Part I—Policy Implementation

Chapter 1—General Provisions

A. General

1. This instruction does not apply during times of war or military mobilization, does not provide authority to enter into contracts, and applies to printing and binding only in Navy activities that are exempt by law from the provisions of Title 44 U.S. Code (U.S.C.), Public Printing and Documents. The Navy will depend on both Government and commercial sources to provide needed products and services with the objective of maintaining military readiness. It is Navy CA policy that activities will:

a. Perform CA services at their required quality and quantity of work at the lowest possible cost.

b. Perform cost comparisons according to OMB Circular A-76 and its Revised Supplemental Handbook (NOTAL):

(1) Before converting a CA from in-house operation to contract performance or from contract to in-house performance.

(2) Before starting or expanding any in-house CA.

(3) Before converting a CA to or from performance by an Interservice Support Agreement (ISSA) provider.

(4) Before converting a CA to or from performance by a State or local government agency except for emergency circumstances such as disaster relief.

c. Initially, obtain claimant approval before converting any activity to or from contract, in-house operation, or ISSA performance.

d. Complete cost comparison studies in the shortest possible time.

e. Not modify, reorganize, divide, or in any way change any commercial activity to circumvent the requirements of this instruction.

2. Implementation. The proponent of this instruction is the Deputy Chief of Naval Operations for Logistics. The proponent has the authority to approve exceptions to this instruction that are consistent with controlling laws and regulations.

3. Scope of Application

This instruction applies to all U.S. Navy and Navy Reserve organizations that perform commercial activities. This instruction does not apply to:

(a) Products and services available from other Federal agencies (mandatory sources) required by law to furnish them including sources required by the Federal Acquisition Regulation (FAR) Part 8 (e.g., Federal Prison Industries, National Industries for the Severely Handicapped, and National Industries for the Blind.).

(b) Products or services procured following treaties or international agreements or where the acquisition of products and services are inconsistent with law.

(c) Expert or consulting services of a purely advisory nature related to functions such as Navy command, administration, and management including program management and control.

(d) Nonappropriated Fund Instrumentalities (NAFI) staffed solely with civilian personnel paid by Nonappropriated Funds (NAF). Procedures contained in this instruction are mandatory for NAFI CAs when partially staffed with civilian personnel paid by appropriated funds (APF). The NAFI activities funded solely with NAF may be included in CA cost comparisons involving related functions.

(e) Products or services provided by personnel or equipment assigned to combat units afloat or ashore.

(f) The management and conservation of natural and cultural resources under DoD control, including planning, implementation, and enforcement functions.

(g) Products and services exempt from OMB Circular A-76.

4. Responsibilities

a. Secretary of the Navy (SECNAV) (Note. The following does not constitute Chief of Naval Operations (CNO) assignment of responsibilities to the SECNAV, however the CNO will consult with SECNAV organizations on issues concerning the following.):

(1) Deputy Under Secretary of the Navy. The Deputy Under Secretary of the Navy (DUSN) represents the Department of the Navy (DON) on Competitive Sourcing issues with Congress, the Office of the Secretary of Defense (OSD), other

Services, other Federal agencies, and the Office of Management and Budget (OMB). The DUSN provides broad oversight for DON Competitive Sourcing policies and exceptions to policy.

(2) Assistant Secretary of the Navy (Research, Development & Acquisition) (ASN(RD&A)). The ASN(RD&A) has overall responsibility for, and provides acquisition management expertise and oversight on, all aspects of acquisition including acquisition planning, source selection, contract administration, and quality assurance to support Navy CA Program implementation. The ASN(RD&A) provides broad oversight for CA program policies.

(3) Assistant Secretary of the Navy (Installations and Environment) (ASN(I&E)). The ASN (I&E) provides policy oversight on CA issues.

(4) Assistant Secretary of the Navy (Financial Management & Comptroller) ASN(FM&C)). The ASN(FM&C) provides financial management and cost estimating expertise and represents the Navy on program issues before the congressional appropriations committees. The ASN(FM&C) verifies integration of all CA actions into the budget phase of the Navy Planning, Programming, and Budgeting System (PPBS).

(5) Assistant Secretary of the Navy (Manpower & Reserve Affairs) (ASN(M&RA)). The ASN(M&RA) provides military and civilian personnel and manpower management expertise.

(6) General Counsel of the Navy/Office of the General Counsel (OGC). The OGC, through the Office of the General Counsel (Research, Development & Acquisition), reviews proposed guidance on Navy CA policies and procedures and advises the Navy Staff on all matters related to the CA program. The OGC, through its field offices, provides CA legal advice on matters related to the CA program. The OGC, through its field offices, provides CA legal support to all Navy and U.S. Marine Corps (USMC) activities and claimants from initial reviews and announcements of study through any protests, legal challenges, and administrative appeals of decision implementation.

(7) Naval Audit Service (NAVAUDSVC)/The Auditor General:

(a) Develops, coordinates, and publishes guidance for performing Independent Reviews of CA cost comparisons.

(b) Serves as the Independent Review Officer (IRO) of CA cost comparisons involving 41 or more civilian Full-Time Equivalent (FTE) positions.

(c) Monitors and provides feedback to CNO (N4) and the Strategic Sourcing Office (SSO) on work performed by private consultants conducting Independent Reviews.

(8) Chief of Legislative Affairs (CLA). The CLA:

(a) Represents the Navy on CA program issues before the Congress.

(b) Monitors the development and passage of legislation affecting the Navy CA Program and notifies CNO (N4) about pertinent legislation.

(c) Notifies Congress of the Navy's intent to conduct cost comparison studies, informs Congress of cost comparison studies' progress as required by statute, notifies Congress of cost comparison studies' results, and conducts liaison with Congress regarding cost comparison studies.

(9) Navy Office of Information. The Chief Information Officer represents the Navy on CA Program issues before the news media and the public.

b. Chief of Naval Operations:

(1) The Deputy Chief of Naval Operations (Logistics) (N4) will:

(a) Act as the Navy’s CA Program Manager and, as such, will act for the Office of the CNO (OPNAV) for CA matters.

(b) Publish guidance on Navy CA policies and procedures.

(c) Prepare congressional announcements of intention to perform cost comparisons and appropriate congressional notification of intention to award contracts. These include:

1. Approving all conversions of CAs involving more than 10 civilian positions prior to contract award.

2. Notifying commands of functions to undergo cost comparison.

(d) Monitor the overall progress of the CA program, and maintain the status of the Navy's CA inventory and cost comparison efforts including the review and approval of schedules for CA cost comparisons.

(e) Designate the lead claimant responsibility for CA studies which cross claimant organization lines and directs appropriate liaison between these claimants.

(f) Recommend to SECNAV the in-house retention of certain CAs to support National Defense.

(g) Approve the results of all CA inventories including assignment of Compelling Reason Codes.

(h) Monitor appeal officers' decisions for consistency.

(i) Direct Post-Most Efficient Organization (MEO) Performance Reviews.

(j) Coordinate with the Strategic Sourcing Office (SSO) for competitive sourcing and privatization initiatives generated by the CNO, claimants, and field activities.

(2) The Surgeon General of the Navy determines, on an individual basis, whether the performance of CAs in Navy hospitals by Navy personnel is in the best interest of direct patient care.

(3) The Deputy Chief of Naval Operations (Manpower & Personnel) (N1) will:

(a) Periodically update manpower data tools to assist claimants in the identification of candidates for competition that support military manpower and personnel requirements.

(b) Evaluate military billets to identify impact on personnel and manpower considerations (e.g., sea-shore rotation, homebasing opportunity and career progression, and other community management issues) and verify each billet has funding across the Future Years Defense Program (FYDP).

(c) Take action to adjust and shape enlisted and officer communities as programmed billet reductions reflect in the publication of new Enlisted Programmed Authorizations (EPA) and Officer Programmed Authorizations (OPA).

(d) Coordinate with the appropriate offices within the Naval Personnel Command.

(e) Coordinate with CNO (N4) to verify CA policies are consistent with manpower and personnel policies and procedures.

(4) The Director of Naval Training (N7) will, in conjunction with the Chief of Naval Education and Training, verify Navy training policies and procedures are consistent with CA program policies. The Director of Naval Training will develop and offer training courses specifically designed to meet the needs of the Navy's CA program.

(5) The Deputy Chief of Naval Operations (Resources, Warfare Requirements & Assessments) (N8) will:

(a) Provide force structure and skill sustainment expertise and, in coordination with ASN(M&RA) and DCNO(M&P), review uses of anticipated and actual military and civilian manpower savings resulting from CA program implementation.

(b) Review requests for functions recommended for conversion to in-house operation or for transfer to combat units.

(c) Integrate the Navy's CA program into the PPBS process.

c. The Strategic Sourcing Office. The Strategic Sourcing Office (SSO) is an OPNAV detachment established to facilitate the Strategic Sourcing process. Strategic Sourcing refers to the process that the Navy will use to determine how related functions should best be organized or eliminated to achieve greater efficiency at reduced cost. The Commercial Activities process is a key component in Strategic Sourcing, thus the SSO will function in a support role, when needed, throughout the entire CA process. The SSO does not supersede normal chain of command authorities. The SSO is responsible for promoting the most streamlined processes to provide the Navy the best value for all products and services competed. This includes developing/determining measurement requirements and recommending optimal approaches for outsourcing different support services, such as the use of multi-functional versus discrete functional approaches and regional versus activity-oriented solicitations.

d. Major Claimants will directly implement and manage the Navy's CA program for all subordinate elements as directed by this instruction, and will:

(1) Verify accomplishment of their activity's CA inventory as planned and verify products and services are obtained according to the criteria in this instruction and other applicable laws and regulations.

(2) Verify field activities receive adequate oversight during the cost comparison process, including:

(a) Providing technical assistance.

(b) Establishing Plan of Action and Milestones (POA&M) for cost comparisons, in conjunction with activity commanders, and monitoring of POA&M accomplishment.

(c) Verifying the conduct of Independent Reviews conform to this instruction.

(d) Conducting cost comparison reviews at each field activity as appropriate.

(3) Verify that the conduct of administrative appeals conform to this instruction.

(4) Prepare and maintain standard Performance Work Statements (PWS) for functions which the claimant has primary responsibility.

(5) Approve or disapprove requests to continue or expand CAs requiring additional funding, equipment, or military and civilian personnel in cases where the required additional resources can be made available from within their claimancies and where the action does not constitute a new requirement.

(6) Approve requests to use contractor support in developing PWSs or in performing CA management studies or cost comparison analyses.

(7) Approve, for CA functions involving 10 or fewer civilian positions, direct conversion to contract. (Note: The Navy announces these functions to Congress as a courtesy prior to conversion.)

(8) Coordinate all CA actions with CNO (N4) and their activity commanders.

(9) Verify their field activity commands meet the reporting requirements of this instruction.

(10) Collect and enter data required by this instruction into the Commercial Activities Management Information System (CAMIS).

e. Activity Commanders will:

(1) Appoint a CA Program Manager to monitor and coordinate the operation of their command's CA program.

(2) Verify the CA inventory and review of their command's CA functions and, in coordination with the chain of command, decide which functions should be subject to cost comparison.

(3) Accomplish all CA actions requiring approval, including new requirements, expansions, and governmental function determination, according to this instruction.

(4) Verify development and completion of their activity's PWS, Quality Assurance Surveillance Plan (QASP), and Management Plan. (Note: Each activity is responsible for the development of its PWS, QASP, Management Plan, and In House Cost Estimate (IHCE)). Where provision of in-house services under a host-tenant relationship exists, the activity providing the services is responsible. The receiver of the support services will provide its requirements to the activity provider for inclusion in the PWS.

(5) Verify preparation of cost comparisons for CA conversion.

(6) Obtain CNO (N4) approval before award if solicitation results in a decision to convert to contract.

(7) Provide a sufficient number of qualified personnel to perform quality assurance.

(8) Provide quality assurance reports to the contracting officer.

(9) Evaluate contractors' request for payment and recommend adjustments as appropriate.

(10) In conjunction with the contracting officer, develop proposed contract modifications, including cost estimates, and provide them to the contracting office.

(11) Assist the contracting officer, as requested, with negotiation of contract modifications.

(12) Fund contractual obligations and identify all un-resourced personnel and funding requirements to the attention of the major claimant.

(13) Certify their activity's MEO.

(14) Begin implementation of the MEO within 30 days of decision to perform in-house and achieve MEO operation, to allow for formal Post-MEO Performance Review, by the end of the first full year of performance.

(15) Certify, 1 year after MEO implementation, that the in-house operation is performing to the levels specified in the PWS and within the In-House Cost Estimate (IHCE).

(16) Annually identify to ASN(M&RA) all potential Reductions In Force (RIF) resulting from competitions.

(17) Fulfil any required labor/management bargaining obligations through consultation with appropriate exclusive bargaining representatives.

(18) Collect and report the information required by this instruction regarding cost comparisons to the major claimant.

f. Contracting Offices will participate in the conduct of cost comparisons and will:

(1) During the pre-award period:

(a) Assist with the preparation of acquisition plans.

(b) Assist activities with writing their PWS and Quality Assurance Surveillance Plans (QASP), and review all activity-developed PWSs for contractibility.

(c) Perform solicitation actions.

(2) During the post-award period:

(a) Perform contract administration actions, as necessary.

(b) Process, to approval, all contract documents requiring exercise of contracting authority.

(c) Negotiate all changes.

(d) Direct remedial contractor action.

(e) Delegate authority to activities for surveillance/inspection of contractor's performance.

g. Human Resources Service Centers/Human Resources Offices will:

(1) Answer affected employees' questions regarding benefits, Right of First Refusal, and RIF procedures.

(2) Provide personnel cost data to the CA Team.

(3) Provide necessary services to affected civilian employees.

h. Employees in the activity under study will:

(1) Support activity commanders during the CA study.

(2) Participate, fully, in the development of the PWS and the Management Plan.

(3) Recommend functional improvements to the CA Team for inclusion in the PWS and Management Plan.

5. Safety. When specific safety procedures apply to a CA, activities will ensure these requirements are included in the PWS. The QASP will include safety inspections, as appropriate. Activities should consult with cognizant Navy safety and health professionals during preparation of the PWS and QASP to verify and address all pertinent safety and health requirements.

B. Inherently Governmental Activities

1. Inherently Governmental activities are not subject to OMB Circular A-76 or this instruction.

2. Activities specifically exempted by statute are not subject to OMB Circular A-76 or this instruction. Presently, these include certain workers performing depot-level maintenance (Title 10 2464), firefighters and security guards (Title 10 2465), and certain workers performing wildlife conservation and rehabilitation (Title 16 670a). Additional information is at the appendix entitled Principal Statutes Governing CA.

C. Government Performance of Commercial Activities.

Government performance of a commercial activity is authorized under any of the following conditions:

1. National Defense or Intelligence Security.

The basic National Defense considerations are mobilization requirements, training requirements for skills that are exclusively military in nature, military rotation base requirements, career progression, and specifically exempted core logistics functions. Activities will justify retention of in-house operation for National Defense reasons on a case by case basis. The justification will address the specific function and military positions under review and must include a detailed explanation of why commercial suppliers cannot provide the needed capability. Activities will prepare a summary of the initial determination to retain functions in-house for reasons of National Defense and forward their request to CNO (N4) via the chain of command for approval. For mobilization or contingency requirements, approval of justification to retain functions in-house will occur when activities performing these functions receive the designation of “deployable” in approved contingency plans.

2. Patient Care.

The Navy Surgeon General may authorize performance of CAs at DoD hospitals by Navy employees if performance by Navy personnel is in the best interest of direct patient care. Activities will provide detailed documentation to justify such decisions.

3. Core Capability.

This only applies to core logistics functions needed to maintain a logistics capability and a ready and controlled source of technical competence and resources necessary to ensure effective and timely response to National Defense contingency, mobilization, and other emergencies. Navy activities may request exemption, based on these requirements, on a case by case basis from CA cost comparison for National Defense reasons. Logistics functions justified as vital to combat and direct combat support activities in times of mobilization, National Defense contingency, and other emergency requirements, are candidates for designation as core logistics functions.
Title 10 U.S.C. 2464

4. Research and Development.

This instruction does not apply to the conduct of research and development. Research and development activities may be performed in-house, by contract, or by ISSA without cost comparison. Recurring and severable activities that are performed in support of direct research and development are subject to the cost comparison requirements of this instruction. The operation or support of installations or equipment used for research, development, test and evaluation (RDT&E), including maintenance support of laboratories, operation and maintenance of test ranges, and maintenance of test aircraft and ships, is subject to the CA program. The fact that these support functions are funded with RDT&E funds does not constitute an adequate basis for their exclusion from the CA program.

5. No Satisfactory Commercial Source

6. Functions with 10 or Fewer FTEs

a. Direct Conversion of Commercial Activities. Navy policy provides for direct conversion of CAs involving 10 or fewer civilian employees to in-house or ISSA performance after meeting the following conditions:

(1) If the contracting officer determines that the contractor's performance is unsatisfactory and that fair and reasonable prices cannot be otherwise obtained.

(2) If the conversion to Government employee in-house operation supports cost effectiveness (Activities should make this decision after completion of a cost comparison similar to that found in the Navy's Guide for Conducting a 10 and Under Study.).

7. Meet Performance Standard

8. Lower Cost.

Except as otherwise provided by law, the Secretary of Defense shall procure each supply or service necessary for or beneficial to the accomplishment of the authorized functions of the DoD from a source in the private sector if such a source can provide such supply or service to the Department at a cost that is lower than the cost at which the Department can provide the same supply or service. Activities will perform a cost comparison according to OMB Circular A-76 to determine lower cost. *Title 10 U.S.C. 2462*

9. Temporary Authorization for In-House Performance

10. Expansion.

An expansion is the modernization, replacement, upgrading, or the enlargement of an in-house commercial activity or capability. If the expansion involves a 30-percent increase in the operating cost of the activity, a 30-percent increase in the total capital investment to perform the activity or an increase of 65 FTE or more, a cost comparison is required prior to authorizing in-house performance. A consolidation of two or more existing commercial activities is not an expansion, unless the total operating cost is 30 percent greater than the total of the individual components or it requires an increase of 65 FTE or more. The above definition notwithstanding, pursuant to OMB Circular A-126 all aircraft purchase decisions should be justified through formal cost comparison, as provided by the OMB Circular A-76, Revised Supplemental Handbook (NOTAL).

D. Contract Performance of Commercial Activities

1. Contracted Activities.

An activity obtained through a competitively awarded contract will continue to be obtained by contract as long as the quality of service is acceptable and competitive prices are fair and reasonable. If the Government believes that quality is unacceptable or prices appear unreasonable, a cost comparison is conducted to justify conversion to in-house or ISSA performance.

2. New Requirements.

Navy activities will obtain all new commercial activity functional requirements by a competitively awarded contract. Activities will conduct a cost comparison study to justify in-house or ISSA performance if there is reason to believe that contract service price or quality would be unreasonable.

3. Severable Expansions

4. Interservice Support Agreements (ISSA)

5. Activities With 10 or Fewer Civilian FTE

a. Activities may convert functions to contract without submission of a management plan or cost comparison upon meeting the following conditions:

(1) The activity commander must attempt to place all affected civilian employees in a position at their present installation, or within the local area, commensurate with their current skills and pay grades. If vacancies do not exist, the employees will receive retraining opportunities for existing or projected vacancies at

their present installation or within the local area. Activity commanders will ensure all affected civilian employees are afforded placement opportunities via the Priority Placement Program and all affected employees will be afforded "Right of First Refusal" in the contract. A conversion of an activity with 10 or fewer FTE is not subject to appeal under CA administrative appeal procedures. The Navy announces activity direct conversions to Congress as a courtesy.

(2) The contracting officer determines that offerors will provide required levels of service at fair and reasonable prices.

6. Activities with 11 or More FTE

a. Functions with 11 to 50 civilian FTEs. In this case, activities will conduct a CA study to formulate an MEO and perform a full or streamlined cost comparison. Any decision to convert the function to contract requires congressional notification prior to actual conversion. The Navy announces cost comparison studies of these activities to Congress as a courtesy. Fiscal Year (*FY) 1999 Defense Appropriations Act Section 8014*

b. Functions with more than 50 civilian FTEs. In this case, activities will conduct a CA study to formulate a MEO and perform a cost comparison. Any decision to convert the function to contract requires congressional notification prior to actual conversion. The CNO (N4) announces these functions to Congress as required by law before the study commences. *Title 10 U.S.C. 2461*

7. Activities Performed by the Military.

Upon announcement, the function can be “directly converted” as detailed in OMB Circular A-76. Activities will report cost data in accordance with the Reporting Requirements Appendix. All functions involving military personnel must have secured prior approval from CNO (N12) and (N4) to eliminate military billets. The Navy announces cost comparison studies of activities performed by the military to Congress as a courtesy.

8. Preferential Procurement Programs.

Activity commanders may convert in-house activities of any size to contract performance without a cost comparison if award of the contract is to a required source of supplies and services, as defined in FAR Part 8, Required Sources of Supplies and Services, at a fair market price even when the conversion results in adverse employee actions. If possible, activity commanders must attempt to place all affected civilian employees in a position at their present installation, or within the local area, commensurate with their current skills and pay grades. If vacancies do not exist, the

employees will receive retraining opportunities for existing or projected vacancies at their present installation or within the local area. Activity commanders will ensure all affected civilian employees are afforded placement opportunities via the Priority Placement Program and attempt to provide all affected employees the "Right of First Refusal."

9. Lower Cost

E. Agency Cost Comparison Waivers

F. Inventory.

The CNO (N4) separately publishes and issues CA inventory policies and procedures.

G. Review of Documents

1. Access to Supporting Documents

a. Activity commanders or their designated representatives will consult with civilian employees affected by CA cost comparisons at least monthly during the preparation of the PWS and the management plan and consider the employees' views in the preparation of these documents. Activity commanders may also consult with employees on other matters related to the CA cost comparison. If a labor union represents affected employees, consultation with union representatives fulfills the above requirement. Management should provide employees with updated milestones/target dates and the general status of study progress, and should offer the employees an opportunity to review and to comment on the PWS. To preclude allegations of non-compliance with this statutory requirement, management should summarize the results of each monthly meeting in a brief memorandum for the record and forward copies to employees' representatives and post copies in the work place. *Title 10 U.S.C. 2467*

b. Since parts of the management plan concerned with the development of the MEO must remain confidential until bid opening, employees who are not members of the CA Team may not review them. Management should encourage all employees to contribute suggestions concerning ways to increase efficiency of the Government's operations. In both cases, management must advise employees that their role is purely consultative and that final decisions concerning both the PWS and the MEO will rest with management.

c. All supporting CA documentation must be available for examination upon congressional request. *Title 10 U.S.C. 2461*

2. Appeals of Agency Decisions

H. Personnel Considerations

1. Military. Activity commanders will take prompt action to identify and reassign military personnel from activities proposed for CA study:

a. Billet Identification and Approval. When proposing a CA study containing military personnel to CNO (N4), activities will submit complete identification of all military billets and their future years' funding information to CNO (N12) for review to determine any adverse impacts position withdrawal may have on rotation and homebasing. Activities will not revise military manpower authorization documents for CA functions under review/study without prior OPNAV approval.

b. If activity military billet deletion is denied, activities and claimants must decide:

(1) If, in light of the CNO (N12) decision, the function is excluded from competition.

(2) If restructuring the business unit could allow for an organization where the military function continues regardless of any cost comparison decisions.

c. Once billets are approved for cost comparison they will be given an Accounting Category Code (ACC) "E" in the Total Force Manpower Management System (TFMMS). This action indicates that these billets are not available for other initiatives.

d. Conversion and Deletion/Transition. Activities and claimants must coordinate billet deletion and obtain new funding for civilian employees under MEO or for contractor operation.

e. Funding Conversion

(1) Directly Funded Activities. Claimants must coordinate with the appropriate resource sponsor(s) to transfer the funding for military billets from Military Personnel, Navy (MPN) to Operations and Maintenance, Navy (O&MN). Resource sponsor(s) will submit issue papers for the next Program Objective Memorandum/ Program Review (POM/PR) cycle. Activities will accurately identify funded billets to receive O&MN compensation. Claimants must also identify the transferred and increased O&MN account to the resource sponsor. Claimants will receive one half of

the MPN and one half of the O&MN programming rate for each billet in the first fiscal year of the program (i.e., in FY 00 for an issue identified in POM 00) and the full O&MN rate thereafter.

(2) Navy Working Capital Fund (NWCF) activities. No funding conversion occurs for NWCF activities and the resource sponsor will submit POM/PR issues to adjust the military reimbursable end strength.

f. Billet Deletion. After approval of POM/PR issues, claimants must submit automated TFMMS packages to match specific billet reductions to programmed endstrength reductions and identify billet phase-out dates as part of the claimant qualitization process. Completion of qualitization will provide the data necessary for strength planning and community shaping. This process also signals the distribution system to show billet phase-out to detailers. Transition to contract or in-house performance requires coordination similar to normal permanent change of station (PCS) moves. At a minimum, the following coordination will take place:

Claimant	with	Manning Control Authority (MCA)
Activity	with	Placement Officer
Individual	with	Detailer
Placement Officer/Detailer	with	MCA

Activity commanders must develop and coordinate, with the Commander, Navy Personnel Command (NPC 45), a detailed transition plan that includes alternatives such as extending individuals, "gapping a billet," realigning personnel resources, establishing temporary fills with local temporary active duty (TAD), etc.

2. Civilian

a. Careful planning and full involvement of Human Resources Service Center (HRSC)/Human Resources Office (HRO) staffs and other cognizant personnel will reduce potential adverse impact to civilian personnel during CA studies. Staffs must assist affected/ displaced employees by:

(1) Answering affected employees' questions regarding benefits, Right of First Refusal, RIF procedures, and available transition services.

(2) Assisting the CA Team with MEO position classification and Transition Plan (TP) actions.

(3) Reviewing all affected employees’ Official Personnel Folder documents to determine employees' qualification for available positions.

(4) Providing employee services for affected civilian employees including:

(a) Registration in Defense Outplacement Referral Service (DORS) and the Priority Placement Program, and establishing entitlement to separation incentive pay.

(b) Establishing outplacement and employment assistance services with state government and local businesses.

(c) Contacting local vocational/technical schools and colleges and universities capable of providing retraining opportunities and resume writing classes for all affected personnel.

(d) Coordinating with the Department of Veterans Affairs in behalf of affected former Service veterans who are eligible for GI Bill educational benefits.

(e) The Navy has a responsibility to consider the special needs of handicapped employees. Commands will make a concerted effort to assist handicapped employees and disabled veterans as part of their affirmative action plan.

(5) Providing personnel cost data to the CA Team.

b. Reduction in Force (RIF) Planning

(1) The goal of RIF planning is to reduce, as much as possible, adverse personnel actions. Activities will make every reasonable effort to place or retrain civilian employees displaced as a result of a CA cost comparison or direct conversion. Where no actual or projected vacancies exist, HRSCs and HROs will coordinate with appropriate state employment offices to pursue possibilities for retraining opportunities under the Job Training Partnership Act or similar retraining programs for transition to the private sector. A RIF may be unavoidable even after exhausting all reasonable placement efforts. In this event, HRSCs and HROs will make every effort to help separated employees find alternate employment. *Title 10 U.S.C. 2468*

(2) Activities will annually identify to ASN(M&RA) all potential RIFs resulting from A-76 competitions for that fiscal year and for the first quarter of the next fiscal year if employees will receive RIF notification resulting from an A-76 competition. This identification of a potential RIF is a "worst case" analysis and in no way intends to pre-judge the outcome of any cost comparison. Activities will follow specific RIF

guidance in the SECNAVINST 12351.5E, Approval and Notification of Civilian Reduction-in-Force, Transfer of Function, and Furlough Actions.

c. Commercial Activities Training. Adequate training of personnel responsible for implementing the CA program significantly improves study conduct and completion. The Chief of Naval Education and Training (CNET) offers training specifically tailored to meet the requirements of personnel responsible for implementing the CA program. Activities will request training courses through their major claimants' CA point of contact.

d. Use of Volunteer, Prisoner, and Temporarily Assigned Military Manpower. Activities will exclude volunteer, prisoner, and temporarily assigned military manpower from OMB Circular A-76 cost comparisons. Specifically, the PWS will not include supervision of, or performance of work by, volunteer, prisoner, or temporarily assigned military manpower.

I. Relationship to the Budget

Chapter 2—Interservice Support Agreements (ISSA)

A. General

1. An ISSA may offer the opportunity to reduce costs through economies of scale. Activities will use the cost comparison study procedures established by OMB and this instruction to determine when services should be performed by in-house, contract, or ISSA resources. For the purpose of the ISSA provisions of this instruction, the term ISSA means support provided by or to a Federal agency outside of DoD. Support agreements with other Army, Navy, or Air Force installations or with other DoD activities are not governed by this instruction, with the following two exceptions:

a. Activities will perform a cost comparison when a Support Agreement with another DoD activity would result in a change to or from contract performance.

b. Activities will conduct a cost comparison, under OMB Circular A-126, Improving the Management and Use of Government Aircraft (NOTAL) before providing aviation services.

B. Specific

1. Effective 1 October 1997:

a. An existing ISSA may be continued or renewed without cost comparison study. Also, activities may consolidate support services into new, intra-service revolving or franchise funds without a cost comparison study provided the consolidation does not change the method of performance.

b. New or expanded ISSA support requests must be justified by a cost comparison.

c. If the ISSA provider has competed the same type work with the private sector, the provider may increase capacity up to 30 percent or 65 civilian FTEs without a cost comparison study. If a new or expanded ISSA would result in a conversion of work to or from in-house or contract performance, and a cost comparison study has not previously justified the provider's method of performance, a cost comparison study is required.

2. Cost comparison studies conducted to justify ISSA are subject to independent review and appeal.

3. The commander may, with proper notification to the provider, terminate an ISSA and convert directly to contract performance without a cost comparison study. However, a cost comparison study is required to convert the work to in-house performance.

4. A prospective provider responding to a formal solicitation will submit to the requesting agency a synopsis, management plan, and certification that the provider's reimbursable cost estimate is developed in accordance with OMB Circular A-76 Revised Supplemental Handbook (NOTAL). A complete response as required by the FAR is not necessary.

5. Under no conditions will cancellation or delay of a cost comparison bid opening or contract award occur in order to permit an ISSA offeror to submit a price or reimbursable rate.

6. The requester may accept or reject the prospective provider's offer as technically qualified or unqualified as it deems appropriate and without appeal.

7. Activity commanders who wish to provide commercial activities to another agency may petition the agency to conduct a cost comparison study.

8. Cost comparison studies must be conducted prior to making an offer to provide or receive commercial services to or from state or local government agencies except for emergency circumstances such as disaster relief requirements.

Chapter 3—Cost Comparisons

A. General

1. Scheduling the Cost Comparison Analysis. Activity commanders will recommend CA functions for cost comparison through their chain of command to their major claimants and CNO (N4). The CNO (N4) will verify recommendations are consistent with Navy-wide CA study efforts. Major claimants should make every effort to conduct studies of common functions at all sites on a claimant-wide basis or on a regional basis, or conduct consolidated studies of multiple functions at a single site. Activities should follow procedures contained in the Navy's Succeeding at Competition: Guide to Conducting Commercial Activities Studies and the Business Unit Definition and Analysis Guide to determine the optimal composition and structure of the CA study team. Activities will coordinate these efforts to achieve the maximum efficiency for both the study effort and the final organization that will accomplish the function.

2. Upon a decision to perform a cost comparison and after congressional notification, CNO (N4) will inform field activities and their major claimants. Commands are then required to conduct local notification in accordance with the Public Affairs Guidance Appendix to this instruction.

3. Change in Number of Functions/Positions. Activity commanders have authorization to expand an announced CA function if the expansion is justifiable and it does not significantly increase the study effort. Any significant expansion, to include previously unannounced functions or a substantial increase to the number of studied positions, requires congressional announcement. Minor decreases in the number of positions under study does not require additional reporting; however, significant decreases to the number of announced positions, or removal of congressionally announced functions from a study, requires CNO (N4) approval.

4. Cancellation. Cancellation of an entire A-76 study requires CNO (N4) approval. The request for cancellation should contain justification of why the commercial activity is no longer suitable for competition with the private sector.

5. Plan of Action and Milestones. The CA team will establish a POA&M that will be approved and monitored by the activity commander. While complexity, size, and previous experience will influence CA study time requirements, activity commanders should strive to complete each study in an aggressive manner. This plan must provide

for completing single function studies in less than 18 months and multi-function studies in less than 36 months from the announcement date to the tentative decision to award date. Studies that extend beyond these limits must report a description of problems encountered, remedial actions taken, status, and expected completion date to CNO (N4) via the chain of command prior to the deadline date. By law, single function studies must not extend beyond 24 months from announcement and multi-function studies must not extend beyond 48 months from announcement. Activities must submit their POA&M, via the chain of command, for entry into the Commercial Activities Management Information System *(*CAMIS) within 60 days of the announcement of the study. Guidance for development of the POA&M are contained in Succeeding at Competition: Guide to Conducting Commercial Activities Studies (NOTAL). The Reporting Requirements Appendix contains the minimum required milestones for the POA&M. *The 1999 DoD Appropriations Act, Section 8026*

6. Major Claimant Oversight and Review. To verify compliance with cost comparison procedures, major claimants should conduct initial and periodic reviews of their ongoing cost comparisons. These reviews provide valuable feedback on the status and quality of ongoing CA studies. Navy experience has demonstrated that cost comparisons characterized by high levels of command attention and broad levels of participation have proven the most successful, regardless of their outcome. At the completion of each review, claimants should provide to CNO (N4):

a. A brief report of the CA study team's findings

b. A list of deficiencies and directed corrective actions

c. Follow-up procedures verifying implementation of corrective actions

d. Lessons learned and suggested changes to Navy policy

B. The CA Study Team

1. The CA study team will include:

a. A CA team leader who is charged with overall study management and for assignment of duties and tasks to other team members. The team leader serves as the primary liaison between the team and the rest of the organization, monitors action milestones, and arranges and conducts status briefings for the activity commander. The team leader also facilitates team meetings and arranges logistical details, and verifies that appropriate reference materials, office space, automation, supplies, and

administrative support is always available for the study team throughout the full term of the study.

b. A contracting office staff representative who is the primary individual responsible for preparing the acquisition strategy, preparing the solicitation for bids/proposals based on the specific PWS requirements, determining the contract vehicle type, and evaluating the resulting bids/proposals. The team will assist the contracting office staff representative with the solicitation and the source selection process.

2. Refer to Succeeding at Competition: Guide to Conducting Commercial Activities Studies to determine study team composition and individual roles and responsibilities.

3. Whenever possible, principal CA team members should be assigned on a full-time basis to minimize conflicts with their regular duties. If this is not possible, management should direct that team members' participation be a priority duty and not "an intrusion on their regular jobs." In that regard, study team members are responsible for fully contributing to the study process and carrying out their assignments between team meetings.

4. Activity commanders should arrange CA training for the team leader and other team members, as required, in conducting CA studies.

5. Some individuals selected to participate on the source selection board (SSB) are precluded from performing activities related to the management study or in-house cost estimate due to the potential for conflict of interest. Likewise, the Procurement Integrity Act (Title 41 U.S.C. 423) prohibits some Government officials from accepting compensation from a contractor for 1 year after they served in certain specific acquisition positions or made specific decisions in connection with the award or administration of a contract with a contractor. Refer all questions regarding the Procurement Integrity Act to the supporting OGC office.

C. Performance Work Statements

1. A well-prepared PWS is key to the successful completion of the cost comparison (standard or streamlined) or direct conversion. It is critical the PWS be sufficiently comprehensive to permit objective verification that in-house, ISSA, or contract performance satisfies Government requirements.

2. The PWS must be performance-oriented, specifying desired outputs or measures, and limiting directions as to how to achieve results while not, unnecessarily,

restricting private sector participation in the cost comparison. Since the PWS is the basis for determining the Most Efficient Organization (MEO), it must clearly identify all tasks to be accomplished. As changes in performance and staffing requirements occur during the solicitation process, it is essential that activities incorporate these changes within the PWS and MEO.

3. Navy activities will not develop a PWS unless adequate budgeted resources exist to accomplish the level of effort specified in the PWS. Activities must individually address additional funding, not meeting the criteria for expansion or new requirements, necessary to accommodate the level of effort contained in the PWS. Field activities unable to reallocate funding from within existing assets will:

a. Revise the PWS to reflect affordable levels of effort, or

b. Request additional funding via the chain of command

D. Quality Assurance Surveillance Plans.

A well-prepared Quality Assurance Surveillance Plan (QASP) is key to the successful inspection of contract, ISSA, or in-house performance. The QASP describes methods of inspection, performance metrics, required reports, and the needed resources, including estimated work hours, to verify quality. Although the QASP accompanies the PWS to the Independent Review Officer (IRO) to verify the cost comparison, it is not included as a part of the solicitation nor is it provided to private sector bidders or offerors.

E. Management Plans

1. The law requires the Navy to certify to Congress that the basis of the in-house cost portion of the cost comparison presents an estimate of the most efficient and cost-effective in-house organization needed to accomplish the workload described in the PWS. The activity commander or other appropriate commander (e.g., a regional commander) will certify studies crossing geographical or claimant boundaries (using the Activity Tentative Decision Report) to their chain of command and CNO (N4) and will report the completion of Independent Reviews to CNO (N4).

2. If the cost comparison decision is to continue in-house performance, activities will begin implementation of the proposed MEO within 30 days from the decision to continue in-house performance.

3. To verify the integrity of both the MEO and the cost comparison, activity commanders are responsible for implementing the Most Efficient Organization (MEO) that they certify. Activity commanders will certify, in writing, the in-house operation can perform the requirements established by the PWS and that actual staffing complies with the MEO. Also, activity commanders will certify their activities' compliance, in writing, one year after MEO implementation as part of their Post-MEO Performance Review.

4. Navy activities will establish procedures to verify in-house operations, as stated in the MEO, are capable of performing PWS workloads. These procedures will verify:

a. Resources (i.e., personnel, facilities, equipment, supplies, etc.) specified in the MEO and IHCE are available to the in-house operation

b. In-house performance is accomplished within the resource level specified in the MEO for the period of performance, unless documentation to support changes in workload/scope is available

5. Transition Plan

a. The Transition Plan (TP) is a written plan that enables the transition from the current organizational structure to MEO, contract, or ISSA performance. It is designed to minimize disruption and adverse impacts, and describes capitalization and start-up requirements.

b. The TP will include milestones that begin the implementation of conversion to MEO, contract, or ISSA within the first 30 days after a final cost comparison decision and end upon implementation of the MEO, contract, or ISSA. It must detail necessary personnel actions, personnel moves, appropriate training (including any required certifications), as well as non-personnel considerations such as materials and supplies, equipment, facilities, sub-contracts, leases, environmental issues, safety and security, etc. It must also consider factors related to MEO operation if conversion of military billets to civilian authorizations requires a large concerted civilian recruitment effort. This is especially important if the activity's location is away from a large metropolitan area or if the activity's MEO requires personnel with highly technical skills.

c. The TP will include an Economic Impact Statement. Prepare an examination of the potential economic impact of the performance of the function by the private sector if the reduction-in-force involves 75 or more activity civilian personnel. The statement must address DoD employees affected by such a change in performance and an assessment of the impact to the local economy and government.

d. Activities will notify CNO (N4) through the chain of command if TP milestones require extension.

F. Safeguarding the MEO.

Activities will not publicly disclose the contents of the management study or the in-house cost estimate and must safeguard the confidentiality of the in-house bid. Activities will mark the management study with "FOR OFFICIAL USE ONLY--SENSITIVE IN NATURE." During the cost study process, activities will not release the management study to parties outside the immediate CA study team.

G. Solicitations

H. Methods of Procurement

1. All competitive methods of procurement authorized by the FAR are appropriate for cost comparison under OMB Circular A-76 and its Revised Supplemental Handbook (NOTAL).

2. In selecting the method of procurement and contract type, the contracting officer should analyze the PWS and apply the guidance contained in OFPP Policy Letter 91-2, Service Contracting, and FAR Part 16, Types of Contracts, as supplemented.

3. Technical Performance Plan

a. The Technical Performance Plan (TPP) represents the In-house operation's technical approach and states all needed resources to meet the requirements of the PWS. Activities should prepare the TPP in accordance with the requirements in the solicitation and include these requirements in the MEO. There may be some technical evaluation criteria that apply to the offerors that will not apply to the in-house TPP and the contracting officer will identify any non-applicable criteria.

b. The Source Selection Board will evaluate the Government’s proposal using the TPP and assess whether or not the same level of performance will be achieved.

c. The TPP is a procurement sensitive document and is not releasable to the public until final cost comparison decision.

4. Cost Comparison and Best Value Evaluation of Offers

a. If the contracting officer elects to use the tradeoff process discussed in FAR 15.101-1, the Government will base contractor selection on both the qualitative aspects (e.g., experience, past performance, technical or management approach, etc.) and the quantitative aspects (e.g., price) of an offerors' proposal. This is the preferred competitive method for conducting most Navy competitions because it permits selection based on best overall value to the Navy and not just the lowest price.

b. To determine whether a function will be retained in-house or will be obtained by contract, the cost of the selected best value contractor’s proposal will be compared, in accordance with the provisions governing cost comparisons, with the cost to perform the Government’s MEO. To make this a fair comparison, the scope of work and performance level of both the best value proposal and the Government's proposal must be the same. Accordingly, it may be necessary to perform technical leveling (adjustment of the scope of work or the Government's technical performance plan) to match work contained in the proposal presented by the selected commercial offeror. After adjustment, the Government's proposal will be re-priced as necessary before being compared with that of the selected commercial offer.

c. This final stage of the CA process is both critical and necessary in conducting a cost comparison using the best value source selection process. Because of the complexity of using a best value source selection process for conducting a cost comparison, the contracting officer must control and coordinate all source selection activities. This is necessary to maintain the integrity of the process and assure retention of adequate documentation if the results are challenged.

I. The Independent Review

1. The Naval Audit Service (NAVAUDSVC) serves as the Independent Review Officer (IRO) for all cost comparisons of functions involving 41 or more announced Navy civilian positions. The NAVAUDSVC's role is to provide oversight of the IRO support contractor and to certify cost estimates. Specific guidance for conducting the Independent Review is contained in the Guide for Reviewing Cost Estimates Prepared Under the Commercial Activity Program. A sample letter to request IRO support is located at Deputy Chief of Naval Operations for Logistics Web site at www.n4.hq.navy.mil.

2. To meet the requirements of OMB Circular A-76, a qualified person, independent of the activity preparing the estimate, will review cost estimates for cost comparisons involving 40 or fewer positions. This reviewer can be an internal manager, a management analyst, or a financial specialist versed in CA study cost procedures. The reviewer may request specific technical assistance in applying guidance from the NAVAUDSVC.

3. Commands requiring NAVAUDSVC reviews will provide sufficient advance notice to the NAVAUDSVC at least 30 days prior to commencement of the Independent Review.

4. The IRO will certify in writing that the Navy's PWS, QASP, IHCE, MEO, TPP and TP comply with OMB Circular A-76. The IRO will follow the guidance contained in OMB Circular A-76.

5. Major claimants should be aware of differences in interpretation of cost comparison policy that may surface during the independent review. The CNO (N4) is the final arbitrator of all such differences.

6. Activities will provide auditors with all final documentation and electronic files before the actual site visit.

J. Evaluation of Bids and Tentative Decisions

1. Bid Opening/Announcement of Results

a. The OMB Circular A-76, Revised Supplemental Handbook (NOTAL) contains a complete description of the procedures for bid opening for sealed bid procurement and announcement of results for negotiated procurements.

b. If no bids/proposals are received, or are unacceptable in response to a small business or a small and disadvantaged business (8(a)) solicitation, the IHCE will remain unopened. Additionally, the contracting officer will examine the solicitation and ascertain why there were no responses. Depending on the results of this review, the contracting officer will restructure the solicitation, if feasible, and reissue it under small business set-aside or unrestricted solicitation procedures, as appropriate.

c. If no bids/proposals are received, or are unacceptable in response to an unrestricted solicitation, the activity will report this fact using the Activity Final Decision Report and immediately begin implementation of their MEO.

2. Corrections to In-House Estimate after Bid Opening/Announcement of Results

a. Periodically, CNO (N4) will publish updated inflation indices for use in cost comparison studies. Cost estimates should use inflation indices in effect at the time immediately prior to their Independent Review. Inflation indices issued after commencement of the Independent Review will not, in most instances, materially affect the outcome of the cost comparison; therefore, do not recalculate the IHCE prior to bid opening. If, after bid opening, it appears that application of the latest inflation indices will materially affect the outcome of the cost comparison, the major claimant will review the cost comparison and, if needed, recalculate the IHCE using inflation indices in effect at bid opening. In such instances, activities will apply new indices to the various cost elements at the largest aggregate level.

b. Activities will make all other computational corrections after bid opening if it appears that the change might materially affect the outcome of the cost comparison. Computational corrections may include changes in fringe benefit rates, annual work hours, etc. The major claimant will direct recalculation if needed.

c. Activities will notify the NAVAUDSVC IRO of all changes made.

K. Appeals of Tentative Waiver and Cost Comparison Decisions

1. Administrative Appeal Procedure

a. The Administrative Appeal Procedure exists only to resolve questions related to the cost comparison.

b. The responsible major claimant will verify appointment of an official to review any decision under appeal. This Administrative Appeal Officer will meet OMB Circular A-76 criteria and additionally, if military, be at the same or higher rank as the official who approved the management plan.

c. Actual physical receipt of the appeal must occur within 20 calendar days (or within a maximum of 30 calendar days if the action is deemed to be complex by the contracting officer) after the date that the supporting documentation is made available to all parties. The 20 to 30 calendar day period is the actual appeal period. At tentative decision announcement, the activity will identify all Government IHCE documentation required by potential appellants. Cost comparison documentation will include, at a minimum:

(1) The IHCE with its detailed supporting data

(2) The completed cost comparison form

(3) The name and price of the apparent successful offeror/bidder

(4) The PWS and Management Plan

(5) All supporting data used to formulate the government bid

d. The contracting officer and the commander responsible for the study must work together to complete the appeals process within the time allowed. Appellants will file all appeals with the responsible contracting officer. The appeal must be in writing and must contain specific objections with supporting information for each objection. All received appeals should be coordinated with the nearest OGC representative to determine their sufficiency and merit. At the close of the appeal period, the contracting officer will advise the apparent successful offeror/bidder or the affected Federal employees' representative, as appropriate, if there was receipt of a valid appeal. The commander will notify CNO (N4) and their appropriate chain of command addressees, by response, upon receipt of any appeals.

e. Within 2 working days of the end of the appeal period, the contracting officer will provide copies of all appeals to all directly affected parties. All directly affected parties may file comments addressing objections and facts specified in the appeals. This invitation for comments is not an additional appeal period and there will be no consideration of additional appeal issues. These comments must be in writing, must address specific objections to appeals raised by other interested parties and, to the extent possible, must contain supporting data. Appellants should file comments with the contracting officer within 3 working days of the end of the appeal period.

f. Due to the compressed schedule associated with the review process, the activity will provide the appeal officer with the working papers and other relevant information prior to or upon receipt of the first appeal. To facilitate a timely review, the activity should also forward copies of appeals and comments to the appeal officer as they are received rather than waiting until the end of the submission period. The appeal officer will independently and objectively review items raised by each appellant and render decisions based on the issues in question, within the context of this guidance and OMB Circular A-76. Activities will coordinate appeals of items requiring OPNAV approval with CNO (N4) to verify review and approval of any proposed adjustments. If discovery of a procedural or computational error occurs involving an un-appealed item during documentation review of an appeal, the discoverer will cite the error and its correction in the appeal decision. It is not the appeal officer’s responsibility to re-audit

the entire cost comparison or to question the assumptions underlying the cost of each item not under appeal.

g. The appeal officer will submit a decision in writing, together with a copy of the appeal, to the appellants, the commander, the contracting officer, the apparent successful offeror/bidder, the representative of the affected Federal employees, and CNO (N4) via the chain of command within 30 calendar days of the conclusion of the appeal period. Appeal decisions are final and not subject to review. The commander and the contracting officer will retain a copy of the decision. The commander will make copies of the appeal decision available to all directly affected parties. The commander will then submit an Activity Final Decision Report to CNO (N4) incorporating any revisions necessitated by the appeal officer's decision.

h. Following the appeal officer's decision, the appeal officer, in coordination with the commander, will provide CNO (N4) and the NAVAUDSVC a summary of "lessons learned" together with any recommendations concerning issues raised during the appeal process.

2. Protests. Directly affected parties may file protests concerning the selection of the best private sector proposal with the contracting officer or the General Accounting Office. The ultimate responsibility for responding to a CA-related bid protest lies with the contracting office issuing the solicitation or requesting the proposals. Timely coordination of all documents and marshalling of all facts to support arguments advanced is the responsibility of the major claimant. The major claimant will appoint an official who will be responsible for developing and coordinating the claimant's position for all protests concerning claimant decisions. The time constraints associated with the protest process require expeditious action on the part of all concerned parties. Activities will coordinate all arguments advanced by the contracting office or claimant concerning interpretations of Navy CA policy with CNO (N4).

L. Post-MEO Performance Review

1. Activity commanders will perform a Post-MEO Performance Review for services performed in-house as a result of a cost comparison at the end of the first full year of performance. This review will establish the MEO’s ability to perform the services specified in the PWS and confirm that costs are within the estimate of the cost comparison. This review should result in correction of minor cost or performance deficiencies to maintain the integrity of the cost comparison process. If the review reveals failure to implement the MEO according to transition and management plans that cannot be corrected, the claimant will recommend to CNO (N4) to initiate a new cost comparison study if award to the next participating offeror is not feasible.

2. Claimants, after 1 full year of performance, will review not less than 20 percent of their activities' functions performed in-house as a result of cost comparisons completed in the prior year. Claimants will submit results of their Post-MEO Performance Reviews to CNO (N4) within 30 days of their completion.