DEPARTMENT OF THE ARMY
HEADQUARTERS UNITED STATES ARMY FORCES COMMAND
1777 HARDEE AVENUE SW
FORT MCPHERSON GEORGIA 30330-1062

REPLY TO
ATTENTION OF

AFLG-PR 22 May 2000

MEMORANDUM FOR ALL FORSCOM DOCS

SUBJECT: Contracting Information Letter (CIL) 00-27

1. This CIL contains information on the following subjects pertaining to the Commercial Activities (CA) Program:

a. Fast Classification (FASCLASS), the Automated Classification System Will Be Password Protected

b. Final Decision Report/Implementing Commercial Activities (CA) Decisions

c. Army Audit Agency (AAA) Review of A-76 Solicitations That Received No Contractor Proposals

d. DoD Strategic and Competitive Sourcing Interim Guidance - Final Draft

e. Notification of Initial Decisions to the Assistant Secretary of the Army for Acquisition, Logistics, and Technology (ASA(ALT)).

2. Fast Classification (FASCLASS), the Automated Classification System Will Be Password Protected.

1) There have been many concerns during the Commercial Activities process that there is a potential compromise in the A-76 process because the public can view installation organization diagrams and position groupings in the automated FASCLASS. The latest information received from Assistant Secretary of the Army (ASA) Manpower and Reserve Affairs (M&RA) had been that legal had rendered a decision that there was no compromise to the A-76 process.

2) On 28 February 2000, however, we were notified by the FORSCOM Deputy Chief of Staff for Personnel and Installation Management (DCSPIM) that ASA(M&RA) has decided to restrict public view of this data. Effective 6 March 2000, FASCLASS will restrict public view and password- protect procurement sensitive information. The public will be able to access master file position description data only, with no organizational access. A

User ID and Password will be required for all other functionality/ access.

3. Final Decision Report/Implementing Commercial Activities (CA) Decisions. The following detailed procedures provide guidance to the field when implementing a CA decision. This is basically the CA proponent responsibility at each installation.

- The provisions of law and paragraph 7-8, Department of the Army (DA) Pamphlet 5-20, require proper notification prior to publicly announcing and implementing a CA decision. Installations must provide DA Form 7379-R (CA Final Decision Report) and supporting documentation to HQ FORSCOM (AFPI-IMP) after the administrative appeal and General Accounting Office (GAO) protest processes. Congressional notification is also required for any Cost Comparison Study of more than 10 civilian employees. Once Congress has been notified, the installations will be informed by FORSCOM Installation Management Support Division (IMSD). This notification is the authorization to implement the Most Efficient Organization (MEO) for in-house decisions or award a contract for contract conversions. Implementation of the final decision and announcement cannot be made until authorization is received.

4. Army Audit Agency (AAA) Review of A-76 Solicitations that Received No Contractor Proposals.

1) The Assistant Chief of Staff Installation Management (ASCIM) recently notified us that three (3) Army installations have issued "A-76 Solicitations" and received no contractor proposals. It is felt by ACSIM that because this happened on three large studies, it will subject the Army to scrutiny and criticism. In an effort to prevent this scrutiny, AAA has been requested to conduct a review to determine why no contractors submitted proposals.

2) In this review, AAA will focus on the following issues.

- What part of the function(s) were the installations soliciting for contract? What were the installations' rationale for including some and excluding other functions or parts of functions? For example, what was and how did they justify the Governmental in Nature (GIN) or other residual organizations? What were the reasons that the contracting office obtained from

the potential bidders as to why they did not bid? Call the potential bidders to verify the contracting office records.

- Evaluate the final decision report for each action.

3) While none of these studies was a FORSCOM study, we can anticipate we will also be tasked to comply with the same rules should this occur at one of our installations.

5. DOD Strategic and Competitive Sourcing Interim Guidance - Final Draft.

1) The Interim Guidance provided at the enclosure was distributed on 24 March 2000, as a "really final draft". The memorandum has 7 attachments (1. Strategic Sourcing Program; 2. Issuing Solicitation When Performing the A-6 Cost Comparison Process; 3. Source Selection Evaluation Board When Performing the A-76 Cost Comparison Process; 4. Costing for the A-76 Cost Comparison Process; 5. Administrative Appeal Process After Performing an A-76 Cost Comparison; 6. Waivers to the A-76 Cost Comparison Process; and 7. Performance Tracking of Completed Initiatives - Strategic Sourcing and Competitive Sourcing Programs), which are dated 29 February 2000. Currently this memorandum is in the Office of the Under Secretary of Defense for Acquisition, Technology and Logistics for the Honorable Jacques Gansler's signature. We have been instructed that the guidance is **effective immediately for all CA's which have not been sealed.**

2) The "Best Value/Technical Proposal Plan Evaluation" attachment is not included in this package. We have been told that the Office of Secretary of Defense (OSD) will issue it separately some time in early spring or summer.

3) Final distribution of the guidance will follow when signed.

6. Notification of Initial Decisions to the Assistant Secretary of the Army for Acquisition, Logistics, and Technology (ASA(ALT))

- Figure 2-2, Milestone Schedule - Negotiated Procurement, page 18 of the DA Pamphlet 5-20, indicates on line number 15 that the "Installation provides telephonic notice to HQDA (SARDA)(AFARS 5.303)" of initial decisions on CA studies.

- For clarification, the following is provided for initial decisions: "Installations CA Managers should notify FORSCOM Installation Management Support Division (IMSD) of the conditional contract award notification. Notification to HQDA will be done by the MACOM.

7. Should there be any questions, please contact Gail Burrell at DSN 367-6787 or burrellg@forscom.army.mil.

Encl
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CHARLES J. GUTA
Colonel, AC
Chief, Contracting Division, DCSLOG
Principal Assistant Responsible
for Contracting

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
DIRECTOR, DEFENSE RESEARCH AND ENGINEERING
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
DIRECTOR, OPERATIONAL TEST AND EVALUATION
ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Department of Defense Strategic and Competitive Sourcing Programs Interim Guidance

Competitive Sourcing remains a major pillar of the Defense Reform Initiative and the Department's business strategy. We must continue to demonstrate that significant cost savings and performance enhancements may be obtained through a commitment to a fair but aggressive implementation of this program.

Our success will depend on a comprehensive review of a wide variety of functions or activities to determine where cost efficiencies may be obtained. We must do everything possible to ensure fairness in this process if we are to foster creation of competitive most efficient organizations (MEOs) and encourage the participation of quality private sector businesses. The attached interim guidance is a product of extensive effort by the OSD A-76 Integrated Process Team (IPT) and is a first step to achieve a fair and consistent approach across the Department.

Your effort in response to Defense Reform Initiative #20 (Review of Inherently Governmental Functions) was also a good step in identifying commercial activities in the Department that are available for competition. The review identified a number of inconsistencies across the Department and we must continue to resolve these inconsistencies in our Inherently Governmental/Commercial Activity IPT and in our future inventories. The recent inventory, in response to the Federal Activities Inventory Reform (FAIR) Act, went somewhat further in this direction. Accurate inventories combined with both a strong Competitive Sourcing Program and a more comprehensive Strategic Sourcing approach are all management tools that Components may use to account for an even greater in-depth review of specific functions or activities. This can lead to better packaging of competitive sourcing and other types of initiatives resulting in optimal savings and efficiencies for the Department.

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We have broadened our competitive sourcing approach to include the Strategic Sourcing Program that Components may elect to use to meet or exceed their competitive sourcing goals. Strategic sourcing is another means to achieve even greater savings in all areas across the Department. This is not and should not be interpreted as an avoidance of, alternative to, or a retreat from A-76 cost comparisons. Strategic sourcing builds on existing DoD manpower management programs but requires a more rigorous accounting of manpower. The strategic sourcing approach encompasses all functions or activities that could be reengineered or consolidated regardless of whether they are inherently governmental, military essential or commercial activities—and competition must remain an integral part of this overall strategy. Interim guidance for the Strategic Sourcing Program is provided at Attachment 1. This document is not meant to be all-inclusive, but merely provides the general approach, criteria, and flow chart for the Strategic Sourcing Program.

We must ensure that a consistent approach for our Strategic Sourcing and Competitive Sourcing Programs is incorporated in the Department's policies and procedures. We will work with OUSD(P&R) to institutionalize policies and procedures within the Department by updating DoD Directive 4100.15, *Commercial Activities Program,* and DoD Instruction 4100.33, *Commercial Activities Program Procedures*, as well as developing a DoD Directive and Instruction for the Strategic Sourcing Program. Additionally, we are developing DoD Manuals for A-76 Costing and Performance Measurement for Competitive and Strategic Sourcing.

As an interim measure, we are issuing the attached guidance for selected aspects of the Department's Commercial Activities Program to provide for a consistent and disciplined approach. This guidance is effective immediately and intended to provide a more level playing field by addressing concerns expressed by both Industry and Government employees in recent competitions. Attachments 2 through 5 provide guidance for specific aspects of the A-76 cost comparison process. Additionally, as part of the Competitive Sourcing Program, it may be justifiable to waive an A-76 cost comparison as provided by the OMB Circular A-76 Revised Supplemental Handbook. DoD's procedures for A-76 cost comparison waivers are provided at Attachment 6.

We continue to work other issues that are essential to the success of our Competitive Sourcing and Strategic Sourcing Programs. We strongly believe that the Department must establish a process to track how effectively these programs are progressing towards achieving savings and enhancing performance. This tracking process is addressed in Attachment 7.

In order to achieve the desired consistency for the Competitive Sourcing Program, we recommend DoD Components employ a Centralized Management approach. This approach should have high-level participants from cross-functional areas in order to have a reasonable and uniform method to select, package and compete functions as well as to use consistent approaches for competition when developing acquisition strategy. Participation of federal employees and their

representatives on this team is also encouraged. We must continue to seek the appropriate balance between centralized management and field responsibility in order to incorporate lessons learned from successful competitions while still encouraging innovative ideas from the field.

It is clear that commanders and directors who use both Strategic and Competitive Sourcing Programs will become more efficient resource managers and leaders in the future. We continue to research ways to encourage commanders and directors to use both of these programs. It is also essential that we continue to encourage the cultural change necessary for the Competitive Sourcing Program to be truly successful. The more we educate through communication, the more receptive everyone will become to the process.

Please continue to work with Mr. Randall A. Yim, the Deputy Under Secretary of Defense (Installations) on our ongoing efforts with these programs. Comments may be provided directly to Mr. Yim, at (703) 697-1771 or to Mrs. Annie Andrews, Assistant Director, Competitive Sourcing and Privatization Office, at (703) 602-2608.

This memorandum and its attachments are effective immediately. The DoD Directive and Instruction governing the Commercial Activities Program shall be updated within 90 days.

Attachments:
1. Strategic Sourcing Program
2. Issuing Solicitations When Performing the A-76 Cost Comparison Process
3. Source Selection Evaluation Board When Performing the A-76 Cost Comparison Process
4. Costing for the A-76 Cost Comparison Process
5. Administrative Appeal Process After Performing an A-76 Cost Comparison
6. Waivers to the A-76 Cost Comparison Process
7. Performance Tracking of Completed Initiatives -- Strategic Sourcing and Competitive Sourcing Programs

cc:
Assistant Chief of Staff for Installation Management, DOA
Deputy Chief of Naval Operations (Logistics)
Deputy Chief of Staff for Installations and Logistics, USMC
Special Assistant for Manpower to the Assistant Secretary of the Air Force (Manpower, Reserve Affairs, Installations & Environment)
Direct of Manpower and Organization, HQ USAF

STRATEGIC SOURCING PROGRAM

The Strategic Sourcing Program is intended to maximize effectiveness, efficiencies, and savings throughout the Department of Defense (DoD) and provide an approach for DoD Components to use to meet or exceed their competitive sourcing goals. It provides a broader approach than the traditional OMB Circular A-76 processes by extending the opportunities to achieve efficiencies to areas that are exempt from the A-76 competitive processes. This program should not be interpreted as avoidance or replacement of A-76 and its focus upon fair competitions to achieve both cost efficiency and the infusion of best business practices. A-76 competition is, and will continue to be, a dominant factor in the Department's plan to do our business more effectively and efficiently. The Strategic Sourcing Program is consistent with the reinvention process described in the OMB Circular A-76 Revised Supplemental Handbook that states:

> **The reinvention of government begins by focusing on core mission competencies and service requirements. Thus, the reinvention process must consider a wide range of options, including: the consolidation, restructuring or reengineering of activities, privatization options, make or buy decisions, the adoption of better business management practices, the development of joint ventures with the private sector, asset sales, the possible devolution of activities to state and local governments and the termination of obsolete services or programs. In the context of this larger reinvention effort the scope of this Supplemental Handbook is limited to the conversion of recurring commercial activities to or from in-house, contract or ISSA [*Inter-Service Support Agreement*] performance.**

The strategic sourcing approach accounts for existing DoD manpower management processes that provide for a complete functional or organizational assessment of functions and activities that are commercial, commercial exempt from competition, and inherently governmental in order to achieve program objectives with the optimum balance between program performance and costs. The goal is to determine whether processes can be eliminated, improved, or streamlined. In those instances when improvements can be made within the existing framework, then those changes will be made. The value of this approach is that an assessment of every function or organization is made--regardless of whether the function or activity is commercial, commercial exempt from competition, or inherently governmental. This approach cuts across all functions and organizations, permitting Components to take a complete look at how they do business and to achieve proactively savings in all their functions and activities rather than to focus only on commercial activities. The Strategic Sourcing Program relies on a broad range of manpower management techniques to achieve savings rather than relying solely on A-76 competition. This allows Components to consider a wide range of options, including: elimination of obsolete practices; consolidation of functions or activities; reengineering and restructuring of organizations,

functions, or activities; adoption of best business practices; activity based costing (ABC) management; and privatization of functions or activities. These options are in addition to continued and extensive application of the A-76 competitive process.

Strategic sourcing does not eliminate any statutory, regulatory, or policy requirements, including 10 U.S.C. § 2461, "Commercial or industrial type functions: required studies and reports before conversion to contractor performance;" 10 U.S.C. § 2462, "Contracting for certain supplies and services required when cost is lower;" the Federal Activities Inventory Reform Act of 1998 (P.L. 105.270); OMB Circular A-76 and its Revised Supplemental Handbook on *Performance of Commercial Activities*; DoD Directive 4100.15, *Commercial Activities Program;* and DoD Instruction 4100.33, *Commercial Activities Program Procedures*. Strategic sourcing is an evolving process that should eventually lead to the future competition of functions or activities initially considered inherently governmental or exempt from competition. Many organizations contain a mix of functions or activities that are commercial, commercial exempt from competition, and inherently governmental. By realigning manpower or workload, functions or activities could be eliminated or restructured for competition. For those functions or activities that are inherently governmental or commercial exempt from competition, strategic sourcing provides an alternate approach to optimize performance and savings. Strategic sourcing could also eliminate the fencing of whole functions or activities from competition, thereby leading to better segregation of these functions or activities in order to maximize competition. It could also result in a redesignation of a function or activity from the inherently governmental or exempt category to a commercial activity that is available for competition. This Program is not intended to nor should Components integrate inherently governmental functions and exempt functions with commercial activities during strategic sourcing for the purpose of fencing them from competition. Additionally, strategic sourcing of commercial activities does not preclude the competition requirement for commercial activities.

The key step in the Strategic Sourcing Program is to define properly the whole function, activity, or organization in order to optimize or improve the level of performance or service at a reduced cost. This process is continual, as indicated in the attached flow chart, and can result in various outcomes depending on how functions or organizations are defined.

STRATEGIC SOURCING PROGRAM CRITERIA

The Strategic Sourcing Program provides an approach that DoD Components may elect to use in order to meet or exceed their competitive sourcing goals. It is not a mandatory program for DoD Components as it builds on existing DoD manpower processes. If Components elect to use the Strategic Sourcing Program to meet their competitive sourcing goals, a rigorous accounting of the savings achieved will be required. Specifically:

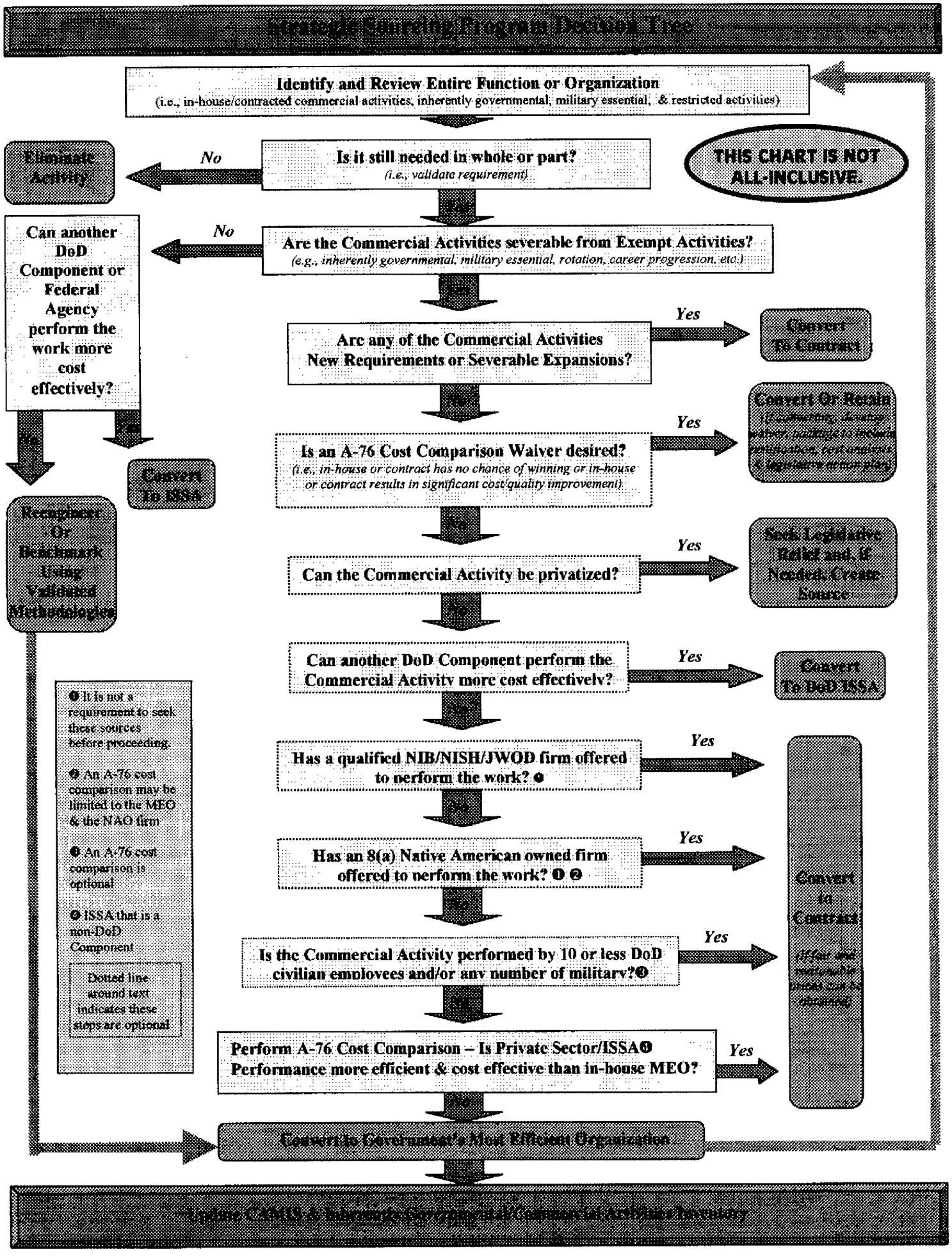
- Strategic sourcing must be a management approach unique to a specific DoD Component that has complete, functional, or organizational assessment with buy-in from leaders at all levels and requires continued SES/Flag Officer/General Officer oversight. Participation of federal employees and their representatives and the private sector is encouraged.

- A Component must develop and maintain a Strategic Sourcing Program Plan of Action that shall include the following data for the budget fiscal year: command, function, activity, unit identification code, location, as-is condition (current fulltime equivalents (FTEs) and cost), analysis start date, implementation start and completion dates, spaces to be saved, and a description of the initiative. This plan is presented to the DUSD(I) for approval and it must distinguish between A-76 initiatives (i.e., cost comparisons and direct conversions) and other strategic sourcing initiatives. It must also include a plan to fund consolidation or reengineering initiatives.

- A Component's approach to strategic sourcing must be auditable and distinguish A-76 savings from strategic sourcing savings. A Component's Plan of Action must be trackable to its POM and BES submissions. DoD Components will be subjected to a rigorous audit by the DUSD(I) during the execution of the Plan during the Budget Review Process to validate program execution. The savings identified in a DoD Component's Plan of Action must parallel the Component's POM and BES submissions.

- A Component's Strategic Sourcing Program shall continue to demonstrate the Department's focus on competitive sourcing (i.e., A-76 cost comparisons, direct conversions) by competing the commercial activities either while the strategic sourcing study is in-progress or within five years after strategic sourcing has been completed (unless these activities cannot be packaged for competition).

- Components must comply with the appropriate notifications required by statute, e.g., 10 USC § 2461, as well all pertinent authorization and appropriations acts, regulatory, and policy requirements.


Strategic Sourcing Program Decision Tree
Identify and Review Entire Function or Organization
(i.e., in-house/contracted commercial activities, inherently governmental, military essential, & restricted activities)
Is it still needed in whole or part?
(i.e., validate requirement)
No
Eliminate Activity
THIS CHART IS NOT ALL-INCLUSIVE.
Yes
Are the Commercial Activities severable from Exempt Activities?
(e.g., inherently governmental, military essential, rotation, career progression, etc.)
No
Can another DoD Component or Federal Agency perform the work more cost effectively?
Yes
Convert To ISSA
No
Reengineer Or Benchmark Using Validated Methodologies
Yes
Are any of the Commercial Activities New Requirements or Severable Expansions?
Yes
Convert To Contract
No
Is an A-76 Cost Comparison Waiver desired?
(i.e., in-house or contract has no chance of winning or in-house or contract results in significant cost/quality improvement)
Yes
Convert Or Retain
No
Can the Commercial Activity be privatized?
Yes
Seek Legislative Relief and, if Needed, Create Source
No
Can another DoD Component perform the Commercial Activity more cost effectively?
Yes
Convert To DoD ISSA
No
Has a qualified NIB/NISH/JWOD firm offered to perform the work? ❹
Yes
No
Has an 8(a) Native American owned firm offered to perform the work? ❶ ❷
Yes
No
Is the Commercial Activity performed by 10 or less DoD civilian employees and/or any number of military?❸
Yes
No
Perform A-76 Cost Comparison – Is Private Sector/ISSA❹ Performance more efficient & cost effective than in-house MEO?
Yes
Convert to Contract
No
Convert to Government's Most Efficient Organization
❶ It is not a requirement to seek these sources before proceeding.
❷ An A-76 cost comparison may be limited to the MEO & the NAO firm
❸ An A-76 cost comparison is optional
❹ ISSA that is a non-DoD Component
Dotted line around text indicates these steps are optional
Update CAMIS & Inherently Governmental/Commercial Activities Inventory

ISSUING SOLICITATIONS WHEN PERFORMING THE A-76 COST COMPARISON PROCESS

This guidance augments DoD Instruction 4100.33, *Commercial Activities Program Procedures*, September 9, 1985 (Paragraphs E.3.b. and E.3.f.).

When performing an A-76 cost comparison, DoD Components shall follow the procurement process as required by the Federal Acquisition Regulation (FAR) and as supplemented by the Defense FAR Supplement (DFARS) and Component supplements.

Market research conducted in accordance with FAR Part 10 ensures that a more educated approach is taken during the A-76 cost comparison process by determining best commercial practices for conducting similar procurements. DoD Components shall obtain industry and Government comments on a draft version of a performance work statement (PWS) to the maximum extent practicable. Early exchanges of information such as pre-proposal conferences, site visits, and others as discussed in FAR Part 15.201, are encouraged. Acquisition planning shall be conducted in accordance with FAR Part 7, and source selection evaluation criteria shall be developed in accordance with FAR 15.304. FAR 15.304(d) provides that "[a]ll factors and significant subfactors that will affect contract award and their relative importance shall be stated clearly in the solicitation (10 U.S.C. 2305(a)(2)(A)(i) and 41 U.S.C. 253a(b)(1)(A)) (see 15.204-5(c))." In determining evaluation factors for the competition among the private sector and ISSA offerors, DoD Components shall consider making cost at least as important as non-cost factors for the Cost Technical/Tradeoff process in order to increase the competitiveness of the cost comparison between the government and the selected contract/ISSA offer. This should be considered in order to achieve a more level playing field between the industry and government offers as well as to promote a more competitive environment. If appropriate, the procedures of FAR 12 may be used to conduct the procurement.

It is in everyone's best interest to encourage and facilitate a fair and equitable competitive environment. Above all, ensure that high standards of integrity, objectivity, and consistency are maintained throughout the A-76 cost comparison process. DoD Components and commanders/directors shall remain impartial during the cost comparison process and never intend nor promote a specific outcome (i.e., in-house, contract) for the A-76 cost comparison process.

Solicitations for the A-76 cost comparison process shall include a PWS (as required by the OMB Circular A-76 Revised Supplemental Handbook) and a well-prepared PWS is the key to the successful outcome of the A-76 cost comparison process. To that end, the PWS shall contain all technical requirements and those requirements, if addressed elsewhere in the solicitation, must be consistently stated therein. This includes any required performance levels, quality and/or standards. It is essential that the PWS be sufficiently comprehensive to ensure that in-house or contract performance satisfies Government requirements. The focus of the PWS shall be on "what" (i.e., outcomes)

the Government requires and not "how" (i.e., processes) the requirements are to be performed. It is also essential to use experienced personnel and lessons learned for developing a PWS. Any type of performance-based technical requirements document (e.g., PWS, statement of objectives (SOO), statement of need (SON), performance requirements document (PRD), statement of work (SOW), technical requirements document (TRD), etc.) is permitted in the solicitation when performing the A-76 cost comparison process. In accordance with the OMB Circular A-76 Revised Supplemental Handbook, Part 1, Chapter III, Paragraph C, "[a]gencies should not consider a PWS that limits the options available for providing the required product or service, or otherwise unnecessarily restricts private sector participation as being in compliance with Circular A-76 or [the Revised Supplemental Handbook]." The objective is to ensure that a PWS includes all relevant information, e.g., services required and standards of performance. It is essential that a PWS:

- Be geared toward best commercial practices (to the maximum extent practicable) as identified through market research.

- Describe all work in terms of "what" the required service output is rather than "how" the work is to be performed or the number of work hours to be provided, except when deemed essential by functional activity for safety and/or security reasons.

- Include measurable performance objectives to encourage offerors to develop and institute innovative and cost-effective methods of performing the work.

- Include historic and projected workload data (to include surge and other requirements).

- Cite reference instructions, publications, etc., by specific paragraph or chapter rather than by the entire publication.

Additionally, where private sector consultants are assisting DoD Components in preparing both a PWS and Management Plan for a specific A-76 cost comparison, sufficient measures shall be taken to avoid potential conflicts of interest in accordance with FAR Part 9 or the appearance of such conflicts. These measures shall include, at a minimum, sufficient "firewalls" within the private sector consultant to prevent the same individuals from both developing the PWS and assisting in preparation of the MEO. The contractor developing the PWS should develop the PWS as broadly as possible to allow for varying solutions (as appropriate) and the PWS must not be written solely to favor the in-house or contractor offer.

SOURCE SELECTION EVALUATION BOARD (SSEB) WHEN PERFORMING THE A-76 COST COMPARISON PROCESS

This guidance augments DoD Instruction 4100.33, *Commercial Activities Program Procedures*, September 9, 1985.

In accordance with OMB Circular A-76 Revised Supplemental Handbook, Part 1, Chapter 3, Paragraph H.3.b., a Source Selection Authority (SSA) should be established as required by the Federal Acquisition Regulation (FAR), and requisite action shall be taken to assure there are no potential conflicts of interest in the membership of the Authority. Adequate measures shall be in place to avoid the potential for or appearance of a conflict of interest. During the source selection phase of the A-76 cost comparison process, "directly affected" civilian employees and their representatives, as well as individuals who participated in developing the Government's Management Plan (e.g., developing the most efficient organization (MEO), in-house cost estimate) shall be excluded from participating as members of the SSEB or as evaluators in the evaluation of competing contract offers. Unless an exception is authorized by the head of the contracting activity. Exceptions shall be authorized only in compelling circumstances and, in such cases, the head of the contracting activity shall provide a written statement of the reasons for the action. A "directly affected" civilian employee is a civilian employee (e.g., DoD civilian, non-appropriated fund employee, contractor, etc.) whose work is being competed. This exclusion is due to the inherent concern arising out of the fact that such civilian employee's continued Federal employment may be affected by the outcome of the A-76 cost comparison process.

It may be necessary for Government civilian employees or military personnel from other installations or locations to serve on the SSEB or otherwise as evaluators in order to avoid the appearance of conflict of interest. Directly affected military personnel (i.e., military personnel whose work is included in the PWS) and non-directly affected civilians may serve on the SSEB or as evaluators unless they have a direct, personal interest in the outcome of the A-76 cost comparison process (e.g., their own or a spouse's civilian employment, stock ownership, etc.) or they participated in the development of the Government's Management Plan (e.g., MEO, in-house cost estimate). Directly affected military may serve as technical advisors. Technical advisors may not have access to contractor cost proposals.

The individual certifying the MEO may not serve on the SSEB or be an evaluator or be the SSA.

COSTING
FOR THE A-76 COST COMPARISON PROCESS

This guidance augments DoD Instruction 4100.33, *Commercial Activities Program Procedures*, September 9, 1985 (Paragraph E.3.d.) and is necessary to ensure compliance with the OMB Circular A-76 Revised Supplemental Handbook, *Performance of Commercial Activities*, March 1996 (Part II, Chapters 2 and 3).

When performing the A-76 cost comparison process, DoD Components shall comply with the OMB Circular A-76 and the Revised Supplemental Handbook. A DoD A-76 Costing Manual is currently in development and will be issued concurrently with DoD Instruction 4100.33, *Commercial Activities Program Procedures*. In the interim, DoD Components shall use the OMB Circular A-76 Cost Comparison System (COMPARE) software for all A-76 cost comparisons, effective immediately, to ensure a standardized approach is used in DoD A-76 cost comparisons. This Air Force-developed software program is already widely used within the Department. COMPARE software is available and can be downloaded from the Air Force Manpower and Innovation Agency web page in the Competitive Sourcing Clearinghouse section. The Internet address: http://www.afmia.randolph.af.mil/xpms/index. DoD Components shall continue to use the current COMPARE until the windows-based version is released later this year, unless otherwise approved by the Deputy Under Secretary of Defense (Installations) [DUSD(I)].

The following five specific areas for costing in the A-76 cost comparison process require further clarification for the DoD Components. DoD Components shall comply with the following guidance.

1. Personnel costs include the cost of all direct in-house labor and supervision, including quality control personnel necessary to perform internal quality control requirements that are stated in the performance work statement (PWS). Also included are other local personnel costs expended in operation of the activity being cost compared, or when responsibilities change if performance is converted to or from in-house or contract performance. These latter costs are not part of the twelve-percent overhead factor. They include management and oversight activities, such as direct and indirect managers and supervisors above the first line of supervision, who are essential to the performance of the function(s) being competed, personnel support, environmental or Occupational Safety and Health Administration (OSHA) Act compliance management, etc. These positions may or may not be 100% dedicated to the activity being competed. When a position is not 100% dedicated to the activity being competed, its cost shall be prorated to Line 1 of the cost comparison form according to the amount of dedicated time. For example, a GS-13 position spends 20% of its time performing management oversight of an activity being competed; the prorated cost of this position would be entered on Line 1 as .20 FTEs in the grade of GS-13. For in-house cost estimates that assume a mix of in-house labor and existing subcontracts to the function(s) being competed, Line 1 shall also includes the cost of labor for administration of those support subcontracts.

2. Standard factors developed by OMB (including those in Part II of the OMB Circular A-76 Revised Supplemental Handbook) shall be applied unless other factors are approved by OMB. DoD Components may develop and recommend changes to these factors to the DUSD(I) for submission to OMB for approval to implement either DoD-wide or for a specific Component (depending on the DoD Component's justification). Sector specific factors cover a function or group of functions DoD-wide. All submissions shall be made by the DUSD(I) to OMB.

3. Separation Incentive Pay (e.g., Voluntary Separation Incentive Pay (VSIP), Voluntary Early Retirement Authority (VERA), etc.) offered employees as an inducement for resignation or early retirement is not included in the cost estimate. Per OMB guidance, the determination to use Separation Incentive Pay in an A-76 cost comparison is a management decision and independent of the decision to conduct an A-76 cost comparison (see Revised Supplemental Handbook, Part II, Chapter 3, Paragraph E.3.b., Severance Pay). The standard four-percent Severance Pay cost factor recognizes the average Federal-wide expenditures experienced for separated civilian employees. Therefore, DoD Components are not permitted to add additional Separation Incentive Pay factors to the estimated cost of contract performance.

4. Contract Administration costs are those costs of administering the contract such as processing invoices that would not be incurred unless the work is converted to contract. Such costs do not include inspection and other administrative requirements that would be common to contract and Government performance. Therefore, the most efficient organization (MEO) shall include a Quality Control Program if it is required by the PWS. A Quality Control Program is not the same as a Quality Assurance Surveillance Plan that is intended to determine if an in-house or contract activity is meeting the requirements of the PWS. Rather, it is a program designed to establish a quality control process and to ensure that the organization (internal to the MEO or contractor) actually follows the quality control process. It puts the burden for quality control on the MEO or contractor. It is not inspection driven nor is it based on detailed "how to" requirements with deduct clauses. The authorizations necessary to staff this Quality Control Program for the MEO shall be included and costed in the MEO staffing.

5. Inventory costs are part of effective management practices that include having an accurate inventory at all times of consumable materials and supplies as well as equipment. In situations when the Government intends to provide existing materials and/or equipment to a contractor in the event of a contract decision, the reasonable costs of a one-time inventory may be charged to the cost of contract performance. Inventory costs shall not reflect worst case scenarios such as developing a wall-to-wall inventory. In order to charge this one-time cost to Line 10, One-time Conversion, a DoD Component shall have sufficient justification and written approval **before** adding such costs to the Government cost estimate. This written approval shall be signed by the DoD Component's official designated to comply with Paragraph 9.(a) of OMB Circular A-76 and shall be based on conservatively estimated justification.

ADMINISTRATIVE APPEAL PROCESS (AAP) AFTER PERFORMING AN A-76 COST COMPARISON

This guidance is in accordance with OMB Circular A-76, *Performance of Commercial Activities*, Revised Supplemental Handbook (Part 1, Chapter 1, Paragraph K) and replaces DoD Instruction 4100.33, *Commercial Activities Program Procedures*, September 9, 1985 (Paragraph E.3.g.).

The AAP shall be an independent and objective process that applies to cost comparisons performed in accordance with OMB Circular A-76 and its Revised Supplemental Handbook. The purpose of the AAP is to correct errors identified through a formal appeal (filed by an eligible appellant) after determining a tentative cost comparison decision. The AAP Authority shall only review items formally challenged by an eligible appellant and may not review any other items. No final A-76 cost comparison decision may be determined until all appeals are resolved. Appeals are part of the deliberative process and, therefore, are not to be released to other parties (i.e., affected or not affected) until the AAP is completed and a final A-76 cost comparison decision is made. When there is a reversal of the tentative A-76 cost comparison decision, no subsequent or sequential appeal shall be permitted. The attached diagram provides an overview of the AAP for A-76 cost comparisons. **(NOTE: The Administrative Appeal Process for waivers to the cost comparison process is outlined in the DoD Interim Guidance on Waivers to the A-76 Cost Comparison Process at Attachment 6.)**

General Accounting Office (GAO) protests are not part of the AAP and a decision to award a contract in the event of a GAO protest is determined by the contracting officer in accordance with FAR Part 33. Additionally, the AAP does not authorize an appeal outside DoD or judicial review. The AAP is a separate and distinct process from the processes outlined at FAR Part 33, Protests, Disputes and Appeals.

1. **Eligible Appellants** are the affected in-house employees (i.e., appropriated or non-appropriated fund civilian employees being cost compared whose work is being competed) or their representative(s), contractors who have submitted formal offers, and an agency that has submitted a formal offer via an interservice support agreement (ISSA) that could be affected by the tentative cost comparison decision to convert to or from in-house, contract, or ISSA performance as a result of the cost comparison. A non-selected contractor is permitted to appeal in case the contractor originally selected to compete against the in-house offer is reversed via a GAO protest.

2. **Submission of Appeals** shall be permitted only during the Public Review Period. Appeals shall be submitted to the contracting officer and be focused on correcting any and all discrepancies, errors, or omissions to ensure the A-76 cost comparison reflects the correct outcome regardless of whether the final decision is in favor of the contract/ISSA or in-house offer (see paragraph 6. for Appeal Criteria). The outcome of the AAP is final and no subsequent appeals or reviews are authorized under the Revised Supplemental Handbook procedures. Appeals shall be received by the contracting officer, in writing, no later than the last day of the Public Review Period. The Public Review Period shall begin on the date all supporting documentation* is made publicly available and ends within 20 calendar days. However, if the A-76 cost comparison process for a specific initiative is particularly complex, the contracting officer may extend the Public Review Period to a maximum of 30 calendar days.

3. **AAP Decision Time Constraints.** The AAP Authority should issue the AAP decision within 30 calendar days from receipt of the appeal from an appellant by the AAP Authority. This provides sufficient time for all appeals to be evaluated in order to determine a final A-76 cost comparison decision within 30 calendar days. In complex cases, the contracting officer may grant extensions to the AAP.

4. **AAP Authority.** An AAP Authority shall be appointed who is either (1) at least two organizational levels above the official who certifies the MEO **or** (2) independent of the function(s) being cost compared (e.g., if refuse collection is being cost compared, the AAP Authority may not be from the public works/civil engineering function). The following personnel shall be ineligible to be the AAP Authority (or serve on an AAP board if one is appointed):

(a) Anyone participating in the A-76 cost comparison process, such as the contracting officer, Source Selection Authority, members of the Source Selection Evaluation Board, individuals developing the Management Plan (including in-house cost estimate), etc.

(b) Anyone directly working in or associated with the function being cost compared, such as spouses, children, parents, siblings, or household members working in the function being cost compared.

(c) Anyone working for the organization having direct jurisdiction or control over the function being cost compared.

This appointment should be made early in the A-76 cost comparison process to ensure the AAP Authority is independent of the entire A-76 cost comparison process in case an appeal is received. As soon as an appeal is received, the AAP Authority shall be provided a copy of the appeal, cost comparison form, solicitation package, management plan and all supporting documentation*.

5. **AAP Process.** The AAP Authority shall process appeals as follows:

(a) Ensure the contracting officer acknowledges to the appellant in writing that the appeal has been received.

(b) Resolve questions from affected parties relating to determinations resulting from the A-76 cost comparison. Personnel involved in the A-76 cost comparison process may not be part of the AAP but may provide information, data or explanations regarding the basis for determinations or decisions made during the A-76 cost comparison process. The AAP Authority shall analyze each element of the appeal to make a determination. The AAP Authority may appoint an AAP Board to assist in the analysis; however, the AAP Authority shall make all AAP decisions. The AAP should solicit assistance from anyone necessary in evaluating the appeal(s), e.g., legal advisor experienced in the procurement process. The AAP Authority shall only review items specifically identified in an appeal; therefore, the AAP Authority may not make any changes to the cost comparison form unless identified in an appeal. The AAP Authority shall validate discrepancies identified in the appeal and shall ensure the appropriate changes are made to the cost comparison form. The AAP Authority shall ensure a complete audit trail (with rationale) is maintained to document all corrections.

(c) Provide to the contracting officer the results of the appeal decision in writing with an explanation of why the appeal is sustained, does not meet the appeal criteria or why the appeal is denied. The contracting officer shall provide a copy of the written decision to the appellant.

(d) Provide other affected parties a copy of this decision upon request. Other interested parties may request a copy under the Freedom of Information Act (FOIA).

6. **Appeal Criteria.**

(a) In accordance with the Revised Supplemental Handbook, Part I, Chapter 3, Paragraph K., appealable items shall be limited to:

(1) Address specific questions regarding line items on the cost comparison form and set forth rationale for questioning the items.
(2) Identify specific instances of Government denials of information not otherwise protected by law or regulation.
(3) Address specific questions regarding compliance with the policies and procedures of OMB Circular A-76 and the Revised Supplemental Handbook.

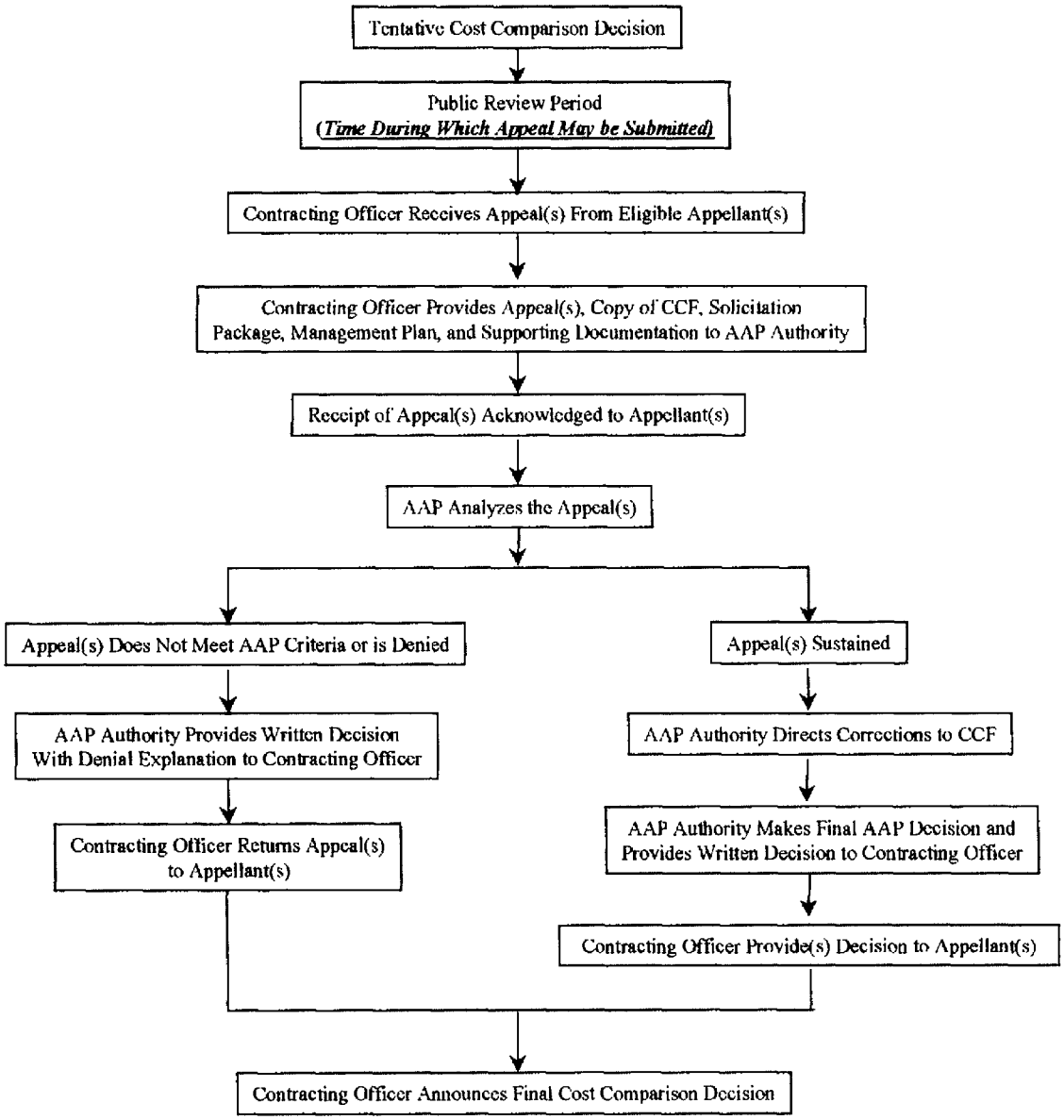
(b) Non-appealable items as listed in the Revised Supplemental Handbook are:

(1) Selection of one contractor over another for competition with the in-house cost estimate.
(2) Award to one contractor in preference to another.
(3) Government management decisions involving the certified Most Efficient Organization (MEO).
(4) Policies/procedures in OMB Circular A-76 and the Revised Supplemental Handbook.

7. **AAP Final Decision.** The decision of the Administrative Appeal Authority shall be final and may not be overruled by a higher authority, e.g., commander, director. The AAP does not authorize an appeal outside the agency or judicial review. No further appeals or reviews shall be considered even if the AAP results in reversing the initial tentative A-76 cost comparison decision. After providing the commander or director and appellant(s) with a final AAP decision, appropriate public notifications shall be made. The AAP Authority shall then file an AAP After-Action Report with the command that is maintained as part of the official A-76 cost comparison documentation.

*** Supporting documentation shall not include any proprietary information from a contractor's offer.**

Overview of Administrative Appeal Process for the A-76 Cost Comparison Process



Note: After AAP Makes Final Cost Comparison Decision No Subsequent Appeal(s) Are Allowed Even if Original Tentative Cost Comparison Decision is Overturned

THIS DIAGRAM IS AN OVERVIEW. IT IS NOT ALL-INCLUSIVE OF THE ADMINISTRATIVE APPEAL PROCESS

WAIVERS TO THE A-76 COST COMPARISON PROCESS

The OMB Circular A-76 Revised Supplemental Handbook, *Performance of Commercial Activities*, March 1996, permits waivers to the A-76 cost comparison process; therefore, it is an additional procedure to DoD Instruction 4100.33, *Performance of Commercial Activities Procedures,* September 9, 1985.

A-76 cost comparison waivers can be a useful supplement to the Competitive Sourcing Program, when appropriate. As permitted by the OMB Circular A-76 Revised Supplemental Handbook, DoD supports this approach given sufficient justification. An A-76 cost comparison waiver permits conversion to or from in-house or contract performance without performing the A-76 cost comparison process. The waiver analysis shall apply to the decision not to conduct an A-76 cost comparison rather than whether a particular proposal is consistent with overall Component goals or objectives or is one a Component wishes to investigate. During the analytical process leading to a decision of whether to request a cost comparison waiver, Components should solicit the views, comments, and recommendations of the incumbents [i.e., government employees and their representatives or the private sector contractor(s)]. However, the decision to submit a waiver request is a management determination. Additionally, an A-76 cost comparison waiver shall apply to the entire A-76 cost comparison process and may not be used to waive specific provisions or cost factors within the A-76 cost comparison process itself.

Cost Comparison Process Waivers: DoD procedures for waiving a specific cost comparison in accordance with the waiver procedures of OMB Circular A-76 Revised Supplemental Handbook follow:

1. In accordance with the OMB Circular A-76 Revised Supplemental Handbook, Chapter 1, Paragraph E.(3)(a)(1) and (2), waivers of A-76 cost comparisons shall be permitted for conversions from **or** to in-house **or** contract/ISSA performance only when:

(a) The conversion will result in a significant financial or service quality improvement and will not reduce significantly the level or quality of competition in the future award or performance of the work, **or**

(b) The in-house or contract offer has no reasonable expectation of winning a competition under the A-76 cost comparison process.

2. An A-76 cost comparison waiver does not constitute a waiver of applicable statutes. A-76 cost comparison waivers may not be used to circumvent statutory requirements. Before converting an in-house commercial activity to contract performance, DoD Components shall comply with applicable statutory requirements such as 10 U.S.C. § 2461 (provides general cost comparison notifications and inventory provisions), 10 USC § 2462 (requires private sector source to be more cost effective), 10 U.S.C. § 2467 (provides cost comparison requirements with respect to retirement costs and

consultation with Government employees and congressional notification of cost comparison waivers), P.L. 106-79 § 8014 and successor Appropriations Act provisions (provides MEO requirement provisions), and any other pertinent laws.

3. A-76 cost comparison waivers are granted to DoD for Federal installations scheduled for closure or in cases where functions are designated for termination on specific dates. Such waivers are not required to meet the requirements in Paragraph 1 above. DoD Components may elect to grant these waivers on a case-by-case basis.

4. The A-76 cost comparison waiver approval authority is delegated to the official that a DoD Component has designated to comply with Paragraph 9.a. of OMB Circular A-76, *Performance of Commercial Activities*.

5. A-76 cost comparison waiver requests shall be submitted in writing to the A-76 cost comparison waiver approval authority (see Paragraph 4. above) and include the following information: (1) the commercial activity(s), location(s), and full-time equivalents (military and civilian) impacted by the waiver request (for multiple locations a breakout by location is required); (2) sufficient justification, supporting analysis, and data; (3) plans for compliance with statutory requirements; and (4) a public affairs plan of action. The A-76 cost comparison waiver request and approval document serve as the administrative record. The public affairs plan shall include the timing of appropriate notifications for adversely affected civilian and military employees, union representatives, incumbent contractors, etc., as well as outline how the appropriate DoD, legislative, and local community notifications will be made.

(a) If the A-76 cost comparison waiver is based on Paragraph 1.(a) above, the request shall clearly indicate why the conversion will result in a significant financial or service quality improvement to the Department. The term "significant" shall be supported by data analysis. The request also shall describe "how" the level or quality of competition in future award or performance of the work will not be reduced.

(b) If the A-76 cost comparison waiver is based on Paragraph 1.(b) above, the request shall include detailed analysis documenting why the incumbent (in-house or contractor) will have no reasonable expectation of winning a competition under the A-76 cost comparison process.

(c) A-76 cost comparison waiver requests for a conversion from in-house to contract shall include a statement that maximum efforts will be made to assist adversely affected civilian employees in accordance with 5 CFR Part 330 and Part 351, that they will be offered the Right of First Refusal as required by FAR Part 52.207-3, and explain provisions for how these employees will be allowed to appeal the A-76 cost comparison waiver decision (see Paragraph 7. below).

(d) A Component's decision to waive the A-76 cost comparison process shall be based solely upon whether the activity proposed for conversion strictly meets the requirements in Paragraph 1 [i.e., OMB Circular A-76 Revised Supplemental Handbook,

Chapter 1, Paragraph E.(3)(a)(1) and (2)], and not whether the proposal in general is consistent with overall Component policies, goals, or objectives, or whether the proposal should be pursued by the Component as a matter of overall sound business judgement.

6. Before a public announcement is made of the A-76 cost comparison waiver approval, DoD Components shall make the following announcements in the following order:

(a) DUSD(I). A copy of the A-76 cost comparison waiver request and approval document shall be provided with the notification to DUSD(I) five work days prior to Paragraphs (b) and (c) below.

(b) Concurrently notify Congress (per 10 U.S.C. § 2461) and directly affected civilian employees and their union representatives as well as any affected military or incumbent contractors. A copy of the A-76 cost comparison waiver request and the approval document shall be provided to these individuals upon notification and they shall be informed of the appeal process at the same time.

(c) Local community. An official press release is recommended.

7. A-76 cost comparison waivers shall be appealable. The following guidance is provided for addressing these appeals:

(a) Eligible appellants shall be limited to the Federal employees and their representatives and existing Federal contractors affected by a decision to waive the A-76 cost comparison process.

(b) Eligible appellants shall file an appeal during the Public Review Period that begins on the date a copy of the A-76 cost comparison waiver request and the approval document were made available to the appellants and ends within 20 calendar days (see Paragraph 6. above).

(c) Appeals shall be submitted to the official who signed the A-76 cost comparison waiver approval document. This official then provides them to the Administrative Appeal Authority who shall determine the outcome of the appeal.

(d) DoD Components shall appoint an Administrative Appeal Authority for the A-76 cost comparison waiver appeal, who shall be two organizational levels above the official who signs the A-76 cost comparison waiver approval document (see Paragraph 4 above).

(e) In accordance with the Revised Supplemental Handbook, Part I, Chapter 3, Paragraph K., A-76 cost comparison waiver Appeal must:

(1) Address specific questions regarding agency compliance with requirements and procedures of OMB Circular A-76 and the Revised Supplemental Handbook.

(2) Address factual questions regarding the A-76 cost comparison waiver justification.

(3) Identify specific instances of agency denials of information not otherwise protected by law or regulation.

(f) The Administrative Appeal Authority for the A-76 cost comparison waiver appeal should make a final decision within 30 calendar days from the date of the end of the Public Review Period and provide a copy of the written decision to the appellant. This decision should provide an explanation of why the appeal is sustained, does not meet the appeal criteria or why the appeal is denied. The A-76 cost comparison waiver appeal decision made by the Administrative Appeal Authority is to be final and not subject to further review as provided by the Revised Supplemental Handbook, Part I, Chapter 3, Paragraph K.7.

PERFORMANCE TRACKING OF COMPLETED INITIATIVES FOR THE STRATEGIC AND COMPETITIVE SOURCING PROGRAMS

The Department plans to monitor DoD Component execution of their Strategic Sourcing and Competitive Sourcing Programs as follows:

- *Continue to update the Commercial Activities Management Information System* (CAMIS) and monitor CAMIS quarterly updates submitted by DoD Components. DoD Components are responsible for the timely submission and accuracy of their CAMIS data.

- Develop a Management Information System (similar to CAMIS) for Strategic Sourcing candidates (other than A-76) with a goal of integrating the two tracking systems at a later date.

- Develop a web-based knowledge management system for submitting lessons learned to OSD consisting of After-Action Reports to address the Department's successes, problems, challenges, etc. for all initiatives. This report shall be broken out into five segments, as applicable:

    - Performance Work Statement (PWS) Development Phase
    - Management Plan Development Phase
    - Solicitation and Source Selection Phase
    - Cost Comparison and Administrative Appeal Phase
    - Implementation and Transition Phase

- Develop a DoD Performance Measurement Manual that institutionalizes departmental policy and procedures to measure performance for competitive and strategic sourcing. The measurement will compare performance before and after a competitive or strategic sourcing initiative has been completed.

- Monitor execution and savings via the Budget Review Process.

DoD Components shall comply with the OMB Circular A-76 Revised Supplemental Handbook, Part I, Chapter 3, Paragraph L, Post-MEO Performance Review. DoD Components *shall review at least twenty percent of all most efficient organizations* (MEOs) resulting from an A-76 cost comparison conducted since March 1996. These reviews shall be performed at the end of the first full year of MEO performance and shall confirm that the MEO (1) has been implemented in accordance with the Transition Plan, (2) has the ability to perform the services identified in the PWS, and (3) actual costs are within the estimates contained in the in-house estimate (allowing for adjustments for formal mission or scope of work changes).

DoD Components shall be required to estimate the costs of current operations, i.e., prior to beginning either a Strategic Sourcing or Competitive Sourcing initiative. DoD Components shall establish a methodology for estimating these "as-is" costs for budgeting purposes. "As-is" costs for strategic sourcing initiatives should be based on budgeted costs, i.e., multiply spaces to be studied by DoD Component average salary factors. "As-is" costs for A-76 initiatives shall be based on application of A-76 personnel cost factors to positions competed.

To ensure work year baselines are calculated properly in CAMIS, the following changes are required to the definitions for data elements 23 and 24. (Note: This is a change to the September 3, 1999 DUSD(I) memo, subject: Revisions to the Commercial Activities Management Information System (CAMIS) Procedural Guidance.)

- Baseline Annual Workyears Civilian: The number of annual civilian workyears it has taken to perform the work being studied during the 12 months prior to announcement. Include workyears expended by all sources of civilian manpower, including assigned, permanent, temporary, part-time, intermittent, seasonal, borrowed, detailed, overhire, foreign national direct hire, foreign national indirect hire, nonappropriated fund, etc., civilian personnel as well as any overtime. Also include workload eliminated for management efficiencies during the study. Exclude inherently governmental work, work that has been exempted from competition, and any work performed by a contractor. Calculate workyears using the same method used for calculating MEO FTEs as required by Part II, Chapter 2, paragraph B.5. in the Revised Supplemental Handbook to OMB Circular A-76. Round down less than one-half year of effort, and round up one-half year or more. Use these workyear figures as the baseline for determining the personnel savings included in data element 61 and identified by the Management Plan.

- Baseline Annual Workyears Military: The number of annual military workyears it has taken to perform the work being studied during the 12 months prior to announcement. Include workyears expended by all sources of military manpower, including assigned, borrowed, diverted, and detailed military personnel. Also include workload eliminated for management efficiencies during the study. Exclude inherently governmental work, and work that has been exempted from competition. Calculate workyears using the same method used for calculating MEO FTEs as required by Part II, Chapter 2, paragraph B.5. in the Revised Supplemental Handbook to OMB Circular A-76. Round down less than one-half year of effort, and round up one-half year or more. Use these workyear figures as the baseline for determining the personnel savings included in data element 61 and identified by the Management Plan.

The combination of these requirements determines how well the Department is executing its Strategic Sourcing and Competitive Sourcing Programs. It provides an opportunity for the DoD Components to assess each others' Programs while providing a means to share lessons learned to continually improve processes.