and reasonable costs to the contractor) for the evaluation of construction contract bids. This also includes the preparation and approval of in-house cost estimates for engineering contracts requiring negotiations, e.g., A-E contracts. In addition, this includes the determination of the cost of in-house performance for the evaluation of bids for dredging in connection with industry competition studies.

(4) Evaluation and Approval of In-house/Contractor's Work. This includes the evaluation and approval of both in-house and contractor's work through the process of evaluating and approving the technical review of this work; and the review and/or approval of reports submitted to higher authority for all phases of project development from initiation of feasibility studies through construction, operation and maintenance activities. It should be noted that this does not include the actual technical review of the work (see GFA C122).

(a) Quality Assurance. this includes the verification and evaluation performed by Government employees in determining that (1) the contractor performed the work in compliance with the contract requirements, (2) the end results meet the specified criteria, and (3) the contractor's quality control procedures, equipment, and personnel are adequate for quality control. This includes retention of sufficient in-house surveying, testing and field inspection capability to permit verification. Modeling performed by contract would also require close

quality assurance. NOTE: This is for engineering contracts, not construction contracts.

(b) Quantity Payment and Acceptance Surveys Verification. This includes verification of surveying and mapping conducted before and after earthwork construction and/or dredging for the purpose of (1) determining quantities of earthwork and/or dredged materials for contract payments and/or (2) acceptance of the contractor's work. NOTE: The payment and acceptance surveys are contractible; however, they must be verified by Government surveyors.

(5) Value Engineering (VE) Program Management. This includes the management and overview of the USACE value engineering (VE) program. VE is the process by which a required user function is provided at the lowest total effective cost through the application of value analysis techniques. NOTE: This does not include preparation of VE studies.

(6) Military Mobilization Plans and Exercises. This includes the development of plans to ensure that FOA maintain the capability and posture for immediate response to the urgent demands of each mobilization phase. These plans establish a basis as well as a mechanism for inter-agency integration of mobilization plans.

(7) Civil Emergency Responses. This includes preparation of emergency plans and procedures, training of personnel, procurement of supplies and equipment, provision of technical assistance, administration and supervision of Federal assistance during flood and other emergency operations, and overseeing the repair or restoration of damaged flood control or Federally authorized shore or hurricane protection projects. NOTE: Although this is normally an Operations Division function, it is included here so that Engineering Division employees supporting this activity can be properly excluded as Governmental.

(8) Critical Engineering Services.

(a) Water Control. This includes the development of policies and technical guidance needed to regulate and manage water resource projects to fulfill authorized project purposes, e.g., flood control, water supply, hydropower, recreation; management and review of water control programs; application of Government authority in regulating projects individually and as systems; evaluation

of both the engineering analysis and the recommended application of hydrologic, water quality and meteorologic data necessary for decision-making on project regulation (this does not include the actual engineering analysis, application or collection of such data); and exercising judgments in applying established policy and guidance to regulate projects under various conditions.

(b) Technical Review of Federal Energy Regulatory Commission Applications. In accordance with the Federal Power Act, this includes the Corps review and approval of applications filed with the Federal Energy Regulatory Commission (FERC) by non-Federal entities for planning, design, construction, and operation of hydropower plants at Corps projects. This also includes the development of other appropriate recommendations to FERC in connection with the Corps review.

(c) Water Supply Contract Approval. This includes the preparation of a contract format (by HQUSACE) based on current policy and law and the tailoring of this format by each District Engineer (Contracting Officer) to fit the requirements of the individual Corps project and needs and desires of the particular local sponsor.

(d) Section 22 Engineering and Design. This includes the engineering and design portion of the technical assistance the Corps provides upon request to states in support of their preparation of comprehensive water resource development plans, authorized by Section 22 of the 1974 Water Resources Development Act.

b. Directorate of Civil Works--Government Functions dated 20 April 1984.

(1) Operation of Dams. This includes dam operations performed by persons currently having authority to make final decisions on the release of water from dams, such as the operation of spillway gates and other outlet works, for flood control or maintenance of the navigation pool. This includes only operations and does not include activities supporting dam operations (such as building maintenance, access road and bridge maintenance, grounds maintenance and landscaping, custodial services, debris removal, and the operation, testing and analyzing of domestic water and sanitation services).

(2) Hydropower Operations. Includes hydropower operations performed by persons currently having authority to make final decisions on the release of water from dams, such as the operation of hydropower turbines, spillway gates and other outlet works, for flood control or maintenance of the navigation pool. This includes only operations and does not include maintenance.

(3) Enforcement of Laws, Rules, and Regulations at Locks. This includes that portion of the navigation lock operations function relating to enforcement of laws, rules, and regulations. This function is performed by the person in charge at the lock, who is usually the lockmaster, a lock operator, an on-site maintenance person, or some other individual authorized to carry out the exclusive Governmental function of enforcement. Regulations governing the operation of all navigation locks are promulgated in Title 33 of the Code of Federal Regulations, Part 207; see also 33 U.S.C. sec. 1 and sec. 413. Exercise of the enforcement task at navigation locks arises with varying degrees of frequency. At locks on critical waterway segments, the frequency of exercising the enforcement task may indicate the need for a Government employee at the lock site on every shift. At locks not located on critical waterway segments, it may be feasible to strategically locate Government employees off the lock site to cover a group of locks. (See Glossary for applicable definitions.)

c. Directorate of Civil Works--Operations and Critical Maintenance Functions of the Washington Aqueduct dated 27 August 1984.

(1) The operational responsibility of the Washington Aqueduct, vested in the Chief of Engineers since the 1850's, is unique in that it is the only water treatment and supply system authorized by Congress to be operated by a Federal agency. It is also so intimately related to the public interest as to mandate performance by Government employees. The intent of Congress to maintain such authority and responsibility under Federal supervision has been expressed in recent hearings.

(2) The criticality and sensitivity of the water supply to the Nation's Capital is of paramount importance. The operations and critical maintenance functions of the Washington Aqueduct are inherently Governmental in nature and as such are excluded from commercial activities cost study under the commercial activities program set forth by OMB Circular A-76. Activities included in the operations and critical maintenance functions of the Aqueduct are the installation and maintenance of distribution main; installation, operation, and maintenance of exterior utilities (operations); controls and instrumentation maintenance; electric power distribution and equipment maintenance; and operation of the water treatment and pumping treatment plants. The associated tasks needed to accomplish these activities are included in this exclusion.

(3) This exclusion does not apply to those activities not directly related to the supply of water, which are grounds maintenance, custodial services, painting, security and automotive maintenance.

d. Assistant Comptroller of the Army (Finance and Accounting)--Contracting for Finance and Accounting Office Support dated 162030Z Dec 85, and Director, Finance and Accounting--Contractibility of Finance and Accounting Functions Policy dated 211635Z May 87.

(1) The Commercial Activities (CA) Program promotes Governmental efficiency and savings by permitting Government agencies to competitively contract with the private sector many functions which have historically been performed in-house. As resource managers, it is our job to make sure the Army takes full advantage of this program. In doing so, however, we must recognize that OMB Circular A-76 expressly prohibits contracting out of "Government functions"--that is, those functions that are "...so intimately related to the public interest as to mandate performance by Government employees." FAO functions that meet this definition and therefore must be performed in-house include:

- (a) Disbursing,
- (b) Entitlement determinations,
- (c) Fund certification and control, and
- (d) Supervision of Government employees.

(2) Other functions performed by Army FAO's, such as military/civilian pay and accounting, are totally interrelated and integrated with the disbursing, entitlement determination, and fund certification/control functions. Therefore, any attempt to segregate and contract out those FAO functions which are not classified as Government functions could seriously disrupt internal controls and sound financial management practices.

(3) Approval of all proposals to conduct CA studies of finance and accounting functions may be obtained through command channels from the Director of Finance and Accounting, Office of the Assistant Secretary of the Army (Financial Management).

B-3. Excepted Functions.

a. Directorate of Civil Works--Lock Regulation Enforcement and Operations dated 5 September 1984.

(1) Navigation regulations, 33 U.S.C. sec. 1 and sec. 413 and 33 C.F.R. 207, require on-site enforcement of all laws, rules and regulations at locks; charge lockmasters with enforcement of all laws, rules and regulations for use of the lock, lock areas and mooring facilities; and charge lockmasters with the responsibility for lock operations. The enforcement function requires the exercise of discretion in applying Government authority and therefore is a Governmental function. Because lockmasters are required by existing regulations to perform this Governmental function, their positions may not be contracted.

(2) In addition, the existing navigation regulations make lockmasters responsible for lock operations. Presently, the lock operators and line handlers work under the direct supervision and control of the lockmaster on duty. Their duties include opening and closing of lock gates, operating valves to fill and empty the lock chambers, communicating with vessels and assisting in securing vessels to lock walls. Their duties do not include the enforcement of navigation laws, rules and regulations nor any other activity which can be defined as a Governmental function. However, the Chief Counsel has

issued a legal opinion stating that because the existing navigation regulations prescribe an organizational structure in which lock operators and line handlers work under the direct supervision and control of lockmasters, contracting out for these services given the existing navigation regulations would create a personal service contract. Personal service contracts may not be awarded unless specifically authorized by statute.

(3) Although there is no legal impediment to changing the navigation rules, to provide for someone other than the lockmaster with responsibility for enforcement of laws, rules and regulation, such a change is a management decision made outside the scope of OMB Circular A-76. This type of change to the navigation rules would make lock operations, including the non-Governmental functions now performed by lockmasters and all duties of lock operators and line handlers, subject to the requirements of the Commercial Activities Program. The Directorate of Civil Works has decided that at locks where operation is critical (locks passing equal to or greater than 1.6 million tons), the frequency of exercising enforcement requires a Government employee at the lock site on every shift. Conversely, the infrequency of exercising enforcement at locks where operation is not critical (locks passing less than 1.6 million tons) allows for strategically locating Government employees to cover a group of locks. The Directorate of Civil Works has made a management decision not to allow changes in the navigation rules for critical locks, but may recommend changes in the navigation rules for non-critical locks if necessitated by the results of a CA cost comparison study.

b. Directorate of Engineering and Construction--10 U.S.C. 4540, Summary of Legal Argument on A-76 Cost Review of Engineering Design dated 9 August 1984. NOTE: Requests for the entire legal opinion can be addressed to CDR USACE, CECC-C, WASH DC 20314-1000.

(1) 10 U.S.C. 4540 is a barrier to A-76 cost review of in-house engineering design functions.

(2) OMB Circular A-76 (para. 7.c.(1)) does not apply when contrary to a law.

(3) 10 U.S.C. 4540 (a) provides:

Whenever he considers that it is advantageous to the national defense and that existing facilities of the Department of the Army are inadequate, the Secretary of the Army may, by contract or otherwise, employ the architectural or engineering services of any person outside the Department for producing and delivering designs, plans drawings, and specifications needed for any public works or utilities projects of the Department.

It should be noted that this provision covers only the production of "designs, plans, drawings and specifications" for public works or utilities projects (hereinafter, "covered A/E services"), and not all A/E services. Construction supervision and inspection are not, for example, included.

(4) Until 1939 the Army had not contracted out for A/E services, but had performed work in-house. 10 U.S.C. 4540 (a) explicitly authorizes the Army to contract out for covered A/E services, but only when both of two conditions are met:

(a) Whenever the Secretary of the Army considers that it is advantageous to the national defense, and

(b) Whenever the Secretary of the Army considers that the "existing facilities" of the Army are inadequate.

(5) Both such findings have been made at Army Assistant Secretary level, on an annual basis until 1981. The EFARS requires the findings be made before contracting and has since January 1, 1959. Contracting for covered A/E services has consistently been done pursuant to these findings.

(6) This agency's consistent and long term interpretation is entitled to great weight and should be deferred to. Udall v. Tallman, 380 U.S. 1 (1965).

(7) 10 U.S.C. 4540 permits contracting for covered A/E services only if existing resources are inadequate to perform that work. A-76 requires a competitive cost comparison between performance of work with in-house staff and by contract. Since the Corps cannot by law contract for A/E services except to supplement "existing facilities," and since A-76 contemplates utilizing contract services in lieu of "existing facilities," the objectives of the statute and A-76 are incompatible. Even if there were to be a test solicitation under A-76, the Corps would not have the authority to enter into a contract for A/E services under these circumstances. 10 U.S.C. 4540 thus is an absolute barrier to the A-76 review of the in-house activities which engage in producing "designs, plans, drawings, and specifications" for public works or utilities projects.

c. Directorate of Engineering and Construction--Technical Review dated 21 November 1986.

(1) Technical review is the review of in-house and contractor designs, plans, specifications, and drawings.

(2) Technical review is generally performed by two groups of employees who have previously been determined not to be subject to A-76 studies.

(a) In-house designs are reviewed by those normally performing management (Governmental) functions, and

(b) Contract designs are reviewed by Government employees who normally produce designs themselves.

(3) 10 U.S.C. 4540 permits contracting for preparation of designs, plans, specifications, and drawings only when no in-house capacity exists, and thus has been determined by the Chief Counsel to conflict with A-76 studies of this function (since an A-76 study would require issuing a solicitation--and a contract--for the work when in-house capacity exists). This interpretation of 10 U.S.C. 4540 was endorsed by ASA(I&L).

(4) Considering the integral relationship that exists between technical review and the in-house production of designs, plans, specifications and drawing and the Government functions performed within engineering and the fact that technical review is normally performed by staff already not subject to A-76 studies, it should be retained exclusively for in-house performance. An activity is to be

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studied under A-76 only if it is "separable from other functions or activities and is suitable for performance by contract." If technical review were contracted out, contractors would be reviewing in-house designs or one contractor would be reviewing another contractor's designs. It would not be prudent nor in the best interest of the Corps to separate all technical review from these two activities and contract for the review separately.

B-4. Exempted Functions.

a. Engineer Topographic Laboratories (ETL), Terrain Analysis Center (TAC) Exemption Request approved 9 November 1983 by the Assistant Secretary of the Army (Installations, Logistics and Financial Management). This decision exempts from CA cost study the TAC, ETL, at Fort Belvoir, VA, for reasons of nonavailability of a satisfactory commercial source and delay or disruption of an essential program.

(1) The TAC is responsible under the Department of the Army Consolidated Topographic Support Program for accomplishment of the Army Terrain Analysis Program, and provides the ARSTAF, MACOMS, and Joint Commands with combat-oriented terrain intelligence products and services for planning and operations purposes.

(2) Approximately 70 percent of the total work conducted by the TAC is being performed by contract and the remainder is performed in-house. Of the six personnel working in the organization, three are devoted to developing requirements and administering these contracts. The remainder of the personnel are devoted to supporting the USAINSCOM Army Intelligence Survey (AIS) program. This is a 5-10 year program which precludes participation by contractors due to the sensitive nature of source materials. TAC utilizes Special Compartmented Information, domestic and foreign proprietary information, and unique data as source materials in the preparation of the topographic materials.

(3) The US Army Intelligence and Threat Analysis Center has indicated that the source documents from which AIS products are derived contain the NOCONTRACT caveat, and as such cannot be released to commercial contractors without prior consent of the originator. The Center also states that obtaining this consent is often a time-consuming process and would unreasonably delay and disrupt the project.

(4) Those personnel devoted to developing requirements and administering the contracts should be reclassified as a Governmental function and not listed as a commercial activity. The preparation of specifications for contracts and monitoring of contractor performance are properly considered to be discretionary contract activities within the meaning of paragraph 1-5k, DA Circular 235-1. As a Governmental function, this part of the activity does not require exemption.

(5) The authority for the NOCONTRACT requirement of INSCOM is paragraph 6c, Director of Central Intelligence Directive No. 1/7. This requirement, along with the comments of the US Army Intelligence and Threat Analysis Center, verifies that having to obtain permission for release of AIS documents would unreasonably delay and disrupt the AIS program.

b. Select Reference and Technical Libraries of the US Army Corps of Engineers Included in the Adjutant General's Library Exemption Request which was approved 25 June 1984 by the Assistant Secretary of the Army (Installations and Logistics).

(1) The justification applies to the Corps libraries with less than 3 FTE in which one or two professional librarians share service, operational and management responsibilities. It also brings attention to revised OMB Circular A-76, dated Aug 4, 1983, that differentiates between recreational and research libraries.

(2) The technical information libraries, as established by ER 5-1-4, provide the information requirements of Corps of Engineers' personnel in fields of interest to the Corps. Service is also provided to Corps contractors and to appropriate public and private experts. Librarians provide consultative services in both the application of information resources to problem solving and in the area of bibliographic information systems design and development. Librarians, through the use of advanced information transfer technology and telecommunications networks, make available to clientele applicable national and international information resources. Librarians insure the inclusion of appropriate CE generated technical information into nationally available information retrieval systems. Liaison and/or reciprocal programs with other major information networks are developed to enhance the delivery of services.

(3) The Corps' Scientific and Technical Information (STINFO) network consists of 50 libraries/technical information centers. They are located in most divisions, districts, and laboratories. Total staffing is 46 FTE professional librarians and 41 FTE technicians. Total personnel cost for the libraries with two or less professional librarians is 1.8 million dollars or 36 thousand dollars per library. Staffing in the libraries range from one to four personnel. Most libraries have one professional librarian GS-1410, Grade 7 to 11, plus one library technician, Grade 3 to 7. Some libraries are operated by one professional only and a few by one technician only. The average annual operating budget of 38,000 dollars per library should not significantly change under contract.

(4) Discretionary Exercise of Government Authority. The Corps librarians have responsibilities that include budget preparation, the direction and supervision of procurement, the selection of library materials and the development of the Corps library collections. Library operation and program development is the responsibility of each FOA librarian.

(a) Budgeting and Revenue Disbursement. The operating budget (excluding salary) for the libraries under consideration totals approximately 1.7 million dollars and averages 38,000 dollars per library. The head librarian in each case is responsible for the development and preparation of the budget, its management, and for revenue disbursements. The librarian is responsible for the selection and procurement of library materials, i.e., books, periodical subscriptions, technical reports, data bases and library furniture and equipment. The librarian can purchase directly from publishers, utilize book vendors and subscription agencies, and can utilize deposit accounts and blanket purchase agreements. The budgeting, planning, bookkeeping and record maintenance is performed by in-house staff with a history of knowledge of the needs and requirements of the library program and the information needs of the organization.

(b) Library Material Selection. Clientele service, based on librarian judgment and decision can influence government management and direction. Library services can directly influence decisions made by engineers, scientists, resource managers, legal staff and management activity at all organizational levels. Preliminary research for new RDT&E efforts begins in the library. Judgements made by librarians during this process can influence project planning and direction. The selection of information to satisfy clientele requests is an intellectual choice based on communication with the end user and an understanding of his requirements, his intentions and emphasis. Conversely, to prevent information overload, decision and choices are also made in deciding what not to make available to clientele. Library material selection decisions are made in MACRO (collection development and weeding) and MICRO (every literature search).

(c) Collection Development. Corps libraries are responsible for the development and maintenance (including weeding) of their collections. Collection development is an anticipatory function, based on an understanding of an organization's mission and goals and being attuned to changing conditions and emphasis. The ability to develop an organized information resource base requires long term institutional knowledge that is not acquired short of several years experience. Long term organizational knowledge is even more critical during the weeding/discard process. Inappropriate decisions made by library staff as to the organizational value of old library materials and organization records can be costly and embarrassing to an organization. Obtaining discarded or lost copies can be time consuming at best and is often not possible.

(5) Personal Services. Library functions require the constant attention of the functional head or Chief Librarian. The librarian closely supervises the work of subordinates. Functional heads review and have quality control checks on both operational and service functions. The great majority of Corps libraries are staffed with one professional librarian. The head librarian will on average supervise one employee with multiple functions. Small library operations in the Corps are supervisor intensive. Examples include collection development and weeding, card filing, input into the Corps private retrieval system and reference work. Reference requests and results, except for the most routine directional inquiries, are regularly guided by the supervisor. Input to the Corps retrieval system is held in a holding file until reviewed and

released by the head librarian. It is almost impossible, and highly impractical, not to have an employer-employee relationship between the librarian and one full-time or part-time technician. This is the kind of relationship that is prohibited by Defense Acquisition Regulations and by OMB Circular No. A-76 (Revised).

(6) Disruption of Essential Programs. The technical libraries of the Corps of Engineers provide an essential service in support of the Corps' mission and goals. Librarian judgement and decisions can influence management decision and direction. Factors affecting library service other than general technical library management ability are subject knowledge, mission understanding, institutional memory and network cooperation. Competence in these factors uniquely identify Corps librarians. Lack of competence in these factors can severely disrupt support to Corps' programs.

(a) Scientific and Engineering Knowledge. It is rare within the professional library community for librarians to have educational backgrounds in engineering or science. Existing Corps librarians have assimilated over long years the technical knowledge necessary to function effectively in these areas. This knowledge is needed in the Corps libraries and cannot be acquired from any private source.

(b) Mission Understanding and Institutional Memory. In-house Corps personnel have undergone years of specialized training to gain first-hand knowledge of and working familiarity with unique collections which have and are being tailored to meet the mission requirements of the Corps. The ability to create and build upon these resources is based upon a long-term and continuous history of knowledge of the Corps mission, programs and developments. Ability to successfully fill the Corps' increasingly specific information needs is inextricably bound to the Corps' trained and experienced existing staff.

(c) Network Cooperation. The integration, standardization and cooperation that exist between Corps' libraries is the result of years of planning and training. The corps libraries utilize the same key systems and interact with the system in a standard and consistent manner. The ability of the 50 Corps libraries to interrogate and communicate with each other is unique within library networks. The network is in accordance with ER 5-1-4 and is tightly monitored and controlled by the OCESTINFO Manager. Regardless of the stringency and the

thoroughness of a contract performance work statement, the system will not function with 50 or even 10 independent operations. The integrated information resource that constitutes the network will in all probability be lost.

(7) Attachment A, OMB Circular No. A-76 (Revised) dated August 4, 1983, makes a significant distinction between recreational and technical libraries. The Circular states that recreational libraries would be deemed commercial activities but that certain functions within research libraries might not be considered commercial activities. Differentiating functions in Corps libraries is not applicable, given the small staff of the libraries. The professional supervisor operates in all functions and is responsible for all functions. Considering the Discretionary Exercise of Government Authority and the Disruption of Essential Programs provided in this document and the latest OMB Circular, an exemption is deemed appropriate and in the best interests of the Corps.

APPENDIX C

DESCRIPTION OF GENERAL FUNCTIONAL AREA (GFA) CODES

Section I. General

C-1. Introduction. This appendix assigns general functional area (GFA) codes for use in describing commercially available products and services that are subject to the CA Program. Only the prescribed title for any particular GFA can be used to describe a function.

C-2. CAs not Listed in this Appendix. CAs that are not specifically described in this appendix should be identified under the proper "other" GFA code. The list of GFAs in this appendix is not yet complete.

C-3. Army and Corps Staff Proponents. When an Army Staff or Corps staff proponent has been assigned to a function, the proponent is shown in parentheses after the description of the product or service. Paragraph 1-9 outlines the responsibilities of proponents. If a proponent is not shown and a question arises concerning that GFA, FOA should direct these inquiries to CDR USACE (CERM-MC) WASH DC 20314-1000. FOA will not alter or revise GFA definitions. Requests for changes and additions to GFA definitions will be forwarded to CDR USACE (CERM-MC) WASH DC 20314-1000.

C-4. Subfunction Codes and Descriptions.

a. Subfunction codes and descriptions listed after a general function description apply to specialized and separate in-house activities and contracts. They are not to be used to fragment an otherwise integrated activity or to contract by subfunctions. If there is more than one subfunction for a general description of work, the parent GFA will be used.

b. In-house activities that are physically or functionally separate will not be combined in the inventory because they will undergo CA study as part of a package of activities.

c. Multifunctional contracts will normally be one entry under the proper code that best describes the functions performed.

Section II. Description of Functions and
General Functional Area (GFA) Codes

C-5. USACE Civil Works (C-series codes).

a. C106 Operation of Recreational Areas. Includes activities that provide for operation of recreational sites at water resource development projects. Includes all labor performed by the recreation area work force to operate the recreation features of the project. Activities requiring interpretation of Government policy or enforcement of rules and regulations, i.e., CFR Title 36 citation authority, are excluded and will be included in Appendix B at a later date. (CECW-O)

(1) C106A Controlling Entry Gate

(2) C106B Visitor Center Attendant

(3) C106C Law Enforcement

(4) C106D Potable and Wastewater Monitoring

b. C108 Operation of USACE Floating Plant (both project and revolving fund owned). Includes the operation of USACE floating plant including direct and general maintenance support performed by operating personnel. Does not include vessels that are in the minimum fleet. The application of the CA Program to the minimum fleet is under review; guidance will be provided at a later date. (CECW-O)

c. C109 Fish and Hatcheries. Operation of fishery complexes including care and maintenance of spawning equipment, rearing tanks, and aquatic habitats necessary to artificially spawn and rear fish to releasable size fingerlings. (CECW-O)

d. C110 Maintenance and/or Repair of USACE Floating Plant (both project and revolving fund owned). Includes all maintenance of USACE floating plant authorized and performed by designated maintenance activities. The application of the CA Program to the minimum fleet is under review; guidance will be provided later. (CECW-O)

e. C111 Bank Stabilization. Includes restoration and repair of stream/river banks on navigable waterways and flood control channels. (CECW-O)

- (1) C111A Rip-Rap
- (2) C111B Excavation and Grading for Mats
- (3) C111C Mat Casting
- (4) C111D Mat Loading
- (5) C111E Mat Towing
- (6) C111F Mat Sinking (Laying)
- (7) C111G Other Structures

f. C112 Operation and Maintenance of Dams. Includes all operation and maintenance of dams. (CECW-O)

(1) C112A Government Function Portion of Dam Operations. Includes dam operations performed by persons currently having authority to make final decisions on the release of water from dams, such as the operation of spillway gates and other outlet works, for flood control or maintenance of a navigation pool. Operations requiring value judgments and discretionary application of Government authority are a Government function; see Appendix, paragraph B-2b.

(2) C112B Dam Operation. Includes all dam operations except those identified in C112A above.

(3) C112C Routine Maintenance of Dams. Includes routine maintenance of dams and associated structures such as spillways, embankments, outlet works, access roads, levees, pumping stations, and other structures.

(4) C112D Nonroutine Maintenance of Dams. This function is normally performed by contract,

g. C113 Studies Supporting Regulatory Functions. Includes low level aerial photography, satellite remote sensing for establishing the area of jurisdiction under Section 404 of the Clean Water Act and studies to determine the navigability of waterways under Section 10 of the 1899 River and Harbor Act. (CECW-O)

- (1) C113A Aerial Photography/Remote Sensing
- (2) C113B Navigability Studies

h. C114 Natural Resources Management. Includes activities which provide for the orderly protection, control, utilization and renewal of natural resources at water resource development projects, and for control of obnoxious vegetation in navigable waters, tributary streams, connecting channels and allied waters. Excludes activities requiring interpretation of Government policy and enforcement of rules and regulations, i.e., CFR Title 36 citation authority, which will be documented in Appendix B at a later date. (CECW-O)

(1) C114A Fish Protection and Conservation

(2) C114B Wildlife Conservation and Management (includes habitat)

(3) C114C Forest Management

(4) C114D Soils Management

i. C115 Operation and Maintenance of Locks and Bridges. Includes operations and maintenance activities associated with navigation lock structures, together with associated facilities and equipment. (CECW-O)

(1) C115A Enforcement of Laws, Rules, and Regulations at Locks on Critical Waterway Segments. Enforcement of laws, rules, and regulations on site at locks on critical waterway segments. This is a Governmental function requiring value of judgments and discretionary application of Government authority. See Appendix B, paragraph B-3a.

(2) C115B Enforcement of Laws, Rules, and Regulations at Locks on Noncritical Waterway Segments. Enforcement of laws, rules, and regulations on noncritical waterway segments. May be performed on or off-site. This is a Governmental function requiring value judgments and discretionary application of Government authority. See Appendix B, paragraph B-3a.

(3) C115C Operation of Locks on Critical Waterway Segments. Includes opening and closing the gates to permit transit of vessels and giving directions to vessel pilots transiting locks. On critical waterway segments operation is performed only in-house by Government employees; see Appendix B, paragraph B-2b.

(4) C115D Operation of Locks on Noncritical Waterway Segments. Includes opening and closing the gates to permit transit of vessels and giving directions to vessel pilots transiting locks. On noncritical waterway segments operation may be performed either in-house or, if enforcement is off-site, by contract.

(5) C115E Routine Maintenance at Locks in Critical Waterway Segments. Includes maintenance and repair of locks and surrounding areas, such as embankments, spillways, access roads, and other structures, in critical waterway segments.

(6) C115F Routine Maintenance at Locks in Noncritical Waterway Segments. Includes maintenance and repair of locks and surrounding areas, such as embankments, spillways, access roads, and other structures, in noncritical waterway segments.

(7) C115G Emergency Repair of All Locks. Includes the "emergency repair fleet" (consisting of people, equipment, and vessels) that is available to assure rapid deployment of adequate personnel and equipment to quickly reopen locks that are closed to navigation by emergencies. Between such emergencies, this fleet performs major repairs to navigation structures (such as locks and mooring dolphins).

(8) C115H Nonroutine Maintenance at All Locks. Includes nonroutine (that is, major) maintenance and repairs not performed by the "emergency repair fleet," such as painting tainter gates and placement of riprap.

(9) C115I Operation and Maintenance of Bridges. Includes operation and maintenance of movable bridge spans over navigable waterways necessary for the transit of vessels.

j. C116 Operation and Maintenance to Accommodate Open Water Navigation Exclusive of Dredging and Aquatic Plant Control. Includes all activities associated with maintenance of open waterways operated for the purpose of navigation. Excludes activities associated with dredging (C108) and aquatic plant control (S710). Maintenance of open waterways includes drift and debris removal, clearing and snagging operations, removal of wrecks, clearing and repair of river training or contracting works, etc. (CECW-O)

- (1) C116A Drift and Debris Removal
- (2) C116B Clearing and Snagging
- (3) C116C Removal of Wrecks
- (4) C116D Clearing and Repair of River Training and Contracting Works
- (5) C116E Vessel Traffic Advisory (Information/Command) System
- (6) C116F Others

k. C117 Operation and Maintenance of Jetties and Breakwaters. Includes activities associated with operation and maintenance (O&M) of project-related jetties and breakwaters for navigation purposes such as patching of cracks in concrete, repair of eroded sections including replacement of stone, ballast, foundation, and other component materials. (CECW-O)

1. C118 Operation and Maintenance of Hydropower Facilities. Includes all activities associated with the operation and maintenance (O&M) of hydropower facilities, such as hydroelectric generators, turbines, transformers, switchgear, conductors, insulators, control equipment, supervisory control and data acquisition systems, computers, spare parts, pumps, water supply systems, communication systems, oil systems, sewage systems, heating and air conditioning systems, and related structures (e.g., switchyards and intake facilities). (CECW-O)

(1) C118A Governmental Function Portion of Hydropower Operations. Includes hydropower operations performed by persons currently having authority to make final decisions on the release of water from dams, such as the operations of hydropower turbines, spillway gates and other outlet works, for flood control or maintenance of a navigation pool. Operations requiring value of judgments and discretionary application of Government authority are a Governmental function; see Appendix B, paragraph B-2b.

(2) C118B Other Hydropower Operation. Includes all hydropower operations except those identified in C118A above.

(3) C118C Routine Maintenance of Critical Hydropower Facilities. Includes repetitive preventive maintenance jobs normally performed by electricians, mechanics, operators, and helpers. Maintenance testing is also included.

(4) C118D Other Hydropower Maintenance. Includes all hydropower maintenance except that identified in C118C above.

m. C119 Operation and Maintenance of the Washington Aqueduct. Includes all operations and maintenance (O&M) performed at the Washington Aqueduct. (CECW-O)

(1) C119A Treatment and Distribution. Includes all O&M directly associated with the treatment and distribution of water to ensure an adequate and potable water supply to the Federal establishment in Washington, DC, Arlington County, the City of Falls, Church, VA, and other parts of Fairfax County. This is the Governmental function portion of this function and is excluded from CA cost comparison; see Appendix B, paragraph B-2c.

(2) C119B Other O&M. Includes all other O&M, including maintenance and repair of the grounds, lawnmowing, custodial services, painting, security and automotive maintenance.

n. C120 Production of Designs, Plans, Specifications and Drawings (PLANS & SPECS). Includes only the actual production of designs, plans, specifications and drawings (if this work is performed by contract, these services must be obtained using Brooks Act procurement methods). This GFA does not include work supporting the production of plans and specs such as the provision of data for the production of designs, plans, specifications and drawings; this work is covered under GFA's C123-C128. GFA C120 is not subject to A-76 cost comparison study due to a conflict with 10 U.S.C. 4540 (see Appendix B, paragraph B-3c). NOTE: This GFA does not include any Engineering Divisions' Government functions (see Appendix B, paragraph B-2a). (CEEC-E)

o. C121 Non A-E Professional Services. Includes professional services which do not require a licensed architect or engineer for performance of the work, even though such services may be performed by a licensed A-E as well as an entity not so licensed. Includes professional services, such as those provided by archaeologists, biologists, economists, accountants, auditors, etc. The

decision process is underway to define the relationship of the planning process to the CA Program.
(CECW-O/CERM-F/CEAO)

p. C122 Technical Review of In-house and/or Contractor's Designs, Plans, Specifications and Drawings (TECH REVIEW). Includes the actual technical review of work performed by both in-house and contractor employees. This GFA does not include any Engineering Divisions' Government functions (see Appendix B, paragraph B-2a). This GFA is not subject to A-76 cost comparison study due to its inseparability from Engineering's Government functions and GFA C120, and has been identified as excepted from the CA Program (see Appendix B, paragraph B-3b). (CEEC-E)

q. C123 Hydraulic and Hydrologic Field Investigations and Data Collection Services (H&H DATA). Includes activities associated with field exploratory and investigative work (i.e., installation, maintenance, calibration, operation and data transmission of wave, stream and tide gages, current meters, sediment samplers and conductivity probes; collecting water, core and grab samples; performance of seismic subbottom profiles; weather measurements and observations; salinity determinations; data collection by aerial photography and remote sensing; collection of high water data and other similar technical services) in support of hydraulic and hydrologic engineering. NOTE: Excludes all Engineering Divisions' Government functions (see Appendix B, paragraph B-2a). (CEEC-E)

r. C124 Subsurface Exploration Services (DRILLING). Includes activities associated with field explorations (i.e., core drilling, soil sampling, and other forms of subsurface explorations) in support of geotechnical engineering. Does not include geologic interpretations which should be included under GFA C128. NOTE: Excludes all Engineering Divisions' Government functions (see Appendix B, paragraph B-2a). (CEEC-E)

s. C125 Surveying and Mapping Services (SURVEYING). Includes measuring and locating natural and man-made physical features, phenomena and legal boundaries of the earth and preparing maps, charts, drawings or other graphical or digital presentations. These may be further classified as topographic, hydrographic, boundary/cadastral, geodetic, control, precise, photogrammetry, cartographic, mapping, and charting. If this work is performed by contract, these services must be obtained using Brooks Act

procurement methods. This GFA does not include engineering drafting, which is included in GFA C126. This GFA does not include any Engineering Divisions' Government functions (see Appendix B, paragraph B-2a). NOTE: All USACE surveying and mapping must be reported under this GFA. (CEEC-E)

t. C126 Drafting Services (DRAFTING). Includes drafting services in support of architectural and engineering design. Those preparing drawings which are part of plans and specifications should be reported under GFA C120 as they are not subject to A-76 cost comparison study due to a conflict with 10 U.S.C. 4540. Those performing drafting services which are an integral part of other A-E services should be reported under GFA C128 if necessary to avoid potential personal services contracts. This GFA does not include graphic services and/or map and chart making (see GFAs T807 and C125). NOTE: This GFA does not include any Engineering Divisions' Government functions (see Appendix B, paragraph B-2a). (CEEC-E)

u. C127 Laboratory Materials Testing Services (TESTING). Includes those activities associated with geotechnical, concrete and miscellaneous materials testing services and water quality analysis in support of project investigation, design, construction (including quality assurance testing), operation and maintenance. If this work is performed by contract, some of these services must be obtained using Brooks Act procurement methods. NOTE: This GFA does not include any Engineering Divisions' Government functions (see Appendix B, paragraph B-2a). (CEEC-E).

v. C128 Other Professional Architectural-Engineering Services (OTHER A-E). Includes those professional services of an architectural or engineering nature as well as incidental support services (other than those included in GFAs C120 and C122-C127) that members of these professions and those in their employ may logically or justifiably perform. This also includes those engineering items that are not considered part of the actual production of designs, plans, specifications and drawings (C120). These are as follows: geological reports and exploration interpretations; feasibility studies and other investigations; preparation of as-built drawings for rehabilitation work, design development criteria, and general and feature design memoranda; consultant services where not specifically applied to preparation of working drawings or specifications; Title II services; and models, renderings or photographs of completed designs. This also includes the preparation of project cost estimates to

support the programming and budgeting process and the preparation of cost estimates (of fair and reasonable costs to the contractor) for the evaluation of construction contract bids. If this work is performed by contract, these services must be obtained using Brooks Act procurement methods. NOTE: This GFA does not include planners, archaeologists, biologists, economists, or others involved in the planning process; the decision process is underway to define the relationship of the planning process to the CA Program. This GFA also does not include any Engineering Divisions' Government functions (see Appendix B, paragraph B-2a). (CEEC-E)

w. C200 Real Estate Acquisitions. Includes development of title evidence after approval of real estate design memoranda of planning reports and title closings approved by HQUSACE/OCE. Excludes negotiation, preparation of condemnation assemblies, acceptance or rejection of counteroffers and offers of settlement in court cases. (CERE-A)

x. C201 Employee Relocation Assistance Program. Includes (1) home sales services consisting of employee contact, description of services, title search, residential appraisals, market assistance, purchase, equity advance and settlement; (2) home finding assistance consisting of rental assistance, buying assistance, and mortgage counseling; and (3) related services consisting of various reporting requirements. Excludes contract administration, claims, and appeals. (CERE-R)

y. C202 Real Estate Appraisal. Includes routine project appraisal. Excludes most planning, gross appraisals, review and approval/disapproval of appraisal reports. (CERE-E)

z. C999 Other. Includes functions not covered by any other code in the C series. Cartographic services performed in support of real estate functions should be reported under C125. (CERE-Z)

C-6. Health Services (H-series codes). The Surgeon General (TSG) is the Army Staff proponent for all health service functions. The following codes describe contractible health service functions.

a. H115 Clinics and Dispensaries. Operation of free-standing clinics and dispensaries which provide health care services. Operations are relatively independent of a

medical treatment facility and are separable for in-house or contract performance. Includes health clinics, occupational health clinics, and occupational health nursing offices.

b. H117 Medical Records Transcription. Transcription services and maintenance of medical records.

c. H118 Nursing Services. Care and treatment for inpatients and outpatients not required to be performed by a doctor.

d. H119 Preventive Medicine. Prevention clinics, information centers and research laboratories.

e. H120 Occupational Health. Monitoring and inspection of installation safety conditions.

f. H121 Drug Rehabilitation. Operation of alcohol treatment facilities, urine testing for drug content, and drug/alcohol counseling centers.

g. H999 Other Health Services. Health services available from commercial sources that are not described in the H-series codes above.

C-7. Minor Maintenance of Equipment (J-series codes). Minor maintenance functions performed by designated maintenance activities or maintenance contracts in support of using activities. These functions are normally limited to replacement and overhaul of unserviceable parts, subassemblies, or assemblies. NOTE: Maintenance of lock, dam and hydropower equipment should be reported under the appropriate GFA code in the C series.

a. J507 Electronic and Communications Equipment. Stationary, mobile, portable, and other electronic, communication audiovisual equipment. Excludes electronic and communications equipment that is part of another support system. Maintenance of automated data processing equipment (ADPE) that is not part of a communications system is reported under GFA W825. (DSCLOG)

b. J999 Other Equipment. Maintenance or repair of equipment not listed under the J-series codes above. Functions reported under this code include maintenance or repair of construction equipment (DCSLOG) and maintenance of communications security equipment (DCSOPS).

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C-8. RDT&E (R-series codes).

a. R-660 RDT&E Support. Support of installations or operations required for RDT&E use not reported under other codes. Maintenance support of laboratories. Operation and maintenance of test ranges. Maintenance of test aircraft and ships. NOTE: All support of laboratories and support to R&D work in the USACE must be reported here. (DCSRADA)

C-9. Installation Services (S-series codes).

a. S700 Natural Resource Services. Implementation of natural resource management plans for fish, game, wildlife, forestry, watershed ares, or ground water table, erosion control, and mineral deposit management. (DAEN-ZCF)

b. S701 Advertising and Public Relations. Advertising and public relations in support of public affairs offices, installation/FOA newspapers and publications, and information offices. (ACSIM)

c. S702 Financial and Payroll Services. Preparation of payroll, check printing, maintenance of escrow and payroll accounts. Includes other banking operations. See Appendix B, paragraph B-2d for excluded Governmental functions in this area. (USAFAC)

d. S703 Debt Collection. Monitor, record, and collect debts incurred by overdrafts, bad checks, or delinquent accounts. See Appendix B, paragraph B-2d for excluded Governmental functions in this area. (USAFAC)

e. S709 Custodial Services. Janitorial and housekeeping services to maintain safe and sanitary conditions and preserve property. (DAEN-ZCF)

f. S710 Pest Management. Control measures against fungi, insects, rodents, and other pests. (DAEN-ZCF)

g. S712 Refuse Collection and Disposal Services. Operation of incinerators, sanitary fills, and regulated dumps. Performance of all other approved refuse collection and disposal services. (DAEN-ZCF)

h. S713 Food Services. Operation and administration of food preparation and serving facilities. Excludes operation of central bakeries, pastry kitchens, and central meat processing facilities reported under code X934 and hospital food service operations reported under code H105. (DCSLOG)

i. S714 Furniture. Repair and refurbishing of furniture. (DCSLOG)

j. S715 Office Equipment. Maintenance and repair of typewriters, calculators, and adding machines. (DCSLOG)

k. S716 Motor Vehicle Operation. Operation of local administrative motor transportation services. Organizational maintenance functions not reported under code S717 performed in integrated transportation motor pool operations. Installation bus services reported under code S706 are excluded. (DCSLOG)

- (1) S716A Taxi Service.
- (2) S716B Bus Service (unless in S706).
- (3) S716C Motor Pool Operation.
- (4) S716D Crane Operation (including rigging).
- (5) S716E Heavy Truck Operation.
- (6) S716F Construction Equipment Operation.
- (7) S716I Driver or Operator Licensing and Testing.
- (8) S716J Other Vehicle Operations (light truck and auto).
- (9) S716K Fuel Truck Operations.
- (10) S716M Tow Truck Operations.

l. S717 Motor Vehicle Maintenance. Maintenance of automotive equipment, such as support and administrative vehicles. Maintenance of electronic and communications equipment that is part of the vehicle. Excludes organizational maintenance in transportation motor pool operations reported under code S716 and higher level maintenance reported under J-series codes. (DCSLOG)

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- (1) S717A Upholstery Maintenance and Repair.
- (2) S717B Glass Replacement and Window Repair.
- (3) S717C Body Repair and Painting.
- (4) S717D Accessory Overhaul.
- (5) S717E General Repairs and Minor Maintenance.
- (6) S717F Battery Maintenance and Repair.
- (7) S717G Tire Maintenance and Repair.
- (8) S717H Major Component Overhaul.
- (9) S717I Material Handling Equipment Maintenance.
- (10) S717J Crane Maintenance.
- (11) S717K Construction Equipment Maintenance.
- (12) S717L Frame and Wheel Alignment.
- (13) S717M Other Motor Vehicle Maintenance.

m. S718 Fire Prevention and Protection. Fire protection and fire prevention services. Routine maintenance and repair of fire equipment. Installation of fire prevention equipment. (DAEN-ZCF)

- (1) S718A Fire Protection Engineering.
- (2) S718B Fire Station Administration.
- (3) S718C Fire Prevention.
- (4) S718D Fire Station Operations.
- (5) S718E Crash and Rescue.
- (6) S718F Structural Fire Suppression.
- (7) S718G Fire, Crash and Rescue Equipment Major Maintenance.
- (8) S718H Other Fire Prevention and Protection.

n. S724 Guard Service. Physical security operations that protect installations/FOA. Security and in-transit protection of military property from loss or damage. Excludes the following functions below that are exempt from cost comparison study because of national security or because of statutory restrictions: security of nuclear weapons; security of chemical weapons in GOGO facilities; confinement and correction of military prisoners; Provost Marshal or Security Officer and staff, law enforcement patrol; military police desk operations; absentee and deserter apprehension; police working dog program; civil liaison; physical security evaluation and inspection; crime prevention; crisis intervention; and investigations. (DCSPER)

(1) S724A Ingress and Egress Control. Regulation of persons, material, and vehicles entering or exiting a designated area to provide protection of the installation/FOA and Government property.

(2) S724B Physical Security Patrols and Posts. Mobile and static physical security guard activities that provide protection of an installation/FOA or Government property.

(3) S724E Visitor Information Services. Providing information to installation/FOA residents and visitors about street, agency, unit, and activity locations.

(4) S724S Other Guard Service.

o. S725 Electrical Plants and Systems. Operation, maintenance, and repair of Government-owned electrical plants and systems. (DAEN-ZCF)

p. S726 Heating Plants and Systems. Operation, maintenance, and repair of Government-owned heating plants and systems over 750,000 British thermal unit (BTU) capacity. Code S730, Z991, or Z992 will be used for systems under 750,000 BTU capacity. (DAEN-ZCF)

q. S727 Water Plants and Systems. Operation, maintenance, and repair of Government-owned water plants and systems. (DAEN-ZCF)

r. S728 Sewage and Waste Plants and Systems. Operation, maintenance, and repair of Government-owned sewage and waste plants and systems. (DAEN-ZCF)

s. S729 Air Conditioning and Refrigeration Plants. Operation, maintenance, and repair of Government-owned air conditioning and refrigeration plants over 5-ton capacity. Code S730, Z991, or Z992 will be used for plants under 5-ton capacity. (DAEN-ZCF)

t. S730 Other Utilities. Operation, maintenance, and repair of other Government-owned utilities. (DAEN-ZCF)

u. S732 Warehousing and Distribution of Publications. Receipt, storage, and distribution of publications and blank forms.

v. S999 Other Installation/FOA Services. Installation/FOA services not described in S-series codes above. (DCSLOG)

C-12. Other Nonmanufacturing Operations (T-series codes).

a. T801 Storage and Warehousing. Receipt of materiel into depots and other storage and warehousing facilities. Care of supplies in storage. Issue and shipment of materiel. (DCSLOG)

(1) T801A Receipt. Receipt of supplies and related documentation and information. Materiel handling. Materials segregation. Checking and tallying.

(2) T801C Shipping. Delivery of stocks withdrawn from storage to shipping. Onloading and offloading of stocks from transportation carriers. Blocking, bracing, dunnage, checking, tallying, and materiel-handling in central shipping area. Related documentation and information operations.

(3) T801D Storage Operations. Includes activities that provide for the design and layout of warehouses; the economical use of storage space; the configuration of storage functions for maximum economy and efficiency; the assignment of locations commensurate with levels of protection and types of materiel; the stowage of stocks into assigned locations; the establishment and maintenance of stock locator files; the maintenance of security and access controls; the protection of stocks in storage, to include temperature and humidity controls; the establishment and maintenance of special storage facilities for hazardous, flammable, explosive, sensitive, classified, and other designated stocks; the receipt, storage, protection, maintenance, and issue of war reserve, emergency, or

contingency stocks for deployment/deployed forces; the performance of assembly operations for sets and kits; the use of maintenance of storage aids; the conduct of location surveys, physical inventories, and the performance of research into losses and adjustments; rewarehousing and stock relocations; care of stocks; quality assurance surveillance and inspections; monitoring of shelf life items; assignment of condition codes; operation and maintenance of materiel-handling equipment; the direction of intradepot transportation resources; the movement of reparable to maintenance; and the performance of storage operations subfunctions that are not clearly identified as part of the foregoing.

(4) T801E Preservation and Packaging. Preservation, represervation, and packaging of materiel to be placed in storage or to be shipped. Excludes application of final (exterior) shipping containers.

(5) T801F Unit and Set Assembly and Disassembly. Gathering and assembly of items into sets or end items to permit shipment under a single document. Blocking, bracing, and packing preparations within the inner shipping container. Physical handling and loading of units. Reverse operation of disassembling units.

(6) T801G Special Processing of Nonstock Fund Owned Materiel. Special processing of inventory control point (ICP) controlled, nonstock fund-owned materiel by technically qualified depot maintenance personnel, using regular or special maintenance tools or equipment. Disassembly or reassembly of reservicable ICP-controlled materiel being readied for movement or storage. Blocking, bracing, cushioning, and packing.

(7) T801H Packing and Crating. Placing supplies in their final, exterior containers ready for shipment. Nailing, strapping, sealing, stapling, masking, marking and weighing of the exterior container. Physical handling, unloading, and loading of materiel within the packing and shipping area. Checking and tallying materiel in and out. Packing, repacking, or recrating for shipment, including on-line fabrication of tailored boxes, crates, bit inserts, blocking, bracing and cushioning shrouding, overpacking, containerization, and the packing of materiel in transportation containers.

(8) T801I Other Storage and Warehousing.

b. T805 Operation of Bulk Liquid Storage. Operation of bulk petroleum storage facilities, including operation of off-vessel discharging and loading facilities and fixed and portable bulk storage facilities. Operation of pipelines, pumps, and other equipment within or between storage facilities or extended to using agencies. Handling of drums within bulk fuel activities. Excludes aircraft fueling services reported under code T814. (DCSLOG)

c. T806 Printing and Reproduction. Printing, duplicating, and copying. Excludes user-operated office copying equipment. (ACSIM)

d. T807 Visual Information (VI) Services. Operation of activities to provide VI services. Includes still and motion picture photography, television (videography), audio, graphic art, VI libraries, VI technical documentation, VI production, VI distribution activities, and VI records centers. Included is the organizational maintenance for each of the functions. Also included is the operation and maintenance of VI equipment not reported under codes J517 or T900. (ACSIM) NOTE: The term "audiovisual" has been replaced by the term "visual information" with the implementation of the revised DOD 5040.2, Visual Information Activities. GFA codes T807I and J have been consolidated into T807G; T807H has been split into T807N and O to separate VI distribution functions from VI records center functions; T807K has been eliminated.

(1) T807A Still Photography. Originating, processing, and reproducing transparencies and prints. Excludes technical documentation reported under code T807L.

(2) T807B Motion Photography. Originating, processing, and reproducing motion picture footage. Excludes technical documentation reported under code T807L and VI production reported under code T807M.

(3) T807C Television (videography). Originating, recording, and reproducing videography and video materials; closed-circuit television and television broadcast transmission, and playback of audio and video information; operation of master antenna systems, cable systems, or community antenna systems; and videoteleconferencing terminal systems. Excludes technical documentation reported under code T807L and VI production reported under code T807M.

(4) T807D Audio. Originating, recording and reproducing audio recordings; providing recording and sound reinforcement services; and radio broadcast and carrier current radio transmission services.

(5) T807E Graphic Art. Originating and reproducing small and large art for direct viewing, projection, or publication.

(6) T807G Visual Information Libraries. Acquisition; storage; reference service; loan; and receipt of VI equipment and VI products (such as audio and video tapes and discs, films, and multimedia packages) at the installation or limited geographical area level. Also includes VI presentation support (operation of VI equipment and systems) and VI instruction and training in the application and operation of VI equipment and products.

(7) T807L Visual Information Technical Documentation. Originating, processing, recording, reproducing, and duplicating still and motion picture photography, and videography materials for instrumentation, time-lapse, high-speed, and oscilloscope recordings, evaluation, and measurement. Excludes VI production reported under code T807M.

(8) T807M Visual Information Production. Combining or arranging VI products in continuity according to a plan or script. The end item is a VI production product made to the specification of the requester.

(9) T807N Visual Information Distribution Activities. Central storage, issue, receipt, and accountability maintenance operations for VI products.

(10) T807O Visual Information Records Centers. Central records center operations for the storage, receipt, issue, and reference services for VI products and related records.

e. T809 Administrative Telephone Service. Operation and maintenance of common-user administrative telephone systems at DOD installations and activities. Includes telephone operator services, range communications, emergency action consoles. Also includes the cable distribution portion of fire alarm, intrusion detection, emergency monitoring and control, data, and similar systems that require use of a telephone system outside plant.
(ACSIM)

f. T810 Air Transportation Services. Operation and maintenance of nontactical aircraft assigned to commands and installations for administrative movement of personnel and supplies. (DCSLOG)

g. T811 Water Transportation Services. Operation and maintenance of nontactical watercraft assigned to commands and installations for administrative movement of personnel and supplies. (DCSLOG)

(1) T811A Water Transportation Services. Code T811 functions that do not include tug operations.

(2) T811B Tug Operations. Code T811 functions that include only tug operations.

h. T816 Telecommunication Centers. Operation and maintenance of telecommunications centers, remote terminals, automatic message distribution systems, technical control facilities, and other systems of the communication center. Includes operation and maintenance of air traffic control equipment and facilities. (ACSIM)

i. T817 Other Communications and Electronics Systems. Operation and maintenance of communications and electronics systems not reported under codes T809 and T816. (ACSIM)

j. T819 Preparation and Disposal of Excess and Surplus Property. Acceptance, classification, and disposal of surplus Government property including scrap metal. (DCSLOG)

k. T820 Administrative Support Services. Centralized administrative support services not specifically included in another code. Services are provided to multiple activities of an organization or to multiple organizations, such as a steno or typing pool, rather than a secretary working for an individual. Includes word processing centers, reference and technical libraries, publications distribution centers, microfilming, messenger services, and translation services. Also, records management operations are included, but the managerial portion of the records management function is excluded as a Governmental function. (ACSIM)

- (1) T820A Word Processing Centers.
- (2) T820B Reference and Technical Libraries.
- (3) T820C Microfilming.
- (4) T820D Internal Mail and Messenger Service.
- (5) T820E Translation Services.
- (6) T820F Publications Distribution Centers.
- (7) T820G Field Printing and Publication. Includes printing and reproduction of official publications, regulations, and orders. Includes management and operation of the printing facility.
- (8) T820H Compliance Auditing.
- (9) T820I Court Reporting.
1. T999 Other Nonmanufacturing Operations. All other nonmanufacturing operations. Functions reported under this code include inspection of materiel in storage. (DCSLOG)

C-13. Education and Training (U-series codes). These codes include the conduct of courses of instruction attended by DOD civilian or military personnel. Codes for military training follow the definitions of the annual military manpower training report to Congress. The U-series codes include only course of instruction; they do not include education and training support functions reported under S-series and T-series codes. A course is any separately identified instructional unit listed in a formal school or course catalog. Recruit training, officer acquisition training, education officers, and education counselors are excluded from the CA Program as Governmental functions.

a. U300 Specialized Skill Training. Skill training programs (or separable parts) that are purely technical in nature such as welding, computer repair, and electronic repair. Combat-unique and combat-related skill training instruction programs are excluded from the CA Program as Governmental functions. Skill training programs that require military subject matter experts and the infusion of military expertise and experience such as one-station unit training, ranger training, and military related or military required aspects of health care training are also excluded as Governmental functions. (DCSOPS)

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b. U500 Professional Development Education. All training categorized as professional development education. (DCSOPS)

c. U520 Graduate Education (fully funded, full time). Graduate education on Government or private educational institutions (where the student attends) on a full-time, fully funded basis. (DCSPER)

d. U530 Other Full-time Education Programs. All other full-time education services. (DCSPER/DCSOPS)

e. U800 Training Development and Support. Training developments (Tds) support functions involving producing, warehousing, and distribution of training materials. Excludes functions requiring military subject matter experts and the infusion of military expertise, experience, and functions reported in T807. (DCSOPS)

f. U999 Other Training Functions. All other training functions not described under the U-series codes above. Excludes functions reported in S and T series codes.

C-14. Automated Data Processing. ACSIM is the DA staff proponent for all automated data processing functions.

a. W824 Data Processing Services. Government or contract operation of Government-owned or leased ADP equipment. Participation in Government-wide ADP sharing program. Time-sharing processing services (machine time) procured from commercial sources. Data processing services performed by general-purpose ADP and peripheral equipment.

(1) W824A Operation of ADP Equipment.

(2) W824B Production Control and Customer Services.

(3) W824C ADP Magnetic Media Library.

(4) W824D Data Transcription and Data Entry Services.

(5) W824E Transmission and Teleprocessing Equipment Services.

(6) W824F Acceptance Testing and Recovery Systems.

(7) W824G Punch Card Processing Services.

(8) W824H Other ADP Operations and Support.

b. W825 Maintenance of ADP Equipment. Maintenance and repair of all Government-owned ADP equipment and peripheral equipment.

c. W826 Systems Design, Development, and Programming Services. All software services associated with nontactical ADP operation.

(1) W826A Development and Maintenance of Applications Software.

(2) W826B Development and Maintenance of Systems Software.

d. W827 Software Services for Tactical Computers, TMDE, and ATE. Software services associated with tactical computers and TMDE and ATE hardware.

e. W999 Other Automatic Data Processing Functions. All other ADP functions not described under the W-series codes above.

C-15. Products Manufactured or Fabricated in Government-Owned Facilities (X-series codes). These codes cover in-house activities and contracts that manufacture or fabricate products in Government-owned facilities. The codes are assigned on the basis of the predominant product produced.

a. X937 Logging and Lumber Products. Logging and sawmill operations. (DAEN-ZCF)

b. X939 Construction Products. Operation of quarries and pits including crushing and mixing. Concrete and asphalt batching plants. (DAEN-ZCF)

c. X999 Other Products Manufactured or Fabricated in Government-owned Facilities. All other functions involved in the production of goods in Government-owned facilities not described under the X-series codes above. (DAEN-ZCF)

C-16. Maintenance, Repair, Alteration, and Minor Construction of Real Property (Z-series codes). DAEN-ZCF is the Army staff proponent for all Z-series codes.

a. Z991 Buildings and Structures - Family Housing. Structural features; exterior and interior painting and glazing; roofing, interior plumbing; interior electric; interior heating equipment, including heat sources under

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750,000 BTU capacity; installed food service and related equipment; air conditioning and refrigeration under 5-ton capacity; elevators; and other equipment affixed as part of the building and not reported under other functional codes. Fencing, flag poles, guard and watch towers, grease racks, unattached loading ramps, training facilities other than buildings, monuments, grandstands and bleachers, elevated garbage racks and other miscellaneous structures.

- (1) Z991A Rehabilitation-Tenant Change.
- (2) Z991B Roofing.
- (3) Z991C Glazing.
- (4) Z991D Tiling.
- (5) Z991E Exterior Painting.
- (6) Z991F Interior Painting.
- (7) Z991G Flooring.
- (8) Z991H Screens, Blinds, etc.
- (9) Z991I Appliance Repair.
- (10) Z991J Electrical Repair. Includes elevators and escalators.
- (11) Z991K Plumbing.
- (12) Z991L Heating Maintenance.
- (13) Z991M Air Conditioning Maintenance.
- (14) Z991N Emergency and Service Work.
- (15) Z991T Other Work.

b. Z992 Building and Structures Other Than Family Housing. Maintenance, repair, alteration, and minor construction of real property other than family housing. See code Z991.

- (1) Z992A Rehabilitation-Tenant Change.
- (2) Z992B Roofing.
- (3) Z992C Glazing.
- (4) Z992D Tiling.
- (5) Z992E Exterior Painting.
- (6) Z992F Interior Painting.
- (7) Z992G Flooring.
- (8) Z992H Screens, Blinds, etc.
- (9) Z992I Appliance Repair.
- (10) Z992J Electrical Repair.
- (11) Z992K Plumbing.
- (12) Z992L Heating Maintenance.
- (13) Z992M Air Conditioning Maintenance.
- (14) Z992N Emergency and Service Work.
- (15) Z992T Other Work.

c. Z993 Grounds and Surfaced Areas. Maintenance, repair, and alteration of grounds and surfaced areas defined in codes Z993A, B, and C below.

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

(2) Z993B Grounds (Other Than Improved). Small arms ranges, antenna fields, drop zones, and fire breaks. Also grounds such as wild life conservation areas, maneuver areas, artillery ranges, safety and security zones, desert, swamps, forests, and similar areas.

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(3) Z993C Surfaced Areas. Airfield pavement, roads, walks, parking and open storage areas, traffic signs and markings, storm sewers, culverts, ditches, and bridges. Includes street and airfield sweeping and snow and ice removal.

d. Z997 Railroad Facilities. Narrow and standard gauge two-rail tracks including spurs, sidings, yard, turnouts, frogs, switches, ties, ballast, and roadbeds, with accessories and appurtenances; drainage facilities; and trestles.

e. Z998 Waterways and Waterfront Facilities. Approaches, turning basins, berth areas and maintenance dredging, wharves, piers, docks, ferry racks, transfer bridges, quays, bulkheads, marine railway dolphins, mooring buoys, seawalls, breakwaters, causeways, jetties, revetments, etc. Excludes waterways maintained by the Army COE rivers and harbors programs. Also excludes buildings, grounds, railroads, and surfaced areas located on waterfront facilities.

f. Z999 Other Maintenance, Repair, Alteration, and Minor Construction of Real Property. All other maintenance, repair, alteration, and minor construction of real property.

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Contract Type	Application	Advantages to Government	Disadvantages to Government	Advantages to Contractor	Disadvantages to Contractor
Firm Fixed-Price	When fair and reasonable price can be established at the outset. For example, when there are reasonably definite design or performance specifications, realistic estimates, adequate competition, valid cost or pricing data providing reasonable price comparisons, and/or reasonable allocation of risks.	Shifts total risk to contractor. Minimum administration. Simplifies budgeting. Some degree of price competition. Uniformity for bid evaluation. Contractor responsible for management. Well-defined work statement and specifications.	Resolution of design problems. Price must contain contingencies. No in-process control of work. Less visibility of cost data. Complete formality for changes.	Potential for higher profit. Minimum government control. Well-defined specifications, better cost estimates. Less financial audit.	Total assumption of financial and technical risks. Risk of less liability for work in process. Requires vigilance to institute change to claims. Government does not accept cost contingencies.
Fixed-Price with Escalation	When market or labor conditions are unstable over extended production period. When contingencies must be identified and covered separately by escalation.	May result in downward adjustments. Contractor responsible for management.	Increased administrative costs. Poor choice of index distorts.	Spreads risk.	Contains absolute ceiling. Poor choice of index distorts. Escalation limited to industry-wide contingencies. Contingencies with contractor control excluded. Price ceiling. Detailed accounting records. Government verification of costs. Complex negotiations. Government tends to treat as cost-type contract controls, cost principles, and so forth.
Fixed-Price Incentive (Cost Only)	When cost uncertainties exist and there is the possibility of cost reduction and/or performance improvements by giving contractor (a) a degree of cost responsibility and (b) a positive profit incentive.	Spreads risk. Less reason for contingencies in price. Encourages efficiency. Contractor responsible for management. No ceiling on incentive for efficiency.	No ceiling on profit. Increased administrative costs. Must budget to ceiling price. Minimum control of work in process. Complex negotiations. Precludes technical direction. Limits technical innovation.	Potential for higher profit for higher risks. Rewards good management. Less government control.	Price ceiling. Detailed accounting records. Government verification of costs. Complex negotiations. Government tends to treat as cost-type contract controls, cost principles, and so forth.

Table 3-1
Types of Contracts

Contract Type	Application	Advantages to Government	Disadvantages to Government	Advantages to Contractor	Disadvantages to Contractor
Fixed-price Multiple-Incentive	When improved performance desired.	Motivates contractor to surpass performance targets.	Complex administration. May increase costs. Unbalanced incentives may result in undesirable tradeoffs. Contract must be specific.	Spreads cost and profit risk.	Incentive measurements may be inaccurate. Delays in profit determination. Changes difficult to administer.
Fixed-price Redeterminable	For quantity production. When realistic price can be negotiated initially but not for later period(s) of performance.	High possibility of downward adjustment.	Little motivation for cost reduction. Prompt price redetermination required. Prospective pricing period must conform to contractor's system. Not used until after negotiation of firm fixed price not satisfactory.	Reduces risk.	May include absolute ceiling. More detailed accounting records. Government verification of accounting records. High possibility of downward adjustment.
Cost	When performance is uncertain and reasonable cost estimates impossible.	No fee.	No motive to reduce cost. Government partially responsible for management.	Minimum risk.	No fee.
Cost Sharing	When development of research projects is jointly sponsored by Government and contractor and there is a high probability of commercial benefit.	No fee. Bears only portion of cost. Motivates for cost reduction.	Limited to certain R&D cases. Limits competition. Must show conclusive evidence of probability of commercial benefit.	Government participation in commercial development.	Cost share may be excessive.

Table 3-1
Types of Contracts -
Continued

Contract Type	Application	Advantages to Government	Disadvantages to Government	Advantages to Contractor	Disadvantages to Contractor
Cost-Plus Incentive Fee	For development and test when incentive formula can provide incentive for effective management. When feasible, performance incentives used together with cost and schedule incentives.	Shared risk. Motivates for cost effectiveness through bonus-penalty arrangement. Shares in-process control of work. Limited price contingencies. Cost visibility.	Overrun costs. High administrative costs. Complex negotiations. High risks. Reduced opportunity to manage.	Limited risk. Possibility of increased fee. Assures recovering costs. Rewards good management.	Reduced fee because of reduced risks. Absolute limit on fee. Disallowance of certain normal business costs. Government engagement. Complexity of negotiations.
Cost-Plus Multiple-Incentive Fee	When performance objectives are determined and development is probable. Appropriate for major systems development.	Estimates relative value of cost, performance, and schedule. Motivates for superior performance since achievement.	Unbalanced incentive may result in undesirable tradeoffs. Complex administration.	Spread cost and profit risk. Incentive tradeoff decisions.	Incentive measurement may be inaccurate. Delays in profit determination. Changes difficult to administer.
Cost-Plus Fixed-Fee	When performance is uncertain and accurate cost estimates are impossible. For research or other development effort, when the task or job can be clearly defined, a definite goal or target expressed, and a specific end product required.	Control of delivery schedule. Ease of governmental reduction of effort. Maximum control of work. Emphasizes performance objectives.	Low motivation for cost efficiency. High risk. Not for development of major weapons once exploration indicates engineering development feasible. Maximum administrative burden. Funding uncertainties. Settlement of final fee.	Low cost and technical risk. Risk of loss of Government property borne by Government.	Maximum Government controls and reporting. Disallowance of certain normal business costs. Lower fees because of lower risks.

Table 3-1
Types of Contracts -
Continued

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In-house staffing estimate of activity under study (range)	Contract administration staffing requirement in full-time equivalents (FTEs)
11-20	1
21-42	2
43-65	3
66-91	4
92-119	5
120-150	6
151-184	7
185-222	8
223-265	9
266-312	10
313-367	11
368-429	12
430-500	13
501-583	14
584-682	15
683-800	16
Above 800	*

*Use 2 percent of the in-house staffing estimate to
compute contract administration staffing requirements.

Table 3-2
Contract Administration Factors

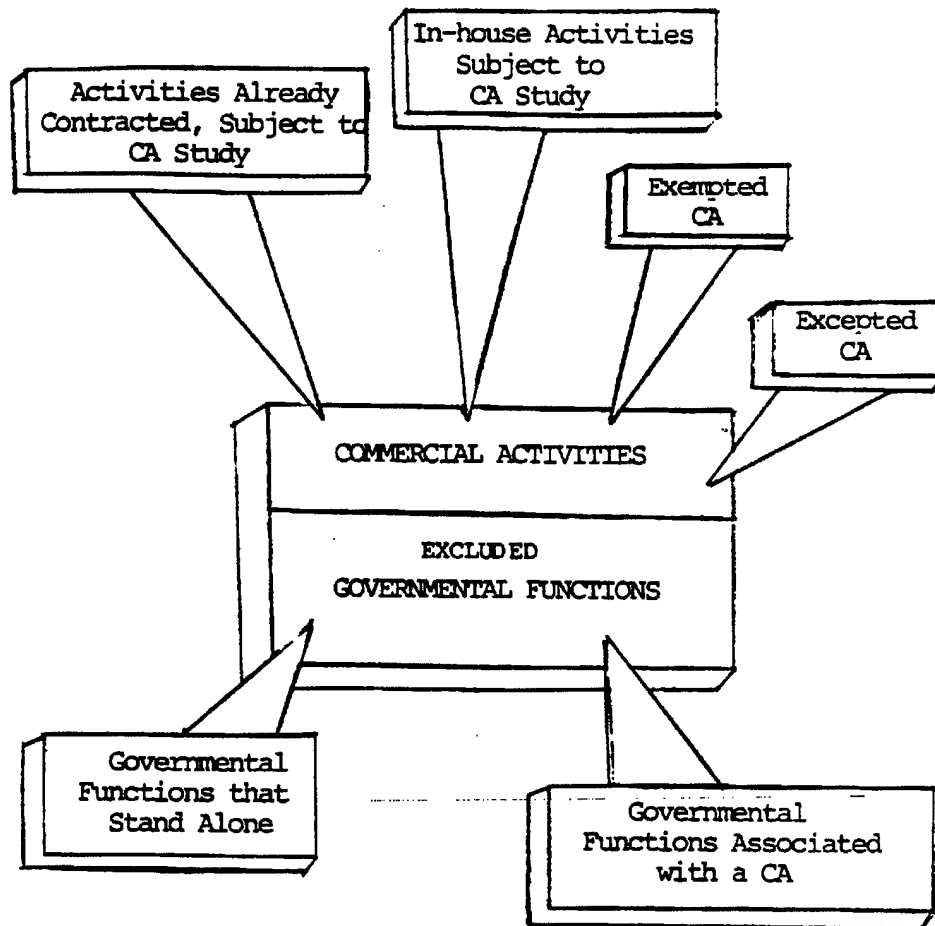


Figure 2-1
Relationship of Governmental Functions
and Commercial Activities

(Letterhead required)

SUBJECT: Commercial Activities Proposed Action Summary (RCS
CSCOA-112)

1. BASIC INFORMATION.

a. Study Title and Location. For multiple locations, give number of personnel spaces and full-time equivalents (FTE) at each location, e.g., Silver City, NV (8 spaces, 6.5 FTE). Do not use acronyms or titles that cannot be understood by the general public. Include the FOA(s) responsible for the activities to be studied if more than one FOA is involved. If only one general functional area (GFA) code is included, the study title should correspond to the name of that GFA from Appendix C of ER 5-1-3.

b. Functions Included in Proposed CA Study. List GFA codes and their titles from Appendix C for all functions included in the study, using only the principal GFA when more than one sub-GFA (i.e., GFA with a letter) is used. Provide a specific descriptive function title if "other" codes are listed. Include titles of all organizational segments down to the lowest level.

c. Explanation of Current Operation. Discuss the mission and population served by the activities to be studied, including support provided to other Army activities, DOD components, and Federal agencies. Explain how the activities are organized and how they operate.

d. Personnel Staffing Information. For each office symbol, list the CURRENT AUTHORIZED STAFFING (spaces) by category and funding source (civil works or DOD, as indicated by the applicable Army Management Structure Code (AMSCO)). The total number reported for that organizational segment should equal the total number authorized. Next, under PROJECTED AFFECTED STRENGTH, list all spaces projected to be authorized for the activity at the time of announcement/approval. Break the staffing in both at these categories into those spaces authorized to perform commercial-type (CA) functions, and those authorized to perform excepted, exempted or excluded Governmental functions which will be examined only in the management phase of the CA study. Finally, furnish the FTE totals for the total spaces in each column.

Figure 2-2
Format for Commercial Activities Proposed Action Summary (CPAS)
(RCS CSCOA-112)

Unit Identification Code _____

CATEGORY	CURRENT AUTHORIZED STRENGTH				AMSCO
	CA		non-CA		
	CW	DOD	CW	DOD	
TOTAL FTE:	_____		_____		_____
TOTAL SPACES:	_____		_____		_____
(OFF)	()	()	()	()	_____
(WO)	()	()	()	()	_____
(ENL)	()	()	()	()	_____
(FTP)	()	()	()	()	_____
(PTP)	()	()	()	()	_____
(TPT/WAE)	()	()	()	()	_____
(Overhires)	()	()	()	()	_____
SUMMARY BY OFFICE SYMBOL:	(Symbol)		(Spaces/FTE)		
	()	()	(/)		
	()	()	(/)		
etc.					

CATEGORY	PROJECTED AFFECTED STRENGTH				AMSCO
	CA		non-CA		
	CW	DOD	CW	DOD	
TOTAL FTE:	_____		_____		_____
TOTAL SPACES:	_____		_____		_____
(OFF)	()	()	()	()	_____
(WO)	()	()	()	()	_____
(ENL)	()	()	()	()	_____
(FTP)	()	()	()	()	_____
(PTP)	()	()	()	()	_____
(TPT/WAE)	()	()	()	()	_____
(Overhires)	()	()	()	()	_____
SUMMARY BY OFFICE SYMBOL:	(Symbol)		(Spaces/FTE)		
	()	()	(/)		
	()	()	(/)		
etc.					

2. CONTRACT INFORMATION.

a. Explanation of How Functions Would Be Performed under Contract. Include an assessment of whether contract default or strike by contractor employees would result in a "critical" or "urgent" situation as defined in AR 210-10.

Figure 2-2
Format for Commercial Activities Proposed Action Summary (CPAS) -
Continued
(RCS CSCOA-112)

b. Augmentation Contracts. Identify any existing contracted activities that will be included in the solicitation package and the number of manpower spaces and FTE required if the decision is for in-house performance. If there are no such contracts or if these contracts will not be included, say "None."

c. Use of Government Facilities and Major Items of Equipment. Describe the anticipated use, partial or complete, of Government-owned facilities and equipment, and give the related reasons. If decisions on either facilities or equipment will depend on a cost-benefit analysis that is not yet prepared, provide the expected completion date for the analysis of Government-owned, contractor-operated (GOCO) or contractor-owned, contractor-operated (COCO) facilities and/or Government-furnished equipment (GFE).

3. OTHER CONSIDERATIONS.

a. Unusual Circumstances. Discuss uncommon factors affecting the study that could require deviation from established procedures and policies or call for special handling in execution. Examples would be unbalanced equal employment opportunity impact, adverse environmental effect, and known or anticipated opposition from local, state, or Congressional interests. Also list any consent decrees or other legal considerations that could affect the ability to contract out work.

b. Existing Set-Aside Contracts. Identify any set-aside contracts involved in the activities to be studied and give the type of contract, dollar value, and future status of each. If there are no such contracts, say "None."

c. Effect on Others. If applicable, give plans for determining the needs of other Army activities, other Services, and other Federal agencies for support to be included in the PWS.

d. Risk Assessment. Indicate whether the activity requires access to intelligence or other classified information. Describe current clearances, control procedures or other safeguards currently in use. Identify risks involved in contractor operation. Include FOA's Security and Law Enforcement Officer's assessment of the acceptability of those risks.

Figure 2-2
Format for Commercial Activities Proposed Action Summary (CPAS) -
Continued
(RCS CSCOA-112)

4. STUDY SCHEDULE. Provide a milestone schedule with the best estimate of the time required to complete each event.

a. Allow at least 120 days from receipt of CPAS at HQUSACE for approval of studies that require Congressional announcement.

b. Allow at least 60 days from issuance of reduction-in-force (RIF) notices to full contract operation.

c. Note that for negotiated procurements, "Bids Received" in the MILESTONE EVENT below equates to receipt of best and final offers.

d. "Final Decision Implemented" means awarding or giving authority to proceed with a contract, or cancelling solicitation. Give dates for both options.

MILESTONE EVENT	BEGIN DATE (DD/MM/YY)	COMPLETE DATE (DD/MM/YY)
HQUSACE Receives CPAS	NA	/ /
HQUSACE Approves CPAS	NA	/ /
PWS and Management Study	/ /	/ /
*Solicitation Issued	NA	/ /
In-House Cost Estimate	/ /	/ /
Audit	/ /	/ /
Bids Received	NA	/ /
*Bids Opened/Initial Decision	NA	/ /
*Appeals Period	/ /	/ /
Final Decision Documents to HQUSACE	NA	/ /
HQUSACE Authorizes Final Decision	NA	/ /
Final Decision Implemented:		
Cancel Solicitation, or	NA	/ /
Award Contract	NA	/ /
*Full Contract Performance (if Cost Effective)	NA	/ /
*After Action Report to HQUSACE	NA	/ /

***Milestones for a Direct-to-Contract Action**

Figure 2-2
Format for Commercial Activities Proposed Action Summary (CPAS) -
Continued
(RCS CSCOA-112)

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5. POINTS OF CONTACT.

a. CA Program Manager (name, office symbol, and
autovon/commercial telephone number).

b. Contracting Officer (name, office symbol, and
autovon/commercial
telephone number).

6. APPROVAL.

Signature of FOA Commander and date.
Signature block of FOA Commander.

(The CPAS will bear the protective marking "For Official Use
Only--Protective Marking Removed Upon Announcement of Initial
Decision or Cancellation of CA Study.")

Figure 2-2
Format for Commercial Activities Proposed Action Summary (CPAS) -
Continued
(RCS CSCOA-112)

(Letterhead required)

SUBJECT: Decision Summary (RCS CSCOA-111)

1. BASIC INFORMATION.

a. Functions and activities covered by this Decision Summary by general functional area (GFA) code and location as shown in current CA inventory.

b. Current method of performance of the activity--completely in-house, supplemented by contract support, or new activity.

c. Proposed action--continue in-house performance, perform expanded activity in-house, or perform new requirement in-house.

d. Current authorized staffing (indicate whether for new requirement, expansion or current in-house operation):

	CA		non-CA	
	CW	DOD	CW	DOD
TOTAL FTE:				
TOTAL SPACES:				
(OFF)	()	()	()	()
(WO)	()	()	()	()
(ENL)	()	()	()	()
(FTP)	()	()	()	()
(PTP)	()	()	()	()
(TPT/WAE)	()	()	()	()

e. Current and proposed operating cost for activity to be expanded.

2. JUSTIFICATION. Justify in-house performance under one or more of the reasons below:

a. National defense. (See paragraph 2-5a for guidance.)

(1) Deployability.

(2) Military training. Justify in-house performance of any training programs or courses not excluded from the CA Program that are described in the U-series codes in

Figure 2-3
Format for Decision Summary (RCS CSCOA-111)

ER 5-1-3
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Appendix C. Included reason training could not be provided by a contractor or a civilian instructor staff.

(3) Military Overseas Rotation Base. Attach a list of the military enlisted positions in the activity by MOS, grade, and number of spaces authorized.

b. Satisfactory commercial source not available (see paragraph 2-5b for guidance). If the decision that no satisfactory commercial source exists was made before a CA study was announced/approved, explain the market analysis or other study that led to that decision. If the decision was made after a CA study was announced/approved, furnish copies of notice(s) (normally three) in the Commerce Business Daily and describe what else was done to secure potential bidders.

c. Delay or disruption of essential program. (See paragraph 2-5c for guidance.)

d. Special security considerations. (See paragraph 2-5d for guidance.)

3. RESOURCES REQUIRED.

If in-house performance of an expanded or new activity is proposed, give the manpower and funding required to expand or establish the activity.

4. APPROVAL.

Signature of FOA Commander and date.
Signature block of FOA Commander.

Figure 2-3
Format for Decision Summary (RCS CSCOA-111) -
Continued

(Letterhead required)

SUBJECT: Direct Conversion Decision/Request (RCS CSCOA-128)

1. BASIC INFORMATION.

- a. FOA, location.
- b. Study title.
- c. Functions proposed for inclusion in direct award to contract action. List all general functional area (GFA) codes for all functions included. Indicate specific function title if "other" codes are listed.
- d. Description of activity.
- e. Personnel staffing information.

(1) List the number of affected personnel by civilian authorizations and military authorizations.

(2) Give the status of affected civilian employees. Include personnel to be given special consideration such as the number of employees classified as Section 3310 preference eligible veterans, minorities, handicapped. Also include number of civilian authorizations currently vacant or filled by temporaries.

(3) Explain the placement plans for affected civilian employees.

2. JUSTIFICATION. Give a narrative justification for the direct conversion action, using rationale(s) other than cost.

3. SIMPLIFIED COST COMPARISON. Include data for the following in-house and contract cost elements; attach a brief description of the methodology used to prepare them.

a. Estimated In-house Cost:

- Personnel Cost (including fringe benefits)
- Material and Supply Cost
- Other In-house Costs (if appropriate)
- Total Estimated In-house Cost

Figure 3-1
Format for Direct Conversion Decision/Request
(RCS CSCOA-128)

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b. Estimated Contractor Cost (based on either past history of similar contracts at other FOA or on the contracting officer's best estimate of what would constitute a fair and reasonable price):

- Estimated Contract Price
- Contract Administration (if appropriate)
- Other Estimated Contractor Cost (if appropriate)
- Total Estimated Contractor Cost
- Conversion Differential (10% of In-house Personnel Cost)
- Adjusted Contractor Cost

4. POINTS OF CONTACT.

a. Contracting Officer (name, office symbol, and autovon/commercial telephone numbers).

b. CA Program Manager (name, office symbol, and autovon/commercial telephone numbers).

5. Simplified Cost Comparison Reviewed by:

(Signature)

(Title)

(Date)

6. The estimated in-house cost is based on the most cost effective and efficient organization.

(Signature of FOA Commander)

(Signature block of FOA Commander)

Figure 3-1
Format for Direct Conversion Decision/Request
(RCS CSCOA-128) - Continued

(Letterhead required)

SUBJECT: Commercial Activities Transfer (or New Requirement) CA
Study
Proposal (RCS CSCOA-115)

1. BASIC INFORMATION.

a. Transfer CA study proposal:

(1) Activity proposed for transfer by general functional area (GFA) code and location as listed in current inventory. List name of current contractor, if any.

(2) Mission and population served, including tenants and activities served under support agreements.

(3) A brief history of method of performance of this function--reason for original contract, changes in contract and contractors, restrictions on competition, if any, strikes, defaults, and any other problems with contract performance in the past.

b. New requirement CA study proposal:

(1) Activity proposed for in-house performance by GFA code and location.

(2) New mission or workload to be performed.

(3) Population to be served by the new activity (including tenants and activities served under support agreements).

2. JUSTIFICATION FOR PROPOSED CA STUDY.

a. Explain why current method of performance is not economical and what has been done to improve the cost effectiveness. Explain why recompetition, repackaging of functions, revision of the contract, or other remedies available under the Federal Acquisition Regulation (FAR) did not, or will not, result in a cost effective contract. For a new requirement CA study, explain why it will not be likely that a cost effective contract can be obtained. Include conditions that affect competition between private

Figure 3-2
Format for Commercial Activities Transfer
(or New Requirement)
CA Study Proposal (RCS CSCOA-115)

ER 5-1-3
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firms or that make commercial performance noncompetitive with performance by Government personnel.

b. Attach a completed ENG Form 4843B-R, Cost Comparison of Expansions, New Requirements and Conversions to In-House Performance, RCS CSCOA-116, using the guidance in Appendix E. Explain estimates and assumptions used to project the costs including method used to estimate contract price.

3. RESOURCE REQUIREMENTS.

Estimate the resources required for in-house performance and the expected source. If additional DOD-funded personnel may be required, list personnel spaces identified by pay category (such as WG, GS, and GM), manyears and funds by Army Management Structure Code (AMSCO). State any high-grade requirements.

4. PROPOSED MILESTONE SCHEDULE. Include projected milestone dates against each of the following events:

a. HQUSACE receives transfer or new requirement CA study proposal.

b. HQUSACE approves proposal (minimum 60 days from receipt).

c. FOA issues solicitation.

d. FOA completes Government's in-house cost estimate.

e. USAAA completes review of Government's in-house cost estimate.

f. FOA receives bids (or best and final offers).

g. FOA makes initial decision documents available to interested parties.

h. FOA makes final decision documents available to interested parties.

Figure 3-2
Format for Commercial Activities Transfer
(or New Requirement)
CA Study Proposal (RCS CSCOA-115) -
Continued

ER 5-1-3
1 Dec 87

i. FOA terminates contract.

j. In-house activity is in full operation.

5. APPROVAL.

Signature of FOA Commander and date.

Signature block of FOA Commander.

Figure 3-2
Format for Commercial Activities Transfer
(or New Requirement)
CA Study Proposal (RCS CSCOA-115) -
Continued

ER 5-1-3
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(Letterhead required)

SUBJECT: Final Decision Report (RCS CSCOA-113)

1. BASIC INFORMATION.

- a. FOA.
- b. Location.
- c. CA Study Title, GFA's.
- d. USACE CA Study Number.
- e. HQDA CA Study Number (if applicable).
- f. Final Decision--in-house or contract.
- g. Type of Contract (if contracted).
- h. Points of contact at FOA:

(1) Contracting Officer (name, office symbol, and autovon/commercial telephone numbers).

(2) CA Program Manager (name, office symbol, and autovon/commercial telephone numbers).

2. SUMMARY OF COST COMPARISON DATA.

- a. Period of cost comparison--normally 5 years.
- b. Contract price--total.
- c. Other costs of contract performance--total.
- d. Government's estimated cost of in-house performance--total.
- e. Minimum cost differential required to justify conversion or transfer--total. Do not include the Government's estimate of in-house cost reported in d above.
- f. Cost advantage to the Government of in-house or contract performance. This should be calculated as either $b + c - d$ or $d - b + c$.

Figure 3-3
Format for Final Decision Report (RCS CSCOA-113)

g. Cost savings of MEO. This is the difference between the cost of the organization at the beginning of the CA study and the cost of the MEO.

3. EFFECT OF FINAL DECISION ON IN-HOUSE WORK FORCE.

a. Continued in-house performance.

(1) Number of full-time permanent and temporary or part-time civilian jobs that would have been eliminated if decision had been for contract performance.

(2) Number of military positions that will be eliminated and number of new civilian full-time and part-time jobs necessary to replace them.

(3) If implementation of management study will result in reduction-in-force, give total number affected, number expected to retire, to be placed in other Federal jobs, and to be separated.

b. Conversion to contract.

(1) Number of full-time permanent and part-time or temporary civilian and authorized military jobs that will be contracted in the activity.

(2) Report same data for jobs eliminated in support and overhead activities as a result of conversion.

(3) Total civilians directly affected by conversion and number expected to retire, to be placed in other Federal jobs, and to be separated.

(4) Name of selected contractor and home office location.

c. Transfer from contract to in-house.

(1) Name and home office location of current or last contractor.

(2) Number of new full-time permanent and temporary or part-time civilian jobs that will be established as result of transfer.

Figure 3-3
Format for Final Decision Report (RCS CSCOA-113) -
Continued

ER 5-1-3
1 Dec 87

(3) Start date of in-house performance.

4. FINAL DECISION IMPLEMENTATION DATE.

Enter date desired to cancel the solicitation, award the contract, or provide authority to proceed on conditioned award.

5. APPROVAL.

Signature of FOA Commander and date.
Signature block of FOA Commander.

ENCLOSURES:

a. One copy of completed cost comparison form (ENG Form 4843A-R or ENG Form 4843B-R) with any adjustments after initial decision, summarized backup data (rationale for computations of each line of the cost comparison), and USAAA or CEAO audit report.

b. Manpower data (ENG Form 4842-R) and funding data (ENG Form 4841-R) for CA studies involving existing in-house activities. Also enclose manpower and funding data on transfers from contract to in-house if HQDA or HQUSACE will provide resources for the transfer.

c. Appeals board findings as appropriate.

d. Commander's certification to efficiency and cost effectiveness of in-house organization (Figure 3-5).

e. Economic Effects Analysis (Appendix H) if the CA study affected more than 75 military and/or civilian employees.

f. Copies of GAO final decisions on any protests that were submitted.

g. Justification for variances in manpower reported on ENG Form 4842-R from that reported in initial CPAS (paragraphs 3-10, 3-55 and 3-56) including manpower spaces deleted from consideration for contracting for any reason, e.g., determinations that functions are exempted, excepted, Governmental and therefore excluded, part of the residual work force or lost due to levied manpower reductions.

Figure 3-3
Format for Final Decisions Report (RCS CSCOA-113) -
Continued

(Letterhead required)

SUBJECT: Final Decision Report for Direct Award to Contract
Actions (RCS CSCOA-129)

1. BASIC INFORMATION.

- a. FOA.
- b. Location.
- c. Study title, general functional area (GFA) codes.
- d. USACE CA Study Number.
- e. HQDA CA Study Number.
- f. Type of contract.
- g. Points of contact at FOA:

(1) Contracting Officer (name, office symbol, and
autovon/commercial telephone numbers).

(2) CA Program Manager (name, office symbol, and
autovon/commercial telephone numbers).

2. SUMMARY OF COST COMPARISON DATA.

- a. Length of Contract.
- b. Contract Price--total.
- c. Other Contractor Costs (if appropriate)--total.
- d. Estimated In-house Costs (from Direct Conversion Request,
RCS CSCOA-128)--total.
- e. Conversion Differential (from Direct Conversion Request,
RCS CSCOA-128)--total.
- f. Cost advantage to the Government of contract performance.
This should be calculated as $d - b + c$.

3. EFFECT OF CONVERSION TO CONTRACT ON IN-HOUSE WORK FORCE.

Figure 3-4
Format for Final Decision Report for Direct Award to
Contract Actions (RCS CSCOA-129)

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a. Number of full-time permanent and part-time or temporary civilian and authorized military jobs in the activity that will be converted to contract performance.

b. Give same data for jobs eliminated in support and overhead activities as a result of conversion (if known).

c. Total number of civilians directly affected by conversion. Give the placement plans for affected civilian employees.

d. Name of selected contractor and home office location.

e. If more than 75 civilian and/or military employees are directly affected, attach economic effects analysis prepared per Appendix H.

4. FINAL DECISION IMPLEMENTATION DATE (contract award date).

5. APPROVAL.

Signature of FOA Commander and date.
Signature block of FOA Commander.

ENCLOSURES:

a. Manpower data (ENG Form 4842-R) and funding data (ENG Form 4841-R).

b. Copies of appeals board findings and/or GAO final decisions on the appeals or protests that were submitted.

c. Copy of the CCF (ENG Form 4843A-R) showing actual contractor costs. (The CCF prepared at bid opening/initial decision shows estimated contractor costs.)

Figure 3-4
Format for Final Decision Report for Direct Award to
Contract Actions (RCS CSCOA-129) -
Continued

Management Study of _____ (Function)
At _____ (FOA) _____, _____ (Location)

1. PURPOSE.

a. To develop the optimum organizational structure to accomplish the essential functions of . . (list functions).

b. To determine and document the specific management improvements on which the optimum structure is based.

2. CURRENT OPERATIONS.

Describe the authorized organization and operations at the start of the management study. This section includes job analysis as discussed in OMB Circular A-76, Supplement, Part III. Attach the most current documentation for each of the following:

- a. Mission statement.
- b. Organization chart(s).
- c. Identification of responsibility for essential functions.
- d. Operating procedures.
- e. Staffing authorization and position structure documents (TDA, manpower manning document, Schedule X).
- f. Description of technology utilized.
- g. Workload data.
- h. Personnel analysis.
- i. Material analysis.
- j. Equipment analysis.
- k. Facility analysis.

3. DISCUSSION.

Discuss the current organization and operations and compare them to possible new ways of doing the work. Describe the study methodology and conclusions of the analysis. Rationale for recommendations in paragraph 4 should evolve from the conclusions presented here. Address each of the following topics:

- a. Mission. (Discuss the current mission and any anticipated changes.)
- b. Organization. (Is the structure appropriate to its mission, function, internal conditions, and environment?)

Figure 3-5
Format for Documenting Management Study

c. Responsibility. (Are authority and accountability properly balanced in the organization's hierarchical structure?)

d. Operating procedures. (Is the system integrated, and does it efficiently use people, material, and equipment?)

e. Staffing authorization. (Discuss alternate staffing patterns.)

f. Position structure. (Is the structure the most effective and economical based on work to be performed?)

g. Technology review. (Are available labor-saving systems and equipment being employed?)

h. Workload data. (Discuss the current workload and any anticipated changes.)

i. Material analysis. (Discuss current and future amounts and types of material.)

j. Facility analysis. (Are types and locations of work areas conducive to smooth performance?)

4. RECOMMENDATIONS.

Present the argument for the optimum structure here with reference to relevant sections in the DISCUSSION paragraph and appendices. Cover the following topics in the description of the recommended organization:

- a. Mission.
- b. Organization chart(s).
- c. Responsibility for essential functions.
- d. Operating procedures.
- e. Manpower authorization.
- f. Technology utilization.
- g. Workload.
- h. Personnel usage.
- i. Material analysis.
- j. Equipment analysis.
- k. Facilities utilization.

Figure 3-5
Format for Documenting Management Study - Continued

5. ANALYSIS OF RESOURCE IMPACT.

Discuss the effect of the recommendations included in paragraph 4 upon the overall resources allotted to the organization. Address the following areas:

a. Funding. (Personnel savings, costs for new equipment, total savings to Government.)

b. Personnel. (Number of grades and spaces increased/decreased.)

c. Equipment and facilities. (Costs for those recommended and projected savings from their use.)

d. Economies and efficiencies. (Realized by the MEO when and if implemented.)

6. ANALYSIS OF STAFFING OF OVERHEAD AND SUPPORT ORGANIZATIONS.

Document findings on the staffing of overhead and support organizations associated with the activity under study. Discuss changes (e.g., specific positions to be added or those that should be reduced) in the staffing of these other organizations if the MEO is implemented and the function is converted to contract, or if the MEO is implemented and the function stays in house. Identify additional positions required for contract administration in addition to those currently in existence assigned to perform contract administration.

7. ANALYSIS OF PERSONNEL REQUIREMENTS FOR EXCLUDED AND/OR EXEMPTED FUNCTIONS

Document findings on excluded and/or exempted functions and include proposed personnel staffing requirements for these functions.

8. EMPLOYEE AND UNION PARTICIPATION.

Discuss the participation of the employees in the studied function and the role and participation of the unions representing these employees.

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8. ANALYSIS PERFORMED BY: (typed names of team)

_____ (Leader)
_____ (Member)
_____ (Member)
_____ (Member)
_____ (Member)

9. APPROVAL AND MEO CERTIFICATION.

I certify that the Government calculation for the cost of performance of _____ (activity) _____ by USACE personnel is based on an estimate of the most efficient and cost-effective organization for performance of the functions specified in the performance work statement to be used to solicit commercial bids/offers. The in-house organization is based on a thorough management study of the activities being studied for possible conversion to contract performance.

_____ (Date) _____ (Signature)
Signature block of
FOA Commander

Figure 3-5
Format for Documenting Management Study - Continued

(Letterhead required)

SUBJECT: CA Audit Checklist (RCS CSCOA-140)

1. Has the performance work statement (PWS) been completed, approved by the contracting officer, counsel, and higher headquarters? (For districts, provide the date of approval by the division, noting for USAAA that this is the next higher organizational level in the USACE. For studies in division offices or in separate FOAs, provide the date of HQUSACE approval.)
2. Does the PWS provide a detailed description of the workload requirements for the activity studied as provided in OFPP Pamphlet No. 4?
3. Has a management study been performed and certified by the FOA Commander? Is it based on the same scope of work and standards of performance as the PWS?
4. Identify current spaces associated with Governmental functions and the most efficient organization, authorized spaces, and contractible positions.
5. Was ENG Form 4843A-R prepared using the same performance period, scope of work and standards of performance as specified in the PWS?
6. Has the final solicitation package been issued? If so, provide copies of that package and any amendments issued to date. NOTE: Neither USAAA nor CEAO will come for the on-site review unless the solicitation has been issued. If you do not expect to have the solicitation on the street before the on-site audit begins, explain your reasons so that USAAA or CEAO can determine if they will make their site visit before or after the solicitation is issued.)
7. Is all supporting documentation available for workload and material requirements shown in the PWS as well as for each cost element on ENG Form 4843A-R?
8. List personnel responsible for the preparation of the PWS, management study, and various cost elements who may be contacted for any additional information needed. Also identify points of contact within counsel, procurement, and civilian personnel offices who are associated with the study. Provide telephone numbers for each.

Figure 3-6
Format for CA Audit Checklist (RCS CSCOA-140)

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9. Have all necessary waivers (severance pay, contract administration staffing, etc.) been approved by the appropriate higher headquarters components? If a waiver has been requested but not approved, show date of request and provide a copy of the request.

10. If applicable, has a Department of Labor wage determination identifying positions covered by the Service Contract Act been obtained? If not, provide date of request.

11. What is the scheduled bid opening date?

12. Was the Commercial Activities System (CAS) used to generate the cost comparison form (ENG Form 4843A-R)?

Figure 3-6
Format for CA Audit Checklist (RCS CSCOA-140) - Continued

(Letterhead required)

SUBJECT: Commercial Activities Study After Action Report (RCS
exempt: AR 335-15, paragraph 2-e(7))

1. BASIC INFORMATION.

- a. FOA.
- b. Location.
- c. CA Study Title, general functional area (GFA) codes.
- d. USACE Study Number.
- e. HQDA CA Study Number (if applicable).
- f. Final decision on method of performance (in-house or contract).
- g. Date final decision was implemented (contract awarded, or contractor authorized to proceed on conditioned award contract; solicitation or conditioned award contract cancelled).

2. INFORMATION ON IN-HOUSE DECISION.

- a. Discuss compliance with all management study recommendations.
- b. Discuss compliance with organization and position structure recommended in the management study.
- c. Discuss compliance with recommendations in management study on personnel staffing and equipment allowances to include answers to the following questions:
 - (1) Does the current approved TDA or other manpower management document reflect the management study recommendations? If not, provide justification.
 - (2) Do the workhours/workyears (including overtime) expended to perform the function equate to the number of personnel required by the management study? If not, provide explanation for discrepancies.

Figure 3-7
Format for Commercial Activities Study After Action
Report (RCS exempt: AR 335-15, paragraph 2-e(7))

ER 5-1-3
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(3) As a result of implementing the management study recommendations, how many employees were adversely affected? Explain what happened to these employees (e.g., retired, placed elsewhere in Government at lower grade, released or resigned and obtained job in private sector) and indicate how many women/minority employees were adversely affected.

(4) Are there currently, or have there been, any military personnel involved in performing the organization's functions since implementation of the MEO?

(5) Are the technology and equipment recommended by the management study in use?

(6) Is the responsibility for essential functions distributed according to the approved study recommendations?

d. Current cost of operations:

(1) Is the current cost within the cost projections developed for the cost comparison?

(2) Isolate specific differences between total projected and actual costs.

e. Evaluate whether or not the performance standards established by the PWS are being met. This should include answers (narrative responses) to the following questions:

(1) Has a written quality control program been established to assure the work performed meets the quality standards established in the PWS?

(2) Has performance been measured using the QA procedures specified in the performance requirements summary of the PWS?

(3) Are tasks being performed that were not included in the PWS?

(4) Are all the tasks required in the PWS being performed?

Figure 3-7
Format for Commercial Activities Study After Action
Report (RCS exempt: AR 335-15,
paragraph 2-e(7)) - Continued

f. Corrective action recommended and taken as a result of the analysis.

3. INFORMATION ON CONTRACT DECISION.

a. Indicate date that contractor took over operation of the activity. If there was a transition period when both contractor and in-house work force were performing the work, provide dates of this period also.

b. Explain modifications to the PWS that have been made since the contract was awarded and reason for changes. State whether costs are above or below the contract price used in the cost comparison and indicate the amount of the difference against each reason.

c. Include FOA Commander's evaluation of mission performance under contract including adequacy of PWS, contract administration, and ability of contractor to perform required services.

d. Compare actual effects on former in-house work force to those projected at time of final decision to convert. Explain what happened to displaced employees (e.g., retired, released, resigned). Indicate how many displaced employees took jobs with contractor and general comparability of jobs; also indicate how many women/minorities were adversely affected (i.e., downgraded, released, etc.). If conversion had significant effects on FOA work force outside of the converted activity, provide analysis and indicate if effects on mission performance were positive or negative.

4. NEGATIVE REPORTS. Not acceptable.

5. SECURITY CLASSIFICATION. None.

6. APPROVAL.

Signature of FOA Commander and date.
Signature block of FOA Commander.

Figure 3-7
Format for Commercial Activities Study After Action
Report (RCS exempt: AR 335-15,
paragraph 2-e(7)) - Continued

ER 5-1-3
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ENCLOSURES:

a. Current manpower data (ENG Form 4842-R). Explain substantial variances from the data reported in the Final Decision Report in the "Comments" section of the form, or on a separate sheet of paper.

b. Current funding data (ENG Form 4841-R). Explain significant differences from that included in the Final Decision Report in the "Comments" section of the form, or on a separate sheet of paper.

Figure 3-7
Format for Commercial Activities Study After Action
Report (RCS exempt: AR 335-15,
paragraph 2-e(7)) - Continued

U.S. ARMY CORPS OF ENGINEERS COST COMPARISON OF IN-HOUSE AND CONTRACT PERFORMANCE (ER 513)				CA STUDY NAME		USACE CSN		RCS CSOA 116	
THRU				LOCATION		HODA CSN			
TO:				FROM					
Cdr. USACE (DAEN RMM-C) WASH DC 20314-1000									
COST ELEMENT		FIRST PERIOD	SECOND PERIOD	THIRD PERIOD	FOURTH PERIOD	FIFTH PERIOD	TOTAL	REFERENCE	
SECTION I - IN-HOUSE PERFORMANCE COSTS									
1 PERSONNEL COST								A	
2 MATERIAL AND SUPPLY COST								B	
3 OTHER SPECIFICALLY ATTRIBUTABLE COSTS								C	
4 OVERHEAD COST								D	
5 ADDITIONAL COSTS								E	
6 TOTAL IN-HOUSE COSTS									
SECTION II - CONTRACT PERFORMANCE COSTS									
7 CONTRACT PRICE								F	
8 CONTRACT ADMINISTRATION								G	
9 ADDITIONAL COSTS								H	
10 ONE TIME CONVERSION COSTS								I	
11 GAIN OR LOSS ON DISPOSAL/TRANSFER OF ASSETS								J	
12 FEDERAL INCOME TAX (Indirect)								K	
13 SOCIAL SECURITY (OASDI) & THRIFT PLAN COSTS (Indirect)								L	
14 TOTAL CONTRACT COSTS									
15 CONVERSION DIFFERENTIAL									
16 TOTAL (Lines 14 and 15)									
17 COST COMPARISON (Line 16 minus...)									
18 COST COMPARISON DECISION									
☐ IN HOUSE ☐ CONTRACT									
NAME/TITLE/ORGANIZATION (Type or Print)		SIGNATURE (In House Estimate Prepared By)				DATE			
NAME/TITLE/ORGANIZATION (Type or Print)		SIGNATURE (In House Estimate Reviewed By)				DATE			
NAME/TITLE/ORGANIZATION (Type or Print)		SIGNATURE (Cost Comparison Accomplished By)				DATE			
NAME/TITLE/ORGANIZATION (Type or Print)		SIGNATURE (Cost Comparison Reviewed By)				DATE			
NAME/TITLE/ORGANIZATION (Type or Print)		SIGNATURE (Cost Comparison Decision Approved By)				DATE			

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EDITION OF ENG FORM 4843, JUN 83 IS OBSOLETE
 ENG FORM 4843A-R, DEC 87
 Proponent: CERM/MC

ER 5-1-3
1 Dec 87

U. S. ARMY CORPS OF ENGINEERS COST COMPARISON OF EXPANSIONS, NEW REQUIREMENTS AND CONVERSIONS TO IN-HOUSE PERFORMANCE (ER 5-1-3)										CA STUDY NAME		USACE CSN		RCS CSOA 116		
THRU										LOCATION		HODA CSN				
TO										FROM:						
Cdr. USACE (DAEN-RMM-C) WASH DC 20314-1000																
COST ELEMENT										FIRST PERIOD	SECOND PERIOD	THIRD PERIOD	FOURTH PERIOD	FIFTH PERIOD	TOTAL	REFER ENCE
SECTION I - IN HOUSE PERFORMANCE COSTS																
1	PERSONNEL COST															A
2	MATERIAL AND SUPPLY COST															B
3	OTHER SPECIFICALLY ATTRIBUTABLE COSTS															C
4	OVERHEAD COST															D
5	COST OF CAPITAL															E
6	ONE TIME CONVERSION COST															F
7	ADDITIONAL COSTS															G
8	TOTAL IN HOUSE COSTS															
SECTION II - CONTRACT PERFORMANCE COSTS																
9	CONTRACT PRICE															H
10	CONTRACT ADMINISTRATION															I
11	ADDITIONAL COSTS															J
12	ONE TIME CONTRACT CONVERSION COSTS															K
13	GAIN OR LOSS ON DISPOSAL OF ASSETS (Expansion)															L
14	FEDERAL INCOME TAX (Direct)															M
15	SOCIAL SECURITY (OASDI) & THRIFT PLAN COSTS (Deduct)															N
16	TOTAL CONTRACT COSTS															
SECTION III - DECISION																
17	CONVERSION DIFFERENTIAL (For Expansion Note Not Difference)															
18	TOTAL (Lines 8 and 17)															
19	COST COMPARISON (Line 18 minus Line 16)															
20	COST COMPARISON DECISION															
NAME/TITLE/ORGANIZATION (Type or Print)																
SIGNATURE (In House Estimate Prepared By)																
DATE																
NAME/TITLE/ORGANIZATION (Type or Print)																
SIGNATURE (In House Estimate Reviewed By)																
DATE																
NAME/TITLE/ORGANIZATION (Type or Print)																
SIGNATURE (Cost Comparison Accomplished By)																
DATE																
NAME/TITLE/ORGANIZATION (Type or Print)																
SIGNATURE (Cost Comparison Reviewed By)																
DATE																
NAME/TITLE/ORGANIZATION (Type or Print)																
SIGNATURE (Cost Comparison Decision Approved By)																
DATE																

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Proponent: CERM-MC

ER 5-1-3
1 Dec 87

U.S. ARMY CORPS OF ENGINEERS EFFECT OF CA STUDY ON FOA MANPOWER (ER 5-1-3)												RCS: CSCO A-96				
FOA/LOCATION								UIC				USACE CA STUDY NUMBER				
CA STUDY NAME								AMSCO/APPROP CODE				HQDA CA STUDY NUMBER				
GENERAL FUNCTIONAL AREA (GFA) CODES				DATE OF CHANGE TO NEW METHOD OF OPERATION				PDIP								
ITEMS	SPACES								WORKYEARS							
	CW		DOD		TOTAL CW		TOTAL DOD		CW		DOD		TOTAL CW		TOTAL DOD	
	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV
1. CPAS MANPOWER																
a. CHANGE (Separate entry for each change)																
2. BASELINE																
a. CHANGES TO BASELINE																
b. TOTAL AT FINAL DECISION																
3. MEO																
4. CONTRACT ADMINISTRATION																
5. SAVINGS																
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ENG FORM 4842-R, DEC 87

(Proponent CERM-MC)

ER 5-1-3
1 Dec 87

[illegible]

APPENDIX E

COST COMPARISON PROCEDURES

E-1. General. The revised Cost Comparison Handbook (CCH), contained in Part IV of the Supplement to OMB Circular A-76, provides the basic guidance for conducting CA cost comparisons. This appendix provides detailed instructions for Corps of Engineers activities to supplement the OMB guidance. These instructions also incorporate guidance issued by DOD and DA. Standard cost factors will be used for all CA studies.

E-2. Cost Comparison Form (CCF). All costs of in-house and contractor performance will be recorded on either ENG Form 4843A-R, Cost Comparison of In-house and Contract Performance (RCS CSCOA-116) or ENG Form 4843B-R, Cost Comparison of Expansions, New Requirements and Conversions to In-house Performance (RCS CSCOA-116).

a. Line entries in this Appendix refer to ENG Form 4843A-R. The instructions for completing ENG Form 4843B-R are contained in chapter 5 of the CCH, except that directions for lines 16 through 19 of the CCF (ENRC) in that chapter shall be used for completing lines 17 through 20 of ENG Form 4843B-R.

b. A separate cost comparison form (CCF) will be required for each type of contract option used (i.e., Government-owned, contractor-operated (GOCO) with Government-furnished equipment (GFE), GOCO without GFE, Contractor-owned, contractor-operated (COCO) with GFE, COCO without GFE). Thus, up to four CCFs could be required since each kind of contract method affects some CCF lines differently.

E-3. Common (Wash) Costs. Cost comparisons will include all significant costs of both Government and contract performance. The only exceptions are common costs that continue to exist whether an activity is performed under in-house or contract operation. These common costs will be omitted from the cost comparison calculations. These costs include Government-furnished supplies, equipment, facilities, and certain services such as utilities, maintenance support, and security clearances that will be provided under both in-house or contract modes of operation. Nevertheless, although common costs need not be computed, they must be identified in the cost comparison documentation.

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E-4. Documentation. As a minimum, documentation for each CCF line will include the following:

- a. Methodology for computing the estimated cost,
- b. Data sources,
- c. Rationale for any omissions,
- d. Identification of individual components included in the total cost element value.

E-5. Development of Government (In-House) Performance Costs
(lines 1-6).

a. The guidance given below for lines 1, 2 and 3 applies to costs that are 100 percent attributable to the activities under study. Costs that are not 100 percent attributable to the studied activities are overhead costs and are discussed in paragraph E-5f.

b. Inflation.

(1) In-house cost elements will be escalated to the first period of performance, using factors published by the Comptroller of the Army (COA). Usually the beginning of the first period of performance coincides with the beginning of the first FY for which a contract would be let. If it does not, the costs must be prorated for the number of months remaining in that FY. Outyear periods will be inflated using factors also published by the COA. These factors are published periodically and become mandatory based on instructions in the transmittal documents.

(2) If approved pay raises that differ from the projected rates are announced before bid opening (or before closing date for receipt of best and final offers), the CCF will be revised to incorporate the approved rates.

(3) Personnel strength and workload during the outyear periods will be assumed at the first year's level unless otherwise documented in the performance work statement (PWS) and management study. Any outyear changes will be supported with the projected requirements for revised staffing levels, workload, and other resources.

(1) All personnel costs must be recorded in an organized manner such as on the Personnel Cost Worksheet, Illustration 2-1 in the CCH, so that calculations can be followed easily by the independent reviewers.

(2) Personnel costs will be based on current general schedule (GS) and wage board (WB) rates in effect at the time of bid opening (for formal advertising) or closing date for receipt of best and final offer (for negotiated procurement). Estimates based on historical costs will generally be estimated using the last full FY's accounting reports or more recent cost data. Exceptions to this policy may be made if current cost information is not available or does not reflect a normal operating level for projection of CA cost estimates. All cost data will be inflated to match the performance periods shown on either ENG Form 4843A-R or ENG Form 4843B-R using current inflation factors.

(3) Base pay will be calculated using the latest approved pay rates with adjustments for budgeted or known pay increases. Base pay for wage board (WB) employees, civilian firefighters, and law enforcement officials will be adjusted to include nightwork and environmental differentials. Personnel costs will be based on the positions established in the most efficient organization (MEO). The in-step rate will be calculated using the Government-wide representative rate for all pay grades (step 5 for General Schedule (GS) and step 4 for WB). Locally determined average steps may be used when the Government-wide average steps will substantially understate or overstate base pay.

(4) The only exception to this policy is the costing of temporary employees at step 1 who will remain in temporary appointments in the MEO. Step 1, however, can only be used for GS employees (WB employees are entitled to step increases regardless of the nature of their appointments), and only when the FOA can demonstrate to the satisfaction of the independent reviewers that long-term use of GS temporaries in the MEO is practical and feasible. One reason such usage might not be feasible is that permanent employees, in the transition to the MEO, have more rights than temporary employees for retention, and if permanent employees fill temporary positions as a result of a reduction-in-force (RIF) or priority placement, they are paid at their permanent rates. Because of this and the other restrictions, step 5 will be used in almost

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all cases for calculating GS employee costs, and step 4 will always be used for WB employees.

(5) When computing the annual cost of a Federal Wage System (FWS) employee, such as a WB employee, the hourly rate will be multiplied by 2087 hours to obtain the annual rate. When the computation of an hourly rate is necessary for GS or general manager (GM) employees, the scheduled annual wage will be divided by 2087 to determine the hourly rate.

(6) Fringe benefits will be calculated using standard percentage rates applied to civilian base pay and additional entitlements. The latest rates are listed below as an example, although they are subject to change.

(a) Applicable to permanent positions (full-time and part-time):

<u>Fringe Benefit Factor</u>	<u>Cost as % of Payroll</u>
*Retirement (regardless of fund)	21.70
Health and life insurance	4.70
Other benefits (work disability, unemployment programs, bonuses, awards)	1.80
FICA Medicare	<u>1.45</u>
	29.65

*Thrift plan contributions for permanent employees will not be included on either ENG Form 4843A-R or ENG Form 4843B-R. The same factor must be used regardless of which retirement fund the employee is enrolled in.

(b) Applicable to intermittent and temporary positions: the only portion of the standard fringe benefit factor to be applied here is the Medicare portion of OASDI (1.45%).

(7) Other pay and entitlements under line 1 consist of the following:

(a) Additional entitlements--off-site pay, location allowances, hardship pay, uniform allowances, incentive pay, cost-of-living differential, and hazardous duty pay and nightwork differential (for GS employees).

(b) Overtime and other premium pay--expected annual costs to be incurred for overtime, holiday pay, Sunday pay, and other premium pay.

(8) Inflation of personnel costs subject to economic adjustment clauses could increase in-house costs vis-a-vis contractor costs in an unfair manner. This would occur if portions of contractor-submitted prepriced options were not subject to inflation because of adjustment clauses, such as those in provisions of the Service Contract Act (SCA) or the Davis-Bacon Act. For example, contracts subject to the SCA include a clause that provides for adjustments to accommodate labor cost increases necessitated by future minimum wage determinations. When this situation exists, labor costs for Government employee in occupational categories compatible with those subject to the SCA will be omitted from the inflation calculations. Determinations of what in-house positions are subject to the Fair Labor Standards Act will be made in consultation with personnel and procurement offices.

d. Material and supply costs (line 2).

(1) Include only materials and supplies that would not be provided as Government-furnished material (GFM) under contract operations since these costs represent common (wash) items. As previously stated, only include costs on this line that are 100 percent attributable to the activities under study. Costs that are not 100 percent attributable to the studied activities are overhead costs and are discussed in paragraph E-5f.

(2) Material and supply costs should be recorded in a format similar to the CCH illustration for estimating material and supply costs.

(3) The cost of materials and supplies will be developed using the latest standard prices or latest local purchase prices, plus markups for centralized Government sources of supply. CA markups must be applied using standard percentage factors. The latest factors are listed below as an example, even though they are subject to change.

<u>Sources of Supply</u>	<u>Markup (%)</u>
General Services Administration (GSA): Wholesale and stores direct delivery	11.0
Retail	23.0
Nonstores direct delivery and schedules	5.0
DOD (all services): Wholesale stock fund	24.0
Direct delivery	13.4
Local procurement	None

e. Other specifically attributable costs (line 3). As previously stated, the guidance below applies to costs that are 100 percent attributable to the activities under study. Costs that are not 100 percent attributable to the studied activities are overhead costs and are discussed in paragraph E-5f.

(1) Depreciation.

(a) General depreciation is the method used to spread the cost of tangible capital assets (such as plant, machinery, and equipment with unit prices exceeding \$1,000) over an asset's useful life. Land is not a depreciable asset because it has an unlimited life. Its costs should not be included with asset costs that are subject to depreciation. Land improvements, however, such as surfaced areas and fencing, are depreciable, as are utility lines, sewers, etc. Facilities listed on the National Register of Historic Places are not depreciated. Include only depreciation costs for assets used solely for in-house operations since Government-furnished property will be considered as wash cost. The Corps of Engineers Management Information System (COEMIS) cost records cannot be used to develop costs of project-owned assets because they are expensed to projects entirely in the year of acquisition. Also, any amount for "provision for plant replacement" should be excluded from cost computations. This surcharge to ensure fund availability for capital assets for use in future operations should not be applied to current operations.

(b) In computing depreciation assume that residual value is equal to the disposal values listed in Appendix C of the CCH except when engineering appraisals, such as those in ER 37-2-10, would be more accurate. The latter may be used--with documented justification--in place of

Appendix C values. In either case, the full basis for depreciation will be the original cost plus the cost of capital improvements (if any) less the residual value. The basis for depreciation will then be divided by the useful life (as projected for the CA study) to determine the annual depreciation. The annual depreciation must then be multiplied by the years in service, to include the contract out-years, in order to account for accumulated depreciation during the life of the contract.

(c) Costs for depreciation are not inflated for the outyears. These costs must be excluded before applying inflation factors to outyear periods.

(2) Rent. Rent is the annual cost of renting or leasing commercial facilities and equipment, or of using facilities and equipment of other military departments and Federal agencies. When the actual charges are not available from the agency providing the assets, and a GSA-billed Standard Level User Charge (SLUC) is available, SLUC should be used as the rental cost.

(3) Maintenance and Repair. These are the costs incurred to maintain facilities and equipment in operating condition. Include only costs which would be discontinued if the CA work center were to be converted to contract performance. The costs of maintenance and repair of real property will be distributed to organizational elements based on square feet occupied, possibly modified for differences in types or conditions of such property, while annual costs of maintaining equipment in operating condition will be prorated based on usage. Capital improvements that add value to an asset are excluded from maintenance and repair costs; they are accounted for under depreciation.

(4) Utilities. This category includes charges for fuel, electricity, telephone, water, etc. that would be discontinued if the in-house activity were converted to contract. In cases where the Government would supply utilities to a contractor, determine if there would be any change (such as removal of automatic voice network (AUTOVON) or Federal Telecommunications System (FTS) lines) in the quantity or type of service, and account for differences in Government costs. The costs of utilities will be distributed on a unit of measure basis (e.g., square feet, number of telephone lines or instruments) that varies directly with consumption.

(5) Insurance. Since the Government is self-insured, fire, casualty, and liability losses are computed as follows:

(a) Casualty losses--supplies and materials. Multiply the average inventory value of supplies that would not be provided to a contractor as GFM by .0005. The average inventory value may be determined, assuming a 30-day stockage level, by dividing the annual value of supplies and materials by 12 (360 days per year/30-day stockage level = 12). If the 30-day stock level is inappropriate, a similar computation should be used to compute the appropriate average inventory value.

(b) Casualty losses--facilities and equipment. Multiply the net book value of tangible capital assets that would not be provided to a contractor as GFE by .0005. If GFE is provided, no computation is necessary as it is a wash cost. Neither the USACE nor the Army has developed factors for Government self-insurance reserves as described in the CCH, Part IV, paragraph 6c.

(c) Liability losses. Multiply total personnel costs (CCH line 1 and the personnel cost portion of line 4) by .0007.

(6) Travel. Include only the expected annual cost of travel and transportation that would be eliminated if the activities were to be converted to contract operation.

(7) Other costs.

(a) The cost of minor items (i.e., durable items, such as audiovisual and office equipment, with current replacement cost per unit of less than \$1,000) will be estimated at ten percent of the total replacement cost (including source of supply markups) of all such minor items on hand that would not be provided to a contractor. These costs will not be inflated for the outyears. Adjustments to CCF lines must be made to exclude such costs before applying inflation factors to outyear periods.

(b) The cost of augmentation contracts that are included in the PWS require special attention. These purchased services may contain labor costs subject to economic price adjustment clauses. If so, the applicable labor portion will not be escalated by outyear inflation factors. In addition, purchased services will be offset for potential Federal income tax revenue by applying the

appropriate rate in Appendix D of the CCH to the total cost of purchased services.

(c) As provided in paragraph 3-7d, the work included in augmentation contracts may be included in the PWS written for the CA study. If so, the cost of these contracts and the Governmental contract administration costs for these contracts should be included as "Other Costs" on line 3.

(d) If it is intended that the work in these contracts be brought in-house if the Government's bid were less than a contractor's bid, an estimate of the workyears necessary to perform the work currently contracted for must be included in the MEO and costed appropriately.

(e) The costs of other purchased services will be entered on Line 3 also. Other purchased services include costs such as printing, reproduction, packing, crating, consultant fees, and other services that would be eliminated if CA work were to be converted to contract.

f. Overhead costs (line 4). Costs incurred in support of the CA activities, not 100 percent allocable to the activities being studied, will be classified as overhead. Overhead will not be calculated for studies of ten or fewer full-time equivalents (FTE). Overhead costs will be based on whole positions that can be eliminated or reallocated to support other functions in the event of contract performance. The two major categories of overhead are as follows:

(1) Operations overhead. This category encompasses costs incurred in the first supervisory work center one level above and in support of the activities under study. The operations overhead work center will vary based on the activities under study and may not be placed precisely in the one level above position.

(2) General and administrative overhead. This category includes all other work centers that provide support to the activities under study, and for which contracting would have a "whole position impact." Examples are personnel offices, contracting offices, and comptroller offices.

g. Additional costs (line 5). This category covers any Government costs that would not continue to exist under contract performance and that would not be classified

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properly under CCF lines 1-4. These are costs that result from unusual or special circumstances. Entries in line 5 must be supported by detailed explanations of the costs and the computation methods used.

h. Total in-house costs (line 6). Enter the sum of CCF lines 1 through 5.

E-6. Development of Contract Performance Costs (lines 7-14).

a. Contract price (line 7). Any entry on this line will be supported by a firm bid or offer. The CCH provides guidance for recording the contract price for each type of contract. Inflation that bidders include in the contract price will depend on whether the contract proposals are subject to economic price adjustment clauses.

b. Contract administration (line 8).

(1) The CCH specifies the methodology for computing the number of FTEs and costs required for contract administration. The cost of contract administration includes personnel costs and fringe benefits of the positions identified in the study.

(2) Table 3-2 shows representative staffing requirements as established by the CCH. Lower contract administration factors may be used if justified by terms of the quality assurance plan. Contract administration staffing that exceeds the established FTE limits requires an ASA-level waiver.

(3) Contract administration and other recurring Government costs resulting from contract performance will be inflated by the same factors used in the Government's in-house cost estimate.

(4) When augmentation contracts will be cancelled should it be decided that a function will be performed by contract, but will not be cancelled should an in-house decision result, the entry on line 8 for contract administration should be calculated as follows:

(a) Determine the workyears being devoted to accomplishing the augmentation contract work; add these workyears to those in the most efficient organization

(e.g., 8 in-house workyears in the current MEO + 5 augmentation workyears = 13 total workyears for the CA being studied).

(b) Compare the total workyears (e.g., 13 in the above example) to the in-house staffing ranges given in Table 3-2 to determine the contract administration workyears allowed for costing purposes. Calculate the cost of the allowable contract administration workyears and record these costs on line 8, Contract Administration. Do not record any additional personnel costs associated with augmentation contracts on any other line.

c. Additional costs (line 9). This line will be used only in unusual and infrequent circumstances. When it is used there must be supporting documentation describing the nature of and need for the additional costs, as well as details on how the costs were computed.

d. One-time conversion costs (line 10).

(1) Inflation. One-time conversion costs will not be inflated. Although these costs will be prorated over the five performance periods on the CCF, they generally will be incurred during the first period of performance and are not subject to out-year inflation.

(2) Material related costs. The cost factors below may be used, if more precise costs are not known, to estimate the costs associated with disposal or transfer of excess Government material that result from a conversion to contract performance.

<u>Cost Factors</u>	<u>% of Current Replacement Costs</u>
Packing, crafting, and handling	3.50
Transportation	3.75

When material is disposed of or transferred to another Government facility, the estimated recovery, or original material cost in the case of an intergovernmental transfer, less the cost of disposal or transfer, will be treated as a one-time gain or loss.

(3) Labor-related separation costs. The CCH contains the rationale for computing severance pay and other separation costs such as permanent change of station (PCS) relocation, retraining, and early retirement. A factor of

two percent of total personnel base pay costs of permanent and temporary employees in direct and overhead activities is specified in the CCH. The base pay figure must be adjusted for anticipated pay changes that would occur before separation. Intermittent positions are not eligible for severance pay and will be excluded from the calculation.

(4) Other transition costs. Contractors are expected to provide full performance from the first day of actual contract operation. Government personnel will not be retained to help the contractor phase in to full performance after this conversion date. Therefore there will not normally be costs of this type to be entered.

e. Gain or loss on disposal/transfer of assets (line 11). If more precise costs are not known, the same factors given in E-6d(2) above (i.e., 3.50 percent for disposal or transfer of materials for packing, crating, and handling costs, and 3.75 percent for transportation costs) may be used. The estimated disposal value minus the disposal or transfer costs will result in a net disposal value to be entered as a gain or loss to the cost of contracting.

f. Federal income tax (Deduct) (line 12). Refer to the CCH.

g. Social Security (OASDI) and thrift plan costs (Deduct) line 13. To provide for consistency of comparison between Government and contractor retirement system costs, the contractor's contributions for Social Security (except the Medicare portion of 1.45%) and any thrift/profit sharing plan should be excluded from the contractor's price for cost comparison purposes only. If the apparent low bidder claims thrift plan or OASDI contributions on line 13, he will be given 5 working days in which to produce documentation substantiating the amount claimed for thrift/profit sharing and OASDI. These identified contributions will be entered on line 13 as a deduction from contract costs. If the contractor wins the competition, the contract price on line 7 will be used for contract payment purposes.

h. Total: Contract costs (line 14). Use instructions in OMB Transmittal Memorandum #4 dated October 29, 1986, subject: Revised Procedure for Comparing Retirement Costs.

E-7. Remaining Cost Elements (lines 15-18). Refer to the CCH for all instructions for these lines.

APPENDIX F
RESOURCES IMPACTS

F-1. General. The instructions in this Appendix should be used to supplement paragraph 3-53.

F-2. Instructions for Completing ENG Form 4841-R, Effect of CA Study on FOA Funds (RCS CSCOA-96). The data included on this form will be expressed in terms of FOA budget dollars and cost to the USACE, and not the costs used in the cost comparison (Appendix E). Backup sheets will show the Unit Identification Code (UIC), Program Development Increment Package (PDIP), and Army Management Structure Code (AMSCO) level of detail that supports the data on this form. The backup sheets will be enclosures to this form when submitted to HQUSACE in the final decision package.

a. Item 1, AVAILABLE FUNDS, reflects the dollars in the FOA budget for the function(s) in the CA study. These are the dollars that appear in the FOA budget to fund the functions as they are structured at the time of final decision, regardless of whether the final decision is to contract the function or retain it in-house.

(1) The FIRST PERIOD column shows the dollars remaining in the FOA budget with which to finance the activity for the remainder of that FY after the planned conversion date. The number of months to be used for this period is the number of months remaining between the planned conversion date and the end of the FY of conversion.

(2) Elements in the FOA budget are CIVILIAN PERSONNEL COSTS, augmentation CONTRACTS (if any), and OTHER costs (supplies, travel, RPMA, etc.). These budget items relate to object classes 11, 12, 13, 16, 17 and 28.

(3) MILITARY PERSONNEL COSTS AND CAPITAL INVESTMENT (facilities and equipment) costs should be shown even though they are not in the FOA budget. Use standard cost factors to compute the military personnel cost.

(4) The CAPITAL INVESTMENT cost should represent the value of facilities and capital equipment used to support present operations.

(5) The data reflected in the FIRST PERIOD column become the benchmark for the computation of savings.

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b. Item 2, MEO, reflects the cost of the MEO in budget dollars. Again, the FIRST PERIOD column shows the period from planned conversion date to the end of the FY. The CAPITAL INVESTMENT costs represent the value of the facilities and capital equipment that will support the new method of operation. An entry will be made against this element only if the function is retained in-house.

c. Item 3, CONTRACT, reflects the cost of contracting as it will be budgeted for in each year of the entire cost comparison period.

(1) CONTRACT will show the bid dollars for the cost comparison period. If the first year of performance is less than a full FY, show the prorated amount for the remainder of the FY in the FIRST PERIOD column.

(2) CONTRACT ADMINISTRATION reflects the contract administration costs in budget dollars.

(3) ONE TIME COSTS shows the one-time conversion costs in the year of actual expenditure.

d. Item 4, EFFECT ON FOA, reflects savings or shortfall for each year of the cost comparison period resulting from the CA study decision. If the function(s) remain in-house, this item is the difference between AVAILABLE FUNDS BUDGET TOTAL and MEO BUDGET TOTAL. If the function(s) convert to contract, this item is the difference between AVAILABLE FUNDS BUDGET TOTAL and CONTRACT BUDGET TOTAL. Show shortfalls in parentheses.

e. Item 5, FOA RMO/CONTROLLER COMMENTS, can be used for any special remarks the FOA wishes to make.

F-3. Instructions for Completing ENG Form 4842-R, Effect of CA Study on FOA Manpower (RCS CSCOA-96).

a. Item 1, CPAS MANPOWER, documents the number of spaces and workyears identified for study in the initial CPAS. Once entered, these data do not change unless activities or functions are added to or deleted from the CA study. Any changes to the CA study relating to CHANGES, below, will not cause changes in CPAS MANPOWER.

(1) CHANGE, reflects any differences from the data reported in the initial CPAS which formed the basis for the Congressional announcement of HQUSACE approval, prior to the start of the management study. Each change represents space and workyear changes occurring after the submission of the CPAS for the following reasons:

(a) Identification of excluded positions and functions during the course of the management study;

(b) ASA-approved exemptions;

(c) Revised policy or statutory requirements that occur after CPAS submission;

(d) Spaces and workyears deleted from study because of management actions (for example, management improvements);

(e) Nonworkload related, "across the board" reductions in manpower authorizations.

(2) Each change will be entered in this section and explained in proper supporting documents attached as enclosures.

b. Item 2, BASELINE, represents the spaces and workyears authorized at the start of the management study.

c. Item 3, MEO, reflects the total spaces and workyears that will be authorized under the MEO. Report this data despite the decision to contract or to retain in-house.

d. Item 4, CONTRACT ADMINISTRATION, reflects spaces and workyears required for contract administration as costed in the Government's in-house cost estimate.

e. Item 5, SAVINGS, reflects the total savings or shortfall resulting from the final decision. Savings are realized from conversion to contract, or the MEO requiring fewer spaces and workyears than those authorized at time of conversion. Shortfalls occur when a decision is made to retain the function in-house and the MEO requires more civilian spaces and workyears than currently authorized (MEO minus BASELINE). Use parentheses when showing shortfalls.

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f. Explanation of other data elements on ENG Form 4842-R.

(1) Both the SPACES AND WORKYEARS sections of the form are divided into CIVIL WORKS FUNDED and DOD FUNDED sections for both military positions (green-suiters) and civilian positions.

(2) The data must be shown at the level of detail described in paragraph 3-54. FOA may need to coordinate with DEAN-RMU to obtain the proper PDIP information for the spaces (DOD-funded) being reported.

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APPENDIX G
PROCEDURES FOR PREPARING THE USACE COMMERCIAL
ACTIVITIES INVENTORY (TO BE PUBLISHED)

Appendix G is under development. When published, it will contain instructions for preparing and updating the USACE Commercial Activities Inventory.

APPENDIX H
ECONOMIC EFFECTS ANALYSIS

H-1. Requests for Analysis.

a. Requirements for production of the economic effects analysis are covered in paragraph 3-53.

b. Access to the Economic Impact Forecasting System (EIFS), a program within the Environmental Technical Information System (ETIS) at the USA Construction Engineering Research Laboratory (CERL) which produces the data on the effect of a CA study on the local community, may be obtained with a remote terminal and a toll-free telephone line, or by the FOA obtaining a login and password from CERL for access to ETIS, or by a mail-in request.

(1) Arrangements for access to the CERL computer by remote terminal are made by calling commercial (217) 333-1369.

(2) Requests for a login and password should be addressed to:

USA-CERL
US Army Corps of Engineers
P. O. Box 4005
Champaign IL 61820

(3) Access is also obtained by mailing input data to CERL (see Figure H-1 for data requested).

H-2. Input Data Elements.

a. First county or region. This element refers to the military installation, FOA, or multi-county area surrounding the activity that will be affected by the conversion. CERL has defined the region for major Army installations so that all that has to be entered is the installation name if the activity is located near an Army installation. If the region has not been defined, the names of the counties and the state in which they are located with ten percent or more of the installation's/FOA's military and civilian workforce as residents should be entered. This can be accomplished through the use of the next data element if more than one county would be affected. When all affected regions have been entered, press <cr>, which means "carriage return."

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b. Next county or region (see paragraph H-2a for explanation of this element).

c. EIFS v2,8 - What profile? Enter "12" for Forecast Models.

d. Forecast Models - which functional area? Enter "1" for Commercial/Industrial Type Activities.

e. The next data element concerns price deflators; the system will prompt you to choose between the default price deflators and those you enter yourself. Usually the default price deflator rather than your own should be used. Enter "d" to enter your own price deflators and <cr> to use the default price deflators (latest year). The system then prints the default price deflators for your information and then enters the COMMERCIAL/INDUSTRIAL TYPE ACTIVITIES (CITA) functional area for forecasting.

f. Project name. Enter the location and name of the activity to be converted to contract, such as: "Alaska District, Word Processing." This data element is used only to identify the economic effects analysis during the processing cycle.

g. Enter either "1" for "total expenditures" or "2" for "local expenditures." Since it is unlikely that residents in only one county would be affected, a "1" should be entered.

h. Change in expenditures for services and supplies. Enter the entire annual dollar change, using a negative number for a decrease.

i. Change in expenditures for local services and supplies. This is calculated by the system based on the total dollar change entered in paragraph 2-2h. It is the annual change in local procurement that will result from conversion to contract. If a "2" was entered for paragraph 2-2g, the FOA must enter this figure. In that case, include only procurements in the local area, not those from a central supply location. Include as decreases those purchases of supplies and services that will be absorbed in the contract. Do not include payments to the new contractor as increases in the local procurement.

j. Estimated value of contract. Enter the annual contract amount including cost reimbursements and incentive fees. Do not include contract administration costs or cost of Government-furnished supplies and equipment.

k. Change in civilian employment. The number of full-time civilian employees who will be released from Federal service or relocated out of the area due to conversion to contract. Include retirees and employees separated through exercise of "bumping rights" by directly affected employees. Do not include employees who will be placed in other Federal jobs at the FOA or in the commuting area.

l. Average income of affected civilian personnel. Enter the average income per year of the number of civilian employees used in k above. Do not include Government contributions to fringe benefits or the fringe benefit factor used in the in-house cost estimate.

m. Change in military employment. Enter the number of military personnel currently assigned to the activity who will be reassigned due to conversion. Include those who will be reassigned locally and those who will be transferred from the FOA.

n. Average income of affected military personnel. Enter the average income per year (pay and allowances) of the military personnel to be reassigned (m above).

o. Percent of affected military living on base. Use the percentage of the military personnel to be reassigned (m above) that live on post (in barracks, family housing, or Government-furnished quarters at an FOA). This data element is required to distinguish those military personnel who do not spend as high a percentage for living expenses, such as housing, on the local economy.

H-3. Commercial/Industrial Forecast for Subject Activity.

Economic effects data is produced by the EIFS in the form of dollar values, workyears and percentage of change as an increase or decrease. Only the percent figures are used for the economic effects report to Congress. They provide an indication as to whether there really is an impact on the community from the contracting out of the subject activity. The following data elements are produced:

a. Export employment multiplier. This is the total effect of each dollar expended on the local economy after all secondary and subsequent rounds have been felt. The multiplier is calculated by the EIFS based on economic theory and regional experience. A multiplier of 2.6 indicates that one dollar of injected economic activity creates a total effect of \$2.60.

b. Export income multiplier. This element operates similarly to the export employment multiplier.

c. Export sales multiplier. This element operates similarly to the export employment multiplier.

d. Change in local sales volume, employment, income. These figures identify the total change expected in business volume or economic activity in the area upon conversion to contract.

(1) Change in local sales volume includes the change in selected services, retail sales, wholesale trade, and manufacturing output. The "change in local sales volume (total)" is obtained by applying the "export employment multiplier" to the "change in local sales volume (direct)."

(2) Change in local sales volume (direct) is the direct injection (or withdrawal) of funds as a result of conversion. For example, if conversion results in a reduction in local procurements, there will be a withdrawal of economic activity from the area and it can be expected that there would be a reduction in local sales volume. This is a direct change as a result of conversion and is a "first round" effect on the economy. It is felt in its entirety.

(3) Change in local employment is the anticipated change in total local employment (full and part-time) from conversion to contract. The change is expressed in workyears. It does not indicate actual employed personnel.

(4) Change in local income is an estimate of the change in total personal income that can be expected from the change in economic activity in the region.

e. Change in local consumption (housing and non-housing).

f. Change in local investment (housing and non-housing).

g. Change in local population. This element represents the change in local population projected as a result of conversion. The EIFS estimates this change by applying an average dependency ratio to the net change in employment.

h. Change in number of school children.

i. Change in property values.

j. Change in Government revenues--taxes and State and Federal aid to schools is the projected change in property value revenues and sales tax revenues in the area that will result from the economic effects of conversion.

k. Change in Government expenditures--schools and other.

l. Net change in costs to local Government.

H-4. Comparison of Forecasted Values for the Studied Activity to Accepted Ranges of Values.

a. Once the output data elements have been produced with their associated values, the EIFS will prompt the user:

EIFS v2.8 - What profile?

The user should respond with the number "13" for Rational Threshold Values (rtv).

b. The system will then produce the values by year for changes in business volume, personal income, employment, and population. Comparison of these outputs to the input data should proceed as follows:

(1) The percentage for "change in local sales volume (total)" should fall between the positive and negative rtvs for BUSINESS VOLUME. If it does not, there is an economic impact on the community for this data element.

(2) The percentage for "change in local income (place of residence)" should fall between the positive and negative rtvs for PERSONAL INCOME. If it does not, there is an economic impact on the community for this data element.

(3) The percentage for "change in local employment (total)" should fall between the positive and negative rtvs for EMPLOYMENT. If it does not, there is an economic impact on the community for this data element.

(4) The numbers for POPULATION change and the percentages of positive and negative rtvs for this output element are not analyzed for the economic effects analysis.

c. If any of the output data elements which are compared to the rtvs falls outside the boundaries of both positive and negative rtvs, the FOA should prepare a synopsis indicating the value obtained for that data element

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and include a statement that there is an economic impact in that locality in the category of economic activity represented by that data element.

H-5. Completion Procedures for the Economic Effects Analysis.

a. The user should enter "quit" to exit the EIFS and "quit" to exit the ETIS.

b. The economic effects analysis will be included with the Final Decision Report and other required documents as set forth in paragraph 3-55.

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(Letterhead Required)

(Date)

SUBJECT: Request for CA EIFS Economic Effects Analysis,
CA Study Number _____

Commander
USA Construction Engineering Research Laboratory
ATTN: ETIS
1003 West Nevada Street
Urbana, IL 61801

1. Requesting activity and mailing address.
2. Input data.
 - a. County or region.
 - b. Price deflators if default values not to be used.
 - c. Project name for studied activity.
 - d. Will local or total expenditures be entered?
 - e. Change in expenditures for services and supplies.
 - f. Estimated value of contract.
 - g. Change in civilian employment.
 - h. Average income of affected civilian personnel.
 - i. Change in military employment
 - j. Average income of affected military personnel.
 - k. Percent of affected military living on base.
3. Date economic effects analysis is required.
4. Name and commercial telephone number of FOA point of contact for the analysis.

Figure H-1
Format for Mail Request for Economic Effects Analysis

GLOSSARY

Section I. Acronyms

A-E - Architect and engineer

ADP - Automated Data Processing

AMSCO - Army Management Structure Code

AR - Army Regulation

ASA(CW) - Assistant Secretary of the Army (Civil Works)

ASA(I&L) - Assistant Secretary of the Army (Installation and Logistics)

AUTOVON - Automatic Voice Network

AV - Audiovisual

BMM - Borrowed Military Manpower

CAS - Commercial Activities System

CCF - Cost Comparison Form (either ENG Form 4843A-R or ENG Form 4843B-R)

CCH - Cost Comparison Handbook (Part IV of the Supplement to OMB Circular No. A-76--Revised)

CERL - US Army Construction Engineering Research Laboratory

COA - Comptroller of the Army

COCO - Contractor-owned, contractor-operated

COEMIS - Corps of Engineers Management Information System

CPAS - Commercial Activities Proposed Action Summary

CSN - CA Study Number

CW - Civil Works

DA - Department of the Army

DOD - Department of Defense

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DOL - Department of Labor
DRIS - Defense Regional Interservice Support
EIFS - Economic Impact Forecast System
ENL - Enlisted (military personnel)
ER - Efficiency Review
FAR - Federal Acquisition Regulation
FOA - Field Operating Activity
FOIA - Freedom of Information Act
FOUO - For Official Use Only
FPM - Federal Personnel Manual
FTE - Full-time Equivalent
FTP - Full-time Permanent
FTS - Federal Telecommunications System
FWS - Federal Wage System (civilian personnel)
FY - Fiscal Year
GAO - General Accounting Office
GFA - General Functional Area (code)
GFE - Government-furnished Equipment
GM - General Manager (civilian personnel)
GOCO - Government-owned, contractor-operated
GOGO - Government-owned, Government-operated
GS - General Schedule (civilian personnel)
GSA - General Services Administration
HQDA - Headquarters, Department of the Army

HQUSACE - Headquarters, US Army Corps of Engineers
JIRSG - Joint Interservice Resource Study Group
MACOM - Major Army Command
MCA - Military Construction, Army
MEO - Most Efficient Organization
MMCA - Minor Military Construction, Army
MTOE - Modification Table of Organization and Equipment
OFF - Officer (military personnel)
OFPP - Office of Federal Procurement Policy (OMB)
OMB - Office of Management and Budget
OPM - Office of Personnel Management
PCIP - Productivity Capital Investment Program
PCS - Permanent Change of Station
PDIP - Program Development Increment Package
PE - Program Element (code)
POC - Point of Contact
PRIP - Plant Replacement and Improvement Program
PTP - Part-time Permanent
PWS - Performance Work Statement
QA - Quality Assurance
QAE - Quality Assurance Evaluation/Evaluator
QRIP - Quick Return on Investment Program
R&D - Research and Development
RIF - Reduction-in-force
RPMA - Real Property Maintenance Activity

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SADBU - Small and Disadvantaged Business Utilization

SBA - Small Business Administration

SLUC - Standard Level Users Charge

TDA - Table of Distribution and Allowances

TOE - Table of Organization and Equipment

TPT - Temporary Part-time

UIC - Unit Identification Code

USAAA - US Army Audit Agency

VE - Value Engineering

WAE - When Actually Employed

WB - Wage Board (civilian personnel)

WG - Wage Grade (civilian personnel)

WO - Warrant Officer (military personnel)

Section II. Definition of Terms

Affected Positions: The number of positions expected to be authorized in the commercial activity at the time of initial decision. If the decision in the study is to convert to contract, these positions may be redistributed to other functions.

Announced Authorized/Approved Positions: The number of military and civilian positions authorized on a TDA or other manpower manning document governing the activities and functions to be studied. These positions are identified in the CPAS. This figure is an estimate of the number of spaces performing functions that are potentially contractible that will be included in the PWS for solicitation. This term does not include positions that are, at the time of CPAS preparation, identified as "Governmental"; required to be retained to preserve the enlisted overseas rotation base; exempted or potentially exempt from CA study for other noncost reasons; noncontractible for statutory or regulatory reasons; or otherwise believed to be noncontractible. Potential spaces for contract administration are not subtracted from spaces

to be studied. The announced authorized/approved positions are fixed upon announcement to Congress/HQUSACE approval; they do not change as the study progresses. They are the baseline for the audit trail leading to the "Total at Final Decision" to be entered on ENG Form 4842-R. The announced authorized/approved spaces are used for programming by HQUSACE and HQDA and to measure program progress by OSD.

Augmentation Contract: A contract that augments or supplements an in-house work force when the in-house capacity is insufficient to perform the total function. Augmentation contracts are normally for a specific project with a finite lifespan or are for continuing services with an annual value of \$400,000 or less.

Capital Investment: The acquisition cost of Government-owned property less accumulated depreciation. Initial investment cost must exceed \$1,000.

Civil Works-funded Function: Those USACE functions that are staffed and funded with civil works appropriations.

Commercial Activity: An activity providing a product or service that can be obtained from a private contractor performing a service, under contract, for the Government. An activity must be separable from other activities for performance by a contractor or an in-house work force. CAs provide regularly needed goods and services, are not related to support of a specific project, and have a total lifespan of two years or more. They are not one-time activities. An activity is the organization (including personnel, facilities, equipment, and contracts) performing commercial functions. A representative but not all-inclusive list of such products and services is provided at Appendix C.

Commercial Activity Study: The entire process that determines if it is more economical to acquire required products or services from a private commercial source or from an in-house work force.

Commercial Source: A business or other non-Federal activity located in the United States, its territories and possessions which provides a commercial product or service.

Compelling Reason: A reason dictating that an activity can only be performed in one way; for example, the need to retain the military rotation base may compel the in-house performance of an activity.

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Conditioned Award Contract: A contract award made upon the initial decision in a CA study involving a negotiated acquisition. Contractor performance of the contract is conditioned on the final decision of conversion to contract after resolution of appeals and protests.

Continuing Requirement: Work required to be done with a time span exceeding two years. See "Commercial Activity."

Contract Administration Authorized: The number of additional military or civilian positions allocated for contract administration (including contracting officer's representative(s) and QA evaluator(s) in the Government's in-house cost estimate. This number is established as explained in Chapter 3, or by HQUSACE staff proponent approval of additional staffing in advance of the cost comparison. This number does not include positions that were "washed" in the cost comparison because they are required for both in-house and contract performance.

Contract Administration Cost: The cost incurred by the Government to ensure that a contract is faithfully performed by both the Government and the contractor. All identifiable direct costs for quality assurance evaluation, contract administration, processing payments, and negotiating change orders are included in this cost.

Contractor-owned, contractor-operated: Applies to a manufacturing facility owned and operated by a private contractor performing a service, under contract, for the Government. Alternatively, an activity operated by contractor personnel in a contractor-owned facility.

Conversion: A change in the method of performance of an activity from in-house to contract.

Cost Comparison: The process that compares the cost of contract performance to the Government's estimate of in-house costs. This step is done immediately after bid opening.

Cost Effective: A term used to compare actual costs of what an activity or group of people actually accomplish in relation to an assigned mission.

Cost Engineers: A group of engineers in FOA Engineering Divisions who specialize in the development of methodology for cost estimates as well as the actual preparation of estimates for labor, materials, equipment, and different methods of construction for both the military and civil works funded programs.

Critical Waterway Segment: One with locks that are part of a larger major system of regional or national significance, such that the breakdown of any lock within the segment could significantly disrupt the entire system and have regional impact. Generally, as of March 1987, locks on critical waterway segments have commerce volumes that equal or exceed 1.6 million tons per year.

Current Authorized: The number of military and civilian positions authorized on a TDA or other manpower manning document in the activities and functions to be studied as of the quarterly updates of ongoing studies or at study completion submitted to OMB, HQDA and HQUSACE. The current authorized number varies as changes are made in the identification of positions as contractible or noncontractible, and as authorizations change during the course of a CA study.

Direct Conversion: Conversion to contract without a CA study of a commercial activity.

Displaced Employee: Any employee, including a temporary employee, adversely affected by conversion to contract. Adverse effects include such actions as job elimination, grade reduction, or reassignment to another position. Displaced employees include those directly affected by conversion of their jobs to contract and those affected by "bumping" or "retreat" rights related to a reduction-in-force from the conversion.

DOD-funded Function: Refers to USACE functions funded with DOD appropriations. Used synonymously with "military-funded function."

DOD-Civil Works Funded Function: Refers to those USACE functions that are funded by both DOD and civil works appropriations. An employee in these activities may be paid from either DOD or civil works appropriations. Used synonymously with "mixed funded" and "military-civil works funded function."

Economic Effects Analysis: An analysis of the economic impact of a conversion to contract affecting 75 or more Government employees (military or civilian).

Efficiency Review: The systematic analytical review of an operation, process, procedure, program, system, organization, function, task, facility, or equipment for the specific purpose of improvement. Improvement results in reductions of resources or increased production with no change in resources or a combination of both. Whole activities excluded, excepted, or exempted from CA cost comparison study are subject to study under the ER Program.

Exception: The removal of a commercial activity from CA Program requirements to conduct a cost comparison on the activity. Only the Commander or Deputy Commander, USACE, or the Chief Counsel can determine that an activity is excepted from the CA Program. Rationales are that the activity is outside the United States, its territories and possessions; it furnishes products or services which must be obtained from mandatory sources; the services it provides must be obtained by treaty or international agreement; it involves acquiring products or services which by law must be obtained in a certain way which cannot be reconciled with A-76 procedures; it is engaged in performing research and development; it is not separable from other excepted, excluded or exempted activities; it is not a regular or recurring effort of at least two years in duration, or is related to support of a specific project; it requires expert and consulting services which are governed by other regulations. Excepted activities must be reviewed every five years to determine if the rationale for the original decision is still valid.

Exclusion: The removal of an activity or certain positions associated with a CA from CA Program requirements to conduct a cost comparison study of that activity. Activity-wide exclusions are approved by the Commander or Deputy Commander, USACE, on the basis that the activities are Governmental and must be performed in-house by Government employees. Excluded activities must be reviewed every five years to determine if the rationale for the original decision is still valid.

Exemption: The exemption of an in-house commercial activity from CA cost comparison study by ASA (CW) and/or ASA (I&L). Exemptions are based on compelling reasons other than relative cost. Exempted activities remain in the CA inventory and are reviewed every five years.

Expansion: The modernization, replacement, upgrading, or enlargement of a commercial activity involving a cost increase exceeding either 30 percent of the annual personnel and material costs, or 30 percent of the total capital investment. A consolidation of two or more CAs is not an "expansion" unless either the proposed total capital investment or personnel and material costs of the consolidation exceeds the total cost of the individual activities by 30 percent or more. (See paragraph 3-11.)

Final Decision: The decision made in a CA study after the resolution of appeals, conduct of preaward surveys, and resolution of GAO protests. If no valid bids or offers are received on which to make a cost comparison, the final determination is actually made when it is decided that a solicitation will not be reissued. The date of the final decision, however, is the date HQUSACE gives the authority to proceed or cancel the solicitation.

Full-time Equivalent: See "Workyear."

Government Estimate or Government Fair Cost Estimate: The estimate which is prepared to evaluate bids or to use as a guide in the conduct of negotiations. This is a commonly used procurement term, not to be confused with "Government's in-house cost estimate."

Government Function: A function that must be performed by Government employees because it involves uniquely Governmental responsibilities. The term refers to an entire activity or only part of one, usually individual positions associated with a CA. Such functions require the exercise of discretionary authority to set or change regulatory policies and procedures, as in directing the national defense, conduct of foreign relations, regulating industry and natural resources, and obligating public funds.

Government's In-house Cost Estimate: The Government's bid used in the A-76 cost comparison. Not to be confused with "Government Estimate."

Government-owned, contractor-operated: An activity operated by contractor personnel in a Government-owned facility.

In-house Performance: The performance of functions by Government employees, including military, civilian, and nonappropriated fund employees. (Government employees administering a contract or monitoring contractor operation of an activity do not constitute in-house performance.)

Initial Decision: The decision made at the time of bid opening or initial preparation of a cost comparison. The initial decision may be affected by actions such as public review of the CA study, determinations of contractor responsibility, and appeals board decisions. The initial decision cannot be the basis for irrevocable actions.

Interested Party: Employees of the activity under study, unions and other employee organizations representing the affected Federal employees, and bidders or offerors responding to the solicitation.

Inventory: An annual listing of all in-house and contracted commercial activities governed by this regulation, including expansions, new requirements, and those that have been exempted from CA study. Inventories shall be made available to other agencies and the public upon request.

Major Maintenance: Includes both scheduled and unscheduled maintenance of components, involving such activities as: rewinding generator stators and rotors; major welding repairs or rehabilitation jobs on turbines, shafts and bearings; painting water intake gates and switchyard equipment; major equipment installation and replacement jobs; and transformer untanking and repairs.

Manyear: See "workyear."

Military-Civil Works funded Function: See "DOD-Civil Works funded Function."

Military Funded Function: See "DOD-funded Function."

Most Efficient Organization: The organization resulting from the completion of the management study portion of the cost comparison study. It is certified by the FOA Commander as the most efficient use of available resources to accomplish the workload described in the performance work statement.

Most Efficient Organization Authorized: The number of civilian positions documented in the TDA or other staffing document of the MEO established by the management study and used as a basis for the Government's in-house cost estimate. The reported MEO authorized should include all adjustments made by appeals boards.

New Requirement: A need to perform a CA not currently performed by the FOA, either in-house or by contract. (See paragraph 3-11.)

Option: A right to be exercised by the Government to extend the term of a contract for a specified period of time.

Period of Performance: Normally an FY but may also be a prorated portion of the year, especially at the beginning or end of a five-year period after a decision has been made in a CA study. This term is used in the preparation of the in-house estimate to compare with private bids/offers.

Private Commercial Source: A private business, university, or other non-Federal activity that provides a commercial product or service required by Government agencies. It must be located in the United States or its territories and possessions.

Rebuttal: Comments filed during the rebuttal period.

Routine Maintenance: The systematic inspection (including testing), lubrication, and day-to-day maintenance and repair of equipment.

Separability/Severability: See "Commercial Activity."

Thrift Plan (Bidder's): Any plan, in accordance with Internal Revenue Service Tax Code, Section 401, which is in addition to a standard retirement/pension plan. The portion that the bidder contributes may be deducted from his bid. These costs must only be for the estimated labor hours and labor dollars that would be allocable to the services contemplated by the solicitation if the bidder wins the bid; they may not be the entire thrift plan costs.

Transfer: Where all the contractible work in a function is currently performed by contract and this same work is proposed for change to in-house performance.

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Unscheduled Maintenance: Responding to equipment outages resulting from actual equipment failure or detection of symptoms indicating the potential for failure.

Wash Cost: A term used to refer to common costs, that is, costs that will exist regardless of method of performance (whether the function remains in-house or is converted to contract performance). These costs are not included in the cost comparison.

Workyear: Refers to 2087 hours of paid time. This replaces the previously used term Full-time Equivalent (FTE) for cost comparison studies. It applies to both DOD and civil works-funded personnel, and is used synonymously with "manyar."

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