JOINT FLEET MAINTENANCE MANUAL

VOLUME VII

CONTRACTED SHIP MAINTENANCE

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JOINT FLEET MAINTENANCE MANUAL CHANGE REQUEST FORM

FROM:
ACTIVITY/SHIP _____ E-MAIL ADDRESS _____

CODE/DEPT/SHOP _____ DATE _____

ORIGINATOR _____ TEL EXT (___) _____

VOL-PART-PARA NO. _____ FIGURE _____ TABLE _____

PROCESSING NORMAL _____ URGENT*_____

* (Justify in rationale below if urgent is marked and transmit via e-mail as "High Importance")

PROBLEM DESCRIPTION:

RECOMMENDED CHANGE: (Include any proposed text addition/deletion)

RATIONALE:

E-mail to PTNH.SUBMEPP.JFMMMGR@Navy.Mil
(If mailing, fold on dotted line on reverse side and mail to Submarine Maintenance Engineering, Planning and Procurement (SUBMEPP) Activity or send facsimile to (207) 438-6210.)

FOLD

Commanding Officer

_____

OFFICIAL BUSINESS

Commanding Officer
Submarine Maintenance Engineering,
Planning and Procurement (SUBMEPP) Activity
Attn: Code 1832JM
P.O. Box 2500
Portsmouth Naval Shipyard
Portsmouth, NH 03804-2500

FOLD

APPENDIX A

LIST OF ACRONYMS

2-Kilo	3-M Maintenance Action Form
3-M	Maintenance and Material Management
AAA	Authorized Accounting Agency
AAR	Advisory Audit Report
ABM	Acquisition and Business Management
ABR	Agreement for Boat Repair
ACO	Administrative Contracting Officer
ACWP	Actual Cost of Work Performed
AIT	Alteration Installation Team
ASN	Assistant Secretary of the Navy
ASR	Availability Status Report
BAC	Budgeted Availability Cost
BCWP	Budgeted Cost of Work Performed
BCWS	Budgeted Cost of Work Scheduled
BOA	Basic Ordering Agreement
BSR	Bid Specification Review
BVC	Best Value Contracting
CAM	Contract Audit Manual
CAO	Contract Administration Office
CAQAP	Contract Administration Quality Assurance Program
CAR	Corrective Action Request
CAS	Contract Administration Services
CAS	Cost Accounting Standards
CASREP	Casualty Report
CDA	Contract Disputes Act
CER	Cost Estimating Relationships
CFM	Contractor Furnished Material
CGC	Contract Governance Council
CIRS	Contractor Inventory Redistribution System
CIS	Commercial Industrial Services
CMP	Class Maintenance Plan
CNO	Chief of Naval Operations
CO	Commanding Officer
COAR	Customer Order Acceptance Record
COFD	Contracting Officer's Final Decision
COMLANTFLT	Commander, Atlantic Fleet
COMNAVRESFOR	Commander, Naval Reserve Forces
COMNAVSEA	Commander, Naval Sea Systems Command
COMPACFLT	Commander, Pacific Fleet
CONUS	Continental United States
COR	Contracting Officer's Representatives
CPARS	Contractors Performance Appraisal Reporting System
CPI	Cost Performance Index

CPM	Critical Path Method
CPMS	Contract Property Management System
CNRMC	Commander, Navy Regional Maintenance Center
DAWIA	Defense Acquisition Workforce Improvement Act
DCAA	Defense Contract Audit Agency
DCMA	Defense Contract Management Agency
DFARS	Defense Federal Acquisition Regulation Supplement
DL	Direct Labor
DoD	Department of Defense
EA	Executing Activity
EF	Early Finish
EP	Environmental Protection
EPA	Environmental Protection Agency
ES	Early Start
ESH	Environmental Safety and Health
FAR	Federal Acquisition Regulation
FEO	Facilities Engineering Office
FFP	Firm Fixed Price
FISC	Fleet Industrial Support Center
FLTCOM	Fleet Commands
FMBoD	Fleet Maintenance Board of Directors
FMP	Fleet Modernization Program
FMR	Field Modification Request
FMS	Foreign Military Sales
FP	Fixed Price
FPRA	Forward Price Rate Agreement
G&A	General and Administrative
GAO	General Accounting Office
GCQA	Government Contract Quality Assurance
GFI	Government Furnished Information
GFM	Government Furnished Material
GFP	Government Furnished Property
HAZMAT	Hazardous Material
HCA	Head of Contracting Activity
HW	Hazardous Waste
IDIQ	Indefinite Delivery, Indefinite Quantity
IFB	Invitation For Bid
ISO	International Organization for Standardization
JFMM	Joint Fleet Maintenance Manual
LF	Late Finish
LOA	Letter of Authority
LOA	Light-Off Assessment
LOD	Letter of Delegation
LS	Late Start

2.10.1.2 Pricing of Deleted Work. Deletions should be based on the reasonable value of the change at the time the work would have been performed. The deletion values should not be based on itemized estimates provided by the contractor at the time of contract award. The deletion value should include all costs reasonably associated with the deleted work, including profit.

2.10.1.3 Awarding Job Orders. The Government uses the sealed bidding and negotiation methods of contracting in awarding contracts, including job orders. These methods of contracting are covered in detail in references (j) and (k).

2.10.1.4 Objective of Procurement Process and Contract Pricing. The objective of the procurement process is to acquire supplies and services of the desired quality in a timely manner at "fair and reasonable" prices. The objective of contract pricing is to establish and administer an arrangement that poses a fair and reasonable price for delivery of a product or service.

2.10.1.5 Pricing Responsibility. The Contracting Officer is responsible for exercising proper judgment and is solely responsible for the final pricing decision. Although the Contracting Officer is responsible for the final pricing decision, the Contracting Officer is not expected to perform all functions leading to the contractual document's execution. Although the recommendations and counsel of contributing specialists, including auditors, are advisory only, the Contracting Officer should include comments in the price negotiation memorandum when significant auditor or other specialists' recommendations are not adopted.

2.10.1.6 Adjudications on the Basis of Estimates. NAVSEA policy requires changes to be adjudicated on the basis of estimates. Adjudications shall not be deliberately delayed to allow the determination of actual incurred costs from which to adjudicate.

2.11 PROPOSAL ANALYSIS.

2.11.1 Cost Analysis. The purpose of proposal analysis is to ensure that the final agreed-to price is fair and reasonable. Proposals are evaluated using price analysis or cost analysis. Price analysis, which evaluates the bottom line pricing, is the preferred method when the action is below the cost or pricing data threshold ($700,000) and when information is available on which to base price analysis. Cost analysis, which evaluates each cost element of a proposal, is used when proposals exceed $700,000, when no basis for price analysis exists or when deemed appropriate by the Contracting Officer. Exercising sole responsibility for the final pricing decision, the Contracting Officer shall coordinate a team of experts in such fields as logistics, finance, law and contract audit, quality control, engineering, technical and pricing to provide assistance and advice in proposal analysis, including participation in negotiations with the contractor.

2.11.2 Field Pricing Support. Field pricing support is a review and evaluation of the contractor's or subcontractor's proposal by any or all field pricing support personnel. When cost or pricing data are required, contracting offices shall request a field pricing report (which may include an audit review by the cognizant contract audit agency) before negotiating any contract or modification.

2.11.3 Cost Realism Analysis. Even when adequate price competition exists, cost realism analysis may be appropriate, especially for cost-reimbursement contracts, and to ensure a reasonable expectation that proposed costs are consistent with the technical proposal. Cost realism analysis should also be used when the solicitation contains new requirements that may not be fully understood by competing contractors, when there are quality concerns, or when past experience has indicated that contractors have proposed costs which have resulted in quality or service shortfalls.

2.11.4 Subcontract Pricing Considerations. The Contracting Officer is responsible for the determination of price reasonableness for the prime contract. To make this determination, an analysis is required of all relevant facts and data, including required subcontractor cost or pricing data, results of the prime or higher tier subcontractor's analyses of subcontractor proposals, the field pricing support, if any, and historical pricing data. Even if a contractor or higher tier subcontractor has an approved purchasing system or performs an analysis of subcontractor cost or pricing data, the Contracting Officer or field pricing support team still has the responsibility of analyzing the prime

contractor's submission, including the subcontractor cost or pricing data. The prime contractor or higher tier subcontractor is responsible, however, for conducting appropriate price and cost analysis before awarding a subcontract.

2.11.5 Requests for Procurement Requiring Information on Purchased Materials. Purchased materials are raw materials, purchased parts, components or end items to be delivered under a contract which are not fabricated or produced by the contractor. Timely submission of information is required by negotiators or other contracting personnel who can properly evaluate the purchased materials portion of price quotations. This information is necessary particularly when competition is lacking or is inadequate to control the prices initially proposed. The prime categories requiring treatment are new contracts where a sole source or competition is limited, re-pricing of re-determinable and incentive contracts and equitable adjustments under the Changes clause (and other clauses having similar provisions for such adjustments).

2.11.6 Price Analysis. Price analysis is the process of examining and evaluating a proposed price without evaluating its separate cost elements and proposed profit. Price is cost plus any fee or profit applicable to the contract type. The Contracting Officer is responsible for selecting and using whatever price analysis techniques shall ensure a fair and reasonable price. Price analysis shall generally be used in lieu of cost analysis, regardless of the dollar amount for contracts, where the conditions of reference (k) are met (e.g., prices are based on adequate price competition).

2.11.7 Use of Independent Estimates. Independent estimates are preferred for pricing sole source contracts and contract modifications less than the cost and pricing data threshold of $700,000. An independent estimate forms the basis for pricing. Such estimates should be made without reference to the supporting or back-up cost or pricing data the contractor has, nor shall such data be requested when price analysis is to be employed. When cost or pricing data is submitted or identified, a cost analysis shall be performed on the data.

2.12 WORK SCOPE.

2.12.1 Reaching Work Scope Understandings. It is unusual for an RMC to have to reach a work scope understanding with the contractor for a contract itself. Such understandings are usually reached in pre-bid/negotiation conferences or other discussions. Therefore, work scope understandings are addressed in the context of contract changes. Before a contractor can prepare an estimate of the cost of a change, it first must determine the work scope of the change. There should be an understanding between the contractor and the negotiating team on the work scope before the change is adjudicated. If there is no common basis of understanding the requirements of the change, there cannot be a common basis for adjudication. Reaching an early understanding of work scope prevents later conflicts and permits the negotiating team to limit the evaluation of the contractor's proposal to the estimated cost of performance. For un-priced modifications, a work scope understanding should be reached with the contractor before issuing the un-priced modifications. Work scope understandings shall be reached before completion of the technical analysis. These understandings may be accomplished by any reasonable means including work scope conferences. The difficulty in reaching work scope understandings and the need and timing for holding work scope conferences is directly related to the clarity and accuracy of the applicable specifications. When the specifications are clear and accurate, a work scope conference may not be needed, especially if the contractor's proposal raises no serious technical questions.

a. A work scope conference shall be required if the specifications are not clear and accurate or if the contractor's proposal raises serious technical questions. If the specifications are not clear, the conference should be held before proposal submission. If the specifications raise serious technical questions, the conference should be held after receipt of the proposal. When there are serious disagreements about the work scope, a work scope conference should be held, preferably before receiving the proposal. The ACO shall establish local procedures for reaching work scope understandings with the contractor including the use of work scope conferences.

INSTRUCTIONS FOR APPENDIX A

A. SHIP: Enter the ships name and hull number.

B. COAR: Enter the Customer Order Acceptance Record (Funding Code and Availability No.) as assigned by the RMC.

C. ITEM NO: Enter the Prime SWLIN and Three-Digit Serial No. as assigned by the RMC.

D. PROJECT CONTROL NUMBER (PCN): Enter the SWLIN and Item Numbers Addressed in Work Item. Verify and record that SWLIN items listed under PCN are covered in the work item and that nothing more is added in excess of the requirements authorized.

E. CMP: Enter the CMP Item Number (omit if not applicable).

F. PLANNER: Enter the last name of the specification writer of work item as assigned by the RMC.

G. SCOPE:

1. Title: Enter the brief work scope description in plain language. Check to ensure the scope is correct and consistent with the Maintenance and Material Management (3-M) Maintenance Action Form (2-Kilo). Ensure the objective is accurate and logical; for example, inspect, repair or replace.

2. Location of Work: Enter the compartment name, number, frame, location description or "throughout the ship" where applicable (omit when not applicable). Ensure that the location is a logical expression in context with the requirements paragraph.

3. Identification:

a. Enter the equipment or component name, identification numbers (Allowance Parts List, Equipment Identification Code/Component Identification) and quantities to be worked on (omit when not applicable).

b. Verify by comparison with the Ship Systems Configuration Index.

c. Ensure that the identification provided is logical in context with the requirements in the requirements paragraph. An error here can have great impact on the requirements.

d. Verify quantities agree with 2-Kilo requirements.

4. Security Classification of Equipment, Spaces and Documents: Identify if any Equipment, Space or Document is classified and subject to the applicable provisions of the Industrial Security Manual, DoD 5220.22M (0526-LP-522-0060) (omit when not applicable).

a. Spaces: Identify spaces where access to classified work is required and level of classification required. (omit when not applicable).

b. Equipment: Identify any classified equipment and level of classification required. (omit when not applicable).

c. Documents: Identify any classified documents and level of classification required. (omit when not applicable).

H. REFERENCES: (All references to paragraphs refer to the Work Item Specifications for Ship Repair (Appendix E Specifications)).

a. "Standard Items" shall be listed first if referenced in the item.

b. References required for performance must be listed.

c. Documents listed must be addressed in paragraph 3.

d. References used must be applicable for the ship's configuration.

e. References shall address only applicable portions.

f. General Specifications for Overhaul is a primary technical data source. It should not be referenced but paraphrased in requirements.

g. References shall be listed in order of appearance in paragraph 3.

h. Standard Items always appear first in paragraph 2.1 when Category II Standard Items are invoked in the work item.

i. References are listed in lower case letters.

j. If there are no references, the word "None" shall appear after "1".

k. References should not begin an unlisted chain of sub-tier references.

l. References shall not use restricted (proprietary) data.

m. References shall identify the required version/revision or none at all if the version/revision in effect at the time of issue of the solicitation is applicable for the requirements.

n. Listed references must be available.

o. Listed references must be essential.

p. If a reference on a reference is required for performance, it must be listed in paragraph 2.

q. If references are classified, the classification is shown parenthetically following the title (i.e., (C) for Confidential or (S) for Secret).

r. Military Specifications (MIL-SPECS) are not listed in paragraph 2 but are included in paragraph 3 when applicable.

s. Basic Government specifications, standards or Navy Standard Plans are listed without prefix zeros or suffix letters or numbers.

t. Non-standard drawings are listed by number, revision and title as on the drawing.

u. References shall be limited to applicable technical data including: Standard Items, Drawings, TMs, Military Standards (MIL-STD) and Test Memos.

v. Instructions/Notices/Letters/etc. shall not be used as references.

VOLUME VII

CHAPTER 5

COST ESTIMATING

REFERENCES.

(a) SWT 857-011 - Temporary Off Ship Berthing Equivalent to BOQ/BEQ; provide
(b) DCAAM 7640.1, July 2004 Edition - DCAA Contract Audit Manual (CAM), Chapter 9-1004.2
(c) SWT 857-01 - Temporary Galley and Messing Facilities; provide
(d) Standard Work Template (SWT) 077-01 - Hazardous Waste Produced on Naval Vessels; control
(e) NAVSEAINST 4710.13 - Government Man-day Rates for Use in Private Sector Ship Overhaul and Repair, Planning, Programming and Budgeting

LISTING OF APPENDICES.

A Standard Cost Estimate
B Estimating Check-Off List
C Category I Standard Item Hard-Core Labor Considerations
D Excaliber Contractor Other Direct Labor Factor Calculation (6 Month Period)

5.1 INTRODUCTION. The Federal Acquisition Regulation establishes the requirements for an independent Government cost estimate to be used in the evaluation of bids and proposals. Cost estimates form the basis for management decisions by Fleet and Naval Sea Systems Command (NAVSEA) customers in the planning, programming and budgeting of repair and modernization work, including repair work brokering decisions, and in determining the developmental costs for ship alterations. Contracting activities require cost estimates for new procurements prior to issue of a solicitation, for modifications to a contract after award, for resolution of entitled claims and to close out contracts that have been terminated.

5.2 TYPES OF ESTIMATES. There are five types of estimates that Regional Maintenance Centers (RMC) commonly produce in conjunction with ship repair and modernization contracts. These include Pre-Contract Award, Post-Contract Award, Preliminary Costs, Contract Costs, Predicted End Costs and Costs for Contract Modifications.

5.2.1 Pre- and Post-Contract Award Estimating. Pre-award estimating can be associated with either competitive or noncompetitive procurements. Estimating non-competitive procurements is less complex because the identity of the contractor is known prior to award. Estimating for competitive awards can be more complex because of the uncertainty associated with the identity of the contractor. Estimates prepared for either competitive or noncompetitive procurements will be made using the Standard Government Estimating System. In both cases, the approach to preparing the labor hours and material estimate is the same.

5.2.2 Preliminary Cost Estimate. The preliminary cost estimate is the estimate prepared in terms of labor and material quantities required, without reference to labor rates or the cost of materials. This is the estimator's fully refined estimate, normally expressed in terms of man-hours and material required to accomplish the specific work identified in the work item. Contingencies for growth and other uncertainties are not considered in the estimate. To get the contract cost estimate, labor and material costs must be incorporated into the preliminary estimate. Material rates to be applied to material quantities required should be based on current prices. The rates to be applied to the labor estimate are dependent on the competitive environment. In the case of noncompetitive procurements, the rate used is that applicable to the contractor who will do the work. In the case of competitive procurements, a composite rate must be determined.

5.2.3 Contract Cost Estimate. Prior to award of a contract, the Contracting Officer must be satisfied that the contract price is fair and reasonable. An integral part of this process is comparing and analyzing the contractor's price to an independent estimate prepared by the Government. This estimate is referred to as the Government estimate for the contract or the "Contract Cost Estimate" and is determined by adjusting the composite rate to reflect current market conditions. The Contract Cost Estimate is determined by applying the appropriate composite rate to the preliminary labor estimates and current material prices to required material quantities. The composite rate must be adjusted to reflect current market conditions as discussed above. The sum of the labor and material estimates is the Contract Cost Estimate.

5.2.4 Final Cost Estimate. The original Contract Cost Estimate is retained as a part of the contract file. After contract award, the Contract Cost Estimate is adjusted to reflect the successful contractor's current labor rates. The contracting officer will determine the current Other Direct Labor Factor (ODLF) applicable to the contractor and apply it to the contractor's current forward pricing rate to determine the labor rate to be used in establishing the Final Cost Estimate. This labor rate, in lieu of the competitive composite rate, is applied to the Preliminary Cost Estimate to calculate the Final Cost Estimate. The difference between the Final Cost Estimate and the contract award price represents the potential profit or loss of the contractor that should be maintained throughout the performance period, as stated in the Doctrine of Equitable Adjustment. A contractor that "buys-in" to a contract should not be allowed to recover the loss through excessive prices in contract modifications after award. Likewise, the Government must not attempt to reduce the contractor's potential profit by allowing insufficient consideration for changes after award.

5.2.5 Predicted-End-Cost. The Predicted-End-Cost (PEC) is the RMC's estimated cost of all ship work, which consists of several factors. PEC equals the Award Price/Base Cost plus the estimated cost of other items that are not covered by the Award Price/Base Cost. Other items can include such elements as fees, growth, new work, Government Furnished Material (GFM), messing and berthing and boat repairs, if these were not included in the Award Price/Base Cost. Advance planning funds or funds that are provided to other activities should not be included in the estimate. The PEC does not establish financial obligations on customers, but rather is the RMC's estimate of what the availability is most likely to cost. The RMC may be required to adjust the PEC when it is obvious that circumstances (i.e., buy-ins, potential for major growth/new work, etc.) exist that would inhibit the determination of a realistic PEC. These extenuating conditions shall be clearly reported, documented, assigned a dollar value and considered in the computation of a realistic PEC.

5.3 CLASSIFICATION OF COST ESTIMATES. There are five classifications of cost estimates: Class A, C, D, F and X.

5.3.1 Class A - Detailed Cost Estimate. An extensive cost estimate based on detailed engineering drawings, material lists and man-hours by required skills and trades. The level of detail addressed in a Class A estimate should be to the maximum extent feasible. It is comparable to a fixed-price offer developed by a Naval Shipyard (NSY) or a manufacturing estimate prepared in private industry. Variance is not expected to exceed 10 percent.

5.3.2 Class C - Budget Quality Estimate. Class C estimates are considered to be the best-cost estimate attainable for ship repair. It is the recommended level of estimates of cost developed by a field activity to be used in budget submissions. They are normally prepared for ship repair work prior to the start of availability. Variance is not expected to exceed 15 percent.

5.3.3 Class D - Feasibility Estimate. Class D estimates are required prior to completion of the design or preparation of detailed specifications, reflecting the uncertainty associated with having incomplete information available for estimating purposes. It is usually exploratory in nature and is prepared to perform trade-offs and cost effectiveness analysis. Variance is not expected to exceed 20 percent.

5.3.4 Class F - "Ballpark" Estimate. Class F estimates are known as "ballpark" estimates. This is a quick cost estimate prepared in the absence of minimum design and cost information and is based on gross approximations. It is calculated by escalating previous costs to current dollars, using empirical costs for similar work and adding factors for expected changes in design, processes procedures and other economic considerations. Acceptable when higher-level estimates are not possible due to insufficient time or incomplete information. Variance is not expected to exceed 40 percent.

5.3.5 Class X - Directed or Modified Estimate. An estimate provided by other Government activities or as directed by higher levels of authority. It is generally a total cost restriction without a developed design, engineering or a detailed cost estimate. A directed estimate is also a modification of any previous cost estimate, Classes A through F, to conform to budget reductions or restrictions on cost which is not based on a change in the scope of work required.

5.4 STANDARD ESTIMATING.

5.4.1 Average Contractor. In a competitive procurement, the identity of the contractor cannot be determined until after contract award. Therefore, some assumptions must be made about the contractor in order to define the estimating environment. For estimating purposes, the planner assumes that an average contractor under average conditions will perform the work. This assumption, however, also leads to problems since it is difficult to define an "average" contractor; i.e., one that possesses average facilities, equipment, tools, work force, etc. To address this problem, Fleet Forces Command has directed that estimates for competitive procurements be prepared on Appendix A. This chapter, together with the "average contractor" and "average condition" assumptions, defines the framework for Standard Estimating for competitively awarded ship repair work. To ensure the validity of estimates, labor rates applied to labor estimates must be consistent. This requirement derives from the basic accounting requirement that estimating systems be consistent with applicable accounting systems.

5.4.2 Elements of Standard Estimating. Appendix A requires that estimates be prepared for only 13 labor elements and quality assurance personnel. These labor elements can be categorized as "hard-core" direct labor elements. These labor category titles, as shown in Table 5-1, are general descriptions of labor categories that would be found in any ship repair facility. The titles in the formal contractor chart of accounts will vary from contractor to contractor. However, the work performed by personnel in those labor categories is always charged as direct labor. For this reason, these labor elements are defined as "hard-core" labor elements in all discussions regarding estimating systems. In Standard Estimating, the hard-core labor elements are the only labor elements estimated by the estimator. All other labor required to perform the work being estimated is considered to be overhead labor or "other direct labor." Neither overhead nor other direct labor is ever estimated by the estimator. These two elements, "overhead" and "other direct labor," are accounted for by applying factors for overhead and other direct labor to the total hard-core labor estimate. See section 5.10 of this chapter for an example of the labor rate determination process.

5.4.3 Standard Estimating Example. Contractors are required to estimate work requirements using a method or system consistent with their accounting system. It has been shown through audits of contractors' accounting systems that the hard-core labor elements identified in Appendix A are always charged as direct labor. It is also true that all contractors have other direct labor elements in the chart of accounts that must be considered in estimating work to be performed. Table 5-1 shows two sample charts of accounts for contractor direct labor. In these two samples, an asterisk notes those direct labor elements that are comparable to the Standard Estimating hard-core labor elements. The determination of which labor categories are hard-core is a matter of judgment. Any contractor labor category judged to be comparable to a labor category listed in Figure 5-2 is designated as a hard-core labor element. The remaining labor categories are included in the term "other direct labor." The factors to be applied to Government estimates are based on actual audit of contractors' accounting systems. For example, based on past accounting data for all direct labor charges in a contractor's accounting system, other direct labor requirements are computed as a percentage of the direct labor charges covered by the hard-core direct labor elements. Typically, a Government estimate of 100 man-hours would be comparable to 140 man-hours in the contractor's estimating system where the other direct labor factor was computed to be 40 percent of the hard-core charges. The key to achieving equity in estimating for a particular estimating system is to determine the appropriate factors to be applied to the Government estimate. The fundamental principle of estimating in Standard Estimating is for the estimator to estimate only those direct labor elements necessary to satisfactorily complete the task requirements, such as those listed on Appendix A. Conversely, consideration of overhead and other direct labor is accounted for by applying the proper factors for overhead and other direct labor. It would be improper to estimate the cost of supervision, scheduling, material handling, fire watches and the like when those labor elements are properly accounted for in the labor rate applied to the labor estimate.

Table 5-1

SAMPLE CONTRACTOR CHARTS OF ACCOUNTS OF DIRECT LABOR			
Contractor A		Contractor B	
*Machinist	Mechanical Engineering	*Inside Machinist	Estimating
*Shipfitter	Marine Engineering	*Outside Machinist	Purchasing
*Chipper and Burner	Program Planning	*Pipe Covering	Contract Administration
*Crane Service	Program Management	*Pipefitting	Planning
*Welder	Financial Analysis	*Sheetmetal	Temporary Services
*Carpenter	Graphic Services	*Electrical	Material Support
*Painter	Technical Illustrators	*Carpentry	Laboratory Services
*Installation and Testing	Plant Protection and Safety	*Paint	Industrial Engineer
*Pipefitting and Covering		*Laborer and Sandblaster	Progressing
*Sheetmetal Worker		*Welding	Clerical Support
*Quality Assurance		*Cleaning Services	Program Management
Material Handler		*Staging	Accident Prevention
Procurement Personnel		*Shipfitting	Production Support
Change Control		*Mold Loft	Material Receipt
Cost Estimator		*Nondestructive Testing (NDT)	Scheduling
Secretary and File Clerk		*Inspection	Production Control
Naval Architecture		Technical Support	Material
Electrical Engineering		Drafting	

*Hard-core labor elements

Table 5-2

STANDARD COST ESTIMATE FORM LABOR CATEGORIES	
Shipfitter	Pipefitter
Sheet metal	Insulation/Lagger
Welder/Burner	Carpenter/Shipwright
Inside Machinist	Electronics/Ordnance
Outside Machinist	Painter/Sandblaster
Boilermaker	Rigger/Laborer
Electrician	Quality Assurance and NDT

5.5 ESTIMATING ENVIRONMENT.

5.5.1 Environment Defined. An estimating environment is defined as the estimating system and that collection of facilities, tools, equipment, materials, labor, skills, procedures, environment and other factors that may impact on the cost of performance of the activities estimated. Knowledge of the estimating environment as a frame of reference for the estimator is one of the fundamental prerequisites for estimating. In a NSY, this requirement is met as a natural consequence of the way business is conducted, while in the RMCs the estimator may be estimating for work that will be awarded competitively to a contractor whose identity is not known. Where contracts are sole-sourced, the estimator does have the opportunity to adjust the estimating to match the contractor's estimating environment.

5.5.2 Cost Accounting Standards. Most contractors will prepare cost estimates using an estimating system consistent with the contractor's accounting system. For large commercial contractors subject to the Cost Accounting Standards (CAS), the contractor is required under reference (a) to use an estimating system consistent with the methods used for recording or accounting for costs and to submit a formal CAS Board Disclosure Statement showing the chart of accounts used for all direct and indirect costs and the methods used to account for those costs.

a. Small contractors and those not subject to CAS are required to use an accounting system which meets generally acceptable accounting standards. The Defense Contract Audit Agency (DCAA) periodically audits contractor's records to determine that the actual practices of estimating costs are consistent with the accounting system.

b. Contractor estimates are generally consistent with the contractor's accounting system. In the case of businesses where the company owns two or more contractors, the estimating systems used in all contractors are similar since all use the same accounting system. The charts of accounts used to identify direct and indirect cost centers and accounting practices are essentially the same at all of the company's contractors. However, estimates from one of the contractors may not be valid in any of the other company contractors, since estimating is a function of more than the accounting system. For example, estimating is also a function of facilities, tools and equipment available to the work force for performance. If one contractor uses a state-of-the-art end-prep machine to machine piping joints for welding and another uses a hand grinding tool, the estimates of labor hours required may vary by as much as 400 percent for the exact same scope of work. Likewise, the use of precise numerically controlled machine tools is more efficient than the use of manually operated machine tools. Generally speaking, the use of new, modern facilities improves performance when compared to performance in older, obsolete facilities. In a contractor's accounting system, however, the cost of new, modern facilities and state-of-the-art machinery and tooling will increase the indirect cost factors used to determine the billing rate applied to direct labor hours. No two contractors have the same collection of facilities, tools or equipments available for performance and, therefore, there may be differences in estimates among contractors owned by the same company.

5.5.3 Other Factors Affecting the Contractors' Estimating Environment. Contractor estimating is a function of the labor skills available, the experience of the work force and the workload. Highly skilled employees can perform more efficiently than unskilled employees, but at a higher wage rate. A contractor work force experienced in overhaul of a particular ship class benefits from the learning experience and can perform more efficiently on subsequent ships of the same class. Other considerations, such as the ship repair market and level of work backlog, also play an extremely important role in estimating for competitive procurements. For example, market conditions may dictate a contractor estimate that can be significantly at variance with the estimate of actual costs. If the market is saturated, that is all contractors are at capacity or are operating with a significant backlog of work, the contractor does not need additional work. The addition of more work under these conditions may be very disruptive to ongoing work and the disruptive effects would have to be considered in estimating the costs of more work. Under these conditions, contractors may also seek higher profits to compensate for the added disruption. Therefore, any precise estimate of total costs based on work scope and labor rates would be overridden by an increase to account for the market being at, or in excess of, capacity. Conversely, when there is not enough work to keep all contractors busy, the marketplace becomes more competitive. Under this condition, contractor management will normally undercut well-conceived estimates in order to remain competitive. A basic principle of estimating is that an estimate

prepared for any one contractor will not be valid for any other contractor. The estimator must know the estimating environment that is used and estimates must be prepared to reflect the total environment of where the work is to be performed.

5.5.4 Regional Maintenance Center Estimating Instructions. For each contractor actively performing a Master Agreement Job Order, the Administrative Contracting Officer (ACO) will identify to RMC estimators the set of direct labor categories to be estimated. No other estimates for labor will be provided. Indirect labor costs (overhead) and all other direct labor required for performance will be accounted for in the labor rate to be applied. The ACO/Procuring Contracting Officer (PCO) will determine through understandings with contractors, and as audited by DCAA, the appropriate rates and factors to be applied to ensure that Government estimates and rates are consistent with the contractor's accounting and estimating system. To the maximum extent possible, RMC estimates will be prepared using Appendix A. Where changes in the labor categories to be estimated are required, the ACO will provide written direction as to the changes to be made. Once the changes are made, all estimates for changes with that contractor will be made using the modified Appendix A. No other direct labor will be estimated. In all cases, independent Government estimates for changes will be prepared by consistently estimating direct labor only for the direct labor categories identified by the ACO/PCO. All other labor required for performance will be accounted for as a subcontracted effort or in the labor rate overhead applied to the direct labor cost estimate. Individual estimators are not authorized to change the labor categories on the Cost Estimate Sheet except as directed by the ACO/PCO.

a. For those contractors who do not establish an understanding with the ACO about the contractor's estimating system, the ACO will establish appropriate rates and factors for use in Standard Estimating. If time and resources are available, this can be achieved by RMC examinations of the contractor's chart of accounts to identify hard-core and other direct labor categories, and then requesting audit by DCAA to establish the other direct labor factor as addressed earlier and in reference (b).

b. If audit resources are not readily available, the ACO will establish in advance, from the contractor's chart of accounts, a listing of all hard-core and other direct labor categories as defined earlier. The ACO may request the contractor to prepare accounting records detailing the actual man hour expenditures in specific direct and other direct labor categories to support DCAA audits. Accounting records may be requested for periods not less than the preceding six months nor greater than the preceding three years. From this data, DCAA will compute and recommend to the ACO an appropriate ODLF. Labor rates used for pricing changes must be consistent with the factors determined.

c. The contractor's estimating system must provide for reaching work scope understandings with the RMC when required. The parties must have a common understanding of the work requirements in order that the contractor's estimates and subsequent analysis by RMC will be made on the same basis. That portion of the estimating system dealing with the definition of work scope should cover the disposition of material made obsolete or excess as the result of the change.

d. The understanding to be reached with the contractor must include provisions for the contractor to submit proposed revisions to procedures and practices which involve an understanding previously reached, in order that they may be evaluated and a new understanding reached. Periodic reviews will be made by the ACO and the audit office to see that the contractor's written procedures and practices are current.

e. Any deviation from the estimating system must be clearly supported. Any estimate based on standards is designed to give reasonable figures on the average. To argue in any given case that a standard results in too many or too few man hours will probably open up arguments on other standards or other cases. There is one important exception to the need for consistency; if actual costs, hours, overhead, etc. are known, they must be used.

f. The contractor's estimating system should provide for periodic adjustments in the labor and overhead rates to be applied in establishing estimated costs. The system should also provide a means for the

contractor and the ACO to reach an understanding on the rates to be applied for work performed or to be performed during specified periods. Such rate understandings and the consistent use of the rates by the contractor in preparing change proposals will expedite proposal evaluations and negotiations.

g. In establishing rates, factors and percentages to be used in estimating systems, it is essential to remember that the mix of overhead and direct labor skills will change with different kinds of work. Contractors that perform a variety of work for the Navy may require that multiple rates, factors and percentages be prepared for each type of work performed by the contractor. For example, a contractor that builds and repairs ships would require different rates, factors and percentages for construction, repair and for each type of ship (e.g., submarines, aircraft carriers or other surface ships).

h. In achieving understandings with contractors, the ACO must consider that many contractors will not have established estimating systems, nor can small businesses be required to establish formal estimating systems. Therefore, the ACO will be required to provide guidance and suggestions to the contractor to establish a mutually agreeable and beneficial system for both parties.

i. Estimates developed on the basis of judgment without any analytical support must be reconciled with historical costs. Therefore, contractors should be encouraged to develop procedures for comparing estimates to the cost of performance as a basis for assessing the accuracy and reliability of their estimating practices.

j. For pricing actions exceeding $700,000, the Federal Acquisition Regulation requires that the contractor certify that his or her proposal is current, accurate and complete. If a contractor's estimating system, procedures and practices are inadequate, the proposal will be considered unacceptable. The ACO will require the contractor to correct the unsatisfactory elements or performance prior to completing the work package negotiations. For pricing actions less than $700,000, the ACO should require that the contractor correct the unsatisfactory performance and revise the estimating system in order to resolve the problems prior to completing work package negotiations.

k. The RMC estimator is responsible for the preparation of the following cost estimates, either concurrently with or subsequent to the preparation of the work item;

(1) Direct labor hours.

(2) Direct labor overtime hours.

(3) Direct material cost, including subcontracts which the prime contractor will have to procure. Subcontractor costs will not be estimated for competitive procurements except where a directed subcontractor is specified in the work item.

5.6 COST ESTIMATING METHODS, STANDARDIZATION AND STANDARDS.

5.6.1 Variables. A number of estimating methods and techniques have evolved which are applicable only under particular conditions. Cost estimates must take into consideration the current estimating environment, market conditions, weather, and any other factors that influence the labor hours and material costs associated with a cost estimate. In preparing detailed cost estimates for work activities, the estimator shall always use the best information available. Where standards are available and applicable, they shall be used. Where the estimator lacks experience or knowledge of the work being estimated, it is essential that other sources of information be examined. These sources include the following:

a. Master Specification Catalog.

b. Other estimators who have longer service or experience.

c. Engineered labor standards prepared by naval or private contractors.

d. Material catalogs from industry vendors.

e. Contract files for similar work packages.

f. Personal records made from past jobs or negotiations.

g. Other Government agencies that have performed similar work.

h. Personal observations made during job execution.

i. "Rules of Thumb".

j. Historical data.

5.6.2 Standardization of Cost Estimates. Original work items customized by a planner frequently result in contract changes. For this reason, planners should utilize the proven Standard Work Templates (SWT) found in the Navy Maintenance Database (NMD)/Master Specification Catalog whenever possible. Standardization of work items is coordinated by the Specification for Ship Repair and Alteration Committee described in reference (c). The planner shall use an applicable Class Standard Work Template if possible to prepare a work item addressing an authorized Ship Work Line Item (SWLIN). If an applicable Class Standard Work Template is unavailable, an applicable SWT should be tailored to the SWLIN item requirements. If an SWT is unavailable, a Local Work Template (LWT) should be tailored to the SWLIN requirements. As a last resort, the planner should develop an original work item, using current standard phraseology and applicable Category II NAVSEA Standard Items (SI). Estimates should be standardized to the maximum extent possible. When estimating work items to be used in a competitive environment, previous estimates used for the same item should be modified only after a careful justification and then only to reflect changes in scope or changes in the estimating system. When a previously used work item is tailored to meet a new SWLIN item requirement, the previously used estimated should also be tailored to meet the new requirements.

5.6.2.1 Estimating Standards. Estimating standards are established by relating labor and material costs to specific characteristics of products or services delivered. The use of estimating standards is designed to save time in estimating and is particularly effective in estimating the costs of recurring work. Estimating standards are used to estimate the cost of a single material item required for the work in question or the cost of a single labor operation, (e.g., welding rods per ton of steel, labor hours per linear foot of weld, gallons of paint per square feet or surface area, etc.). More complex estimating standards may also be used to estimate the costs of groups of materials or components or broader classes of labor operations. Estimating standards used must be consistent with the estimating system used to develop estimates. Standards derived from industry-wide statistics are generally applicable industry-wide. Standards that include contractor-specific procedures are applicable only in that contractor's estimating system. The use of such standards is limited to the environment where the standard was developed. When estimating for changes where the contractor is known, any approved engineering standards applicable at the contractor's plant should be used by both the contractor and the Government in developing estimates for the work. Large numbers of Engineered Standards and other standards have been developed by both naval and private contractors. Many of these standards contain basic charts and tables that depict labor and material allowances for various work elements. These allowances are then modified by unique factors to reflect skill levels of workers, facilities and tools available, etc. Some of these standards can be adapted for use in any contractor's facility, provided appropriate factors are used to modify the standard allowances.

5.6.2.2 Naval Shipyard Labor Standards. Standards applicable to all NSYs are categorized as Uniform Engineered Methods and Standards, while yard-specific standards are categorized as Engineered Methods and Standards. Estimating standards must be changed whenever any prime element affecting the standard changes. Engineered Standards are developed using industrial engineering techniques to estimate a repetitive item of work in a stable environment. Development of such standards involves such things as time and motion studies, application of fatigue and lost time factors, etc. The prerequisites for an engineered standard are:

a. Specific method.

(3) Prevailing Weather: When the geographic area for an assigned availability is known, the geographic weather pattern should be considered. Likewise, if the time of year is known, the seasonal weather should be considered. For example, it is normally more costly to blast and paint the underwater body of a ship hull in below freezing weather than in milder weather. Similarly, the weather may also impact paint curing times and other time factors considered.

(4) Ship's Material Condition: Estimating Standards, historical estimates, "Rules of Thumb" and other estimating tools available for use are generally applicable under "average" conditions. Estimates for many work operations should be factored to reflect the material condition of the ship. If the ship is in average condition the standards need not be factored. If the ship is new, then the standards should be reduced to reflect the better than average material condition. If the ship is in very poor material condition the estimate should be increased. Not all work operations are affected by the ship's general material condition; however, many are, such as surface preparations, painting, insulation and lagging, structural repairs, etc.

(5) Category I Standard Items: The NAVSEA Category I SIs are invoked in work packages in accordance with the guidance provided by the Ship Repair and Alteration Committee. When invoked in a job order, the provisions of the Category I SI apply for the duration of the availability without further reference. The estimator must know which Category I SI is applicable for the work and what the direct, hard-core labor cost impact of each SI is on the work required. Each time the provisions of the Category I SI are applicable in a work item, an allowance should be made to accomplish the hard-core labor requirements of the SI. An SI will be invoked if any work in the areas addressed in the SI is likely in the work package. Not all Category I SIs will have a direct hard-core labor cost impact. Those that do are discussed briefly in the following sections.

(a) SI 009-04: Quality System; provide. Invoked for all significant availabilities. This item requires the contractor to develop and use an inspection system acceptable to the Government. The contractor must develop an inspection plan for each item and record inspection results. This plan must provide for a corrective action program to correct defective or non-conforming work, maintain a calibration system for test equipment, control non-conforming material, conduct periodic quality reviews and provide notification to the Government for each CHECKPOINT. When this SI is invoked, nearly every work item should have approximately 10 percent of the effort allocated to Quality Assurance and NDT.

(b) SI 009-07: Fire Prevention and Housekeeping; accomplish. Invoked for all manned vessels, unless the Type Commander (TYCOM) requests SI 009-35. This item requires the contractor to provide acetylene or gas supply manifold systems off the ship with shutoff valves to gas supply on the pier. This requirement should be considered in each instance of gas use. When SI 009-07 is invoked, approximately 25 percent of the hot work effort should be allocated for estimating fire watch requirements.

(c) SI 009-10: Shipboard Asbestos-Containing Material; control. Invoked when any machinery, piping and compartment insulation and lagging may be removed. Under this item, the contractor is required to provide a process control procedure for the control of asbestos-based insulation and lagging materials. All insulation and lagging materials are assumed to be asbestos-based until shown to be otherwise. Work accomplished must conform to Occupational Safety and Health Act requirements regarding insulation removals, work zones, protective equipment and clothing, and disposal of insulation. Compliance with these requirements is a labor-intensive operation that must be considered for each time and place the work is required. When SI 009-10 is invoked, approximately 33 percent should be added to the insulating and lagging estimate of the work item.

(d) SI 009-24: Isolation, Blanking and Tagging Requirements; accomplish. Invoked when equipment, systems, piping or circuits require isolating, blanking and tagging for safety or cleanliness and to prevent operation of a system or equipment while work is being accomplished. Under the requirements of this item, the contractor is required to comply with the Ship's Force system for isolation, blanking and tagging of equipment or systems in the performance of required work. The contractor has to notify Ship's Force in each instance of starting or completing work and a contractor representative must sign the ship's tag out log. Further, the contractor has to provide, install and remove blanks on piping, valves, equipment and components that are isolated or removed during performance. Items removed must be tagged with metal tags. Electrical cables disconnected must be insulated and taped. Each of these requirements requires hard-core labor for accomplishment and must be considered as part of the work activity even though not specifically spelled out in the work item (2-Kilo). When invoked, approximately 5 percent of the trade hours should be added to the estimate to cover the requirements of SI 009-24.

(e) SI 009-61: Shipboard Use of Fluorocarbons; control. Invoked for all specifications. Under this item, the contractor is required to develop and use a process control procedure to govern control of shipboard use of fluorocarbons. The contractor must notify the Government in each instance of use of fluorocarbons and must provide ventilation and telephonic communications for transfer operations, suspend hot work in spaces affected by atmospheric fluorocarbons, use at least two people for quantities in excess of 10 pounds and vent gases to ship exterior atmosphere. These requirements must be considered in all estimates involving the use of fluorocarbons. Approximately 20 percent should be added to the estimate to cover the requirements of SI 009-61.

(f) SI 009-65: Polychlorinated Biphenyls (PCB); control. Invoked for all specifications. Under this item, the contractor is required to develop and use a process control procedure for control, clean up and disposal of PCBs. The contractor must inspect each equipment or component containing PCBs and make a report. These requirements must be considered in any work estimate where PCBs are involved.

(g) SI 009-73: Shipboard Electrical/Electronic/Fiber Optic Cable; remove, relocate, repair and install. Invoked for all specifications requiring electrical work. Under this item, the contractor is required to remove completely all electrical cables no longer necessary due to work required in the job order. Work required includes blanking bulkhead and deck penetrations, removal of unused hangers and installation of new banding for remaining cables. Relocation of existing cables and installation of new cables requires banding, installation of hangers, deck and bulkhead penetrations and connection of cable leads to components or equipment. These requirements must be included as work activities in all work on shipboard electrical cables.

(h) SI 009-106: Work Authorization and Control Process; accomplish. Invoked for all specifications. This requires the contractor to comply with Volume IV, Chapter 10 of this manual regarding work authorization. Specifically, the contractor is required to submit a Work Authorization Form to the designated representative of the ship's Commanding Officer for authorization to start work on each Work Item in the Job Order. This is considered an overhead/indirect charge so no direct labor charges are included in any estimates.

b. References (a), (c) and (d) also can have significant labor impact. Appendix C is provided as a check-off list to assist the estimator in properly considering the impact of Category I Standard Items. Each of these SIs must be fully understood before an estimator can properly allow for the cost impact in

APPENDIX A

STANDARD COST ESTIMATE

STANDARD COST ESTIMATE

S/N 0116-LF-047-1035 ☐ ORIGINAL ☐ AMENDMENT ☐ REVISION PART I

SURVEYOR	ORIG. CODE					

TRADE

WORK ITEM PARAGRAPH/ CATEGORY STD ITEMS	SHIPFITTERS	SHEETMETAL	WELDERS BURNERS	INSIDE MACHINIST	OUTSIDE MACHINIST	BOILERMAKER	ELECTRICIAN	PIPEFITTER	INSULATOR LAGGER	CARPENTER SHIPWRIGHT	ELEX/ ORDANCE	PAINTERS SANDBLASTERS	RIGGER LABORER	QA/NDT	MAN HR/DAY	CFM MAT'L
CHECKPOINTS REPORTS																
SUB TOTALS																

NOTES

1. EST WORKING DAYS REQ'D
2. ARE ALLOWANCE CHANGES INVOLVED? ☐ YES ☐ NO
3. LIST ITEM, SWLIN OR JCN NOS. THAT INTERFACE WITH THIS ITEM
4. REMARKS

LABOR TOTAL	$	HR. DAY	$
CFM MAT'L			$
SUB CONTRACTOR			$
MFR. REP			$
TOTAL EST CONTRACTOR			$

EST GROWTH	MD/MHR	MD/MHR	MAT'L	TOTAL
		$	$	$

GFM (NSA)	$
SHIP/HULL NO	

5. JSN/SWLIN

TITLE			
DATE	COAR NO	ITEM NO	MOD NO

PAGE_____ OF_____

APPENDIX A (reverse side)

STANDARD COST ESTIMATE

S/N 0116-LF-047-1035

PART II

REPORTS REQUIRED

PARAGRAPH	TYPE OF REPORT (BRIEF)	REPORT DUE

CONTRACTOR FURNISHED MATERIAL ESTIMATE

PARA.	MATERIAL DESCRIPTION	QUANTITY	UNIT COST	TOTAL
			TOTAL $	

SUB CONTRACTOR ESTIMATE

PARA.	SERVICE	MD/MHR	S/MD/MHR	MATL	TOTAL
				TOTAL $	

TITLE	COAR NO.	ITEM NO	MOD NO

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6.4.5 Berthing and Messing Funds. FLTCOMs provide berthing and messing funds using an Operating Budget Form, reference (q), to the Project Manager. In addition, NAVSEA may provide funds for this purpose through project directives. Commander, Fleet Forces Command and Commander, Pacific Fleet directives concerning the berthing and messing of crews undergoing scheduled availabilities should be reviewed.

6.4.6 Commercial Industrial Services Contracts. The Commercial Industrial Services Program, when utilized and funded, provides work or services to ships by use of Indefinite Delivery Indefinite Quantity Contracts, likewise there are also standalone Indefinite Delivery Indefinite Quality Contracts for selected service or productive capabilities awarded by a Fleet and Industrial Supply Center or the RMC Contracts Department. Orders are placed for repair of individual items for a predetermined price and performance period. The TYCOM authorizes the repairs to be included in these contracts. O&MN and O&MNR funding is provided to RMCs on OBs.

6.4.7 Environmental Compliance Oversight. This function is funded by FLTCOMS and NAVSEA (travel and training) and includes hazardous waste and shore environmental protection. This section is addressed further in Chapter 10 of this volume.

6.5 LEGISLATED RESPONSIBILITIES FOR CONTROL OF PUBLIC FUNDS.

6.5.1 Commanding Officer Responsibility. Reference (g) provides that the CO of an activity is solely responsible, per reference (e), for the administration of all authorizations of funds granted to the CO. The responsibility cannot be delegated in whole or in part within the Command. The CO will be held personally responsible for any act or an act of a subordinate within the activity that causes an over-commitment, over-obligation or over-expenditure of an authorization of funds. COs shall take all necessary action to establish accountability and enhance the administrative control of funds, including:

a. Establish and maintain adequate fiscal controls to prevent the over-authorization, over-commitment, over-obligation or over-expenditure of funds made available to the activity.

b. Issue an activity instruction providing for the authority, responsibility and procedures required in the administrative control of funds.

c. Delegate funds administration authority to individuals at the appropriate level to ensure that the individuals are personally aware of the necessary detail to establish total accountability. Funds administrators shall be enabled to provide absolute technical input to funds control. Financial management remains the responsibility of the activity comptroller.

d. Ensure that subordinates delegated the authority to act as funds administrators are authorized in writing, by name, clearly specifying the extent of the authority and the responsibility delegated.

e. Ensure that designated funds administrators are familiar with the statutory responsibilities inherent in the administration of funds, including the provisions of the Administrative Control of Funds addressed in references (h) and (i). These individuals must also be knowledgeable of principles concerning the administration of the appropriations as contained in reference (i), Chapter 2, understand the administration of allotments and operating budgets as contained in reference (i), Chapter 3, reference (j) and the principles and procedures concerning the use of various requests for work and services contained in reference (k).

6.5.2 Comptroller. The activity's Comptroller has the responsibility for financial management and shall report directly to the CO of the Activity. Depending on the activity, the senior person in the finance office is normally the Comptroller or the Budget Officer. The Comptroller shall obtain guidance to resolve any questions on the interpretation of these laws.

a. The Comptroller is the allocation holder who has three basic functions:

(1) Budget Formulation including those actions performed in development, review, justification and presentation of the budget estimates.

(2) Execution encompassing budgetary actions required to effectively and efficiently accomplish the programs for which funds were requested, as authorized by appropriate authority.

(3) Managerial Accounting providing management with financial information necessary to support the preparation of budget estimates and facilitate the budget execution process. The process shall ensure all funds are administered in accordance with the law, administrative policies and regulations of higher authority.

b. The Comptroller shall be responsible for recording commitment and obligation transactions in the designated accounting system (NEMAIS, STARS) chargeable to OBs, Project Directives or Work Requests, performing periodic reviews of un-liquidated obligations and unmatched disbursements, validating expenditures and advising the funds grantor of excess funds available for recapture.

6.5.3 Fund Administrators/Funds Managers. Individuals who are delegated authority in writing by the CO to authorize, commit, obligate and expend specific funds related to a specified authority and responsibility are agents of the Comptroller. These individuals provide technical input to financial management and can be held accountable and personally liable for over-commitment, over-obligation or over-expenditure of the funds administered.

a. Any individual who is duly authorized by the CO as a Funds Administrator will familiarize themselves with the policies directives that are outlined in paragraph 6.3 of this chapter. In particular:

(1) Clearly understand the statutory responsibilities inherent in the administration of funds, including the provisions of the Administrative Control of Funds addressed in reference (h) and (i), Appendix A.

(2) Be informed of principles concerning the administration of the appropriations as contained in reference (i), Chapter 2.

(3) Understand the administration of allotments and operating budgets as contained in reference (i), Chapter 3, reference (j) and the principles and procedures concerning the use of various requests for work and services contained in reference (k).

b. Funds Administrators will manage the funds, in whole or in part, as specified by the Comptroller and that have been allocated to individual projects in accordance with the delegated authority for the CO.

c. Duly authorized individuals are required to request additional funds from the grantor of funds. Likewise, the individual will advise the grantor of funds when funds in excess of requirements are available for recapture.

6.6 RESPONSIBILITIES FOR SHIP MAINTENANCE FUNDING MANAGEMENT BUSINESS RULES. The goals of the Entitled Funding process are to reduce premiums paid for maintenance while at the same time improving the ability to respond to maintenance and operational requirements. The funding business rules for the Maintenance Team in managing the controls required to support all maintenance for a given ship are established in Volume VI, Chapter 31 of this manual.

6.6.1 Maintenance Team Funding Business Rules Responsibilities. The Maintenance Team identifies budget needs based on requirements in the Current Ship's Maintenance Project, Class Maintenance Plan and historical data. The Maintenance Team identifies the total funding requirement to support the ship during the execution year, along with advance planning and funding requirements for availabilities to be executed in future years. It also establishes the allocation of the "controls" or "phasing" plan that the team will utilize to support the ship.

13.7.2 Contract Governance Council. The CGC shall implement the Comprehensive Contracting Strategy for shipboard maintenance and modernization by managing the approved Contracts Portfolio available for customers with shipboard work requirements.

13.7.3 Systems Commands and Program Executive Offices. The Systems Commands and Program Executive Offices shall use contracts in the Contracts Portfolio (including MS/MO) for any maintenance or modernization work that is performed on board ships or crafts, or if the work will require substantial integration with other executing activities.

13.7.4 Fleet Maintenance Activities. All CONUS and Hawaii maintenance activities shall ensure all contracted shipboard maintenance and modernization work is done using a contract in the Contracts Portfolio (including MS/MO).

13.8 CONTRACT GOVERNANCE COUNCIL PROCESS.

13.8.1 Executing Activities. Naval Supervisory Authorities and other repair or installation activities will be limited to placing orders for private-sector sourced maintenance and modernization work against contracts in the Contracts Portfolio (including MS/MO). By more effectively using existing contract vehicles, the number of contracts used for waterfront maintenance and modernization will be reduced to a level that best meets the Navy's interests.

13.8.2 Requiring Agent. A "requiring agent" is defined herein as the organization needing shipboard production work performed. Any requiring agent in CONUS or Hawaii needing a contractor for shipboard production work will use a contract already existing in the Contracts Portfolio. The local RMC will attempt to match the request to an existing contract in the Contract Portfolio. The Contracts Portfolio may be accessed from the Mid-Atlantic Regional Maintenance Center (MARMC) web site (https://corp.marmc.nmci.navy.mil) by anyone with either a Common Access Card reader or a Public Key Infrastructure certificate. The link to the Contracts Portfolio is on the right side banner. The link to the “Request for CGC Action Form” is also available on this website.

13.8.3 Regional Maintenance Center.

13.8.3.1 Business Officer. The RMC business officer:

a. Will compare the requirements of the request with technical scope and available ceiling of existing contracts in an effort to support the requirement.

b. May need to consult with the applicable Administrative Contracting Officer or contracting officer's representative to precisely "fit" the proposed requirement to an existing contract.

13.8.3.2 Request for Contract Action. If the local RMC determines that the Portfolio does not have a suitable contract vehicle for the requirement, the RMC business office shall submit a “Request for Contract Action Form” to the Commander, Navy Regional Maintenance Center’s (CNRMC) Business Office, Code 1200. The purpose for the request to the CGC is for approval to solicit a new contract (that will be added to the Contracts Portfolio).

a. If the requiring agent is a Fleet activity (ship, Immediate Superior In Command, Type Commander, etc.), the requiring agent will submit their completed Contract Action Form to the local RMC.

b. All other activities will submit their request directly to the CRMC Business Office.

NOTE: THE “REQUEST FOR CONTRACT ACTION FORM” LINK IS AVAILABLE ON THE ABOVE MARMC WEBSITE.

13.8.4 Contract Action Form Verification. The CNRMC’s Business Office will serialize all requests for contract action forms upon receipt. CNRMC’s Business Office will verify that:

a. The action is for shipboard work.

b. The MS/MO can not perform the work (capability), does not have the capacity or is not a "reasonable cost" provider.

c. An existing IDIQ with the applicable scope, location, ceiling does not exist.

d. If the request is for habitability work, then the RMC will be the Administrative Contracting Officer for any habitability projects that require a configuration change.

e. If the request is for engineering or technical services, the request shall specify necessary shipboard and Naval Supervisory Authority integration requirements.

13.8.5 Endorsement. When CNRMC's Business Office determines that the Contract Action Form needs to be forwarded to the CGC, the request is forwarded to the CGC membership for electronic review. The CGC may approve or disapprove these requests by electronic proxy or hold the review until the next monthly meeting of the CGC.

13.8.6 Contracts Governance Council Membership. The CGC will consist of senior members representing all of the maintenance and modernization organizations that will be governed by the CGC. Membership will include:

a. United States Fleet Forces (USFF) N43.

b. Commander, Pacific Fleet (N43).

c. Commander, Naval Surface Force (N43, N6).

d. Commander, Naval Air Force (N43, N6).

e. Commander, Submarine Force (N43, N6).

f. Fleet Industrial Supply Center(s).

g. Naval Sea Systems Command (SEA 02, 21, 00L).

h. Naval Space and Warfare Command (SPAWAR 4).

i. Commander, Navy Regional Maintenance Center.

j. Other RMCs as designated by CNRMC.

k. Applicable warfare centers who manage shipboard production and installation contracts.

13.8.6.1 Contract Governance Council Monthly Meetings. USFF N431 (Fleet Maintenance Acquisition Manager) will chair the monthly meetings of the CGC. The CGC will render one of three possible actions:

a. Option year renewal(s) of existing contracts.

b. Solicitation and award of new contracts.

c. Incorporation of existing contracts not yet in the Contracts Portfolio.

13.8.6.2 Contract Governance Council Consideration. The CGC shall approve or disapprove the request(s), or return the request to the requiring agent for clarification or alternate sourcing consideration.

13.8.6.3 Contract Governance Council Decision. CGC approvals and disapprovals shall be by unanimous decision. Any request for which a unanimous decision can not be achieved will be referred to the "expanded" FMBoD for resolution. The Expanded FMBoD includes the permanent FMBoD members as well as a flag officer or senior executive of the requiring agent's organization. The Expanded FMBoD will resolve the request.

13.8.6.4 Meeting Administration. CNRMC Business Office will prepare the agenda for the CGC, coordinate all CGC actions, replies, and record the minutes of the meeting. USFF N431 will send a status report to the CNRMC's Business Officer informing him/her of the disposition of each request for CGC action within five days of the monthly CGC meeting.

13.8.6.5 Quarterly Briefing. USFF N431 will brief the FMBoD quarterly of actions taken by the CGC, and present any unresolved contract action requests for disposition by the FMBoD. The quarterly summary report to the FMBoD will include:

a. Any changes to the Contracts Portfolio.

b. Summary statistics on CGC actions.

c. Any changes made to the review process.

d. Any problems encountered.

e. Any recommendations for process improvement.

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