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SECRETARY OF THE AIR FORCE**



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Financial Management

COMMERCIAL ACTIVITY COST COMPARISONS

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Chapter 1

INTRODUCTION

1. In the past, comptroller personnel performed independent reviews of commercial activity cost comparisons prior to turning this responsibility over to the Air Force Audit Agency in 2001. OMB circular A-76 (29 May 2003) eliminated the independent review requirement. An Air Force Audit Agency report (Project number F2006-0002-FC1000) found that in the absence of the independent review, comptroller cost analysis support is needed on the agency cost estimate team. This instruction outlines the responsibilities of the comptroller community for the commercial activity program.

Chapter 2

OBJECTIVES OF COMPTROLLER COST ANALYSIS SUPPORT

2. Financial management (FM) personnel will provide support in several aspects of the commercial activity costing process.

2.1. **Comptroller Support:** The Comptroller office shall assist with the development of all cost data input for the Agency Cost Estimate (ACE). To do so comptroller analysts will use

guidance found in the DoD A-76 Costing Manual and OMB Circular A-76. In some cases OMB Circular A-76 covers areas of costing not covered by the Costing Manual. Also, AFMAN 65-507 must be followed in completing comptroller responsibilities. Additional guidance on baseline costing is found in the DoD Competitive Sourcing Program guidance as described in the OSD memo dated 4 Aug 2005 on Baseline Costing for Public-Private Competitions. Consult the Share A-76 web site at <http://sharea76.fedworx.org> for updates to guidance. This site contains OMB, OSD, and Air Force guidance that is not updated in printed versions of this instruction and AFMAN 65-507. The files on this site are official guidance updates.

2.1.1. Commands will not deviate from the DoD A-76 Costing Manual or OMB Circular A-76 costing guidance without prior approval from OSD. Commands must submit deviation requests to AF/A1MS; if AF/A1MS concurs with the request they submit them to OSD for approval. AF/A1MS coordinates with SAF/FMCE before forwarding deviation requests on costing issues to OSD.

2.1.2. The OSD Competitive Sourcing and Privatization Office has established an A-76 Costing Help Desk to assist with the complexities of A-76 costing and software issues. The Help Desk is at <http://www.compareA76.com>.

2.2. Cost Comparison Characteristics: A comptroller cost analyst must ensure that the cost comparison displays the following characteristics:

2.2.1. Currency. All cost factors and data used are the most recent ones available for the activity undergoing cost comparison. Analysts must take special care to ensure that all data, including the salary factors, are the most current available. The analyst must further ensure that salary factors are applied in accordance with all governing guidance in the DoD A-76 Costing Manual, AFI 38-203, and other interim or supplemental guidance on the Share A-76 web site.

2.2.2. Reasonableness. Where necessary to apply principles or make interpretations of policies contained in relevant guidance, the analyst shall ensure that such application or interpretation is logical and appropriate to the circumstances of the function undergoing cost comparison. Sound practical judgment must be used throughout each analysis and in interpreting guidance.

2.2.3. Accuracy. Ensure that quantified data, calculations, and all references to official guidance are correct.

2.2.4. Completeness. The entire package must contain all elements required by AFI 38-203 and any supplemental OMB, OSD, or Air Force guidance found on the Share A-76 web site. Each element of the package meets all necessary requirements of format and content contained in the same guidance. The complete package must include documentation, which means the package stands on its own and can be replicated by reviewers.

2.2.5. Traceability. There must be an audit trail that runs from the earliest documents through the final estimate for all costs entered on either the Standard Competition Form (SCF) or Streamlined Competition Form (SLCF). All costs must be documented down to their most basic inputs and factors, and the source of inputs cited with a reference and date. Electronic files may serve as documentation provided formulas can be tracked and sources and dates are cited in the electronic file.

Chapter 3

COMPTROLLER PERSONNEL RULES OF ENGAGEMENT

3. Comptroller offices must provide cost analysis support on all A-76 cost comparisons as required by AFI 38-203, including both standard and streamlined cost comparisons.

3.1. **Preliminary Planning Process (P3):** Comptroller personnel involved in the preliminary planning process developing the baseline cost should not also be involved in developing the Agency Cost Estimate (ACE) for any follow-on competition that may result due to the outcome of the preliminary planning process. Comptroller personnel involved in the preliminary planning process (baseline cost) can be involved in computing the Adjusted Baseline Cost, which is developed by the Performance Work Statement (PWS) Team after announcement. However, the same comptroller personnel cannot be involved in developing the ACE.

3.2. **Streamlined Competition:** In a streamlined competition, the same comptroller person who is consulted for costing questions on the ACE must not also be consulted on costing questions for the private sector/public reimbursable cost estimate. These personnel must be different and must not share information concerning the respective cost estimates.

3.3. **Standard Competition:** In a standard competition, any comptroller personnel who act as consultants for costing issues to the management team developing the most efficient organization (MEO) must not also be consultants for the PWS team. Additionally, members of the MEO team should be firewalled from working with the contracting officer on the acquisition.

3.4. **Cost/Benefit Analysis:** Comptroller personnel who assist the PWS team in performing cost/benefit analysis to determine whether to provide government furnished property (GFP) must not be involved with the MEO team and development of the ACE.

Chapter 4

GENERAL RESPONSIBILITIES

4. This section outlines general responsibilities for the participation of comptroller personnel on the agency costing team.

4.1. **Office of the Deputy Assistant Secretary of the Air Force for Cost and Economics (SAF/FMC).** SAF/FMC provides Air Force-wide guidance for comptroller personnel participation on the agency costing team, in accordance with AFI 38-203. SAF/FMC

coordinates with AF/A1MS and the Air Force Management Agency (AFMA) to ensure that all commercial activity costing procedures are consistent with Commercial Activities Program guidance issued by the Department of Defense and the Air Force. SAF/FMC provides interim and clarifying guidance on comptroller participation in the commercial activity costing process.

4.2. Air Force Directorate of Manpower, Organization and Resources (AF/A1MS). AF/A1MS is the OPR for the Air Force commercial activities program and can provide MAJCOMs with information on available training. The Air Force Manpower Agency (AFMA) assists AF/A1MS by serving as the program administrator for the Air Force commercial activities program.

4.3. MAJCOM, Field Operating Agency (FOA), and Direct Reporting Unit (DRU).

4.3.1. Designate, in writing, an FM analyst as the primary OPR for costing issues on the agency cost estimating team for cost comparisons performed at the MAJCOM level. This must be done at the same time the MAJCOM announces the cost comparison, to ensure different FM personnel support different parts of the overall process, creating a “firewall” to preclude any actual or perceived organizational conflict of interest.

4.3.2. Ensure necessary comptroller personnel receive training in A-76 costing procedures.

4.3.3. Provide command-unique guidance for conducting A-76 Costing.

4.3.4. Establish costing teams, when requested by commercial activity program offices and judged appropriate, for large, complex cost comparisons.

4.3.5. Establish command policy for base-level A-76 cost analyst training.

4.3.6. Provide personnel to assist in baseline costing for preliminary planning efforts. These same individuals shall not also serve on the agency costing team.

4.4. Base-Level. Base-level FM offices provide guidance and support as follows for cost comparisons performed at base level.

4.4.1. Designate in writing an FM analyst as the primary cost analyst for the agency cost estimating team. This must be done at the same time the MAJCOM announces the cost comparison, to ensure different FM personnel support different parts of the overall process, creating a “firewall” to preclude any actual or perceived organizational conflict of interest.

4.4.2. Ensure necessary base-level comptroller personnel receive A-76 training.

4.4.3. Provide personnel to assist in baseline costing during the preliminary planning process as outlined in AFI 38-203. These same people shall not also serve on the agency costing team.

4.4.4. Consult with the FM Center of Expertise (CoE) when installation resources need assistance to meet the comptroller role in commercial activity (CA) cost comparisons.

Chapter 5

RESPONSIBILITIES OF COMPTROLLER PERSONNEL

5. Comptroller personnel who are involved in the agency cost team must have the following qualities:

5.1. **Technical Competence.** The comptroller personnel must have a competent technical knowledge of all relevant guidance necessary to develop the cost estimate. Important sources include AFI 38-203, *Commercial Activities Program*, and the *DoD A-76 Costing Manual*.

5.2. **Professional and Ethical Standards.** Personnel must protect cost comparison data according to AFI 38-203. Comptroller personnel must draw on professional training and education to conduct the analysis according to the highest professional and ethical standards. Report any perceived issues with professional or ethical standards to your supervisor. Also, FM offices believing there may be problems maintaining the firewalls required by various CA responsibilities should discuss these issues with the program office at their level and, with proper coordination, their FM counterparts at the next higher level of the organization.

Chapter 6

DOCUMENTATION REQUIREMENT

6. Comptroller offices must maintain adequate documentation for the cost analyses and estimates they provide. Documentation for commercial activity cost estimates follows the rules in AFI 38-203.

JOHN H. GIBSON II,
Assistant Secretary of the Air Force
Financial Management and Comptroller

Attachment 1

GLOSSARY OF REFERENCES AND SUPPORTING INFORMATION

References

OMB Circular A-76 – Performance of Commercial Activities

DoD Instruction 4100.33 - Commercial Activities Program Procedures.

DoD A-76 Costing Manual

AFI 38-203 – Commercial Activities Program

AFPD 65-5 - Cost and Economics

AFMAN 65-507 - Comptroller Support of Commercial Activity Cost Comparisons

Abbreviations and Acronyms

ACE – Agency Cost Estimate

AFMA – Air Force Manpower Agency

AT – Agency Tender

CA – Commercial Activity

DRU – Direct Reporting Unit

FOA – Field Operation Agency

GFP – Government Furnished Property

MAJCOM – Major Command

MEO – Most Efficient Organization

P3 – Preliminary Planning Process

PWS – Performance Work Statement

SCF – Standard Competition Form

SLCF – Streamlined Competition Form

Terms

Agency Cost Estimate (ACE) – The part of the agency tender in a standard competition that includes the agency’s cost proposal and represents the full cost of in-house performance of the AF CA, based on the requirements in the solicitation and the costing policy from the DoD Costing Manual and more current OMB, DoD and AF guidance. The ACE for a streamlined competition is developed IAW the DoD Costing Manual and more current OMB, DoD and AF guidance.

Agency Tender (AT) – The agency management plan submitted in response to a solicitation for a standard competition. The AT includes an MEO, agency cost estimate, MEO quality control plan, MEO phase-in plan, and copies of any MEO subcontracts (with the private sector providers’ proprietary information redacted). The AT is prepared IAW the solicitation requirements and this instruction.

Commercial Activity (CA) – A recurring service that could be performed by the private sector. It may be an entire organization or part of an organization. It must be a type of work that is separable from other functions or activities so it is suitable for performance by contract. Commercial activities fall into two categories: (1) in house CA operated by Air Force military and/or civilian personnel and (2) contracted CA operated by private sector contractor or another non-DoD Federal Agency (i.e., public reimbursable source).

COMPARE – The Windows-based A-76 costing software that incorporates OMB Circular A-76 costing procedures. COMPARE must be used to calculate and document the costs on the SLCF for a streamlined competition or the SCF for a standard competition. The software is available through the OSD COMPARE web site at <http://www.compare76.com/>

Government Furnished Property (GFP) – Facilities, equipment, material, supplies or other services provided by the government for use by all prospective providers in the solicitation. Costs for GFP included in a solicitation are considered common costs. Replacement costs, insurance, maintenance and repair costs for GFP may or may not be government-furnished, depending on the provisions in the solicitation.

Most Efficient Organization (MEO) – The government’s in-house organization deemed to be the most efficient and cost-effective for competition IAW this instruction, OMB Circular A-76 and Title 10, U.S.C. 2461. An MEO is required for standard competition and may include a mix of civilian employees and MEO subcontracts. NOTE: An MEO must be developed for a competition with more than nine civilians, IAW Section 8014 of the annual DoD Appropriations Act.

Performance Work Statement (PWS) – A statement in the solicitation that identifies the technical, functional, and performance characteristics of the agency’s requirements. The PWS is performance –based and describes the agency’s needs (the “what”), not specific methods for

meeting those needs (the “how”). The PWS identifies essential services (outcomes) to be achieved and specifies the agency’s required performance standards, and the location, units, quality and timeliness of the work. The PWS serves as the scope of the work, and is the basis for all costs entered in COMPARE resulting in the SCF/SLCF.

Preliminary Planning Process (P3) – The process of determining whether competitive sourcing is the optimal methodology for sourcing an organization(s) by ensuring factors that impact competitive sourcing (i.e., wartime requirements, workforce availability, commercial viability, career-field sustainability, workload documentations, etc.) are reviewed prior to a sourcing decision.

Standard Competition Form (SCF) – The agency form that documents and certifies all costs calculated in the standard competition.

Streamlined Competition Form (SLCF) - The agency form that documents and certifies all costs calculated in the streamlined competition.

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