

## U.S. Army Industrial Operations Command (IOC) A-76 Studies

In 1983, the Office of Management and Budget issued OMB Circular A-76, establishing federal policy regarding the performance of commercial activities. In 1987, President Ronald Reagan signed Executive Order 12615, directing all executive agencies to, among other things, study 3 percent of their civilian personnel spaces under the criteria of OMB Circular A-76 until all commercial activities have been studied. Congress wrote CA Policy into law as 10 USC 2461 on July 19, 1988. DOD Directive 4100.15 and DOD Instruction 4100.33 provide implementing guidance for the Department of Defense, and AR 5-20 provides guidance for managing and carrying out the CA Program with the Department of Army. The OMB Circular A-76 Revised Supplemental Handbook, which updates guidance and procedures, was issued in March 1996. The concept of CA apparently dates back to 1955 when the Bureau of the Budget announced a national policy to rely on the private sector for goods and services whenever proper and economical to do so.

The IOC is currently conducting A-76 commercial activity studies of all of its conventional ammunition demilitarization operations located at depots and munitions centers. In addition complete studies are being made of all three arsenals: Rock Island, Pine Bluff, and Watervliet.

The IOC headquarters legal center is supporting these studies through an A-76 oversight committee composed of Ms. Marina Yokas-Reese, Mr. William Bradley, and Mr. Sam Walker. Additionally, the office is providing two lawyers in support of each individual study.

Presently, Production Work Statements (PWS) are being prepared by each of the sites with the assistance of support contractors. The sites are in the process of submitting initial draft PWS's for headquarters review and coordination. Many unique questions are presented requiring input from areas as diverse as environmental, personnel, specialized technology, small business, resource management, and acquisition.

The Source Selection process and strategy is taking shape; Selection Boards are being organized. Thought is being given to selection plans. In the near future, draft documents may be submitted to industry for comment and input. Briefly, the A-76 study process is as follows:

First, a function is identified for review and a study plan is developed, Congress is notified of the intent to conduct the study if the CA is performed by more than 45 civilian employees (IAW 10 USC 2461). After announcement of the study to Congress (more than 45 employees) or MACOM approval (45 or fewer employees), the local work force is notified of the study and what to expect.

Next, a Performance Work Statement (PWS) is developed which describes what work is to be accomplished to successfully deliver the required levels of service. The PWS lists required tasks without specifying the method of performing them. Data are gathered on past workload levels to project future workload requirements, and performance requirements standards are developed to ensure that an acceptable level of performance (ALP) of service is maintained. The PWS also includes the nature and extent of government-owned facilities, equipment, and other property available to use in accomplishing the work.

A management study is then performed to analyze the existing Army organization and operation. This study develops the Most Efficient Organization (MEO) to perform the work in the PWS. It does this by identifying improvements, thus reducing the resources required to perform the work in the PWS. The MEO is the basis for the in-house cost estimate in the cost comparison.

Bids or proposals from prospective contractors or non-DOD Intragovernmental Support (IGS) providers are then solicited based on the requirements contained in the PWS. The solicitation provides for a common standard of performance upon which to base an equitable comparison of in-house costs with contract or IGS costs for performing the same work. From this solicitation, the Army identifies the bidder/offeror to compete against the government MEO.

Costs the Army will incur to convert the function to contract and administer the contract are also calculated. An Independent Review of all costs is then conducted -- usually by the US Army Audit Agency (USAAA) or the installation Internal Review Office (IRO) -- to ensure that the cost estimates are accurate and based on the work set forth in the PWS. Following the Independent Review, the in-house cost estimate is submitted to the Contracting Officer in a sealed envelope before the deadline for submission of bids or proposals from private industry.

After receipt of bids or selection of the one offeror with the most advantageous proposal, the cost of contract or IGS is compared with the in-house cost estimate. For a contract or IGS to be selected as more cost effective than the government, the cost of contract or IGS operations must be less than the in-house cost estimate by at least the amount of the "conversion differential," which is the lesser of 10% of the personnel cost portion of the in-house cost estimate or \$10,000,000, whichever is less

The results of the cost comparison bid opening are announced locally and in the Commerce Business Daily. This "initial decision" is subjected to a review period that allows interested parties to examine the decision documents and appeal portions that do not appear to be in accordance with AR 5-20 procedures. After appeals are resolved (by a

MACOM-level Administrative Appeals Board - AAB), the "final decision" is announced to Congress if the CA is performed by more than 10 civilian employees. If the in-house proposal was determined to be more cost effective, the solicitation is canceled. If the cost comparison results in a contract decision, a contract is awarded

A transition plan is developed and executed. This plan covers equipment turnover, personnel actions, training, inventory and procedural changes. The new operation is continually monitored to ensure the acceptable levels of performance (ALPs) set in the performance work statement (PWS) are met. The quality assurance surveillance plan (QASP), developed by the study team while working on the PWS, sets procedures for conducting surveillance of the new operation. The QASP is used to monitor the performance of the new operation, whether in-house MEO, contract, or IGS.

Any questions in this regard may be directed to Mr. Samuel J. Walker, Acquisition Law, Law Center, U.S. Army Industrial Operations Command, DSN 793-8421, E-Mail [walkers@ioc.army.mil](mailto:walkers@ioc.army.mil).