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Record Type: Record

To: David C. Childs A-76comments/OMB/EOP@EOP

cc:

Subject: Naval Audit Service Independent Review Office comments to A-76 draft policy

Navy Strategic Sourcing (N-124 John Graveen) made a decision to not  
> include Naval Audit Service comments concerning the removal of the  
> Independent Review Process.  
>  
> Myself, and Wayne Adams are the only Independent Review Officials for the  
> Navy (over 40 FTE) and Marine Corps (over 50 FTE). I have personally  
> certified 71 Navy/USMC studies since Feb 1999 when the DOD resurrected the  
> A-76 requirements.  
>  
> It is Naval Audit Service response that removing the IRO process from the  
> process will increase protests and appeals. It is not the IRO process  
> that creates the delays, it is (1) Contracting Officer's failure to make  
> required changes to the solicitations in a timely manner (2) the  
> Activities delays in responding to the IRO correction actions, and (3) the  
> activities delays in getting the A-76 process started (generally, the  
> activity is in a state of denial for an extended period of time before  
> they realize that they are not going to get out of being competed.  
>  
> Attached are 2 files that reflect the results of 11 Naval Audit Service  
> reports issued since September 2001. Prior to that time (1999 to 2001) we  
> did not report the results of studies. As you can see, the IRO process  
> created substantial changes to the In-House costs.  
>  
> As a result, we request that Naval Audit Service comments be included in  
> the previous Navy N-124 comments.  
>  
> Respectfully Submitted on behalf of Naval Audit Service Independent Review  
> Office.  
<<A76chartofIHCECostchanges.xls>> <<A-76revisionspointpaper.doc>>

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- A76chartofIHCECostchanges.xls
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Since September 2001, Naval Audit Service has issued 11 Independent Review Reports for Commercial Activity studies that reached final decision. Our independent reviews have identified 1,144 action items (similar to recommendations) that resulted in changes to the performance work statements, management plans, and the in-house cost estimates. Of the 1,144 action items issued, 261 (23 percent) were related to PWS deficiencies, 55 (5 percent) related to MEO changes, and 254 (22) to incorrect cost estimates, thus requiring changes to the final in-house cost estimates. The remaining 574 (50 percent) action items were general in nature and did not result in MEO or cost changes. However, these general action items do create changes to management documents in order to create a level playing field

The changes made to in-house cost estimates based on our recommendations totaled \$19,838,651 for these eleven studies. This is an average of nearly two million dollars worth of changes per study. All eleven Commercial Activity Studies used WINCOMPARE2 for estimating the costs of the functions.

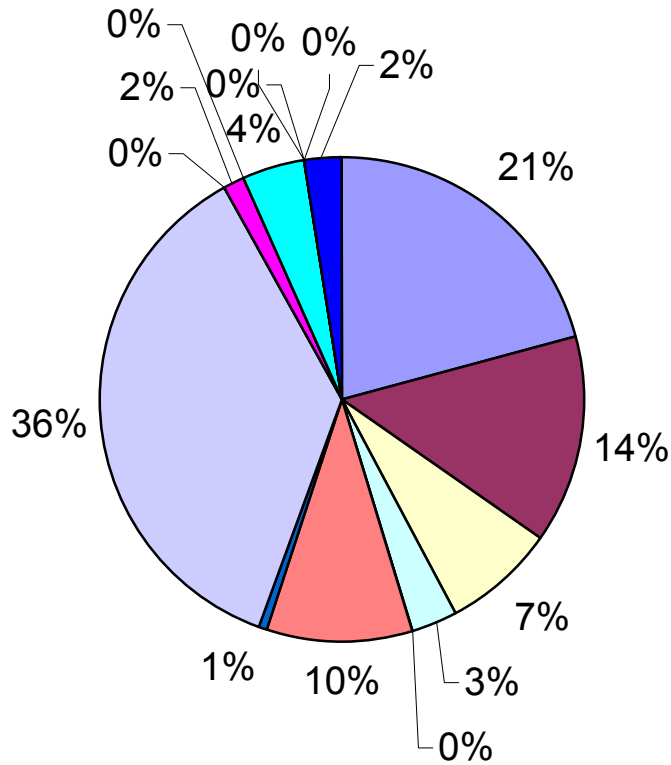
Because our recommendations increase and decrease cost estimates, the net increase to in-house cost estimates was \$12,009,298. This yielded an average increase of over one million dollars per study.

Auditors specializing in Commercial Activity studies identified the above changes during the independent review process. These auditors have received professional training and hands-on experience over the past 4 years and 66 Navy and Marine Corps A-76 studies.

A summary of our action items by study and by Management Plan area is show below. Also, two charts are provided reflecting the distribution of our changes by line on the In-House Cost Estimate.

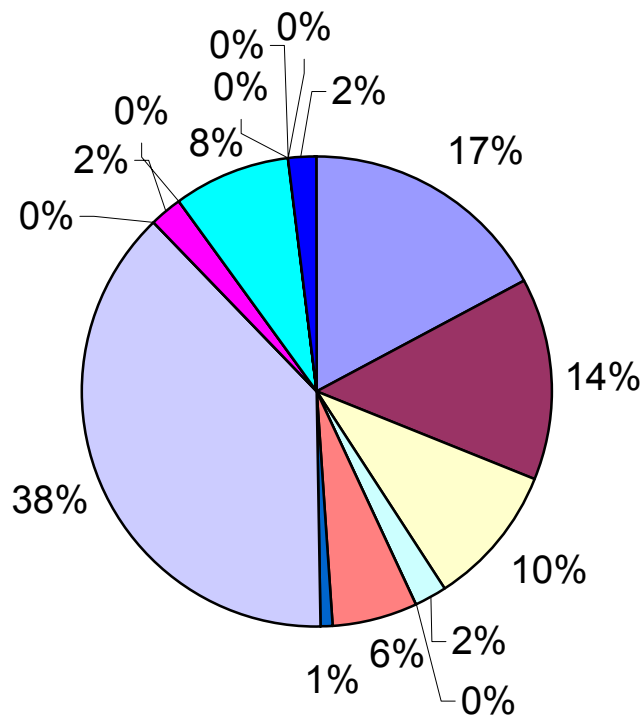
<b>Study #</b>	<b>PWS</b>	<b>IHCE</b>	<b>General</b>	<b>MEO</b>	<b>Total</b>
2001-0046	19	17	20	0	56
2002-0005	45	16	76	0	137
2002-0006	26	11	58	0	95
2002-0007	9	14	19	0	42
2002-0017	19	14	59	0	92
2002-0026	20	34	29	0	83
2002-0044	24	41	76	0	141
2002-0045	17	21	45	44	127
2002-0046	51	36	89	0	176
2002-0075	16	35	53	0	104
2003-0010	15	15	50	11	91
<b>TOTAL</b>	<b>261</b>	<b>254</b>	<b>574</b>	<b>55</b>	<b>1,144</b>

### Net Value by Cost



- Line 1
- Line 2
- Line 3
- Line 4
- Line 5
- Line 6
- Line 7
- Line 8
- Line 9
- Line 10
- Line 11
- Line 12
- Line 13
- Line 14
- Line 15
- Line 16

### Absolute Value by Cost



- Line 1
- Line 2
- Line 3
- Line 4
- Line 5
- Line 6
- Line 7
- Line 8
- Line 9
- Line 10
- Line 11
- Line 12
- Line 13
- Line 14
- Line 15
- Line 16