

1 AUGUST 2005



Acquisition

**PERFORMANCE-BASED SERVICES
ACQUISITION (PBSA)**

COMPLIANCE WITH THIS PUBLICATION IS MANDATORY

NOTICE: This publication is available digitally on the AFDPO WWW site at:
<http://www.e-publishing.af.mil>

OPR: SAF/AQCP (Betsy Ann Matich)

Certified by: SAF/AQC
(Mr. Charlie E. Williams, Jr.)

Supersedes AFI 63-124, 9 Feb 04

Pages: 11
Distribution: F

This instruction implements Air Force Policy Directive (AFPD) 63-1, *Capability-Based Acquisition System*, by directing performance-based procedures for developing requirements, acquiring services, and managing service acquisitions within the Air Force. This publication, implements the FY02 National Defense Authorization Act (NDAA), Sections 801 and 802, Federal Acquisition Regulation (FAR), Defense FAR Supplement (DFARS), Air Force FAR Supplement (AFFARS), and Department of Defense Instruction (DoDI) 5000.2, *Operation of the Defense Acquisition System*. This AFI applies to all major commands (MAJCOMs), Direct Reporting Units (DRUs), and Field Operating Agencies (FOAs). It is applicable to all service acquisitions with an annual contract value above the Simplified Acquisition Threshold (SAT) (FAR 2.101), with the exceptions listed in FAR 37.102(a)(1). It applies to all Air Force personnel who develop, acquire, and manage services acquisitions. MAJCOMs, FOAs, and DRUs may not supplement this AFI in a manner that would restrict the acquisition flexibilities contained herein. Refer recommended changes and conflicts between this and other publications to SAF/AQCP, 1060 Air Force Pentagon, Washington, DC 20330-1060, on Air Force (AF) Form 847, Recommendation for Change of Publication. This instruction applies to the Air Force Reserve and does not apply to the Air National Guard. Ensure that all records created as a result of processes prescribed in this publication are maintained in accordance with AFMAN 37-123, *Management of Records* and disposed of in accordance with the *Air Force Records Disposition Schedule (RDS)* located at <https://webrims.amc.af.mil/>

SUMMARY OF REVISIONS

This document substantially revises AFI 63-124 and requires a complete review. This is the first revision of Air Force Instruction (AFI) 63-124. This revision removes mandated processes, empowers field personnel to tailor the acquisition to meet local conditions, and supports agile acquisition and procurement transformation.

Chapter 1

PERFORMANCE-BASED SERVICES ACQUISITION (PBSA) OVERVIEW

1.1. Overview. Sections 801 and 802 of the FY02 National Defense Authorization Act (NDAA) mandate Performance-Based Services Acquisition (PBSA) goals, and a management and oversight structure for service acquisitions similar to the procurement of products. To this end, SAF/AQC has developed a PBSA program that incorporates the procurement, oversight, and management of service acquisitions.

1.2. Philosophy. The goal of PBSA is to design mission support strategies that obtain higher levels of contractor performance, foster synergistic partnerships, accommodate changing or unforeseen mission needs, and leverage commercial best practices. These support strategies align mission performance needs with performance-based work statements and acquisition approaches designed to deliver the desired mission support results. DoDI 5000.2, *Operation of Defense Acquisition Systems*, this AFI, AFI 10-601, *Capability Based Requirements Development*, and the SAF/AQC AFFARS Library all support the Air Force approach to PBSA. The AFIs and guidance are accessible on the SAF/AQC Contracting Homepage, AFFARS Library, <http://www.safaq.hq.af.mil/contracting/affars/index.html>.

1.3. Application. PBSA is applicable to all services acquisitions (AFFARS 5337.601). This AFI applies to all major commands (MAJCOMs), Direct Reporting Units (DRUs), and Field Operating Agencies (FOAs). It is applicable to all service acquisitions with an annual contract value above the *Simplified Acquisition Threshold (SAT)* (FAR 2.101), with the exceptions listed in FAR 37.102(a)(1).

1.4. Performance-Based Services Acquisition. Like all acquisitions, a performance-based service acquisition begins with the planning of the acquisition by a multi-functional team. These team members are responsible for planning the acquisition and then remain responsible for assessing contractor performance and managing the requirements over the life of the contract. A performance-based service acquisition consists of:

1.4.1. An acquisition strategy that develops performance-based requirements that align and track mission objectives complemented by a contract methodology that optimizes and drives performance. The selected contract type, source selection procedures, and contract incentives must align with performance requirements and objectives to achieve mission success.

1.4.2. Market research that demonstrates reliance on the commercial marketplace for its capabilities, innovation, technologies, and competitive forces in meeting an agency need. Market research is essential to the government's ability to buy best-value services that deliver mission-critical results.

1.4.3. A Performance-based Work Statement (PWS) that defines the requirements in terms of results rather than the method of performing the work. Cite reference directives (e.g. publications, instructions) by specific process/procedure (e.g. paragraph or chapter) rather than the entire publication. Contact SAF/AQCP for assistance when there is disagreement in the application of prescriptive AFIs. At a minimum a PWS includes:

1.4.3.1. Description of Services/General Information (definitions, etc).

1.4.3.2. Services Summary.

1.4.3.3. Government-Furnished Property and Services, if applicable.

1.4.3.4. Appendices such as workload estimates, labor hour rates, square footage, etc.

1.4.4. A Performance Plan. The performance plan is an evolving document whose development begins with acquisition planning, and finalized as the acquisition progresses. The members of the multi-functional team sign the performance plan. Award Fee plans containing the elements below qualify as the performance plan. The plan identifies:

1.4.4.1. Objective(s) in having the service provided, i.e., to provide quality housing maintenance to military members.

1.4.4.2. Results the multi-functional team is striving to achieve in managing the acquisition, e.g., cost savings, efficiencies, and improved customer service.

1.4.4.3. A distribution of the roles and responsibilities among the multi-functional team members.

1.4.4.4. A strategy, methods and tools the multi-functional team will use to assess the contractor's performance against the performance thresholds, measurements, metrics, and incentives identified in the contract. Performance thresholds must be measurable in terms of quality and timeliness of performance.

1.4.4.5. A management approach, methods and tools the multi-functional team will routinely use to validate the objectives and goals identified as part of the Performance Plan, i.e. benchmarking, etc.

1.4.4.6. An incentive plan may be the management approach, methods and tools used to validate the objective and goals of the multi-functional team.

1.4.5. Performance metrics are to be used to track contractor progress towards meeting stated performance objectives. The multi-functional team in assessing contractor performance validates that the performance metrics align with the performance-based work statement and overall mission support objectives.

1.5. Training on PBSA. The [SAF/AQC Contracting Website](#), [AFFARS Library](#), [PBSA Training](#), "[Seven Steps to Performance-Based Services Acquisition](#)," at <http://www.arnet.gov/Library/OEPP/BestPractices/pbsc/home.html>, provides a comprehensive training tool to understanding PBSA.

1.6. Supplements. MAJCOMs, FOAs, and DRUs may not supplement this AFI in a manner that would restrict the acquisition flexibilities contained herein.

1.7. Delegation of Contracts for Management. Before delegating a contract for administration to another organization/agency in accordance with FAR 42, the contracting officer shall also:

1.7.1. Ensure the contract includes the Performance Plan.

1.7.2. Ensure those administering delegated contracts understand the contract requirements and Performance Plan.

1.8. Deviations. The intent of this AFI is to assist the multi-functional team in designing a mission support strategy that aligns mission performance needs with a performance-based strategy. The multi-functional team may deviate from the PBSA documents or formats identified at paragraph **1.4.1.** through **1.4.5.** as long as the alternatives meet the spirit and intent of the requirements of the paragraph(s) they are replacing. The multi-functional team must document their decision to deviate from the above requirements in the Performance Plan.

Chapter 2

KEY MANAGEMENT DUTIES/RESPONSIBILITIES

2.1. Delegation of Duties and Responsibilities. Unless specifically prohibited by statute or this AFI, the duties and responsibilities identified herein are delegable.

2.2. SAF/AQCP. Responsible for providing PBSA policy, tools, and training and is the Office of Primary Responsibility (OPR) for this AFI.

2.3. Air Force Program Executive Officers (AFPEOs). AFPEOs are responsible for the oversight and management of services acquisitions within their portfolio.

2.4. MAJCOM Contracting Leadership (PKs/LGCs/FOAs/DRUs). MAJCOM Directors and Chiefs of Contracting offices are the business advisors to the MAJCOM Commanders/

AFMC/AFSPC Center-level CCs for service acquisitions within their portfolio. MAJCOM Contracting leadership shall update the MAJCOM Commanders yearly on the health of the Command's service acquisition program. The updates shall include pertinent topics such as status of strategic sourcing acquisitions, status of selected high profile service acquisitions, the success of the service acquisition program in meeting its performance objectives and goals, and implementing innovations and best practices. Forward a copy of the annual report to the AFPEO/CM.

2.5. Senior Leadership (Wing Commanders, Group Commanders, AFMC/AFSPC Center-level Commanders, and other Headquarters Directors, and Program Executive Officers (PEO)). Senior leadership is responsible for developing, implementing and executing services acquisitions. This responsibility includes the acquisition strategy, source selection, and performance/contract management of the service throughout the life of the acquisition. Duties are delegable to the Mission Support Group (MSG) Commander, Program Managers or an equivalent level. Duties include:

2.5.1. Appointing a multi-functional team of key stakeholders, to include a Quality Assurance Program Coordinator (QAPC), possessing the necessary set of skills to ensure that all services acquisitions integrate the needs of the mission with the requirement to procure performance-based services acquisitions. Fostering the environment needed to successfully operate, convey business objectives, monitor progress, and correct/elevate delays or problems not resolvable by the multi-functional team. Ensuring personnel on the multi-functional team receive the appropriate training, tailored to meet local needs.

2.5.2. Ensuring a service acquisition is designed with a performance-based mission support strategy that supports a higher level of contractor performance, fosters synergistic partnerships, accommodates changing or unforeseen mission performance needs with performance-based work statements and acquisition approaches designed to deliver the desired mission support services within cost and on schedule. Ensuring the individuals at paragraph 2.6. implement and execute the acquisition strategy is in accordance with the Performance Plan.

2.5.3. Developing, implementing and executing a performance-based Performance Management Assessment Program that satisfies mission requirements, fosters innovation, and includes defined

metrics. The metrics should provide meaningful measurements of contractor progress aimed at attaining desired outcomes.

2.5.4. Ensuring performance management focuses on risk management, cost, and schedule and performance baselines. A dedicated program management office is a proven structure for managing services acquisition.

2.6. Contracting Squadron Commanders, Chiefs of the Contracting Offices, Chiefs of Programs/Performance Management Offices, AFMC/AFSPC Center-Level PKs and Services/Systems Program Directors (SPD). Duties include:

2.6.1. Serving as Business Advisor to senior leadership.

2.6.2. Providing the health of services acquisitions to senior leadership annually. Provide Management and Oversight of the Acquisition of Services Process (MOASP) reports on service acquisitions to the MAJCOM for consolidation. Subjects may include the effectiveness of the performance assessment and performance management of the service acquisition, the effectiveness of performance objectives, contract cost changes, acquisition planning, strategic sourcing issues, and the centralized multi-functional team, effectiveness of the multi-functional team and senior leadership business objectives.

2.6.3. Making sure the multi-functional team exercises acquisition authorities and responsibilities according to the Federal Acquisition Regulation (FAR), Department of Defense Federal Acquisition Regulation Supplement (DFARS) and Air Force Federal Acquisition Regulation Supplement (AFFARS).

2.7. Functional Commander/Functional Director (FC/FD). Duties include:

2.7.1. Identifying mission essential services, to include developing the necessary documents in accordance with DoDI 3020.37, *Continuation of Essential DoD Contractor Services During Crisis*.

2.7.2. Assigning primary and alternate Quality Assurance (QA) personnel unless another Quality Assurance organization or method can satisfy performance assessment requirements (e.g., Program Management Office).

2.7.3. Reviewing contractor performance documentation, prepared by Quality Assurance personnel, on a regular basis to ensure performance is compatible with contract and mission objectives while supporting a higher level of contractor performance, and fostering synergistic partnerships.

2.8. Multi-functional Team(s). This is a customer-focused team instituted under the authority of the senior leadership. Every functional representative within the multi-functional team brings to the table their unique level of expertise. This expertise is vital to the success of the team. However, the functional perspective each person brings to the acquisition must always be subordinate to the greater perspective of the mission. The purpose of the multi-functional team is to create an environment that shapes and executes an acquisition. The emphasis is on teamwork, trust, common sense and agility. These stakeholders are responsible for the acquisition throughout the life of the requirement. For complex, multi-functional service acquisitions, membership should include all stakeholders impacted by the services performed, as well as the contractor, . This may include subgroup(s) responsible for routine tasks associated with the service acquisition process. For less complex, single-function service acquisitions, membership in this group may include as few members as: the contracting officer (Purchasing /Administrative)/Program

Manager; QAPC; QA personnel (Functional Area Evaluators (Administrative & Assistance Services (A&AS))); the functional/technical representative; subject matter expert; and the contractor who provides the service upon award of the contract. The duties and responsibilities of the team include. :

2.8.1. Fostering partnerships with industry to ensure exchanges of information among the service industry and other business experts occur. Ensuring the key stakeholders participate in developing, implementing and executing the acquisition strategy.

2.8.2. Providing support to senior leadership as required (i.e., performance metrics, data, briefings). Making sure that correspondence and presentations are accurate, timely and of high quality. Also, provides reports that provide early warnings of significant variances in cost, schedule or performance to senior leadership. Completing and reporting annual performance reviews in accordance with the MOASP.

2.8.3. Researching the commercial market to ensure the multi-functional team is using the most efficient and effective assessment methods, techniques, and best commercial practices in performance of the contract.

2.8.4. Developing, implementing and executing a performance-based acquisition strategy, to include performance metrics, that supports a higher level of contractor performance, fosters synergistic partnerships, accommodates changing or unforeseen mission needs and leverages commercial best practices. Ensuring the acquisition strategy aligns mission performance needs with performance-based work statements and acquisition approaches designed to deliver the desired mission support results.

2.8.5. Managing risk to ensure mission performance is within cost and schedule constraints.

2.8.6. Developing, implementing and executing a source selection, if applicable, that provides an integrated assessment of the offeror's proposal and ensures a best value source selection based on the requirements of the Request for Proposal.

2.8.7. Planning, programming, and budgeting adequate funds to ensure the execution is within approved funding baseline.

2.8.8. Developing, implementing and managing milestones to ensure the acquisition supports mission requirements within the approved funding baseline.

2.8.9. Completing and reporting annual performance reviews in accordance with the MOASP.

2.8.10. Identifying opportunities to improve performance throughout the life of the acquisition. This includes benchmarking against industry, identifying initiatives, assessing the risk associated with these initiatives, using the Performance Plan to implement initiatives, and monitoring the success of implementation.

2.8.11. Assessing and managing contractor performance data, to include submitting Contractor Performance Assessment Reporting System (CPARS) reports.

2.8.12. Developing, implementing, and executing performance measurement and management in accordance with the Performance Plan.

2.8.13. Ensuring the requiring office and contractor understand the unique programs impacting an acquisition, e.g. Air Force Hazardous Materials Management Process (HMMP), safety, security, environmental, etc.

2.8.14. Approving the deviation authorized at paragraph **1.8**.

2.8.15. Recommend changes to the performance plan.

2.9. Acquisition Center of Excellence. SAF/ACE fosters an agile acquisition by supporting and advising PEOs.

Michael L. Dominguez
Acting Secretary of the Air Force

Attachment 1**GLOSSARY OF REFERENCES AND SUPPORTING INFORMATION*****References***

National Defense Authorization Act for Fiscal Year 2002 (Public Law 107-107), *Sections 801 & 802*

Federal Acquisition Regulation (FAR) Part 2.101, *Simplified Acquisition Threshold*

Federal Acquisition Regulation (FAR) Part 7, *Acquisition Planning*

Federal Acquisition Regulation (FAR) Part 9.505-1, *Providing Systems Engineering and Technical Direction*

Federal Acquisition Regulation (FAR) Part 10, *Market Research*

Federal Acquisition Regulation (FAR) Part 12, *Acquisition of Commercial Items*

Federal Acquisition Regulation (FAR) Part 35, *Research and Development Contracting*

Federal Acquisition Regulation (FAR) 36.6, *Architect-Engineer Services*

Federal Acquisition Regulation (FAR) Part 37, *Service Contracting*

Federal Acquisition Regulation (FAR) Part 42, *Contract Administration and Audit Services*

OMB Circular A-76, *Performance of Commercial Activities*

OMB Circular A-109, *Major Systems Acquisition*

DoD A-76 Costing Manual

DoDI 5000.2, *Operation of the Defense Acquisition System*

DoDI 3020.37, *Continuation of Essential DoD Contractor Services During Crisis*

Air Force Federal Acquisition Regulation Supplement (AFFARS) Library

<http://www.safaq.hq.af.mil/contracting/affars/5337/library-5337-pbsa.html>

Air Force FAR Supplement (AFFARS) Part 5301.102-90, *Statement of Guiding Principles for the Air Force Acquisition System*

Air Force Contractor Performance Assessment Reporting System (CPARS) Guide

Air Force Management and Oversight of the Acquisition of Services Process

AFPD 37-1, *Air Force Information Management*

AFPD 63-1, *Capability-Based Acquisition System*

AFI 10-601, *Capability Based Requirements Development*

AFI 32-7086, *Hazardous Materials Management, Para 2.5.5.2*

AFI 38-203, *Commercial Activities Program*

AFI 63-101, *Acquisition System*

AFPD 64-1, *The Contracting System*

AFMAN 37-123, *Management of Records*

Abbreviations and Acronyms

RDS—*Records Dispositions Schedule*

Terms

Advisory and Assistance Services (A&AS)—"Advisory and Assistance Services" means those services provided under contract by nongovernmental sources to support or improve: organizational policy development; decision-making; management and administration; program and/or project management and administration; or Research and Development (R&D) activities. It can also mean the furnishing of professional advice or assistance rendered to improve the effectiveness of Federal management processes or procedures (including those of an engineering and technical nature). In rendering the foregoing services, outputs may take the form of information, advice, opinions, alternatives, analyses, evaluations, recommendations, training, and the day-to-day aid of support personnel needed for the successful performance of ongoing Federal operations. One of the three following definitional subdivisions applies to any A&AS:

- (1) Management and professional support services, *e.g.*, contractual services that provide assistance, advice or training for the efficient and effective management and operation of organizations, activities (including management and support services for R&D activities) or systems. There is a direct correlation between the basic responsibilities and mission of the agency originating the requirement for the acquisition of services by contract. Included are efforts that support or contribute to improved organization of program management, logistics management, project monitoring and reporting, data collection, budgeting, accounting, performance auditing, and administrative technical support for conferences and training programs.
- (2) Studies, analyses, and evaluations, *e.g.*, contracted services that provide organized, analytical assessments/evaluations in support of policy development, decision-making, management or administration. Included are studies in support of R&D activities. Also included are acquisitions of models, methodologies, and related software supporting studies, analyses or evaluations.
- (3) Engineering and technical services, *e.g.*, contractual services used to support the program office during the acquisition cycle by providing such services as systems engineering and technical direction (FAR 9.505-1(b)) to ensure the effective operation and maintenance of a weapon system or major system as defined in OMB Circular No. A-109.

Centralized Performance Management Office (CPMO)—For the purposes of this instruction it is a centralized quality assurance office. The office handles services contract quality assurance issues for the installation whether it is for a large base operating support requirement or a single function. The office has performance management responsibilities. Members conduct inspections as required, receive customer complaints whether by phone, fax or e-mail and review contractor developed metrics. The office remedies unacceptable services by contacting the contractor to resolve the complaint and performs follow-up. The office may also review contractor-supplied metrics for input into the multi-functional team. Benefits of a full time performance management center include, manpower efficiencies in managing performance over multiple contracts to include reviewing metrics, proficiency in many monitoring techniques, improved and consistent documentation, quality assurance personnel are no longer pulled away to perform other duties (whether through exercises or functional demands), the installation develops an experienced team

for managing contractor performance and multi-functional team input, effective on-the job training is provided to the workforce by a knowledgeable, interested supervisor, a consistent face to industry.

Contract Management—Implementation of the Performance Plan after contract award by the multi-functional team. It integrates the goals and objectives identified by the multi-functional team, oversight and performance management, and performance measurement in accordance with the Performance Plan.

Functional Commander/Director (FC/FD)— The person responsible for a functional area at the Squadron level. For example, the Civil Engineer Squadron Commander is the Functional Commander for the Civil Engineering performance-based work statements.

Management and Oversight of the Acquisition of Services Process (MOASP)— The document outlining the process the AFPEO/CM and MAJCOM services designated officials will use to provide management and oversight of the acquisition of services in accordance with the FY02 NDAA, Section 801, Public Law 107-107, as implemented by this AFI, AFI 63-101, *Acquisition System*, and DoDI 5000.2, *Operation of the Defense Acquisition System*.

Market Research—A continuous process for gathering data on service characteristics, suppliers' capabilities, and current business practices plus the analysis of that data to make acquisition decisions.

Multi-Functional Team—A team of stakeholders responsible for a service acquisition. Includes not only representatives of the technical and procurement communities but also stakeholders of the service acquisition and the contractors who provide the services. This team may consist of sub-group(s) responsible for routine contract actions. This team could be a Business Requirements Advisory Group (BRAG), a Mission Area Acquisition Team (MAAT), an Integrated Product Team (IPT), working group, an A-76 IPT or Steering Group, etc.

Performance Assessment—A process that measures success towards achieving defined performance objectives or goals defined within the performance thresholds in the service summary or the process of assessing progress towards achieving the objectives/goals developed in a Performance Plan.

Performance Management—The use of performance measurement information to effect positive change in organizational culture, systems, and processes, by helping to set agreed upon performance goals, allocating and prioritizing resources, informing managers to either confirm or change current policy or program directions to meet those goals, and sharing results of performance in pursuing those goals.

Performance Management Assessment Program—A quality assurance program that is developed, planned, and managed to carry out cost-effectively all efforts to affect the quality of services. The Performance Management Assessment Program includes performance measurement and performance management by the multi-functional team.

Performance Objective—The outcome associated with successful contract performance in a specific area. This is a critical success factor in achieving the organization's mission, vision and strategy which, if not achieved, would likely result in a significant decrease in customer satisfaction or risk mission failure. Obtaining multi-services/sub-services performed at a certain measurable standard and consistently ensures success in achieving the objectives critical to the mission.

Performance Plan—Prescribes the objective in having the services, the goals of the multi-functional team, team members and their roles and responsibilities (to include the contractor performing the service), and how the multi-functional team will assess contractor performance and manage the contract to obtain efficiencies, improved performance, and cost savings throughout its life cycle.

Performance Threshold—The minimum performance level of a performance objective required by the government.

Program Executive Officer (PEO)—A military or civilian official who has responsibility for directing several major defense acquisition programs and for assigned major system and non-major system acquisition programs.

Quality Assurance Personnel—Individuals designated to perform quality assessment functions, and manage performance in accordance with the Performance Plan. They serve as on-site technical managers assessing contractor performance against contract performance standards. Personnel in this area have many titles, such as Quality Assurance Evaluator (QAE), Quality Assurance Specialist (QAS), Functional Area Evaluators (FAEs) (A&AS), and Contracting Officer Technical Representative (COTR).

Quality Assurance Program Coordinator (QAPC)—Mission support group or AFMC/AFSPC Center-level individual, normally from the contracting activity, selected to coordinate and manage the Performance Management Assessment Program (Quality Assurance Program).

Senior Leadership—Includes Wing Commanders, Group Commanders, AFSPC/AFSPC/AFMC Center-level Commanders, and other Headquarters Directors, Single Manager (SM), and Program Executive Office (PEO),

Services Designated Official (SDO)—The Services Designated Official (AFFARS 5337.503-90) is the individual designated in accordance with the provisions of the FY02 National Defense Authorization Act, Section 2330(a)(2)(A) to exercise responsibility for the management of the acquisition of services. These responsibilities include certifying service acquisitions are performance-based during Acquisition Strategy formulation and approving, in advance, any acquisition that is not performance-based. The PEOs are responsible for services acquisitions within their portfolio. For acquisitions below \$100M and A-76 studies below 300 full time equivalents, the services designated official is the Head of Contracting Activity (HCA).

Services Summary (SS)—A summary of the performance objective and performance threshold required by the government in contractor performance. Also known as a Performance Requirements Summary or Services Delivery Summary or Performance Requirements Document.