



UNITED STATES MARINE CORPS
MARINE CORPS COMBAT DEVELOPMENT COMMAND
QUANTICO, VIRGINIA 22134.5001

MCCDCO 4860.1B
C 184/k
20 Oct 92

MARINE CORPS COMBAT DEVELOPMENT COMMAND ORDER 4860.1B

From: Commanding General
To: Distribution List

Subj: COMMERCIAL ACTIVITIES (CA) PROGRAM

Ref: (a) MCO 4860.3D
(b) OMB Circular A-76 (Revised 4 Aug 83) (NOTAL)
(c) CMC ltr LPF-5/MLB/jpp of 10 Apr 84 (NOTAL)
(d) Circular A-76, Revised Transmittal Memorandum No. 1 of
13 Aug 85 (NOTAL)
(e) Federal Acquisition Regulation (NOTAL)
(f) MCO P5000.10C
(g) CMC ltr 4860 MPRO-4 of 4 Feb 91 (NOTAL)

Encl: (1) Listing of MCCDC Commercial Activities (CA)
(2) Review Procedures for Commercial Activities (CA)
Performed In-House
(3) Cost Comparison Analysis
(4) Reports Required

Reports Required: See enclosure (4)

1. Purpose. To implement the references and to delineate the responsibilities in the conduct of the Commercial Activities (CA) Program.

2. Cancellation. MCCDCO 4860.1A.

3. Summary of Revision. This revision contains a substantial number of changes and should be reviewed in its entirety.

4. Scope and Applicability. This Order is applicable to CA functions listed in enclosure (1) and to the establishment (new start) or expansion of Government-owned, contractor-operated CA. Detailed instructions are contained in the references with reference (a) providing specific guidance for Marine Corps managed CA.

5. Information

a. The Commanding Officer, Marine Corps Base is responsible for the operation of CA and has approval authority for decisions resulting from cost comparison analyses conducted per reference (a). This authority may not be delegated.

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b. References (b), (c), and (d) established details and clarification of the cost comparison process. Guidelines governing contracting for goods and services are set forth in reference (e).

c. Per reference (a), both Government and private commercial sources shall be used to provide products and services to meet military readiness requirements with maximum cost effectiveness. Reliance on the private sector is one of the general policies contained in reference (f) to ensure competitive consideration of all alternatives. Existing in-house **CA's** shall be retained in-house without a cost comparison only when one of the following conditions is satisfied:

(1) National Defense Requirements. The determination to continue in-house performance based on national defense requirements is made by Headquarters Marine Corps on a case-by-case basis. Specific conditions are set forth in reference (a).

(2) Governmental Nature. Some **CA's**, or portions of a CA, may perform duties that are considered to be Governmental in nature and therefore should be retained in-house. Reference (a) sets forth Governmental responsibilities which can fall into several categories, including the following:

(a) Discretionary application of Government authority.

(b) Monetary transactions and entitlement.

(c) In-house core capabilities.

(3) Unavailability of a Satisfactory Commercial Source.

(4) Unacceptable Delay or Disruption of an Essential Program.

(5) Patient Care.

(6) Public Laws. Higher authority exempts contracting **out** of functions such as fire fighters and guard service. The installation commander determines which functions shall be studied under the CA program per authority delegated by 10 U.S.C. 2468 (reference (a)).

(7) Military Construction.

(8) Signals Intelligence and Telecommunications and Automated Information Systems Security. Performance shall be per reference **(a)**.

(9) Accountable Officer. The individual and position of Accountable Officer are not contractible. The responsibility for administrative fund control must be retained in-house. However, contractors can perform functions to support the Accountable Office as defined in reference (a).

6. Definitions. Terms used in this Order are defined below:

a. CA Function. An activity operated and managed by the Commandant of the Marine Corps (CMC) provides a product or service obtainable from a private, commercial source. A CA can be identified with an organization or a type of work, but must be separable from other functions so as to be suitable for performance either in-house or by contract, and a regularly needed activity of an operational nature, instead of a one-time activity of short duration associated with support of a particular project.

b. CA Inventory. A compilation and maintenance of all CA performed in-house and by contract. The report required is CA Program Inventory (Report Control Symbol DD-4860-03).

c. CA Review. The process of evaluating **CA's** for determining whether or not a cost comparison shall be conducted. Review procedures are provided in enclosure (2). The reports are: Decision Summary for In-House CA Reviews (Report Control Symbol DD-4860-06) and Decision Summary for Contract CA Reviews (Report Control Symbol DD-4860-09).

d. CA Cost Comparison. An accurate determination of whether it is more economical to acquire the needed products or services from a private, commercial source or from an existing or proposed in-house CA, using the procedures contained in reference (c). Cost comparison analysis procedures are provided in enclosure (3). The report used following final decision is Decision Notification Summary: Results of Cost Comparison (Report Control Symbol DD-4860-07).

e. Government-Owned, Contractor-Operated CA. Any activity that **provides** commercial or industrial goods or services needed by the Government and which involves the operation by a private, commercial source of a Government-owned facility.

f. Governmental Function. A function that is related so intimately to the public interest as to mandate performance by DoD personnel. Services or products in support of Governmental functions, such as those listed in enclosure (1), are **CA's** and are subject to this Order. Governmental functions normally fall into two categories:

(1) Act of Governing. The discretionary exercise of governmental authority. Examples include criminal investigations, prosecutions, and other judicial functions; management of Government programs requiring value judgements, as in direction of the national defense; management and direction of the Armed Services; activities performed exclusively by military personnel who are subject to deployment in a combat, combat support, or combat service support role; conduct of foreign relations; selection of program priorities; direction of Federal employees; regulation of the use of space,

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oceans, navigable rivers, and other natural resources; management of natural resources on Federal property; direction of intelligence and counterintelligence operation; and regulation of industry and commerce, including food and drugs.

(2) Monetary Transactions and Entitlement. Refers to such actions as tax collection and revenue disbursements, control of treasury accounts and the money supply, and the administration of public trusts.

g. Most Efficient Organization (MEO). The documentation which serves as the basis for the Government's **estimate** for the cost comparison. The MEO must reflect only approved resources such as facilities, equipment, and personnel. It is derived from the management study process and identifies essential functions to be performed, determining performance factors, organization structure, staffing requirements, and operating procedures for the most efficient in-house performance of the CA.

h. Direct Conversion. Conversions to contract performance of an in-house commercial activity based on a simplified cost comparison or the conversion of an in-house commercial activity performed exclusively by military personnel. Reports are: Direct Conversion of **CA's** Performed by 10 or fewer Civilian Personnel (Report Control Symbol DD-4860-11) and Direct Conversion of **CA's** Performed by 11 to 45 Civilian Personnel (Report Control Symbol DD-4860-12).

7. Information and Data Requirements. The Director, Comptroller Division will coordinate the compilation and assembling of information and data needed to complete required reports (see enclosure (4)), inventories and Government cost estimates. Every effort will be made to minimize the impact of this work on the various activities that will be involved. However, the compressed timeframes that are often directed by CMC make it essential that all activities cooperate fully in providing information and data in compliance with the deadlines established by the CA Task Group. Care must be taken to ensure the accuracy and source of all data submitted to the Director, Comptroller Division, to provide an audit trail.

8. Safeguarding of Government Cost Estimates. The confidentiality of the in-house **cost estimate** shall be maintained until the tentative results of the cost comparison analysis are announced. Premature disclosure of the Government's procurement information could harm its competitive position. Therefore, nonreleasable information shall be identified at the beginning of the study process. The Director, Naval Audit Service retains sole authority for certifying the accuracy of the in-house cost estimate and its compliance with applicable regulations. However, the Director, Comptroller Division, will review the in-house costs prior to certification by the Director, Naval Audit Service. Since strict confidentiality of the in-house cost estimates and MEO information is mandatory, access to

the in-house cost estimate and **MEO** information will be limited to selected personnel. Under no circumstances should any Government employee discuss any aspect of the in-house cost estimate and **MEO** information with any prospective bidder or with any other party that does not have an official and proper requirement for the information. All requests by prospective bidders for bidding information should be referred to the appropriate contracting officer. Prebid visits to Government work areas by prospective bidders should be coordinated with the appropriate contracting officer and conducted in a manner to prevent indiscriminate or uncontrolled contact between prospective bidders and Government employees.

9. Action

a. CA Task Group

(1) Per reference (g), Marine Corps Combat Development Command's (**MCCDC's**) ongoing CA studies were cancelled. Subsequently, with the approval of the Commanding General, manpower resources associated with the CA Program were eliminated. Accordingly, only CA studies mandated by higher authority will be undertaken.

(2) In order to coordinate any higher headquarters mandated CA studies, a Task Group composed of the following membership, is established and will meet at the call of the Task Group Chairperson:

- (a) Commanding Officer, Marine Corps Base (Chairperson)
- (b) Director, Comptroller Division
- (c) Director, Manpower Division
- (d) Director, Civilian Personnel Branch, Manpower
Division
- (e) Director, Facilities Division
- (f) Director, Logistics Division
- (g) Staff Judge Advocate
- (h) Counsel, MCCDC
- (i) Head, Purchasing and Contracting Branch, Logistics
Division
- (j) Public Affairs Officer
- (k) Head, Public Works Branch, Facilities Division

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Other CA managers may attend on an as required basis and informed representatives may substitute for principal Task Group members when circumstances require.

(3) The CA Task Group Chairperson shall, when appropriate, establish ad hoc working groups to facilitate the conduct of CA cost comparison studies. These ad hoc working groups may assist in development of the Performance Work Statement (PWS), determination of the most cost efficient/effective organization to accomplish the work described by the PWS, or in the computation of the financial assets required of the CA under review.

b. Director, Comptroller Division. Performs the following as the designated CA Program Manager:

(1) Prepare and submit PWS to activity managers and appropriate contracting officers for approval.

(2) Develop review plans and milestone charts to guide timely completion of CA cost studies.

(3) Prepare all Government cost estimates for CA functions under study.

(4) Conduct studies to determine/validate the most efficient and cost effective Government organization for performing CA.

(5) Prepare Commercial Activities Management Information System (Report Control Symbol DD-4860-10) when necessary for in-progress CA study status.

(6) Provide other support as required by the CA Task Group Chairperson.

(7) Ensure the confidentiality of the in-house cost estimate and other nonreleasable data.

(8) Develop the Quality Assurance Surveillance Plan for CA functions under study with assistance from the Head, Purchasing and Contracting Branch, Logistics Division.

(9) Provide task group members status reports in conjunction with established milestone dates to ensure data being used is factual and up-to-date.

(10) Review in-house costs prior to the Director, Naval Audit Service certification.

(11) Coordinate with the Director, Naval Audit Service in obtaining audit certification of Government cost estimates.

(12) Identify to the Director, Manpower Division, any potential billet savings derived under an **MEO** review. Apprise the Director, Manpower Division, of any action(s) affecting current authorized civilian ceiling during a CA or **MEO** study.

(13) Notify the Director, Manpower Division (Director, Civilian Personnel Branch), of directed studies prior to initiation per appropriate directives and agreements.

(14) Assist the Director, Civilian Personnel Branch, Manpower Division, in progress meetings with functional and union representatives.

(15) Prepare Cost Study Status (Report Control Symbol DD-4860-08) and submit to the CMC quarterly.

c. Director, Manpower Division

(1) Provide necessary information to the Director, Comptroller Division, for the development of the PWS and **MEO** and the completion of the CA annual inventory and efficiency reviews.

(2) Review progress reports to ensure personnel data and structural alignments are valid during the development of the **MEO**.

d. Director, Civilian Personnel Branch

(1) Provide necessary information to the Director, Comptroller Division, for the development of the **MEO** and Cost Comparison for CA functions under study.

(2) Inform appropriate employee unions of directed studies prior to initiation per law, regulation, and applicable negotiated agreements.

(3) Conduct regular progress meetings with appropriate union and functional representatives.

e. Director, Logistics Division (Head, Purchasing and Contracting Branch). Assist in the development of the Quality Assurance Surveillance Plan for CA functions under study.

f. Director, Facilities Division (Head, Public Works Branch)

(1) Be responsible for solicitations and awards.

(2) Review all activity-developed **PWS's** for contractibility.

(3) Process all contract documents requiring exercise of contracting authority.

(4) Negotiate all changes.

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(5) Direct remedial contractor action.

(6) Delegate authority to activity for day-to-day surveillance/inspection of contractor's work.

(7) Assist in development of courses and instructional material to train personnel in administration of applicable service contracts.

g. Managers of CA Functions

(1) Operate CA functions in the most efficient and cost effective manner possible. In this regard, reference (b) established a permanent legal requirement that all estimated Government costs to perform CA functions be based on the most efficient and cost effective organization for in-house performance of the work described in the PWS.

(2) Provide assistance to the Director, Comptroller Division, in performing an organizational streamlining study prior to development of a cost estimate for any CA. A result of these studies may be that the in-house cost estimate is based on an organization that is different from the authorized organization. If this is the case, and the decision is to continue in-house performance, action must be initiated within 30 days after the decision to implement the new organization and completed within six months after implementation.

(3) Provide technical information to the Director, Comptroller Division, to assist in the development of an accurate PWS and estimates of direct labor and direct material costs.

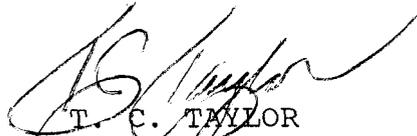
(4) Ensure that all personnel maintain the utmost in integrity and objectivity and avoid even the appearance of a conflict of interest on the part of Government personnel.

(5) Monitor the operating costs of the studied function closely upon completion of the cost comparison study. In the case of a function that remains in-house, operational costs must not exceed those used in the cost comparison. In the case of a function that is contracted out, costs should not be allowed to escalate in a manner that invalidates the results of the cost comparison. In either case, permissible exceptions would involve the addition of work not included in the original PWS, statutory increases in wage rates or increases in the cost of materials and supplies due to inflation.

(6) Structure financial data in a manner that will facilitate a post-award audit by the Director, Naval Audit Service of the **DOD** Inspector General.

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(7) Provide necessary information to the Contracting Officer
for the development of the Quality Assurance Surveillance Plan.



T. C. TAYLOR
By direction

DISTRIBUTION: A

LISTING OF MCCDC COMMERCIAL ACTIVITIES (CA'S)

SOCIAL SERVICES

G009, Clothing Sales Store Operation. Includes CA's that provide ordering, receipt, storage, **stockage** and retailing. Stores operated by USMC, USN and AAFES exchanges are excluded.

G010, Recreational Library Services. Includes operation of libraries maintained primarily for off-duty use by military personnel and their dependents (appropriated funds only).

G011, Other Morale, Welfare, and Recreation Services. Operation of CA's maintained primarily for the off-duty use of military personnel and their dependents, including both appropriated and partially nonappropriated fund activities. The operation of clubs and messes, and morale support activities are included in code **G011**. Examples of activities performing **G011** functions are arts and crafts, entertainment, sports and athletics, swimming, bowling, marina and boating, stables, youth activities, centers, and golf. **MCO P1700.27** contains amplification of specific categories reflected in **MCO 4860.3**. (NOTE: CA procedures are not mandatory for functions staffed solely by civilian personnel paid by nonappropriated funds.)

G900, Chaplain Activities and Support Services. Includes CA's that provide nonmilitary unique support services that supplement the Command religious program such as non-pastoral counseling, organists, choir directors, and directors of religious education. The Command religious program, which includes chaplains and enlisted support personnel, is a Governmental function and is excluded from this category.

G901, Berthing BOO/BEQ. Includes CA's that provide temporary or permanent accommodations for officer or enlisted personnel. Management of the facility, room service, and daily cleaning are included.

G904, Family Services. Includes CA's that perform various social services for families, such as family counseling, financial counseling and planning, the operation of an abuse center, child care center, or family aid center.

HEALTH SERVICES

H121, Drug Rehabilitation. Includes CA's that operate alcohol treatment facilities, urine testing for drug content, and drug/alcohol counseling centers.

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INTERMEDIATE, DIRECT, OR GENERAL REPAIR AND MAINTENANCE OF EQUIPMENT

Definition. Maintenance authorized and performed by designated maintenance **CA's** in support of using activities. Normally, it is limited to replacement and overhaul of unserviceable parts, subassemblies or assemblies. It includes (1) intermediate/direct and general maintenance support performed by fixed activities that are not designed for deployment to combat areas and that provide direct support of organizations performing or designed to perform combat missions from bases in the United States, and (2) any testing conducted to check the repair procedures. **CA's** engaged in intermediate/direct/general maintenance and/or repair of equipment are to be grouped according to the equipment predominantly handled, as follows:

J505, Combat Vehicles. Tanks, armored personnel carriers, **self-propelled** artillery and other combat vehicles. Includes armament, fire control, and electronic and communications equipment that is an integral part of a combat vehicle.

J506, Noncombat Vehicles. Automotive equipment, such as tactical, support and administrative vehicles. Includes electronic and communications equipment that is an integral part of the vehicle.

J507, Electronic and Communications Equipment. Stationary, mobile, portable, and other electronic and communications equipment. Excludes electronic and communications equipment that is an integral part of another weapon/support system. Maintenance of automatic data processing (ADP) not an integral part of a communications system shall be reported under Functional Code W825. Maintenance of Tactical ADP shall be reported under Functional Code **J999**.

J511, Special Equipment. Construction, weight-lifting, power, and materials handling equipment.

J512, Armament. Small arms; artillery and guns; nuclear munitions; chemical, bacteriological and radiological items; conventional ammunition; and all other ordnance items. Excludes armament that is an integral part of another weapon or support system.

J513, Dining Facility Equipment. Dining facility food service appliances and equipment.

J517, Training Devices and Audiovisual Equipment. Training devices and audiovisual equipment.

J519, Industrial Plant Equipment. That part of plant equipment with an acquisition cost of \$3,000 or more, used to cut, abrade, grind, shape, form, join, test, measure, heat, or otherwise alter the physical, electrical, or chemical properties of materials, components, or end items entailed in manufacturing, maintenance, supply processing, assembly, or research and development operations.

ENCLOSURE (1)

J520, Test, Measurement, and Diagnostic Equipment. Test, measurement, and diagnostic equipment (TMDE) that has resident in it a programmable computer. Included is equipment referred to as automated test equipment (ATE).

J999, Other Intermediate Maintenance, Direct, or Repair and Maintenance of Equipment. Use only for unusual circumstances; not to be used when work or organization can be accommodated under a specifically defined code.

INSTALLATION SERVICES

S700, Natural Resource Services. Includes those CA's that provide products or services that implement natural resource management plans in the areas of fish, game, wildlife, forestry, watershed areas or ground water table, erosion control, and mineral deposit management. Natural resources planning and management is a governmental function and will not be reported.

S701, Advertising and Public Relations Services. Includes CA's responsible for advertising and public relations in support of public affairs offices, installation newspapers and publications, and information offices.

S702, Financial and Payroll Services. Includes CA's that prepare payroll, print checks, escrow, or change payroll accounts for personnel. Includes other services normally associated with banking operations.

S703, Debt Collection. Includes CA's that monitor, record, and collect debts incurred by overdrafts, bad checks, or delinquent accounts.

S706, Installation Bus Services. Includes CA's that operate local, intrapost, and interpost scheduled bus services. Includes scheduled movement of personnel over regular routes by administrative motor vehicles to include taxi and dependent school bus services.

- S706A, Scheduled Bus Services
- S706B, Unscheduled Bus Services
- S706C, Dependent School Bus Services
- S706D, Other Bus Services

S708, Laundry and Dry Cleaning Services. Includes CA's that operate and maintain laundry and dry cleaning facilities.

S709, Custodial Services. Includes CA's that provide janitorial and housekeeping services to maintain safe and sanitary conditions and preserve property.

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S710, Pest Management. Includes CA's that provide control measures directed against fungi, insects, rodents, and other pests.

S712, Refuse Collection and Disposal Services. Includes CA's that operate incinerators, sanitary fills, and regulated dumps; and perform all other approved refuse collection and disposal services.

S713, Food Services. Includes CA's engaged in the operation and administration of food preparation and serving facilities. Excludes operation of central bakeries, pastry kitchens and central meat processing facilities that produce a product and are reported under Functional Code X934. Excludes hospital food service operations (under code H105).

S715, Office Equipment. Includes CA's that maintain and repair typewriters, calculators and adding machines.

S716, Motor Vehicle Operation. Includes CA's that operate local administrative motor transportation services. Excludes installation bus services reported in Functional Code S706.

- S716A, Taxi Service
- S716B, Bus Service (unless in S706)
- S716C, Motor Pool Operation
- S716D, Crane Operation (Including Rigging)
- S716E, Heavy Truck Operation
- S716F, Construction Equipment Operation
- S716I, Driver/Operator Licensing and Test
- S716J, Other Vehicle Operations (Light Truck/Automotive)
- S716K, Fuel Truck Operations
- S716M, Tow Truck Operations

S717, Motor Vehicle Maintenance. Includes CA's that perform maintenance on automotive equipment, such as support and administrative vehicles. Includes electronic and communications equipment which are an integral part of the vehicle.

- S717A, Upholstery Maintenance and Repair
- S717B, Glass Replacement and Window Repair
- S717C, Body Repair and Painting
- S717D, Accessory Overhaul
- S717E, General Repairs/Minor Maintenance
- S717F, Battery Maintenance and Repair
- S717G, Tire Maintenance and Repair
- S717H, Major Component Overhaul
- S717I, Materials Handling Equipment Maintenance
- S717J, Crane Maintenance
- S717K, Construction Equipment Maintenance
- S717L, Frame and Wheel Alignment

ENCLOSURE (1)

S718, Fire Prevention and Protection. Includes CA's that operate and maintain fire protection and prevention services. Includes routine maintenance and repair of fire equipment and the installation of fire prevention equipment.

- S718A, Fire Protection Engineering
- S718B, Fire Station Administration
- S718C, Fire Prevention
- S718D, Fire Station Operations
- S718E, Crash and Rescue
- S718F, Structural Fire Suppression
- S718G, Fire and Crash/Rescue Equipment Major Maintenance

S724, Guard Service. Includes CA's engaged in physical security operations that provide for installation security and intransit protection of military property from loss or damage.

- S724B, Patrol
- S724C, Weapons Stores Security
- S724D, Animal Control
- S724G, Registration functions

S725, Electrical Plants and Svstems. Provides for the operation, maintenance and repair of Government-owned electrical plants and systems.

S726, Heating Plants and Systems. Provides for the operation, maintenance and repair of Government-owned heating plants and systems over 750,000 BTU capacity.

S727, Water Plants and Systems. Provides for the operation, maintenance and repair of Government-owned water plants and systems.

S728, Sewage and Waste Plants and Systems. Provides for the operation, maintenance and repair of Government-owned sewage and waste plants and systems.

S729, Air-Conditioning and Refrigeration Plants. Provides for the operation, maintenance and repair of Government-owned air-conditioning and refrigeration plants over 5-ton capacity.

S730, Other Services or Utilities. Provides for the operation, maintenance, and repair of Government-owned services or utilities.

S731, Base Supply Operations. Includes CA's that operate centralized installation functions providing supplies and equipment to all assigned or attached units. Performs all basic supply functions to determine requirements for all requisition, receipt, storage, issuance, and accountability for materiel.

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S732 Warehousing and Distribution of Publications. Includes **CA's** that receive, store, and distribute publications and blank forms.

S740, Installation Transportation Office. Includes technical, clerical, and administrative **CA's** that support traffic management services related to the procurement of freight and passenger service from commercial "**for hire**" transportation companies. Excludes restricted functions that must be performed by Government employees such as the review, approval, and signing of documents related to the obligation of funds; selection of mode or carrier; evaluation of carrier performance; and carrier suspension. Excludes installation transportation functions described under codes **S706, S716, S717, T810, T811, T812, and T814.**

S750, Museum Operations.

S999, Other Installation Services. This code will only be used for unusual circumstances and will not be used to report organizations or work that can be accommodated under a specifically defined code.

OTHER NONMANUFACTURING OPERATIONS

T801, Storage and Warehousing. Includes activities engaged in all operations incident to receipt of material into depots and other storage and warehousing facilities, care of supplies and issue and shipment of material.

T805. Operation of Bulk Liquid Storage. Includes activities engaged in the operation of bulk petroleum storage facilities, including operation of off-vessel discharging and loading facilities, fixed and portable bulk storage facilities, pipelines, pumps and other related equipment within or between storage facilities or extended to using agencies (excludes aircraft fueling services); and handling of drums within bulk fuel activities.

T807, Audiovisual and Visual Information Services. Includes **CA's** that provide base audiovisual and visual information support, production, depositories, technical documentation, and broadcasting.

T809, Administrative Telephone Service. Includes **CA's** that operate and maintain the common-user, administrative telephone systems at **DoD** installations and activities. Includes telephone operator services; range communications; emergency action consoles; and cable distribution portion of fire alarm, intrusion detection, emergency monitoring and control, data and similar systems that require use of a telephone system outside plant.

ENCLOSURE (1)

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T814, Fueling Service (Aircraft). Includes CA's engaged in operations related to distribution of aviation petroleum, oil, and lubricant products. Includes operation of trucks and hydrants.

T816, Telecommunication Centers. Includes CA's that operate and maintain telecommunication centers, nontactical radios, automatic message distribution systems, technical control facilities, and other systems integral to the communication center. Includes operations and maintenance of air traffic control equipment and facilities.

T817, Other Communications and Electronics Systems. Includes CA's that operate and maintain communications and electronics systems not included in Functional Codes T809 and T816. Excludes operation and maintenance of air traffic control equipment and facilities and operation of nontactical radios.

T818, Systems Engineering and Installation of Communications Systems. Includes CA's engaged in engineering and installation services, including design and drafting services associated with functions specified in Functional Codes T809, T816, and T817.

T820, Administrative Support Services. Includes CA's engaged in providing centralized administrative support services not specifically included in another functional category. These activities render services to multiple activities throughout an organization or to multiple organizations, i.e., a steno or typing pool rather than a secretary assigned to an individual. Typical activities included are word processing centers, reference libraries, microfilming, messenger service, translation services, etc.

- T820A, Word Processing Centers
- T820B, Reference Libraries
- T820C, Microfilming
- T820D, Messenger Service
- T820E, Translation Services
- T820F, Publication Distribution Centers
- T820I, Court Reporting

T821, Special Studies and Analyses. Includes CA's that perform research, collect data, conduct time-motion studies, or pursue some other planned methodology in order to analyze a specific issue, system, device, boat, plane, or vehicle for management. Such activities may be temporary or permanent in nature.

- T821A, Cost Benefit Analyses
- T821G, Management Studies

T900, Training Devices and Simulators. Includes CA's engaged in the operation and maintenance of training devices and simulators, including synthetic training aids.

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T900A, Training Aids, Devices, and Simulator Support
T900B, Training Device and Simulator Support

EDUCATION AND TRAINING

Definition. Includes **CA's** engaged in the conduct of courses of instruction attended by civilian or military personnel of the **DoD**. Terminology of categories and subcategories primarily for military personnel (marked by footnote) follows the definitions of the statutory Military Manpower Training Report submitted annually to the Congress. This series includes only the conduct of courses of instruction; it does **not** include education and training support functions (i.e., base operations functions in the **S** series and **non-**manufacturing operations in the **T** series). A course is any separately identified instructional entity or unit appearing in a formal school or course catalog.

U540, Off-Duty (Voluntary) and On-Duty Education Programs. Includes the conduct of Basic Skills Education Program, English as a second language, skill development courses, and graduate, undergraduate, vocational/technical, and high school completion programs for personnel without a diploma.

U600, Civilian Education and Training. Includes the conduct of courses intended primarily for civilian personnel.

U800, Training Development and Support. (Not reported elsewhere.)

AUTOMATIC DATA PROCESSING

W824, Data Processing Services. Includes **CA's** that provide ADP processing services by Government or contract operation of Government-owned or leased ADP equipment, participation in Government-wide ADP sharing program and procurement of time-sharing processing services (machine time) from commercial sources. Includes all types of data processing services performed by general purpose ADP and peripheral equipment.

W824A, Operation of ADP Equipment
W824B, Production Control and Customer Service
W824C, ADP Magnetic Media Library
W824D, Data Transcription/Data Entry Services
W824E, Teleprocessing Equipment Services
W824F, Acceptance Testing and Recovery Systems
W824G, Punch Card Processing Services
W824H, Other ADP Operations and Support

W825, Maintenance of ADP Equipment. Includes **CA's** that maintain and repair all Government-owned ADP equipment and peripheral equipment.

ENCLOSURE (1)

W826. Systems Design, Development and Programming Services. Includes **CA's** engaged in all types of software services associated with nontactical ADP operation.

W826A, Development and Maintenance of Applications Software
W826B, Development and Maintenance of Systems Software

W827. Software Services for Tactical Computers and Automated Test Equipment (ATE). Includes **CA's** that provide software services associated with tactical computers and TMDE and ATE hardware. (May include products manufactured and fabricated in-house.)

PRODUCTS MANUFACTURED AND FABRICATED IN-HOUSE

X934. Food and Bakery Products. Including the operation of central meat processing plants, pastry kitchens, and bakery facilities. Excludes food services reported in functional areas S713 and H105.

MAINTENANCE, REPAIR, ALTERATION AND MINOR CONSTRUCTION OF REAL PROPERTY

2991. Buildings and Structures (Family Housing). Includes **CA's** that are engaged in exterior and interior painting and glazing; roofing; interior plumbing; interior electric; interior heating equipment, including heat sources under 750,000 BTU capacity; installed food service and related equipment; air conditioning and refrigeration under a 5-ton capacity; elevators; and other equipment affixed as part of the building and not included in other activities. Includes fencing, flagpoles, and other miscellaneous structures associated with family housing.

2992. Buildings and Structures (Other Than Family Housing)

Z992A, Rehabilitation--Tenant Change
Z992B, Roofing
Z992D, Tiling
Z992E, Exterior Painting **Z992F,** Interior Painting
Z992G, Flooring
Z992H, Screens, Blinds, Etc.
Z992I, Appliance Repair
Z992J, Electrical Repair
Z992K, Plumbing
Z992L, Heating Maintenance
Z992M, Air-Conditioning Maintenance
Z992N, Emergency/Service Work
Z992T, Other Work
Z992C, Glazing

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2993. Grounds and Surfaced Areas

Z993A, Grounds (Improved). Includes improved grounds, including lawns, drill fields, parade grounds, athletic and recreational facilities, cemeteries, other ground areas, landscape and windbreak plants and accessory drainage systems.

Z993B, Grounds (Other Than Improved). Small arms ranges, antenna fields, drop zones and fire breaks. Also grounds such as wildlife conservation areas, maneuver areas, artillery ranges, safety and security zones, desert, swamps and similar areas.

Z993C, Surfaced Areas. Includes airfield pavement, roads, walks, parking and open storage areas, traffic signs and markings, storm sewers, culverts, ditches and bridges.

REVIEW PROCEDURES FOR COMMERCIAL ACTIVITIES (CA)
PERFORMED IN-HOUSE

1. The first step in the review process is to determine if the in-house performance of the CA function should be exempt from a CA study. Existing in-house CA's shall be retained when one of the following conditions is met:

a. The determination to continue in-house performance based on national defense requirements is made on a case-by-case basis by Headquarters Marine Corps after considering the specific function or military positions involved in the performance of a CA. If any of the following conditions are met, the CA, or portions thereof, may be justified for in-house performance without a cost comparison:

(1) The CA or assigned military personnel are utilized in or subject to deployment in a direct combat support role. Direct combat support is essential to the support of combat operations and, if not performed, could cause immediate impairment of combat capability.

(2) The CA is essential for training in those skills which are exclusively military in nature.

(3) The CA provides appropriate work assignments for a rotation base for overseas assignments.

(4) The CA provides depot or intermediate level maintenance and is required to satisfy the requirements for:

(a) A ready and controlled source of technical competence and resources for depot level maintenance to meet effectively and efficiently peacetime, mobilization and sustained combat equipment readiness requirements.

(b) Combat and combat support activities to be **self-sufficient** insofar as possible in providing direct (intermediate organizational) maintenance support for assigned weapons systems and equipment.

(5) The CA would involve contractor maintenance of Communication Security (COMSEC) equipment and the Director, National Security Agency (NSA) has determined that the risk to national security through contracting out this function would be unacceptable. Reviews of this function would include a separate letter, unclassified if possible, containing information on the types of equipment involved and the maintenance required. This information will be forwarded by this Headquarters to the Director, NSA, for appropriate determination.

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b. Justifications based on national defense requirements will be submitted to the Commandant of the Marine Corps (CMC) (MPC-46). The CMC will assess the submitted justification in terms of current and projected requirements and advise if actions can be initiated to render the CA suitable for consideration of possible contract performance.

2. If continued in-house performance is not required for national defense, the next step in the review process is to determine if the function or portions thereof is Governmental in nature. Detailed justification must be included in the review submission to support exemption on the basis that the duties are considered Governmental in nature. Governmental responsibilities can fall into several categories which include:

a. Discretionary application of Government authority, as in investigations, prosecutions, and other judicial functions; in management of Government programs requiring value judgments, as in directing the national defense; management and direction of the armed services; conduct of foreign relations, selection of program priorities; direction of Federal employees; regulation of the use of space, oceans, navigable rivers and other natural resources; direction of intelligence and counterintelligence operations, and regulation of industry and commerce, including food and drugs.

b. Monetary transactions and entitlements, as in Government benefit programs; tax collection and revenue disbursements by the Government; control of the public treasury, accounts, and money **supply**; and the administration of public trusts.

c. In-house core capabilities in the area of research, development, and testing needed for technical analysis and evaluation and technology base management and maintenance. However, requirements for such services beyond the core capability which have been established and justified by the agency are not considered governmental functions.

3. If continued in-house performance is not required for national defense or because the function is governmental, the next step of the review process is to determine if satisfactory commercial sources are available. If satisfactory commercial sources are known, the review process proceeds to paragraph 4 below. If sources are unknown, the contracting officer will make all reasonable efforts to identify available sources. This will include:

a. A synopsis of the requirement in the "**Commerce Business Daily**" at least three times in a **90-day** period with a minimum interval of 30 days between each synopsis or, for urgent requirements, at least twice in a 30-day period with a minimum interval of 15 days between each synopsis.

b. Seeking assistance from the Administrator of the General Services Administration, Administrator of the Small Business Administration and the Under Secretary of the Domestic and International Trade Administration, Department of Commerce.

(1) If no satisfactory commercial sources can be identified, justification will be submitted to the CMC (MPC-46).

(2) If satisfactory commercial sources are identified, the review process proceeds to paragraph 4 below.

4. If continued in-house performance is not required for national defense or because the function is governmental, and satisfactory commercial sources are available, the next step of the review process is to determine if continued in-house performance is justified without a cost comparison, where use of a private, commercial source would cause an unacceptable delay or disruption to an essential program. The delay or disruption must be of a lasting or unacceptable nature. Justifications will be submitted to the CMC (MPC-46) and will identify specific cost, time and performance impacts which make use of a private, commercial source unacceptable. The fact that a CA involves a classified program and is a part of the basic mission, or there is the possibility of a strike by contract employees, is not adequate reason for in-house performance. Urgency by itself is not an adequate reason for starting or continuing in-house performance. It must be shown that private, commercial sources are unable and the Government is able to provide the product or service when needed.

5. Where no unacceptable delay or disruption would occur, the next **Step** of the review process is to schedule the CA for a cost comparison analysis.

a. Scheduling will give consideration to impacts on Federal programs, such as equal employment opportunity. Although impact on such programs is not justification for continued in-house performance, the impact of possible conversion to contract should be assessed to minimize disproportionate adverse impacts on any one group of employees affected by these programs in a given year.

b. Scheduling will give consideration to impacts on Operations and Maintenance, Marine Corps (O&MMC) funds and authorized civilian ceilings. For example, O&MMC funds and civilian ceiling requirements are affected when a cost comparison analysis is conducted for a CA which includes military personnel. The decision to schedule the CA for a cost comparison implies the decision that the function is not required for national defense and need not be performed by military personnel. Therefore, the eventual performance of the CA will be by in-house civilians or by contractor personnel, depending on the outcome of the cost comparison. It is incumbent upon each activity

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head to recognize and identify these requirements in scheduling the cost comparison in order to avoid the need to decrement budgeted programs. The potential need for additional civilian ceiling authorization and **O&MMC** funds will be identified via Directors, Manpower and Comptroller Divisions, during the annual budget review process.

c. The decision to schedule a CA for a cost comparison will be **reported** to the CMC (MPC-46).

d. A decision to schedule a CA for a cost comparison analysis should trigger the identification and freezing of vacant positions which will minimize adverse personnel actions if the CA is converted to contract performance. Requirements to fill positions should be satisfied with temporary-hire employees.

e. **CA's** which are also part of the Defense Regional Interservice Support (DRIS) program should be scheduled with consideration for scheduled DRIS reviews.

6. Personnel are advised that special rules may apply to procedures for **CA's** involving patient care, military construction, signals intelligence and telecommunications and automated information systems security, as well as special functions (e.g., firefighter & guard service) exempted by public laws.

7. Adherence to applicable regulations cited in reference (a) and close coordination with key personnel (e.g., MCCDC Comptroller) are essential throughout the process.

ENCLOSURE (2)

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COST COMPARISON ANALYSIS

1. If performance of a Commercial Activity (CA) by DoD personnel cannot be justified following the review process, and a simplified cost comparison analysis is not feasible, then a full cost comparison study shall be conducted. A cost margin equal to 10 percent of the in-house personnel related costs must be exceeded before converting an in-house CA to contract.

2. Authorization to conduct cost comparison analysis will be provided by the CMC (MPC-46). Activity heads will not initiate cost comparison analysis actions, including the following, until authorization is received and local announcements have been made.

a. Preparation of a Performance Work Statement (PWS) for the specific CA to be studied. Standard guideline PWS's not related specifically to the CA to be studied may be developed or reviewed.

b. Management studies and manpower surveys which are conducted solely to certify the most efficient and cost-effective organization for in-house performance.

c. Development of cost data for the CA to be studied. Cost data pertaining to the Command as a whole, but not to any specific CA, may be developed, such as general and administrative overhead rates and other standard cost factors.

d. Solicitation of bids and proposals from private, commercial sources. The availability of satisfactory commercial sources may be assessed for planning and scheduling purposes.

3. Both Marine Corps and commercial cost estimates must be based on the same PWS and the same level of performance. This requires the preparation of a sufficiently precise PWS with performance standards that can be monitored for either mode (Government/Contractor) of performance. The PWS should describe what is to be done without prescribing how it is to be done. The PWS will be submitted to the CMC (MPC-46) for approval prior to solicitation for bids or proposals.

4. The in-house cost calculation will be based on an estimate of the most efficient and cost-effective organization for in-house performance (the most efficient organization (MEO)) of the work described in the PWS. Manpower surveys, management studies, union and **work-**force involvement, intraservice or interservice support, audit reports, etc., should be considered in arriving at the optimum organization.

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a. If, as a result of these actions, the in-house cost calculation is based on an organization that is different from the authorized organization, and the decision is to continue in-house performance, action must be initiated within 30 days (after the decision) to implement the new organization.

b. All personnel involved in these actions shall maintain the utmost integrity and objectivity and avoid even the appearance of conflict of interest between government personnel and contractors.

c. With the exception of considerations discussed in paragraph 4 above, if the most efficient and cost-effective organization requires more resources (civilian ceiling/funding) than are available, the PWS should be revised to reflect achievable levels of effort. If these levels are not satisfactory, new start and expansion procedures must be followed with comparative cost as the justification. The additional resources (civilian/ceiling/funding) required by the MEO may be included in the PWS if prior approval of budget funding or manpower resources has been received. But approval of budget funding or manpower resources is not approval of the method of performance (in-house or contract).

5. The cost comparison analysis will be conducted per MCO 4860.3.

6. Costs may be excluded from the cost comparison if they are not likely to have a bearing on the decision to perform in-house or by contract (e.g., "wash items" which are identical under either in-house or contract operations, and minor costs). All other aspects of the cost comparison process apply and must be followed.

7. Cost comparisons will be independently audited per the following:

a. The Director, Naval Audit Service will perform independent audit of in-house cost estimates for CA affecting 41 or more full-time equivalents and will review all cost estimates for comparison involving less than 41 DON civilians when the function is deemed complex by the CMC (MPC-46).

b. The Director, Comptroller Division, will notify the Director, Naval Audit Service when audits will be required, and keep the Director apprised of progress in meeting the date. The Director will be provided a minimum 60-day advance notification prior to bid opening for single function cost comparison, and 120-day advance notification for multiple function cost comparison. Certification by the Commanding Officer, Marine Corps Base (CO MCB) that in-house cost calculation is based on an estimate of the most efficient and cost-effective organization for in-house performance of the function must be provided prior to submission of the cost comparison for certification.

ENCLOSURE (3)

c. All audits of in-house costs for studies of 10 or fewer full-time equivalents for multifunction studies or less than 20 full-time equivalents for single-function studies will be performed by the Director, Comptroller Division to ensure the integrity of the cost comparison.

8. Cost comparison analysis decisions will be reported per the following:

a. Implementation of decisions to convert a CA from in-house to contract performance must be held in abeyance, pending coordination and clearance of the proposed action by the CMC (MPC-46).

b. A decision notification will be submitted to the CMC (MPC-46).

c. Neither contracts nor reduction-in-force notices will be issued until confirmation is received from the CMC (MPC-46) that the necessary coordination and clearance have been completed.

9. The objective of the administrative review procedure is to provide an administrative safeguard to ensure that Marine Corps cost comparisons are fair, equitable, and per established policy. The procedure does not authorize requests for review of decisions outside the Marine Corps or a judicial review. Administrative review decisions are final and not subject to reconsideration.

a. The administrative review procedures may only address questions concerning the determination between contract and in-house performance. These procedures do not apply to questions concerning award to one contractor in preference of another and may not address decisions concerning functions remaining in-house for reasons of national defense, the nonavailability of a commercial source, or to question MCCDC's decision relating to organizing and staffing activities for the most efficient performance. The ultimate composition of the MEO is a managerial decision only and is not subject to review by affected employees and unions.

b. A request for review of the comparative cost analysis and its results may be made by any directly affected party: federal employees and their representative organizations; contractors; and contractor employees and their representative organizations. The request for review must be filed with the contracting officer for delivery to the Commanding General. The request for review must be received during the public review period established by the contracting officer, and specific objections to the cost comparison and the basis for each must be made in writing. All requests for review and supporting documentation will be made available to any directly affected party.

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c. The CMC will independently and objectively review each question raised in the request for review and render a decision in writing to the objecting party and the CO MCB within 30 days.

10. CA functions currently performed by civilian and/or military personnel not exceeding a total of 10 may be proposed for direct conversion to contract performance without a formal OMB Circular A-76 cost study provided the following criteria are met:

a. The CA has been reviewed and approved for cost study.

b. Adequate competition is available. The criteria can be verified by an informal market survey.

c. Direct conversion is cost effective as determined by an informal cost comparison.

d. Direct conversion would make sense from a management or performance standpoint.

11. CA functions currently performed by more than 10 total civilian and/or military personnel up to a total of 45 civilians regardless of the number of military personnel also may be proposed for direct conversion to contract. Criteria **10a** through **10d** above and an **in-**house cost estimate based upon a completed analysis of the most efficient and cost-effective organization must be met.

REPORTS REQUIRED

<u>REPORT TITLE</u>	<u>REPORT CONTROL SYMBOL</u>	<u>PARAGRAPH</u>
I. Commercial Activities Program Inventory	DD-4860-03, External RCS DD-P&L(A) 1540	6b
II. Decision Summary for In-House CA Reviews	DD-4860-06	6c
III. Decision Summary for Contract CA Reviews	DD-4860-09	6c
IV. Decision Notification Summary: Results of Cost Comparison	DD-4860-07	6d
V. Direct Conversion of CA's Performed by 10 or fewer Civilian Personnel	DD-4860-11	6h
VI. Direct Conversion of CA's Performed by 11 to 45 Civilian Employees	DD-4860-12	6h
VII. Commercial Activities Management Information System (CAMIS)	DD-4860-10 External RCS DD-P&L(Q)1542	9b(5)
VIII. Cost Study Status	DD-4860-08	9b(15)

ENCLOSURE (4)