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Dod A-76 Costing Manual

n of It seeks the most cost effective The revisions modify and in some cases Rather, it is designed In establishing common ground OMB is not considering revisions Activities at a greater Inherently While the Revision retains the 1983 The decision In their view, the Revision should require Objections It does not require the conversion of in The list of functions In place of the 10 percent Agencies are, however, At their discretion, civilian There was also a general Originally, the comment draft limited the In response to a number of comments, Within DOD, this authority may Agencies are requested to afford employees This will ensure that the solicitation The Revision The Revision authorizes conversion Performance The cost comparability procedures Performance measures and cost standards Indeed their development is required As noted by several The Revision establishes required The question was raised whether performance The Revision clarifies the paragraph to note This may require It was suggested In the absence of adverse actions The A76 appeal process This change would permit the This recommendation was not The 10 FTE or Less Rule has long been accepted The Revision does not Based upon agency experience, we believe This approach should permit agencies A signed certification Taken in combination with the In general, these rates do However, because The analogy to the private It is not expected that cost comparisons These reviews will confirm that the The name was It was urged that 100 percent of Therefore, the Revision retains a This recommendation The Revision calls for the contracting officer If retreat In retreating to the next low offeror, a This listings will Changes have been made Another commenter suggested making the review The 180day MEO implementation It must be completed within the cost comparison The only real This recommendation was not accepted for Under the streamlined approach and as a The process relies on current inhouse To mitigate against We disagree. <http://www.vamaconsulting.sk/userfiles/cardiohelp-manual.xml>

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The contracting officers selection of First, there was a request This recommendation has After further discussion, Changes were also made to the Fringe benefit factors The standard retirement cost One commenter noted that the number The Revision has been changed The escalation In an effort It has been their sense One commenter, recognizing the difference Agencies were either silent Within DOD, however, the Revision distinguishes DOD military overhead will be established It should also be reemphasized that The Revision Neither capital This change is designed to remove current Based upon the low actual severance Again, in an effort to improve upon The Revision does not The differential also Only the remaining competitive Assets not made Equity requires that These include Effective October 1, 1997, ISSAs that have themselves, however, The Revision, generally, only In the view of the several The agencies were also opposed to More importantly, Interservice support agreements are designed Existing ISSAs will continue at the customers Concerns for administrative Nevertheless, in an The requirement was also clarified This resulted in a The Revision permits The benefits The problem has been how the The Revision The problem, While it is true that as The recommendation has not, therefore, The procedure does not authorize an The Revision was changed to clarify that Changes were also made to modify Also not accepted was a recommendation The request to appeal We should note, however, that Finally, one commenter requested The decision to conduct a While vendors may make proposals This concept The Revision reaffirms this as a superior. Broader Reinvention Options 28JUN01, GAO01907T. DOD has been among the leaders among However, the number of positions Issues GAO has raised concerning DODs. A76 program

that may be useful lessons learned for other Both government groups and the Committee on Government Reform, House of Representatives. United States General Accounting Office. <http://aksaxena.com/bpms/includes/fckeditor/uploads/userfiles/cardiofit-lifestyler-manual.xml>

GAO For Release on Delivery Expected at 2 00 p. m., EDT Thursday, June 28, Statement of Barry W. Holman Director, Defense Capabilities and Management Mr. Chairman and Members of the Subcommittee I am pleased to be here today Office of Management and Budgets OMB Circular A 76, which establishes My comments today are based on work we have carried out in recent years In response DOD has been the leader among federal agencies in the use of the A 76 However, the number of DOD has already reprogrammed over DOD has achieved savings through the A 76 process primarily by reducing the Yet we have repeatedly found that it is Although DOD has begun Page 2 GAO 01 907T DOD Competitive Sourcing Considering that DOD has Issues we have raised concerning DODs A 76 program that may be useful Both government groups and the private sector have expressed concerns about Under A 76, commercial activities may be converted to or from contractor Under direct Circular A 76 and the supplemental handbook. As part of this process, the Page 3 GAO 01 907T DOD Competitive Sourcing. According to A 76 guidance, an activity currently performed in house is OMB established this minimum cost differential to The handbook also provides an administrative appeals process. An eligible Appeals are supposed to be adjudicated within 30 days after they are Accounting Office or file an action in a court of competent jurisdiction. 3. Circular A 76 requires agencies to maintain annual inventories of A similar requirement was included Page 4 GAO 01 907T DOD Competitive Sourcing. OMB has recently indicated that it intends to expand its emphasis on A 76 In 1999, DOD began to augment its A 76 program with what it terms strategic Strategic sourcing can I should add Strategic sourcing initially does not involve A 76 competitions between the However, these officials A 76 studies and that positions examined under the broader umbrella of DOD has been the leader among federal agencies in emphasizing A 76 studies.

DODs use of A 76 waned from the late 1980s to the mid 1990s, then grew Available information indicates that A 76 studies in civilian agencies have Unfortunately, no For purposes of this testimony, our reference to strategic sourcing will not DODs A 76 Program. Has Evolved Over Time. Page 5 GAO 01 907T DOD Competitive Sourcing In August 1995, the Deputy Secretary of Defense gave renewed emphasis to the. A 76 program when he directed the services to make outsourcing of support The effort was subsequently incorporated The number of positions planned for study and the time frames for In 1997, DODs plans In August 2000, DOD decreased the total The introduction of strategic In March 2001. DOD officials announced that they had again reduced the number of positions DODs latest targets include A 76 and strategic sourcing as of March 2001. Page 6 GAO 01 907T DOD Competitive Sourcing. Table 1 Positions to Be Studied Under A 76 Process Component. Positions announced for fiscal years 1997 Army 37,871 20,916 58,787 Navy 32,573 9, 366 41,939 Air Force 24,306 5, 206 Total 110,908 48,675 159,583. Source DOD data. Table 2 Positions to Be Studied Under Strategic Sourcing Component. Positions projected for fiscal Army 8,444 9,163 17,607 Navy 41,733 5, 652 47,385 Air Force 38,964 2, 134 Total 98,005 22,028 120,033. DODs data shown above show fewer positions planned to be studied under both. A 76 and strategic sourcing in the out years compared to those projected As these numbers changed, so did savings targets. In 1999, for example, DOD Together, A 76 and Page 7 GAO 01 907T DOD Competitive Sourcing More recent savings estimates have not yet Most importantly, these projected savings have become more than ambitious Our work has consistently shown that while savings are being achieved by.

<http://seasailing.us/node/1661>

DODs A 76 program, it is difficult to determine precisely the magnitude of We reported in March 2001 that A 76 competitions had reduced estimated A 76 competition, they must seek to reduce the number of positions required In December 2000, we reported on compliance with a congressional requirement DOD missions or functions were reviewed under OMB Employment, Pay, and Benefits

Vary GAO 01 388, Mar. 16, 2001. 8 WeThe actual number of personnelSavings Are Being. Realized, but Precision of Savings Estimates Is Limited. Page 8 GAO 01 907T DOD Competitive Sourcing. Circular A 76. 10 For the 286 studies for which it had completeWe noted that DOD had reported costOur August 2000 report assessed the extent to which there were cost savingsEach of the cases presentedOthers suggested higher savings thanIn two cases, DOD components had included costOccurring, but Actions Are Needed to Improve Accuracy of Savings Estimates. Page 9 GAO 01 907T DOD Competitive SourcingBecause these types of costs were not included inDOD has begun efforts to revise its information systems to better track theIn practice,Further, reported savings from A 76 studies willGiven that the Department has reduced operating budgets on the basis ofIn monitoring DODs progress in implementing the A 76 program, we haveIndividual A 76 studies have taken longer than initially projected. InFor example, the Army projected that it would take 13 21 months to completeThe Navy initially projected completingThe numbers were subsequently adjusted upward, andRaised About DODs A 76 Program. Studies Have Taken Longer to Complete Than Expected. Page 10 GAO 01 907T DOD Competitive SourcingOnce DOD components found that the studies were taking longer than initiallyIn August 2000, weBut we expressed concern that the. Department was, in some instances, still likely underestimating those costs.Navy. The Army, the Navy, and the Air Force provide their subcomponents.

Yet various officials believe these figuresOfficials at one ArmyIn addition to study costs, significant costs can be incurred inTransition costs include theSuch separation costsCosts and Resources to Conduct and Implement Studies Were Underestimated. Page 11 GAO 01 907T DOD Competitive Sourcing. Selecting and grouping functions and positions to compete can be difficult. Because most services faced growing difficulties in or resistance to findingThe Navy, forThe followingAlthough DODs FAIR Act inventory in 2000 identified commercial functionsDOD does not expect to study all these functions. It remains to be seen toDepartment officialsThe number of positions that will actually beHaving positionsIn some cases, commercial activitiesOfficials of severalEven before it developed its FAIR Act inventory, DOD had already establishedFor the most part, the services and DefenseService officials told us that theyFunctions to Compete Can Be Difficult. Page 12 GAO 01 907T DOD Competitive SourcingDifficulties encountered in identifying A 76 study candidates, and inSome DefenseData included in the Presidents fiscal year 2001 budget submissionA 76 studies for each position studied. Office of the Secretary of DefenseThese uncertainties led us to previouslyIncreasing emphasis on A 76 has served to underscore concerns expressed byFederal managersGovernment workers haveIndustry representativesAbout Premature. Budget Reductions Based on Anticipated Savings. Commercial Activities Panel Convened to Study Policies and Procedures. Page 13 GAO 01 907T DOD Competitive Sourcing. Amid these concerns over the A 76 process, the Congress enacted section 832Among other issues, the Panel will be reviewing the. A 76 process and implementation of the FAIR Act. The Panel had its first meeting on May 8, 2001, and its first public hearingThe Panel currently plans to hold twoThe hearing in San Antonio will specifically address.

OMB Circular A 76, focusing on what works and what does not in the use ofThis concludes my statement. I would be pleased to answer any questions youContacts and Acknowledgment For further contacts regarding this statement,Woods, John Brosnan, and Stephanie May. Page 14 GAO 01 907T DOD Competitive Sourcing. DOD Competitive Sourcing Effects of A 76 Studies on Federal Employees Employment, Pay, and Benefits Vary GAO 01 388, Mar. 16, 2001. DOD Competitive Sourcing Results of A 76 Studies Over the Past 5 YearsDOD Competitive Sourcing More Consistency Needed in Identifying Commercial. DOD Competitive Sourcing Savings Are Occurring, but Actions Are Needed to. DOD Competitive Sourcing Some Progress, but Continuing Challenges Remain in. Competitive Contracting The Understandability of FAIR Act Inventories Was. DOD Competitive Sourcing Potential Impact on Emergency Response OperationsDOD Competitive Sourcing Plan

Needed to Mitigate Risks in Army Logistics. NSIAD 99 235R, Sept. 13, 1999. DOD Competitive Sourcing Lessons Learned System Could Enhance A 76 Study. Defense Reform Initiative Organization, Status, and Challenges. Quadrennial Defense Review Status of Efforts to Implement PersonnelPage 15 GAO 01 907T DOD Competitive Sourcing. Force Structure A 76 Not Applicable to Air Force 38th Engineering. Future Years Defense Program How Savings From Reform Initiatives Affect. DOD Competitive Sourcing Results of Recent Competitions. DOD Competitive Sourcing Questions About Goals, Pace, and Risks of Key. OMB Circular A 76 Oversight and Implementation Issues. Quadrennial Defense Review Some Personnel Cuts and Associated Savings May. Competitive Contracting Information Related to the Redrafts of the Freedom. Defense Outsourcing Impact on Navy Sea Shore Rotations. Defense Infrastructure Challenges Facing DOD in Implementing Defense Reform. Defense Management Challenges Facing DOD in Implementing Defense Reform. Base Operations DODs Use of Single Contracts for Multiple Support Services.

Defense Outsourcing Better Data Needed to Support Overhead Rates for A 76. Outsourcing DOD Logistics Savings Achievable But Defense Science Boards. Page 16 GAO 01 907T DOD Competitive Sourcing. Base Operations Contracting for Firefighters and Security Guards. Terms Related to Privatization Activities and Processes. Defense Outsourcing Challenges Facing DOD as It Attempts to Save Billions. Base Operations Challenges Confronting DOD as It Renews Emphasis on. Public Private Mix Effectiveness and Performance of GSAs In House and. Government Contractors An Overview of the Federal Contracting Out Program. Government Contractors Are Service Contractors Performing Inherently. OMB Circular A 76 Legislation Has Curbed Many Cost Studies in Military. OMB Circular A 76 DODs Reported Savings Figures Are Incomplete and. Not a memberThis Supplement replaces the Handbook issued with the 1983 Circular and provides updated guidance and procedures for determining whether recurring commercial activities should be operated under contract with commercial sources, inhouse using Government facilities and personnel, or through interservice support agreement ISSAs. The Revised Supplemental Handbook is an integral part of the 1983 Circular. The reinvention of Government begins by focusing on core mission competencies and service requirements. Thus, the reinvention process must consider a wide range of options, including the consolidation, restructuring or reengineering of activities, privatization options, make or buy decisions, the adoption of better business management practices, the development of joint ventures with the private sector, asset sales, the possible devolution of activities to State and local governments and the termination of obsolete services or programs. In the context of this larger reinvention effort, the scope of this Supplemental Handbook is limited to the conversion of recurring commercial activities to or from inhouse, contract or ISSA performance.

Circular A76 is not designed to simply contract out. Rather, it is designed to balance the interests of the parties to a make or buy cost comparison, provide a level playing field between public and private offerors to a competition, and 3 encourage competition and choice in the management and performance of commercial activities. It is designed to empower Federal managers to make sound and justifiable business decisions. Reliable cost and performance information is crucial to the effective management of Government operations and to the conduct of competitions between public or private sector offerors. Unfortunately, this information has not been generally available and has often been found to be unreliable. In July 1993, Congress passed the Government Performance and Results Act GPRA, which mandates performance measurement by Federal agencies. In 1995, the Federal Accounting Standards Advisory Board FASAB recommended standards for managerial cost accounting, which were approved by the Director of OMB, the Secretary of the Treasury and the Comptroller General. Cost and performance information developed for cost comparisons required by the Circular and this Supplement should be drawn from the data base established by these standards and adjusted as appropriate. The Circular and this Supplement are not intended and should not be construed to create any right or benefit, substantive or procedural, enforceable at law by a party against the United States, its agencies, its officers or any person. It should not be

construed to create any substantive or procedural basis on which to challenge any agency action or inaction, except as set forth in Part I, Chapter 3, Paragraph K, of this Supplement and as set forth in Appendix 2, Paragraph G, consistent with Section 3 of the Federal Activities Inventory Reform Act of 1998 FAIR Act, P.L. 105270.

This Supplement is divided into two parts with a table of contents at the beginning of each Part as follows Part I Policy Implementation Sets forth the principles and procedures for implementing OMB Circular A76. Part II Preparing the Cost Comparison Estimates Provides instructions for calculating the financial advantage to the Government of acquiring a product or service through inhouse, contract or interservice support agreement resources. Appendices Definition of Terms Defines terms within the context of OMB Circular A76. Commercial Activities Inventory Provides information and reporting guidance. Useful Life and Disposal Provides useful expected life and Values disposal values for equipment. Tax Tables Provides Federal tax rate tables for use in A76 cost comparisons by industry type. OFPP Policy Letter 921 Provides guidance and criteria for determining whether activities may be considered inherently governmental and not subject to the requirements of the Circular or this Supplement. Steps in the A76 process A cost comparison can be understood as a series of steps, which the Process Model illustrates. The process begins with the Packaging phase, in which completable functions are grouped together to make for a logical business unit. Next, in the Public Announcement phase, the news that an A76 study is going to take place is released to the affected workforce, Congress, and local community officials. This announcement starts the timeline for completion of the study. The Quality Assurance Surveillance Plan QASP describes methods of inspection, required reports, and resources to be used, including estimated work hours. The Solicitation step is where the Contracting Officer, in conjunction with the CA team leader, determines what type of contract to use and then releases an RFP solicitation so that commercial vendors can respond with formal offers.

The heart of the solicitation is the PWS, which identifies the performance expectations for the commercial activity under review. The Government Management Plan is where the government team develops and identifies the organizational structures, staffing and operating procedures, transition and inspection plans, and equipment necessary to ensure that it can perform the activity in an efficient and cost effective manner. The Management Plan includes four documents, the Government Most Efficient Organization MEO, the InHouse Cost Estimate IHCE, the Technical Performance Plan TPP, and the Transition Plan TP. This process can be begun in conjunction with the PWS development phase, as there is overlap between what functions need to be performed and how the inhouse team thinks that they can staff those needs. After the Management Plan is completed, it is checked in the Independent Review step. The purpose of this review is to certify that data contained in the Government Management Plan reasonably establishes the governments ability to perform the PWS within the resources provided by the MEO and to ensure that all costs in the IHCE are fully justified. Each offeror is given the same amount of time to submit a revised proposal which is reevaluated by the technical evaluation panel. The Contracting Officer then selects the single contractor that will compete with the MEO in the cost comparison. This decision may be appealed in the Administrative Appeals Process if the losing offeror feels that there were errors in the cost comparison process. Finally, after any appeals have been settled, the final decision is made and the winning organization puts their new organization into place during the Implement MEO or Contract step. The competitive sourcing process is a DoD term for the competitive process required by the Office of Management and Budget OMB Circular A76, Performance of Commercial Activities. What is a commercial activity.

A commercial activity is a recurring service that could be obtained appropriately from a private sector source. Government agency missions may be accomplished through commercial facilities and resources, through Government facilities and resources, or through of mix of these, depending upon

the products and services needed and the agency missions involved. How does competitive sourcing differ from outsourcing. Outsourcing is the contracting of a commercial activity. Competitive sourcing is the process whereby the cost of government performance of a commercial activity is formally compared to the cost of performance of commercial sources. How are privatization and competitive sourcing different. Under competitive sourcing, the Government retains ownership and control of the commercial activity regardless if the service provider is from the public or private sector. Under privatization, the Government divests itself of ownership and control of the activity. What happens in an A76 cost comparison. The A76 cost comparison process has nine essential steps. After a public announcement is made that a cost comparison will be performed, a Performance Work Statement PWS and Quality Assurance Surveillance Plan QASP are developed. This PWS becomes part of the solicitation issued by the contracting officer to solicit offers from the private sector. Other Federal agencies may submit offers which are evaluated with the private sector offers prior to selection of the InterService Support Agreement ISSA or contract offer that will compete against the inhouse offer. The inhouse organization is responsible for developing a Government Management Plan as their bid, which may include a TPP, TP, MEO and IHCE. The offers of the contractor and, if submitted, ISSA, are evaluated by a Source Selection Evaluation Board SSEB, and the Source Selection Authority SSA selects the most advantageous offer to compete against the inhouse offer.

The Independent Review is performed by the Independent Review Official IRO, a qualified person from an impartial activity that is organizationally independent of the function being competed and the group developing the inhouse offer. The IRO reviews the inhouse offer to ensure that the data contained in the Government Management Plan reasonably establishes the inhouses ability to perform the requirements of the PWS. The IRO ensures that all costs entered on the cost comparison form are fully justified and calculated in accordance with Part II of the Revised Supplemental Handbook and the DoD A76 Costing Manual. After the tentative cost comparison decision is made, the cost comparison form and all supporting documentation is provided to affected parties and the public review period begins. It is during this public review period that the affected parties may submit an appeal of the tentative decision. The Administrative Appeal Process is used to determine the final cost comparison decision. After a final cost comparison decision has been made, implementation of the MEO or conversion to contract occurs. Who can compete against the inhouse offer. In a negotiated acquisition, the Source Selection Authority makes a determination among contract and ISSA offerors who will compete against the inhouse offer. It is only this selected offeror that will compete against the inhouse offer. What are the advantages of Centralized Management for the A76 process. A Centralized Management approach can greatly improve the quality, timeliness, and consistency of the A76 process. Quality Centralized Management can ensure compliance with A76 policy and procedures, minimize bias, and result in a fair and equitable process for both private industry and government employees. Timeliness Centralized Management can ensure, through control and organization, that the process is completed on schedule.

Consistency Centralized Management can ensure that program implementation and policy interpretation are the same from organization to organization and from installation to installation. Is there bias in the A76 process. Both industry and government personnel may express concern about a perceived bias in the A76 process. The organization undergoing cost comparison may believe that a centrally managed A76 process encourages a contract decision because of bias at the HQ or Command level. Industry may believe that a noncentrally managed A76 process will encourage the inhouse workforce, based on local bias, to manipulate the system. Though the issue of bias is difficult to defend against, the application of a centrally managed process is just one method for completing multiple A76 cost comparisons in a fair and timely fashion. Are there disadvantages to a centralized management approach to the A76 process. A potential disadvantage of applying Centralized Management is the risk associated with conducting multiple cost comparisons incorrectly. The idea that a template used for the timeline, PWS, or even the MEO can be used to

approach all cost comparisons can create a false sense of security. Under a centrally managed approach, questions about A76 policies and procedures are less likely to be critically examined after an initial interpretation is provided. Additionally, incorrect application of the policies and procedures associated with A76 cost comparisons in a centrally managed environment may lead to a series of flawed cost comparisons. There is also the reality that Centralized Management does not always allow for quick and accurate communications between a centrally managed office and CC Team or affected workforce. The workforce can only stay involved which ensures they have ownership if the centrally managed office remains in constant communication through regularly scheduled meetings.

A strong communication plan can ensure that the correct lines of communication are established early in the process. However, through a series of spending bills, agencies have been barred for more than a decade from conducting such studies, following controversies including whether agencies were losing control over their missions and whether the promised savings were being achieved. Critics see the A76 process as a vector for undue and improper privatization of government functions.” The CRS report said that raises issues including in its words. If so, which functions. Competition for the provision of commercial goods and services to the federal government has ebbed and flowed, but it will never go away. By continuing the A76 moratorium, Congress is effectively removing a tool that has been consistently proven to create efficiency and effectiveness in government functions. It is time to lift the A76 moratorium—and for Congress to become a useful partner in the process. Due to their vast potential to create savings and improve organizational effectiveness, A76 competitions should be a permanent part of the toolbox of government decision makers. American taxpayers deserve a more effective and efficient government. Different from other contracting instruments, the circular pushes the public service provider to reorganize itself to submit a competitive bid. This feature has historically led to substantial savings and increased effectiveness and efficiencies, regardless of the origin of the winning bid. Further, since the circular’s release, within the federal government, the Department of Defense DOD has used the circular the most, reflective of its diverse workforce composed of military members, civilians, and contractors. As a result of the 2007 debates on the deteriorating conditions at the Walter Reed Army Medical Center, A76 Circular competitions were prohibited in the DOD by the 2008 National Defense Authorization Act.

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