

Part IV

COST COMPARISON HANDBOOK

Supplement
OMB Circular No. A-76
Performance of Commercial Activities

TABLE OF CONTENTS

PART IV - COST COMPARISON HANDBOOK

	<u>Page</u>
Chapter 1- General0...0...00.	1
A. Purpose	1
B. Organization of the Handbook0."	1
C. Overview of the ProCess	1
Chapter 2- Developing the Cost of Government Performance	5
A. Introduction	5
B. Relationship to the Budget	6
C. Inflation	6
D. Personnel Cost - Line 1	7
E. Material and Supply Cost - Line 20...0...0.	16
F. Other Specifically Attributable Costs - Line 3	19
1. Overview	19
2. Depreciation . .00...0 * ...**."	19
3. Rent . 0...0...00. . .0.0.00 . .0...0.	23
4. Maintenance and Repair	23
5. Utilities	23
6. Insurance	23
7. Travel	27
8. Other Costs	27
G. Overhead Costs - Line 4 .***** .***...** . .**.**.** . . .	27
1. Overview	27
2. Operations Overhead . **.***** .*****0***** .0 *****.* .	30
3. General and Administrative Overhead	30
H. Additional Costs -- Line 5	33
I. Total - Line 6 .**.*.* . .0... . .*...** .**.*...* .	33
Chapter 3- Developing the Cost of Contract Performance	35
A." General	35
B. Contract Price - Line 7 .*.*.*.* .*.*.*.* . . * . * . * . *	35
C. Contract Administration - Line 8	36
D. Additional Costs - Line 9 *00.0 . . . * . * . *	36
E. One-Time Conversion Costs - Line 10	37
F. Gain or Loss on Disposal/Transfer of Assets -- Line 11	39
G. Federal Income Tax - Line 12 . . /	40

	<u>Page</u>
Chapter 4- Cost Comparison Decision	41
A. Conversion Differential - Line 14 . . .0....00 .*0.**.*...*.****	41
B. Total and Comparison — Lines 15 and 16	41
C. Cost Comparison Decision - Line 170...*0*	41
 Chapter 5 - Developing Cost Comparisons for Expansions, New Requirements and Conversions to In-House Operation	 43
A. General000**	43
B. Costing Method00	43
C. Cost of Capital (On Additional Assets) -Line 5	44
D. One-time Costs (For Expansions, New Requirements and Conversions from Contract to In-House)- Line 6	44
E. Conversion Differential (For Expansions, New Requirements and Conversions to In-House Performance) - Line 16 .**...*...**...*	45
F. Cost Comparison Decision	45

ILLUSTRATIONS

Chapter - No.

1-1 Cost Comparison Form	4
2-1 Personnel Cost Worksheet000	12
2-2 Estimate of Material and Supply Costs	13
2-3 Depreciation Worksheet . .**.***** . . .00400 .**0*	22
2-4 Insurance Worksheet . .****.* . . .** .****.*0***00.00.	25
2-5 Summary - Other Specifically Attributable Costs	28
2-6 Minor Items - Not Provided to Contractor	29
2-7 Typical General and Administrative Activities	31
2-8 Overhead Cost Worksheet . .***.***00* .***	32
4-1 Conversion Differential Worksheet	41
5-1 Cost Comparison Form for Expansions, New Require- ments and Conversions to In-House Performance	46

APPENDICES

A. Sample Milestone Schedule* .** .**0..0 . . .	47
B. Narrative Flow Chart for Cost Comparison Process	51
C. Useful Life and Disposal Value Table	5
D. Tax Rate Table0.00000	67

INDEX	73
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PART IV - COST COMPARISON HANDBOOK

Chapter General

A. PURPOSE

This revised Cost Comparison Handbook implements the policy and requirements of OMB Circular No. A-76. As prescribed in the Circular, the Handbook must be used by Federal agencies to ensure cost studies will be fair, reasonable and consistent. The Handbook provides detailed instructions for developing a comprehensive comparison of the estimated cost to the Government of acquiring a service by contract and of providing the service with in-house Government resources. The procedures set forth in this Handbook recognize the absence of a uniform accounting system throughout the Federal Government and are intended to establish a practical level of consistency and uniformity to assure all substantive factors are considered when making cost comparisons.

B. ORGANIZATION OF THE HANDBOOK

1. This Handbook is organized by the major subjects which must be considered when developing in-house and contract cost estimates. Generally, these subjects follow the line-by-line progression of the Cost Comparison Form (Illustration 1-1). Each line is explained in sufficient detail to include computations which must be made and documentation which must be retained to support the cost study.

2. Chapter 2 describes the procedures to develop the cost of Government performance of the function under study. Chapter 3 describes the procedures to develop the cost of contract performance of the function under study. Chapter 4 provides procedures for computing the minimum conversion differential and determining the cost comparison decision. Chapter 5 addresses the special requirements for expansions, new requirements, and conversions to in-house. Four appendices have been added to support the cost comparison process and are identified in the Table of Contents.

c. OVERVIEW OF THE PROCESS. -

L General

The completed cost study will provide reasonable estimates of the cost of alternative courses of action. To assure a fair and equitable comparison, in-house cost estimates must be based on the same scope of work provided in the performance work statement and include estimates of all significant and measurable costs.

2. Procedure

a. Preparation of the Performance Work Statement (PWS) is critical since it is the basis for the cost comparison. It must be sufficiently comprehensive to ensure that in-house or contract performance will satisfy Government requirements. The PWS should clearly state what is to be done without describing how it is to be done. The PWS should describe the output requirements of the in-house

operation, including **all** responsibilities and the requirements for facilities, equipment and material. It should also provide performance standards and a quality assurance plan to ensure a comparable level of performance for either an in-house or **contract** operation.

b. Soon **after** the PWS is initially developed, the Task Group must complete a management study to determine the most efficient and effective organization for Government performance of the PWS. The current **workforce**, materials, equipment and facilities, and **procedures** will be analyzed and adjusted to appropriate levels. To be **efficient**, the activity **workload** must be accomplished with as few resources as possible. To be effective, an organization must be able to successfully accomplish the mission at the required standard of performance. The "Management **Study Guide**," Part **II** of this Supplement, is an **example** of an approach to the management study. The PWS and the results of the management study are then used to prepare the in-house estimate.

c. The **in-house** estimate must **be** based on the same PWS used in the contract solicitation. In **addition**, it must be developed on the premise that costs which **would** continue at the same **level** regardless of the method of performance (in-house or contract) **will** not be computed. When the PWS and resulting in-house cost estimate for an existing Government activity are based on any variation from current operations; e.g., scope of work, staffing, materials **or** equipment, such variations must be consistent with agency **manpower** and personnel regulations and must be **coordinated** with the agency's budget office. The step-by-step procedure for **developing** the in-house **cost** estimate is in Chapter 2 of this Handbook.

d. When the **PWS** has **been** completed, firm bids or proposals will be solicited in **accordance** with the acquisition strategy. Use of formal advertising with firm fixed price bids is preferred. However, proposals should be requested for competitive negotiations when this method would be more suitable and is warranted under current procurement regulations with fixed **price** incentive contracts preferred. It is essential that the invitation for bids or request for proposals provide for a common standard of performance that permits an equitable comparison of **Government** and contract costs for performing the same work.

e. **After** costs of in-house **performance** and costs of contract performance (other than costs dependent on contract price) have been **estimated**, the Cost Comparison Form (**CCF**) must be signed and dated by the person responsible for its preparation. **If** the study **was** prepared by a Task Group, the chairperson of the Task Group signs the **CCF**. At this stage, the contract price is still unknown.

f. The estimates of in-house and contract costs which can be computed prior to the **cost** comparison must **be reviewed** by a qualified activity, independent of the Task Group preparing the cost comparison study. This will be done prior to submission of the **CCF** and supporting data (see Part I, Chapter 2, paragraph H) to the contracting **officer**. The purpose of the independent review is to **ensure** costs have been estimated and supported in accordance with provisions of the **Circular** and this Handbook. **If** no (or only minor) **discrepancies** are noted during this review, the reviewer indicates the **discrepancies, signs, dates**, and returns the CCF to the preparer. If significant **discrepancies** are noted during the review, the discrepancies will be reported to **the** preparer for recommended

correction and resubmission. Following the independent review, the preparer submits to the contracting officer the CCF and supporting data in a sealed and identified envelope. This must be done by the required submission date for bids or proposals. . .

g. The confidentiality of all cost data, including the contract price, must be maintained to ensure that Government and contract cost figures are completely independent. For example, the contracting officer will not know the in-house cost estimate until the cost comparison is accomplished at bid opening date.

h. For advertised procurements, the following procedures apply:

(1) At the time of public bid opening, the contracting officer and the preparer of the in-house cost estimate open the bids (as well as the Government in-house cost estimate) and enter the price of the apparent low bidder on the CCF. After the contract price is entered, the preparer completes the CCF. The contracting officer shall announce the results, subject to evaluation of bids for responsiveness, responsibility and resolution of possible appeals and protests. The completed CCF and supporting data shall be made available to affected parties for review at this time. The appeal period (see Part 1, Chapter 2, Paragraph 1) begins at this time.

(2) If, after the evaluation of bids and pre-award determinations of responsiveness and responsibility, the selected bidder is other than the previously announced apparent low bidder, then the CCF will be revised. All affected parties will be notified of any such revision. .

(3) The final decision for performance in-house or by contract shall be announced as required by agency procedures.

i. For negotiated procurements, use the procedures for advertised procurements, except as follows:

(1) After selection of the most advantageous proposal, the contracting officer and the preparer of the in-house cost estimate open the Government in-house cost estimate, complete the CCF and compare the alternative costs. The cost comparison must be made prior to the public announcement.

(2) If the cost comparison results in a tentative decision to convert to contract, the contracting officer notifies the contractor that an award will be made if the contracting alternative is still more economical than in-house performance after completion of the public review period, plus any additional time required pursuant to the appeal procedures. If necessary, the contractor must extend the proposal acceptance period 60 days to cover the appeal period. The contracting officer publically announces the apparent results of the cost comparison for the information of all directly affected parties. This public announcement includes a notice that formal supporting documentation (see Part I, Chapter 2, Paragraph I) is available for review by directly affected parties.

(3) Affected parties must also be informed that performance by contractor or by in-house personnel is contingent upon completion of the review period, plus any additional time required pursuant to the appeal procedures.

PART IV - COST COMPARISON HANDBOOK

Chapter 2-- Developing the Cost of Government Performance

A. **INTRODUCTION**

1. General

This **Chapter** discusses the procedures for developing the specifically attributable, overhead and additional costs associated with in-house performance of a commercial activity. Specifically attributable costs are incurred 100 percent by the function under study and are discussed in paragraphs D through F. Overhead costs are less than 100 percent attributable to the function under study and are discussed in paragraph G. Additional costs are discussed in paragraph H. If the cost comparison is an expansion, new requirement or conversion to in-house operation, refer to Chapter 5 before proceeding. The in-house performance cost will be based on the same level of effort and description of work as identified to the contractor in the performance work statement (PWS) and other solicitation documents. The estimated costs of the function under study will be based upon the following:

- Personnel Cost
- Materials and **Supply Costs**
- Other Specifically Attributable Costs
 - Depreciation . "
 - Rent
 - Maintenance and Repair
 - Insurance
 - Utilities
 - Travel
 - Other Costs
- Overhead Costs
 - Operations Overhead
 - General** and Administrative Overhead
- Additional Costs

Cost comparison studies will consider all significant costs both for Government and contract **performance** and will be based on the PWS and management study. However, costs that would be the same for either in-house or contract operation **shall** not be computed, but must be identified by type of cost and included in the cost comparison documentation.

2. Rounding Rule

Round all line entries in the CCF to the nearest dollar. Drop 1 to 49 cents and add one dollar for 50 cents to 99 cents.

3. Proration of Performance Periods

When the period of performance is less than a full year, prorate all cost elements except one time costs (line 1 0) over the number of months in the performance period.

4. Documentation

a. The cost comparison study **must be** documented to provide a record of information to **support** the entries for each line of *the cost study*. The cost elements involving common **costs which are** not entered on the CCF will be identified and documented. Address each line of the CCF and provide rationale for including or excluding specific costs. To the maximum extent possible, the documentation must support the *cost study* without further explanation. The documentation must enable a reviewer to track the computations from start to finish. Several worksheets are provided in the Handbook to facilitate computation and documentation.

b. On the CCF, under the column "reference," for each line of the CCF, show the page number of the attached documentation which supports that line.

B. RELATIONSHIP TO **THE** BUDGET

In general, the PWS standards and **workload** estimates and **resulting** cost estimates must be consistent with agency budget guidance covering the period of performance. This ensures economic assumptions and guidance developed for the agency are used when developing the cost study. Cost estimates for expansions or conversions of existing contracts to in-house performance must also be prepared in accordance with budget guidance. This may require additional work since these options may not be in the **projected** agency budget. The budget implications must also be considered for the overhead organizations. The key consideration is whether the budgets of these organizations **would** be revised if the mode of operation of the function under study is changed.

c. **INFLATION**

1. Agencies will annually provide the inflation guidance used in pricing the President's Budget for **all** activities performing cost comparison studies.

2. In preparing cost estimates of in-house and contract performance, **all** known or anticipated increases to be incurred before the end of the first period of performance; e.g., salary increases for Government employees, **must** be included in each element of cost. **Accordingly**, it will not be necessary **to further** adjust the costs of the first **period** of performance for **inflation**. For subsequent periods, the cost of anticipated changes in the scope of work prescribed in the PWS must be determined. Inflation factors for pay and non-pay categories will then be applied to the estimated cost of the first year of performance. There are some exceptions to inflation which will be discussed later: personnel costs subject to economic price adjustment clauses (e.g., Service Contract Act, Davis-Bacon Act, etc.), depreciation costs for facilities and equipment, and cost of minor items.

3. To calculate projected out-year costs based on inflation, proceed as follows:

a. Determine the amount of each element of cost that is affected by inflation during each period of performance. For each period, ensure the number of months in the period and changes to the PWS have been considered. This applies only to **recurring costs**. Non-recurring costs must be excluded.

b. Multiply the amount of the element of cost determined for each period of performance by the respective salary/wage or material cost inflation factors for the applicable period of performance.

c. Once adjusted for inflation, enter the total cost of that CCF line item in the column corresponding to the appropriate period of performance.

d. Show calculations in the formal documentation.

D. **PERSONNEL COST** - Line 1

1. This line includes **personnel costs** for accomplishing the requirements specified in a PWS for the function under study. Included are salaries, wages, fringe benefits, and other **entitlements**. To determine personnel costs, two steps are required: Development of an in-house staffing estimate; and determination of personnel costs based on the in-house staffing estimate.

2. In-House Staffing Estimate. Development of the in-house staffing estimate is a crucial step of the cost comparison process. The staffing estimate describes the most efficient and effective organization to accomplish requirements specified in the PWS.

a. The first step in developing a staffing estimate is to analyze the PWS to identify requirements needed to accomplish the tasks set forth in the PWS. Generally, requirements should be expressed in terms of productive work hours. This analysis "will provide the basis for identifying changes in organizational structure, work methods, and numbers and types of employees required to accomplish the PWS in the most efficient and economical manner.

b. A variety of tools may be used to determine the in-house staffing estimate. These tools include manpower standards, staffing guides, prior experience, similar operations at other locations, actual work measurement and informed judgment. Generally, a combination of these tools will be used. However, it is important that the estimated workload be based on the PWS and not necessarily on the current workload, staffing or work methods. If an existing manpower standard or staffing guide is used, it may be necessary to make upward or downward adjustments. The adjustments are necessary because existing standards or guides may be based on work elements or performance standards or describe work methods which may not be appropriate to accomplish the workload described in the PWS. If current staffing patterns are used, similar upward or downward adjustments may also be needed.

c. Once PWS workload requirements have been determined, the next step is to design an organizational configuration and position structure which will best meet the PWS workload. This structure must conform to agency budgetary.

regulator, and personnel guidance. In the event that the cost study results in a decision to perform the activity in-house rather than by contract, implementation of the in-house staffing estimate must be initiated within one month ~~after~~ cancellation of the solicitation and completely implemented within six months following this decision.

a. The new organization and position structure should arrange the PWS workload in the most efficient manner. The workload should be divided according to skill levels required. Supervisory and administrative support requirements (not a part of operations overhead) should be included. Also, consideration **must** be given to: multi-skilled positions to fully utilize employees; the best mix of work schedules for accomplishing the workload; i.e., full-time, part-time, and intermittent; and the use of overtime when appropriate for unscheduled, seasonal or peak workloads. In developing an appropriate position structure, position descriptions may have to be written. Participation of classification specialists in the personnel office should be obtained to ensure proper structuring (design) of positions according to pay plan; i.e., General Schedule (GS), Federal Wage System (FWS), other occupational series and grade. The analysts and task group should approach this task as if all current positions are to be abolished. As the PWS describes the output standards of the current job, most current positions will not be affected; however, this theoretical approach will help in developing the most efficient, effective organization. These decisions should be made during the management study. The new organization, as defined in the management study, is priced out in this phase of the cost comparison process.

e. When productive work flows are used as a starting point, these work hours need to be converted to full-time equivalents (FTEs). For full-time and part-time positions, estimate total hours required by skill and divide by 1,740 annual available hours to determine the number of positions required. For intermittent positions to be expressed in FTEs, estimate total hours required by skill and divide by 2,015 annual available hours to determine the number of positions required. (The annual available hours include annual leave, sick leave, administrative leave, training and other nonproductive hours. The two factors result from differences in the applicability of such nonproductive time between types of positions.) An example of how to convert PWS workload to personnel requirements follows:

EXAMPLE

Based upon the PWS, the maintenance/electrician requirements for the function under study total 8,448 annual productive hours. Due to the nature of the work, the analyst determines that four full-time maintenance employees are needed. In addition, based on the extent and type of electrical work and labor market availability, the analyst, with the help of the personnel office, determines that one part-time electrician working on a 20-hour per week schedule plus an intermittent employee for the remaining hours are appropriate.

The analyst determines four full-time maintenance employees will accomplish 6,976 productive hours ($4 \times 1,744 = 6,976$), leaving 1,472 productive hours for the electricians ($8,448 - 6,976 = 1,472$).

Sep 9, 85

iv-9

The part-time electrician employee which equates to .5 of a FTE can accomplish 872 productive hours ($.5 \times 1,744 = 872$), leaving 600 productive hours for the intermittent electrician.

The intermittent electrician's 600 hours need to be converted to **FTEs** for consistency and for ease in identifying the total FTEs of the in-house staffing estimate. The higher availability factor of 2,015 is used. Therefore, the intermittent employee in this example equates to .298 FTEs ($600 \div 2,015 = .298$).

Note: Specifically identify the part-time and intermittent FTEs on the personnel cost worksheet; **also**, express the **partial** FTEs to three decimal places.

f. When PWS requirements vary **for the** various performance periods, the in-house staffing estimate must be developed for **each** performance period.

3. Computation of Personnel Costs. Illustration 2-1 is a worksheet which can be used to compute **personnel** costs. The headings described **below** are illustrated on the worksheet.

a. Position title or skill - (Column A). Example: carpenter, driver, janitor, supervisor, administrative clerk.

b. Grade (Column B). Show the **GS/FWS** grade for each type of position or skill.

c. Number FTEs required - (Column C). Show the FTEs required for each grade. Specifically identify, on the worksheet, the part time and intermittent employee work years. This is important for later fringe benefit calculations, since intermittent employees get lower benefits than regular tour of duty employees.

d. Annual Salary/Wages - (Column D). Pay information can be obtained from the personnel or finance offices. Use current pay rates based on the Government-wide representative rate of step 5 **for GS** and step 4 for **FWS** employees, or, **if** available and **deemed** -accurate, an organizationally determined average step within each grade. Then multiply that pay rate by the number of FTEs in column C on the worksheet, except for intermittent positions where actual hours are used. As a rule, **GS** salary is expressed as an annual rate of pay and the **FWS** salary is expressed as an **hourly** rate. For positions to be used on a prearranged regularly scheduled tour of duty, **this hourly** rate is multiplied by 2,080 (52 weeks x 40 hours/week) to obtain the yearly pay. (This rate will change to 2,087 effective FY 84 as per P.L. 97-253, Section 310.)

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

f. Basic Pay - (Column F). Salary/wages plus other entitlements (column D plus E).

** t" Fringe Benefits or FICA - (Column G).

(1) Multiply the following Government-wide standard factors by the appropriate basic pay (column F).

(a) The standard retirement cost factor to be used is the Government's share of the full dynamic normal cost of the retirement system as reported by OPM in its Annual Report to Congress pursuant to P.L. 95-595. This rate will be established annually by OPM. (The current rate is 27.9 percent of payroll.)

(b) The Government cost factor to be used for Federal employee insurance (life and health) benefits, based on actual cost, is 4.7 percent, plus an additional 1.35 percent for Medicare (up to annual salary limitations placed on employess covered under FICA). The cost factor for medicare increases to 1.45 percent in 1986.

(c) The Government cost factor to be used for Federal employee miscellaneous fringe benefits (workmen's compensation, bonuses and awards, severance pay and unemployment programs) is 1.8 percent.

(2) Employees (primarily those who are first employed in civilian service after December 31, 1983) covered under Title II of Public Law 98-542, the Federal Employees' Retirement Contribution Temporary Adjustment Act of 1983, shall have the same retirement and medicare benefit factors applied as described in paragraph g.(1) above; that is, 27.9 percent for retirement costs and 1.35 percent for Medicare, up to annual salary limitations placed on employ-covered under FICA.

(3) The Federal Insurance Contributions Act (FICA) cost factor will be applkl to applicable employees (normally Intermittent employees) who are not covered under the Federal Employees Retirement Contribution Temporary Adjustment Act of 1983. Be careful to apply the FICA rate only to wages and salaries subject to the tax; there is an annual limitation for FICA tax."

h. Other Pay - (Column H). Include entitlements which do not earn fringe benefits. Again work closely with the personnel office to make sure all costs are considered. Some examples are night differential pay for GS employees, overtime, holiday, bonuses and uniform allowance. Show computations on a separate worksheet and include with the personnel cost worksheet.

L Personnel Cost - (Column I). Add Basic Pay (column F), Fringe Benefits or FICA (column G) and other pay - (column H) for all positions and total for both FWS and GS categories. This personnel cost figure can now be used as a basis to compute the actual personnel costs for each period of performance.

4. Performance Period Costs.

Adjustments to current annual personnel cost for each period of performance must be made to reflect anticipated pay increases. There are many possibilities; however, the following is an example of the process:

EXAMPLE

It is September 1982 and costs are being computed for a firm, fixed-price contract with two **pre-priced** options for performance periods two and three.

Contract start date is to be April 1, 1983, and performance periods are: first - April 1 to September 30, 1983; second - October 1, 1983 to September 30, 1984; third - October 1, 1984 to September 30, 1985; additional - October 1, 1985 to September 30, 1986.

Projected pay increases per the President's Budget (example only) are as follows: for GS employees, 5 percent on October 1, 1982; then 6 percent in October 1983; 5 percent in October 1984; and 4 percent in October 1985; for FWS employees, the anniversary date for example purposes is July 1 of each year and the rates are 5 percent in July 1, 1983; then 6 percent in July 1984; 5 percent in July 1985; and 4 percent in July 1986.

Personnel "costs in the worksheet at Illustration 2-1 apply for this example.

(END OF THIS PAGE)

ILLUSTRATION 2-1

PERSONNEL COST WORKSHEET
Base Year

IV-12

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>	<u>I</u>
Position or Skill	Grade/Step	Number FTEs ^{1/} Required	Annual Wage ^{2/} (C x Annual Pay Rate)	Other ^{1/} Entitlements	Basic Pay (D+E)	Fringe Benefits (27.3%) or FICA (6.7%) (F x Rate)	Other ^{1/} Pay	Personnel Cost (F+G+H)
GS PAY CATEGORY								
Director	GS 12/5	1	\$32,013	None	\$32,013	\$8,740		\$40,753
Director	GS 11/5	1	26,438		26,438	7,218		33,656
Engineer	GS 9/5	1	22,073		22,073	6,026		28,099
Technician	GS 8/5	2	39,972		39,972	10,912		50,884
Operator	GS 7/5	2	36,092		36,092	9,853	\$ 346 ^{3/}	46,291
Operator	GS 7/5	2	36,092		36,092	9,853		45,945
Grapher	GS 4/5	1	13,022		13,022	3,555		16,577
Typist	GS 3/5	1	11,599		11,599	3,166		14,765
Typist (intermittent)	GS 3/5	149(300 hrs) ^{2/}	1,668 ^{4/}		1,668	112(FICA)		1,780
Total for GS		11.149			\$218,969	\$59,435	\$ 346	\$278,750
WS PAY CATEGORY								
Foreman	WS 6/4	1	\$25,107 ^{6/}		\$23,107	\$6,854		\$31,961
Technician	WG 8/4	3	60,540	\$1,514 ^{7/}	62,058	16,942	\$1,451 ^{8/}	80,451
Technician (part-time)	WG 8/4	.500	10,091		10,091	2,755		12,846
Technician Helper (intermittent)	WG 4/4	.298(600 hrs)	4,884 ^{9/}		4,884	327(FICA)		5,211
Total for FWS		4.798			\$102,140	\$26,878	\$1,451	\$130,469
Total		15.947			\$321,109	\$86,313	\$1,797	\$409,219

NOTES

Document derivation separately.

Include Salary/Wage table in documentation. This column is computed by multiplying column C times the annual pay rate, except for intermittent employees where hours are used.

300 productive hours divided by 2,015 availability factor; indicate number of hours in parenthesis.

Yearly salary of \$11,199 is divided by 2,087* to obtain the hourly rate of \$5.36. Then, \$5.36 times 300 hours equals \$1,668.

^{3/} Holiday Pay for 40 hours (\$8.65/hour x 40 hours = \$346). FICA must be added to other pay categories where applicable.

^{6/} Hourly rate of \$12.03 x 2,087 = \$23,107.

^{7/} Night differential pay for whole year for one position (\$20,181 x .075 = \$1,514).

^{8/} Overtime for 100 hours (\$9.67/hour x 100 hours x 150% = \$1,451).

^{9/} Hourly wage is \$8.14 then times 600 hours equals \$4,884.

* to 2,087 effective FY 84.
** factors obtained from personnel office.

PERFORMANCE PERIOD COMPUTATIONS

First Performance Period (April 1- September 30, 1983)

	<u>GS Pay</u> <u>(Apr-Sep) 83</u>	<u>FWS Pay</u> <u>(Apr-Jun) 83</u>	<u>FWS Pay</u> <u>(Jul-Sep) 83</u>
Current Annual Cost:	.\$ 278,750	\$ 130,469	\$130,469
Projected Pay Increase	x 1.05	None	x 1.05
Months/Year	: 12	: 12	: 12
Months	<u>x 6 (Am-Sep)</u>	<u>x 3 (Apr-Jun)</u>	<u>x 3 (Jul-Sep)</u>
Subtotals	\$146,344	\$32,617	\$34,248

Then $\$146,344 + \$32,617 + \$34,248 = \$213,209$ (First Period Cost)

Second Performance Period (October 1, 1983- September 30, 1984)

The second and future periods will be projected per inflation guidelines unless the contract contains an economic adjustment clause or Service Contract Act (SCA)/Davis-Bacon provisions. Contracts with an SCA provision will not be inflated for the outyears because the contractors will not be required to inflate bids or proposals. However, when Department of Labor criteria is being used, certain potential contractor positions may not be covered under SCA provisions; accordingly, the in-house related cost for corresponding positions must be inflated.

To continue the example, two positions are not covered under SCA provisions: the producer, GS-12 and Maintenance Foreman, WS-6. Personnel costs are computed as follows

POSITIONS NOT COVERED BY THE SCA CLAUSE

	<u>GS Pay</u> <u>(Oct 83-Sep 84)</u>	<u>FWS Pay</u> <u>(Oct 83-Jun 84)</u>	<u>FWS Pay</u> <u>(Jul 84-Sept 84)</u>
Current Annual Cost	\$40,753 (Producer)	\$23,971 (Foreman)	+ \$7,990 = \$31,96
Projected Pay Increase for 1st period	x 1.05	x 1.05	x 1.05
Projected Pay Increase for 2nd period	. <u>x 1.06</u>	<u>NA</u>	<u>x 1.06</u>
Annual Cost for 2nd Period	\$45,358	\$25,170	\$8,893 = \$34,06

These increases (\$45,358 and \$34,063) are added to the cost of positions subject to the SCA clause, which follows.

POSITIONS COVERED BY THE SCA CLAUSE

	<u>GS Pay</u> <u>(Ott 83-Sep 84)</u>	<u>FWS Pay</u> <u>(Ott 83-Sep 84)</u>
Current Annual Cost for second period staffing estimate (\$278,750 - 40,753) GS =	\$237,997	
(\$130,469 - 31,961) FWS =		\$98,508
Projected Pay Increase from 1st period applied to full year	x <u>1.05</u>	x <u>1.05</u>
Cost of Positions Subject to SCA	\$249,897	\$103,433

TOTAL 2ND PERIOD COST

	<u>GS</u>	<u>FWS</u>
Cost of positions Not Subject to SCA	\$45,358	\$34,063
Cost of Positions Subject to SCA	<u>249,897</u>	<u>103,433</u>
Subtotal	\$295,255	\$137,496
TOTAL (Second Period Cost)		\$432,751

Third Performance Period (October 1, 1984- September 30, 1985)

POSITIONS NOT COVERED BY THE SCA CLAUSE

	<u>GS Pay</u> <u>Ott 84-Sep 85</u>	<u>FWS Pay</u> <u>(Ott 84-Jun85) & (Jul 85-Sep 85)</u>
Second period total cost	\$45,358	\$25,170 \$8,893 = \$34,063
Projected pay increase for third period	<u>x 1.05</u>	<u>x 1.06</u> <u>x 1.05</u>
Third period cost of positions not subject to SCA	\$47,626	\$26,680 + \$9,338 = \$36,018

TOTAL 3RD PERIOD COST

	<u>GS</u>	<u>FWS</u>
Cost of positions not subject to SCA	\$47,626	\$36,018
Cost of positions subject to SCA	<u>\$209,897</u>	<u>\$103,433</u>
Subtotals	\$297,523	\$139,451
TOTAL (Third Period Cost)		\$436,974

Additional Performance periods. For contracts involving more than **three** performance periods, each subsequent period would continue to be adjusted using the appropriate projected pay increase for positions not covered by an SCA clause. To continue the example, computations are as follows for the period October 1, 1985, through September 30, 1986.

POSITIONS NOT COVERED BY THE SCA CLAUSE

	<u>GS Pay</u> <u>Ott 85-Sep 86</u>	<u>FWS Pay</u> <u>(Ott 85-Jun 86) & (Jul 86-Sep 86)</u>	
Third period total cost	\$ 47,626	\$26,680	\$9,338 = \$36,01.
Projected pay increase for additional period	<u>x 1.04</u>	<u>x 1.05</u>	<u>x 1.04</u>
Additional period cost of positions not subject to SCA	\$ 49,531	\$28,014	+ \$9,712 = \$37,72:

TOTAL ADDITIONAL PERIOD COST

	<u>GS</u>	<u>FWS</u>
Cost of positions not subject to SCA .	\$49,531	\$ 37,726
Cost of positions subject to SCA	<u>249,897</u>	<u>103,433</u>
TOTAL	\$299,428 +	\$141,159 = \$440,587

Performance Period Recaps:

<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>Add' 1</u>	<u>Total</u>
\$213,209	\$432,751	\$436,974	\$440,587	\$1,523,521

These totals are then entered on line 1 of the CCF.

E. MATERIAL AND SUPPLY COST - Line 2

1. **Material** and supply costs are incurred in each period of performance for goods such as raw **materials**, parts, subassemblies **components** and office supplies. Material costs are calculated only if the materials are used **solely** by the function under study and are **not** provided to the contractor; otherwise they are common cost.

2. Review the PWS and solicitation documents to determine the materials to be furnished to the contractor and those not furnished to the contractor but needed for in-house performance. For only those materials required for in-house performance but not furnished to the contractor, review historical records of material usage and cost data prepared for the **same** or **similar** work. Adjust historical material usage and cost data to reflect requirements of the PWS. Determine if materials obtained from other Government agencies can be obtained at **less** cost on the local market. If so, obtain applicable waiver from other Government agency to purchase materials locally. Include allowances for normal scrap, spoilage, overruns and defective work. List required material by quantity needed, **unit** price, material mark-up and total **cost**. A single entry may be made for miscellaneous items such as office supplies. Ensure unit prices are current for the first period of performance.

3. Pricing Material From Other Government Agencies. Costs associated with materials obtained from other agencies will also be added as a material **mark-up** to the material and supply **cost**.

a. General Services Administration. In most instances, the prices **charged by** GSA for material do not **include** all the costs of the acquisition and **storage functions** performed by GSA. Since inclusion of these **costs** in GSA prices is not authorized by law, it will be necessary to adjust GSA prices for purposes of the cost estimates. Following is a description of the material and **supply** service's provided by GSA together with mark-up rates to be applied to GSA prices:

(1) Wholesale and Stores Direct Delivery. The wholesale **program** involves the distribution of common-use, commercially available items through a network of supply distribution facilities located throughout the United States. Also included is the Stores **Direct** Delivery Program. This program provides the same type of items carried in stock which, because of volume orders, are procured from the "vendor for direct **delivery** to the requisitioner in instances when delivery time is not critical. Add 11 percent.

**

(2) Retail. The Retail Program provides high demand **common-use** office and **janitorial** requirements from **retail** outlets located in areas of concentrated Federal **activity**. Add 23 percent.

**

(3) Nonstores Direct Delivery and Competitive Federal Supply Schedules. This program is **concerned** with obtaining customer **nonstock** requirements through direct shipment from the vendor. Presently, agencies are ordering directly from vendors using schedules established by the GSA Federal Supply Service. Agencies pay the vendors directly for goods and services obtained. Add 5 percent.

Sep 9, 85

IV-17

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b. Department of Defense. The following definitions describe material supply services provided by the Defense Logistics Agency (DLA). The appropriate mark-up rates to be applied to DLA prices to show full costs are as follows:

(1) Wholesale Stock Fund. Material for which the Defense Stock Fund has procurement, receiving, storage, and shipping responsibility. Add 24.5 percent.

(2) Direct Delivery. Material for which the Defense Stock Fund has procurement responsibility only and which is delivered directly to the customer from the vendor. Add 13.4 percent.

c. Other Agencies. The furnishing agency must be requested to determine the costs of acquiring, managing and storing its material. These costs will usually be presented as a percentage of its total material costs.

4. Material and Supply Costs must be projected for all periods of the cost comparison. The first period will reflect actual projected costs. The second and subsequent periods are projected using the appropriate inflation factor. However, these periods are not inflated for contracts which include an escalation or economic adjustment clause. Such a clause enables a contractor to be reimbursed for future price increases. In the documentation to the CCF show the computations used to derive the entries for all periods of performance. An example of supporting documentation is provided in Illustration 2-2.

F. OTHER SPECIFICALLY **ATTRIBUTABLE** COSTS - Line 3

L Overview

Personnel and material cost previously covered are normally the primary sources of Government costs. The remaining elements of **costs** (with asterisks **below**) are also specifically attributable to the function under study. As discussed in Chapter 2, paragraph C, each element of cost must be adjusted for inflation. When requirements differ by period due to changes in the **PWS**, ensure these adjustments are made before applying inflation factors. Costs that would be the same regardless of the eventual decision, though not calculated, must still be identified in each cost element (for example, under paragraph 2F4, identify maintenance and repair of a Government furnished building as a common cost). Costs which are not 100 percent attributable to the function under study are overhead costs and will be discussed in paragraph G.

Elements of Cost

Personnel Cost	Para 2D
Materials and Supply Cost	Para 2E
• Depreciation	Para 2F2
• Rent	Para 2F3
• Maintenance and Repair	Para 2F4
• Utilities	Para 2F5
• Insurance	Para 2F6
• Travel	Para 2F7
● Other Costs	Para 2F8

2. Depreciation

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

b. For purposes of the Handbook, depreciation must be calculated for capital **assets** in **the following** cases:

- These "other specifically attributable costs" should be summarized on a worksheet, as in Illustration 2-5.

(1) Depreciate only those capital assets used solely by the function under study for in-house operation, but **not** provided to the contractor as stated in the PWS or solicitation. If **all** capital **assets** owned (or to be **acquired**) by the function **under** study are provided to the contractor, no depreciation costs will be calculated. Assets costing less than \$17000 are classified as minor items and **will** not be depreciated, but will be added to other costs (see Paragraph F.S.).

(2) There may be circumstances when the Government determines it to be beneficial to study a currently contracted function for more economical in-house performance, to expand a current in-house operation, or to establish a new requirement. In these cases, also depreciate the additional capital assets that would be required by the function under study but not provided to the contractor (see Chapter 5).

c. The following terms are expanded for clarification:

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

(2) Residual Value. Residual Value is the value at disposition (less costs of disposal) estimated at the time of acquisition. In many cases, the estimated residual value is so **small** and occurs so far in the **future** that it has no significant impact on a **cost** decision. Residual value may be almost or completely **offset** by removal and dismantling costs. Normally Government assets will **be** used through the end of their estimated useful life; thus, residual value may be carried at zero. In the event that it is known at the time of acquisition that the capital asset will not be used for at least 75 percent of its scheduled useful life residual **value** should be estimated.

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

d. Using the example in Illustration 2-3, annual depreciation for capitalized equipment will be **estimated** as **follows**:

(1) Start with the acquisition **cost** (purchase price) plus capital improvements, plus all other costs incurred to place the asset in use; e.g., transportation, installation;

(2) Then, determine the year of purchase and the useful life of the **asset** in Appendix C.

(3) If the projected useful life from the year of purchase is less than the **last** year of the performance period, extend the useful life. The useful life should be extended throughout the last period of performance or longer based upon actual or planned retirement or replacement practice. This will ensure the annual depreciation **costs** are spread over the period of expected use.

(4) Compute annual depreciation by dividing the depreciable basis (acquisition **cost** plus capital improvements less residual value) by the useful life. Capital improvements may have to be depreciated separately and then accumulated with the annual depreciation of the original capital asset.

(5) If the useful life shown on Appendix C is unrealistic for specific assets (regardless of current **age**), an **alternative useful** life and consideration of residual value may be used if approved by the assistant secretary or designee in paragraph 9a. of the Circular, if based on actual or planned retirement and replacement practices.

ILLUSTRATION 2-3

DEPRECIATION WORKSHEET

IV-22

EQUIPMENT

A	B	C	D
<u>Asset/FSG</u>	<u>Depreciable Basis (Acquisition Cost Less Residual Value)^{1/}</u>	<u>Useful Life^{2/}</u>	<u>Annual Depreciation (B ÷ C)</u>
Video Viewer/67 30---	\$ 6,895	25	\$.276
TV Camera/6710---	11,844	25	474
Microphone/ 5965---	4,909	24	205
			<u>Subtotal</u> \$ 955

FACILITIES

A	B	C	D
<u>Facility #/Category</u>	<u>Depreciable Basis (Acquisition Cost Less Residual Value)</u>	<u>Useful Life^{3/}</u>	<u>Annual Depreciation (B ÷ C)</u>
1506/P	\$750,750	75	\$10,010
701/s	308,000	50	6,160
1502/T	5,950	25	238
			<u>Subtotal</u> \$16,408
			<u>TOTAL^{4/}</u> \$17,363

- 1/ Capital improvements should be depreciated over the remaining life of the improved asset. (F.2c(3))
- 2/ If useful life from Appendix C is not appropriate, substitute approved agency data.
- 3/ If age of facility exceeds expected useful life guidelines, adjust using engineering projections.
- 4/ Enter total in worksheet, Illustration 2-5, for "other specifically attributable costs." If the first performance period is less than a full year, prorate costs to the partial period. (Note: Depreciation is not inflated for the outyears.)

e. For facilities, the acquisition cost plus capital improvements (less residual value) will be depreciated over the useful life of the facility. Facilities are generally categorized as permanent, semi-permanent or temporary; and the useful life will be standardized for the entire grouping. The useful life expectancies listed below may be used by type of facility. "If useful life has been exceeded, obtain an engineering projection of anticipated useful life.

<u>Facility Category</u>	<u>Useful Life</u>
Permanent (P)	75 years
Semi-Permanent (S)	50 years
Temporary (T)	25 years

3. Rent - This cost is incurred for the use of non-Government assets (land, plant and machinery, etc.) by the function under study. Compute only those rental costs not expected to continue in the event of contractor performance. When the actual rental charges are not available from the agency providing the asset and a GSA-billed Standard Level User Charge (SLUC) is available, the SLUC charge should be used as the rental cost.

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

5. Utilities - This category includes charge for fuel, electricity, telephone, water and sewage services, etc., that would not continue in the event of contract performance. The amount of these costs applicable to the function under study will be determined either on a metered or allocated basis of consumption. These costs will be prorated by a unit of measure that varies directly with consumption (e.g., floor space, type of facility, number of telephones). Estimates of expenses to be incurred for the first year of performance should be based on current experience appropriately adjusted for anticipated future requirements. Engineering estimates should be used when historical data is not available. All estimates should be appropriately documented with supporting detail.

6. Insurance - Operation of any Government activity involves risks and potential costs from casualty losses (fire, flood, etc.) and liability claims. These risks are normally covered by insurance in the private sector, but the Government is primarily self-insured and must pay for each loss incurred. To compute estimated insurance costs, use the example at Illustration 2-4.

a. Casualty losses will be computed by multiplying .0005 times the net book value (depreciable basis less accumulated depreciation) of Government equipment, and the average value (stockage level) of material and supplies. Casualty losses for facilities and minor items will be .0005 times the estimated replacement cost.

b. Insurance to be computed on assets will depend on the **requirements** of the performance work statement (PWS). If the contractor is required to provide casualty insurance on **all** Government furnished assets, compute insurance for **all those assets** to be used by the function under study, regardless of whether the assets **will** be furnished to the contractor. If the contract does not "require the contractor to furnish casualty insurance, compute casualty insurance on **only** those assets to be used by the function under study which **would not** be provided to the contractor.

c. Agencies that formally develop factors for Government self-insurance reserves, for example, Office of Aircraft Services, Department of Interior, should use those factors rather than those **in** paragraphs 6a. and 6.b. above for insurance **costs** that would not continue in the event of contracting.

F. Casualty Insurance by Performance Period

	<u>1st</u> ^{3/}	<u>2nd</u> ^{4/}	<u>3rd</u> ^{5/}	<u>4th</u> ^{6/}	<u>"Total"</u> ^{7/}
Casualty Insurance	\$ 750	\$1,584	\$1,663	\$1,740	\$5,737

2. Liability Insurance by Performance Period

	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>	<u>Total</u>
Personnel Related Cost Line 1, CCF	\$213,209	\$432,751	\$436,974	\$440,587	\$1,523,52:
Liability Insurance	<u>Factor x .9007</u>	<u>x .0007</u>	<u>x .0007</u>	<u>x .0007</u>	<u>x .0007</u>
Liability Insurance	\$ 149	\$ 303	\$ 306	\$ 308	\$ 1,066

NOTE: Liability Insurance is calculated from previously inflated personnel-related costs and need not be inflated again.

3. Summary of Insurance

	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>	<u>Total</u>
Casualty Insurance	\$ 750	\$1,584	\$1,663	\$1,740	\$5,737
Liability Insurance	<u>149</u>	<u>303</u>	<u>306</u>	<u>308</u>	<u>1,066</u>
Total ^{7/}	<u>\$ 899</u>	<u>\$1,887</u>	<u>\$1,969</u>	<u>\$2,048</u>	<u>\$6,803</u>

FOOTNOTES:

- 1/ Appendix C.
- 2/ Civil Engineering Estimates. "
- 3/ Annual casualty insurance prorated to **first** period (April - September FY 83 dollars) ÷ 12 months x 6 months = \$750.
- 4/ Second. **period** is October 83- September 84. Inflation from FY 83 to FY 84 is 5.5 % (example), \$1,501 x 1.055 = \$1,584.
- 5/ Third period is October 84 - September 85. Inflation from FY 83 to FY 85 is 10.8% (example), \$1,501 x 1.108 = \$1,663.
- 6/ Fourth period is October 85- September 86. Inflation from FY 83 to FY 86 is 15.9% (example), \$1,501 x 1.159 = \$1,740.
- 7/ **Transfer** to Summary Worksheet, **Illustration** 2-5, "Other Specifically Attributable costs."

c. Liability losses will be computed by multiplying .0007 times the Government personnel-related costs (line 1 and the portion of personnel costs in line 4 of the CCF).

7. Travel - This category covers the expected cost of travel that **would not continue in the** event of contract performance. These costs should be readily **available** from budgeted amounts of per diem and transportation cost for the function under study.

8. Other Costs

a. Other cost is a general category for specifically attributable costs that do not properly fit into one of the other elements of cost but do not continue in the event of contract performance. Some examples are purchased services or any work currently performed under contract that has been included in the P WS; packaging and crating (if not already a part of material and supplies); transportation costs; and royalties. Ensure these costs are not also covered in an overhead area. A format is provided at Illustration 2-5. .

b. Additionally, include the recurring cost of minor items which are not immediately consumed by the function under study and not provided to the contractor. Minor items are non-capitalized (will not be **depreciated**) durable items with current replacement cost that is less than \$1,000; e.g., overhead **projectors**, office equipment, chairs. The cost of minor items for each performance period will be 10 percent of the total current replacement cost of all minor items not provided to the contractor. Should the supply source mark-up increase the item's cost to more than \$1,000, it will still be considered a minor item. A worksheet is provided at Illustration 2-6.

G. OVERHEAD COSTS - Line 4

1. Overview.

a. Costs incurred in support of the function under study, not 100 percent allocable to that function, **will** be classified as overhead. Overhead will not be calculated for studies of 10 **FTE's** and under (nor will contract administration -- see Chapter 3, paragraph C).

b. For the purposes of this Handbook, overhead will be captured into two major categories by using the proper elements of *cost* from paragraph F. Include only those costs that will not continue in the event of contract performance. The *first* overhead category will be Operations Overhead and is defined as those costs incurred by the first supervisory **work center one** element above and in support of the function under study. The second overhead category will be General and Administrative Overhead and is defined as **all support** costs, other than operations overhead, incurred in support of the function under study.

ILLUSTRATION 2-5

SUMMARY

OTHER SPECIFICALLY ATTRIBUTABLE COSTS

PERFORMANCE PERIODS

<u>Category</u>	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>	<u>Additional</u>	<u>Total</u>
Depreciation ^{1/}	\$ 8,682	\$17,363	\$17,363	\$17,363	\$0	\$60,771
Rent ^{2/}	0	0	0	0	0	0
Maintenance & Repair ^{2/}	0	0	0	0	0	0
Utilities ^{2/}	0	0	0	0	0	0
Insurance ^{3/}	899	1,887	1,969	2,048	0	6,803
Travel ^{2/}	0	0	0	0	0	0
Other Costs ^{4/}	782	1,563	1,563	1,563	0	5,471
<u>Total^{5/}</u>	<u>\$10,263</u>	<u>\$20,813</u>	<u>\$20,895</u>	<u>\$20,974</u>	<u>\$0</u>	<u>\$73,045</u>

1/ From Illustration 2-3.

2/ Based on the requirements of the example study, there were no costs associated with these elements.

3/ From Illustration 2-4.

4/ From Illustration 2-6, which depicts minor items cost and "other cost" category.

5/ Transfer these totals to line 3 of Cost Comparison Form.

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ILLUSTRATION 2-6

MINOR ITEMS - NOT PROVIDED TO CONTRACTOR

(Part of Line 3, Other Costs)

<u>Source of Supply</u>	<u>Item/Stock Class</u>	<u>Acquisition cost</u>	<u>Quantity</u>	<u>Unit Total</u>	<u>Material Mark-up Factor</u>	<u>Total cost</u>
GSA Supplied Items						
Wholesale & Stores Direct Delivery	Wastebasket/7105	\$ 5	10	\$ 50	1.21	\$ 61
	Bookcase/7110	325	1	325	1.21	393
Retail	Table/7 110	193	3	579	1.36	787
Nonstores Direct Delivery and Competitive Federal Supply	Typewriter/7430	820	2	1,640	1.05	<u>1,722</u>
Total GSA						<u>\$ 2,963</u>
DOD Supplied Items						
Wholesale	Safe/7 110	\$912	1	\$ 912	1.245	\$ 1,135
	File/7 110	213	7	1,491	1.245	1,856
Direct Delivery	Desks/7 110	680	4	2,740	1.134	3,084
	Calculator/7420	319	3	957	1.134	<u>1,085</u>
Total DOD						<u>\$ 7,160</u>
Other Agencies						
	Scale/5210	\$514	9	\$4,626	1.19	<u>\$ 5,505</u>
Total Other						<u>\$ 5,505</u>
Total All Minor Items						<u>\$15,628</u>
Minor Items x 10% = Annual Cost						\$ 1,563
First Period (Number of Months)						
6/12 x \$1,563						\$ 782

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Sep 9, 85

c. A limit must be placed on the **scope** of analysis on **General and Administrative Overhead Support costs**. Certain support costs incurred by the executive, legislative and judicial branches of the Government are attributable to the various departments and independent agencies. Similarly, certain support costs incurred **at the department level would** be attributable to the activities within the "subordinate organizational levels. General and Administrative Overhead support cost will vary based on the organizational **structure** of each department or agency, but will exist in some form in each. A portion of the support costs incurred above the installation **level** are theoretically attributable to the function under study. However, for the cost comparison study, only calculate support costs which would be eliminated in the event the function is contracted. This decision is based on the **conclusion** that costs involved in funding, policy-making, long-range planning and direction would continue and be equally applicable to both in-house or **contract** operation.

d. Typical General and Administrative Overhead Type Activities have been depicted in Illustration 2-7. This **table** is not all inclusive but serves as a starting point to decide not only the typical installation support or service activities (versus mission activities) but also such external installation support activities as regional **personnel** support service centers, regional finance **centers**, supply centers and tenant activities that provide definable support to the function under **study**. The methods for calculating these overhead **costs** are presented in the next two paragraphs; a worksheet is provided at Illustration 2-8.

2. Operations Overhead.

To compute operations overhead costs for the supervisory work center **one level** above the function under **study**, determine if at least one position would be eliminated in the supervisory work **center** as a result of conversion to contract. If not, operations overhead is zero. **If** positions or overtime would be eliminated (a position may be full-time, part-time or intermittent), compute personnel **costs** per paragraph D and also compute other costs **solely** in support of positions to be eliminated. Reference material and supply costs per paragraph E and other specifically attributable **costs** per paragraph F for development of cost in support of positions to be eliminated.

3. General and Administrative Overhead (G&A).

To compute G&A costs, first list all activities internal to the installation that provide defineable support to the function under study, **excluding** operations overhead. Next, list those activities external to the installation which provide general or administrative support not available on the installation and which are essential to **the** operation of **the** function under **study**; e.g., regional service center. Within each of these activities determine **if** there could be at least one position (full-time, part-time, or intermittent) or overtime eliminated as a result of conversion to contract. If not, G&A overhead is zero. If positions could be eliminated, compute personnel **costs**, per paragraph D, and other **cost** **solely** in support of those positions which would be eliminated. Reference material and supply costs per paragraph E and other specifically attributable costs per paragraph F.

ILLUSTRATION 2-7

TYPICAL GENERAL AND ADMINISTRATIVE ACTIVITIES

1. Organization Director (Commander)
2. Comptroller (Budget)
- 3.** General Counsel (Judge Advocate)
4. Central Personnel Services
5. Public Relations (Information Office)
6. Central Administrative Services
7. Security (including security clearances)
8. Data Automation
9. Procurement/Contracting
10. supply
11. Transportation
12. Tenant activities which provide support to the function
under study

ILLUSTRATION 2-8
OVERHEAD COST WORKSHEET

<u>COST CATEGORY</u>	<u>PERFORMANCE PERIODS</u>				
	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>Additional</u>	<u>Total</u>
Operations Overhead ¹					
Personnel Cost	11,937	25,307	26,572	27,635	91,451
Material and Supply cost	0	0	0	0 "	0
Other Specifically Attributable Costs (Specify) ³	8	18	19	19	64
G & A Overhead ²					
Personnel Cost	4,307	9,131	9,888	9,972	32,998
Material and Supply Cost	0	0	0	0	0
Other Specifically Attributable Costs (Specify) ³	<u>3</u>	<u>6</u>	<u>6</u>	<u>7</u>	<u>22</u>
Totals	<u>16,255</u>	<u>34,462</u>	<u>36,185</u>	<u>37,633</u>	<u>124,535</u>

(Enter totals on line 4 of the CCF) .

1 The analysis of operations overhead, for example purposes, shows that one full-time position, a GS-7 step 5, can be eliminated as a result of converting the function under study to contract. A further analysis of the costs in support of this position; i.e., material and supply cost and other specifically attributable costs, shows that none can be materially reduced. Personnel cost computations are made per paragraph D; the position is not subject to the SCA clause.

2 The analysis of G & A overhead, for example purposes, shows that only one office is materially affected by converting the function under study to contract. One part time position, GS-4 step 5, 20 hours per week, can be eliminated in the personnel office. A further analysis of the costs in support of this position, as in footnote 1 above, shows that none can be materially reduced. The position is not subject to the SCA clause.

3 Liability insurance factor .0007 applied to overhead personnel cost.

H. ADDITIONAL COSTS - Line 5

This cost category encompasses any Government costs which are not classified appropriately by the cost elements on lines 1 through 4 of the CCF. This cost category should reflect those additional Government costs resulting from unusual or **special** circumstances which may be encountered in particular cost studies. The total amount of such costs should be entered on line 5 of the CCF. Common costs that continue to exist irrespective of the mode of performance are not computed. Amounts entered on line 5 must be supported by a definition of the **type** of costs reported, a justification for its inclusion in the cost study, an explanation of the underlying assumptions, methods of computation used to determine the cost and a detailed listing of the specific components or elements of **cost** which comprise the total amount reported on line 5, if applicable.

I. **TOTAL** - Line 6

Enter the sum of lines 1 through 5 on line 6 of the CCF. This concludes the development of the in-house cost of the function under study.

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PART IV -- COST COMPARISON HANDBOOKChapter 3- Developing the Cost
Of Contract Performance

A. GENERAL

This Chapter of the Handbook deals with the determination of the cost to the Government of acquiring a product or service **by** contract. It **includes** a determination of not only the amount to be paid to the contractor (contract price) but also a determination of costs that would be incurred only in the event of contract performance. The Cost Comparison Form (CCF) **identifies** the categories of Government cost which would be incurred in connection with contracting.

B. **CONTRACT PRICE** - Line 7

1. The contract price included in the cost comparison must be supported by a **firm** bid or proposal. The contractor's bid or proposal must be predicated on the same performance work statement (**PWS**) utilized in preparing the Government's estimate. Also, the solicitation for bids or proposals will notify the bidders or offerors that a comparison will be made between the cost of contracting and the cost of the in-house **performance**, and that a contract may or may not result.

2. In determining the amount to be recorded as the contract price, consider the contract type. The following guidance is provided in this regard.

a. In the case of an advertised firm fixed price **contract**, the price of the low bidder or offeror will be entered. If a firm fixed price contract is to be negotiated, the negotiated price will be entered.

b. When fixed price contracts with flexible pricing arrangements are contemplated (e.g., fixed price incentive fee), **enter** the target price.

c. If a cost reimbursement-type contract is proposed, enter the low negotiated estimated cost **plus** the fee to be earned if the contractor provides the minimum acceptable performance.

d. If a contract with an award fee is proposed, enter the fixed portion of the fee **plus** the contract costs of the most advantageous offer to the Government.

e. If a time and material or labor-hour contract is proposed, enter **the** estimated total cost of performance. Alternatively, comparable rates can be developed for the Government cost estimate and the comparison can be made on the basis of rates, **rather than total costs**.

3. Tax Exempt Organizations

a. If the apparent low bidder or offeror is a tax-exempt **organization**, the contract price must be adjusted by an amount equal to **the**

Federal, state and local income taxes that would be paid by the lowest non-tax-exempt bidder or offeror. This adjustment is necessary to determine which bidder or offeror has the lower overall cost to the Government.

b. Determine the lowest non-tax-exempt organization's bid or offer and calculate the Federal tax rate for this non-tax-exempt organization from the procedures in paragraph G, this Chapter. To calculate state and local taxes for the non-tax-exempt organization, multiply the bid or offer by .23 percent (.0023). Add the Federal, state and local taxes calculated above to the tax-exempt organization's bid or offer. (State and local taxes are used only for comparing tax-exempt with non-tax-exempt organizations.)

c. Compare the tax-exempt organization's tax-adjusted price to the non-tax-exempt organization's price. The lowest cost bidder or offeror after this comparison will compete against the Government. If the tax-exempt organization's tax-adjusted price is lower than the non-tax-exempt organization's price, enter the unadjusted price on Line 7 of the CCF.

d. In cases where the tax-exempt organization's tax-adjusted price is identical to the non-tax-exempt organization's price, the non-tax-exempt organization shall be the organization to compete against the Government.

c. **CONTRACT ADMINISTRATION - Line 8**

1. Contract administration costs are the costs incurred by the Government in assuring that a contract is faithfully executed by both the Government and the contractor. It includes the cost of reviewing contractor performance and compliance with the terms of the contract (quality assurance plan), processing contract payments, negotiating change orders, and monitoring the closeout of contract operations.

2. The contract administration cost to be entered on line 8 of the CCF will be based on requirements as shown on Table 3-1. The requirements vary by size of the function under study as determined by the in-house staffing estimate developed in the management study. For example, for a study of 15 staff years (FTEs), one contract administration staff year (FTE) is required. Costs related to this position are then computed based on instructions for determining personnel costs (Chapter 2, paragraph D).

3. Table 3-1 was developed from a representative sample of agencies' contract administration cost data. The table represents contract administration staffing limits to be used for a cost comparison study. Depending on the type of function involved, it may be possible to use lower contract administration factors than shown on this table; in this case, agencies should quantify requirements based on a workload measurement using the quality assurance plan. In the event the function under study is so technically specific or geographically dispersed that the contract administration (including the quality assurance surveillance plan requirements, as specified in Part II of this Supplement) personnel requirements would exceed the limits established in Table 3-1, a waiver may be granted by the appropriate official per paragraph 9a. of the Circular. Agencies may submit reports to the Administrator for Federal Procurement Policy, OMB, on actual contract administration costs if agency experience significantly differs from the costs allowed by Table 3-1.

D. ADDITIONAL COSTS - Line 9

The procedures prescribed by this Handbook substantially diminish the need to **include** the **elements of additional cost described in this section except in unusual** and infrequent circumstances. Include additional costs that would only be incurred in the event of contract performance.

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

2. The supporting documentation for additional costs of transportation should describe the nature of the transportation to be provided; indicate the reasons the additional cost was not incurred by the function under study, but will be furnished to the contractor; specify the mileage, carrier, rates and data used to determine the estimated costs; and identify the sources of the data obtained.

3. The total amount of additional costs will be entered on line 9 of the CCF. Amounts entered on line 9 must be supported by a definition of the type of cost reported, justification for inclusion, methods of computation, and, if applicable, a detailed listing of the cost components.

Table 3-1
Contract Administration Factors

In-House Staffing
Estimate of Activity
Under Study (Range)

Contract Administration
Staffing Requirements in FTEs

10 or **Below**

Do not reflect any costs in line 8 of the CCF. Likewise, do not include any overhead staffing or related costs in line 4 of the **CCF**.

11-20	1
21-42	2
43-65	3
66-91	4
92-119	5
120-150	6
151-184	7
185-222	8
223-263	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 administration staffing requirements.

E. ONE-TIME CC **VERSION** COSTS -- Line 10

1. **When the** Government discontinues an **in-house** activity to obtain a commercial product or service by **contract**, there are **usually** one-time in-house costs associated with the conversion.

2. Material Related Cost

A conversion will normally result in certain items of material (expendable: becoming excess or available for transfer in-house or to the contractor.

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

c* When material is disposed of, the benefit is equal to the estimated **recovery** less the cost of disposal; when material is transferred to another Government **facility**, the benefit is equal to the original cost (now a savings) less the cost of transfer. When a benefit (savings) is determined, it will be used as a reduction to the remainder of one-time conversion costs. When cost of disposal or transfer is greater "than the recovery **or savings**, it is treated as a one-time conversion **cost**.

3* Labor-Related Costs

a. A conversion will also normally result in certain one-time **labor-**related expenses. These include severance pay, homeowner assistance, relocation and retraining expenses. The amount of these expenses should be computed in consultation with the personnel office. Care must be taken that only those expenses which can reasonably be expected to be paid out are entered on the C CF.

b. Government experience indicates that only a small fraction of the total number of employees affected in conversion actions are actually 'separated from Government service. Therefore, it would be inappropriate to enter on the **CCF** an amount for **severance pay that** assumes **every** employee eligible for severance pay would actually receive severance pay. Past conversion experience indicates that only four percent of the total number of employees assigned to the Junction **under** study are separated and receive severance pay. **Based** on this separation rate and the average Federal **employee's severance pay entitlements**, a two-percent severance pay factor is appropriate for use in most cost studies. The variations **to** consider when computing severance pay are discussed in the following paragraph.

c. For most studies," where the in-house staffing estimate is equal to or lower than the number of assigned Federal employees, the two-percent **factor** is multiplied by the annual basic pay from the Personnel Cost Worksheet, Column F, Total (Illustration 2-1). There are two exceptions to this procedure.

(1) In some cases, **where** the in-house staffing estimate is **higher** than the number of assigned Federal employees, an adjustment has to be **made**: multiply the result from c. above by the ratio of Permanent Employees Assigned to In-House Staffing Estimate.

(2) **In cost studies** for which a higher or lower separation rate than four percent can be anticipated, other estimates of severance pay may be used, provided the alternate assumptions can be fully documented.

d. The actuarial model used to compute the standard retirement cost factor provides for normal **levels** of **early** retirement and withdrawals, but a significant number of actions could have additional impact. In cases where this effect is likely to have a determinative bearing on the outcome of the **cost** comparison, the situation will be called to the attention of the agency official responsible for implementation of Circular A-76, who may confer with **OMB** and **OPM** for **FPM** 351-17 consideration.

4. Other Costs

A conversion will normally require an agency to take certain actions that would not be necessary if the activity continued in-house. For example, it may not be possible to terminate a, rent or lease agreement without incurring a penalty fee. *Such* penalty fees are also costs of conversion.

5. One-Time Cost Computation

Supporting documentation should clearly state the **type** of **cost** anticipated, **justification** for inclusion and methods of computation. The total of these one-time costs should be allocated to each performance period. The cost entry will be determined by dividing the total one-time costs by the number of periods in the cost comparison. However, the one-time costs will be allocated over not less than a three-year period. **Do** not inflate one-time costs for the out years.

F. GAIN OR LOSS ON DISPOSAL/TRANSFER OF **ASSETS** -- Line 11

1. When a function is performed in-house by **Federal** employees, a decision to contract that operation may eliminate the **need** for all or some portion of the assets. The value to **the** Government of reducing the need for these assets must be included as a consideration *in the* cost comparison. This section deals with the gain or loss on those assets (capital or minor) which will be disposed of or transferred by the Government if a decision is made to contract for the product or service.

2. The estimated disposal value, minus the estimated cost of disposal or transfer, **that** would be realized is considered to be either a revenue or an outflow of funds. The disposal value of an asset may be derived from the useful life and disposal value **table** at Appendix C. **The** table provides a percentage, by Federal stock class, which is multiplied by the acquisition cost to determine value at time of disposal. From the **disposal value**, subtract an objectively estimated cost of

disposal or transfer. Enter this entire amount, the **net disposal value**, in parenthesis on line 11, for the first performance period, as this gain is a reduction in the cost of contracting. If the cost of disposal or transfer exceeds the disposal value, then enter this amount on line 11, without parenthesis, **as** this is an addition to the cost of contracting.

3. If an asset is transferred to another Government facility, rather than disposed of, the computation is unchanged; it is presumed that the Government has saved an expenditure equal to the estimated disposal value of the asset. Recovery by disposal or savings by transfer are equivalent, for the purpose of this computation.

4. Normally, a gain or loss on disposal of assets will occur during the first performance period. However, there may be cases spelled out in the contract where the contractor will be furnished Government equipment through the first **performance period** or **longer** and the **disposal** or transfer **would** take place according y.

G. FEDERAL INCOME TAX - Line 12

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

2. To simplify the tax computation, a table (Appendix D) prepared by the Internal Revenue Service provides, by types of industry, appropriate tax rates in relation to **business** receipts. The industry groupings conform to the Enterprise **Standard** Industrial Classification issued by the Department of Commerce. To determine the amount of estimated Federal income tax, the contract price (**line 7** of the **CCF**) for each period of performance will be multiplied by the applicable tax rate. The estimated amount of Federal **income tax will** be entered on line 12 as a deduction from the cost of contracting.

:H. TOTAL - Line 13

Add lines 7, 8, 9 and 10. If, there is a number in parenthesis; i.e., a deduction, in line 11, add to line 12 and subtract this total from the total of lines 7 through 10 and enter the **difference on line 13**. If the **number in line 11** is not in Parenthesis. it should be added to the total of lines 7 through 10, and then subtract **line 12** from the total of lines 7 through 11 and enter the difference on line 13.

PART IV - COST COMPARISON HANDBOOK

Chapter 4 - Cost Comparison Decision

A. CONVERSION DIFFERENTIAL - Line 14

Cost margins have been established by OMB Circular No. A-76 that must be exceeded before converting an in-house commercial activity to contract. A cost margin equal to ten percent of the in-house personnel related costs (total for all performance periods) must be added to the cost of contracting on the Cost Comparison Form. This amount is added to give consideration to the loss of production, the temporary decrease in efficiency and effectiveness, the cost of retained grade and pay, temporary operation of facilities at reduced capacity and other unpredictable risks that result anytime a conversion is made. See worksheet below at Illustration 4-1 for computations.

B. TOTAL AND COMPARISON - Line 15 and line 16

Once the conversion differential has been computed and all the elements of Contract Performance Costs are known, sum lines 13 and 14 for all performance periods (Total column only). Enter that total on line 15 (Total column only). Then subtract line 6 from line 15 and enter the result on line 16 (Totals column only). A positive result on line 16 supports a decision to accomplish the function in house, and a negative result supports a decision to contract.

c. COST COMPARISON DECISION -- Line 17

Indicate in the appropriate block on line 17 the decision supported by line 16.

ILLUSTRATION 4-1

Conversion Differential (In-House to Contract)

<u>Category</u>	<u>Worksheet</u> <u>Total Cost for All Performance Periods</u>
Personnel cost (Line 1 of CCF)	1,523,521
Other Personnel Related Cost (Line 3 of CCF, Liability Insurance Portion)	1,066
Overhead (Personnel related cost from worksheet*)	<u>124,535</u>
Total	<u><u>1,649,122</u></u>
Conversion Differential (10% of Total)	164,912 (Enter on CCF, Line -under Total Column)

* Illustration 2-8 - Overhead Cost Worksheet

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PART IV -- COST COMPARISON HANDBOOK

Chapter 5- Developing Cost Comparison Studies for Expansions, New Requirements and Conversions to In-House Operation

A. GENERAL

This chapter describes the methods and procedures which are necessary to perform a cost comparison study for an expansion, new requirements or conversion of a function from contract to in-house performance (see Part I, Chapter 1 of the Supplement). Since different costing procedures apply, a separate Cost Comparison Form is provided as Illustration 5-1, Expansions, New Requirements and Conversion to In-House -CCF (ENRC). The procedures differ in basically four areas: identification of new or increased costs expected to be incurred, cost of capital on additional **assets**, one-time conversion costs and minimum cost differentials.

B. COSTING METHOD

1. The method described in this Chapter will be used in circumstances (e.g., inadequate competition) when the Government determines it beneficial to study a currently contracted function for more economical performance in-house. Also, for a new requirement for a commercial activity or where an expansion of an in-house commercial activity is anticipated and the activity is not justified under an exclusion, a cost comparison study will be performed. Any of these **three** cases may require a substantial investment in new resources by the Government.

2. The method in Chapters 2 and 3 will be used to develop the cost comparison study. However, for conversions to in-house and new requirements, the preparer must identify increases in cost expected to be incurred. For expansions, first compute the increase related to the expansion portion of the function. Then compute the total impact (existing and expansion) **which would result** from conversion to contract. In addition to increased personnel and material costs, there might be increased cost because of a requirement for facilities and equipment. The cost of all capital assets not provided to the contractor will be computed using the same depreciation method in Chapter "2. There might **also be** increases for rent, maintenance and repair, utilities, travel and support provided by the overhead activities. For example, if a G&A activity requires an increase in overtime or at least one **position**, the personnel and associated **support costs** would be computed and included **on line 4** of the CCF (ENRC). Those Governmental costs currently being incurred, which would be the same for **either** in-house or contract operation, must be identified, but shall not be computed.

3. The method for computing the in-house costs of expansions, new requirements or conversions to in-house performance will follow the procedures identified in Chapters 2 and 3 except as noted in this chapter. New procedures are provided for the cost of capital (line 5), one-time conversion cost (line 6) and **the** cost differential (line 16).

c. COST OF **CAPITAL** (ON ADDITIONAL **ASSETS**) - Line 5

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

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

3. in order **to** estimate the cost of capital, it is necessary to identify the acquisition cost of new assets or the net book value of assets acquired by transfer. The cost of new assets results from the sum of purchase price, transportation costs (if not already included **in** the purchase price) and any installation **costs** incurred in order to place the asset in operation. The total cost of an asset received through transfer **is** the sum of the net book value and the transportation and installation costs. The net book" value is determined (See Chapter 2, paragraph F.2) **by** subtracting the accumulated depreciation from acquisition cost of the asset. The net book" value must be adjusted by transportation and installation costs before applying the **cost of** capital. The cost of capital will be computed by applying an opportunity cost rate of ten percent to the determined total **cost of** both new and transferred assets to be used solely by the in-house Government function. The results of this computation will be entered on line 5 of the **CCF (ENRC)**.

D. **ONE-TIME COSTS (FOR EXPANSIONS, NEW REQUIREMENTS AND CONVERSIONS FROM **CONTRACT** TO IN-HOUSE)** - Line 6

L New investment by the Government in facilities and equipment should not be included **as** one-time costs under this section. The costs incurred in acquiring facilities or **equipment and** installing the equipment should be included in the capitalized cost. These costs will be handled in the sections which deal with depreciation (Chapter 2, paragraph F.2) and the cost of capital on additional assets (Chapter 5, paragraph C).

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

3. Determination of the Government's one-time costs of expansion, new requirements or conversion from contract to in-house should be made in consultation with engineering, production, management and contracting **personnel**. **Supporting documentation** should indicate clearly the type of costs anticipated, justification for **inclusion** and computation methods. The **total** of the one-time costs shall be allocated to each annual performance period. The cost entry will be determined by dividing the total one-time costs **by** the number of periods in the

cost comparison. However, the one-time costs will be allocated over not less than a three-year period.

4. In addition to one-time costs related to in-house performance on line 6 there are one-time labor related costs associated with the expansion of an activity. The one-time severance pay, homeowners assistance, relocation and retraining costs for the personnel in the existing activity will be computed using the procedures in Chapter 3, paragraph E.3, and entered on line 12 of the CCF (ENR C).

E. CONVERSION DIFFERENTIAL (FOR EXPANSIONS, NEW REQUIREMENTS AND CONVERSIONS TO IN-HOUSE PERFORMANCE) - Line 16

1. Before approving a new requirement or a conversion from contract to in-house performance on the basis of cost, OMB Circular No. A-76 has established cost margins which must be exceeded. The cost margin is equal to ten percent of the Government personnel-related cost (in line 1 and line 4) and 25 percent of the acquisition cost of new capital assets; i.e., assets not currently owned by the Government and used solely by the in-house operation. "

2. The margin of ten percent of the Government personnel-related cost is consistent with the margin favoring the status quo in studies of in-house activities, and includes the Government's contract termination cost. The 25-percent margin recognizes the risks inherent in Government investment in capital assets.

3.- Compute the conversion differential on line 16 based on the "total" column only. First, multiply the personnel costs in lines 1 and 4 by ten percent to obtain the personnel-related cost margin. Second, multiply the acquisition costs of new capital assets not provided to the contractor by 25 percent. Then, sum the two cost margins and enter the result on line 16.

4. Before approving an expansion of an in-house activity on a cost basis, the following cost differentials will be applied: the total of 10 percent of the personnel-related costs of the expansion plus 25 percent of the acquisition cost of the new capital assets required by the proposed expansion; i.e., assets not currently owned by the Government and not provided to the contractor, minus 10 percent of the personnel related cost of the present activity. For line '16, enter the net difference in the CCF (ENRC) "Total" column. Line 16 can be a positive or negative number. The total cost of the in-house operation (line 17) equals the sum of lines 8 and 16.

F. COST COMPARISON DECISION

The cost comparison decision will be based upon the results obtained for the "total" column of the CCF (ENRC). Subtract the cost of contract operation from the total cost of in-house operation (line 17 minus Line 15). Enter the result on line 18 of the CCF (E NRC). On line 19 check the appropriate decision block. A positive result on line 18 supports the decision to contract the function and a negative result supports the decision to accomplish the function in-house.

ILLUSTRATION 5-1

Agency _____ Location _____ Function _____

COST COMPARISON FORM

Expansions, New Requirements and Conversion
To In-House Performance (ENRC)

Performance Periods

<u>In-House Performance Costs</u>	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>Additional</u>	<u>Total</u>	<u>Reference</u>
1. Personnel Cost						
2. Material & Supply						
3. Other Specifically Attributable Costs						
4. Overhead Cost						
5. Cost of Capital						
6. One-Time Conversion Cost (ENRC)						
7. Additional Costs						
8* Total In-House Costs	_____	_____	_____	_____	_____	
<u>Contract Performance Costs</u>						
9. Contract Price						
10. Contract Administration						
11. Additional Costs						
12. One-time Contract Conversion Costs						
13. Gain or Loss on Disposal of Assets (Expansion)						
14. Federal Income Tax (Deduct)	()	()	()	()	()	
15. Total Contract Costs	_____	_____	_____	_____	_____	

Decision

16. Conversion Differential (For Expansions, note net difference, Chapter V, E.) _____
17. Total (Line 8 & 16) _____
18. Cost Comparison (Line 17 minus line 15) _____
Do the cost comparison calculation only for the total column.
Positive result on Line 18 supports decision to accomplish function by contract.
19. Cost Comparison Decision (check block) / / Accomplish In-House
/ / Accomplish by Contract

	<u>Name/Title/Organization</u>	<u>Signature</u>	<u>Date</u>
In-House Estimate Prepared By:	_____	_____	_____
In-House Estimate Reviewed By:	_____	_____	_____
Cost Comparison Accomplished By:	_____	_____	_____
Cost Comparison Reviewed By: -	_____	_____	_____
Cost Comparison Decision Approved By:	_____	_____	_____

PART IV -- COST COMPARISON HANDBOOK

APPENDIX A

SAMPLE MILESTONE SCHEDULE

This sample milestone chart depicts major events of a cost comparison study. There are additional, detailed steps within the events which also need to be considered and planned for: PWS development, contracting actions/acquisition plan, management study/most efficient in-house organization development, independent review, personnel procedures and preplanning, transition process, coordination with interested activities. To assure all actions are completed properly and on-time, agencies/cost study task groups should develop more detailed milestones for each study. The completion date column in the sample milestones is blank because the time of the study or availability of a standard PWS will influence completion dates. However, a good way to put actual dates here is to start with the desired contract start date, and proceed backwards with the RIF notice period, appeal process, etc. Sample milestones follow.

Sample Milestone Schedule

<u>Completion Date</u>	<u>Action Office</u>	<u>Event</u>
(Completion dates to be completed by task group based on agency guidance.)	Agency	Approve or direct a cost comparison study. As required, advise unions, employees, Congress (if required) and press.
	Organization Director or Designee	Establish task group.
	Task Group	Develop cost comparison milestone chart. If required, initiate Environmental Impact Assessment (EIA). Begin developing the PWS, management study and acquisition plan.
	Task Group	Submit PWS, most efficient organization from the management study and acquisition plan to Headquarters for review and approval. Submit EIA to Headquarters for an environmental determination, when needed.
	Headquarters	Approve PWS, most efficient organization and acquisition plan; approve EIA.
	Contracting Officer	Arrange "Commerce Business Daily" announcement.
	Contracting Officer	Mail solicitation and notification of pre-proposal/pre-bid conference.

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Completion Date

Action Office

Event

Contracting Officer	Pre-proposal/pre-bid conference and site visit by potential contractors.
Task Group	Complete the in-house cost estimate; sign the CCF and send to independent review agency.
Reviewer	Review in-house cost estimate, annotating items needing corrections, if applicable; sign the CCF once corrections are made; and return to task group.
Task Group	Submit in-house cost estimate to contracting officer in a sealed envelope.

THEN (FOR A NEGOTIATED ACQUISITION)

Contracting Officer'	Proposals received; begin negotiations.
Contracting Officer	Negotiations' completed; notify task group that a best and final offer has-been identified.
Task Group Chair Person and Contracting Officer or Designee	Enter amount of best and final offer on the CCF; complete remaining lines of the CCF; compare contract versus in-house costs; determine results of cost comparison; sign CCF. If cost effective to contract:
Contracting Officer	Notify contractor that contract shall be awarded if remains more economical after possible appeals. Obtain price extension if necessary; announce cost comparison result; and, upon request, make the CCF available for review by directly affected parties.
Organization Director or Designee	After the public review period and resolution of possible appeals, approve and (the CCF.

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<u>Step</u>	<u>Completion Date</u>	<u>Action Office</u>	<u>Event</u>
15c		Contracting Officer	Make contract award.
15(l)		Personnel Office	Issue RIF notices. "
1 Se		Contracting Officer	Contract start date.
16			If cost effective to remain in-house:
16a		Contracting Officer	Announce cost comparison result; and, upon request, make CCF available for public review.
16b		organization Director or Designee	After the public review period and resolution of possible appeals, approve and sign the CCF.
16c		Contracting Officer	Cancel solicitation.
16(l)		Organization Director or Designee	Initiate manpower reprogramming actions to reflect the in-house staffing estimate.
THEN (FOR FORMALLY ADVERTISED ACQUISITION)			
17		Contracting Officer	Bids received/bids opened.
18		Task Group Chairperson and Contracting Officer	Enter amount of low bid on the CCF; complete remaining lines of the CCF; compare contract versus In-house costs; determine results of the cost comparison; sign the CCF; announce cost comparison results; and, upon request, make the CCF available for public review.
19			If cost effective to contract:
19a		Contracting Officer	Determine contractor responsibility, including preaward survey if necessary.

<u>Step</u>	<u>Completion Date</u>	<u>Action Office</u>	<u>Event</u>
9b		Task Group	If the selected bidder is other than the previously announced apparent low bidder, revise the CCF.
9c		Organization Director or Designee	After the public review period, resolution of possible appeals and final selection of the contractor, approve and sign the CCF.
9d		Contracting Officer	Award contract.
9e		Personnel Office	Issue RIF notices.
9f		Contracting Officer	Contract start date.
10			If cost effective to remain in-house, follow steps 16a to 16d.



PART IV - COST COMPARISON HANDBOOK

APPENDIX B

NARRATIVE FLOW CHART FOR COST COMPARISON PROCESS

- Step 1: Identify the function under study and determine type of study; i.e., existing Government activity (Chapters 2, 3 and 4) or "expansion, new requirement or conversion **back to in-house** (Chapter 5).
- Step 2: Establish Task Group to perform management study in conjunction with performance work statement development. This will be the basis for cost study development.
- Step 3: Identify the operations overhead.
- Step 4: Define and identify all General and Administrative (G&A) activities whether internal or external to the installation (region) encompassing the function under study.
- Step 5: Calculate personnel cost.
- Step 6: Calculate material and supply costs.
- Step 7: Calculate other specifically attributable costs.
- Step 8: Are **there** at least 10 **FTE's** in the function under study? (This **assumes a cost study is being done** regardless of the number of **FTE's.**)
- If yes, go to step 9.
- If **no**, go to step 12.
- Step 9: Determine if overtime or at least one position within operations overhead can be eliminated.
- If no**, go to next step.
- If **yes**, calculate estimated savings using the appropriate elements of expense.
- Step 10: Determine if overtime or **at least one position** can be eliminated for any activity within the G&A overhead category.
- If **no**, go to next step.
- If **yes**, calculate estimated savings using the appropriate elements of expense.
- Step 11: Total savings from steps 9 and 10 and enter on line 4 of CCF.

Step 12: **Determine** if there are any additional costs for the function under study that would not **logically** fit into one of the **previous** categories.

If no, sum all previous Lines and **enter** total on line 6. '
If yes, calculate, document and enter result on line 5. Total all in-house costs on line 6.

Step 13: Determine the number of full-time equivalent (**FTE**) positions within the most efficient organization and then **refer** to sliding scale, Table 3-1. Determine the contract administration staffing requirement that corresponds to the number of **FTEs** in the most efficient organization. The cost related to these requirements will be **developed** according to paragraph 2-D and the 'estimated contract administrative cost will be entered on line 8 of the cost comparison form for each year of the study (ensure inflation was added per **paragraph** 2-D.).

Step 14: Determine if there are any additional costs to the Government as a result of the possible contract other than Contract Price and Contract Administration. Some examples are transportation and purchased services.

If no, move to next step.
If yes, calculate, document and enter cost on line 9.

step 15: Estimate one-time (nonrecurring) costs the Government incurs **as** a result **of** the conversion to contract. Some examples are -transfer or disposal of material, severance pay, homeowner assistance and penalty fees for termination of lease agreements.

If no, go to next step.
If yes, calculate, **document and enter cost on line 10 of the CCF.**

Step' 16: **Determine if any capital assets** currently being used in-house will be **transferred to other Government activities or** turned in for disposal (Public Sale) as a result of going contract.

If no, go to next step.
If yes, list those items for transfer or disposal and determine their disposal value. Subtract their costs of transfer or disposal from the disposal value. If this answer is positive, place answer **in** parenthesis on line 11 of the **CCF.** If this answer is negative; i.e., the cost value **of** disposal or transfer is greater than the disposal value, place this number in line 11 without parenthesis.

Step 17: Determine the standard industrial classification of the function under study from the **listing** at Appendix D and choose the appropriate tax **rate.** If **more than** one classification applies, develop a " weighted average tax rate. Place this tax rate percentage in the margin beside line **12** on the CCF for use after bid opening.

- Step 18: Total the **personnel** related cost; i.e., all of line 1 and the **personnel-related portions** of line 4 of CCF; and take 10 percent of this total and place on line 14 of the CCF.
- Step 19: After the independent review, secure the CCF and all supporting documentation locally. Provide a copy of the **CCF** in a sealed **envelope** to the **Contracting** Officer to be secured with other sealed bids.
- Step 20: During bid opening or after completion of negotiations! enter the selected bid or negotiated price on line 7 of **CCF**.
- Step 21: Multiply the percentage in the margin beside line 12 by the contract price in line 7. Do this for each year and enter these results in parenthesis on line 12 to later be subtracted from contract costs.
- Step 22: Add lines 7, 8, 9 and 10. If there is a number in parenthesis; i.e., a deduction, in line 11, add to line 12. and subtract this total from the total of lines 7 through 10 and enter the difference on line 13. If the **number** in line 11 is not in parenthesis it" **should** be added to the total of **lines** 7 through 10, and then subtract line 12 from the total of lines 7 through 11 and enter the difference on line 13.
- Step 23: Add **lines** 13 and 14 and place total on **line** 15 of each period of the study.
- Step 24: Subtract line 6 from line 15 and place result on line 16 for each period of the study.
- Step 25: "If the number on line 16 is positive, mark the appropriate block on line 17 to indicate accomplished in-house. **If** the number on line 16 is negative, mark **the** other block **on** line 17 indicating accomplished by contract.

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PART IV -- COST COMPARISON HANDBOOK

APPENDIX C

USEFUL LIFE* AND DISPOSAL VALUE TABLE

<u>FSC</u> <u>No.</u>	<u>Nomenclature</u>	<u>Expected</u> <u>Useful Life</u> <u>(Years)</u>	<u>Disposal Value</u> <u>Factor as a</u> <u>Percent of</u> <u>Acquisition Cost</u>
	Guns , through 30mm	15	3.15
	Guns , over 30mm up to 75mm		1.18
	Guns , 75mm through 125mm	25	0.63
	Guns , over 125mm through 200mm		2.14
	Guns , over 200mm through 300mm		2.61
1040	Chemical Weapons and Equipment	16	
	Launchers , Rocket and Pyrotechnic	15	2.00
1080	Camouflage and Deception Equipment	10	1.75
1090	Assemblies Interchangeable between Weapons in Two or More Classes	25	2.25
1095	Misc. Weapons		1.06
1135	Fusing and Firing Devices, Nuclear Ordnance	16 "	0.08
1190	Specialized Test and Handling Equipment , Nuclear Ordnance	8	0.60
1220	Fire Control Computing Sights and Devices	8	0.29
1230	Fire Control System, Complete	11	
1240	Optical Sighting and Ranging Equipment	11	1080
1250	Fire Control Stabilizing Mechanisms	11	1.76
1260	Fire Control Designating and Indicating Equipment	12	0.58
1265	Fire Control Transmitting and " Receiving Equipment , except Airborne	11	0.39
1270	Aircraft Gunnery Fire Control Components		0.22
1285	Fire Control Radar Equipment , except Airborne		1.19
1290	Misc. Fire Control Equipment	19	0.79
1340	Rockets , Rocket Ammo and Rocket Components	18	3.62
1375	Demolition Materials		
1377	Cartridge and Propellant Activated Devices and Components		1.28
1398	Specialized Ammo' Handling and Servicing Equipment	12	0.52

*There is no expected useful life for those items left blank.

<u>FSC No.</u>	<u>Nomenclature</u>	<u>Expected Useful Life (Years)</u>	<u>Disposal Value Factor as a Percent of Acquisition Cost</u>
-1410	Guided Missiles	19	1.55
1420	Guided Missile Components	15	0.13
1430	Guided Missile Remote Control Systems	19	0.45
1440	Launchers, Guided Missile	17	0.66
1450	Guided Missile Handling and Servicing Equipment	17	0.65
1560	Airframe Structural Components	20	2.48
1610	Aircraft Propellers	10	4.58
1615	Helicopter Rotor Blades, Drive Mechanisms and Components	10	3.52
1620	Aircraft Landing Gear Components	10	2.71
1630	Aircraft Wheel and Brake Systems	10	4.92
1650	Aircraft Hydraulic, Vacuum and De-icing System Components	10	2.19
1660	Aircraft Air Conditioning, Heating and Pressurizing Equipment	10	2.23
1670	Parachutes; Aerial Pick Up, Delivery, Recovery Systems and Cargo Tie Down Equipment	7	5.52
1680	Misc. Aircraft Accessories and Components	7	1.92
1720	Aircraft Launching Equipment	25	1.91
1730	Aircraft Ground Servicing Equipment	20	3.12
1740	Airfield Specialized Trucks and Trailers		6.37
1905	Combat Ships and Landing Vessels	20	2.53
1915	Cargo and Tanker Vessels	30	8.54
1925	Special Service Vessels	25	8.54
1930	Barges and Lighters, Cargo	27	11.05
1935	Barges and Lighters, Special Purpose	30	19.83
1940	Small Craft	23	6.35
1945	Pontoons and Floating Docks	30	14.42
1990	Misc. Vessels		8.74
2010	Ship and Boat Propulsion Components	20	10.26
2030	Deck Machinery		3.31
2040	Marine Hardware and Hull Items	20	16.57
20s0	Buoys		11.05
2090	Misc. Ship and Marine Equipment		4.81

<u>FSC No.</u>	<u>Nomenclature</u>	<u>Expected Useful Life (Years)</u>	<u>Disposal Value Factor as a Percent of Acquisition Cost</u>
2210	Locomotives	29	16.51
2220	Rail Cars	40	10.27
2230	Right-of-Way Construction and Maintenance Equipment, Railroad	20	18.69
2240	Locomotive and Rail Car Accessories and Components		9.98
2250	Track Materials, Railroad		41.00
2305	Ground Effect Vehicles	15	
2310	Passenger Motor Vehicles	See Below	17.00
	Passenger Cars and Station Wagons	6	
	Buses (11 or more passengers)	8	
	Ambulances	7	
2320	Trucks and Truck Tractors, Wheeled	See Below	17.96
	'-Less than 12,500 (payload 1 ton and less)	6	
	12,500 through 16,999 (payload, 1-1/2 through 2-1/2 tons)	7	
	17,000 and over (payload, 3 tons and over)	9	
	Multiple Drive Vehicles	6	
2330	Trailers	23	10.09
2340	Motorcycles, Motor Scooters and Bicycles	12	27.31
2350	Combat, Assault and Tactical Vehicles , Tracked	14	32.82
2410	Tractors, Full Track, Low Speed	14	27.62
2420	Tractors, Wheeled	13	22.70
2430	Tractors, Track Laying , High Speed		7.42
2510	Vehicular Cab, Body and Frame Structural Components	10	14.18
2520	Vehicular Power Transmission Components	12	16.22
2530	Vehicular Brake, Steering, Axle, Wheel and Track Components	1	2 12.17
2540	Vehicular Furniture and Accessories	18	6.95
2590	Misc. Vehicular Components	10	7.04
2805	Gasoline Reciprocating Engines, except Aircraft and Components	7	5.68
2810	Gasoline Reciprocating Engines, Aircraft and Components		3.43
2815	Diesel Engines and Components		13.33
2335	Gas Turbines and Jet Engines, except Aircraft and Components	15	3.59
2840	Gas Turbines and Jet Engines, Aircraft , and Components		1.77
2845	Rocket Engines and Components		0.11

<u>FSC No.</u>	<u>Nomenclature</u>	<u>Expected Useful Life (Years)</u>	<u>Disposal Value Factor as a Percent of Acquisition Cost</u>
2910	Engine Fuel System Components, Nonaircraft		8.01
2915	Engine Fuel System Components, Aircraft		3.01
2920	Engine Electrical System Components, Nonaircraft		10.32
2925	Engine Electrical System Components, Aircraft		7.94
2930	Engine Coding System Components, Nonaircraft		21.96
2935	Engine Cooling System Components, Aircraft		7.41
2945	Engine Air and Oil Filters, Strainers and Cleaners , Aircraft		1.71
2950	Turbosuperchargers		8.26
2990	Misc. Engine Accessories, Nonaircraft		7.77
299S	Misc. Engine Accessories, Aircraft		4.10
3010	Torque Converters and Speed Changers		5.93
3020	Gears, Pulleys, Sprockets and Transmission Chain		4.64
3040	Misc. Power Transmission Equipment		3.22
3110	Bearings, Antifriction , Unmounted		22.14
3120	Bearings, Plain, Unmounted		4.78
3130	Bearings, Mounted		7.80
3210	Sawmill and Planing Mill Machinery	15	28.41
3220	Woodworking Machines	15	27.37
3405	Saws and Filing Machines	20	30.87
3408	Machining Centers and Way-Type Machines		7.49
3410	Electrical and Ultrasonic Erosion Machines	10	9.75
3411	Boring Machines	20	49.61
3413	Drilling and Tapping Machines	15	40.16
3414	Gear Cutting and Finishing Machines	10	29.58
3415	Grinding Machines	15	35.06
3416	Lathes	20	39.84
3417	Milling Machines	20	28.22
3418	Planners and Shapers	20	27.66
3419	Misc. Machine Tools	15	17.92
3422	Rolling Mills and Drawing Machines	10	68.3S
3424	Metal Heat Treating and Non-Thermal Treating Equipment	25	11.72
3426	Metal Finishing Equipment	20	6.63

<u>FSC No.</u>	<u>Nomenclature</u>	<u>Expected Useful Life (Years)</u>	<u>Disposal Value Factor as a Percent of Acquisition Cost</u>
3431	Electric Arc Welding Equipment	10	9.87
3432	Electric Resistance Welding Equipment	15	9.90
3433	Gas Welding, Heat Cutting and Metalizing Equipment	15	6.76
3436	Welding Positioners and Manipulators	30	26.88
3438	Misc. Welding Equipment	10	4.88
3439	Misc. Welding, Soldering and Brazing Supplies and Accessories	5	10.98
3441	Bending and Forming Machines	25	42.25
3442	Hydraulic and Pneumatic Presses, Power Driven	10	20.14
3443	Mechanical Presses, Power Driven	11	59.41
3444	Manual Presses	30	29.67
344s	Punching and Shearing Machines	15	44.83
3446	Forging Machinery and Hammers	20	77.56
3447	Wire and Metal Ribbon Forming Machines		24.60
3448	Riveting Machines	10	14.12
3449	Misc. Secondary Metal Forming and Cutting Machines	10	35.22
3450	Machine Tools, Portable	20	13.28
3455	Cutting Tools for Machine Tools		9.89
3460	Machine Tool Accessories	15	17.41
3461	Accessories for Secondary Metalworking Machinery		4.32
346S	Production Jigs, Fixtures and Templates	5	2.28
3470	Machine Shop Sets, Kits and Outfits		3.57
3510	Laundry and Dry Cleaning Equipment	13	4.57
3520	Shoe Repairing Equipment	17	8.55
3530	Industrial Sewing Machines and Mobile Textile Repair Shops	12	15.03
3540	Wrapping and Packaging Machinery	9	7.35
3590	Misc. Service and Trade Equipment	10	9.10
3605	Food Products Machinery and Equipment	30	10.53
3610	Printing, Duplicating and Bookbinding Equipment	16	4.31
3611	Industrial Marking Machines	10	2.20
361S	Pulp and Paper Industries Machinery	10	7.49
3620	Rubber and Plastics Working Machinery	8	45.18
3625	Textile Industries Machinery -		12.76
3635	Crystal and Glass Industries Machinery	10	2.61
3650	Chemical and Pharmaceutical Products Manufacturing Machinery		7.85

<u>FSC No.</u>	<u>Nomenclature</u>	<u>Expected Useful Life (Years)</u>	<u>Disposal Value Factor as a Percent of Acquisition Cost</u>
3655	Gas Generating and Dispersing Systems	12	7.35
3660	Industrial Size Reduction Machinery	9	27.30
3680	Foundry Machinery, Related Equipment and Supplies	10	12.61
3690	Specialized Ammo and Ordnance Machinery and Related Equipment		3.41
3693	Industrial Assembly Machine		0.45
3694	Clean work Stations, Controlled Environment and Related Equipment		6.43
3695	Misc. Special Industry Equipment	4	7.58
3710	Conveyors	12	6.85
3920	Materials Handling Equipment Nonsel Propelled	22	9.07
3930	Warehouse Trucks and Tractors, Self Propelled	See Below	18.60
	<u>Gasoline</u>		
	Fork Truck (2,000 pounds to 6,000 pounds)"`	8	
	Fork Truck (over 6,000 pounds)	10	
	Tractor	8	
	Crane	12	
	Platform Truck	8	
	Straddle Truck	15	
	<u>Electric</u>		
	All types	15	
3940	Blocks, Tackle, Rigging and Slings		9.61
3950	Winches, Hoists, Craines and Derricks	13	"10.23
3990	Misc. Materials Handling Equipment .	30	8.71
4010	Chain and Wire Rope		.5.11
4020	Fiber Rope, Cordage and Twine		6.81
4030	Fittings for Rope, Cable and Chain		13.16
4110	Refrigeration Equipment	11	7.07
4120	Air Conditioning Equipment	10	3.82
4130	Refrigeration and Air Conditioning . Components	16	4.26
4140	Fans, Air Circulators and Blow Equipment	7	4.79
4210	Fire Fighting Equipment	14	6.55
4220	Marine Lifesaving and Diving Equipment	10	5 . 6 5
4230	Decontaminating and Impregnating Equip	17	5.87
4240	Safety and Rescue Equipment	19	2.53

<u>FSC No.</u>	<u>"- Nomenclature</u>	<u>Expected Useful Life (Years)</u>	<u>Disposal Value Factor as a Percent of Acquisition Cost</u>
4310	Compressors and Vacuum Pumps	10	7.59
4320	Power and Hand Pumps	15	4.27
4330	Certifuges , Separators and Pressure and Vacuum Filters	20	4.90
4410	"Industrial Boilers	9	3.78
4420	Heat Exchanges and Steam Condensers		9.73
4430	Industrial Furnaces, Kilns, Lehrs and Ovens	10	6.59
4440	Driers, Dehydrators and Anhydrators	10	4.55
4460	Air Purification Equipment	11	3.71
4510	Plumbing Fixtures and Accessories	15	5.91
4520	Space Heating Equipment and Domestic Water Heaters	8	8.36
4540	Misc. Plumbing, Heating and Sanitation Equipment	8	3.01
4610	Water Purification Equipment	14	4.55
4620	Water Distillation Equipment, Marine and Industrial	15	15.61
4710	Pipe and Tube		7.79
4720	Hose. and Tubing, Flexible		6.13
4730	Fittings and Specialities, Hose, Pipe and Tube		4.83
4810	Valves, Powered		2.20
4820	Valves, Nonpowered		4.91
4910	Motor Vehicle, Maintenance and Repair Shop Specialized Equipment	11	6.63
4920	Aircraft Maintenance and Repair Shop Specialized Equipment	20	1.58
4925	Ammo. Maintenance, Repair and Checkout Specialized Equipment	21	1.67
4927	Rocket Maintenance, Repair and Checkout Specialized Equipment		
4930	Lubrication and Fuel Dispensing Equipment	15	5.00
4931	Fire Control Maintenance and Repair Shop Specialized Equipment	9	1.18
4933	Weapons Maintenance and Repair Shop Specialized Equipment	15	1.91
4935	Guided Missile Maintenance, Repair and Checkout Specialized Equipment	19	0.40
4940	Misc. Maintenance and Repair Shop Specialized Equipment	20	4.48

<u>FSC No.</u>	<u>Nomenclature</u>	<u>Expected Useful Life (Years)</u>	<u>Disposal Value Factor as a Percent of Acquisition Cost</u>
5110	Hand Tools, Edged, -Nonpowered	10	9.26
5120	Hand Tools, Nonedged, Nonpowered	21	5.53
5130	Hand Tools, Power Driven	10	10.31
5133	Drill Bits, Counterbores and Countersinks, Hand and Machine	10	24.07
5136	Taps, Dies and Collets, Hand and Machine	10	8.08
5140	Tool and Hardware Boxes	20	26.42
5180	Sets, Kits and Outfits of Hand Tools	23	3.83
5210	Measuring Tools, Craftsmen	10	4.87
5220	Inspection Gages and Precision Layout Tools	12	3.17
5280	Sets, Kits and Outfits of Measuring Tools	25	1.01
5410	Prefabricated and Portable Building	8	2.48
5411	Rigid Wall Shelters	20	2.44
5420	Bridges, Fixed and Floating	17	7.25
5430	Storage Tanks	7	6.83
5440	Scaffolding Equipment and Concrete Forms	5	6.83
5445	Prefabricated Tower Structures	23	5.23
5450	Misc. Prefabricated Structure	25	1.30
5670	Architectural and Related Metal Products	10	59.16
5680	Misc. Construction Materials	69	9.59
5805	Telephone and Telegraph Equipment	23	2.37
5810	Communications Security Equipment and Components	16	0.40
5811	Other Cryptologic Equipment and Components	11	1.25
5815	Teletype and Facsimile Equipment	22	0.99
5820	Radio and Television Communications - Equipment, except Airborne	8	2.44
5821	Radio and Television Communications Equipment, Airborne	24	1.01
5825	Radio Navigation Equipment, except Airborne	24	1.37
5826	Radio Navigation Equipment, Airborne	24	1.44
5830	Intercommunication and Public Address Systems, except Airborne	24	1.74
5831	Intercommunication and Public Address Systems, Airborne	25	0.61
5835	Sound Recording and Reproducing Equipment	22	1.43
5840	Radar Equipment, except Airborne	23	0.92
5841	Radar Equipment, Airborne	24	0.53

Sep 5, 85

IV-63

<u>Fsc</u> <u>No.</u>	<u>Nomenclature</u>	<u>Expected</u> <u>Useful Life</u> <u>(Years)</u>	<u>Disposal Value</u> <u>Factor as a</u> <u>Percent of</u> <u>Acquisition Cost</u>
5845	Underwater Sound Equipment	13	1.14
5850	Visible and Invisible Light Communication Equipment	24	0.32
5855	Night Vision Equipment, Emitted and Reflected Radiation "	25	1.18
5860	Stimulated Coherent Radiation Devices, Components and Accessories	25	0.71
5865	Electronic Countermeasures, Counter Countermeasures and Quick Reaction Capability Equipment	20	0.27
5895	Misc. Communications Equipment	23	.0.67
5905	Resistors	8	1.02
5910	Capacitors	8	2.32
5915	Filters and Networks	25	0.93
5920	Fuses and Lightning Arrestors	25	3.12
3925	Circuit Breakers	10	7.49
5930	Switches	10	1.55
5935	Connectors, Electrical	22	20.61
5940	Lugs, Terminals and Terminal Strips	8	1.66
5945	Relays and Solenoids	25	1.36
5950	Coils and Transformers	8	1.35
5955	Piezoelectric Crystals	8	0.65
5960	Electron Tubes and Associated Hardware	8	1.00
5961	Semiconductor Devices and Associated Hardware	8	1.04
5962	Microcircuits, Electronic	8	0.54
5963	Electronic Modules	8	
5965	Headsets , Handsets, Microphones and Speakers	24	4.28
5970	Electrical Insulators and Insulating Materials	8	34.93
5975	Electrical Hardware and Supplies	23	3.73
5977	Electrical Contact Brushes and Electrodes	8	2.08
5985	Antennas, Waveguide and Related Equipment	8	2.02
5990	Synchros and Resolvers	14	1.65
5995	Cable, Cord and Wire. Assemblies, Communications Equipment	24	4.16
5999	Misc. Electrical and Electronic Components	20	1.01
6105	Motors, Electrical	10	5.31
6110	Electrical Control Equipment	8	2.45
6115	Generators and Generator Sets, Electrical	19	6.50
6116	Fuel Cell Power Units , Components and Accessories	15	22.88
6120	Transformers: Distribution and Power Station	36	7.87

<u>FSC</u> <u>No.</u>	<u>Nomenclature</u>	<u>Expected</u> <u>Useful Life</u> <u>(Years)</u>	<u>Disposal Value</u> <u>Factor as a</u> <u>Percent of</u> <u>Acquisition Cost</u>
6125	Convertors, Electrical, Rotating	2 5	2.88
6130	Convertors, Electrical, Nonrotating	22	1.75
6135	Batteries, Primary	1 5	2.51
6140	Batteries, Secondary	25	6.91
6145	Wire and Cable, Electrical	25	16.29
6150	Misc. Electric Power and Distribution Equipment	15	2.55
6210	Indoor and Outdoor Electric Lighting Fixture	16	3.95
6220	Electric Vehicular Light and Fixtures	10	4.58
6230	Electric Portable and Hand Lighting Equipment	17	" 3.44
6240	Electric Lamps	10	6.92
6250	Ballasts, Lampholders and Starters	10	3.91
6310	Traffic and Transit Signal Systems	4	3.52
6320	Shipboard Alarm and Signal Systems	4	2.68
6350	Misc. Alarm, Signal and Security Detection Systems	6	1.38
6515	Medical and Surgical Instruments, Equipment and Supplies	9	2.54
6520	Dental Instruments, Equipment and Supplies	8	7.66
6525	X-Ray Equipment and Supplies: Medical Dental, Veterinary "	9	3.57
6530	Hospital Furniture, Equipment, Utensils and Supplies	10	4.18
6540	Opticians' instruments, Equipment and Supplies	10	6 . 2 3
6545	Medical Sets, Kits and Outfits	10	5 . 6 0
6605	Navigational Instruments	18	.0.87
6610	Flight Instruments	17	2.30
6615	Automatic Pilot Mechanisms and Airborne Gyro Components	25	1.17
6620	Engine Instruments	15	.3.04
6625	Electrical and Electronic Properties Measuring and Testing Instruments	15	1.55
6630	Chemical Analysis Instruments	5	1.70
6635	Physical Properties Testing Equipment	13	6.62
6636	Environmental Chambers and Related" Equipment	10	2.20
6640	Laboratory Equipment and Supplies	20	2.12
6645	Time Measuring Instruments	25	5.54

Sep 9, 85

Iv-65

<u>FSC No.</u>	<u>Nomenclature</u>	<u>Expected Useful Life (Years)</u>	<u>Disposal Value Factor as a Percent of Acquisition Cost</u>
6650	Optical Instruments	8	2.31
6655	Geophysical and Astronomical Instruments	25	2.02
6660	Meteorological Instruments and Apparatus	10	1.05
6665	Hazard-Detecting Instruments and Apparatus	16	1.44
6670	Scales and Balances	18	4.77
667S	Drafting, Surveying and Mapping Instruments	19	2.44
6680	Liquid and Gas Flow, Liquid Level and Mechanical Motion Measuring Instruments	10	2.87
6685	Pressure, Temperature and Humidity Measuring and Controlling Instruments	10	2.53
6695	Combination and Misc. Instruments	8	2.06
6710	Cameras, Motion Pictures	25	5.29
6720	Cameras, Still Picture	24	1.82
6730	Photographic Projection Equipment	2s	3.52
6740	Photographic Developing and Finishing Equipment	24	3.32
6750	Photographic Supplies	25	8.64
6760	Photographic Equipment and Accessories	24	1.36
6780	Photographic Sets, Kits and Outfits	22	3.24
6910	Training Aids	20	0.96
6920	Armament Training Devices	20	3.22
6930	Operation Training Devices	21	0.62
6940	Communication Training Devices	21	0.79
7010	ADPE Configuration	8	0.73
7021	ADP Central Processing Unit, Digital	15	0.73
7022	ADP Central Processing Unit, Hybrid	15	
7023	ADP Input/Output and Storage Devices	13	1.01
7030	ADP Software	15	0.97
7035	ADP Accessorial Equipment	13	0.72
7040	Punched Card Equipment	15	0.87
7045	ADP Supplies and Support Equipment	11	1.50
7050	ADP Components	15	0.95
7105	Household Furniture	10	9.94
7110	Office Furniture	10	16.20
7125	Cabinets , Lockers, Bins and Shelving	20	9.47
7195	Misc. Furniture and Fixtures	10	6.17 "
7310	Food Cooking, Baking and Serving Equipment	12	5.40
7320	Kitchen Equipment and Appliances	18	5.60
7360	Sets, Kits. and Outfits: Food Preparation and Serving	10	11.41

<u>FSC No.</u>	<u>Nomenclature</u>	<u>Expected Useful Life (Years)</u>	<u>Disposal Value Factor as a Percent of Acquisition Cost</u>
7420	Accounting and Calculating Machine	12 Electric/ 15 Manual	1.46
7430	Typewriters and Office Type Composing Machines	12 Electric/ 15 Manual	6.10
7450	Office Type Sound Recording and Reproducing Machines	12	1.17
7460	Visible Record Equipment		2.26
7490	Misc. Office Machines	12	3.30
7710	Musical Instruments	12	14.67
7910	Floor Polishers and Vacuum Cleaning Equipment		5.72
8140	Ammo and Nuclear Ordnance Boxes, Packages and Special Containers	15	12.33
8145	Specialized Shipping-and Storage Containers	22	6.55
8340	Tents and Tarpaulins	5	4.86
8345	Flags and Pennants	5	8.30
8415	Clothing, Special Purpose	5	10.81
8820	Live Animals, Not Raised for Food	3	55.05
9320	Rubber Fabricated Materials	5	19.40
9340	Glass Fabricated Materials	5---	4.14
9515	Armor Plate	10	19.00
9530	Metal Bar	10	47.5:
9535	Metal Plate	10	52.44

**PART IV - COST COMPARISON HANDBOOK
 APPENDIX D**

TAX RATE TABLE*

<u>CODE NO.</u>	<u>INDUSTRY</u>	<u>TAX RATE (%)</u>
<u>Extractive Industries</u>		
10-01-0400	Agriculture production	1.7
10-01-0600	Agricultural services	0.8
20-02-1010	Mining iron ores	3.7
20-02-1070	Mining copper, lead, zinc, gold and silver ores	9.05
20-02-1098	Mining other metals	2.9
20-03-1150	Coal mining	1.7
20-05-1430	Sand, gravel, dimension, crushed and broken stone	2.3
<u>Construction</u>		
30-06-1510	General building (construction)	0.9
30-06-1531	Operative builders (construction)	5.3
30-07-1600	Heavy construction	1.8
30-08-1711	Plumbing, heating, air conditioning	0.7
30-08-1731	Electrical work	0.9
30-08-1798	Other special trades	1.1
<u>Manufacturing</u>		
40-09-2010	Meat products	0.5
40-09-2020	Dairy products	1.9
40-09-2030	Preserved fruits and vegetables	2.4
40-09-2040	Grain mill products	1.8
40-09-2050	Bakery products	2.3
40-09-2060	Sugar and confectionery products	2.4
40-09-2089	Bottled soft drinks and flavorings	3.7
40-09-2096	Other food and kindred products	1.2
40-12-2315	Men's and boys' clothing	2.3
40-12-2345	Women's and children's clothing	2.0
40-12-2388	Other apparel and accessories	1.7
40-12-2390	Other fabricated textile products	1.4
40-13-2415	Logging, sawmills and planing mills	0.7

*The tax rates were developed from estimates obtained from a sample of corporation tax returns with accounting periods ending from July 1, 1982, to June 30, 1983. The rates shown were determined by dividing income tax before credits by business receipts. This information was provided by the Statistics of Income Division of the Internal Revenue Service.

<u>CODE NO.</u>	<u>INDUSTRY</u>	<u>TAX RATE (%)</u>
<u>Manufacturing (continued)</u>		
40-13-2430 -	Millwork, plywood, related products	1.7
40-13-2498	Other wood products	1.0
40-14-2500	Furniture and fixtures	2.3
40-15-2625 -	Pulp, paper and board mills	2.1
40-15-2699	Other paper products	305
40-16-2710	Newspapers (printing and publishing)	4.1
40-16-2720	Periodicals (printing and publishing)	202
40-16-2735	Books, greeting cards and miscellaneous publishing	3*9
40-16.2799	Commercial and other printing and printing trade services	2*0
40-17-2815	Industrial chemicals, plastics materials and synthetics	1.7
40-17-2830	Drugs	7.5
40-17-2840	Soap, cleaners and toilet goods	3.5
40-17-2350	Paints and allied products	1.9
40-17-2898	Agricultural and other chemical products	2.7
40-18-299S	Petroleum and coal products, not elsewhere classified	5.2
40-19-3050	Rubber products; plastics, footwear, hose and belting	2.1
40-19-3070	Miscellaneous plastics products	1.8
40-20-3140	Leather footwear	2.5
40-20-3198	Leather and leather products not elsewhere classified	1.8
40-21-3225	Glass products	1.4
40-21-3240	Cement, hydraulic	1.7
40-21-3270	Concrete, gypsum and plaster products	1.6
40-21-3298	Other nonmetallic mineral products	1.9
40-22-3370	Ferrous metal industries; miscellaneous primary metal products	202
40-22-3380	Nonferrous metal industries	1.4
40-23-3410 -	Metal cans and shipping containers	1.4
40-23-3428	Cutlery, hand tool and hardware; screw machine products, bolts and similar products	3.4
40-23-3430	Plumbing and heating, except electric and warm air	2.7
40-23-3440	Fabricated structural metal products	2.2
40-23-3460	Metal forgings and stampings	2.2
40-23-3470	Casting, engraving and allied services	1.6

<u>CODE NO.</u>	<u>INDUSTRY</u>	<u>TAX RATE</u> (%)
<u>Manufacturing (continued)</u>		
40-23-3480	Ordnance and accessories, except vehicles	
	• nd guided missiles	2.7
40-23-3490	Miscellaneous fabricated metal products	2.6
40-24-3520	Farm machinery	1.5
40-24-3530	Construction and related machinery	3.8
40-24-3540	Metal working machinery	2.6
40-24-3550	Special industry machinery	2*0
40-24-3570	Office and computing machines	3.2
40-24-3598	Other machinery, except electrical	1.9
40-25-3665	Radio, television, communication equipment	1.5
40-25-3670	Electronic components and accessories	3.3
40-25-3698	Other electrical equipment	2.4
40-26-3710	Motor vehicles and equipment	1.1
40-27-3725	Aircraft, guided missiles and pa-	1.3
40-27-3730	Ship and boat building and repairing	2.0
40-27-3798	Other transportation equipment, except motor vehicles	1.4
40-28-3815	Scientific instruments and measuring devices; watches and clocks	4.0
40-28-3845	Optical, medical and ophthalmic goods	3.3
40-28-3860	Photographic equipment and supplies	4.4
40-29-3998	Miscellaneous manufacturing and manufacturing not allocable	2.3
<u>Transportation And Utilities</u>		
50-30-4000	Railroad transportation	1.4
50-304100	Local and interurban passenger transit	1.5
50-30-4200	Trucking and warehousing	1.7
50-30-4400	Water transportation	1.7
50-304500	Transportation by air	1
50-30-4600	Pipe lines, except natural gas	2.2
50-30-4700	Transportation services not elsewhere classified	0.8
50-31-4825	Telephone, telegraph and other communication services	3.0
50-31-4830	Radio and Television broadcasting	4.4
50-32-4910	Electric services	3.3
50-32-4920	Gas production and distribution	1.2
50-32-4930	Combination utility services	4.6
50-32-4990	Water supply and other sanitary services	4.1

<u>CODE NO.</u>	<u>INDUSTRY</u>	<u>TAX RATE (%)</u>
<u>Wholesale Trade</u>		
61-33-5004	Groceries ● nd related products	0.4
61-34-S008	Machinery, equipment and supplies	1.1
61-35-5010	Motor vehicles and automotive equipment	2.1
61-35-5030	Lumber and construction materials	0.8
61-35-5050	Metals and minerals, except petroleum ● nd scrap	0.6
61-3s-5060	Electrical goods	1.0
61-35-5070	Hardware, plumbing and heating	1.0
61-35-5098	Other durable goods	0.9
61-35-5110	Paper and paper products	0.7
61-35-5129	Drugs, chemicals and allied products	0.8
61-35-5130	Apparel, piece goods and notions	1.3
61-35-5150	Farm-product raw materials	0.2
61-35-5170	Petroleum and petroleum products	0.4
61-35-5180	Alcoholic beverages	0.4
61-35-5190	Miscellaneous nondurable goods; wholesale trade not allocable	0.7
<u>Retail Trade</u>		
62-36-5220	Building materials dealers	1.2
62-36-5251	Hardware stores	1.0
62-36-5265	Garden supplies and mobile home dealers	0.7
62-37-5300	General merchandise stores	1.1
62-38-5400	Food stores	0.6
62-39-5541	Gasoline service stations	0.3
62-39-5598	Other automotive dealers	0.7
62-40-5600	Apparel and accessory stores	1.4
62-41-5700	Furniture ● nd home furnishings stores	1.7
62-42-5800	Eating and drinking places	1.4
62-43-5912	Drug stores and proprietary stores	1.0
62-43-5921	Liquor stores	0.4
62-43-5995	Other retail stores	1 . 0
63-44-5997	Wholesale and retail trade not allocable	1.5
<u>Services</u>		
30-52-7000	Hotels and other lodging places	2.3
80-53-7200	Personal services	1.7
80-54-7310	Advertising services.	1.3
80-54-7389	Business services, ● xcept advertising	1.8
80-55-7500	Auto repair and services	1.2
80-55-7600	Miscellaneous repair services	1.2

<u>CODE NO.</u>	<u>INDUSTRY</u>	<u>TAX RATE (%)</u>
	<u>Services</u> (continued)	
80-56-7812	- Motion picture production, distribution and services	3.4
80-56-7830	Motion picture theaters	2.4
80-56-7900	Amusem-ent and recreation services, ● xcept motion pictures	2.3
80-s7-8015	Physicians' services	0.7
80-574021	Dentists' services	0.5
80-57-8050	Nursing and personal care facilities	1.1
80-57-3071	Medical Laboratories	0.9
80-57-8099	Other medical services	1.5
80-57-8111	Legal services	0.8
80-57-8200	Educational services	2.2
80-57-8980	Miscellaneous services, not elsewhere classified	1.2

IV-72

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INDEX

	<u>Page</u>
Additional contract costs	36
Advertised Procurements	3
Budget Relationships	6
Capital Improvements	20
Contract Administration Cost	36
Contract Conversions to In-House	43
Contract Price	35
costs	
Additional Contract Costs	36
Additional In. House	33
Contract Administration	36
Fringe Benefits	10
Insurance	23
Material and Supply	16
Minor Items	27
One-Time Conversion	37
Other	27
Personnel	7
Personnel Related	41
Severance Pay	38
Travel	27
Total In-House	41
Utilities	23
Depreciation	19
Depreciable Basis	21
Disposal of Assets	39
Documentation	6
Expansions	43
Federal Taxes	40
Fringe Benefits	10
Full-Time Equivalents (FTEs)	8
Independent Review	2
inflation	6
In-House Staffing	7
Insurance Costs	23
Mark-up, Material	17
Material and Supply Costs	16
Minimum Cost Differential	41
Most Efficient Effective Organization (MEO)	7
Negotiated Procurements	3
New Requirements	43
One-Time Conversion Costs	37
Organization, Most Efficient, Effective	7
Performance Work Statement	1
Personnel Costs	7
Personnel-Related Costs	41

	<u>Page</u>
Rent * . . . *	23
Residual Value	20
Service Contract A-et 0 0 . . . * * * * * . . . 0	13 " "
Severance Pay * * * * * . . . * * * * * * * . . e0 0 * * 0 . .	38
Standard Level User's Charge (SLUC) . . . 0 . . . 0	23
Supporting Documentation	6
Task Group 0 . . . 0 . . . 0 . . . 0	2
Transfer of Assets * * * . . . * - . . * . . . *	37
Travel Costs 0 00 . 0	27
Useful Life 0 0 *	20
Utilities Costs * * * * *	23

SIMPLIFIED COST COMPARISONS FOR DIRECT CONVERSION OF COMMERCIAL ACTIVITIES

This enclosure provides guidance regarding procedures to be followed in order to obtain OASD(A&L)IA approval to convert a commercial activity employing 10 or fewer DoD civilian employees directly to contract performance without a full cost comparison. Simplified cost comparisons are to be conducted on these smaller activities to ensure that cost data are fully considered in decisions on commercial activities.

The proposed direct conversion must meet the following criteria:

1. The activity is currently performed by 10 or fewer civilian employees.
2. The direct conversion makes sense from a management or performance standpoint.
3. The direct conversion is *cost* effective.
4. The affected civilian employees can be placed elsewhere within the government or with **the** private contractor through a right of first refusal clause.

Attachment 1 is a **format** for submitting direct conversion requests for approval. Each potential candidate for direct conversion shall be reviewed on a case-by-case basis to ensure that both the in-house and contractor cost estimates are as accurate as possible without a performing full cost comparisons.

The following provides general guidance for completion of a simplified cost comparison:

1. Estimated contractor costs should be based on either the past history of similar contracts at other installations or on the contracting-officer's best estimate of what would constitute a fair and reasonable price.

2. For activities small in total size. (10 or fewer **civilian** and **military** personnel):

- a. Estimated in-house costs generally should not include overhead costs, as it is unlikely that they would be a **factor** for a small activity.

- b. Similarly, estimated contractor costs generally should not include contract administration, one-time conversion costs, or other contract price add-ons associated with full cost comparisons.

- 3. For **activities** large in total size (10 or fewer civilian employees but a significant number of **military personnel**) all cost elements should be considered for both in-house and contractor estimated costs.

4. In either **case**, large-or **small**, the 10 percent conversion differential contained in enclosure 7 should be **applied**.

5. Enclosure 7 shall be utilized to define the specific elements of cost to be estimated in the simplified cost comparison.

6. A brief description of how both the in-house and contract cost estimates were prepared should be **forwarded along with the request for a direct conversion** submitted to **OASD(A&L)IA.**

FACT SHEET

TITLE : Direct Conversion Request for _____ at _____
(Activity/Function) (Installation)

Description of activity: _____

Number of affected personnel: CIV _____ MIL _____
(Authorizations) (Authorizations)

Status of affected civilian employees: _____
(Special considerations such as a number of employees classified as Section 3310 preference eligible veterans, minorities, handicapped. Also, include number of civilian authorizations currently vacant or **filled** by temporaries.)

Placement plans for affected civilian employees: _____

Justification for direct conversion: _____
(Narrative justification other than cost.)

Simplified Cost Comparison (details attached):

Estimated In-House Cost:

- Personnel Cost (including fringe benefits) _____
- Material and Supply Cost _____
- Other In-House Cost (if appropriate) _____
- Total Estimated In-House Cost _____

Estimated Contractor Cost:

- 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 _____

Point of Contact: _____

COMMERICAL ACTIVITIES MANAGEMENT INFORMATION SYSTEM (CAMIS)

Upon approval of a full cost comparison, a simplified cost comparison, or a direct conversion of an exclusively military **personnel** CA, the DoD Component shall create the "initial entry using the format at attachment 1 for cost comparisons and attachment 2 for direct conversions. Quarterly printouts of cost comparison records- (CCRs) and direct conversion records (DCRs) shall be provided to the DoD Component by the DMDC. The DoD Component shall annotate the printout and return it to DMDC within 30 days of the end of each quarter. DMDC then shall use these annotated printouts to update the CAMS and shall return the updated printout along with the annotated printout within 2 weeks. Instead of this manual update procedure, the DoD Component may submit automated data (tape or cards) to the DMDC.

At the completion of all required data entries, DMDC shall flag the record as being complete and it will no longer be included in the printout provided quarterly to the DoD Component for update. All records; flagged or ongoing, shall be included in the printout provided to each DoD Component at the end of the fiscal year and upon request.

PART I - COST COMPARISON

The record for each **cost** comparison is divided into six sections. Each of these sections contains information provided by the DoD Components. The first five sections are arranged in a sequence of milestone events occurring during a cost comparison. Each section is completed immediately following the completion of the milestone event. These events are as follows:

1. Cost comparison is approved by DoD Component.
2. Solicitation is issued.
3. In-house and contractor costs are compared.
4. Contract is **awarded/solicitation is** canceled.
5. Contract starts.

The events are used as milestones because upon their completion some elements of significant information concerning the cost comparison become known .

A sixth section is utilized for CCRS that result in award of a contract. This section contains data elements on contract cost and information on subsequent contract actions during the second and third year of **contract** operation.

The data elements that comprise these six sections are defined in this enclosure.

PART II - DIRECT CONVERSIONS

The record for each direct conversion is divided into five sections. Each of the first four sections is completed immediately following the completion of the following events:

1. Direct conversion is approved.
2. Solicitation is issued.
- 3. Contract is awarded,
4. Contract starts.

The fifth section is utilized to record contract cost and subsequent contract actions during the second and third year of contract operation.

The data elements that comprise these five sections are defined in this enclosure.

CAMIS ENTRY AND UPDATE INSTRUCTIONS

PART I - COST COMPARISONS

The bracketed number preceding each definition in sections one through five is the DOD data element number. All date fields should be in the format **MMDDYY** (such as, June 30, 1983 = 063083).

SECTION ONE

EVENT : DOD COMPONENT **APPROVES** CONDUCTING A COST COMPARISON

All entries in this section of the **CCR** shall be submitted by DoD Components upon approving the start of a cost comparison.

These entries shall be used to establish the **CCR** and to identify the geographical, organizational, political, and functional attributes of the activity (or activities) undergoing cost comparison as well as to provide an initial estimate of the manpower associated with the activity (or activities). The initial estimate of the manpower in this section of the CCR **will** be in all cases those manpower figures identified in the correspondence approving the start of the cost comparison.

DoD Components shall enter the following data elements to **establish a CCR**:

[1] **COST COMPARISON NUMBER.** The number assigned by the DoD Component to uniquely identify a specific cost comparison. The first character of the cost comparison number must be a letter designating DoD Component as noted in data element [3], below. The **cost** comparison number may **vary** in length from five to ten characters, of which the second and subsequent may be alpha or numeric and assigned under any system desired by the DoD Component.

[2] **ANNOUNCEMENT/ APPROVAL DATE** . The date of the congressional notification required by Section 502(a) (2) (A) or the date the **DoD Component** headquarters approves a cost comparison that does not require congressional notification. "

[3] **DOD COMPONENT CODE**. Use the following codes to identify the Military Service or Defense Agency conducting the cost comparison:

- A - Department of the Army
- B - Defense Mapping Agency
- C - Strategic Defense Initiatives Organization
- D - Office of the Secretary of Defense - **OCHAMPUS**
- E - Defense Advanced "Research Projects Agency
- F - Department of the Air Force
- G - National Security Agency/Central Security Service
- H - Defense Nuclear Agency
- J - **Joint** Chiefs of Staff (including the Joint Staff, Unified and Specified Commands , and Joint Service Schools)
- K - Defense Communications Agency
- L - Defense Intelligence Agency
- M - United States **Marine** Corps
- N - United States Navy .
- R - Defense Contract Audit Agency
- S - Defense Logistics Agency
- T - Defense **Security** Assistance Agency
- V - Defense Investigative **Service**
- W - Uniformed Services University of the Health Sciences
- X - **Inspector** General, **Department** of Defense
- Y - Defense **Audio Visual** Agency

(4] COMMAND CODE. The code established by the DoD Component headquarters to identify the command responsible for operating the CA undergoing cost comparison. A separate look-up listing or file shall be provided to DMDC showing each unique command code and its corresponding command name. If the DoD Component chooses to submit this on cards or tape, the format should be as follows:

<u>column</u>	<u>Entry</u>
1-6 (left justify)	command code
7	blank
8-80 (left justify)	command name

[5] INSTALLATION CODE. The code established by the DoD Component headquarters to identify the installation where the CA(s) under cost comparison is/are located physically. Two or more codes (for cost comparison packages encompassing more than one installation) should be separated by commas. A separate look-up listing or file shall be provided to DMDC showing each unique installation code and its corresponding installation name. If the DoD Component chooses to submit this on cards or tape, the format should be as follows:

<u>column</u>	<u>Entry</u>
1-10 (left justify)	installation code
11	blank
12-80 (left justify)	installation name

DMDC shall generate the installation name corresponding to the installation code submitted by the DoD Component and display it with the code on the quarterly printout that is provided to the DoD Component for update.

[6] STATE CODE. A two-position numeric code for the State or U.S. Territory as shown in enclosure 4, attachment 1, where element [5] is located. Two or more codes shall be separated by commas.

[7] CONGRESSIONAL DISTRICT (CD) . Number of the congressional district(s) where [5] is located. If representatives are elected "at large," enter "01" in this data element; for a delegate or resident commissioner (such as, District of Columbia or Puerto Rico) enter "98." If the installation is located in two or more CDs, all CDs should be entered and separated by commas.

[8] JIRSG AREA CODE. The JIRSG Area that [5] is assigned to for coordination of the DRIS Program (reference (e)). This is a four-character alpha/numeric data element. For instance, "N015" is the National Capitol Region (as published in the DRIS Point of Contact Directory).

NOTE : A DoD Component may, at its option, report corresponding multiple values for the following geographical data elements: state code, congressional district, and JIRSG area code. These values shall be grouped and punctuated as shown in the example below so that the proper relationship can be established between each installation code value and its corresponding set of geographical attribute values .

[5] Installation Code	[6] State Code	[7] CD	[8] JIRSG Area Code
AAAAA ,BBBBB ,CCCCC	GA, CA,NJ	05,06;	SO03, W107

42;15

When multiple values within a data element are reported for a single installation code semicolons shall be used to separate each series of values and to indicate correspondence of each series to its respective installation value; commas shall be used to separate the values within a series. When only a single value (within a data element) is reported for each installation, the value shall be separated by commas. To denote an unknown or missing number of a series of values, the asterisk (*) symbol should be used.

The cost comparison package above involves three installations: AAAAA, BBBB, and CCCCC. The first is located in Georgia, the second in California, and the third in New Jersey. AAAAA is in the Georgia's 5th and 6th congressional districts BBBB is in California's 42nd district, and CCCCC is in New Jersey's 15th. The first two installations are in JIRSG areas S003, and WE10, respectively; CCCCC is not in a JIRSG area.

[9] TITLE OF COST COMPARISON. The title that describes the CA(s) under cost comparison (for instance, "Facilities Engineering Package," "Installation Bus Service," or "Motor Pool"). Use a clear title, not acronyms or function codes in this data element.

[10] DOD FUNCTIONAL AREA CODE(S). The four or five alpha/numeric character designators listed in enclosure 3 that describe the type of activity undergoing cost comparison. This would be one code for a single activity or possible several codes for a large cost comparison package. A series of codes shall be separated by commas.

[11] PRIOR OPERATION CODE. A single alpha character that identifies the mode of operation for the activity at the time the cost comparison is started. Despite the outcome of the cost comparison, this code does not change. The coding is as follows:

- I - In-house
- C - Contract
- N - New requirement
- E - Expansion

[12] COST COMPARISON STATUS CODE. A single alpha character that identifies the current status of the cost comparison. Enter one of the following codes:

- P - In progress
- C - Complete

- X** - Canceled. The CCR shall be excluded from future update listings.
- Z** - Consolidated. The cost comparison has been consolidated with one *or* more other cost comparisons into a single cost comparison package. The CCR for the cost comparison that has been consolidated shall be excluded from future update listings. (See data element (16].)
- B** - Broken out. The cost comparison package has been broken *into two or* more separate cost comparisons. The previous CCR shall **be** excluded from future update listings. (See data element [16].)

[13] **CBD/FR DATES.** Paragraph **E.3.b.** of this Instruction requires DoD Components to publish their schedules for conducting cost comparisons in the CBD and the **FR**. These dates will reflect when the activity undergoing cost comparison was identified in these publications as a cost comparison. The **CBD** date shall be listed first, followed by a comma and the **FR** date.

[14] **APPROVAL ANNOUNCEMENT--MANPOWER ESTIMATE CIVILIAN AND [15] APPROVAL ANNOUNCEMENT--MANPOWER ESTIMATE MILITARY.** The number of civilian and military authorizations allocated to the CA(S) undergoing *cost comparison* at the time the start of the cost comparison is approved by the DoD Component headquarters or announced to Congress. This number in all cases shall be those manpower figures identified in the correspondence approving the start of a cost comparison. This number is used to give a preliminary **●** estimate of the size of the activity.-

[16] **REVISED/ORIGINAL COST COMPARISON NUMBER.** The number of the cost **comparison** (revised cost comparison number). This **cost** comparison has been consolidated into or the **number** of the cost comparison (original cost comparison number) from which this **cost** comparison has been broken out.

When a consolidation occurs, create a new **CCR** containing the attributes of the consolidated cost comparison. In the CCR of each cost comparison being consolidated, **●** enter the cost comparison number of the new CCR in data **●** element [16] **and** code "Z" in data **●** element [12]. In the new **CCR**, data element [16] should be blank and data element [12] should denote the current status of the cost comparison. Once the consolidation has occurred, only the new **CCR requires** future updates.

When a single cost comparison is being broken into multiple cost comparisons, create a new CCR for each cost comparison broken out from the original cost comparison. Each new CCR shall **contain** its own unique set of attributes; in data **●** element [16] enter the **cost** comparison number of the original cost comparison from which each was derived, and in data element [12], enter the current status of each cost comparison. For the original cost comparison, data **element** [16] should be blank and data element [12] should have a code "B" entry. Only the derivative record **●** ntries require future updates.

When a consolidation or a breakout, an explanatory remark shall be entered in data element [57] (such as, "part of SW region **cost comparison**," or, "separated into **three** cost comparisons") .

SECTION TWO

EVENT : THE SOLICITATION IS ISSUED

The entries in this section of the CCR provide information on the manpower authorized to perform the workload in the PWS, the number of workyears used to accomplish the workload in the PWS, and the type and kind of solicitation.

The DoD Component shall enter the following data elements at the first quarterly update subsequent to the issuance of the solicitation:

[17] DATE SOLICITATION ISSUED. The date the solicitation is issued by the contracting officer.

[18] SOLICITATION-TYPE CODE. A one-character alpha designator that identifies the type of solicitation used to obtain contract bids or offers. Use either the CBD as the source document or information received from the contracting officer for this entry. Solicitations under Section 8(a) of the Small Business Act (reference (q)) are negotiated. Enter one of the following codes:

S - Sealed Bid

N -, Negotiated

[19] SOLICITATION KIND CODE. A one-character (or two-character, if "W" suffix is used) alpha designator indicating whether the **competition** for the contract has been limited to a specific class of bidders or offerors. Use either the CBD as the source document or information received from the contracting officer to enter one of the following codes:

A - Restrict to **small business**

B - **Small Business Administration 8(a)**

C - National Industries for the Severely Handicapped (**NISH**)

D - Other mandatory sources

U - Unrestricted

W - (optional suffix)
Unrestricted after initial restriction

[20] CURRENT AUTHORIZED CIVILIANS AND [21] CURRENT AUTHORIZED **MILITARY** . The number of civilian and **military** authorizations allocated on the DoD Component's manpower documents to perform the work described in the PWS . This number refines the initial **authorization** estimate (**section one**, data elements [14] and [15]) .

[22] BASELINE WORKYEARS CIVILIAN AND [231 BASELINE WORKYEARS MILITARY. The number of annual workyears it has taken to perform the work described by the PWS before the DoD Component conducts the MEO study of the in-house organization; do not include contract monitor requirements. Military workyears include assigned, borrowed, diverted, and detailed personnel.

An annual workyear is the use of 2,087 hours (including authorized leave and paid time off for training). For example, when full-time employees whose work is completely within the PWS are concerned, "one workyear" normally is comparable to "one employee" or two part-time employees, each working 1,043 hours in a fiscal year. Also include in this total the workyears for full-time employees who do not work on a full-time basis on the work described by the PWS. For example, some portion of the workload is performed by persons from another work center who are used on an "as needed basis. Their total hours performing this workload is 4,172 hours. This would be reflected as two workyears. Less than one-half year of effort should be rounded down, and one-half year or more should be rounded up.

These workyear figures shall be the baseline for determining the manpower savings identified by the management study.

SECTION THREE

EVENT : THE IN-HOUSE AND THE CONTRACTOR COSTS OF OPERATION ARE COMPARED

The entries in this section provide information on the date of the cost comparison (initial decision), the preliminary results, the number of bids or offers received, and the costing method used in the cost comparison.

The DoD Component shall enter the following data elements in the first quarterly update subsequent to the date of the comparison of in-house and contractor costs (date of initial decision):

[24] COST COMPARISON/INITIAL DECISION DATE. Date the initial decision is announced. The initial decision is based on the apparent low bid or offer and is subject to preaward surveys and resolution of all appeals and protests. In a formal advertised procurement, the initial decision is announced at bid opening. In a negotiated procurement, the initial decision is announced when the cost comparison is made between the in-house estimate and the proposal of the selected offeror.

[25] COST COMPARISON PRELIMINARY RESULTS CODE. A one-character alpha designator indicating the results of the cost comparison as announced by the contracting officer at the time the bids or offers are compared. The entries are limited to two possibilities:

I - In-house

C - Contract

Sep 9, 85

[26] COST METHOD CODE. A one-character numeric **designator** indicating the procedures **under** which the cost comparison was/is being conducted. Enter one of the following codes:

- 1** - Cost comparison conducted under the incremental costing procedures in effect **before** 1980.
- 2** - Cost comparison conducted using the full costing procedures in DoD 4100.33-H of February **1980**.
- 3** - Cost comparison conducted under the alternative costing procedures implemented in Department of Defense in **March** 1982.
- 4** - Cost comparison conducted under the new costing procedures in the **OMB** Circular A-76 (reference (c)) published August 4, 1983 and implemented **in** Department of Defense **DoD** in **March** 1984.

[27] NUMBER OF BIDS OR OFFERS RECEIVED. The number of commercial bids or offers received **by** the contracting officer in response to the solicitation.

SECTION FOUR

EVENT : THE **CONTRACTING OFFICER EITHER** AWARDS THE **CONTRACT** OR CANCELS **THE** SOLICITATION

The ●ntries in this section identify the **final** result, information on the contract, the in-house bid, and costing information from the cost comparison form.

The DoD Component shall ●nter the following data elements in the first quarterly update subsequent to the date the contracting officer either awards a contract or cancels the solicitation:

[28] CONTRA"~AWARD/SOLICITATION CANCELLATION DATE. For conversions to contract, this is the date **a** contract was awarded in a formal advertised solicitation or the date the contractor was authorized to proceed on a conditional award contract in a negotiated solicitation. For retentions **in-**house, this is the date the solicitation was canceled (when the contracting officer publishes an amendment to the solicitation canceling it).

[29] COST COMPARISON FINAL RESULT CODE. A one-character alpha designator identifying the final result of the comparison between in-house and contractor costs; the contracting officer either awards the contract or cancels the solicitation. Enter one of the following codes:

- I - In-house
- C - Contract

(30] DECISION RATIONALE CODE. A one-character alpha designator that identifies the rationale for awarding a contract or canceling the solicitation. The work shall either be performed in-house or by contractor, based on cost, or the work shall be performed in-house because no **satisfactory** commercial **source** was available (no bids or offers were received or the "pre-award" survey resulted in the determination that no commercial sources were responsive or responsible). Enter one of the following codes:

C - Cost

N - No satisfactory **commerical** source

[31] CONTRACT-TYPE CODE. Enter one of the following alpha codes for the type of contract used in the cost comparison. This entry is required for all completed studies, regardless of their outcome.

FFP - Firm Fixed Price

FP-EPA - Fixed Price with Economic Price Adjustment

FPI - Fixed Price Incentive

CPIF - Cost Plus Incentive Fee

CPAF - Cost Plus Award Fee

CPFF - Cost Plus Fixed Fee

[31a] PRIME CONTRACTOR SIZE

S - Small or small/disadvantaged business

L - Large business

[32] MEO WORKYEARS. The number of annual workyears it takes to perform the work described in the PWS after the MEO study has been conducted. This entry will be **equal** to the number of annual workyears in the in-house bid.

For data elements [33] through [36], enter **all** data after all adjustments required by appeals board decisions. Do not **include** the minimum cost differential (line 31 old CCF or line 14 new CCF or line 16 new ENRC form) in the computation of any of these data elements. If a valid cost comparison **was not** conducted (that is, all bidders or offerors disqualified, no bids or offers received, etc.) do not complete data elements [33] through [36]. Explain lack of valid cost data in data element [57], DOD Component Comments.

[33] FIRST PERFORMANCE PERIOD. Expressed in **months**, the length of **time** covered by the contract. Do not include **any** option periods.

[34] COST COMPARISON PERIOD. Expressed in **months**, the total period of operation covered by the cost comparison; this is the period used as the basis for data elements [35] and [36], below.

Sep .9, 85

[35] TOTAL IN-HOUSE COST (\$000). Enter **the total** cost of in-house performance in thousands of dollars, **rounded to** the nearest thousand. This is the **total** of **line 9** plus line 22 of the old CCF (line 6 of the new **CCF** or line 8 of the new **ENRC CCF**).

[36] TOTAL CONTRACT COST (\$000). Enter the **total** cost of contract performance in thousand> of dollars, rounded to the nearest thousand. This is **the** total of line 17 plus line 30 of the old cost comparison form (line 13 of the new **CCF** or line 15 of the new **ENRC CCF**).

[37] NOTIFICATION DATE. The date Congress is notified, if required, that the DoD Component intends to convert a CA to contract performance.

SECTION FIVE

EVENT : THE **CONTRACT STARTS**

The entries in this section identify the contract start date and the personnel actions taken as a result of the *cost* comparison.

The DoD Component shall enter **the** following data elements in the **first** quarterly update subsequent to the start of the contract:

[38] **CONTRACT** START DATE. The actual date the contractor began *full* operation of the **CAs**, as reflected in the contracting documents.

[39] **PERMANENT** EMPLOYEES TRANSFERRED TO EQUAL POSITIONS. The number of permanent employees who were reassigned to positions of equivalent grade as of the start date of the contract.

[40] **PERMANENT EMPLOYEES** TRANSFERRED TO LOWER POSITIONS. The number of permanent ● employees **who** were changed to lower grade positions as of the start date of the **contract**.

[41] **EMPLOYEES** TAXING EARLY RETIREMENT. The **number** of **employees** who took ● arly retirement **as** of the start date of the contract.

[42] **EMPLOYEES** TAKING NORMAL RETIREMENT. The number of ● employees who took normal retirement as of the start date of **the** contract.

[43] **PERMANENT EMPLOYEES SEPARATED**. The number of permanent ● employees **who** were separated from Federal ● employment as of the start date of the **contract**.

[44] **TEMPORARY EMPLOYEES SEPARATED**. The number of temporary employees who were separated from Federal **employment as** of the start date of the contract.

[45] EMPLOYEES ENTITLED TO SEVERANCE. The ● estimated **number** of employees entitled **to** severance upon their separation from Federal employment as of the start date of the contract.

[46] TOTAL **AMOUNT OF SEVERANCE ENTITLEMENTS** (\$000). The total estimated amount of severance *to be* paid to all employees, in **thousands** of dollars **as of** the start date of the contract.

[47] NUMBER **OF EMPLOYEES HIRED BY THE CONTRACTOR**. The number of DoD civilian employees (full-time or **otherwise**) that will be hired by the contractors, or his **other** subcontractors estimated at the start **date** of the contract.

ADMINISTRATIVE APPEAL

[48] FILED - Were administrative appeals filed?
Answer: Y or **N**

[49] **SOURCE** - Who filed the appeal? **Answer:** In-house (enter I), Contractor (C), or Both (B).

[50] RESULT - Were **the** appeals finally upheld?
Answer: Y or N (if both appealed, explain result in data element [57]) .

GAO PROTEST

[51] **FILED** - Was a protest filed with GAO? Answer:
Y or N

[52] SOURCE - Who filed the protest? Answer: **in-** house (enter I), contractor (C) , or both (B).

[53] RESULT - Was the protest finally upheld? Answer: . Y or N (explain result in data element [57]). If GAO protest is still in progress as of the start **date** of the contract, enter P.

ARBITRATION

[54] REQUESTED - Was the Federal Labor Relations Authority (FLRA) arbitrate?
Answer: Y or N

[55] RESULT - Was the case found **arbitrable**. Answer: Y or N (explain result in data element [57]). If arbitration is still in progress **as of** -the start date of the contract, enter P.

GENERAL INFORMATION

[56] **STAFF-HOURS EXPENDED** . Reflect the estimated number of staff hours **expended** by the installation on **the** cost comparison from the time it was announced until the final decision was made. Do not include any time that was spent on **general policy or** procedures applicable to **all** studies.

Sep 9, 85

[57] DOD COMPONENT COMMENTS. Enter comments, as required, to explain situations that affect the conduct of the cost **comparison**_____

[58] "EFFECTIVE DATE. "As of" date of the most current update for the cost comparison. Will be generated by **DMDC**.

[59] (**Leave blank**, for DoD Computer Program use) .

SECTION SIX

EVENT : QUARTER FOLLOWING CONTRACT/OPTION RENEWAL

The entries in this section identify actual contract costs and original contract bid and information or subsequent contract actions. This data shall **be utilized** to determine the accuracy of the cost comparison.

The **DoD** Component shall enter the following data elements in the first quarterly update subsequent to the receipt of actual annual contract cost data.

[60] CONTRACT BID/OFFER (\$000) . Enter the contractor bid price or offer **reflected** in column **one** (the first performance period) of the CCF in thousands of dollars, rounded to the nearest thousand. This is line 10, column 1, of the old **CCF** (line 7 of the new **CCF** or line 9 of the new **ENRC CCF**).

[61] ACTUAL CONTRACT COST FIRST PERFORMANCE PERIOD (\$000). Enter the actual contract cost for the first performance period, including all **change orders**, in thousands of dollars, rounded to the nearest thousand.

[62] **ACTUAL CONTRACT COST SECOND PERFORMANCE PERIOD** (\$000). Enter the actual contract cost for **the** second performance period, including **all change orders**, in thousands of dollars, rounded to the nearest thousand.

[63] ACTUAL CONTRACT COST THIRD PERFORMANCE PERIOD (\$000). Enter the actual contract cost for the third performance period, including all change orders, in thousands of dollars, rounded to the nearest thousand.

[64] **CONTRACTOR CHANGE**. Enter one of the following alpha codes to indicate whether the contract for the second or third performance period has changed from the original contractor.

Y - Yes, the contractor has changed

N - No, the contractor has not changed

Data elements [65] through [66] are -not required if the answer to [64] is no (**N**) .

[65] PRIME **CONTRACTOR SIZE**

S - New contractor **is** small/small disadvantaged business

L - New contractor is large business

[66] REASON FOR CHANGE

I - Performance Returned In-House

U - Contract workload consolidated into a larger (umbrella) cost comparison

C - Contract workload consolidated with other existing contract workload

CAMIS ENTRY AND UPDATE INSTRUCTION

PART II - DIRECT CONVERSIONS

The bracketed number preceding each definition in sections one through four is the DoD data element number. All date fields should be in the format **MMDDYY** (such as, June 30, 1983 = 063083).

SECTION ONE

EVENT : APPROVAL OF THE DIRECT CONVERSION

All entries in this section of the **DCR** shall be submitted by DoD Components upon approval of a direct conversion. These entries shall be used to **establish** the DCR and to identify the geographical, organizational, political, and functional attributes of the CA(s) scheduled for conversion to contract without a cost comparison.

DoD Components shall enter the following data elements to establish a DCR:

[1] **DIRECT CONVERSION NUMBER.** The number assigned by the DoD Component to uniquely identify a specific direct conversion. The first character of the direct conversion number must be a letter designating the DoD Component as noted in data element [3]-, **below.** The number may vary in length from five to ten characters, of which the second and subsequent may be alpha or numeric and assigned under any system desired by the DoD Component.

[2] **APPROVAL DATE.** The date the direct conversion was approved.

[3] **DOD COMPONENT CODE.** Use the following codes to identify the Military **Service** OR **Defense Agency** converting the CA(s) to contract:

A - Department of the Army

B - Defense Mapping Agency

C - Strategic Defense Initiatives Organization

D - Office of the Secretary of Defense - **OCHAMPUS**

- E** - Defense Advanced Research Projects Agency - - -
- F** - Department of the Air Force
- G** - National Security Agency/Central Security Service
- H** - Defense Nuclear Agency
- J** - Joint Chiefs of Staff (including the Joint Staff, Unified and Specified Commands, and Joint Service schools)
- K** - Defense Communications Agency
- L** - Defense Intelligence Agency
- M** - United States Marine Corps
- N** - United States Navy
- R** - Defense Contract Audit Agency
- S** - Defense Logistics Agency
- T** - Defense Security Assistance Agency
- V** - Defense Investigative Service
- W** - Uniformed Services University of the Health Sciences
- X** - Inspector General, Department of Defense
- Y** - Defense Audio Visual Agency

[4] **COMMAND** CODE. The code established by the DoD Component's headquarters to identify the command responsible for **operating** the **CA** to be converted to contract. A separate look-up listing or file shall be provided to **DMDC** showing each unique command code and its **corresponding** command name. If the DoD Component chooses to submit this on cards or tape, **the** format shall be as follows:

<u>column</u>	<u>Entry</u>
1-6 (left justify)	command code
7	blank
8-80 (left justify)	command name

[5] **INSTALLATION** CODE. The code established by the DoD Component headquarters to identify the installation where the **CA** to be converted to contract is located physically. Two or **more** codes (for packages encompassing more than one installation) shall be separated by commas. A separate **look-up**

listing or file shall be provided to **DMDC** showing each unique installation code and its corresponding installation name. If the DoD Component chooses to submit this on cards or tape, the **format** shall be as follows:

<u>column</u>	<u>Entry</u>
1-10 (left justify)	installation code
11	blank
12-80 (left justify)	installation name

DMDC shall generate the installation name corresponding to the installation code submitted by the DoD Component, and display it with the code on the quarterly printout that is provided to the DoD Component for update.

[6] STATE CODE . A two-position numeric code for the State of U.S. Territory **as** shown in-enclosure 4, attachment 1, where element [5] is located. Two or more codes should be separated by **commas**.

[7] CONGRESSIONAL DISTRICT (CD). Number of the CD(s) **where** [5] is located. If representatives are elected "at large," **enter** "01" in this data element; for a delegate or resident commissioner (such as, District of Columbia or Puerto Rico) enter "98". If the installation is located in two or more CDs, all CDs should be entered and separated by commas.

[8] JIRSG AREA CODE. The **JIRSG** area that [5] is assigned to for **coordination** of the **DRIS** Program. This is a four-character alpha/numeric data element. For instance, "N015" is the National Capitol Region (as published in the **DRIS** Point of Contact Directory).

NOTE : The DoD Component may, **at** its option, report corresponding multiple values for the following geographical data elements: State code, congressional district, **JIRSG** area code. These values shall be grouped and punctuated **as** shown in **the** example below so that the proper relationship can be established between each installation code value and its corresponding set of geographical attribute values.

[5] Installation	[6] State	[7] Congressional	[8] JIRSG
<u>Code</u>	<u>Code</u>	<u>District</u>	<u>Area Code</u>
AAAAA,BBBBB,CCCCC	GA,CA,NJ	05,06;	S003,WE10*
	42; 15		

When multiple **values** within a data element are reported for a single installation code, semicolons shall be used to separate **each** series of **values** and to indicate correspondence of **each** series to its respective installation code; **commas** shall be used to separate the values within a series. When only a **single** value (within a data **element**), is reported for each installation, the **values** should be **separated** by **commas**. To denote an unknown or missing member of a series of values the asterisk (*) symbol shall be used.

The direct conversion' above involves three *installations*: **AAAAA**, **BBBBB**, and **CCCCC** . The first is located in Georgia, the second in California, and the third in **New** Jersey. **AAAAA** is in Georgia's 5th and 6th congressional districts (of Georgia), **BBBBB** is in California's 42nd district , and **CCCCC** is in New Jersey's **15th** . The first two installations are in **JIRSG** areas S003 and WE10, respectively; **CCCCC** is **not** in a **JIRSG** area.

[9] DOD FUNCTIONAL AREA CODE(S) . The four or five **alpha/numeric** character designator listed in enclosure 3 that describes the type of **CA** to **be converted** to contract. This would be one code for a single CA or possibly several codes for a large package. A series of codes shall be separated by comas.

[10] STATUS CODE. A **single** alpha character that identifies the current status of the *conversion*. Enter one of the following codes:

P - **In progress**

C - Complete

X - Canceled. The DCR shall be excluded from future update listings.

Z - Consolidated. The conversion has been consolidated with one or more other contracts into a single contract package. The DCR for **the** contract that has been consolidated shall be excluded from future update listings. (See data element [16].)

B - Broken out. The conversion has been broken into two or more separate contracts. The previous DCR shall be excluded from future update listings. (See data element [16].)

[1a] **MANPOWER ESTIMATE** CIVILIAN and [11b] **MANPOWER ESTIMATE** MILITARY. The number of civilian and military authorizations allocated *to the CA(s) to be converted*. This number in all cases shall be those manpower figures identified in the correspondence requesting **the** direct conversion.

[11c] **ESTIMATED** IN-HOUSE COST. The annualized in-house cost estimated in the simplified cost comparison prepared for request to **directly** convert a CA. This data element is not applicable to direct conversions of exclusively military personnel CAs.

[12] **ESTIMATED CONTRACT** COST. The annualized contract **cost** estimated in the simplified cost comparison prepared for request to directly convert **a CA**. Do not include the 10% cost of conversion differential. **This** data element is not applicable to direct conversions of exclusively military personnel CAs.

SECTION TWO

EVENT : THE SOLICITATION IS ISSUED

The entries in this section of the DCR provide information on the manpower authorized to perform the workload in the PWS, the number of workyears used to accomplish the workload in the PWS, the type and kind of solicitation, and the number of bids or offers received.

The DoD Component shall enter the following data elements at the first quarterly update subsequent to the issuance of the solicitation:

[13] DATE SOLICITATION ISSUED. The date the solicitation was issued by the contracting officer.

[14] SOLICITATION-TYPE CODE. A one-character alpha designator that identifies the type of solicitation used to obtain contract bids or offers. Use either the CBD as the source document or information received from the contracting officer for this entry. Solicitations under Section 8(a) of the Small Business Act (reference (q)) are negotiated. Enter one of the following codes:

S - Sealed Bid

N Negotiated

[15] SOLICITATION-KIND CODE. A one-character (or, two-character, if "W" suffix is used) alpha designator indicating whether the solicitation for the contract has been limited to a specific class of bidders or offerors. Use either the CBD as the source document or information received from the contracting officer to enter one of the following codes:

A - Restricted to small business

B - Small Business Administration 8(a)

C - National Industries for the Severely Handicapped (NISH)

D - Other mandatory sources

U - unrestricted

W - (optional suffix)
Unrestricted after initial restriction

[16] CURRENT AUTHORIZED CIVILIANS and [17] CURRENT AUTHORIZED MILITARY. The number of civilian and military authorizations allocated on the DoD Component's Manpower documents to perform the work described in the PWS. This number refines the initial authorization estimate (section one, data elements [11] and [12]).

[18] BASELINE ANNUAL WORKYEARS CIVILIAN and [19] BASELINE ANNUAL WORKYEARS MILITARY. The number of annual workyears it has taken to perform the work described by the PWS.

[20] NUMBER OF BIDS OR OFFERS RECEIVED. The **number of commercial** bids or offers received by the **contracting** officer in response to the solicitation.

SECTION **THREE**

EVENT : **THE CONTRACTING OFFICER EITHER AWARDS THE CONTRACT OR CANCELS THE SOLICITATION**

The entries in this section provide information on the contract.

The DoD' Component shall enter **the** following data elements in the first quarterly update subsequent to the date the contracting officer either awards **a** contract or cancels the solicitation:

[21] CONTRACT AWARD/SOLICITATION CANCELLATION DATE. This is the date a contract **shall be** awarded in a **formal** advertised solicitation or the date **the** contractor shall be authorized to proceed on **a** conditioned award contract in a negotiated solicitation. For retentions in-house, this is the date the solicitation is canceled (**when** the contracting officer publishes an amendment to the solicitation canceling it).

[22] CONTRACT-TYPE CODE. Enter one of the following alpha codes for the **type** of contract used in the direct conversion.

FFP - Firm Fixed Price

FP-EPA - Fixed Price with Economic Price Adjustment

FPI - Fixed Price Incentive

CPIF - Cost Plus Incentive **Fee**

CPAF - Cost Plus Award Fee

CPFF - Cost Plus Fixed Fee

[23] **PRIME CONTRACTOR SIZE**

S - Small/small disadvantaged business

L - Large business

[24] **PERFORMANCE PERIOD**. Expressed in months, the **length** of time covered **by** the contract. Do not include any **option** periods.

SECTION FOUR

EVENT : **THE CONTRACT STARTS**

The entries in this section identify **the** contract start date and the personnel actions taken as a result of the direct conversion.

The DoD Component **shall** enter **the following** data elements **in the** first quarterly update subsequent to **the start of the contract**:

[25] **CONTRACT** START DATE. The **actual** date the contractor began full operation of the CA(s) as reflected in the contracting documents.

[26] **PERMANENT EMPLOYEES** REASSIGNED TO EQUIVALENT POSITIONS. The number of permanent employees who were reassigned to positions of equal grade **as of** the start date of the contract.

[27] **PERMANENT EMPLOYEES** CHANGED TO **LOWER POSITIONS**. The number of permanent employees who **were reassigned** to lower grade positions as of the **start** date of the contract.

[28] **EMPLOYEES TAKING** EARLY RETIREMENT. The number of employees who took early retirement **as of** the start date of the contract.

[29] **EMPLOYEES TAKING** NORMAL **RETIREMENT**. The number of employees who took normal retirement as of the start date of the contract.

[30] **PERMANENT EMPLOYEES** SEPARATED. The number of permanent employees who were separated from Federal employment **as of** the start date of the contract.

[31] **TEMPORARY EMPLOYEES** Separately. The number of temporary employees who were separated from Federal employment as of the start date of the contract.

[32] **EMP LOYEEES** ENTITLED TO **SEVERANCE**. The estimated number of employees entitled to *severance* upon their separation from **Federal employment**.

[33] TOTAL AMOUNT **OF SEVERANCE ENTITLEMENT** (\$000). The **total** estimated amount of severance to be paid to all employees, in thousands of dollars, as of **the** start date of the contract.

[34] NUMBER OF EMPLOYEES HIRED BY THE CONTRACTOR. The number of DoD civilian employees (full-time or **otherwise**) that **will** be hired by the contractor, or his or her subcontractors ● **stimated** at the start of the contract.

ADMINISTRATIVE APPEAL

[35] **FILED** Were administrative appeals filed?
Answer: Y or **N**

[36] **SOURCE** - **Who** filed the appeal? Answer: in-house (enter I), contractor (C), **or** both (B).

[37] **RESULT** - Were-the appeals finally upheld?
Answer: Y **or** N (if both **appealed**, ● **xplain** the result in data element [43]) .

GAO PROTEST

[38] **FILED** - **Was a protest** filed with GAO? Answer: **Y or N**

[39] **SOURCE** - **Who** filed the protest'? Answer: in-house (enter I), contractor (C), **or both** (B).

[40] RESULT - Was the protest finally upheld? Answer: **Y or N** (explain result **in data** element [43]). If GAO protest is still in progress **as of** the start date **of** the contract, enter P.

ARBITRATION

[41] REQUESTED - Was the **FLRA** asked to arbitrate? Answer: **Y or N**

[42] RESULT . Was the case found **arbitrable**? Answer: **Y or N** (explain result in data element [43] .) If arbitration is still in progress as of the start date of the contract, **enter** P.

GENERAL INFORMATION

[43] DOD **COMPONENT COMMENTS** . Enter comments, as required, to explain situations that affect the direct conversion.

[44] **EFFECTIVE DATE** . "As of" date of the most current update for the direct conversion. Shall be generated by **DMDC**.

SECTION FIVE

EVENT : QUARTER FOLLOWING CONTRACT/OPTION RENEWAL

The **entries** in this section five identify actual contract costs and original contract bid and information on subsequent contract actions. This data shall be utilized to determine the accuracy of the cost comparison.

The DoD Component shall **enter** the following data elements in the first quarterly update subsequent to the receipt of actual annual contract cost data.

[45] **CONTRACT BID/OFFER** (\$000). Enter the contractor bid price or offer.

[46] **ACTUAL CONTRACT COST FIRST PERFORMANCE PERIOD** (\$000).
Enter the **actual** contract cost for the first performance period, including **all** change orders, in thousands of dollars, rounded to the nearest thousand.

[47] **ACTUAL CONTRACT COST SECOND PERFORMANCE PERIOD** (\$000) .
Enter the **actual contract cost** for the second performance period, including **all change** orders, in thousands of dollars, rounded to the nearest thousand.

[48] **ACTUAL CONTRACT COST THIRD PERFORMANCE PERIOD** (\$000).
Enter the actual contract cost for the third performance period, including all change orders, in thousands of dollars, rounded to the nearest thousand.

[49] CONTRACTOR CHANGE. Enter one of the following alpha codes to indicate whether the contractor for the second or third **performance** period has changed from the original contractor.

Y - Yes, the contractor **has** changed

N - No, the contractor" **has** not **changed**

Data elements [50] through [51] **are** not required if the answer to [49] is no. **(N)**.

[50] **PRIME** CONTRACTOR SIZE

S - New contractor is small/small disadvantaged business

L - New contractor is large business

[51] REASON FOR **CHANGE**

I - Performance returned in-house

U - Contract workload consolidated into a larger (umbrella) cost comparison

C - Contract workload consolidated with other **●**xisting contract workload

COST COMPARISON RECORD (CCR)

SECTION ONE

- (1) Cost Comparison Number: (2) Announcement/Approval Date: (3) DoD Component Code: (4) Command Code: _____
- (5) Installation Code: (6) State Code: (7) Congressional District: (8) JIRSG Area Code: _____
- (9) Title of Cost Comparison: _____
- (10) DOD Function Area Code(s): _____
- (11) Prior Operation Code: _____ (12) Cost Comparison Status Code: _____ (13) CBD/FR Dates _____, _____
- (14) Approval Announcement - Manpower Estimate Civilian: (15) Approval Announcement - Manpower Estimate Military:
- (16) Revised/Original Cost Comparison Number:

SECTION TWO

- (17) Date Solicitation Issued: _____ (18) Solicitation-Type Code: (19) Solicitation-Kind Code:
- (20) Current Authorized Civilians: (21) Current Authorized Military:
- (22) Baseline Workyears Civilian: (23) Baseline Workyears Military:

SECTION THREE

- (24) Cost Comparison/Initial Decision Date: (25) Cost Comparison Preliminary Results Code:
- (26) Cost Method Code: (27) Number of Bids or Offers Received: _____

SECTION FOUR

(28) **Contract Award/Solicitation Cancellation Date:** (29) **Cost Comparison Final Result Code:**
(30) **Decision Rationale Code:**__ (31) **Contract-Type Code:** (31a) **Prime Contractor Size:** (32) **ME0 WorkYear:**
(33) **First Performance Period:**_ (34) **Cost Comparison Period:**___
(35) **Total In-house (\$000):**_ (36) **Total Contract Cost (\$000):**___ (37) **Notification Date:** ,

SECTION FIVE

(38) **Contract Start Date:**___ (39) **Permanent Employees Transferred to Equal Positions:**
(40) **Permanent Employees Transferred to Lower Positions:** (41) **Employees Taking Early Retirement:**___
(42) **Employees Taking Normal Retirement:** (43) **Permanent Employees Separated:**
(44) **Temporary Employees Separated:** (45) **Employees Entitled to Severance:**
(46) **Total Amount of Severance Entitlements (\$000) :**___ (47) **Number of Employees Hired by the Contractor:**

Administrative Appeal

(48) **Filed:** (49) **Source:**___ (50) **Result:** __

GAO Protest

(51) **Filed:**_ (52) **Source:** _ (53) **Result:**

Arbitration

(54) Requested: ___ (55) Result: ___

General Information

(56) Staff Hours Expended:

(57) DoD Component Comments: _____

(58) Effective Date: ___

(59) (Leave blank)

SECTION SIX

(60) Contract bid/Offer (\$000): (61) Actual Contract Cost First Performance Period (\$000) :

(62) Actual Contract Cost Second Performance Period (\$000) : __ (63) Actual Contract Cost Third Performance Period (\$000):

(64) Contractor Change: ___ (65) Prime Contractor Size: (66) Reason for Change:

DIRECT CONVERSION RECORD (DCR)

SECTION ONE

- (1) Direct Conversion Number: (2) Approval Date: __ (3) DoD Component Code: ___ (4) Command Code ___
(5) installation Code: (6) State Code: _ (7) Congressional District: _ (8) JIRSG Area Code:
(9) DoD Functional Area Code(a): _____
(10) Status Code: (ha) Manpower Estimate Civilian: ___ (11b) Manpower Estimate Military
(11c) Estimated In-house Cost: ___ (12) Estimated Contract Cost: ___ .

SECTION TWO

- (13) Date Solicitation Issued: _ (14) Solicitation-Type Code: (15) Solicitation-Kind Code:
(16) Current Authorized Civilians: (17) Current Authorized Military: ___
(18) Baseline Annual Workyears Civilian: ___ (19) Baseline Annual Workyears Military:
(20) Number of Bids or Offers Received:

SECTION THREE

- (21) Contract Award/Solicitation Cancellation Date: ___ (22) Contract-Type Code:
(23) Prime Contractor Size: ___ (24) Performance Period:

SECTION FOUR

- (25) Contract Start Date: ____ (26) Permanent Employees Reassigned to Equivalent Positions:
(27) Permanent Employees Changed to Lower Positions: (28) Employees Taking Early Retirement:
(29) Employees Taking Normal Retirement: _ (30) Permanent Employees Separated:
(31) Temporary Employees Separated: _ (32) Employees Entitled to Severance:
(33) Total Amount of Severance Entitlement (\$000):_ (34) Number of Employees Hired by the Contractor:

Administrative Appeal

- (35) Filed: __ (36) Source: _ (37) Result:

GA() Protest

- (38) Filed: (39) Source: __ (40) Result:

Arbitration

- (41) Requested: (42) Result:

General Information

- (43) DoD Component Comments: _____

- (44) Effective Date:

SECTION FIVE

- (45) Contract Bid/Offer (\$000): (46) Actual Contract Cost First Performance Period (\$000):
(47) Actual Contract Cost Second Performance Period (\$000): _ (48) Actual Contract Cost '1'bird Performance Period (\$000):
(49) Contractor Change: (50) Prime Contractor Size: (51) Reason for Change:

PUBLIC LAW 96-342, AS AMENDED BY PUBLIC LAW 97-252
(Hereafter referred to as Section 502)

Section 502. (a) **No** commercial or industrial type function of the Department of Defense that on October 1, 1980, is being performed by the Department of Defense civilian employees may be converted to performance by a private contractor--

(1) to circumvent any civilian personnel ceiling or

(2) unless the Secretary of Defense provides to the Congress in a timely **manner--**

(A) **notification** of any decision to study such commercial or industrial type function for possible performance by a private contractor

(B) a detailed summary of a comparison of the cost of performance of such function by Department of Defense civilian employees and by private contractor which demonstrates that the performance of such function by a private contractor **will** result in a cost savings to the Government over the life of the contract and a certification that the entire cost comparison is available;

(C) a certification that the Government calculation for the cost of performance of such function by Department of Defense civilian personnel is based on an estimate of the most efficient and cost effective organization for performance of such function by Department of Defense personnel; and

(D) a report to be submitted with the certification required by subparagraph (C) showing--

(i) the potential economic effect on employees affected, and the potential economic effect on the local community and the Federal Government if more than 50 employees are involved of contracting for performance of such **function;**

(ii) the effect of contracting for performance of such function on the military mission of such function; and

(iii) the amount of the bid accepted for the performance of such function by the private contractor whose bid is accepted and the cost of performance of such function by Department of Defense civilian employees, together with **costs** and expenditures which the Government will incur because of the contract

(b) If, **after** completion of the studies required for completion of the **certifi-** cation and report required by subparagraphs (C) and (D) **of** subsection (a) (2), a decision is made to convert to contractor performance, the Secretary of Defense shall notify Congress of such decision

(c) The Secretary of Defense shall submit a written report to the Congress by February 1 of each fiscal year describing the extent to **which commercial** and industrial type functions were performed by Department of Defense contractors

during the preceding fiscal year. The Secretary shall include in each such report an estimate of the percentage of commercial and industrial type functions of the Department of Defense that will be performed by Department of Defense civilian employees, and the percentage of such functions that will be performed by private contractors, during the fiscal year during which the report is submitted

(d) Except as provided in subsection (a)(1), subsections (a) through (c) shall not apply to a commercial or industrial type function of the Department of Defense that is being performed by ten or fewer Department of Defense " civilian employees.

(e)- In no case may any commercial or industrial type function being performed by Department of Defense personnel be modified, reorganized, divided, or in any way changed for the purpose of exempting from the requirements of subsection (a)(2) the conversion of all or any part of such function to performance by a private contractor

(f) The provisions of this section shall not apply during war or a period of national emergency declared by the President or the Congress.