EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, DC 20503

May 29, 2003

CIRCULAR NO. A-76 (REVISED)

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Performance of Commercial Activities

1. **Purpose.** This circular establishes federal policy for the competition of commercial activities.

2. **Supersession.** This circular supersedes Office of Management and Budget (OMB) Circular No. A-76 (Revised 1999), August 4, 1983; Circular No. A–76 Revised Supplemental Handbook (Revised 2000), March 1996; Office of Federal Procurement Policy Letter 92-1, "Inherently Governmental Functions," September 23, 1992; and OMB Transmittal Memoranda 1 through 25, Performance of Commercial Activities.

3. **Authority.** Reorganization Plan No. 2 of 1970 (31 U.S.C. § 1111); Executive Order 11541; the Office of Federal Procurement Policy Act (41 U.S.C. § 405); and the Federal Activities Inventory Reform (FAIR) Act of 1998 (31 U.S.C. § 501 note).

4. **Policy.** The longstanding policy of the federal government has been to rely on the private sector for needed commercial services. To ensure that the American people receive maximum value for their tax dollars, commercial activities should be subject to the forces of competition. In accordance with this circular, including Attachments A-D, agencies shall:

   a. Identify all activities performed by government personnel as either commercial or inherently governmental.

   b. Perform inherently governmental activities with government personnel.

   c. Use a streamlined or standard competition to determine if government personnel should perform a commercial activity.

   d. Apply the Federal Acquisition Regulation (FAR), 48 C.F.R. Chapter 1, in conjunction with this circular, for streamlined and standard competitions.

   e. Comply with procurement integrity, ethics, and standards of conduct rules, including the restrictions of 18 U.S.C. § 208, when performing streamlined and standard competitions.

   f. Designate, in writing, an assistant secretary or equivalent level official with responsibility for implementing this circular, hereafter referred to as the competitive sourcing official (CSO). Except as otherwise provided by this circular, the CSO may delegate, in writing, specified responsibilities to senior-level officials in the agency or agency components.

   g. Require full accountability of agency officials designated to implement and comply with this circular by establishing performance standards in annual performance evaluations.

h. Centralize oversight responsibility to facilitate fairness in streamlined and standard competitions and promote trust in the process. Agencies shall allocate resources to effectively apply a clear, transparent, and consistent competition process based on lessons learned and best practices. Lessons learned and best practices resulting from a streamlined or standard competition process shall be posted on SHARE A-76!

i. Develop government cost estimates for standard and streamlined competitions in accordance with Attachment C using the COMPARE costing software. Agencies shall not use agency budgetary estimates to develop government cost estimates in a streamlined or standard competition.

j. Track execution of streamlined and standard competitions in accordance with Attachment B.

k. Assist adversely affected federal employees in accordance with 5 C.F.R. Parts 330 and 351. The statutory veterans' preference for appointment and retention (5 U.S.C. §§ 1302, 3301, 3302, 3502) applies to actions taken pursuant to this circular.

l. Not perform work as a contractor or subcontractor to the private sector, unless specific statutory authority exists or the CSO receives prior written OMB approval.

5. Scope.

a. Except as otherwise provided by law, this circular shall apply to executive departments named in 5 U.S.C. § 101 and independent establishments as defined in 5 U.S.C. § 104. These departments and independent establishments are referred to in this circular as "agencies". Except as otherwise provided by law, this circular shall apply to military departments named in 5 U.S.C. § 102.

b. As provided by Attachment A, the CSO may exempt a commercial activity performed by government personnel from performance by the private sector.

c. The CSO (without delegation) shall receive prior written OMB approval to deviate from this circular (e.g., time limit extensions, procedural deviations, or costing variations for a specific streamlined or standard competition, or inventory process deviations). Agencies shall include any OMB approved deviations in the public announcement and solicitation for a streamlined or standard competition. Agencies are encouraged to use this deviation procedure to explore innovative alternatives to standard or streamlined competitions, including public-private partnerships, public-public partnerships, and high performing organizations.

d. A streamlined or standard competition is not required for private sector performance of a new requirement, private sector performance of a segregable expansion to an existing commercial activity performed by government personnel, or continued private sector performance of a commercial activity. Before government personnel may perform a new requirement, an expansion to an existing commercial activity, or an activity performed by the private sector, a streamlined or standard competition shall be used to determine whether government personnel should perform the commercial activity.

e. The CSO shall identify savings resulting from completed streamlined and standard competitions in accordance with OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget.*

f. This circular shall not be construed to alter any law, executive order, rule, regulation, treaty, or international agreement.

g. Noncompliance with this circular shall not be interpreted to create a substantive or procedural basis to challenge agency action or inaction, except as stated in Attachments A and B.

h. The Department of Defense CSO (without delegation) shall determine if this circular applies to the Department of Defense during times of a declared war or military mobilization.

6. Effective Date. This circular is effective upon publication in the *Federal Register* and shall apply to inventories required, and streamlined and standard competitions initiated, after the effective date.

7. Transition. Agencies shall apply the following transition procedures to direct conversions and cost comparisons, including streamlined cost comparisons, initiated but not completed by the effective date of this circular.

a. Agencies shall convert initiated streamlined cost comparisons and direct conversions to streamlined or standard competitions under this revised circular.

b. Agencies shall convert initiated cost comparisons for which solicitations have not been issued prior to the effective date to standard competitions under this revised circular or, at the agency's discretion if permitted by this revised circular, to streamlined competitions.

c. The circular in effect prior to this revision shall govern cost comparisons for which solicitations have been issued, unless agencies, at their discretion, convert such cost comparisons to standard competitions under this revised circular, or, if permitted by this revised circular, to streamlined competitions.

d. In applying transition procedures, agencies shall not combine the requirements of this revised circular with those in the prior circular.

e. When complying with the transition procedures required by this paragraph, agencies shall make a public announcement within 30 days after the effective date of this revised circular pursuant to this transition paragraph. For conversions made at an agency's discretion, agencies shall make public announcement on the date the agency's decision takes effect.

8. Attachments.

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Director

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Web Sites

OMB -- www.omb.gov

SHARE A-76 -- http://emissary.acq.osd.mil/inst/share.nsf/

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A. Acronyms

ATO	FAR	HRA	SLCF
CDRL	FICA	MEO	SSA
C.F.R.	FTE	OMB	SSEB
CLIN	FWS	OPM	U.S.C.
CO	GAO	PWS	VERA
CSO	GFP	SCA	VSIP
FAIR	GS	SCF	

B. Definitions

Activity
Adversely Affected Employees
Agency Cost Estimate
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Quality Assurance Surveillance Plan
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Representatives of Directly Affected Employees
Residual Value
Resources
Segregable Expansion
SHARE A-76!
Solicitation Closing Date
Source
Source Selection Authority (SSA)
Source Selection Evaluation Board (SSEB)
Standard Competition Form (SCF)
Start Date
Streamlined Competition Form (SLCF)
Uniformed Services
Useful Life

INVENTORY PROCESS

A. INVENTORY REQUIREMENTS.

1. **Agency Inventories.** An agency shall prepare two annual inventories that categorize all activities performed by government personnel as either commercial or inherently governmental.

2. **Annual Requirement.** By June 30 of each year, an agency shall submit the following by electronic mail (e-mail) to OMB (a) an inventory of commercial activities performed by government personnel; (b) an inventory of inherently governmental activities performed by government personnel; and (c) an inventory summary report. An agency may provide aggregate data for uniformed services personnel and foreign nationals performing inherently governmental activities. For annual inventories, an agency shall use the format and data requirements found at the OMB web site (www.OMB.gov).

3. **OMB Review and Consultation.** OMB shall, on an annual basis, review both agency inventories and consult with the agency regarding the content of both agency inventories.

4. **Congressional and Public Notification.** After OMB review and consultation, an agency shall make both inventories available to Congress and the public unless the inventory information is classified or otherwise protected for national security reasons. OMB shall publish a notice of availability in the *Federal Register*.

5. **Inventory Summary Report.** An agency shall submit an annual inventory summary in the format in Figure A1. to identify aggregate data. The total of the two agency inventories shall reasonably equate to an agency's authorized personnel requirements. An agency shall make the annual inventory summary report available to the public unless the inventory information is classified or otherwise protected for national security reasons.

Fiscal Year XXXX Annual Inventory Summary									
AGENCY:	COMMERCIAL ACTIVITY INVENTORY					Inherently Governmental Inventory			
	FAIR Act	Jniformed Services	Foreign Nationals	Other	TOTAL	Inherently Governmental*	Uniformed Services	Foreign Nationals	TOTAL
Agency Component A									
Agency Component B									
AGENCY TOTAL									
*Minus uniformed services personnel and foreign nationals									

Figure A1.

B. CATEGORIZING ACTIVITIES PERFORMED BY GOVERNMENT PERSONNEL AS INHERENTLY GOVERNMENTAL OR COMMERCIAL.

1. **Inherently Governmental Activities.** The CSO shall justify, in writing, any designation of government personnel performing inherently governmental activities. The justification shall be made available to OMB and the public upon request. An agency shall base inherently governmental justifications on the following criteria:

   a. An inherently governmental activity is an activity that is so intimately related to the public interest as to mandate performance by government personnel. These activities require the exercise of substantial discretion in applying government authority and/or in making decisions for the government. Inherently governmental activities normally fall into two categories: the exercise of sovereign government authority or the establishment of procedures and processes related to the oversight of monetary transactions or entitlements. An inherently governmental activity involves:

   (1) Binding the United States to take or not to take some action by contract, policy, regulation, authorization, order, or otherwise;

   (2) Determining, protecting, and advancing economic, political, territorial, property, or other interests by military or diplomatic action, civil or criminal judicial proceedings, contract management, or otherwise;

   (3) Significantly affecting the life, liberty, or property of private persons; or

   (4) Exerting ultimate control over the acquisition, use, or disposition of United States property (real or personal, tangible or intangible), including establishing policies or procedures for the collection, control, or disbursement of appropriated and other federal funds.

   b. While inherently governmental activities require the exercise of substantial discretion, not every exercise of discretion is evidence that an activity is inherently governmental. Rather, the use of discretion shall be deemed inherently governmental if it commits the government to a course of action when two or more alternative courses of action exist and decision making is not already limited or guided by existing policies, procedures, directions, orders, and other guidance that (1) identify specified ranges of acceptable decisions or conduct and (2) subject the discretionary authority to final approval or regular oversight by agency officials.

   c. An activity may be provided by contract support (i.e., a private sector source or a public reimbursable source using contract support) where the contractor does not have the authority to decide on the course of action, but is tasked to develop options or implement a course of action, with agency oversight. An agency shall consider the following to avoid transferring inherently governmental authority to a contractor:

   (1) Statutory restrictions that define an activity as inherently governmental;

   (2) The degree to which official discretion is or would be limited, i.e., whether involvement of the private sector or public reimbursable provider is or would be so extensive that the ability of senior agency management to develop and consider options is or would be inappropriately restricted;

(3) In claims or entitlement adjudication and related services (a) the finality of any action affecting individual claimants or applicants, and whether or not review of the provider's action is de novo on appeal of the decision to an agency official; (b) the degree to which a provider may be involved in wide-ranging interpretations of complex, ambiguous case law and other legal authorities, as opposed to being circumscribed by detailed laws, regulations, and procedures; (c) the degree to which matters for decisions may involve recurring fact patterns or unique fact patterns; and (d) the discretion to determine an appropriate award or penalty;

(4) The provider's authority to take action that will significantly and directly affect the life, liberty, or property of individual members of the public, including the likelihood of the provider's need to resort to force in support of a police or judicial activity; whether the provider is more likely to use force, especially deadly force, and the degree to which the provider may have to exercise force in public or relatively uncontrolled areas. These policies do not prohibit contracting for guard services, convoy security services, pass and identification services, plant protection services, or the operation of prison or detention facilities, without regard to whether the providers of these services are armed or unarmed;

(5) The availability of special agency authorities and the appropriateness of their application to the situation at hand, such as the power to deputize private persons; and

(6) Whether the activity in question is already being performed by the private sector.

2. **Commercial Activities.** A commercial activity is a recurring service that could be performed by the private sector and is resourced, performed, and controlled by the agency through performance by government personnel, a contract, or a fee-for-service agreement. A commercial activity is not so intimately related to the public interest as to mandate performance by government personnel. Commercial activities may be found within, or throughout, organizations that perform inherently governmental activities or classified work.

C. REASON CODES FOR COMMERCIAL ACTIVITIES.

1. **Annual Procedures.** An agency shall use reason codes A-F, identified in Figure A2. below, to indicate the rationale for government performance of a commercial activity. Annual supplemental procedures for the use of these reason codes may be found at the OMB web site.

REASON CODES AND DEFINITIONS FOR COMMERCIAL ACTIVITIES INVENTORY	
Codes	DEFINITIONS
A	The commercial activity is not appropriate for private sector performance pursuant to a written determination by the CSO.
B	The commercial activity is suitable for a streamlined or standard competition.
C	The commercial activity is the subject of an in-progress streamlined or standard competition.
D	The commercial activity is performed by government personnel as the result of a standard or streamlined competition (or a cost comparison, streamlined cost comparison, or direct conversion) within the past five years.
E	The commercial activity is pending an agency approved restructuring decision (e.g., closure, realignment).
F	The commercial activity is performed by government personnel due to a statutory prohibition against private sector performance.

Figure A2.

2. **Reason Code A.** The CSO may use reason code A to exempt commercial activities performed by government personnel from private sector performance. The CSO shall provide sufficient written justification for reason code A exemptions. These written justifications for the use of reason code A shall be available to OMB and the public, upon request.

D. <u>INVENTORY CHALLENGE PROCESS</u>. An agency shall implement the following inventory challenge process.

1. **Designation of Inventory Challenge and Appeal Authorities.** The head of the agency shall designate inventory challenge authorities and inventory appeal authorities as follows:

   a. **Inventory Challenges.** Inventory challenge authorities shall be agency officials at the same level as, or a higher level than, the individual who prepared the inventory. Inventory challenge authorities shall review and respond to challenges of agency inventory decisions.

   b. **Inventory Appeals.** Inventory appeal authorities shall be agency officials who are independent and at a higher level in the agency than inventory challenge authorities, and shall review and respond to appeals of inventory challenge decisions made by inventory challenge authorities.

2. **Submission of an Inventory Challenge.** After publication of OMB's *Federal Register* notice stating that an agency's inventories are available, an interested party shall have 30 working days to submit a written inventory challenge. The inventory challenge shall be limited to (a) the reclassification of an activity as inherently governmental or commercial, or (b) the application of reason codes. Function codes shall not be subject to the inventory challenge process. A written inventory challenge shall be submitted to agency inventory challenge authorities and shall specify the agency, agency component, agency organization, function(s), and location(s) for the activities being challenged.

3. **Inventory Challenge Decision.** Within 28 working days of receiving the inventory challenge, inventory challenge authorities shall (a) validate the commercial or inherently governmental categorization or reason code designation of the activity, in a written inventory challenge decision; and (b) transmit the inventory challenge decision, including the rationale for the decision, to the interested party. Inventory challenge authorities shall include an explanation of the interested party's right to file an appeal in any adverse challenge decision.

4. **Submission of an Appeal of an Inventory Challenge Decision.** Upon receipt of an adverse inventory challenge decision, an interested party shall have 10 working days to submit a written appeal of this decision to inventory appeal authorities.

5. **Inventory Appeal Decision.** Within 10 working days of receipt of the appeal, inventory appeal authorities shall issue and transmit a written inventory appeal decision to the interested party. This inventory appeal decision shall include the rationale for the decision.

6. **Inventory Changes.** When the inventory challenge process results in a change to an agency inventory, the agency shall (a) transmit a copy of the change to OMB and Congress; (b) make these changes available to the public; and (c) publish a notice of public availability in the *Federal Register*.

PUBLIC-PRIVATE COMPETITION

A. PRELIMINARY PLANNING. Before the public announcement (start date) of a streamlined or standard competition, an agency shall complete, at a minimum, the following steps:

1. **Scope.** Determine the activities and full time equivalent (FTE) positions to be competed.

2. **Grouping.** Conduct preliminary research to determine the appropriate grouping of activities as business units (e.g., consistent with market and industry structures).

3. **Workload Data and Systems.** Assess the availability of workload data, work units, quantifiable outputs of activities or processes, agency or industry performance standards, and other similar data. Establish data collection systems as necessary.

4. **Baseline Costs.** Determine the activity's baseline costs as performed by the incumbent service provider.

5. **Type of Competition.** Determine the use of a streamlined or standard competition.

   a. An agency shall use a standard competition if, on the start date, a commercial activity is performed by:

   (1) The agency with an aggregate of more than 65 FTEs; or

   (2) A private sector or public reimbursable source and the agency tender will include an aggregate of more than 65 FTEs.

   b. An agency shall use either a streamlined or standard competition if, on the start date, a commercial activity is performed by:

   (1) The agency with an aggregate of 65 or fewer FTEs and/or any number of military personnel; or

   (2) A private sector or public reimbursable source and the agency cost estimate (for a streamlined competition) or the agency tender (for a standard competition) will include an aggregate of 65 or fewer FTEs.

6. **Schedule.** Develop preliminary competition and completion schedules.

7. **Roles and Responsibilities of Participants.** Determine roles and responsibilities of participants in the process and their availability for the duration of the streamlined or standard competition.

8. **Competition Officials.** Appoint competition officials. The CSO shall appoint competition officials for each standard competition, and, as appropriate, may appoint competition officials for streamlined competitions. The CSO shall appoint all competition officials, in writing, and shall hold these competition officials accountable for the timely and proper conduct of streamlined or standard competitions through the use of annual performance evaluations.

a. **Agency Tender Official (ATO).** The ATO shall (1) be an inherently governmental agency official with decision-making authority; (2) comply with this circular; (3) be independent of the contracting officer (CO), source selection authority (SSA), source selection evaluation board (SSEB), and performance work statement (PWS) team; (4) develop, certify, and represent the agency tender; (5) designate the most efficient organization (MEO) team after public announcement of the standard competition; (6) provide the necessary resources and training to prepare a competitive agency tender; and (7) be a directly interested party. An agency shall ensure that the ATO has access to available resources (e.g., skilled manpower, funding) necessary to develop a competitive agency tender.

b. **Contracting Officer (CO).** The CO shall (1) be an inherently governmental agency official; (2) comply with both the FAR and this circular; (3) be independent of the ATO, human resource advisor (HRA), and MEO team; and (4) be a member of the PWS team.

c. **PWS (Performance Work Statement) Team Leader.** The PWS team leader shall (1) be an inherently governmental agency official; (2) comply with both the FAR and this circular; (3) be independent of the ATO, HRA and MEO team; (4) develop the PWS and quality assurance surveillance plan; (5) determine government-furnished property (GFP); (6) assist the CO in developing the solicitation; and (7) assist in implementing the performance decision.

d. **Human Resource Advisor (HRA).** The HRA shall (1) be an inherently governmental agency official and a human resource expert; (2) comply with this circular; (3) be independent of the CO, SSA, PWS team, and SSEB; (4) participate on the MEO team; and (5) be responsible for the following:

(1) **Employee and Labor-Relations Requirements.** The HRA shall, at a minimum, perform the following (a) interface with directly affected employees (and their representatives) from the date of public announcement until full implementation of the performance decision; (b) identify adversely affected employees; (c) accomplish employee placement entitlements in accordance with 5 C.F.R. Part 351 (reduction-in-force procedures); (d) provide post-employment restrictions to employees; (e) determine agency priority considerations for vacant positions and establish a reemployment priority list(s) in accordance with 5 C.F.R. Part 330; and (f) provide the CO with a list of the agency's adversely affected employees, as required by this attachment and FAR 7.305(c) regarding the right of first refusal for a private sector performance decision.

(2) **MEO Team Requirements.** The HRA shall assist the ATO and MEO team in developing the agency tender. During development of the agency tender, the HRA shall be responsible for (a) scheduling sufficient time in competition milestones to accomplish potential human resource actions in accordance with 5 C.F.R. Part 351; (b) advising the ATO and MEO team on position classification restrictions; (c) classifying position descriptions, including exemptions based on the Fair Labor Standards Act (d) performing labor market analysis to determine the availability of sufficient labor to staff the MEO and implement the phase-in plan; (e) assisting in the development of the agency cost estimate by providing annual salaries, wages, night differentials, and premium pay; (f) assisting in the development of the timing for the phase-in plan based on MEO requirements; and (g) developing an employee transition plan for the incumbent agency organization early in the standard competition process.

e. **Source Selection Authority (SSA).** The SSA shall (1) be an inherently governmental agency official appointed in accordance with FAR Part 15.303; (2) comply with both the FAR and this circular when performing a streamlined and standard competition; and (3) be independent of the ATO, HRA, and MEO team. The SSA shall not appoint an SSEB until after public announcement.

9. **Incumbent Service Providers.** Inform any incumbent service providers of the date that the public announcement will be made**.**

B. PUBLIC ANNOUNCEMENTS.

1. **Start Date (Public Announcement Date).** An agency shall make a formal public announcement (at the local level and via *FedBizOpps.gov*) for each streamlined or standard competition. The public announcement shall include, at the minimum, the agency, agency component, location, type of competition (streamlined or standard), activity being competed, incumbent service providers, number of government personnel performing the activity, name of the CSO, name of the contracting officer, name of the ATO, and projected end date of the competition. The public announcement date is the official start date for a streamlined or standard competition.

2. **End Date (Performance Decision Date).** An agency shall make a formal public announcement (at the local level and via *FedBizOpps.gov*) of the streamlined or standard competition performance decision. The performance decision date is the official end date for a streamlined or standard competition. The end date of a streamlined competition shall be the date that all SLCF certifications are complete, signifying a performance decision. The end date of a standard competition shall be the date that all SCF certifications are complete, signifying a performance decision.

3. **Cancellations.**

   a. **Cancellation of a Streamlined or Standard Competition.** The CSO (without delegation) may approve, in writing, the cancellation of a streamlined or standard competition. After approval by the CSO, the CO shall publish a cancellation notice that includes rationale for the cancellation at *FedBizOpps.gov* and the HRA shall notify directly affected employees and their representatives of the cancellation. No cancellation is necessary prior to public announcement of a streamlined or standard competition.

   b. **Cancellation of a Solicitation.** The CO shall be responsible for canceling a solicitation in accordance with the FAR, and shall publish a cancellation notice at *FedBizOpps.gov*. The HRA shall notify directly affected employees and their representatives of the cancellation. The cancellation of a solicitation does not result in the cancellation of a streamlined or standard competition.

C. STREAMLINED COMPETITION PROCEDURES.

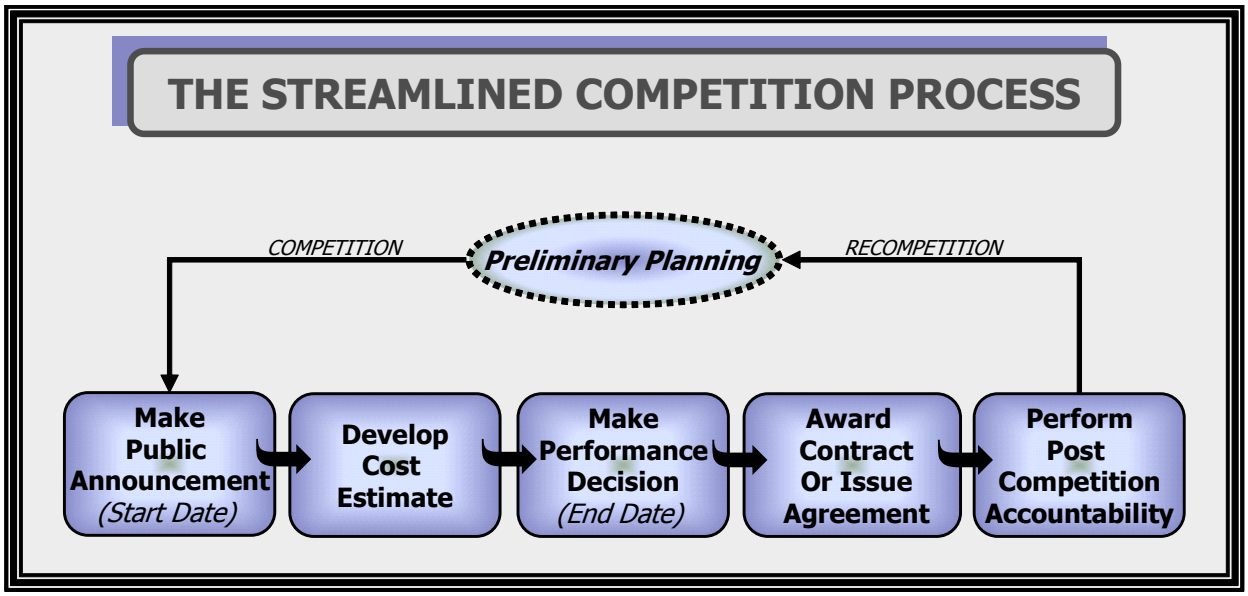

Figure B1.

1. **Streamlined Competition Form (SLCF).** After public announcement, an agency shall calculate, compare, and certify costs based upon the scope and requirements of the activity to determine and document a cost-effective performance decision by completing the SLCF as follows:

   a. **Cost of Agency Performance.** An agency shall calculate and certify the cost of performing the activity with government personnel in accordance with Attachment C for a minimum of three performance periods by completing SLCF Lines 1, 2, 3 (limited to awarded contracts supporting agency performance of the activity), 4, and 6. An agency may base the agency cost estimate on the incumbent activity; however, an agency is encouraged develop a more efficient organization, which may be an MEO.

   b. **Cost of Private Sector/Public Reimbursable Performance.** An agency shall determine an estimated contract price for performing the activity with a private sector source, using documented market research or soliciting cost proposals in accordance with the FAR. An agency may also determine an estimated cost for performing the activity with a public reimbursable source by calculating (or requesting that a public reimbursable source calculate) SLCF Lines 1a, 2a, 3a (limited to awarded contracts), 4a, and 6a. An agency shall enter and certify an estimated contract price or public reimbursable cost on SLCF Line 7 in accordance with Attachment C for a minimum of three performance periods.

   c. **Adjusted Cost Estimate.** An agency shall calculate and certify the adjusted costs for SLCF Lines 8, 12, 13, and 17 to determine and certify a cost effective source as reflected on SLCF Line 18 in accordance with Attachment C. An agency shall not calculate any other SLCF lines for a streamlined competition.

d. **Cost Estimate Firewalls.** An agency shall ensure that the individual(s) preparing the agency cost estimate and the individual(s) preparing the private sector/public reimbursable cost estimate shall be different, and shall not share information concerning their respective estimates.

2. **Time Limit.** A streamlined competition shall not exceed 90 calendar days from public announcement (start date) to performance decision (end date) unless the CSO grants a time limit waiver. Before the public announcement of each streamlined competition, the CSO may grant a time limit waiver, in writing, allowing a specific streamlined competition to exceed the 90 day time limit by no more than 45 calendar days, for a maximum of 135 calendar days from public announcement (start date) to performance decision (end date). The CSO may only grant a time limit waiver if the CSO expects the agency to create an MEO or issue a solicitation for private sector offers. If an agency cannot complete an announced streamlined competition within the time limit, the agency shall either convert the streamlined competition to a standard competition or request an additional extension of time from OMB using the deviation procedure in paragraph 5.c. of this circular.

3. **Performance Decision in a Streamlined Competition.**

a. **SLCF Certifications.** An agency shall make three certifications on the SLCF in accordance with Attachment C to determine a performance decision. A different individual shall make each of these certifications.

b. **SLCF Review.** Consistent with procurement integrity, ethics, and standards of conduct rules, including the restrictions of 18 U.S.C. § 208, agencies shall allow incumbent service providers to review the SLCF prior to the public announcement of a performance decision.

c. **Public Announcement.** The agency shall make a formal public announcement (at the local level and via *FedBizOpps.gov*) of the performance decision. The SLCF shall be made available to the public, upon request. If the agency cost estimate includes any support contracts, the agency shall not release proprietary information contained in these contracts.

d. **Implementing the Streamlined Performance Decision.** An agency shall implement the performance decision resulting from a streamlined competition as follows:

(1) **Private Sector or Public Reimbursable Performance Decision.** The CO may issue a solicitation to determine a private sector or public reimbursable service provider. For a private sector performance decision, the CO shall award a contract in accordance with the FAR and shall implement FAR 7.305(c), the right of first refusal. For a public reimbursable performance decision, the CO shall execute a fee-for-service agreement with the public reimbursable source.

(2) **Agency Performance Decision.** The CO shall execute a letter of obligation with an official responsible for performing the commercial activity.

D. STANDARD COMPETITION PROCEDURES.

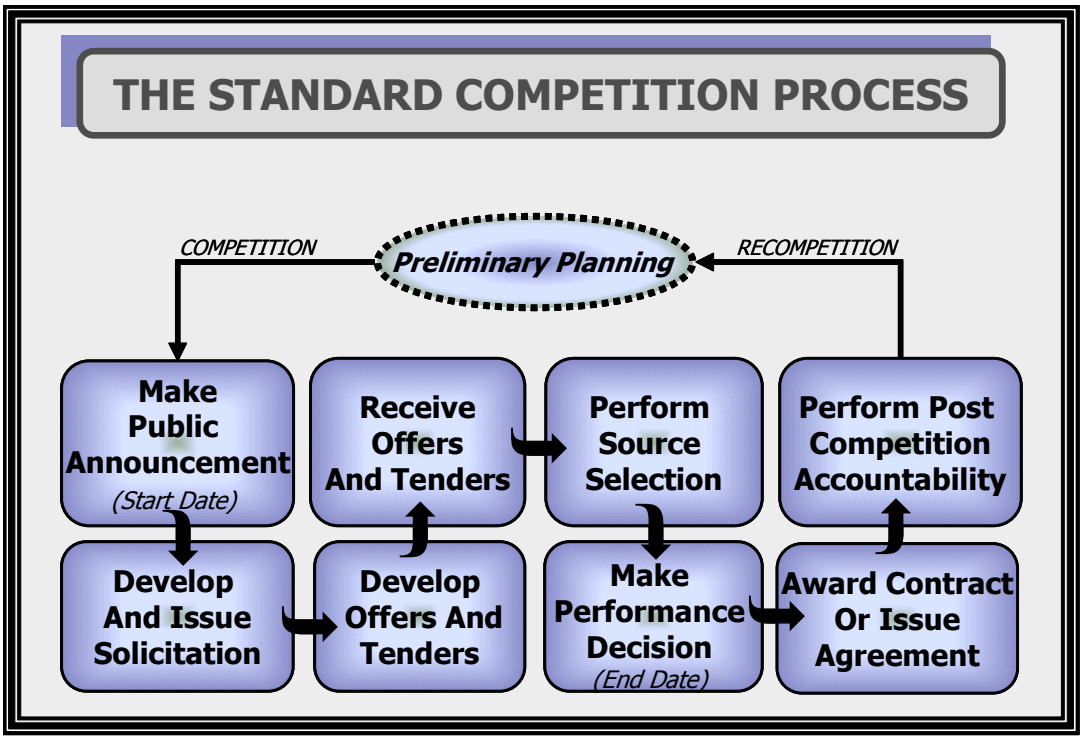

Figure B2.

1. **Time Limit.** A standard competition shall not exceed 12 months from public announcement (start date) to performance decision (end date) unless the CSO (without delegation) grants a time limit waiver. Before the public announcement of each standard competition, the CSO may grant a time limit waiver, in writing, allowing a specific standard competition to exceed the 12 month time limit by no more than 6 months, for a maximum of 18 months from public announcement (start date) to performance decision (end date). The CSO may only grant a time limit waiver if the CSO (a) expects the standard competition to be particularly complex; (b) signs the time limit waiver before public announcement; and (c) provides a copy of the time limit waiver to the Deputy Director for Management, OMB, before public announcement. If an agency exceeds these time limits, including any extension that is the subject of the CSO's waiver, the CSO (without delegation) shall notify the Deputy Director for Management, OMB, in writing.

2. **Team Designations, Responsibilities, and Restrictions.**

   a. **Performance Work Statement (PWS) Team.** After public announcement, the PWS team leader shall appoint a PWS team comprised of technical and functional experts. The PWS team shall comply with the FAR and this circular, and assist the PWS team leader with (1) developing the PWS including supporting workload data, performance standards, and any information relating to the activity being competed; (2) determining GFP; (3) assisting in the CO's development of the solicitation; (4) developing a quality assurance surveillance plan and, as required, updating this plan based on the performance decision; and (7) implementing the performance decision. The PWS team leader shall make all final management decisions regarding the PWS, GFP, and the quality assurance surveillance plan. Other individuals with

expertise in management analysis, work measurement, value engineering (see OMB Circular A-131), industrial engineering, cost analysis, procurement, and the technical aspects of the activity may also assist this team. Directly affected government personnel (and their representatives) may participate on the PWS team; however, to avoid any appearance of a conflict of interest, members of the PWS team (including, but not limited to, advisors and consultants) shall not be members of the MEO team.

b. **Most Efficient Organization (MEO) Team.** After public announcement, the ATO shall appoint an MEO team comprised of technical and functional experts. The MEO team shall comply with this circular and assist the ATO in developing the agency tender. The ATO shall make all final management decisions regarding the agency tender. Other individuals with expertise in management analysis, position classification, work measurement, value engineering (see OMB Circular A-131), industrial engineering, cost analysis, procurement, and the technical aspects of the activity may also assist this team. Directly affected government personnel (and their representatives) may participate on the MEO team; however, to avoid any appearance of a conflict of interest, members of the MEO team (including, but not limited to, the ATO, HRA, advisors and consultants) shall not be members of the PWS team.

c. **Source Selection Evaluation Board (SSEB).** After public announcement of a standard competition that will be a negotiated procurement, the SSA shall appoint an evaluation team (referred to as the SSEB) in accordance FAR Subpart 15.303. The SSA shall ensure that the SSEB complies with the source selection requirements of the FAR and this attachment. PWS team members who are not directly affected government personnel may participate on the SSEB. Directly affected personnel (and their representatives) and any individual (including, but not limited to, the ATO, HRA, MEO team members, advisors, and consultants) with knowledge of the agency tender (including the MEO and agency cost estimate) shall not participate in any manner on the SSEB (e.g., as members or advisors).

3. **The Solicitation and Quality Assurance Surveillance Plan.**

a. **Solicitation.** An agency shall not issue a solicitation that places any prospective provider at an unfair competitive advantage. When developing and issuing a solicitation for a standard competition, the CO shall comply with the FAR and the following:

(1) **Review and Release of Information.** An agency is encouraged to post a draft of the PWS or solicitation for public review and comment, including review and comment by directly affected employees and representatives of directly affected employees. All releases of the PWS and solicitation, including drafts, shall be by the CO. Information that is developed by the ATO or MEO team shall be considered procurement sensitive. With the exception of information related to the performance or productivity of the incumbent agency organization, historical data or other existing information that is available to the ATO or MEO team shall be made available to all prospective providers.

(2) **FAR Provisions.** The CO, in consultation with the PWS team, shall determine the acquisition strategy in accordance with FAR Part 7, which may include the use of FAR Parts 6, 14, 15, or 36. When the agency is the incumbent service provider, the CO shall comply with FAR 7.305(c) regarding the right of first refusal. The CO shall comply

with FAR Subpart 22.10 to obtain the applicable wage determinations from the Department of Labor.

(3) **Acquisition Process and Source Selection Provisions.** The CO shall identify in the solicitation whether the acquisition procedures will be sealed bid or negotiated procedures. If negotiated procedures will be used, the CO shall identify in the solicitation the type of source selection process (i.e., lowest price technically acceptable, phased evaluation, tradeoff).

(a) **Evaluation Factors.** All evaluation factors shall be clearly identified in the solicitation. To the extent practicable, evaluation factors shall be limited to commonly used factors (e.g., a demonstrated understanding of the government's requirements, technical approach, management capabilities, personnel qualifications, manufacturing plan, facilities and equipment). No solicitation shall include evaluation factors that could provide an unfair advantage for or inherently benefit a prospective provider, public or private.

(b) **Tradeoff Source Selection Solicitation Provisions.** For tradeoff source selections, the solicitation shall identify the specific weight given evaluation factors and sub-factors, including cost or price. The specific weight given to cost or price shall be at least equal to all other evaluation factors combined unless quantifiable performance measures can be used to assess value and can be independently evaluated. The quality of competition will be enhanced by using, to the extent practicable, evaluation factors and sub-factors susceptible to objective measurement or evaluation. To encourage prospective providers to submit offers and tenders that fall within budgetary constraints, an agency may include a not-to-exceed cost clause in the solicitation.

(4) **Solicitation Provisions Unique to the Agency Tender.** A solicitation shall state that the agency tender is not required to include (a) a labor strike plan; (b) a small business strategy; (c) a subcontracting plan goal; (d) participation of small disadvantaged businesses; (e) licensing or other certifications; and (f) past performance information (unless the agency tender is based on an MEO that has been implemented in accordance with this circular or a previous OMB Circular A-76).

(5) **Solicitation Closing Date.** The date for delivery of offers and tenders shall be the same.

(6) **Compliance Matrix.** To decrease the complexity of performing source selections, the CO may include a cross-reference compliance matrix in section L of the solicitation (see Figure B3. below). A compliance matrix should clearly identify proposal reference information as it relates to the PWS, contract line item numbers (CLIN), solicitation sections L and M, proposal volume and section, and, if appropriate, contract data requirements list (CDRL) references. This matrix should be modified to account for proposed performance standards that differ from the requirements in a solicitation.

Example Compliance Matrix						
This matrix is included in the solicitation with the following sections completed.						*Prospective Providers complete the section below.*
DESCRIPTION	CLIN	CDRL	PWS	SECTION L	SECTION M	PROPOSAL VOLUME AND PARAGRAPH #
Administrative Support		(optional)	1.1	4.3	F1, 1.5.1	
Records Management			1.1.1	4.3.1	F1, SF1	
Forms and Publications			1.1.2	4.3.2	F1, 1.5.1.2	
Operations & Maintenance			1.2	4.4	F2 1.5.2	
Equipment Records			1.2.1.1	4.4.2	F2, SF2	
Maintenance Analysis			1.2.2	4.4.3	SF3 1.5.2.3	
Data Base Management			1.2.2.1	4.4.4	SF4, 1.5.2.4	
Price				5.0	1.5.3	
Performance Risk Assessment				7.0	1.5.4	

Figure B3.

(7) **Performance Periods.** An agency shall use a minimum of three full years of performance, excluding the phase-in period, in a standard competition. An agency shall not use performance periods for the agency tender that differ from performance periods for private sector offers and public reimbursable tenders. The CSO shall obtain prior written approval from OMB to use performance periods that exceed five years (excluding the phase-in period).

(8) **Government-Furnished Property (GFP).** The PWS team shall be responsible for determining whether the agency will make government property available to all prospective providers. Agency determinations to provide or not provide GFP shall be justified, in writing, and approved by the CSO. Consistent with FAR 45.102 and FAR Subpart 45.3, solicitations may offer the use of existing government facilities and equipment and may make such use mandatory. The determination to provide government property shall not be used to influence the outcome of the competition. The ATO, MEO team, and any individual assisting in the development of the agency tender, shall not be involved in the determination to provide GFP.

(9) **Common Costs.** The CO shall identify common costs in the solicitation.

(10) **Performance Bond.** If an agency requires a private sector source to include a performance bond, the CO shall obtain prior written approval from the CSO. The CO shall include in the solicitation a separate CLIN for the cost of the performance bond. The CO shall exclude the cost of the performance bond from the contract price before entering the contract price on SCF Line 7.

(11) **Incentive Fee.** In a solicitation for an incentive fee contract, the CO shall require the private sector offeror to propose a target cost and target profit or fee. The CO shall include the target cost and target profit or fee on SCF Line 7.

(12) **Award Fee.** For solicitations with an award fee for all prospective providers, including the agency tender, the CSO shall determine if procedures are in place permitting an agency tender to receive such an award fee.

(13) Phase-in Plan. The CO shall include in the solicitation a separate CLIN for a phase-in plan. Private sector, public reimbursable and agency sources shall propose a phase-in plan to replace the incumbent service provider. The CO shall designate the phase-in period as the first performance period (see Attachment C). The CLIN is limited to the phase-in costs associated with phase-in actions as documented in the phase-in plan. Phase-in plans shall include details to minimize disruption and start-up requirements. The phase-in plan shall consider recruiting, hiring, training, security limitations, and any other special considerations of the prospective providers to reflect a phase-in period of realistic length and requirements.

(14) Quality Control Plan. The CO shall include in the solicitation a requirement for prospective providers to include a quality control plan in offers and tenders.

b. Quality Assurance Surveillance Plan. The PWS team shall develop the quality assurance surveillance plan, which identifies the methods the government will use to measure the performance of the service provider against the requirements of the PWS.

c. Competition File. An agency shall retain the documents created for the standard competition. This competition file shall be included in the government contract files in accordance with FAR Subpart 4.8, regardless of the performance decision.

4. The Agency Tender, Private Sector Offers, and Public Reimbursable Tenders.

a. Agency Tender. The agency tender is the agency's response to the solicitation.

(1) Developing the Agency Tender. The ATO shall develop an agency tender that responds to the requirements of the solicitation, including section L (Instructions, Conditions, and Notices to Offerors or Respondents) and section M (Evaluation Factors for Award). In addition to the requirements of the solicitation, the agency tender shall include the following (a) an MEO; (b) a certified agency cost estimate developed in accordance with Attachment C (the agency's cost proposal); (c) the MEO's quality control plan; (d) the MEO's phase-in plan; and (e) copies of any existing, awarded MEO subcontracts (with the private sector providers' proprietary information redacted). The ATO shall provide the certified agency tender in a sealed package to the CO by the solicitation closing date. If the solicitation states that prospective providers may propose alternate performance standards that differ from the solicitation's performance standards, the ATO may propose alternate performance standards in the agency tender.

(a) Most Efficient Organization (MEO). The MEO is an agency's staffing plan as identified in the agency tender. The MEO is not usually a representation of the incumbent organization, but is the product of management analyses that include, but are not limited to, activity based costing, business case analysis, consolidation, functionality assessment, industrial engineering, market research, productivity assessment, reengineering, reinvention, utilization studies, and value engineering. The HRA shall develop and classify new position descriptions based on the MEO, but the agency shall not hire employees to staff these positions unless the agency is the selected provider. An MEO may be comprised of either (1) government personnel or (2) a mix of government personnel and MEO subcontracts (see Attachment D). Agencies shall not include new MEO subcontracts that would

result in the direct conversion of work performed by government employees. Other elements of the MEO include an organization chart reflecting the MEO; position descriptions classified by the HRA for positions projected to be in the MEO; a description of the organization that will execute the quality control plan; MEO equipment, supplies, material, and facilities; and specific details of MEO subcontracts.

(b) **Agency Cost Estimate.** The ATO shall develop and certify the agency cost estimate (the agency's cost proposal) in accordance with Attachment C, using the COMPARE costing software. The ATO shall not make changes to the agency cost estimate except as provided in paragraph, "Changes to the Agency Tender," below.

(c) **Quality Control Plan.** The ATO shall include a quality control plan in the agency tender, as required by the solicitation. The quality control plan shall, at a minimum, include (1) an MEO self-inspection plan; (2) MEO internal staffing (which shall be included in the agency cost estimate for personnel costs on SCF Line 1); and (3) procedures that the MEO will use to meet the quality, quantity, timeliness, responsiveness, customer satisfaction, and other requirements of the solicitation.

(d) **Phase-in Plan.** The ATO shall include a phase-in plan in the agency tender, as required by the solicitation, to replace the incumbent service provider with the MEO, even if the agency is the incumbent service provider. The ATO shall include phase-in costs for the agency tender on SCF Lines 1-6.

(2) **Submission of the Agency Tender.** The ATO shall deliver the agency tender to the CO in a sealed package by the solicitation closing date. If the ATO does not anticipate submitting the agency tender to the CO by the solicitation closing date, the ATO shall notify the CO as soon as possible before the solicitation closing date. The CO, in consultation with the CSO, shall determine if amending the solicitation closing date is in the best interest of the government.

(3) **Changes to the Agency Tender.** After the solicitation closing date, only the ATO may make changes to the agency tender, and such changes shall only be in response to the following (a) a solicitation amendment issued in accordance with the FAR; (b) the CO's request for final proposal revisions to offers and tenders in accordance with FAR 15.307; (c) official changes to the standard cost factors identified in Attachment C; (d) version upgrades to the COMPARE costing software issued by the Department of Defense; or (e) resolution of a contest challenging a performance decision as provided by this attachment. The CO shall retain documentation regarding any changes to the agency tender as part of the competition file and in a form suitable for audit.

(4) **Procurement Sensitivity.** After resolution of a contest (see paragraph on "Release of the Certified SCF and Tenders" in this attachment), or the expiration of the time for filing a contest, an agency tender shall be made available to the public, upon request. If an agency tender includes any subcontracts, the agency shall not release proprietary information contained in these MEO subcontracts.

b. **Private Sector Offers.** Private sector offers respond as required by the solicitation.

c. **Public Reimbursable Tenders.** When responding to another agency's solicitation, a public reimbursable source shall develop a public reimbursable tender that responds to the requirements of the solicitation, including section L (Instructions, Conditions, and Notices to Offerors or Respondents) and section M (Evaluation Factors for Award). In addition to the requirements of the solicitation, the public reimbursable tender shall include the following (1) a certified cost estimate developed in accordance with Attachment C (the public reimbursable source's cost proposal); (2) a quality control plan, (3) a phase-in plan, and (4) copies of any existing, awarded contracts that are included in the tender (with the private sector provider's proprietary information redacted). A public reimbursable tender may be comprised of either (1) government personnel or (2) a mix of government personnel and existing, awarded contracts. Submission of, and changes to, a public reimbursable tender, as well as the procurement sensitivity of the public reimbursable tender, shall be subject to the corresponding provisions of this attachment applicable to the agency tender (see above).

d. **No Satisfactory Private Sector or Public Reimbursable Source.** If an agency attempts to perform a standard competition, but does not receive private sector offers or public reimbursable tenders, determines that all offers and public reimbursable tenders are non-responsive, or determines that prospective providers are not responsible, the agency shall take the following actions:

(1) **Determine Reasons.** The CO shall consult with private sector sources to identify (a) restrictive, vague, confusing, or misleading portions of the solicitation; (b) the reasons provided by sources for not submitting responses; and (c) possible revisions to the solicitation to enhance competition. The CO shall, in writing, describe the results of these consultations and propose a course of action to the CSO.

(2) **Required Action.** The CSO shall evaluate the CO's written documentation and make a written determination to either (a) revise the solicitation or (b) implement the agency tender. If revising a solicitation would result in exceeding the established time limit for the standard competition, the CSO (without delegation) shall consult with the Deputy Director for Management, OMB. The CO's written documentation, as well as the CSO's decision to either revise the solicitation or implement the agency tender, shall be retained as part of the competition file.

(a) **Revise the Solicitation.** Before revising or reissuing the solicitation, the CO shall return the sealed agency tender to the ATO. The CO shall then revise and reissue the solicitation.

(b) **Implement the Agency Tender.** If the CSO decides to implement the agency tender, the CO shall proceed to evaluate the agency tender as required by this attachment and the solicitation. The agency shall complete the SCF, leaving Line 7 blank, omit the costs on lines 8-12 and annotate "agency" on Line 18. The SSA shall state, in the certification on the SCF, that the CSO implemented the agency tender because (1) the agency received no offers or tenders in response to the solicitation; (2) no offers or tenders received were responsive; or (3) no prospective providers were responsible. The SSA and CO shall sign the SCF to certify the performance decision and retain the SCF and agency tender with the competition file. The agency shall make a public announcement of the performance decision (at the local level and via *FedBizOpps.gov*). The CO shall make the SCF (including the documentation of no satisfactory private sector source) available to the public, upon

request. The CO shall notify the ATO of the performance decision and the HRA shall notify directly affected employees (and their representatives).

5. **The Source Selection Process and Performance Decision.** An agency shall select one of the procedures described below to conduct a standard competition and shall not employ any other procedure in conducting the standard competition.

   a. **Sealed Bid Acquisition.** An agency shall conduct a sealed bid acquisition in accordance with FAR Subparts 14.1 through 14.4 and this attachment. On the solicitation closing date, the CO shall open the agency tender, private sector bids, and public reimbursable tenders. The CO shall enter the price of the apparent lowest priced private sector bid or public reimbursable tender on SCF Line 7, to complete the SCF calculations. The CO shall then evaluate private sector bids for responsiveness and responsibility in accordance with the FAR and determine if SCF Lines 8-18 have been prepared in accordance with Attachment C. The CO shall certify the SCF in accordance with Attachment C. The CO makes the performance decision by certifying the SCF.

   b. **Negotiated Acquisition.**

      (1) **Lowest Price Technically Acceptable Source Selection.** An agency shall conduct a lowest price technically acceptable source selection in accordance with FAR 15.101-2 and this attachment. During the source selection process, the CO shall open and evaluate all offers and tenders (including the agency tender) to determine technical acceptability. The performance decision shall be based on the lowest cost of all offers and tenders determined to be technically acceptable. The CO shall conduct price analysis and cost realism as required by this attachment. The CO may conduct exchanges, in accordance with FAR Subpart 15.306 and this attachment, to determine the technical acceptability of each offer and tender. The CO shall enter the lowest contract price or public reimbursable cost on SCF Line 7 to complete the SCF calculations. The CO shall sign the SCF, and the SSA shall certify the SCF, in accordance with Attachment C. The SSA makes the performance decision by certifying the SCF.

      (2) **Phased Evaluation Source Selection Process.** An agency shall conduct a phased evaluation source selection in accordance with FAR Part 15 and this attachment. In the phased evaluation process, an agency shall evaluate technical capability in phase one and cost in phase two. The performance decision shall be based on the lowest cost of all technically acceptable offers and tenders from all offerors, public reimbursable sources, and the ATO. The solicitation shall require the submission of complete offers and tenders, including separate technical proposals and cost proposals/estimates, by the solicitation closing date. The solicitation shall permit submission of alternate performance standards that differ from the solicitation's performance standards. To differentiate between the alternate standards and the solicitation's standards, the solicitation shall require that offers and tenders include a compliance matrix specifying (a) the alternate performance standards; (b) an explanation of how the alternate standards differ from the solicitation standards; (c) the cost of meeting each alternate standard; (d) the cost difference between the alternate and solicitation standard; (e) a cost-benefit analysis explaining the rationale for each alternate standard; and (f) proposed language to include alternate performance standards in an amended solicitation. If the agency receives no alternate performance standards, or does not accept any of the alternate

standards, then the SSA shall determine a performance decision based on the solicitation's performance standards.

(a) Phase One. In phase one, the CO shall open and evaluate the technical proposals (submitted by private sector offerors, public reimbursable sources, and the ATO). The CO shall not open or evaluate agency or public reimbursable cost estimates or private sector price proposals during phase one. The CO may conduct exchanges, in accordance with FAR Subpart 15.306 and this attachment, to determine the technical acceptability of each offer and tender. If an agency receives offers and tenders that include alternate performance standards, the CO shall (1) evaluate each alternate performance; (2) consider the discrete cost or price difference associated with the alternate standard; (3) determine, in consultation with the requiring activity, whether an alternate standard is necessary and, if so, within the agency's budget limitations; and (4) document, in writing, the evaluation of each alternate performance standard. If the SSA accepts an alternate performance standard, the CO shall issue an amendment to the solicitation to (1) identify the specific change to the solicitation's performance standard, without conveying proprietary information about technical approaches or solutions to meet the new performance standard; and (2) request the resubmission of offers and tenders in response to the amended solicitation. Upon receiving revisions to offers and tenders, the CO may conduct exchanges, in accordance with FAR Subpart 15.306 and this attachment, to determine the technical acceptability of each offer and tender.

(b) Phase Two. In phase two, the CO shall perform price analysis and cost realism of private sector cost proposals, public reimbursable cost estimates, and the agency cost estimate, in accordance with this attachment, on all offers and tenders determined to be technically acceptable at the conclusion of phase one. The CO then shall enter the lowest contract price or public reimbursable cost on SCF Line 7 to complete the SCF calculations. The SSA shall certify the SCF and the CO shall sign the SCF in accordance with Attachment C. The SSA shall make the performance decision by certifying the SCF, which is the performance decision document.

(3) Tradeoff Source Selection Process. A tradeoff source selection may be appropriate in a standard competition when an agency wishes to consider award to other than the lowest priced source. An agency may use the tradeoff processes under FAR Subpart 15.101-1 in a standard competition of (a) information technology activities (as defined in Attachment D); (b) commercial activities performed by a private sector source; (c) new requirements; or (d) segregable expansions. An agency also may use a tradeoff source selection process for a specific standard competition if prior to the public announcement of the competition, the CSO (without delegation) (a) approves, in writing, the use of the tradeoff source selection process; and (b) notifies OMB of the approval by forwarding a copy of the written approval. An agency shall not use a tradeoff source selection process for activities currently performed by government personnel except as provided in this paragraph. When an agency uses a tradeoff source selection process in a standard competition, an agency shall comply with FAR Part 15 unless otherwise noted in this attachment. Under a tradeoff source selection process, an agency may select an offer or tender that is not the lowest priced offer or tender only if the decision is within the agency's budgetary limitation. An agency shall not use a tradeoff source selection to justify increases in the agency's budgetary authorization.

Prospective providers may propose alternate performance standards that differ from the solicitation's performance standards. The CO shall conduct price analysis and cost realism as required by this attachment. The CO may conduct exchanges, in accordance with FAR Subpart 15.306 and this attachment. The CO's rationale for tradeoffs shall be (a) documented, in writing; (b) attached to the SCF; and (c) retained with the competition file for the standard competition. The CO shall enter the contract price and public reimbursable cost estimate, for each offer and tender determined to be technically acceptable, on SCF Line 7. The CO then shall sign the SCF. The SSA may decide to award to the low-cost provider, or other than the low-cost provider, as follows:

(a) Low Cost Performance Decision. For a decision to award to the low-cost provider, the SSA shall certify the SCF in accordance with Attachment C. The SSA makes the performance decision by certifying the SCF, which is the performance decision document.

(b) Other Than Low Cost Performance Decision. For a decision to award to other than the low-cost provider, the SSA shall certify the SCF, in accordance with Attachment C, and shall document the following on the SCF (1) a summary of the source selection decision document; (2) a narrative explanation of the tradeoffs performed; and (3) a rationale for the decision to award to other than the low-cost provider. The SSA makes the performance decision by certifying the SCF. The SCF, combined with the source selection decision document, is the performance decision document.

c. Special Considerations.

(1) Evaluation of Private Sector Offers, Public Reimbursable Tenders, and Agency Tender. The CO shall not evaluate the private sector offers separately from the agency tender. The CO, SSA, and SSEB shall not (a) convey, require, make, direct, or request adjustments to a tender or offer that would identify any proprietary or procurement sensitive information from another offer or tender; or (b) require, direct, or make specific changes to an offer or tender, including the approach and staffing requirements (e.g., adding a specific number of employee positions to the MEO). The CO shall ensure that oral presentations do not provide an unfair advantage for or inherently benefit a prospective provider, public or private.

(2) Exchanges with Private Sector, Public Reimbursable, and Agency Sources. If the CO conducts exchanges with private sector offerors, public reimbursable sources, and the ATO, during the course of the standard competition, those exchanges shall be in accordance with FAR 15.306, with the following exceptions. For an agency tender, the CO shall correspond with the ATO, in writing, and shall maintain records of all such correspondence as part of the competition file. The CO and ATO shall include clear, sufficient, and unambiguous information in the correspondence to adequately convey concerns, responses, or information regarding the agency tender.

(3) Deficiencies in an Offer or Tender. If the CO perceives that a private sector offer, public reimbursable tender, or agency tender is materially deficient, the CO shall ensure that the ATO, private sector offeror, or the public reimbursable tender official receives a deficiency notice. The CO shall afford the ATO, the private sector offeror, or the public reimbursable tender official a specific number of days to address the material deficiency

and, if necessary, to revise and recertify the tender or offer. If the ATO is unable to correct the material deficiency, the CSO shall determine if a commitment of additional resources will enable the ATO to correct the material deficiency within the specified number of days. If the CSO determines that the ATO cannot correct the material deficiency with a reasonable commitment of additional resources, the CSO may advise the SSA to exclude the agency tender from the standard competition. If the CO determines that a private sector offeror or public reimbursable tender official has not corrected a material deficiency, the SSA may exclude the private sector offer or public reimbursable tender from the standard competition. If the agency tender is excluded from the standard competition, an agency shall calculate the SCF as required by Attachment C and the SSA shall make the performance decision based upon the source selection decision document and shall document the reason for elimination of the agency tender on the SCF.

(4) Price Analysis and Cost Realism of Private Sector Cost Proposals, Public Reimbursable Cost Estimates and Agency Cost Estimates.

(a) General. Regardless of the contract type stated in the solicitation, the CO shall perform price analysis and cost realism (as defined in FAR Part 2) on all private sector cost proposals, public reimbursable cost estimates (SCF Lines 1a-6a), and the agency cost estimate (SCF Lines 1-6). Cost analysis (in accordance with FAR Part 15) is not required for a standard competition but may be performed at the discretion of the SSA.

(b) Agency and Public Reimbursable Cost Estimates. The CO shall ensure that the agency and public reimbursable cost estimates (1) are calculated in accordance with Attachment C; (2) are based on the standard cost factors in effect on the performance decision date; and (3) use the version of the COMPARE costing software that is in effect on the performance decision date.

(c) Conversion Differential. All standard competitions shall include the conversion differential. The CO shall ensure that the conversion differential is calculated in accordance with Attachment C and reflected on SCF Line 14. The conversion differential is a cost that is the lesser of 10 percent of the MEO's personnel-related costs (reflected on SCF Line 1) or $10 million over all the performance periods stated in the solicitation. This conversion differential is added to the cost of performance by a <u>non-incumbent</u> source. If the incumbent provider is a private sector or public reimbursable source, the conversion differential is added to the cost of agency performance. If the agency is the incumbent provider, the conversion differential is added to the cost of private sector or public reimbursable performance. The conversion differential precludes conversions based on marginal estimated savings, and captures non-quantifiable costs related to a conversion, such as disruption and decreased productivity.

(d) SCF Overview. As part of the requirement to conduct price analysis and cost realism, the CO shall ensure that the SCF has been prepared in accordance with Attachment C and that the required signatures and certifications are on the SCF. Figure B4. provides an overview of the detailed guidance for developing the agency and public reimbursable cost estimates in Attachment C.

Summary of the Standard Competition Form (SCF)
COST OF AGENCY PERFORMANCE
SCF Line 1: **Personnel Costs.** Agency labor costs for direct and indirect labor necessary to meet the requirements in the solicitation.
SCF Line 2: **Material and Supply Costs.** Agency cost of materials and supplies such as office supplies, including handling and inflation.
SCF Line 3: **Other Specifically Attributable Costs.** Other agency costs such as the cost of capital, depreciation capital assets, rent, utilities, insurance, and MEO subcontracts.
SCF Line 4: **Overhead Costs.** Twelve percent of agency personnel costs reflected on SCF Line 1.
SCF Line 5: **Additional Costs.** Agency costs not otherwise accounted for on SCF Lines 1-4, such as phase-in costs and one-time conversion costs for an expansion, new requirement, or conversion from a private sector or public reimbursable provider to agency performance.
SCF Line 6: **Total Cost of Agency Performance**. The sum of SCF Lines 1-5.
COST OF PUBLIC REIMBURSABLE PERFORMANCE
The guidance for a public reimbursable source to complete SCF Lines 1a-6a is the same as the guidance to complete SCF Lines 1-6.
ADJUSTED COST OF PRIVATE SECTOR OR PUBLIC REIMBURSABLE PERFORMANCE
SCF Line 7: **Contract Price or Public Reimbursable Cost Estimate.** The contract price (based on the type of acquisition, source selection process, and contract type required by the solicitation), or the public reimbursable cost on SCF Line 6a.
SCF Line 8: **Contact Administration Costs.** Costs for administering the contract.
SCF Line 9: **Additional Costs.** Costs incurred by the agency that are added to the private sector or public reimbursable provider's price/cost.
SCF Line 10: **One-time Conversion Costs**. Costs based on 5% of Line 1, incurred by the agency as a result of awarding a contract.
SCF Line 11: **Gain on Assets.** Revenue generated from the sale/transfer of agency assets when converting from agency performance.
SCF Line 12: **Federal Income Tax Adjustment.** Revenue for the government when a private sector provider pays federal income tax.
SCF Line 13: **Total Adjusted Cost of Private Sector or Public Reimbursable Performance.** The sum of Lines 7-12.
COST OF PERFORMANCE DECISION CALCULATIONS
SCF Line 14: **Conversion Differential.** The lesser of 10% of agency labor costs or $10 M is added to the non-incumbent provider.
SCF Line 15: **Adjusted Total Cost of Agency Performance.** If a private sector or public reimbursable source is the incumbent provider, the conversion differential is added to the cost of agency performance (SCF Line 6) and the sum is the "adjusted total cost of agency performance" on SCF Line 15.
SCF Line 16: **Adjusted Total Cost of Private Sector or Public Reimbursable Performance.** If the agency is the incumbent provider, the conversion differential is added to SCF Line 13 and the sum is the "adjusted total cost of private sector or public reimbursable performance" on SCF Line 16.
SCF Line 17: **Cost Difference.** SCF Line 15 is subtracted from SCF Line 16 to reflect the "cost difference" on SCF Line 17. A positive number indicates performance decision for agency performance and a negative number indicates a performance decision for a private sector or public reimbursable provider.
SCF Line 18: **Low-Cost Provider**. The low-cost provider based on the calculations on the SCF.

Figure B4.

6. **Performance Decision in a Standard Competition.**

   a. **Certification.** To certify a performance decision in a standard competition, the SSA and CO shall sign the SCF.

   b. **End Date.** The end date of a standard competition shall be the date that all SCF certifications are complete, signifying a performance decision. An agency shall not make any changes (including corrections) to the SCF, agency tender, or public reimbursable tender after this date, except in response to a contest under paragraph F of this Attachment.

   c. **Public Announcement of the Performance Decision.** An agency shall make a formal public announcement (at the local level and via *FedBizOpps.gov*) of the performance decision. In the announcement of a performance decision for a sealed bid acquisition, the agency shall include the information made public at bid opening, under FAR Subpart 14.4. In the announcement of a performance decision for a negotiated acquisition, the agency shall

include the information regarding offers and tenders identified in FAR 15.503(b). If an agency tender includes any MEO subcontracts, the agency shall not release proprietary information contained in these subcontracts.

d. Debriefing. The SSA shall ensure that the CO offers a debriefing to all private sector offerors, public reimbursable sources, the ATO, and directly affected government personnel (and their representatives), in accordance with FAR 15.503.

e. Release of the Certified SCF and Tenders. An agency shall release the certified SCF, agency tender, and public reimbursable tenders, only as provided in this paragraph. Until resolution of any contest under paragraph F. of this Attachment, or expiration of the time for filing a contest, only legal agents for directly interested parties shall have access to the certified SCF, agency tender, and public reimbursable tenders. The agency shall require, as a condition of access, that a legal agent of a directly interested party sign a non-disclosure agreement. The agreement shall provide that a signatory may share the information covered by the agreement only with other signatories, and only for purposes of challenging the performance decision. Upon resolution of a contest challenging a performance decision (i.e., when the agency renders a written decision in compliance with FAR Subpart 33.103, as required by paragraph F.1.b. of this Attachment), or expiration of the time for filing such a contest, the certified SCF, agency tender, and public reimbursable tenders, shall be available to the public, upon request. Proprietary information of private sector providers of sub-contracts included in agency or public reimbursable tenders shall not be released.

f. Implementing a Performance Decision. An agency shall implement the performance decision resulting from a standard competition as follows:

(1) Private Sector Provider.

(a) Awarding the Contract. For a performance decision favoring a private sector source, the CO shall award a contract in accordance with the FAR.

(b) Right of First Refusal. When the agency is the incumbent service provider, the CO shall comply with FAR 7.305(c) regarding the right of first refusal. The HRA shall provide the CO with a list of adversely affected employees as soon as possible after the performance decision is made.

(2) Public Reimbursable Provider. For a performance decision favoring a public reimbursable source, the CO shall develop a fee-for-service agreement with the public reimbursable source. The CO shall incorporate appropriate portions of the solicitation and public reimbursable tender into the fee-for-service agreement and distribute the agreement to the appropriate individuals.

(3) Agency Provider. For a performance decision favoring the agency, the CO shall establish an MEO letter of obligation with an official responsible for performance of the MEO. The CO shall incorporate appropriate portions of the solicitation and the agency tender into the MEO letter of obligation and distribute the letter to appropriate individuals including the ATO.

E. POST COMPETITION ACCOUNTABILITY FOR STREAMLINED AND STANDARD COMPETITIONS.

1. **Best Practices and Lessons Learned.** Agencies shall post best practices and lessons learned resulting from a streamlined or standard competition process on SHARE A-76! at http://emissary.acq.osd.mil/inst/share.nsf/. An agency shall maintain the accuracy and currency of their agency's information, including links, on SHARE A-76!

2. **Execution Tracking of Streamlined and Standard Competitions.** Agencies shall maintain a database to track the execution of agency streamlined and standard competitions. Agencies shall maintain a database that (1) assigns a unique tracking number to each streamlined and standard competition, (2) includes data fields as defined on the OMB web site at www.omb.gov, (3) tracks each streamlined and standard competition as events occur (real-time) from the date of public announcement through either completion of the last performance period or cancellation of the competition, and (4) retains historical records of streamlined and standard competitions after the last performance period has been completed.

3. **Competitive Sourcing Quarterly Report.** An agency shall submit a Competitive Sourcing Quarterly Report to OMB, by the end of each fiscal quarter (December, March, June, September), that includes the following (1) in-progress streamlined and standard competitions (i.e., competitions with start dates and pending performance decisions); and (2) completed streamlined and standard competitions (i.e., competitions with performance decisions). The required format for these reports can be found on the OMB web site at www.omb.gov.

4. **Monitoring Performance.** Regardless of the selected service provider, after implementing a performance decision, an agency shall (1) monitor performance for all performance periods stated in the solicitation; (2) implement the quality assurance surveillance plan; (3) retain the solicitation and any other documentation from the streamlined or standard competition as part of the competition file; (4) maintain the currency of the contract file, consistent with FAR Subpart 4.8, for contracts, MEO letters of obligation, and fee-for-service agreements; (5) record the actual cost of performance by performance period; and (6) monitor, collect, and report performance information, consistent with FAR Subpart 42.15, for purposes of past performance evaluation in a follow-on streamlined or standard competition. To record the actual cost of performance for a specific performance period, the agency shall adjust actual costs for scope, inflation, and wage rate adjustments made during a specific performance period. The agency shall compare the actual costs to the costs recorded on SCF Lines 6 and 7 when the performance decision was made.

5. **Option Years of Performance and Follow-on Competition.**

   a. **Option Years of Performance.** The CO shall make option year exercise determinations for agency, public reimbursable, and private sector performance decisions in accordance with FAR 17.207. Consistent with the FAR, the CO shall not approve performance periods that exceed the total number of years specified in the solicitation used in the standard competition.

   b. **Follow-on Competition.** For agency or public reimbursable performance decisions, an agency shall complete another streamlined or standard competition of the activity by the end of the last performance period on the SCF or SLCF unless a specific exemption is granted by the CSO (without delegation) before the end of the last performance period. The CSO may extend the performance period for a high performing organization if the CSO (a) determines that continued cost savings justifies the extension; (b) documents these cost savings through

the use of a COMPARE generated SCF or SLCF; (c) limits the extension to no more than 3 years after the last performance period; and (d) makes a formal announcement of the extension via *FedBizOpps.gov*. For private sector performance decisions, the CO shall comply with the FAR for follow-on competition.

6. Terminations.

a. Terminations Based on Failure to Perform.

(1) Notification. Consistent with FAR Part 49, the CO shall notify a service provider (i.e., private sector contractor, public reimbursable provider, or MEO) of poor performance through cure notices and show cause notices. The CO shall inform the head of the requiring activity of such notices.

(2) Termination. If the CO determines that a service provider (i.e., private sector contractor, public reimbursable provider, or MEO) has failed to perform to the extent that a termination for default is justified, the CO shall issue a notice of termination, consistent with FAR Part 49. Upon terminating an MEO letter of obligation, an agency shall change the inventory coding to reflect that the activity is no longer performed by an MEO and shall perform either a streamlined or standard competition.

(3) Temporary Remedies. If the CO terminates a contract, fee-for-service agreement, or MEO letter of obligation for the service provider's failure to perform, an agency may use interim contracts, public reimbursable sources, or government personnel on an emergency basis. An agency shall not allow these temporary remedies to be used for longer than one year from the date of termination.

b. Terminations Based on Reasons Other than Failure to Perform. If an agency determines that performance by a service provider (i.e., private sector contractor, public reimbursable, or MEO) is to be terminated for reasons other than failure to perform, the CSO (without delegation) shall approve such terminations, in writing, and provide a copy to OMB before the termination. Examples of these terminations include, but are not limited to, elimination of an agency requirement through divestiture, privatization, reorganization, restructuring, national defense, or homeland security.

F. <u>CONTESTS</u>.

1. Standard Competitions. A directly interested party (see Attachment D) may contest any of the following actions taken in connection with a standard competition: (1) a solicitation; (2) the cancellation of a solicitation; (3) a determination to exclude a tender or offer from a standard competition; (4) a performance decision, including, but not limited to, compliance with the costing provisions of this circular and other elements in an agency's evaluation of offers and tenders; or (5) a termination or cancellation of a contract or letter of obligation if the challenge contains an allegation that the termination or cancellation is based in whole or in part on improprieties concerning the performance decision. The pursuit of a contest by a directly interested party and the resolution of such contest by the agency shall be governed by the procedures of FAR Subpart 33.103.

2. Streamlined Competitions. No party may contest any aspect of a streamlined competition.

CALCULATING PUBLIC-PRIVATE COMPETITION COSTS

A. OVERVIEW.

1. **Public-Private Competition Costs.** To reflect the full cost of performance by the government, agencies and public reimbursable sources shall calculate cost estimates in accordance with this attachment for public-private competitions. An agency shall not deviate from this attachment except as provided by paragraph 5.c. of this circular. A private sector source shall propose a price or estimated cost in accordance with Attachment B and the FAR.

2. **COMPARE.** Agencies shall use COMPARE (the costing software that incorporates the costing procedures of this circular) in conjunction with this Attachment to develop cost estimates and generate the SCF or SLCF. The COMPARE version in effect as of the performance decision date shall be used when determining a performance decision.

   a. **COMPARE Maintenance**. The Department of Defense shall maintain the currency and accuracy of COMPARE, COMPARE User's Guide, and COMPARE tables (e.g., inflation cost factors, tax rates, useful life and disposal values, cost of capital cost factors, OPM wage rates) with OMB oversight. The Department of Defense shall maintain a COMPARE version control log for all changes to the costing software and shall coordinate COMPARE version changes with OMB prior to release. An agency shall submit requests for COMPARE changes to the Department of Defense and OMB. The Department of Defense shall evaluate the requested COMPARE changes and review the impact of the change with OMB. OMB shall approve version changes to COMPARE.

   b. **COMPARE Calculations**. Many of the calculations required by this attachment are embedded directly into the COMPARE software code. These COMPARE calculations are dependent upon accurate cost data that agencies shall determine and manually enter into COMPARE. For example, when cost data for the various costing requirements are manually entered, COMPARE will then automatically calculate costs such as basic pay, fringe benefits, insurance, inflation, FTEs, cost of capital, depreciation, minor item replacement, overhead, severance pay, and federal taxes.

      (1) **Standard Competitions**. Agencies shall calculate and manually enter the required cost data for SCF Lines 1, 2, 3, 5, 9, and 11. COMPARE then automatically computes SCF Lines 4, 6, 8, and 10. After the CO enters the required data for SCF Lines 7 and 12, COMPARE automatically computes SCF Lines 12, 13, 14, 15, 16, 17 and 18 and no further manual calculations are required for the SCF. After all costs have been entered into COMPARE the SCF is automatically generated for signature and certification of the performance decision. Public reimbursable cost estimates shall be calculated and manually entered based on the required cost data for SCF Lines 1a, 2a, 3a, and 5a. COMPARE then automatically computes SCF Lines 4a and 6a.

      (2) **Streamlined Competitions**. Agencies shall calculate and manually enter the required data for SLCF Lines 1, 2, 3, 7 and 12. COMPARE then automatically computes SLCF Lines 4, 6, 8, 12, 13, 17 and 18 and no further manual calculations are required for the SLCF. After all costs have been entered into COMPARE the

SLCF is automatically generated for signature and certification of the performance decision. For public reimbursable cost estimates, agencies shall calculate and manually enter the required cost data for SLCF Lines 1a, 2a, and 3a. COMPARE then automatically calculates SLCF Lines 4a and 6a.

3. **Competitions Between Private Sector and Public Reimbursable Sources.** A public reimbursable source may only respond to a solicitation by submitting a public reimbursable tender that is developed in accordance with Attachment B. The public reimbursable tender includes a cost estimate that shall be calculated in accordance with this attachment and entered on SCF Lines 1a-6a. The CO shall determine the cost adjustments to be included on SCF Line 8 (Contract Administration) and SCF Line 12 (Federal Income Tax Adjustment). The CO shall ensure no costs are entered on SCF Lines 9, 10, 11, and 14.

4. **Excluded Costs.** Agency and public reimbursable sources shall not include the following in cost estimates (a) retained rate of basic pay for civilian employees (5 C.F.R. Part 536); (b) costs for conducting the streamlined or standard competitions; and (c) agency separation incentive programs such as Voluntary Early Retirement Authority (VERA) and Voluntary Separation Incentive Pay (VSIP), which are programs used to preclude involuntary civilian separations resulting from reductions in force (RIF).

5. **Conversion Differential.** In a standard competition, an agency shall determine the conversion differential, in accordance with paragraph D of this attachment. The conversion differential is added to a non-incumbent's cost of performance and is the lesser of 10 percent of the MEO's personnel-related costs (SCF Line 1) or $10 million over all performance periods stated in the solicitation. (See Attachment B, Conversion Differential.) Agencies shall not calculate the conversion differential in a cost estimate for a streamlined competition.

6. **Performance Periods.** An agency or a public reimbursable source shall reflect the same performance periods required by the solicitation on the SCF.

7. **Rounding Rule.** An agency or a public reimbursable source shall round all line entries on the SCF/SLCF to the nearest dollar.

8. **Phase-in Costs.** An agency or public reimbursable source shall reflect phase-in costs that are associated with the specific phase-in actions and are documented in the phase-in plan. Agency and public reimbursable sources shall calculate the phase-in costs associated with the change from the incumbent provider on SCF Lines 1-5 or SCF Lines 1a-5a, as appropriate.

9. **Inflation.** OMB issues a transmittal memorandum in the Federal Register to identify changes to the federal pay raise assumptions and inflation factors (based on the President's annual budget). These annual pay raise assumptions and inflation factors shall be used in an agency or a public reimbursable cost estimate for pay and non-pay categories of cost as follows: (a) through the end of the **last** performance period for pay and non-pay categories of cost that are not subject to an economic price adjustment, and (b) through the end of the **first** performance period for pay and non-pay categories of cost that are subject to an economic price adjustment. COMPARE automatically computes inflation on a daily basis, which is calculated using 365.25 days per year to account for leap years.

10. **Standard Cost Factors.** Agencies and public reimbursable sources shall use the standard A-76 costing factors identified at Figure C1. to calculate cost estimates. Figure C1. identifies the

types of and sources for standard costing factors as well as specific costing factors in effect at the time of publication of this circular. Updates to these cost factors will be posted on the OMB web site at www.OMB.gov. When a standard cost factor changes, the Department of Defense shall update the tables in COMPARE and post the table update on SHARE A-76! Prior to posting a table update, the Department of Defense shall test the change to the software, and review the change with OMB. An agency shall not deviate from the cost factors required by this attachment except as provided by paragraph 5.c. of this circular, in which case the agency shall notify the Department of Defense of the change, fund any resulting modifications to COMPARE to accommodate the agency-specific cost factor, and maintain the currency of the agency-specific cost factor. When preparing cost estimates, agency and public reimbursable sources shall (a) use the standard cost factors that are in effect as of the solicitation closing date; and (b) apply known, projected changes to these standard cost factors, if the agency or public reimbursable source will incur these costs before the end of the first performance period. If a standard cost factor changes before the performance decision date, the CO shall ensure the agency and public reimbursable cost estimates reflect the standard cost factors that are in effect on the performance decision date.

11. **Standard Competition Form (SCF).** Agencies and public reimbursable sources shall use the SCF at Figure C2. for a standard competition. The ATO, public reimbursable source, CO, and SSA shall sign the certification statements as reflected on the SCF in Figure C2.

    a. **Agency Cost Estimate.** Based on the agency tender, the solicitation, and Attachment B, the ATO shall calculate and certify the agency cost estimate on SCF Lines 1-6, and calculate SCF Lines 8-17.

    b. **Public Reimbursable Cost Estimate.** Based on the public reimbursable tender, the solicitation, and Attachment B, a public reimbursable source shall calculate and certify the public reimbursable cost estimate on SCF Lines 1a-6a.

    c. **Negotiated Acquisition.** For a negotiated acquisition, the CO shall determine, through price analysis and cost realism as required by Attachment B, if the agency cost estimate (SCF Lines 1-6) and a public reimbursable cost estimate (SCF 1a-6a) are calculated in accordance with this attachment. The SSA ensures the performance decision is based on evaluating offers and tenders in accordance with Attachment B, and certifies either a low-cost performance decision as supported by SCF Line 17 or an other-than-low-cost performance decision as supported by the source selection decision documentation.

    d. **Sealed Bid Acquisition.** For sealed bid and negotiated acquisitions, the CO shall determine (as required by Attachment B) if the costs entered on SCF Lines 8-18 are accurate and calculated in accordance with this attachment. Agencies and public reimbursable sources shall reflect cost estimates using the SCF in Figure C2.

12. **Streamlined Competition Form (SLCF).** When performing a streamlined competition, an agency shall calculate and certify SLCF Lines 1, 2, 3, 4, 6, 7, 8, 12, 13, 17, and 18 in accordance with Attachments B and C. The cost estimate for a public reimbursable source shall be calculated and certified on SLCF Lines 1a, 2a, 3a, 4a, and 6a. Agencies shall reflect cost estimates using the SLCF in Figure C3. The certification statements as reflected on the SLCF in Figure C3, shall be signed by different individuals, as required by Attachment B.

Figure C1.

Table of Standard A-76 Costing Factors

Title	Originating Source	Category of Cost	Factor[1]
Casualty Insurance Cost Factor	OMB Transmittal Memoranda	Non-pay	0.5%
Civilian Position Full Fringe Benefit Cost Factor	OMB Transmittal Memoranda	Pay	32.85%
Contract Administration Cost Factors and Allowable Grades	OMB Circular A-76	Pay	Figure C6.
Conversion Differential	OMB Circular A-76	Non-pay	10% or $10 million
Cost of Capital Cost Factors	OMB *Circular A-94, Discount Rates to be Used in Evaluating Time-Distributed Costs and Benefits (Appendix C)*	Non-pay	Depends Upon Capital Asset
Insurance and Health Benefit Cost Factor	OMB Transmittal Memoranda	Pay	5.7%
Federal Insurance Contribution Act (FICA) Cost Factor[2]	Social Security Administration	Pay	7.65%
Federal Wage System (FWS) Pay Schedules	Civilian Personnel Management Service Wage and Salary Division	Pay	Multiple Wages
Foreign Country Operations & Maintenance Inflation Cost Factors	Local Determination	Non-pay	Depends Upon Location
Fuels Inflation Cost Factors	Office of the Under Secretary of Defense (Comptroller), *National Defense Budget Estimates for the FYxx Budget (Green Book)*	Non-pay	Depends Upon Fiscal Year
Full-Time, Part-Time & Temporary Annual Productive Hours for Civilian Positions	OMB Circular A-76	Not Applicable	1,776 Hours
General Schedule (GS) Pay Schedules	OPM Office of Compensation Administration	Pay	Multiple Salaries
Intermittent Annual Productive Hours for Civilian Positions	OMB Circular A-76	Not Applicable	2,007 Hours
Labor Inflation Cost Factors for Civilian Positions	OMB Transmittal Memoranda	Pay	Depends Upon Fiscal Year
Labor Inflation Cost Factors for Military/Uniformed Services Positions	OMB Transmittal Memoranda	Pay	Dependent Upon Fiscal Year
Medicare Benefit Cost Factor	Social Security Administration	Pay	1.45%
Military/Uniformed Services Composite Pay Rates	**Military Departments:** Office of the Under Secretary of Defense (Comptroller) *FYxx Department of Defense Reimbursable Rates Tab K (All Services)* ***Other Uniformed Services:*** *Dependent Upon Agency Comptroller Determination*	Pay	Depends Upon Uniformed Service and Fiscal Year
Miscellaneous Fringe Benefit Cost Factor	OMB Transmittal Memoranda	Pay	1.7%
Non-Appropriated Fund Pay Schedules	Civilian Personnel Management Service Wage and Salary Division	Pay	Multiple Wages
Old Age and Survivors Death Insurance Maximum Taxable Earnings (salary limit)	Social Security Administration	Pay	$87,000
Old Age and Survivors Death Insurance Cost Factor	Social Security Administration	Pay	6.2%
Operations & Maintenance Inflation Cost Factors	Office of Management and Budget Transmittal Memoranda	Non-pay	Depends Upon Fiscal Year
Overhead Factor	OMB Circular A-76	Pay and Non-pay	12%
Personnel Liability Insurance Cost Factor	OMB Transmittal Memoranda	Pay	0.7%
Other One-Time Conversion Cost Factor	OMB Circular A-76	Non-pay	1%
Severance Pay One-Time Conversion Cost Factor	OMB Circular A-76	Pay	4%
Special Class Retirement Cost Factor (Law Enforcement & Fire Protection)	OMB Transmittal Memoranda	Pay	38.2%
Special Class Retirement Cost Factor (Air Traffic Control)	OMB Transmittal Memoranda	Pay	33.0%
Standard Civilian Retirement Benefit Cost Factor	OMB Transmittal Memoranda	Pay	24.0%
Tax Rates	Internal Revenue Service Statistics of Income Division *Statistics of Income Corporation Sourcebook and North American Industry Classification System*	Non-pay	Depends Upon Industry Grouping in Source Document
Useful Life and Disposal Values	OMB Transmittal Memoranda	Non-pay	Depends Upon the Capital Asset

[1] The factors listed in this column are factors in effect on the publication date of this circular. [2] For social security (i.e., Old Age and Survivors Death Insurance *and Medicare).*

Figure C2.

STANDARD COMPETITION FORM

Agency:	Agency Component:	Competition Number:	Competition Title:	Competition Location:
Solicitation Closing Date:			Solicitation Number:	

Line #	Line Title	1st Performance Period (Phase-in Period)	2nd Performance Period	3rd Performance Period	4th Performance Period	Total
COST OF AGENCY PERFORMANCE						
1.	Personnel Costs	$000	$000	$000	$000	$000
2.	Material and Supply Costs	$000	$000	$000	$000	$000
3.	Other Specifically Attributable Costs	$000	$000	$000	$000	$000
4.	Overhead Costs	$000	$000	$000	$000	$000
5.	Additional	$000	$000	$000	$000	$000
6.	**Total Cost of Agency Performance**	**$000**	**$000**	**$000**	**$000**	**$000**

AGENCY TENDER CERTIFICATION: I certify, to the best of my knowledge, that this agency tender (1) meets the requirements of the solicitation; (2) reflects a most efficient organization (MEO) that is fully capable of performing the requirements of the solicitation; (3) includes an agency cost estimate that is accurate and calculated in accordance with OMB Circular A-76; and (4) has the approval of the agency, allowing for implementation of the organizational structure, the personnel requirements, capital investments, and budgetary requirements.

Agency Tender Official's Signature:		**Date:**	
Printed Full Name:	Title:	Agency (Component):	Phone #:

COST OF PUBLIC REIMBURSABLE PERFORMANCE						
1a.	Personnel Costs	$000	$000	$000	$000	$000
2a.	Material and Supply Costs	$000	$000	$000	$000	$000
3a.	Other Specifically Attributable Costs	$000	$000	$000	$000	$000
4a.	Overhead Costs	$000	$000	$000	$000	$000
5a.	Additional Costs	$000	$000	$000	$000	$000
6a.	**Total Cost of Public Reimbursable Performance**	**$000**	**$000**	**$000**	**$000**	**$000**

PUBLIC REIMBURSABLE TENDER CERTIFICATION: I certify, to the best of my knowledge, that this public reimbursable tender (1) meets the requirements of the solicitation; (2) reflects an organization that is fully capable of performing the requirements of the solicitation; (3) includes a cost estimate that is accurate and calculated in accordance with OMB Circular A-76; and (4) has the approval of my agency, allowing for implementation of the organizational structure, the personnel requirements, capital investments, and budgetary requirements.

Official's Signature:		**Date:**	
Printed Full Name:	Title:	Agency (Component):	Phone #:

ADJUSTED COST OF PRIVATE SECTOR OR PUBLIC REIMBURSABLE PERFORMANCE						
7.	Private Sector Price or Public Reimbursable Cost Estimate	$000	$000	$000	$000	$000
8.	Contract Administration Costs	$000	$000	$000	$000	$000
9.	Additional Costs	$000	$000	$000	$000	$000
10.	One-Time Conversion Costs	$000	$000	$000	$000	$000
11.	Gain From Disposal or Transfer of Assets	($000)	($000)	($000)	($000)	($000)
12.	Federal Income Tax Adjustment	($000)	($000)	($000)	($000)	($000)
13.	**Total Adjusted Cost of Private Sector or Public Reimbursable Performance**	**$000**	**$000**	**$000**	**$000**	**$000**

DECISION CALCULATIONS				
14.	Conversion Differential			$000
15.	Adjusted Total Cost of Agency Performance			$000
16.	Adjusted Total Cost of Private Sector or Public Reimbursable Performance			$000
17.	Cost Difference (Enter: Line 16 – Line 15)			$000
18.	**LOW-COST PROVIDER**	□ **Agency Provider**	□ **Private Sector Provider**	□ **Public Reimbursable Provider**

PERFORMANCE DECISION

SEALED BID ACQUISITION

CONTRACTING OFFICER'S CERTIFICATION: I certify that, to the best of my knowledge (1) the agency tender meets the requirements of the solicitation; (2) the private sector offer meets the requirements of the solicitation, the offeror is responsible, and the contract price is reasonable [include only if a contract price is entered on Line 7], **or** the public reimbursable tender meets the requirements of the solicitation [include only if a public reimbursable cost estimate is entered on both SCF Line 6a and 7]; and (3) the costs on SCF Lines 8-18 are accurate and calculated in accordance with OMB Circular A-76, and (4) the performance decision is a low-cost decision supported by SCF Line 17.

Contracting Officer's Signature:		**Date:**	
Printed Full Name:	Title:	Agency (Component):	Phone #:

NEGOTIATED ACQUISITION

CONTRACTING OFFICER'S CERTIFICATION: I certify that price analysis and cost realism (as defined in FAR Part 2) was performed on all offers and tenders; and that, to the best of my knowledge (1) the agency tender meets the requirements of the solicitation; (2) the agency cost estimate reflected on SCF Lines 1-6 is accurate and calculated in accordance with OMB Circular A-76; (3) the private sector offer meets the requirements of the solicitation, the offeror is responsible, and the contract price is reasonable [include only when a contract price(s) is entered on Line 7] **and/or** the public reimbursable tender meets the requirements of the solicitation and the cost estimate reflected on SCF Lines 1a-6a is accurate and calculated in accordance with OMB Circular A-76 [include only when a public reimbursable cost estimate is entered on SCF Line 6a]; and (4) the costs on SCF Lines 8-18 are accurate and calculated in accordance with OMB Circular A-76.

Contracting Officer's Signature:		**Date:**	
Printed Full Name:	Title:	Agency (Component):	Phone #:

SOURCE SELECTION AUTHORITY'S CERTIFICATION:

FOR A LOW-COST PERFORMANCE DECISION: I certify that the performance decision on SCF Line 18 is (1) based on evaluating offers and tenders in accordance with Attachment B to OMB Circular A-76, and (2) a low-cost performance decision supported by SCF Line 17.

Source Selection Authority's Signature:		**Date:**	
Printed Full Name:	Title:	Agency (Component):	Phone #:

FOR AN OTHER-THAN-LOW-COST PERFORMANCE DECISION: I certify that the performance decision on this SCF is (1) is based on evaluating offers and tenders in accordance with Attachment B to OMB Circular A-76, and (2) an other-than-low-cost performance decision is supported by my source selection decision document as summarized below.

Summary of Source Selection Decision Document::	**Date:**
Narrative of Trade-offs Performed:	**Date:**
Rationale for an Other-Than-Low-Cost Provider:	
Source Selection Authority's Signature:	**Date:**

Printed Full Name:	Title:	Agency (Component):	Phone #:

Figure C3.

STREAMLINED COMPETITION FORM

Agency:	Agency Component:	Competition Number:	Competition Title:	Competition Location:
Solicitation Closing Date (if applicable)			Solicitation Number (if applicable):	

Line #	Line Title	1st Performance Period (Phase-in Period) (if applicable)	2nd Performance Period	3rd Performance Period	4th Performance Period	Total
ESTIMATED COST OF AGENCY PERFORMANCE						
1.	Personnel Costs	$000	$000	$000	$000	$000
2.	Material and Supply Costs	$000	$000	$000	$000	$000
3.	Other Specifically Attributable Costs	$000	$000	$000	$000	$000
4.	Overhead Costs	$000	$000	$000	$000	$000
6.	**Total Cost of Agency Performance**	**$000**	**$000**	**$000**	**$000**	**$000**

AGENCY TENDER CERTIFICATION: I certify, to the best of my knowledge, that this agency cost estimate on SLCF Lines 1, 2, 3, 4, and 6 is (1) based on the scope and requirements of the activity being competed, and (2) is calculated in accordance with OMB Circular A-76.

Agency Official's Signature:		**Date:**	
Printed Full Name:	Title:	Agency (Component):	Phone #:

ESTIMATED COST OF PUBLIC REIMBURSABLE PERFORMANCE						
1a.	Personnel Costs	$000	$000	$000	$000	$000
2a.	Material and Supply Costs	$000	$000	$000	$000	$000
3a.	Other Specifically Attributable Costs	$000	$000	$000	$000	$000
4a.	Overhead Costs	$000	$000	$000	$000	$000
6a.	**Total Cost of Public Reimbursable Performance**	**$000**	**$000**	**$000**	**$000**	**$000**

PUBLIC REIMBURSABLE TENDER CERTIFICATION: I certify, to the best of my knowledge, that the cost estimate on SLCF Line 7 is based on (1) calculating SLCF Lines 1a, 2a, 3a, 4a, and 6a in accordance with OMB Circular A-76; and (2) the scope and requirements of the activity being competed.

Agency Official's Signature:		**Date:**	
Printed Full Name:	Title:	Agency (Component):	Phone #:

ESTIMATED COST OF PRIVATE SECTOR OR PUBLIC REIMBURSABLE PERFORMANCE						
7.	Private Sector Price or Public Reimbursable Cost Estimate	$000	$000	$000	$000	$000

CERTIFICATION OF ESTIMATED COST OF PRIVATE SECTOR PERFORMANCE: I certify, to the best of my knowledge, that the cost estimate on SLCF Line 7 is based on (1) documented market research or soliciting cost proposals in accordance with the FAR [OR a public reimbursable source estimate as reflected on SLCF Line 6a]; and (2) the scope and requirements of the activity being competed.

Agency Official's Signature:		**Date:**	
Printed Full Name:	Title:	Agency (Component):	Phone #:

ADJUSTED COST OF PRIVATE SECTOR OR PUBLIC REIMBURSABLE PERFORMANCE						
8.	Contract Administration Costs	$000	$000	$000	$000	$000
12.	Federal Income Tax Adjustment	($000)	($000)	($000)	($000)	($000)
13.	**Total Adjusted Cost of Private Sector or Public Reimbursable Performance**	**$000**	**$000**	**$000**	**$000**	**$000**
DECISION CALCULATIONS						
17.	Cost Difference (Enter: Line 13 – Line 6)					$000
18.	**LOW –COST PROVIDER**	□ **Agency Provider**		□ **Private Sector Provider**		□ **Public Reimbursable Provider**

PERFORMANCE DECISION

CERTIFICATION OF ADJUSTED COSTS: I certify that to the best of my knowledge, the costs on SLCF Lines 8, 12, 13, and 17 are accurate and calculated in accordance with OMB Circular A-76; and that the performance decision reflected on SLCF Line 18 is cost effective.

Agency Official's Signature:		**Date:**	
Printed Full Name:	Title:	Agency (Component):	Phone #:

B. COST OF AGENCY PERFORMANCE (SCF/SLCF LINES 1-6).
COST OF PUBLIC REIMBURSABLE PERFORMANCE (SCF/SLCF LINES 1a-6a).

1. **Scope.** Unless otherwise provided, agency cost estimates and public reimbursable cost estimates shall be calculated in accordance with paragraph B of this attachment.

2. **Personnel Costs (SCF/SLCF Line 1/1a).** Personnel costs for an agency cost estimate shall be entered on SCF Line 1 for a standard competition or SLCF Line 1 for a streamlined competition. Personnel costs in a public reimbursable cost estimate shall be entered on SCF Line 1a for a standard competition or SLCF Line 1a for a streamlined competition. Agency and public reimbursable sources shall include sufficient written documentation of all personnel costs included in cost estimates for the CO to conduct price analysis and cost realism as required by Attachment B. Personnel costs for agency and public reimbursable cost estimates shall be calculated as provided below. Agencies shall determine and manually input the cost data for this SCF/SLCF line into COMPARE. COMPARE automatically computes Line 1 and Line 1a totals based upon user inputs.

   a. **Labor Costs.** Agency and public reimbursable sources shall calculate all labor costs to reflect the staffing (e.g., MEO) necessary to meet the solicitation requirements and include these costs in cost estimates. These labor costs include, but are not limited to, direct labor; labor for supervision and management related support to the tender (e.g., MEO) such as labor for quality control, labor for MEO administration and inspection based on the MEO letter of obligation, labor for contract administration and surveillance for MEO subcontract, and indirect labor. An agency shall determine direct labor costs based on the government personnel costs for labor that will be dedicated to the MEO. To calculate direct labor, an agency shall identify the specific MEO staffing, wage/grade classifications, salaries, wages and other entitlements such as fringe benefits, overseas allowances, uniform allowances and overtime and other local personnel costs expended to perform the MEO. Direct labor includes resources dedicated to performing the requirements of the solicitation and labor for supervision and management related support to the tender (e.g., MEO) such as labor for quality control.

   b. **Prorated Labor.** Agency and public reimbursable sources shall prorate the cost of government personnel who will not be 100 percent dedicated to the organization in the tender (e.g., MEO) based on the amount of dedicated time the agency expects these civilian positions to provide to the organization (e.g., MEO). For example, if a GS-13 position spends 20 percent of their time performing management oversight of an activity being competed, the prorated cost is entered on SCF Line 1 as 0.20 FTE in the grade of GS-13, step 5. Agencies and public reimbursable sources shall calculate prorated labor in cost estimates and enter these costs on SCF Line 1 or Line 1a, as appropriate.

   c. **Administration and Inspection Costs for an MEO Letter of Obligation.** The agency cost estimate shall include labor costs for MEO administration and inspection. These costs include, but are not limited to, monitoring performance and compliance with the MEO letter of obligation for all performance periods. A public reimbursable cost estimate shall not include these administration costs since they are accounted for on SCF/SLCF Line 8.

   d. **Full-Time Equivalents (FTE).** Based on workload requirements, agency and public reimbursable sources shall determine the productive work hours for the organization in the tender (e.g., MEO) and then convert these productive hours into FTE positions. After the

FTE determination, an agency shall establish the staffing for the organization in the tender (e.g., MEO), which includes the number of positions and grades necessary to meet the FTE requirements. For example, if an agency determines that 35.789 FTEs of direct labor will be necessary to meet the workload requirements, the agency will then convert the 35.789 FTE requirement into the number of positions and corresponding grades necessary to fill these requirements, resulting in a staffing level of 36 positions for the organization in the agency tender. The agency then calculates the cost of the 36 positions and enters the cost on Line 1 or Line la, as appropriate. In this example, the work associated with the 0.789 FTEs was converted into a whole position based on a specific staffing approach; however, another agency might elect to use intermittent or part-time positions to accomplish the 0.789 FTE requirement. After these FTE calculations and staffing determinations, agency and public reimbursable sources shall determine and add the staffing for indirect labor to the organization in the tender to support the direct labor (man-year) requirements.

(1) FTE Rounding. An agency shall round FTE calculations to three decimal places (for example: 0.000 FTEs).

(2) Full-time, Part-time, Temporary, and Seasonal FTEs. An agency shall determine the required number of FTEs by identifying the total hours required, by skill and grade, and then divide by 1,776 annual productive hours. The productive hours shall exclude annual leave, sick leave, administrative leave, training, and other nonproductive hours.

(3) Intermittent FTEs. An agency shall determine the required number of FTEs by identifying the total hours required, by skill and grade, and then divide by 2,007 annual productive hours.

e. Civilian Position Pay and Wages.

(1) Calculation. Agency and public reimbursable sources shall calculate civilian pay and wages for cost estimates using (a) local pay salaries and wages at a rate of step 5 for GS, and step 4 for FWS, positions; (b) the mid-grade, or mid-band and mid-step level for pay-banded or demonstration project positions; (c) the locality pay for the location, or each location in a multi-location competition; and (d) the length of time in grade for each grade in a developmental series, as determined by the HRA.

(2) Pay Rate Changes. Agency and public reimbursable sources shall implement pay rate changes in cost estimates when the pay rate changes become "known." The specific point at which these pay rate changes become "known" is after the President signs the executive order approving the pay rate changes and the executive order is made available to the public. The cost of a pay rate change is incurred by the government based upon the effective date of the pay tables, regardless of whether the President signs the treasury/postal authorization bill for a given fiscal year. Therefore, agency and public reimbursable sources shall incorporate pay rate changes in cost estimates if (a) the effective date of the new pay table is prior to or the same day as the first day of the phase-in period; and (b) the signed Presidential executive order approving the pay rate changes is available to the public. If an agency or public reimbursable source has prepared a cost estimate but a performance decision is pending, the agency or public reimbursable source shall update the cost estimate to reflect these "known" pay rate changes prior to the performance decision being made.

f. Civilian Position Fringe Benefits and Federal Insurance Contribution Act (FICA). Agency and public reimbursable sources shall calculate civilian fringe benefits and FICA based upon the basic pay for each position in the cost estimate. Basic pay for GS positions is the position's annual salary plus any applicable "other civilian position pay entitlements" (see "Other Civilian Pay Entitlements" paragraph below). Basic pay for FWS positions is the position's annual wages including shift differential pay and environmental pay plus any applicable "other civilian pay entitlements" (see "Other Civilian Pay Entitlements" paragraph below). Agency and public reimbursable sources shall multiply basic pay by the following government-wide standard factors. COMPARE automatically computes the costs for these entries.

(1) Full-time and Part-time Permanent Civilian Positions. On the publication date of this circular, full-time and part-time permanent civilian positions receive the civilian position full fringe benefit cost factor of 32.85 percent of the position's basic pay. The 32.85 percent civilian position full fringe benefit cost factor is the sum of the standard civilian position retirement benefit cost factor (24.0 percent), insurance and health benefit cost factor (5.7 percent), Medicare benefit cost factor (1.45 percent), and miscellaneous fringe benefit cost factor (1.7 percent).

(a) Retirement Benefit Cost Factors. The standard civilian retirement benefit cost factor represents the cost of the weighted Civil Service Retirement System/Federal Employees Retirement System to the government, based upon the full dynamic normal cost of the retirement systems, the normal cost of accruing retiree health benefits based on average participation rates, social security, and Thrift Savings Plan contributions. On the publication date of this circular, the standard civilian retirement benefit cost factor for civilian positions is 24 percent of the position's basic pay (18.9 percent retirement pension plus 5.1 percent for retiree health). The retirement cost factors for special class civilian positions are: 33.0 percent of basic pay for air traffic controllers (27.9 percent retirement pension plus 5.1 percent for retiree health) and 38.2 percent of basic pay for law enforcement and fire protection (33.1 percent retirement pension plus 5.1 percent for retiree health).

(b) Insurance and Health Benefit Cost Factor. On the publication date of this circular, the insurance and health benefit cost factor for civilian positions, based on actual cost, is 5.7 percent of the position's basic pay.

(c) Medicare Benefit Cost Factor. On the publication date of this circular, the Medicare benefit cost factor is 1.45 percent of the civilian position's basic pay.

(d) Miscellaneous Fringe Benefit Cost Factor. As of the publication date of this circular, the miscellaneous fringe benefits cost factor for civilian positions (workmen's compensation, bonuses, awards, and unemployment programs) is 1.7 percent of the position's basic pay. Based on the OPM civilian award policy, there are two general categories for civilian awards. Category one is for special acts (e.g., cash awards, bonuses) that are over and above a civilian employee's expected annual performance, and category two is for awards that are based on a civilian employee's annual performance rating (e.g., cash awards, bonuses, quality step increases). Category one civilian awards are not included in the 1.7 percent miscellaneous fringe benefit factor (these costs are entered under "Other Civilian Pay"). Category two civilian awards are included in the 1.7 percent miscellaneous fringe benefit factor.

(2) **Temporary and Intermittent Civilian Positions.** The full benefit factor is not applied to temporary and intermittent civilian positions. Agencies and public reimbursable sources shall apply the FICA cost factor to civilian positions not covered by Civil Servant Retirement System or Federal Employee Retirement System (typically intermittent and temporary civilian positions). On the publication date of this circular, the FICA cost factor is 7.65 percent of salaries or wages subject to federal income tax. The FICA cost factor equates to 6.2 percent for Old Age and Survivors Death Insurance benefits and 1.45 percent for Medicare benefits. There is an annual maximum earnings limitation of $87,000 for the Old Age and Survivors Death Insurance benefit portion of the FICA tax.

(3) **Seasonal Civilian Positions.** Seasonal civilian positions are employed on a recurring basis for less than 12 months each year. Agencies and public reimbursable sources shall calculate the cost of a seasonal position based on 1,776 annual productive hours, and determine the number of seasonal civilian positions as a seasonal full-time or seasonal part-time position based on the number of annual hours the civilians will be scheduled to work. Agencies and public reimbursable sources shall then calculate permanent seasonal civilian positions using the civilian position full fringe benefit cost factor, and temporary seasonal civilian positions using the FICA cost factor.

g. **Other Civilian Pay.** Agency and public reimbursable sources shall calculate other civilian pay for each position in the cost estimate, when applicable. Other civilian pay includes pay that is subject only to FICA taxes. Examples of this type of pay include, but are not limited to, premium pay, night differential pay for GS positions, overtime pay, holiday pay, category one civilian awards, civilian bonuses, and uniform allowances.

h. **Other Civilian Pay Entitlements.** Agency and public reimbursable sources shall calculate other civilian pay entitlements for each civilian position in the cost estimate, when applicable. Agency and public reimbursable sources shall identify these entitlements and use current cost factors for each entitlement identified in cost estimates. In a standard competition, the HRA shall identify these entitlements and obtain the current cost factors for each entitlement identified in the agency cost estimate. Examples of these entitlements include, but are not limited to, night differential pay for FWS positions, environmental differential pay and premium pay (for civilian fire fighters and law enforcement officers). Agencies shall determine and manually input the cost data for this cost entry into COMPARE.

i. **Non-Foreign Area Civilian Employee Cost-Of-Living Allowance.** Agency and public reimbursable sources shall calculate cost-of-living allowances for each position in the cost estimate, when applicable. A cost-of-living allowance is applied to any civilian employee position that will physically perform work in the following locations: Alaska, Hawaii, Guam, Puerto Rico, the United States Virgin Islands, and the Commonwealth of the Northern Mariana Islands. Agencies shall determine and manually input the cost data for this cost entry into COMPARE.

j. **Administration and Surveillance for MEO Subcontracts.** If a mix of government positions and subcontracts is included in a tender, agency and public reimbursable sources shall calculate the cost of labor for the administration and surveillance of these subcontracts and enter the cost on Line 1 or 1a, as appropriate. An agency shall enter the actual costs of MEO subcontracts and fee-for-service agreements, as well as the cost of government-

furnished material, equipment, facilities, and services for these subcontracts, on Line 3 or Line 3a, as appropriate. A public reimbursable source shall enter the actual costs of subcontracts and fee-for-service agreements, as well as the cost of public reimbursable furnished material, equipment, facilities, and services for these subcontracts, on Line 3a. Agencies shall determine and manually input the cost data for this cost entry into COMPARE.

k. Labor Escalation. Inflation for wages and salaries of civilian positions and private sector service positions (often referred to as "labor escalation") is included in private sector cost proposals, agency cost estimates, and public reimbursable cost estimates based on the solicitation requirements for economic price adjustment for labor inflation. An economic price adjustment for services and construction labor is determined by the Service Contract Act (SCA), the Davis-Bacon Act and FAR Part 22. To calculate inflation for civilian positions in cost estimates, agency and public reimbursable sources shall comply with the following guidance, which is consistent with the requirements in FAR Part 22 for submission of private sector offers. COMPARE automatically computes the applicable inflation costs based on the user input selections in accordance with the following:

(1) If a solicitation **does not include** either FAR clause 52.222-43 or 52.222-44, an agency shall apply inflation to all civilian positions for all performance periods through the end of the last performance period stated in the solicitation.

(2) If a solicitation **does include** either FAR clause 52.222-43 or 52.222-44, agency and public reimbursable sources shall inflate labor costs in cost estimates as follows: (a) For civilian positions that are subject to an economic price adjustment (i.e., the position description states the position is nonexempt under the Fair Labor Standards Act, inflation is applied only through the end of the first period of full performance; or (b) For civilian positions that are not subject to an economic price adjustment (i.e., the position description states the position is exempt under the Fair Labor Standards Act inflation) is applied for all performance periods through the end of the last performance period stated in the solicitation.

(3) SCA and the Davis-Bacon Act do not apply to civilian positions; however, the Fair Labor Standards Act can be applied to civilian positions consistent with SCA since both the Fair Labor Standards Act and SCA use the same definitions for employees that perform services. On the basis of these common definitions, and since the private sector uses the SCA and the Davis-Bacon Act (as prescribed in FAR Part 22) to determine which private sector positions are subject to an economic price adjustment, agencies and public reimbursable sources shall use the Fair Labor Standards Act to determine which civilian positions are subject to an economic price adjustment in cost estimates. The determination of whether a civilian position is exempt or nonexempt under the Fair Labor Standards Act is required by OPM when civilian position descriptions are classified. Therefore, when an official civilian position description is classified as exempt under the Fair Labor Standards Act, the civilian position <u>is not subject</u> to an economic price adjustment and labor costs are inflated for all performance periods through the end of the last performance period stated in the solicitation. When a position description is classified as nonexempt under the Fair Labor Standards Act, the civilian position <u>is subject</u> to an economic price adjustment but **only** if the solicitation includes FAR clause 52.222-43 or FAR 52.222-44; in that case, labor costs for non-exempt positions are inflated through the end of the first period of full performance.

l. Labor Inflation Cost Factors. As provided in paragraph A of this Attachment, an annual OMB Transmittal Memorandum identifies the federal pay raise assumptions and inflation cost factors (i.e., pay increases expressed in percentages) for civilian positions. This transmittal memorandum provides an update to the pay inflation cost factors used to estimate projected civilian pay costs and to specify the year in which these labor inflation cost factors become effective. Agency and public reimbursable sources shall apply the labor inflation cost factors (specified in the annual OMB transmittal memorandum) on the day immediately following the end of the effective period of the GS or FWS pay schedules used in the agency cost estimate.

(1) General Schedule (GS). Since GS pay schedules are effective on the first day of the first full pay period beginning on or after January 1 of each year, agency and public reimbursable sources shall apply the labor inflation cost factors in January of each year following the end of the effective period for the pay schedule used in cost estimates for GS positions. For example, if the GS pay schedule in use is effective on January 12, 2003, the 2004 pay inflation factor is applied on January 12, 2004. The labor inflation cost factor for each year provided in the transmittal memorandum is applied on January 12 of each subsequent year of performance included in the cost estimate as required by the performance periods stated in the solicitation.

(2) Federal Wage System (FWS). FWS pay schedules are effective for a 12-month period, and differ from GS pay schedules in that effective dates for FWS pay schedules (a) occur during any month of the year and (b) vary by location. For FWS positions, agency and public reimbursable sources shall apply the labor inflation cost factors at the end of the effective period of the FWS pay schedule used in the cost estimates. Agency and public reimbursable sources shall apply FWS labor inflation cost factors to FWS pay as follows:

(a) January to September Effective Dates. For FWS pay schedules with effective dates from January 1 through September 30, agency and public reimbursable sources shall use the labor inflation cost factor that corresponds to the year of the end date of the effective period for the FWS pay schedule. For example, if an FWS pay schedule is effective from April 20, 2003 to April 19, 2004, the 2004 labor inflation cost factor is used on April 20, 2004. On April 20 of each subsequent year, the labor inflation cost factor that corresponds to each subsequent year is used.

(b) October to December Effective Dates. For FWS pay schedules with effective dates from October 1 through December 31, agency and public reimbursable sources shall use the labor inflation cost factor that corresponds to the year following the end date of the effective period for the FWS pay schedule. For example, if an FWS pay schedule is effective from October 20, 2003 to October 19, 2004, the 2005 labor inflation cost factor is used on October 20, 2004. On October 20 of each subsequent year, the labor inflation cost factor that corresponds to each subsequent year is used.

m. Uniformed Services Labor. Agency and public reimbursable sources may include uniformed services labor in tenders, only under the following conditions: (a) uniformed services positions in the tender (e.g., MEO) shall not exceed the number of pre-competition uniformed services positions performing the activity and (b) civilian employee positions shall not be converted to uniformed services positions. If uniformed services labor is used in a tender, the agency or public reimbursable source shall develop

productive hours for the uniformed services positions that include annual leave, sick leave, administrative leave, training, and other nonproductive hours. Agency and public reimbursable sources shall calculate the cost of uniformed services positions using the military/uniformed services composite pay rate, apply the labor inflation cost factor, and enter this cost data for Line 1 or Line 1a calculations, as appropriate. COMPARE automatically computes the Line 1 or Line 1a entry based on the user inputs.

3. **Material and Supply Costs (SCF/SLCF Line 2/2a).** Material and supply costs in an agency cost estimate shall be entered on SCF Line 2 for a standard competition or SLCF Line 2 for a streamlined competition. Material and supply costs in a public reimbursable cost estimate shall be entered on SCF Line 2a for a standard competition or SLCF Line 2a for a streamlined competition. Agency and public reimbursable sources shall include sufficient written documentation of all material and supply costs included in cost estimates for the CO to conduct price analysis and cost realism as required by Attachment B. Agencies and public reimbursable cost estimates shall calculate material and supply costs as follows. Agencies shall determine and manually input the cost data for this SCF/SLCF line into COMPARE.

   a. **General.** Material and supply costs are incurred in each performance period for goods such as raw materials, parts, subassemblies, components, fuel, and office supplies. Agency and public reimbursable sources shall adjust historical or engineering estimates of material and supply use, and cost data, to reflect the solicitation requirements in cost estimates. An agency shall calculate material and supply costs and include these costs in the agency cost estimate **only** if the materials and supplies are required for the agency tender but are not provided to all prospective providers as GFP in the solicitation. The CO includes instructions for material and supply costs in the solicitation (FAR 51.101). Agency and public reimbursable sources shall comply with the solicitation instructions for calculating the cost of materials and supplies in cost estimates and enter the costs on Line 2 or 2a, as appropriate. For material and supplies not provided as GFP but needed to meet the requirements of the solicitation, a public reimbursable source shall calculate the cost of materials and supplies in accordance with this paragraph, reflect these costs in the cost estimate, and enter the costs on Line 2a.

   b. **Cost Ceiling.** If the solicitation includes a material and supply cost ceiling, agency and public reimbursable sources shall include this ceiling cost in cost estimates and enter the cost on Line 2 or Line 2a, as appropriate. If a solicitation does not include a material and supply cost ceiling, agency and public reimbursable sources shall calculate the full cost of materials and supplies, including inflation if required, and enter these costs on Line 2 or 2a, as appropriate.

   c. **Material Related Costs.** Agency and public reimbursable sources shall list required material by the quantity needed, unit price, inflation for out-years, and enter the total cost in cost estimates on Line 2 or Line 2a, as appropriate. Material costs include, but are not limited to, material, transport, handling, availability, delay costs, and established allowances for normal scrap, spoilage, overruns and defective work. Agency and public reimbursable sources may make a single entry for miscellaneous items such as office supplies in cost estimates.

   d. **Inflation.** Agency and public reimbursable sources shall calculate an estimate for material and supply costs in cost estimates for all performance periods, including adjustments for non-pay inflation identified in the annual update of non-pay inflation factors issued by an OMB Transmittal Memorandum. Agency and public reimbursable sources shall calculate unit prices to the end of the first period of full performance and inflate and/or prorate the cost of

materials and supplies in the cost estimate in accordance with instructions in the solicitation. Agency and public reimbursable sources shall review section B (Supplies or Services and Prices) and any special clauses in section H (Special Contract Requirements) of the solicitation to determine if an economic price adjustment applies to materials and supplies. If materials and supplies listed in section B are subject to an economic price adjustment, agency and public reimbursable sources shall inflate these costs through the end of the first period of full performance in cost estimates. If materials and supplies listed in section B are not subject to an economic price adjustment, agency and public reimbursable sources shall inflate these costs by applying the applicable inflation factors (if any) for all performance periods through the end of the last performance period stated in the solicitation. If fuel costs are entered on Line 2 or Line 2a, the fuels (non-pay) inflation cost factor shall be used to apply inflation to the fuel costs.

4. **Other Specifically Attributable Costs (SCF/SLCF Line 3/3a).** Other specifically attributable costs in an agency cost estimate shall be entered on SCF Line 3 for a standard competition or SLCF Line 3 for a streamlined competition. Other specifically attributable costs in a public reimbursable cost estimate shall be entered on SCF Line 3a for a standard competition or SLCF Line 3a for a streamlined competition. Agency and public reimbursable sources shall include sufficient written documentation for all other specifically attributable costs included in cost estimates for the CO to conduct price analysis and cost realism as required by Attachment B. Agencies and public reimbursable cost estimates shall calculate other specifically attributable costs as follows:

   a. **Depreciation.** Agency and public reimbursable sources shall use the Useful Life and Disposal Value Table to calculate residual value, and The Federal Accounting Standards for Property, Plant and Equipment (both documents are posted on the OMB website) to establish depreciation schedules, rates of depreciation, and other related guidance. If a capital asset is (1) fully depreciated; (2) used in the tender; and (3) not provided to all prospective providers as GFP in the solicitation, agency and public reimbursable sources shall extend the life of the capital asset for all performance periods through the end of the last performance period stated in the solicitation or until replacement. Agency and public reimbursable sources shall calculate the depreciation using the extended life and original acquisition cost. If a capital asset involves a capital improvement, agency and public reimbursable sources shall calculate the cost of the capital improvement as a separate asset in cost estimates and enter this cost on Line 3 or 3a, as appropriate. The cost of capital improvements shall be entered as a separate asset entry because capital improvement costs are depreciated from the date of the capital improvement, not from the original acquisition date. The total depreciable acquisition cost is the sum of the capital asset's acquisition, transportation, and installation costs minus the capital asset's residual value. COMPARE automatically computes the costs required for this entry based upon the cost data entered for this line.

      (1) **Minor Items.** Minor items are individual assets costing less than $25,000. Agency and public reimbursable sources shall not depreciate minor items in cost estimates.

      (2) **Capital Assets.** Capital assets are major items costing $25,000 or more. An agency shall depreciate capital assets not provided to all prospective providers as GFP in the solicitation and enter the depreciation cost on Line 3 or 3a, as appropriate. If a capital asset is (a) to be jointly used in the agency tender (e.g., MEO) and another agency activity that is not included in the streamlined or standard competition, and (b) not provided to all prospective providers as GFP in the solicitation, an agency shall prorate

the cost of this joint usage of the capital asset on Line 3. For capital assets not provided as GFP but needed to meet the requirements of the solicitation, a public reimbursable source shall calculate depreciation costs for major items in the cost estimate and enter the cost on Line 3a beginning with the first performance period the major item is required and all subsequent performance periods stated in the solicitation. COMPARE automatically computes the costs required for this entry based upon the cost data entered for this line.

(3) Calculation Method. Agency and public reimbursable sources shall calculate depreciation using straight line accounting methods and enter this depreciation on Line 3 or Line 3a, as appropriate, as annual depreciation for each performance period stated in the solicitation. If a major item was acquired through transfer, seizure or forfeiture, an industry specific standard or engineering appraisal may be used to establish the market or "acquisition" value of the asset. COMPARE automatically computes the costs required for this entry based upon the cost data entered for this line.

b. Facilities. If facilities are not provided to all prospective providers as GFP in the solicitation, an agency shall use the useful life expectancies listed by type of facility in Figure C4. to estimate the cost of facilities in the agency cost estimate and enter this cost on Line 3 or 3a, as appropriate. If the useful life has been exceeded, an agency shall use an engineering projection of anticipated remaining useful life. An agency shall prorate these costs in the agency cost estimate by a unit of measure that varies directly with consumption (e.g., floor space, type of facility, number of telephones). An agency shall base estimates of expenses to be incurred for the first period of full performance on recent experience, appropriately adjusted for anticipated requirements. An agency shall use engineering estimates when historical data is not available. If an asset such as a facility has a capital improvement (such as renovation), an agency shall calculate the cost of the capital improvement (renovation costs) as a separate asset in the agency cost estimate. The cost of capital improvements is calculated as a separate asset because the capital improvement costs (renovation costs) are depreciated from the date of the capital improvement (renovation) not the original acquisition or construction date. An agency shall include costs for facilities and equipment used in the agency tender, but not provided to all prospective providers as GFP in the solicitation, on Line 3. For facilities not provided as GFP but needed to meet the requirements of the solicitation, a public reimbursable source shall calculate facilities costs in accordance with this paragraph, reflect these costs in the cost estimate, and enter the costs on Line 3a. COMPARE automatically computes the costs required for this entry based upon the cost data entered for this line.

Table of Facility Useful Life Expectancies	
Facility Category	**Useful Life**
Permanent	75 years
Semi-Permanent	50 years
Temporary	25 years

Figure C4.

c. Cost of Capital. An agency shall only calculate the cost of capital for capital assets included in the agency cost estimate if the item is (1) not provided to all prospective providers as GFP in the solicitation, and (2) scheduled for purchase within any of the performance periods stated in the solicitation. An Agency shall enter the appropriate cost of capital costs on Line

3. To estimate the annual cost of capital, an agency shall first identify the total depreciable acquisition cost of new purchased capital assets or the market value of capital assets acquired by transfer, forfeiture or seizure. An agency shall base the total depreciable acquisition cost on the value of the capital asset, plus transportation costs (if not already included in the purchase price) and installation costs to place the capital asset in operation minus any applicable residual value. An agency shall compute the cost of capital by applying the applicable nominal rate (cost of capital factors) provided by OMB Circular A-94, *Guidelines for Discount Rates for Benefit-Cost Analysis of Federal Programs*, to the determined total depreciable acquisition cost of the purchased capital assets or to the market value of capital assets acquired by transfer, forfeiture or seizure. If a major item is to be jointly used between the tender (e.g., MEO) and another agency activity that is not included in the streamlined or standard competition, an agency shall prorate the capital asset's cost of capital on Line 3 based on the percentage used by the agency. For capital assets not provided to all prospective providers as GFP in the solicitation, but needed to meet the requirements of the solicitation, a public reimbursable source shall calculate the cost of capital in accordance with this paragraph, reflect this cost in the cost estimate, and enter the costs on Line 3a. COMPARE automatically computes the costs required for this entry based upon the cost data entered for this line.

d. Rent. If rented or leased assets are used in the agency tender but are not provided to all prospective providers as GFP in the solicitation, an agency shall calculate rental and lease costs in the agency cost estimate and enter the cost on Line 3. Rent is incurred for, but not limited to, the use, operation and maintenance of land, building space, plant and machinery. An agency shall calculate rental or lease costs that are associated with the agency tender on an allocated basis for all performance periods for which the costs will be incurred. For rent not provided as GFP but needed to meet the requirements of the solicitation, a public reimbursable source shall calculate rental and/or lease costs in accordance with this paragraph, reflect these costs in the cost estimate, and enter the costs on Line 3a. Agencies shall determine and manually input the cost data for this cost entry into COMPARE.

e. Utilities. If utilities are provided for the agency tender but are not provided for all prospective providers as GFP in the solicitation, an agency shall calculate and enter the cost of utilities on Line 3. Utility costs include, but are not limited to, electricity, telephone, water, and sewage services. An agency shall calculate the amount of these utility costs on an allocated or a metered basis for all performance periods for which costs will be incurred. For utilities not provided as GFP but needed to meet the requirements of the solicitation, a public reimbursable source shall calculate costs for utilities in accordance with this paragraph, reflect these costs in the cost estimate, and enter the costs on Line 3a. Agencies shall determine and manually input the cost data for this cost entry into COMPARE.

f. Insurance.

(1) Casualty Insurance. Agency and public reimbursable sources shall calculate casualty insurance premiums in cost estimates and enter these costs on Line 3 or Line 3a as appropriate for all materials and supplies, minor items, and capital assets that are not provided to all prospective providers as GFP in the solicitation, or if the solicitation includes terms that specify that property losses may be assessed to private sector sources. Agency and public reimbursable sources shall calculate casualty insurance premiums for capital assets by multiplying the net book value of each capital asset as of the beginning of each performance period that the agency will use the capital asset by

0.005 (the casualty insurance cost factor). Agency and public reimbursable sources shall calculate casualty insurance premiums for minor items not provided to all prospective providers by multiplying the annual cost, inflated as appropriate, of each minor item by 0.005 (the casualty insurance cost factor). Agency and public reimbursable sources shall calculate casualty insurance premiums for materials and supplies by multiplying a one-month average value of material and supplies by 0.005 (the casualty insurance cost factor) times a one-month average value of material and supplies. Agency and public reimbursable sources shall calculate casualty insurance premiums for each performance period that they will use the capital assets, minor items, materials, and supplies. COMPARE automatically calculates this entry if the items are not government furnished. Agencies shall determine and manually input the cost data into COMPARE for solicitations that specify that property losses may be assessed to private sector sources.

(2) Government Furnished Property (GFP) Casualty Insurance. While the FAR includes many GFP clauses that may be included in a solicitation, the following table provides an extract of FAR GFP clauses that a solicitation is likely to contain for a standard competition. The GFP clause, included in the solicitation, determines whether casualty insurance costs for GFP should be included on Line 3 or Line 3a, as appropriate. For solicitations that include both firm-fixed-price and cost reimbursement CLINs in section B, the solicitation identifies the GFP clause that applies to a specific CLIN. For example, the solicitation may apply FAR clause 52.245-5 to the material and supply ceiling cost, indicating that insurance is not required for the material and supply dollars. The same solicitation may designate FAR clause 52.245-2 to GFP vehicles, indicating that the vehicles require casualty insurance. When vehicles leased from the General Services Administration are used in the agency tender but are not provided to all prospective providers as GFP in the solicitation, an agency shall include the cost of casualty insurance on Line 3 if the General Services Administration lease terms make the lessee liable for vehicle damage. Based upon the FAR provisions included in the solicitation, agencies may be required to determine and manually input the cost data into COMPARE.

GFP CLAUSES AND CASUALTY INSURANCE REQUIREMENTS				
FAR Reference	Liability Assigned to Private Sector and Public Reimbursable Sources	Is GFP Casualty Insurance Required in the Agency Cost Estimate?		
		Materials	Capital Assets	Minor Items
52.245-2	Yes	Yes	Yes	Yes
52.245-2 Alt I	No	No	No	No
52.245-4	Yes	Yes	Yes	Yes
52.245-5	No	No	No	No

Figure C5.

(3) Liability Insurance. Agency and public reimbursable sources shall calculate the cost of personnel liability insurance in cost estimates and enter the cost on Line 3 or Line 3a, as appropriate. Agency and public reimbursable sources shall calculate the cost of personnel liability insurance by multiplying the total personnel-related costs on Line 1 (or Line 1a, as appropriate) by 0.007 (the personnel liability insurance cost factor). Agency and public reimbursable sources shall calculate the cost of additional liability insurance (not associated with personnel liability) that is assigned to the private sector in the solicitation by multiplying the estimated liability ceiling identified in the solicitation by 0.007 (the personnel liability insurance cost factor). If the solicitation requires

additional liability insurance to cover certain high-risk activities (e.g., environmental, air traffic control, child care, ammunition handling, air cargo, nuclear fuel handling), agency and public reimbursable sources shall calculate the cost of this additional liability insurance in cost estimates and enter this cost on Line 3 or Line 3a, as appropriate. COMPARE automatically calculates this entry.

g. Travel. Agency and public reimbursable sources shall calculate the costs for travel not provided as government furnished to all prospective providers in the solicitation and enter these costs on Line 3 or Line 3a, as appropriate. Agency and public reimbursable sources shall calculate the projected cost of travel that will be expended by agency or public reimbursable sources and identified in tenders unless the solicitation includes a ceiling cost for travel reimbursement or states that travel is government-furnished for all prospective providers. If the solicitation includes a cost ceiling for travel, agency and public reimbursable sources shall include the cost ceiling in cost estimates and enter the cost on Line 3 or Line 3a, as appropriate. Unless a cost ceiling is provided, agency and public reimbursable sources shall inflate travel costs for all performance periods through the end of the last performance period stated in the solicitation or as required by the economic price adjustment clause in the solicitation. Agencies shall determine and manually input the cost data for this cost entry into COMPARE.

h. MEO Subcontracts. Agency and public reimbursable sources shall include the cost of each subcontract included in a tender but not made available to all prospective providers in the solicitation as a subcontract in cost estimates and enter the costs on Line 3 or Line 3a, as appropriate. Agency and public reimbursable sources shall calculate the total cost of a subcontract by including the following in cost estimates (1) the contract price for each contract, or cost estimate for each fee-for-service agreement; (2) the cost of any related government-furnished material**,** equipment, facilities, and services not provided to all prospective providers as GFP in the solicitation; (3) inflation for all performance periods through the end of the last performance period stated in the solicitation, as appropriate; and (4) the offset for federal income tax for each subcontract with the tax rate applicable to each subcontract (see paragraph C12. in this attachment). Agencies shall determine and manually input the cost data for this cost entry into COMPARE. COMPARE automatically computes the applicable inflation and federal income tax offset.

(1) Nonrecurring Workload. Agency and public reimbursable sources may calculate overtime and surge or other types of nonrecurring workload as an MEO subcontract cost, if the services are purchased using either a government purchase card or a task order under an existing contract. When purchasing services with a government purchase card or task order under an existing contract, agencies and public reimbursable sources shall calculate the cost of the purchased services in the cost estimate and include (a) the offset for federal income tax for each subcontract with the tax rate applicable to each subcontract (see the "Federal Income Tax Adjustment" paragraph in this attachment), and (b) inflation for all performance periods through the end of the last performance period stated in the solicitation, as appropriate.

(2) Administration and Surveillance of Subcontracts. Agencies and public reimbursable sources shall calculate the cost of labor for (a) the administration and surveillance for each subcontract (for both recurring and nonrecurring workload); and (b) administration of the government purchase card program.

i. Maintenance and Repair Costs. Agency and public reimbursable sources shall calculate the cost of maintenance and repair, if applicable, for capital assets and minor items to account for the cost of routine maintenance on buildings and for equipment and enter these costs on Line 3 or 3a, as appropriate. These costs do not include capital improvements that add value to a capital asset, which are calculated in depreciation costs. Agency and public reimbursable sources shall calculate maintenance and repair costs (1) for capital assets and minor items that are not provided to all prospective providers as GFP in the solicitation, and (2) for capital assets or minor items that are provided to all prospective service providers as GFP in the solicitation but maintenance, replacement, or repair are not provided as GFP in the solicitation. Agencies shall determine and manually input the cost data for this cost entry into COMPARE.

j. Other Costs. Agencies and public reimbursable sources shall include costs that do not fit the other Line 3 or Line 3a categories of cost in the "other costs" category of Line 3 or Line 3a. Examples of "other costs" include, but are not limited to, purchased services for packaging and crating (if not already a included in the cost of material and supplies), transportation costs; royalties, overhead projectors, office equipment, tools, chairs, desks, and cabinets.

(1) Minor Items. As part of "other costs," agencies shall include 10 percent of the replacement cost of minor items not provided to all prospective providers as GFP in the solicitation, for each performance period included in the solicitation. If the minor item is (a) to be jointly used by the agency tender (e.g., MEO) and another agency activity that is not included in the streamlined or standard competition, and (b) not provided to all prospective providers as GFP in the solicitation, an agency shall prorate the cost of this joint usage of a minor item on Line 3 based upon 10 percent of the purchase price. For minor items not provided as GFP but needed to meet the requirements of the solicitation, a public reimbursable source shall calculate 10 percent of the replacement value of the minor items in the cost estimate and enter the cost on Line 3a, beginning with the first performance period the public reimbursable source expects to replace the minor item and for all subsequent performance periods stated in the solicitation. For minor items, and any necessary replacements, that are provided as GFP in the solicitation, agencies and public reimbursable sources shall not include costs. When minor items are provided as GFP and prospective providers are responsible for replacement, agencies and public reimbursable sources shall include 10 percent of the replacement cost of the minor items in cost estimates, beginning with the first performance period where replacement of the minor item is required and all subsequent performance periods stated in the solicitation. Agencies and public reimbursable sources shall include costs for casualty insurance of minor items that are not GFP, including instances where the replacement of the minor items is the responsibility of prospective providers. Agencies shall determine and manually input the cost data for this SCF/SLCF line into COMPARE. COMPARE automatically computes the 10 percent minor item replacement cost.

(2) Award Fee. Before a solicitation may include an award fee for an agency source (in addition to other prospective providers), the CSO shall determine if an agency source may receive such an award fee. If the award fee arrangements are approved by the CSO and the solicitation states that the award fee will be available for all prospective providers, the agency shall include the award fee in the cost estimate and enter the fee on Line 3 as "other costs." A public reimbursable source shall include the award fee in the cost estimate and enter the fee on Line 3a as "other costs." Agency and public reimbursable sources shall not inflate the cost of the award fee in cost estimates. Agency

and public reimbursable sources shall not inflate the cost of the award fee in cost estimates. Agencies shall determine and manually input the cost data for this cost entry into COMPARE.

(3) **Training Costs.** Agency and public reimbursable sources shall calculate training costs for training not made available as government furnished to all prospective providers in the solicitation and enter these costs on Line 3 or 3a, as appropriate. Agency and public reimbursable sources shall calculate training costs, including travel costs, for recurring and/or specialized training necessary to maintain required licensing or certification. Agencies shall determine and manually input the cost data for this cost entry into COMPARE.

5. **Overhead (SCF/SLCF Line 4/4a).** Agency and public reimbursable sources shall enter overhead in cost estimates on Line 4 or 4a, as appropriate. An agency shall include overhead for a standard or streamlined competition by overhead for each performance period by multiplying the SCF Line 1 civilian position costs, including fringe benefits, by 12 percent (the overhead factor). A public reimbursable cost estimate shall include overhead for a streamlined or standard competition by calculating overhead for each performance period by multiplying the SCF Line 1a civilian position costs, including fringe benefits, by 12 percent (the overhead factor). Agency and public reimbursable sources shall not calculate overhead for uniformed services labor costs. COMPARE automatically calculates this SCF/SLCF line.

6. **Additional Costs (SCF Line 5/5a).** This SCF line includes costs not otherwise represented or accounted for on Lines 1-4 or Lines 1a-4a. An agency shall enter additional costs on SCF Line 5. A public reimbursable source shall enter additional costs on SCF Line 5a. Additional costs include, but are not limited to, costs resulting from unusual or special circumstances. When these costs are included the source shall provide additional documentation to explain the underlying assumptions and methods of computation. Agency and public reimbursable sources shall include sufficient written documentation of all additional costs included in cost estimates for the CO to conduct price analysis and cost realism as required by Attachment B. Agencies and public reimbursable sources shall not use Line 5 or Line 5a in a streamlined competition. Agencies shall determine and manually input the cost data for this SCF/SLCF line into COMPARE.

   a. **Expansions of Existing Activities, New Requirements, or Conversions From Private Sector to Agency Performance.** An agency shall enter the one-time additional costs of an expansion, new requirement or conversion from a private sector or public reimbursable source to agency performance on Line 5. An agency shall not include any new investment by the agency in facilities and equipment as one-time costs. An agency shall include the costs incurred when acquiring facilities or equipment and installing the equipment in the capitalized cost. Government facilities and equipment shall not normally be expanded to accommodate new or expanded agency requirements if cost-effective private sector or public reimbursable facilities and equipment are available. If the agency tender is dependent upon the agency's purchase or construction of new facilities or other capital asset purchases, the standard competition should be delayed until the approval to purchase or construct such items is obtained.

   b. **Medical Physical Exams.** Agency and public reimbursable sources shall calculate the costs associated with the civilian safety and health requirements of 29 C.F.R., including medical physical examinations, and enter these costs on Line 5 or 5a, as appropriate. The cost of

performing medical physical exams is not included in the 12 percent overhead factor. These medical physical exams are a direct cost to all prospective providers.

7. **Total Cost of Agency Performance (SCF/SLCF Line 6/6a).** The total agency cost estimate calculated on Line 6 is the sum of Lines 1-5. The total public reimbursable cost estimate calculated on Line 6a is the sum of Lines 1a-5a. COMPARE automatically calculates this SCF/SLCF line.

C. <u>ADJUSTED COST OF PRIVATE SECTOR OR PUBLIC REIMBURSABLE PERFORMANCE (SCF/SLCF LINES 7-13)</u>.

1. **Contract Price or Public Reimbursable Cost Estimate (SCF/SLCF Line 7).** In a standard competition, the CO shall enter the private sector contract price(s), or public reimbursable cost estimate(s) on SCF Line 7, as appropriate. In a streamlined competition, the agency shall enter an estimated contract price or public reimbursable cost estimate on SLCF Line 7.

   a. **Contract Price.** If a contract price(s) is entered on Line 7, the CO shall comply with the source selection process requirements in Attachment B and shall determine the contract price based on the contract type stated in the solicitation.

      (1) **Sealed Bid Acquisition.** The CO shall enter the firm fixed price of the low responsible, responsive private sector offeror on Line 7.

      (2) **Negotiated Acquisition.**

         (a) **Firm Fixed Price Contract.** The CO shall enter the negotiated contract price on SCF Line 7.

         (b) **Firm Fixed Price Incentive Fee Contract.** The CO shall enter the target cost and target profit on SCF Line 7.

         (c) **Cost-Reimbursement Contracts (FAR 16.3).**

            <u>1.</u> Cost Plus Incentive Fee Contract. The CO shall enter the negotiated estimated cost plus incentive fee.

            <u>2</u>. Cost Plus Award Fee Contract. The CO shall enter the negotiated estimated cost plus award fee.

            <u>3.</u> Cost Plus Fixed Fee Contract. The CO shall enter the negotiated estimated cost plus fixed fee.

            <u>4.</u> Cost Sharing Contract. The CO shall enter the negotiated estimate.

   b. **Public Reimbursable Cost Estimate.** If a cost estimate is submitted by a public reimbursable source(s), the CO shall make the following calculations to determine the cost to enter on SCF/SLCF Line 7 (1) calculate the federal tax adjustment for any private sector contract price(s); (2) subtract this federal tax calculation from the private sector contract price(s); (3) compare these adjusted private sector contract price(s), with all public reimbursable cost estimate(s) to determine the lowest cost provider; and (4) enter the lowest

cost on SCF/SLCF Line 7. The CO shall enter the cost estimate submitted by a tax exempt organization on SCF/SLCF Line 7 only if the calculations required by this paragraph indicate the tax exempt organization is the lowest cost provider. The CO shall document these calculations as part of the SCF supporting documentation.

c. **Tax-Exempt Organization.** If a cost estimate is submitted by a tax-exempt organization(s), the CO shall make the following calculations to determine the cost to enter on SCF/SLCF Line 7 (1) calculate the federal tax adjustment for any non-tax-exempt contract price(s); (2) subtract this federal tax calculation from non-tax-exempt contract price(s); (3) compare these adjusted private sector contract price(s), with any tax-exempt organization(s) cost estimates and any public reimbursable cost estimate(s) to determine the lowest cost provider; and (4) enter the lowest cost on SCF Line 7. The CO shall enter the cost estimate submitted by a tax exempt organization on SCF/SLCF Line 7 only if the calculations required by this paragraph indicate the tax exempt organization is the lowest cost provider. The CO shall document these calculations as part of the SCF supporting documentation.

d. **Performance Bond.** When a solicitation requires private sector sources to provide a performance bond, the CO shall exclude the cost from the private sector source's contract price on SCF Line 7. The solicitation bid structure should facilitate the elimination of this cost (see Attachment B).

2. **Contract Administration Costs (SCF/SLCF Line 8).** An agency shall calculate and enter contract administration costs on Line 8 using the Contract Administration Cost Factors and Allowable Grades in Figure C6. based on the total MEO staffing (total Line 1 FTEs plus an estimate of labor for MEO subcontracts). These contract administration cost factors account for a full range of labor and non-labor requirements for contract administration. Contract administration costs include the costs associated with reviewing compliance with the terms of the contract, processing payments, negotiating change orders, and monitoring the closeout of contract operations. An agency shall not include the cost of surveillance performed by quality assurance evaluators, as required by the quality assurance surveillance plan, on SCF Line 8, since these are common costs regardless of the source of the selected service provider (i.e., agency, public reimbursable, private sector). Agencies shall inflate contract administration costs using the Labor Inflation Cost Factors for Civilian Positions in Figure C1. COMPARE automatically computes the costs required for this SCF/SLCF line based on the factors in Figure C6. and agencies shall not include any other contract administration costs**.**

Contract Administration Factors and Allowable Grades					
MEO STAFFING*	CONTRACT ADMINISTRATION FTE	GRADES			
		GS-12	GS-11	GS-9	GS-6
10 or less	.5	1	0	0	0
11 – 20	1	1	0	0	0
21 – 50	2	1	1	0	0
51 – 75	3	1	1	1	0
76 – 100	4	1	1	1	1
101 – 120	5	1	1	2	1
121 – 150	6	1	2	2	1
151 – 200	7	1	2	2	2
201 – 250	8	2	2	2	2
251 – 300	9	2	2	3	2
301 – 350	10	2	3	3	2
351 – 450	11	2	3	4	2
451 and above	2.5% of agency MEO staffing	Distribution automatically calculated by *COMPARE*			

Figure C6.

3. **Additional Costs (SCF Line 9).** SCF Line 9 shall include any additional costs to the agency, such as transportation or purchased services, resulting from unusual or special circumstances. An agency shall document these additional costs to describe the nature of the cost item, and indicate the reason the additional cost will not be incurred if the activity is performed by the agency source. When performance of an activity is converted from agency performance to either a private sector or public reimbursable source and the agency elects to retain existing equipment and facilities on standby, solely for the purpose of maintaining an agency performance capability, an agency shall not add these standby costs to the cost of the private sector or public reimbursable performance on SCF Line 9. An agency source shall include sufficient written documentation of all additional costs included in cost estimates for the CO to conduct price analysis and cost realism as required by Attachment B. Agencies shall not calculate Line 9 in a streamlined competition. Agencies shall determine and manually input the cost data for this SCF/SLCF line into COMPARE.

   a. **Nonprofit Agency Fees.** When a Javits-Wagner-O'Day participating nonprofit agency (as defined by FAR Part 8), such as NISH or the National Institute for the Blind, participates in a standard competition, the CO shall include the 4 percent fee paid to the Committee for Purchase from People Who Are Blind, NISH, or National Institute for the Blind on SCF Line 9. The CO shall determine if the 4 percent is included in or excluded from the contract price. If the 4 percent is included in the contract price, the CO shall enter the contract price on SCF Line 7 and shall not enter the 4 percent on SCF Line 9. If the 4 percent is excluded from the contract price, the CO shall enter the contract price on SCF Line 7 and shall enter the 4 percent fee on SCF Line 9.

   b. **Incentive Fees.** When an Indian Tribe competes as a private sector source in a standard competition, or is a subcontractor to a competing private sector source, and the Indian Incentive Program described in FAR Part 26 is authorized, the CO shall include the 5 percent incentive fee identified in FAR Part 26 on SCF Line 9.

4. **One-time Conversion Costs (SCF Line 10).** When an agency converts an activity performed by government personnel to a private sector or public reimbursable source, one-time conversion costs may be incurred by the agency. An agency source shall include sufficient written

documentation of all one-time conversion costs included in cost estimates for the CO to conduct price analysis and cost realism as required by Attachment B. Agencies shall not calculate Line 10 in a streamlined competition. Agencies shall calculate one-time conversion costs for severance costs and other costs as provided below and shall not calculate any other one-time conversions costs. COMPARE automatically calculates this SCF/SLCF line.

a. **Severance Costs.** An agency shall calculate one-time conversion costs for severance pay at 4 percent (the Severance Pay One-time Conversion Cost Factor) of SCF Line 1 basic pay, adjusted for inflation, for the first period of full performance (not the phase-in period) stated in the solicitation. If the first period of full performance is less than one full year, an agency shall annualize the basic pay only for the purpose of determining one full year of severance pay one-time conversion costs.

b. **Other Costs.** An agency shall calculate other one-time conversion costs as 1 percent (the Other Pay One-time Conversion Cost Factor) of SCF Line 1 basic pay, adjusted for inflation, for the first period of full performance stated in the solicitation (not the phase-in period). Agencies shall not calculate any other one-time conversion costs except this 1 percent. This "other cost" accounts for all other one-time conversion costs such as relocation and retraining. If the first period of full performance (not the phase-in period) is less than one full year, an agency shall annualize the basic pay only for the purpose of determining one full year of other pay one-time conversion costs.

c. **Annualize Basic Pay.** To annualize basic pay, divide the total inflated basic pay reflected in the first period of full performance on SCF Line 1 by the number of days in the second performance period and then multiply the result by 365.25 days (which accounts for leap year).

5. **Gain on Assets (SCF Line 11).** An agency shall calculate the estimated gain on assets on SCF Line 11, with supporting documentation to justify the type and calculation of asset disposal or transfer. The SCF Line 11 entry is the gain from the sale or transfer of government assets at the net book value of the asset as of the start date of the first performance period. An agency shall calculate this gain to account for government material or equipment included in the agency tender when this material or equipment (a) is not provided to all prospective providers as GFP in the solicitation and (b) is not needed by the agency if the standard competition results in either a private sector or public reimbursable performance decision. This gain on assets generates revenue for the government; therefore, the cost reduces the total cost of private sector or public reimbursable performance. An agency shall only enter a negative number or zero on SCF Line 11 to represent a gain on assets. An agency source shall include sufficient written documentation of all gain on assets costs included in cost estimates for the CO to conduct price analysis and cost realism as required by Attachment B. Agencies shall not calculate Line 11 in a streamlined competition. COMPARE automatically calculates this SCF/SLCF line after the agency manually selects the period in which the capital asset is disposed of or transferred.

6. **Federal Income Tax Adjustment (SCF/SLCF Line 12).** The cost entered on Line 12 represents 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. When entering the contract price, the CO shall determine and enter the appropriate industry code from the Tax Rate Table, which is based on the North American Industry Classification System, to calculate Line 12. An agency shall use the Tax Rate Table on the OMB website to calculate Line 12 for each performance period stated in the

solicitation. An agency shall enter on Line 12 the net increase of federal income tax that is expected if a performance decision results in a conversion from agency performance to private sector performance. The Internal Revenue Service provides the Tax Rate Table by types of industry and appropriate tax rates in relation to business receipts. The industry groupings are based on the North American Industry Classification System. COMPARE automatically calculates this SCF/SLCF line based on the tax rate table entry input by an agency.

GAIN ON CAPITAL ASSETS (SAMPLE CALCULATION)			
(A) Capital Asset	(B)Original Acquisition Cost	(C) Accumulated Depreciation	(D) Net Book Value (B minus C)
Capital Equipment = Bus	$30,000	$24,900	$5,100
Capital Facility = Cafeteria	$625,000	$502,000	$123,000
Column	**Instructions**		
A. Capital Asset	Identify the name of each specific capital asset		
B. Original Acquisition Cost	Enter the original acquisition cost of the asset, plus transportation and installation costs if not included in the purchase price, plus any capital improvement costs made to that asset		
C. Accumulated Depreciation	Enter the accumulated depreciation for the asset		
D. Net Book Value	Enter the net book value at the date of the first performance period. This is the gain on asset cost entered on the SCF. The cost of disposal or transfer is not included in the net book value		

Figure C.7

7. **Total Adjusted Cost of Private Sector or Public Reimbursable Performance (SCF/SLCF Line 13).** In a standard competition, the cost on Line 13 represents the total cost to the government of private sector performance (or public reimbursable performance if a public reimbursable cost estimate is entered on SCF Line 7), which is the sum of SCF Lines 7, 8, 9, 10, 11, and 12. In a streamlined competition, the cost on Line 13 represents the total cost to the government of private sector performance (or public reimbursable performance if a public reimbursable cost estimate is entered on SLCF Line 7), which is the sum of SLCF Lines 7, 8, and 12. COMPARE automatically calculates this SCF/SLCF line.

D. **CONVERSION DIFFERENTIAL (SCF LINE 14).** An agency shall calculate the conversion differential by multiplying SCF Line 1 personnel costs for all performance periods by 10 percent. If the calculated conversion differential is less than $10 million, the agency shall enter the calculated conversion differential on Line 14. If the calculated conversion differential is greater than or equal to $10 million, the agency shall enter $10 million on Line 14. Agencies shall not calculate Line 14 in a streamlined competition. COMPARE automatically calculates this SCF/SLCF line.

1. **Expansions, New Requirements, or Conversions From Contract To Agency Performance.** An agency shall add the conversion differential to SCF Line 6 of the agency cost estimate when an agency is performing a standard competition and the potential exists for (a) a conversion from a private sector provider (contract performance) to agency performance with government personnel; (b) agency performance of a new requirement with government personnel; or (c) agency performance with government personnel of an expansion of requirements for an existing commercial activity. Since agency performance of a new requirement or an expansion of an existing commercial activity is justified based upon a standard competition, an agency shall calculate the conversion differential as if the private sector source is the incumbent provider for a new requirement or an expansion of an existing commercial activity. For a standard competition of an expansion, the conversion differential is distributed to agency, private sector, and public

reimbursable sources based on the percentage of SCF Line 1 attributed to the expansion workload, as follows:

a. **Standard Competition of a Segregable Expansion.** For a standard competition of the segregable 30 percent of an expansion, an agency shall add all of SCF Line 14 (conversion differential) to the total cost of agency performance reflected on SCF Line 6 to generate the adjusted total cost of agency performance on SCF Line 15.

b. **Standard Competition of Activity and Expansion.** For a standard competition of an entire expansion of a commercial activity (i.e., the existing commercial activity performed by government positions plus the 30+ percent expansion), an agency shall (1) multiply the conversion differential on SCF Line 14 by the percentage of government position costs on SCF Line 1 that represents the expansion of recurring workload; (2) add the result to the total cost of agency performance reflected on SCF Line 6; and (3) enter the adjusted total cost of agency performance on SCF Line 15. The agency shall (1) multiply the percentage of SCF Line 1 (personnel) costs that represents the agency work currently performed by SCF Line 14 (conversion differential); (2) add the result to the total cost of private sector or public reimbursable performance on SCF Line 13; and (3) enter the total adjusted cost of private sector or public reimbursable performance on SCF Line 16. The agency shall divide the total SCF Line 1 costs assigned to the expanded work for all performance periods by the total SCF Line 1 costs for all performance periods to generate the percentage of agency position costs for the expanded work. To generate the percentage of agency position costs for the work performed by the agency, the agency shall divide the total SCF Line 1 costs assigned to the work performed by the agency for all performance periods by the total SCF Line 1 costs for all performance periods.

2. **Partial Conversion From Private Sector to Agency Performance.** For a standard competition of a commercial activity where the incumbent providers are a combination of private sector and agency sources, and the agency tender converts the portion of the work performed by the private sector performance to agency performance using government positions, the agency shall apportion the conversion differential to each source based upon the percentage of work performed by each incumbent source at the time of public announcement. Therefore, an agency shall calculate the conversion differential as follows: (a) calculate the conversion differential for the agency tender, (b) calculate the value of the conversion differential for the work performed by the private sector that will be converted to agency performance using government positions, and (c) enter the difference on SCF Line 14. If the agency tender includes an MEO subcontract, the agency shall not calculate any conversion differential for the MEO subcontract on the SCF.

E. **ADJUSTED TOTAL COST OF AGENCY PERFORMANCE (SCF LINE 15).** If a standard competition is conducted to determine whether a commercial activity should be converted from private sector or public reimbursable performance to agency performance, the agency shall add the conversion differential from SCF Line 14 to SCF Line 6 and enter the sum on SCF Line 15. The total amount for all performance periods on SCF Line 13 is then replicated on SCF Line 16. Agencies shall not calculate Line 15 in a streamlined competition. COMPARE automatically calculates this SCF/SLCF line.

F. **ADJUSTED TOTAL COST OF PRIVATE SECTOR OR PUBLIC REIMBURSABLE PERFORMANCE (SCF LINE 16).** If a standard competition is conducted to determine whether an activity should be converted from agency performance to private sector or public reimbursable

performance, the agency shall add the conversion differential from SCF Line 14 to SCF Line 13 and enter the sum on SCF Line 16. The total amount for all performance periods on SCF Line 6 is then replicated on SCF Line 15. Agencies shall not calculate Line 16 in a streamlined competition. COMPARE automatically calculates this SCF/SLCF line.

G. THE COST DIFFERENCE (SCF/SLCF LINE 17). In a standard competition, the agency shall calculate the cost difference by subtracting SCF Line 15 from SCF Line 16 and shall enter the sum on SCF Line 17. In a streamlined competition, the agency shall calculate the cost difference by subtracting SLCF Line 13 from SLCF Line 6 and shall enter the sum on SLCF Line 17. COMPARE automatically calculates this SCF/SLCF line.

H. LOW-COST PROVIDER (SCF/SLCF LINE 18). For a low-cost decision in a standard competition, a positive number on Line 17 indicates a decision for agency performance by government personnel, and a negative number indicates a decision for a private sector or public reimbursable performance. For either a low-cost decision or an other-than-low-cost decision in a standard competition, the SSA's decision is indicated by an "x" on SCF Line 18. For an other-than-low-cost decision, the SSA shall document the reasons for such a decision in accordance with Attachment B. For a streamlined competition, the cost difference entered on SLCF Line 17 indicates the low cost performance decision. COMPARE automatically calculates this SCF/SLCF line.

ACRONYMS AND DEFINITIONS

A. ACRONYMS.

Acronym	Clear Text
ATO	Agency Tender Official
CDRL	Contract Data Requirements List
C.F.R.	Code of Federal Regulations
CLIN	Contract Line Item Number
CO	Contracting Officer
CSO	Competitive Sourcing Official
FAIR	Federal Activities Inventory Reform
FAR	Federal Acquisition Regulation
FICA	Federal Insurance Contribution Act
FTE	Full-time Equivalent
FWS	Federal Wage System
GAO	General Accounting Office
GFP	Government-Furnished Property
GS	General Schedule
HRA	Human Resource Advisor
MEO	Most Efficient Organization
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PWS	Performance Work Statement
SCA	Service Contract Act
SCF	Standard Competition Form
SLCF	Streamlined Competition Form
SSA	Source Selection Authority
SSEB	Source Selection Evaluation Board
U.S.C.	United States Code
VERA	Voluntary Early Retirement Authority
VSIP	Voluntary Separation Incentive Pay

B. DEFINITIONS. Agencies shall use these definitions to implement and comply with this circular and the Attachments.

Activity. A specific task or grouping of tasks that provides a specialized capability, service or product based on a recurring government requirement. Depending on the grouping of tasks, an activity may be an entire function or may be a part of a function. An activity may be inherently governmental or commercial in nature.

Adversely Affected Employees. Federal civilian employees serving competitive or excepted service appointments in Tenure Groups I, II, or III, who are identified for release from their competitive level by an agency, in accordance with 5 C.F.R. Part 351 and 5 U.S.C. Chapter 35, as a direct result of a performance decision resulting from a streamlined or standard competition.

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 commercial activity, based on the requirements in the solicitation and the costing policy in Attachment C. The agency cost estimate for a streamlined competition is developed in accordance with Attachments B and C.

Agency Performance. Performance of a commercial or inherently governmental activity with government personnel. Often referred to as "in-house performance."

Agency Source. A service provider staffed by government personnel.

Agency Tender. The agency management plan submitted in response to a solicitation for a standard competition. The agency tender 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 agency tender is prepared in accordance with Attachment B and the solicitation requirements.

Agency Tender Official (ATO). An inherently governmental agency official with decision-making authority who is responsible for the agency tender and represents the agency tender during source selection.

Annualize. The calculation method to convert a cost to an annual basis. The calculation converts a cost for a performance period that is less than one full year into an annual cost to correctly reflect the cost in a government cost estimate. This calculation is performed by first dividing the cost in the performance period by the number of days in the performance period to determine the corresponding daily cost and then multiplying the daily cost by 365.25 days to determine the annualized cost. To account for leap years, 365.25 is the average number of days in a year.

Basic Pay. Basic pay for GS employees is a position's annual salary plus any other applicable civilian employee pay entitlements. Basic pay for FWS employees is a position's annual wages including shift differential pay and environmental pay, plus any other applicable civilian employee pay entitlements. Examples of other civilian employee pay entitlements include, but are not limited to, night differential pay for FWS employees, environmental differential pay, and premium pay (for civilian employee fire fighters and law enforcement officers).

Capital Improvement. An expenditure for a physical improvement to an existing capital asset such as additions and major alterations that are intended to improve performance or increase useful life.

Civilian Employee. An individual who works for a federal agency on an appointment without time limitation who is paid from appropriated funds, which includes working capital funds. A foreign national employee, temporary employee, term employee, non-appropriated fund employee, or uniformed personnel is not included in this definition.

Commercial Activity. A recurring service that could be performed by the private sector. This recurring service is an agency requirement that is funded and controlled through a contract, fee-for-service agreement, or performance by government personnel. Commercial activities may be found within, or throughout, organizations that perform inherently governmental activities or classified work.

Common Costs. Specific costs identified in the solicitation that will be incurred by the government regardless of the provider (private sector, public reimbursable, or agency). Common costs are sometimes referred to as wash costs. Examples of common costs include government-furnished property, security clearances, and joint inventories.

COMPARE. The windows-based A-76 costing software that incorporates the costing procedures of this circular. Agencies must use COMPARE 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 SHARE A-76! web site at http://emissary.acq.osd.mil/inst/share.nsf/.

COMPARE Version Control Log. The document that describes each of the changes made in a particular version of the COMPARE software. This document includes a brief description of the change, the area of the software program affected by the change, and the impact the change has on the SCF/SLCF and/or documentation.

COMPARE User's Guide. A detailed guidebook for actual users of COMPARE that includes an in-depth explanation of the use and features of the COMPARE software program.

COMPARE Tables. A specific set of master tables incorporated into the COMPARE costing software that includes all of the approved standard cost factors and rates used to calculate the SCF/SLCF costs.

Competition. A formal evaluation of sources to provide a commercial activity that uses pre-established rules (e.g., the FAR, this circular). Competitions between private sector sources are performed in accordance with the FAR. Competitions between agency, private sector, and public reimbursable sources are performed in accordance with the FAR and this circular. The term "competition," as used in this circular includes streamlined and standard competitions performed in accordance with this circular, and FAR-based competitions for agency-performed activities, contracted services, new requirements, expansions of existing work, and activities performed under fee-for-service agreement. The term also includes cost comparisons, streamlined cost comparisons, and direct conversions performed under previous versions of OMB Circular A-76.

Competition File. The documents used in a standard competition in addition to the government contract files required by FAR Subpart 4.8. Agencies maintain this file regardless of the source selected to perform the activity.

Competition Officials. The agency officials appointed before a standard competition is announced. These individuals perform key roles and have essential responsibilities for the successful completion of the standard competition. Competition officials are the agency tender official, contracting officer, source selection authority, human resource advisor, and PWS team leader.

Competitive Sourcing Official (CSO). An inherently governmental agency official responsible for the implementation of this circular within the agency.

Component. An organizational grouping within an agency, such as a bureau, center, military service, or field activity.

Contracting Officer (CO). An inherently governmental agency official who participates on the PWS team, and is responsible for the issuance of the solicitation and the source selection evaluation methodology. The CO awards the contract and issues the MEO letter of obligation or fee-for-service

agreement resulting from a streamlined or standard competition. The CO and the SSA may be the same individual.

Conversion From Contract. A change in the performance of a commercial activity from a private sector provider to agency performance.

Conversion To Contract. A change in the performance of a commercial activity from agency performance to a private sector provider.

Depreciation. The decline in the value of a capital asset. Depreciation represents a cost of ownership and the consumption of an asset's useful life.

Direct Labor. Manpower resources dedicated to performing the requirements of the solicitation and labor for supervision and management related support to the tender (e.g., MEO) such as labor for quality control.

Directly Affected Employees. Civilian employees whose work is being competed in a streamlined or standard competition.

Directly Affected Government Personnel. Government personnel whose work is being competed in a streamlined or standard competition.

Directly Interested Party. The agency tender official who submitted the agency tender; a single individual appointed by a majority of directly affected employees as their agent; a private sector offeror; or the official who certifies the public reimbursable tender.

Divestiture. An agency's decision to eliminate a government requirement for a commercial activity. No service contract or fee-for-service agreement exists between the agency and the private sector after a divestiture. By divesting of a commercial activity, an agency elects not to control the activity and cedes ownership and control of the activity's associated assets (e.g., equipment, facilities, property) and resources (agency manpower and budgeting for the activity). The agency has no role in the financial support, management, regulation, or oversight of a divested activity. Moving, transferring, or converting a commercial activity from government performance to private sector or public reimbursable performance is not a divestiture.

Employee Transition Plan. A written plan developed by the HRA for the potential transition of the agency's civilian employees to an MEO, or to private sector or public reimbursable performance. This plan is developed early in the streamlined or standard competition process, based on the incumbent government organization, to identify projected employee impacts and the time needed to accommodate such impacts, depending on the potential outcomes of the competition. The employee transition plan differs from a phase-in plan, which is developed by prospective providers responding to a solicitation.

End date. The end date for a streamlined or standard competition is the date that all SCF certifications are completed, signifying an agency's performance decision.

Expansion. An increase in the operating cost of an existing commercial activity based on modernization, replacement, upgrade, or increased workload. An expansion of an existing commercial activity is an increase of 30 percent or more in the activity's operating costs (including the cost of FTEs) or total capital investment.

FedBizOpps.gov. The website where the government electronically advertises solicitations or requirements.

Fee-for-Service Agreement. A formal agreement between agencies, in which one agency provides a service (a commercial activity) for a fee paid by another agency. The agency providing the service is referred to in this circular as a public reimbursable source.

First Period of Full Performance. The performance period following the phase-in period when the service provider becomes fully responsible for performing the activity. The first performance period is used to implement the new service provider's phase-in plan; therefore, full performance of the service provider does not occur until the second performance period, which may be referred to as the base period, full performance, or the first period of full performance. This first period of full performance may be less than or more than 12 months. The first period of full performance is the second performance period (the performance period immediately following phase-in period) regardless of the second performance period's length.

Foreign National Employee. An employee that is not a United States citizen who is employed by the United States Government and works outside the United States, its territories or possessions, under a system in which an Executive Agency is the official employer of the foreign national employee and assumes responsibility for all administration and management functions associated with the employee's employment.

Full-Time Equivalent (FTE). The staffing of Federal civilian employee positions, expressed in terms of annual productive work hours (1,776) rather than annual available hours that includes non-productive hours (2,080 hours). FTEs may reflect civilian positions that are not necessarily staffed at the time of public announcement and staffing of FTE positions may fluctuate during a streamlined or standard competition. The staffing and threshold FTE requirements stated in this circular reflect the workload performed by these FTE positions, not the workload performed by actual government personnel. FTEs do not include military personnel, uniformed services, or contract support.

Function Code. The numerical code used to categorize an agency's commercial and inherently governmental activities for inventory reporting purposes.

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

Government Personnel. Civilian employees, foreign national employees, temporary employees, term employees, non-appropriated fund employees, and uniformed services personnel employed by an agency to perform activities.

Human Resource Advisor (HRA). An inherently governmental agency official who is a human resource expert and is responsible for performing human resource-related actions to assist the ATO in developing the agency tender.

Incumbent Service Provider. The source (i.e., agency, private sector, or public reimbursable source) providing the service when a public announcement is made of the streamlined or standard competition.

Information Technology. Any equipment or interconnected system(s) or subsystem(s) of equipment used in the automatic acquisition, storage, manipulation, management, movement, control, display, switching, interchange, transmission, or reception of data or information by the agency. For purposes of this definition, equipment is used by an agency if the equipment is used directly by the agency, or is used by a contractor under a contract with the agency that requires (1) its use or (2) to a significant extent, its use in the performance of a service or the furnishing of a product. The term "information technology" includes computers, ancillary equipment, software, firmware and similar procedures, services (including support services), and related resources, and does not include any equipment that is acquired by a contractor incidental to a contract; or contains imbedded information technology that is used as an integral part of the product, but the principal function of which is not the acquisition, storage, manipulation, management, movement, control, display, switching, interchange, transmission, or reception of data or information. For example, heating, ventilation, and air conditioning equipment, such as thermostats or temperature control devices, and medical equipment where information technology is integral to its operation, are not information technology.

Inherently Governmental Activities. An activity that is so intimately related to the public interest as to mandate performance by government personnel as provided by Attachment A.

Interested Parties. For purposes of challenging the contents of an agency's commercial activities inventory pursuant to the Federal Activities Inventory Reform Act, an interested party is (1) a private sector source that is an actual or prospective offeror for a contract or other form of agreement to perform the activity and has a direct economic interest in performing the activity that would be adversely affected by a determination not to procure the performance of the activity from a private sector source; (2) a representative of any business or professional association that includes within its membership private sector sources referred to in (1) above; (3) an officer or employee of an organization within an executive agency that is an actual or prospective offeror to perform the activity; (4) the head of any labor organization referred to in section 7103(a)(4) of title 5, United States Code, that includes within its membership officers or employees of an organization referred to in paragraph (3).

Inventory. A list of government personnel, by location, function, and position, performing either commercial activities or inherently governmental activities.

MEO Letter of Obligation. A formal agreement that an agency implements when a standard or streamlined competition results in agency performance (e.g., MEO).

MEO Subcontracts. Contracts between an agency and the private sector that are included in the agency tender or fee-for service agreements with a public reimbursable source that are included in the agency tender. In addition to the cost of MEO subcontracts, agency or public reimbursable cost estimates must include support costs associated with MEO subcontracts such as government-furnished property, and contract administration, inspection, and surveillance.

MEO Team. A group of individuals, comprised of technical and functional experts, formed to assist the ATO in developing the agency tender.

Military Personnel. Officers [as defined in 10 U.S.C. § 101(b)(1)] and enlisted members [as defined in 10 U.S.C. § 101(b)(6)] of the military services (defined as the Army, Navy, Air Force, and Marine Corps).

Most Efficient Organization (MEO). The staffing plan of the agency tender, developed to represent the agency's most efficient and cost-effective organization. An MEO is required for a standard competition and may include a mix of government personnel and MEO subcontracts.

New Requirement. An agency's newly established need for a commercial product or service that is not performed by (1) the agency with government personnel; (2) a fee-for-service agreement with a public reimbursable source; or (3) a contract with the private sector. An activity that is performed by the agency and is reengineered, reorganized, modernized, upgraded, expanded, or changed to become more efficient, but still essentially provides the same service, is not considered a new requirement. New ways of performing existing work are not new requirements.

Non-Pay Categories of Costs. Costs in a cost estimate that are not related to pay. Non-pay categories of costs include, but are not limited to, materials, supplies, equipment, facilities, capital assets, and minor items and the inflation for these costs.

Offer. A private sector source's formal response to a request for proposals or invitation for bid. The term "offeror" refers to the specific source rather than the response.

Overhead. Overhead includes two major categories of cost, operations overhead and general and administrative overhead. Operations overhead includes costs that are not 100 percent attributable to the activity being competed but are generally associated with the recurring management or support of the activity. General and administrative overhead includes salaries, equipment, space, and other tasks related to headquarters management, accounting, personnel, legal support, data processing management, and similar common services performed external to the activity, but in support of the activity being competed. A standard twelve percent overhead factor is an estimated federal agency overhead factor that is calculated in agency and public reimbursable cost estimates for streamlined and standard competitions.

Past Performance. An indicator that may be used in the source selection process to evaluate a prospective provider's previous performance on work comparable to that being competed, for the purpose of predicting the quality of future performance relative to other offers or public reimbursable tenders. FAR 42.1501 describes the information used to evaluate past performance, and FAR 15.305(a)(2) provides guidance for the consideration of past performance in the source selection process.

Pay Categories of Cost. Costs in a cost estimate associated with the payroll for government personnel, including inflation.

Performance Decision. The outcome of a streamlined or standard competition, based on SLCF or SCF certifications.

Performance Standards. Verifiable, measurable levels of service in terms of quantity, quality, timeliness, location, and work units. Performance standards are used in a performance-based PWS to (1) assess (i.e., inspect and accept) the work during a period of performance; (2) provide a common output-related basis for preparing private sector offers and public tenders; and (3) compare the offers and tenders to the PWS. The requiring activity's acceptable levels of service are normally stated in the PWS. The solicitation includes performance standards.

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 outcomes to be achieved, specifies the agency's required performance standards, and specifies the location, units, quality and timeliness of the work.

Phase-in Plan. A prospective provider's plan to replace the incumbent provider(s) that is submitted in response to the solicitation. The phase-in plan is implemented in the first performance period and includes details on minimizing disruption, adverse personnel impacts, and start-up requirements. The phase-in plan is different from the employee transition plan developed by the HRA.

Privatization. A federal agency decision to change a government-owned and government-operated commercial activity or enterprise to private sector control and ownership. When privatizing, the agency eliminates associated assets and resources (manpower for and funding of the requirement). Since there is no government ownership and control, no service contract or fee-for-service agreement exists between the agency and the private sector after an agency privatizes a commercial activity or enterprise. Moving work from agency performance with government personnel to private sector performance where the agency still funds the activity is not privatization.

Prospective Providers. Private sector, public reimbursable, and agency sources that may submit responses (offers or tenders) in response to an agency's solicitation.

Provider. An agency, private sector, or public reimbursable source that is performing, or will perform, a commercial activity; sometimes referred to as a service provider.

Public Announcement. An agency's formal declaration that the agency has made a (1) decision to perform a streamlined or standard competition, or (2) performance decision in a streamlined or standard competition. The CO makes these announcements via *FedBizOpps.gov*.

Public Reimbursable Source. A service provider from a federal agency that could perform a commercial activity for another federal agency on a fee-for-service or reimbursable basis by using either civilian employees or federal contracts with the private sector.

Public Reimbursable Tender. A federal agency's formal response to another federal agency's solicitation for offers or tenders. The public reimbursable tender is developed in accordance with this circular and includes a cost estimate, prepared in accordance with Attachment C.

PWS Team. A group of individuals, comprised of technical and functional experts, formed to develop the PWS and quality assurance surveillance plan, and to assist the CO in developing the solicitation.

Quality Assurance Surveillance. The government's monitoring of a service provider's performance in accordance with the quality assurance surveillance plan and the performance requirements identified in the solicitation.

Quality Assurance Surveillance Plan. The government's inspection plan. The quality assurance surveillance plan documents methods used to measure performance of the service provider against the requirements in the PWS. The agency relies on the service provider to monitor daily performance using their own quality control plan, but retains the right to inspect all services. When the agency makes a performance decision, the agency re-evaluates and modifies the existing quality assurance surveillance plan, based upon the selected provider and the selected provider's accepted quality control plan.

Quality Control Plan. A self-inspection plan that is included in all offers and tenders. The quality control plan describes the internal staffing and procedures that the prospective provider will use to meet the quality, quantity, timeliness, responsiveness, customer satisfaction, and other service delivery requirements in the PWS.

Representatives of Directly Affected Employees. In the case of directly affected employees represented by a labor organization accorded exclusive recognition under 5 U.S.C. § 7111, a representative is an individual designated by that labor organization to represent its interests. In the case of directly affected employees not represented by a labor organization under 5 U.S.C. § 7111, a representative is an individual appointed by directly affected employees as their representative.

Residual Value. The estimated value of a capital asset at the end of its useful life as determined by application of the Useful Life and Disposal Value Cost Factor.

Resources. Funding allocated for contracts, manpower, facilities, material, or equipment to perform agency requirements.

Segregable Expansion. An increase to an existing commercial activity that can be separately competed.

SHARE A-76! The Department of Defense A-76 knowledge management system used to share knowledge, information, and experience about public-private competitions. This public site contains A-76-related guidance, sample documents, best practices, tools, and links to other A-76 websites and sources for A-76-related information. Users may post best practices used in public-private competitions, research A-76 through the use of search engines, and submit internet links to add to the available links in SHARE A-76! The web site address is http://emissary.acq.osd.mil/inst/share.nsf/.

Solicitation Closing Date. The due date for delivery of private sector offers, public reimbursable tenders, and the agency tender, as stated in the solicitation.

Source. One of three specific categories of service providers (i.e., agency, private sector, or public reimbursable) that can perform a commercial activity for an agency.

Source Selection Authority (SSA). A competition official with decision-making authority who is responsible for source selection as required by the FAR and this circular. The SSA and CO may be the same individual.

Source Selection Evaluation Board (SSEB). The team or board appointed by the SSA to assist in a negotiated acquisition.

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

Start Date. The start date for a streamlined or standard competition is the date that the agency makes a formal public announcement of the agency's decision to perform a streamlined or standard competition.

Streamlined Competition Form (SLCF). The agency form that documents and certifies all costs calculated in the streamlined competition, in accordance with Attachment C.

Uniformed Services. Members of the armed forces (i.e., Army, Navy, Air Force, Marine Corps, and Coast Guard) and other uniformed services (e.g., National Oceanic and Atmospheric Administration, Public Health Service).

Useful Life. The estimated period of economic usefulness of a capital asset.

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