

## Annex D: In-Sourcing Guidance

### 1. Background:

A. The 2008 DoD Appropriations Act directed DoD to improve the management of contract services and improve the tracking and reporting of contract service costs.

B. Title 10 U.S.C. sections 2330a and 2463, as recently enacted in the NDAA for Fiscal Year 2008, requires in-sourcing for contracted functions that can be performed by civilian employees, and that the Department provides "special consideration" for in-sourcing certain functions, such as those that are "closely associated with inherently governmental activities".

### 2. In-sourcing general requirements:

A. Commands are required to explain the mission performed by the contractor, including pertinent parts of the Statement of Work (SOW) and the authority for performing the requirement. Work load data is not required if the CME is documented on a HQDA approved TDA and resides in the SAMAS data base.

B. Commands must provide an audit trail for the funding source of the contract by operating agency, AMSCO, Element of Resource, MDEP, and the contract number/task order number in the crosswalk.

C. Position descriptions must be provided for over-hires if a command plans to in-source prior to obtaining an authorization.

D. Manpower Mix justification requirements are described in paragraph 3 below.

E. Requirements for costing justification are described in paragraph 4 below.

3. Manpower Mix Justification. When in-sourcing, commands must provide rationale for whether or not: (a) the contract includes inherently governmental functions; (b) the contract includes closely associated with inherently governmental functions; (c) the contract is being performed as an unauthorized personal services contract; or (d) the function is an enduring function under the "continuity of civilian operations" exemption, as provided in DODI 1100.22. In the case of item (d), provide the rationale for the continuity of operations exemption. (Inherently governmental functions must be in-sourced even if the cost is greater than contract performance.) Commands must include completed Request for Civilian Hire or Services Contract Approval, checklists (Checklist in fillable format is available at: <http://www.asamra.army.mil/insourcing/> Worksheets A through D). One worksheet may be used for a group performing the same functions rather than one worksheet for each individual CME to be in-sourced. ASA M&RA points of contact for in-sourcing guidance are Ms. Eileen Ginsburg, 703-693-2109, [eileen.ginsburg@conus.army.mil](mailto:eileen.ginsburg@conus.army.mil); Ms. Terri Ashley, 703-695-5058,

[terri.ashley@conus.army.mil](mailto:terri.ashley@conus.army.mil); or Mr. Paul Rupprecht, 703-693-2123, [paul.rupprecht@conus.army.mil](mailto:paul.rupprecht@conus.army.mil). G-37/FMP will continue to receive, process and staff these types of concept plans.

#### 4. Costing In-sourcing Concept Plans:

A. Concept Plans estimate the amount of savings accrued employing government civilian workers instead of contractors throughout a POM cycle. This user's guide serves as a simple tool in developing and inputting the information needed to formulate, develop, and complete a concept plan.

Outlined in sections, this guide is presented under the following headings:

- 1) Contractor Costs
- 2) Civilian Costs
- 3) Cost Comparison Methods
- 4) Other Information
- 5) POC information
- 6) Template guidance

B. Contractor Costs. Associated with the cost to employ non-government workers, contractor costs do not involve the payment of benefits or on-site costs. It is important to note that contractor costs should come from the actual contract and must at least include the below cost category values.

- Wages
- Direct Costs – other than wages (i.e., labor or materials)
- Travel
- Overhead – other than travel (i.e., utilities, maintenance, leasing of space)
- Reimbursable Costs – meals, incidentals, etc.
- Other contract administrative costs and costs not captured within the contract
- Penalties for ending the contract

C. Civilian Costs. These costs are associated with the employment of United States Government employees. The following list contains the types of direct costs that should be included in your analysis:

- Wages
- Direct Costs – other than wages (i.e., labor or materials)
- Travel
- Overhead – other than travel (i.e., utilities, maintenance, leasing of space)
- Reimbursable Costs – meals, incidentals, etc.
- Other contract administrative costs and costs not captured within the contract
- Penalties for ending the contract

Civilian salaries should be identified by the job series, GS-grade, locality, and number of positions that will be needed to fulfill manpower duties.

- Civilian pay costs are received from the Army Manpower Cost System (AMCOS) Lite tool, which can be accessed from the below website:
  - <http://www.osmisweb.army.mil/>
- Use the following methods for researching civilian salaries in AMCOS Lite:
  - The civilian general schedule and default summary category for civilian costs.
  - The group and sub-group categories correspond to the occupations and series for the selected civilian positions, respectively.
  - Each salary level must correspond to the location in which the position is located.
- Although many locations have begun using them, please do not use NSPS pay rates (i.e. YA/YB/YC/YD). GS-scale salaries currently provide more accurate reporting within AMCOS.

For contracts with only one price, or firm-fixed price contracts, the civilian and government cost categories that apply to a conversion must still be provided.

D. Special Pay Categories. It is very important that you use the civilian general special schedule tables in AMCOS when applicable. To find out which job series and grade levels are assigned the special rate tables, please go to the OPM website of <http://apps.opm.gov/SSR/tables/index.cfm> Please remember that you will use the rates from AMCOS and the OPM website is only for reference.

E. Comparison Methods between Contractor and Civilian Costs. Actual contractor costs should be used whenever possible for calculating out-year contract costs (i.e., FY 11-15). When there is no contract that gives information on future costs, Army inflation guidance must be used to provide a basis. The below list contains the rates needed for calculating future out-year costs.

- CivPay inflation indices for both contractor and civilian pay and carried out 4 decimal places
- OMA inflation indices should be used for contractor and civilian travel and carried out 4 decimal places.
- Please use the "Compound" column for both CivPay and OMA inflation indices.
- For CivPay, please use FY 2008 as the base until the January time frame when new Civ rates are published. For OMA indices please use FY 2009 as the base year.
- The government cost savings are calculated over POM years (FY 11-15) but please also include current fiscal year FY 09 and FY 10 as reference points for your calculations.
- Army inflation guidance and the aforementioned indices can be accessed at <http://www.asafm.army.mil/pubs/inflate/indices.xls>. Please be sure that you are using the correct tab.

F. Other Information

- Provide documentation to support the ultimate government savings. By labeling and accounting for the amount of overhead, wages, and GS salary of each position, DASA C&E personnel can better estimate<sup>1</sup> the ultimate cost savings.
- Please indicate whether the contractor will be on or off-site.
- Spell out all acronyms in the footnotes of your analysis.
- Include all costs, even if that category is not provided in the guidance or the aforementioned examples given above.
- Add 12% to civilian pay to account for any civilian position that formerly belonged to an off-site contractor before inflating.
- If you are submitting in-sourcing concept plans, make sure that your CME data is correct in SAMAS and CMR.
- For further reference into cost and economic analysis please check the below websites:
  - The Department of the Army Cost Analysis Manual  
<http://www.asafm.army.mil/pubs/cdfs/cam/CAM.pdf>
  - The Economic Analysis Manual  
<http://www.asafm.army.mil/pubs/cdfs/manual/economic.pdf>

G. POC Information. POC's for costing information and concept plans are Eric Goldman, Audry McAfee, and Bogdan Taradejna. They can be reached at (703) 692-7406, (703) 614-4633, and (703) 692-7394 respectively. In addition, they are also responsible for reviewing your concept plan before its submittal to HQDA G-3/5/7. If you have any questions please feel free to call or send email to [Eric.Goldman@hqda.army.mil](mailto:Eric.Goldman@hqda.army.mil), [MCAFEEAL@conus.army.mil](mailto:MCAFEEAL@conus.army.mil), and/or [Bogdan.Taradejna@conus.army.mil](mailto:Bogdan.Taradejna@conus.army.mil).

H. Special Limitations Only Applicable to HQDA. HQDA Principal Staff Elements are competing for limited resources and must prioritize positions for in-sourcing. In-sourcing priority is: 1) inherently governmental or personal services; and 2) closely associated with inherently governmental. Based on the law, cost savings cannot be the sole basis for in-sourcing in HQDA. These limits only apply to HQDA Principal Staffs and not the Field Operating Agencies.

5. In addition to the requirements of a standard concept plan, Commands will also include a Manpower Schedule 8 and as required, a Dollar Schedule 8 to reprogram the CME(s) and associated costs to DAC(s). Note: A Dollar Schedule 8 is only required if the funding for the CMEs is from a different MDEP or AMSCO from where the Command wants to execute the DACs.

## **ANNEX E: Contractor Manpower Equivalent Documentation and Reporting**

1. CMEs will be documented in TAADS for all contracts for “services” covered by SA memoranda referenced in para 1E and F of base memo. The referenced SA policies include GWOT-funded requirements as well as programmed requirements. The following are exempted from documentation: Utilities, Maintenance of Office Equipment (e.g., Copy machines), Foreign Military Sales, production, and construction contracts (with the exception of construction activities in support of OIF/OEF). The definition of services for these purposes is not restricted to the narrow definition of services in the Federal Acquisition Regulation. A test for determining if a reporting requirement exists is: If the requirement is not performed by a contractor, would the mission still need to be done by the Army? If the answer is yes, then the CME needs to be documented in TAADS programmed in SAMAS through the Command’s Schedules 8 during PBR 11-15, and reported via the CMR website. For these purposes an enduring requirement is defined at the macro functional level (for example, training support) and not at the individual task level.

2. Contractor Man-year Equivalent (CME)s are the number of direct labor hours divided by a 2,087 hour work year. The same formula for CME reporting must be used by both reporting systems to support the linkage and validation of reported data. The only exception to this rule is when a different availability factor can be substantiated by review of contract documentation and the different availability factor is documented in a concept plan or USAMAA study, as approved by HQDA.

3. Commands are required to establish a process for validating requirements performed by contractors based on a validation of the workload and its priority. An independent assessment of whether the contract, as performed, involves inherently governmental functions, personal services, or could be viewed as evolving to an improper supervisory relationship over federal government employees or members of the military. Such a circumstance is most likely to occur when contractors work on-site with the federal workforce or military, and an approved statutory exception allowing for personal services has not been obtained. Documentation of the manpower mix criteria to document contractor requirements and an assessment of the function performed by the contractors, will be used by HQDA to evaluate whether any of the above issues require further review.

1. CMEs will be documented as Manpower requirements and authorizations in TAADS by UIC, MDEP, AMSCO, Identity Code, Branch, Grade, Position title, FSC function code and Manpower Mix Criteria (MMC) Code. The identity Code to be used for CME reporting is “T”. The Branch Code to be used is “CC”. The FSC will be loaded in the “CAFC” field of TAADS. The Grade will be “01” and the Position Title will be “Contract Man-Year Equivalent or CME.” Commands are given the latitude to have the CME followed by a more descriptive position title if needed. Also on an optional basis commands can add a POSCO for a CME position. TAADS TDAs should reflect the

number of CME requirements based on the Commands projected mission needs and authorizations based on the Commands projected fully funded CME. Requirements may be greater than authorizations. CMEs should be loaded in the appropriate paragraph of the organization where the function or support is provided. If multiple organization/elements are supported or the contract does not currently support this level of identification, the CMEs may be loaded in a new paragraph at the end of section II, titled Contractor Manpower. Documentation in a separate paragraph should be minimized as much as possible as it does not fully support the goals of this initiative in validating workforce requirements by function and organization. CMEs will be documented as adds during this Command Plan.

5. CMEs should be documented in the requiring activity. For these purposes, requiring activity is the organization for which responsibility for performing the mission has been assigned, even if the contract is funded or administered out of a different organization. When the funding source for a contract is external to an organization, the CME should be documented in the organization responsible for the mission, similar to the way in which reimbursable civilian employees are documented. Army Commands and Army Service Component Commands are responsible for documenting CMEs providing operational support in Augmentation TDAs. When this support involves major weapon systems, the Manpower Estimate Report that projects CMEs will be used as a source document to ensure that training support, operational support and maintenance support for major weapon systems are appropriately documented. Only program management support for the weapon system is documented on the program manager/program executive officer TDA. In addition, CME matrix support from Army Materiel Command to program managers and program executive officers is to be documented on the program manager/program executive officer TDA where the actual mission is being performed.

6. Schedules 8 will be submitted via the Resource Requirements Management System (R2MS) to load requirements and authorizations in SAMAS for TAADS documentation on FY11 TDAs and AUGTDAs. For those commands that did not fully submit last year you have another opportunity now to correct CME data during this Command Plan. PEGs are encouraged to review CME data to determine validity and available dollars. Where CMEs reported in Contract Manpower Reporting (CMR) as of 1 Dec 08 are higher than currently reflected in SAMAS Commands must submit Schedule 8s to increase CMEs where workload is enduring. Where CMEs reported in CMR are less than those reflected in SAMAS Commands must correct CMR data or reduce the numbers programmed in SAMAS and TAADS. Commands intending to submit insourcing concept plans must make sure that their CME data is accurate in SAMAS and CMR.

7. CMEs will be documented by UIC, APE, MDEP, CTYPE, and FSC Code. The CTYPE for CME will be 888; and the Resource Code will be CCME. Commands are to

submit their CMEs Schedules 8 to DAMO-FMP, through the R2MS on the PAED web site, as part of their PBR 11-15 submission, to load requirements and authorizations in SAMAS for TAADS documentation on FY11 TDAs and AUGTDAs. CMEs will be programmed based on the Commands projected enduring Contractor requirements for FY11 through FY15. Commands will submit the number of CME requirements (BO-9) based on the Commands projected mission needs; and authorizations (BO-4) based on the Commands projected funded (Army/Non Army funded) CME. Data contained in the CMR database can be used as a starting point for the Commands in determining their projected CME needs for FY11 – FY15; but should not be construed as the correct number. For CME spaces that the Command determines to be enduring requirements and are currently funded with GWOT, they will be reported by entering GWOT in the REIMS Field. CME requirements will not duplicate shortfalls in military or civilian employee requirements. Use the following codes.

MM = a contractor manpower equivalent (CME) - separately reported via CMR website  
MN = a contractor manpower equivalent (CME) - not separately reported via CMR website

#### 8. Panel for Documentation of Contract Man-year Equivalentents .

A. G-37/FM and ASA M&RA will co-chair the first annual Panel for Documentation of CMEs (PDC) as part of the Command Plan Scrub. The PDC will:

1. Verify that documented CMEs have the correct Manpower Mix Criteria Code (MMC) (i.e. MMC E for inherently governmental functions, MMC H for closely associated with inherently governmental functions or personal services, or MMC X for contactable functions). This is a change to current guidance.
2. Monitor that CMEs coded with MMC E are mandated for in-sourcing.
3. Check the completeness of CME documentation by comparing CME data in the Contractor Manpower Reporting Application (CMRA) and CMEs documented in TAADS/SAMAS. In addition, compare CME documentation to CME projections provided in Manpower Estimate Reports (MERs) for major weapon systems provided by ASA(ALT) and ASC.
4. Establish if CMEs are being used to fill requirements for which no authorization exists and recommend reducing requirements where necessary.

B. In January 2009, G-37/FM and ASA M&RA will co-chair a VTC for all Commands, Secretariat, and Army Staff to discuss required documentation for CMEs reviewed during the Command Plan by the PDC. Data call requirements for in-sourcing (CME to DAC) PDC review will be discussed and disseminated during this VTC.

C. After panel results are documented, any additional CME requirements will require a concept plan meeting USAMAA workload justification standards.