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SECRETARY OF THE AIR FORCE**

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Financial Management

**COMPTROLLER SUPPORT OF COMMERCIAL
ACTIVITY COST COMPARISONS**

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This manual implements AFI 65-504, Commercial Activity Cost Comparisons, by providing detailed instructions on the steps required to complete the agency cost estimate for the A-76 Commercial Activity (CA) studies conducted according to AFI 38-203. Ensure that all records created as a result of processes prescribed in this publication are maintained in accordance with AFMAN 33-363, Management of Records, and disposed of in accordance with the Air Force Records Disposition Schedule (RDS) located at <https://afirms.amc.af.mil>.

Chapter 1

INTRODUCTION

1.1. Overview

1.1.1. This publication provides guidance for A-76 agency cost estimates (ACEs) required by AFI 38-203, *Commercial Activities Program*. Specifically, it provides instructions for comptroller assistance in the development of the agency cost estimate required by AFI 65-504, *Commercial Activity Cost Comparisons*. This manual contains procedures to determine the currency, reasonableness, accuracy, and completeness of a commercial activity (CA) cost comparison. The format and review steps provide uniformity in the method, scope, and depth of

the estimating process. While the DoD Costing Manual is the official guidance on CA costing, this manual provides more detailed instructions which incorporate lessons learned from Air Force Audit Agency experience when they performed the formerly required independent review function. While the DoD Costing Manual and the COMPARE User Manual provide direction on *how* to cost expenses, this AFMAN provides additional clarification on *when* to include or exclude expenses from the cost comparison based on mistakes sometimes made in previous cost comparisons.

1.1.2. AF/A1MS is the office of primary responsibility (OPR) for the Commercial Activities (CA) program. At the Air Force Manpower Agency (AFMA), AFMA/MAC is the Air Force CA program administrator. At base level, the servicing manpower office is responsible for performing CA cost comparisons. The Deputy Assistant Secretary, Cost and Economics (SAF/FMC) is OPR for providing guidance to the comptroller community on assisting with cost estimating supporting the CA program.

1.1.3. The purpose of the comptroller personnel participation on the agency cost estimating team is to provide expertise in accomplishing the agency cost estimate (ACE) according to Air Force and DoD guidance. Any additional estimating done by the comptroller cost analyst in support of the agency cost estimate should be fully documented.

1.1.3.1. Requirements for comptroller participation in the CA process have changed over time. Independent reviews are no longer required according to OMB Circular A-76. In the absence of the independent review, it is important to have comptroller cost analyst assistance in the development of the agency cost estimate. The comptroller cost analyst ensures that all applicable A-76 costing guidelines outlined in the DoD A-76 Costing Manual are followed in developing the agency cost estimate.

1.2. Requirements and Objectives of Comptroller Support:

1.2.1. Basic requirements for the agency cost estimate are stated in AFI 38-203 and AFI 65-504. The following provides additional information necessary for cost analysts to have a full understanding of their responsibilities.

1.2.1.1. The comptroller cost analyst serves as an advisor to the agency cost estimating team to ensure that the servicing manpower office prepares the cost comparison according to proper A-76 procedures as outlined in AFI 38-203 and the DoD A-76 Costing Manual. The analyst must ensure that the agency cost estimate is derived from the requirements in the solicitation documents.

1.2.1.2. During the cost estimating process, the cost analyst must not reveal the summary information from the cost comparison outside the comptroller or manpower offices. This is a sensitive area and even the appearance of a conflict of interest between the cost analyst and potential contractors cannot be tolerated.

1.2.1.3. The cost analyst should scrutinize all COMPARE line-item entries to verify and validate their accuracy, completeness, and sufficiency of supporting documentation.

1.2.2. The cost analyst's objectives in participating with the ACE development are:

- to ensure the currency, reasonableness, accuracy, and completeness of the cost comparison.
- to ensure that the estimates of government costs are complete, reasonable, accurate, and prepared according to AFI 38-203 and the DoD A-76 Costing Manual.
- to ensure that the supporting documentation is sufficient so the package stands on its own.

1.3. Resource Allocation

1.3.1. To prepare for the cost comparison, the cost analyst should examine and clearly understand AFI 38-203, the DoD A-76 Costing Manual, the steps in this manual, and any Air Force guidance issued since the publication of these documents. Review GAO protests (found on GAO's web site), the AFMA website, and OSD's Share A-76 web site for any developments that could affect the cost comparison. Review the announcement of the cost comparison to double check that no inherently governmental functions have been included.

1.3.2. Supervisors should, to the extent possible, allow cost analysts to concentrate on the A-76 cost estimate. The analyst's experience level may require the supervisor to allow the analyst time before the effort begins to study the relevant Air Force guidance as well as to attend A-76 training courses. Assisting with the agency cost estimate is generally a full-time task while the estimate is being developed. The ACE is an important part of the cost comparison process that must be completed prior to proceeding with other steps in the process. Thus, comptroller personnel should make every effort to devote full attention to their role in the study.

1.3.3. There are firewalls outlined in AFI 65-504, which states which stages of the process the same cost analyst may participate in.

1.4. General Costing Guidelines

1.4.1. Cost comparisons consider all significant costs both for government and contract performance. However, common costs (i.e., costs that would be the same for either in-house or contract operations) are not computed, but must be identified by type of cost and included in the cost comparison documentation. Examples of costs which may be common (depending on the circumstances of the particular cost comparison) are: government-furnished equipment, material, supplies, and facilities. Be careful, however, in examining the requirements documents. Some types of costs (e.g. supplies) may be common costs in one cost comparison but not in other cost comparisons. It is important for the analyst to review the solicitation because the solicitation details government-furnished facilities, government-furnished equipment, government-furnished materials and services which are considered common costs and are not to be included in the cost comparison.

1.4.2. The cost analyst must ensure that the requirements of the cost comparison, whether they would be accomplished in-house or by contract, have been coordinated with the installation budget office. Especially if the requirements specify higher levels of support than the previous

operation of the activity, ensure the changes have been approved and are programmed in the budget. (The key consideration is whether the budgets of these organizations would be revised if the mode of operation of the function undergoing cost comparison is changed.) Since wash or common costs are excluded in A-76 methodology, it is important to assure that common costs are computed and included in the activity's budget, to the extent such expenses will be paid from the activity's budget.

1.4.3. Ordinarily inflation factors are applied to cost comparison estimates. Only inflation factors obtained from the COMPARE web site (www.compare76.com) may be used for A-76 cost comparisons. These rates are subject to change. Make sure you have the latest factors. In some cases inflation rates for A-76 can differ from the standard Air Force inflation tables.

NOTE: Not all costs are inflated in the outyears. Some examples are personnel costs subject to Economic Price Adjustment (EPA) clauses, depreciation costs for facilities and equipment, and costs of minor items. Follow the DoD A-76 Costing Manual guidance on when to inflate or not inflate relative to EPA clauses. If cost comparison documentation does not make it clear whether any personnel costs are covered by EPA clauses, research this issue with manpower, personnel, contracting and legal offices. This issue can potentially make a significant difference to the total costs. Obtain written documentation of expert opinion as to if and which positions in the cost comparison are subject to EPA clauses.

1.4.4. Important attention must be shown towards the calculation and inflation of personnel costs. Reference Chapter 1 of the DoD A-76 Costing Manual for guidance on personnel costs. In terms of inflation be sure to utilize the correct application of the Service Contract Act (SCA) and the Fair Labor Standards Act (FLSA). These Acts provide guidance in terms of which positions are subject to labor escalation. Consult with manpower, personnel, contracting, and legal staff to ensure the provisions of these laws are being properly applied to the cost comparison. Obtain written documentation of expert opinion on whether any and which positions in the cost comparison are subject to SCA and FLSA. Follow the DoD A-76 Costing Manual guidance on costing implications of SCA and FLSA coverage.

1.4.5. The analyst must have a thorough understanding of the performance requirements included in the cost comparison. Only positions included in the requirements should be assigned cost. Refer to section C1.1.2 of the DoD A-76 Costing Manual for guidance on including supervisors in the personnel cost. Section C1.1.2 in particular refers to costing only those managers/supervisors above the first line of supervision; these positions are not part of the 12% overhead factor computed for Line 4 in COMPARE. Most Efficient Organization (MEO) supervision is fully costed.

1.5. Documentation, Reporting Requirements, and Records Disposition

1.5.1. Documentation provides a record illustrating that completed cost comparisons are current, reasonable, accurate, and complete with respect to AFI 38-203, the DoD A-76 Costing Manual and this AFMAN. Documentation not only provides traceability but also indicates the thoroughness of the agency cost estimate. As a minimum, the cost analyst must ensure the following documentation is maintained, either in the participating financial management (FM) office or in the servicing manpower or contracting offices:

- A copy of the solicitation package, the signed and certified Streamlined Competition Form (SLCF) or Standard Competition Form (SCF) and supporting documentation, and all changes up to and including the final copy of the cost comparison.
- A copy of the agency tender.
- A copy of interim working papers documenting the cost estimating process. This manual is a source of documentation to provide an audit trail of the estimate. Notes, calculations, references, and contacts may be annotated or attached to the cost estimating steps. The cost analyst should keep a log of issues raised during the estimating process, the resolution of the issue (how it was resolved or what understanding was reached to meet the issue), and the date the issue was resolved. The log may be maintained in spreadsheet or other formats.
- A copy of interim and final review statements, and any attachments, identifying problems requiring corrective action and documentation of results.
- A copy of the cost factors applicable to the cost comparison from the OSD COMPARE web site.
- A copy of the civilian GS locality pay scale and/or regional wage grade/wage scale hourly pay rates for the base year of the cost comparison. These schedules and rates are the basis for inflation adjustments to the first performance period and outyears. Since pay rates change over time it is important to include in the documentation the pay data appropriate for the time the cost comparison is prepared so that it may be available for future reviewers and auditors.

1.5.2. Records Disposition

1.5.2.1. Maintain all documentation used to derive costs for the ACE. The Air Force Record Information Management System (AFRIMS), at <https://afrims.amc.af.mil/>, is the reference for disposition instructions. An AFRIMS account is not needed to access the records disposition schedule. Observe any protection requirements for information that may be pre-decisional, proprietary, For Official Use Only, or Source Selection Sensitive. The ACE is considered Source Selection Sensitive IAW AFI 38-203, Chapter 8, paragraph 8.2.1.

1.5.2.2. Before bid opening or contract award (in the case of negotiated acquisitions), all cost comparison documentation is sensitive data and is considered "For Official Use Only." It should be secured (i.e., by lock and key). In addition, no individual without a "need to know" should have access to the cost comparison data. Supervision of a cost analyst may suffice as a "need to know." Thus, comptroller personnel in the chain of command above the cost analyst may have access to cost comparison data for the purpose of evaluating the analyst's work or coordinating on packages. Cost analysts and all other comptroller personnel with access to the cost data may be asked to sign a statement acknowledging the responsibility not to reveal sensitive cost comparison data. Prior to the cost comparison decision, all cost comparison material must be kept under an additional level of security so that it can only be accessed by the cost analyst. "Additional security" means that, besides being in a locked government office, the cost comparison material must be under lock and key. If, prior to contract award or beginning of in-house performance, anyone without a "need to know" has had unauthorized contact with cost comparison materials, notify the servicing manpower office immediately.

1.6. On-Site Visits

1.6.1. Comptroller personnel may want to visit the location where cost comparison functions will be performed. In some cases cost requirements can only be assessed from visual perception of the activity's location. The individual should consult with their supervisor, the project officer responsible for the function, and the director or chief of the responsible financial analysis office when arranging an on-site visit. Visiting the site of performance may assist comptroller personnel in understanding the MEO and help them to assist with the agency cost estimate. For example, a visit might help personnel to raise questions about requirements or special circumstances (e.g., security badges for employees to access a flight line). Especially in "new start" situations (e.g., conversions from contract to in-house and new requirements), a site visit may help the cost analyst to understand requirements.

1.6.1.1. One purpose of an on-site visit may be to review documentation for consistency with data previously submitted. Such a visit may provide an opportunity to discuss first-hand any matters that are unclear and to review source documents.

1.6.1.2. Activities during on-site visits may include reviewing files, job orders or historical data, interviewing functional OPRs, observing the physical location where the work is to be performed, or discussing with manpower or functional chiefs the development of an MEO. Document any significant findings or discussion resulting from an on-site visit by a Memorandum for Record (MFR), and include the MFR in the cost estimating documentation.

Chapter 2

USE OF COMPARE TO GENERATE AGENCY COST ESTIMATES

2.1. Context. This chapter provides instructions for using COMPARE software to develop the agency cost estimate. COMPARE is the software used for A-76 costing. It addresses specific items that must be included in the agency cost estimate.

2.1.1. Use of COMPARE. The agency cost estimate must be developed using the COMPARE software program, unless OSD has approved deviations from the DoD Costing Manual, paragraph CO.5.2, which mandates the use of COMPARE. COMPARE must be used to calculate and document the costs on the SLCF for a streamlined competition or the SCF for a standard competition. As versions of COMPARE are issued, various versions may be authorized for use in cost comparisons over time. Comptroller personnel must ensure that the cost comparison is developed using the COMPARE version authorized for this study. The OSD COMPARE website (<http://www.comparea76.com>) as well as the SHARE A-76 website (<http://sharea76.fedworx.org>) provide guidance on current COMPARE requirements.

2.1.2. Instructions in this chapter apply to all cost comparisons and cost estimates developed with COMPARE.

2.2. MEO. Comptroller personnel should review all aspects of a cost comparison to ensure that they have a full understanding of the function under study. This includes, but is not limited to, review of the Most Efficient Organization documentation.

2.3. Sources. The governing directive for the Air Force commercial activities program is AFI 38-203, Commercial Activities Program. In many cases Air Force guidance goes beyond what is contained in the circular and its supplement, so in deriving costs, do not directly apply OMB Circular A-76 nor its supplement since they do not consider specific Air Force, DoD, or legislative implementing requirements. Follow Air Force-specific guidance in AFI 38-203 and follow the DoD A-76 Costing Manual. Failure to follow AF and DoD implementing directives may result in appeals or protests.

2.4. Preparation to Assist in Agency Cost Estimate Development. Install COMPARE on your computer. You can download a copy of the COMPARE Program and User Manual at the OSD COMPARE website (<http://www.comparea76.com>) as well as the SHARE A-76 website (<http://sharea76.fedworx.org/inst/sharea76.nsf/CONTDEFLOOK/HOME-INDEX>). Review the COMPARE User Manual, AFI 38-203, and the DoD A-76 Costing Manual.

2.4.1. Obtain Current Cost Factors/Rates. You must have the most recent cost factors/rates so you may assist with developing the Agency Cost Estimate. These cost factors/rates are maintained on the OSD COMPARE website (<http://www.comparea76.com>). See Chapter 3 of the COMPARE User Manual for instruction on downloading these cost factors/rates.

2.4.2. Obtain Current Copies of All Guidance. Make sure your copies of all guidance are current by checking the Air Force Departmental Publishing web site, AFMA's web page, the A-76 Share web page, and the COMPARE web page.

Chapter 3

DEVELOPMENT OF THE AGENCY TENDER

(Please note: this section includes lessons learned and information from AFMA's Commercial Activities A-76 Agency Tender Guidebook, which contains information supplementing the DoD A-76 Costing Manual).

3.1. Responsibility for Data Collection and ACE Input

3.1.1. The Agency Tender Official (ATO) is ultimately responsible for ACE entries in COMPARE; however, the servicing manpower office (MO) typically enters the cost data into COMPARE. The Comptroller cost analyst should be available to ensure that costs for the ACE are calculated correctly and entered into COMPARE correctly. The other Agency Tender (AT)/MEO team members work with the comptroller cost analyst to develop the cost data based upon solicitation requirements. All costing data must be safeguarded until the competition

decision is made. OMB Circular A-76 mandates the use of the COMPARE software program for costing in A-76 competitions.

3.2. Guidance on ACE Development

3.2.1. Cost data must be gathered for the areas that are required in the COMPARE software program. The Agency Tender costs are entered into Lines 1-5 in the COMPARE Program; contractor/public reimbursable tender costs for contract administration and MEO severance pay are entered into Lines 8 and 10 in the COMPARE Program. This is illustrated in Figure 3.1 below.

Figure 3.1 COMPARE ENTRIES

Agency Tender Costs	Contract Costs
Line 1 – Personnel Costs	Line 8 – Contract Administration
Line 2 - Materials and Supplies Costs	Line 10 - One Time Conversion Cost
Line 3 – Other Specifically Attributable Costs	
Line 4 – Overhead Costs	
Line 5 – Additional Costs	

3.2.2. When possible, the MEO team should obtain initial cost data from the Preliminary Planning Competitive Sourcing Decision Package (CSDP) accomplished for the study. This data can help identify costs and data sources. Keep in mind that the initial cost data collected during Preliminary Planning represents the organization's baseline costs, whereas the ACE represents the proposed Agency Tender costs. As always, refer to the DoD A-76 Costing Manual for specific instructions on how to cost out items.

3.3. COMPARE Entries: The following information contains some lessons learned and some areas that are often overlooked when developing the ACE. For complete instructions refer to the DoD A-76 Costing Manual as well as the COMPARE User Manual. The DoD A-76 Costing Manual contains a sample personnel cost worksheet that can be used to calculate the personnel costs. All supporting documentation should be retained as verification of these calculations. (Please note: The DoD A-76 Costing Manual is set up with a specific chapter devoted to each of the lines noted below. Refer to the corresponding line number chapter in the DoD A-76 Costing Manual for further guidance.)

3.3.1. Line 1 – Personnel Costs

3.3.1.1. Personnel costs are quantified for all employees associated with performance of the MEO. Again, this cost data is related to the proposed MEO, not the current organization.

Personnel costs include both direct and indirect labor necessary to meet the requirements of the solicitation. The following are some items to remember:

- 3.3.1.1.1. Labor Costs should represent the basic staffing costs for the proposed MEO. Volunteers, inmate labor and borrowed military manpower are not allowed for staffing MEO requirements and cannot be included in the ACE since these labor groups are excluded from the cost comparison.
- 3.3.1.1.2. Civilian Pay and Wages. All General Schedule (GS) positions are calculated at Step 5 for A-76 cost comparisons and all Federal Wage System (FWS) positions (e.g. WG, WL) are calculated at Step 4. It is critical to use current pay scales in these calculations. For National Security Personnel System (NSPS) or other pay-banded positions, use the mid-grade, mid-band and mid-step rate. Also use current pay scales for foreign nationals and non-appropriated fund civilians. The DoD A-76 Costing Manual provides extensive guidance on the appropriate inclusion of fringe benefit and (Federal Insurance Contributions Act) FICA costs.
- 3.3.1.1.3. Economic Price Adjustment (EPA). This information is crucial to the correct costing of personnel. To make the EPA determination, the MEO team should consult the Department of Labor Wage Determination and contract clauses. It is very important for the MEO team to be familiar with the Federal Acquisition Regulation (FAR) clauses included in the solicitation. These clauses will determine the EPA. The objective is to ensure that the government does not inflate costs for skills that a contractor has been told not to escalate beyond the first performance period. See paragraphs 1.4.3 and 1.4.4 above for additional considerations.
- 3.3.1.1.4. Prorated Labor. Some of the personnel costs will need to be prorated, i.e. the cost of personnel not 100 percent utilized in the MEO (meaning first line of supervision above the activity being studied). COMPARE accounts for this labor as a percentage of a Full-Time Equivalent (FTE) (e.g. 0.3 FTE for 1/3 utilization).
- 3.3.1.1.5. Administration and Inspection Costs. Costs of the FTEs associated with monitoring and compliance issues with the MEO Letter of Obligation should be included on Line 1 as noted in OMB Circular A-76.
- 3.3.1.1.6. Subcontract administration and surveillance. Refer to the DoD A-76 Costing Manual for extensive instructions on when to include these costs on line 1 in terms of the cost of FTEs necessary to perform this work.
- 3.3.1.1.7. The following are types of pay that may need to be collected depending upon the hours of operation and types of work the MEO performs: overtime, Sunday pay, holiday pay, night differential, shift differential, environmental differential, hazardous duty pay, overseas allowance, and uniform allowance. When this data is collected it should be closely analyzed to ensure that the time period it covered was not one when unusual or exceptional circumstances occurred. For example, if the installation experienced a natural disaster, that might have necessitated overtime which would not otherwise have been required in an average work year.

3.3.1.1.8. For Uniformed Service members use DOD's Accelerated Military Standard Composite Rates (AFI 65-503). Do not exclude fringe benefit and overhead costs included in this military composite rate as COMPARE does not provide for their separate calculation.

3.3.2. Line 2 - Materials and Supplies Costs

3.3.2.1. Material and supply costs are incurred in each performance period for goods such as raw materials, parts, subassemblies, components and office supplies. Material costs are calculated only if the materials are used by the activity and will not be provided to the contract/interservice support agreement (ISSA) provider by the government. It is important for the analyst to be aware of any instructions the contracting officer included in the solicitation regarding materials and supply costs. The solicitation may contain a predetermined material and supply cost that must be included in both the contract/ISSA offer as well as the ACE.

3.3.2.2. If the requirements of the solicitation warrant, then material and supply cost and usage data must be collected accordingly. It is important to review all of the data provided by the current organization in the context of the change between the as-is and to-be performing activity. The analyst should look at costs in terms of their applicability to the commercial activity and adjust accordingly. If costs are shared between a commercial activity undergoing a cost comparison and an activity outside of the cost comparison, then they should be prorated based upon usage. If workload and/or FTEs in the organization change from the current organization to the MEO, then historical costs need to be adjusted to reflect the new organization and its work.

3.3.2.3. Costs can be calculated by using adjusted estimates of historical costs or by estimating costs using current market prices for the material quantities developed. Cost data must be as current as possible. The OMB inflation factors entered in COMPARE must be reviewed to ensure the factors are available for the year of the historical data and subsequent years. Material and supply costs may be either individually itemized or grouped into supply categories. However, care should be taken not to group both fuels and non-fuels items together because of the requirement to apply different inflation factors to each of these categories of supplies.

3.3.2.4. Refer to the solicitation to determine whether an EPA provision applies to materials and supplies. The contracting officer should assist and provide verification that EPA is applicable for subject materials and supplies.

3.3.3. Line 3 – Other Specifically Attributable Costs. *These costs account for a whole host of supporting costs for the MEO. Specifically, this line includes all competitive costs not included on personnel (line 1) or material and supply costs (line 2) that are necessary to perform the requirements specified in the Performance Work Statement (PWS) according to the MEO's approach. This includes depreciation, cost of capital, rent, maintenance and repair, utilities, insurance, travel, MEO subcontracts and other costs. It is important to understand that these costs need to be calculated for those assets/services not*

provided as government furnished in the solicitation but also for any replacement asset when the government is providing government furnished property (GFP) but passed any replacement liability to the service provider if the GFP becomes unusable. For those assets that will be future purchases within a performance period that is less than 12 months, the cost is prorated to account for the shortened usage time.

3.3.3.1. Depreciation. For complete instructions on calculating depreciation, reference the DoD A-76 Costing Manual and the COMPARE User Manual.

3.3.3.2. Cost of Capital. For complete instructions on calculating cost of capital go to the DoD A-76 Costing Manual and the COMPARE User Manual.

3.3.3.3. Rental Costs. Rent is incurred for the use, operation and maintenance of land, building space, plant and machinery, and other applicable items, by the activity that is undergoing a cost comparison. Compute only those costs that are associated with the MEO and that are not provided to the offeror. Only calculate rental cost if the asset is **not** provided as GFP. This may be entered as a ceiling cost, or maximum the government is estimated to pay.

3.3.3.4. Utilities. Only calculate utility costs if the asset is **not** provided as GFP. This may be entered as a ceiling cost.

3.3.3.4.1. This category includes charges for electricity, telephone, water and sewage services etc. which are not furnished to the offeror by the government, but are needed for in-house performance of the commercial activity. The amount of these costs applicable to the activity undergoing cost comparison is determined either on a metered or an allocated basis of consumption.

3.3.3.4.2. Estimates of incurred expenses for the first year of performance are based on current experience appropriately adjusted for anticipated future requirements. Engineering estimates are used when historical data are not available. To compute this cost collect the unit of measure, annual quantity and per unit cost per type of utility.

3.3.3.5. Travel Costs. These are costs not government furnished and need to be calculated and inflated as required by the solicitation. Travel costs may be entered as a ceiling cost.

3.3.3.5.1. Travel cost covers the expected amount of travel included in the PWS and any other travel required of the MEO external to the PWS. These costs are readily available from budgeted amounts of per diem and transportation cost for the activity that is the focus of the cost comparison.

3.3.3.6. MEO Subcontracts: If an MEO subcontract is not government furnished and included as part of the AT proposal, it will be entered in the line 3 category. The total subcontract costs will be calculated to include the following: contract price, cost of any GFP items for existing subcontracts that are not considered GFP for the current solicitation, inflation for all performance

periods, and the offset for federal income tax for each subcontract with the tax rate applicable to each subcontract. (See OMB Circular A-76, Atch C, para h.)

3.3.3.6.1. The cost of services purchased using the government purchase card shall also be recorded on this line. Refer to the DoD A-76 Costing Manual for further guidance.

3.3.3.7. Maintenance and Repair Costs. This cost is incurred to keep buildings and equipment in normal operating condition. It does not include capital improvements that add value to an asset and are accounted for under depreciation.

3.3.3.7.1. The cost of maintenance and repair includes costs for: (1) Those assets that are not furnished to the offeror, but are needed for in-house performance of the commercial activity undergoing cost comparison, and (2) the cost of maintenance and repair for any facilities or equipment furnished to the offeror where the offeror is responsible for the maintenance and repair.

3.3.3.8. Insurance Costs. Review the solicitation to determine whether to include insurance costs in the ACE. Refer to the DoD A-76 Costing Manual and COMPARE User Manual for further details. COMPARE will automatically compute casualty and liability insurance for values in Lines 1, 2 and 3.

3.3.3.8.1. Capital Asset and Minor Item Insurance for GFP. The ACE must include the cost of casualty insurance when the government levies the requirement on the contract offeror. If the solicitation requires the contract offeror to provide protection on GFP assets, then the in-house offeror must include casualty insurance on those same assets. If the MEO uses assets that are not provided as GFP, then it must include the cost of insurance on those assets because it is a standard business expense that the contract offeror cannot avoid.

3.3.3.8.2. Personnel liability losses are computed for each performance period.

3.3.3.9. Minor Items (< \$25,000). Consult the OSD Costing Manual, paragraph C.3.10.3 for guidance on costing minor items.

3.3.3.10. Other Costs. Other costs associated with the MEO that do not fit any other categories of cost. This is a general category for specifically attributable costs that do not fit properly into one of the other cost elements, but would change in the event of contract performance. Examples of other costs are the cost of minor items for the MEO and additional insurance, if any, required of the contractor in the solicitation. For further details and more examples of “other costs” refer to the DoD A-76 Costing Manual.

3.3.4. Line 4 – Overhead

3.3.4.1. This cost is automatically calculated in COMPARE. COMPARE calculates overhead for each performance period by multiplying Line 1 civilian position costs, including fringe benefits, by 12 percent (the overhead factor). It should be noted that uniformed services are not included in the calculation since their composite rate already includes overhead costs.

3.3.5. Line 5 – Additional Costs

3.3.5.1. Any additional costs that are included in the MEO in response to the solicitation that do not fit in any other categories of cost are included in Line 5. Specifically, this includes costs not otherwise properly classified in Lines 1 through 4 and reflects those additional costs resulting from unusual or special circumstances that may be encountered in a cost comparison.

3.3.5.1.1. Amounts entered on Line 5 shall be supported by a definition of the type of cost reported, a justification for its inclusion in the cost comparison, an explanation of the underlying assumptions and methods of computation. Security clearances and medical examinations were additional costs in some cost comparisons, however the requirements of each solicitation must be checked to see if such costs are applicable to your particular cost comparison, or if other types of additional costs are appropriate.

3.3.5.1.2. Also included in this line are transition or phase in costs associated with converting the current organization to the MEO, unless the first performance period has been designated as the phase-in period.

3.3.6. Lines 7 thru 14 - Adjusted Cost of Private Sector or Public Reimbursable Performance

3.3.6.1. Although the contractor costs are not considered part of the Agency Tender, there are certain costs that need to be entered into COMPARE for purposes of comparison. These include contract administration (Line 8) and one time conversion costs (Line 10). The DoD A-76 Costing Manual and the OMB Circular A-76 provide additional coverage of these line items.

3.3.6.1.1. Line 8 is for contract administration costs. Contract administration costs include the costs associated with reviewing compliance with the terms of the contract, processing payments, negotiating change orders, monitoring the closeout of contract operations, financial support and technical direction. An agency shall not include the cost of surveillance performed by quality assurance evaluations as required by the quality assurance surveillance plan on Line 8, since these are common costs regardless of the source of the selected service provider.

3.3.6.1.2. Line 9 Additional Costs. This cost element reflects those additional costs resulting from unusual or special circumstances that may be encountered in a cost comparison. Detailed justification for this expense is required. Supporting rationale must be included to explain why this cost is incurred by a contractor but is not incurred by the MEO. OMB Circular A-76, Atch C, para 3., may require additional calculations and manual input of Additional Costs (Line 9) for Standard Competitions, related to nonprofit agency fees or incentive fees related to Native American Tribes. These costs are not addressed in the DoD A-76 Costing Manual.

3.3.6.1.3. Line 10 is for One Time Conversion Costs. When the government converts to or from in house or contract performance, there are one-time costs incurred as a result of the conversion. Any costs included on Line 10, with the exception of the standard 4% severance pay factor, must be fully justified.. Refer to the DoD A-76 Costing Manual for extensive guidance. OMB Circular A-76, Atch C, para 4, One-time Conversion Costs, sub-paragraph b, Other Costs, requires an additional one percent (1%) calculation for retraining and relocation costs. This one percent cost is not addressed in the DoD A-76 Costing Manual, rather retraining and relocation

costs are defined as part of the 4% Severance Pay factor. The 4% Severance Pay factor continues to remain in effect under OMB Circular A-76.

3.3.6.1.4. Line 11, Gain on Assets. An agency shall calculate the estimated gain on assets, with supporting documentation to justify the type and calculation of asset disposal or transfer. This is particularly important when GFP is not provided to prospective providers in the solicitation and is not needed by the agency if the competition results in either a private sector or public reimbursable performance decision. Agency shall calculate this gain to line 11. This is not applicable in a streamlined competition.

3.3.6.1.5. Line 12, Federal Income Tax Adjustment. This line represents the revenue generated for the government that is subtracted from the total cost of private sector performance. An agency shall only enter these costs as a negative number, unless the private sector source is a tax-exempt organization.

3.3.6.1.6. Line 14, Conversion Differential. Agencies shall ensure the appropriate conversion differential is applied. The conversion differential represents 10 percent of Line 1 for all performance periods. Agencies shall not calculate conversion differential for a streamlined competition.

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

Attachment 1

GLOSSARY OF REFERENCES AND SUPPORTING INFORMATION

References

AFI 65-504 – Commercial Activity Cost Comparisons

AFI 38-203 – Commercial Activities Program

AFPD 65-5 - Cost and Economics

DoD Instruction 4100.33 - Commercial Activities Program Procedures

DoD A-76 Costing Manual

OMB Circular A-76 – Performance of Commercial Activities

Share A-76 website: <http://sharea76.fedworx.org>

COMPARE website: <http://www.comparea76.com>

Abbreviations and Acronyms

ACE – Agency Cost Estimate

AFMA – Air Force Manpower Agency

APF – Appropriated Funds

AT – Agency Tender

ATO – Agency Tender Official

CA – Commercial Activity

CSDP – Competitive Sourcing Decision Package

DBA – Davis Bacon Act

DOL – Department of Labor

EPA – Economic Price Adjustment

FAR – Federal Acquisition Regulation

FICA – Federal Insurance Contributions Act

FM – Financial Management

FTE – Full-Time Equivalent

FWS – Federal Wage System

GFP – Government Furnished Property

GS – General Schedule

GSA – General Services Administration

ISSA – Inter-Service Support Agreement

MAJCOM – Major Command

MEO – Most Efficient Organization

MFR – Memorandum for Record

MO – Manpower Office

NAF – Non-Appropriated Funds

OMB – Office of Management and Budget

OPR – Office of Primary Responsibility

P3 – Preliminary Planning Process

PWS – Performance Work Statement

SCA – Service Contract Act

SCF – Standard Competition Form

SLCF – Streamlined Competition Form

WG – Wage Grade

WL – Wage Leader

Terms

Agency Cost Estimate – The part of the agency tender in a standard competition that includes the agency’s cost proposal and represents the full cost of agency performance of the CA, based on the requirements in the solicitation and the costing policy from the DoD A-76 Costing Manual. The ACE for a streamlined competition is developed in accordance with this instruction and the DoD A-76 Costing Manual.

Agency Tender – 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 in accordance with the solicitation requirements and this instruction.

Commercial Activity – 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 COMPARE website at <http://www.compare76.com>.

Government Furnished Property – 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 – The government’s in-house organization deemed to be the most efficient and cost-effective for competition in accordance with 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, in accordance with 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.

Attachment 2

Checklist for Agency Cost Estimate Data Collection

(From Appendix 4 of the A-76 Costing Manual)

A2.1. All collected data should be from the most recent complete fiscal year if possible. Previous or partial years are acceptable when other data is not available.

A2.2. Effective dates, sources and copies should be noted and retained by the CA team as supporting documentation.

A2.3. Any information in the government management plan that affects the use of historical cost data should be provided to and noted by the preparer of the agency cost estimate. Such items include changes in staffing levels that impact the use of historical overtime and premium pay, surplus of equipment, change in material and supplies based upon projected workload and change in workload or activities to be performed by the MEO vs. the current commercial activity.

A2.4. Ensure that the Agency Cost Estimate Team has the following:

Expected contract start date and performance periods from the contracting office.

Cost comparison title and solicitation number.

Wage determination list for determination of those MEO positions that are comparable to those covered by the SCA or DBA.

Current wage rate schedules and/or pay tables for appropriated fund (APF) and non-appropriated fund (NAF) positions and current general schedule.

Basis for staffing estimate including labor categories, wage rates, and hours estimated to perform the requirements of the solicitation as documentation in the event of an appeal. This also includes calculations for contract administration support of MEO subcontracts.

Documentation from the contracting or human resource offices mapping the MEO positions not subject to EPA to the DOL wage determination list.

Historical pay records detailing types of premium pays paid to employees.

- _ Overtime
- _ Hazardous Differential Pay
- _ Environmental Differential Pay
- _ Sunday Pay
- _ Holiday Pay
- _ Bonuses
- _ Shift or Night Differentials

Material and supply information for all items that will not be government-furnished. This includes the nomenclature, unit price, total annual quantities, sources and category (GSA, local purchase, DoD Stock Fund, other).

Capital asset depreciation information for all capital assets (>\$25,000) that will not be government-furnished. This includes:

- _ Facility source category (permanent, semi-permanent, temporary)
- _ Acquisition cost
- _ Replacement cost (i.e., Cost to attain a new one at time of cost comparison)

Information for all capital assets (>\$25,000) that will not be government-furnished. The following pieces of information are needed:

- _ Acquisition cost
- _ Acquisition date
- _ Replacement cost
- _ Disposal/Residual value
- _ Percent of shared usage with an activity not under this cost comparison

Rental or lease costs that are not continuing in the event of contract performance to include facility and equipment rental costs. Common examples are vehicle and office equipment leases.

Maintenance and repair costs for facilities and equipment used solely by the commercial activity that is undergoing a cost comparison and that will not be government-furnished; this also includes maintenance and repair costs for facilities and equipment that will be furnished, but where the contractor/ISSA provider will be responsible for these costs. Maintenance sub-contracts for shop and office equipment are the most common examples.

Utility costs (i.e., fuel, electricity, telephone, water and sewerage services) for the utility services that will not be provided or reimbursed in the event of contract performance. Utility costs for facilities that are shared with an activity not within the scope of this cost comparison may be prorated based upon the estimated percentage of usage by the activity that is undergoing a cost comparison.

Travel costs that are not reimbursed in the event of contract performance for MEO positions only; do not include travel costs for inherently governmental positions.

Tuition and training costs projected for the MEO that are not continuing in the event of contract performance.

Other costs that are not continuing in the event of contract performance; examples may include certain purchased services and MEO subcontracts.

Capital improvement costs (e.g., costs of major overhauls and modifications that add value or prolong the life of a capital asset) for equipment and facilities that will not be government-furnished.

Costs for minor items that will not be government-furnished. A minor item is a durable item with a current replacement cost of less than \$5,000; common examples include overhead projectors, shop tools, and computers and peripherals. Ten percent of the estimated annual cost for minor items should be included in the agency cost estimate as an estimated replacement cost for these items on an annual basis.

Contract administration costs to be incurred by the government in assuring that a contract is faithfully executed. The DoD A-76 Costing Manual specifies the allowable contract administration factor for Line 8 based on the size of the MEO. The COMPARE program calculates Line 8.

