

Memorandum



98-4

Subject Performance-Based Service Contracting	Date JUL 1 1998
To Bureau Procurement Chiefs	From <i>Wilson L. Silvis</i> for H.B. Myers Assistant Director Procurement Policy and Review Group Management and Planning Staff

The Acting Administrator, Office of Federal Procurement Policy (OFPP), sent a memorandum to agency procurement executives apprising them that one objective in the Fiscal Year 1999 Budget is acquisition reform. The primary performance measure for acquisition reform is the agencies commitment to convert contracts to PBSC. The Director, Office of Management and Budget (OMB), will track the PBSC conversion initiative on a monthly basis. The reporting structure assigns OFPP lead responsibility with primary reliance on the Resource Management Organizations (RMOs, OMB's budget organizations) to monitor the progress of their respective agencies.

The Department will now have to provide quarterly progress reports on our PBSC conversion activities to the RMOs just like we do for past performance status reports. RMOs will work with us to identify and request selected converted contracts for review against the PBSC Solicitation/Contract/Task Order Review Checklist to ensure they meet PBSC requirements (Attachment 1).

In addition to the numbers and associated dollars of contracts converted to PBSC, contract measurement criteria also will be required to effectively assess PBSC performance and become part of the quarterly reports. OFPP proposes the criteria used in the PBSC pilot project --contract price and customer satisfaction with contractor performance (quality, quantity, timeliness, cost effectiveness, and overall). A Contract Measurement Data Sheet (Attachment 2) is to be completed on both the previous contract and on the new PBSC contract. The information on these sheets will be used to develop the statistics for cost savings, number of contracts converted from cost to fixed price, and the time needed to award comparisons under PBSC. The next to the last item on the first page of the Contract Measurement Data Sheet regarding the calendar days needed to award the contract, is left to agency definition. We will define this as the number of calendar days from receipt of the complete procurement request in

the procurement office to award of the contract. If a previous contract for the services did not exist, begin using this measurement data sheet upon completion of the current PBSC contract. These Contract Measurement Data Sheets should be kept in a PBSC file so it is easy to report status updates. Do not send these sheets to this office. A blank tracking sheet (Attachment 3) is provided for your updates and a copy of last years report is provided as Attachment 4.

Any comments you may have on your current PBSC efforts would be appreciated. Please add any new PBSC contract conversion opportunities to your list. The Procurement Executive has previously advised you that you are only required to track those PBSC efforts that meet all three PBSC elements on the tracking sheet. Bureaus may track other PBSC efforts as they feel appropriate.

Please submit your PBSC progress updates, to include a revised tracking sheet, to this office by July 27, 1998. If you have any questions regarding this PBSC progress update, please call Larry Silvis on (202) 616-3754.

Attachments

Performance-Based Service Contracting
(PBSC)
Solicitation/Contract/Task Order Review Checklist

The following checklist is provided as a guide that may be used to aid in developing a performance-based solicitation, contract or task order, and to assist in determining whether an existing solicitation, contract or task order may be appropriately classified as performance-based. This checklist is not intended to usurp contracting officer discretion or authority regarding how to structure an acquisition. However, the more an acquisition departs from adherence to the checklist, the less likely the agency will achieve the benefits of improved contractor performance and lower price that PBSC can provide.

This checklist contains minimum required elements that must be present for an acquisition to be considered performance-based. To be effective, these elements must be communicated to potential offerors in time to be considered when developing their proposals. It also contains additional PBSC components important to ensuring the Government obtains the benefits of PBSC and "other considerations" that are not performance-based contracting methods per se but that nevertheless so directly affect the success of PBSC that they are included.

This document is but one tool to assist in developing and assessing PBSC, and it is purposefully not detailed or explanatory. For more fundamental discussions of PBSC, see: Federal Acquisition Circular 97-1; Federal Acquisition Regulation Subpart 37.6; and OFPP's Policy Letter 91-2, "Service Contracting" and "A Guide to Best Practices for Performance-Based Service Contracting." The latter two publications are available from the Executive Office of the President's Office of Publications, 202-395-7332 and the Acquisition Reform Network, www.amet.gov.

Minimum Mandatory PBSC Requirements

1. Performance requirements that define the work in measurable, mission-related terms.
2. Performance standards (i.e., quality, quantity, timeliness) tied to the performance requirements.
3. A Government quality assurance (QA) plan that describes how the contractor's performance will be measured against the performance standards.
4. If the acquisition is either critical to agency mission accomplishment or requires relatively large expenditures of funds, positive and negative incentives tied to the Government QA plan measurements.

Additional PBSC Components

5. An historic workload analysis is performed, or the workload is estimated if historic data is unavailable, to aid in determining the performance requirements and standards, Government QA plan, and incentives.
6. The solicitation and contract/task order convey a logical, easily understood flow among performance requirements, performance standards, Government QA, and performance incentives.
7. Process-oriented requirements (e.g., job descriptions, education requirements, level-of-effort) and reports are eliminated to the maximum feasible extent.
8. Government QA performance evaluators assigned to assess contractor performance are trained in PBSC.
9. Commercial and/or industry-wide performance standards, where available, are relied upon.
10. The marketplace and other stakeholders are provided the opportunity to comment on draft performance requirements and standards, the Government QA plan, and performance incentives.
11. If the size of the requirement justifies the resource expenditures, potential offerors are given the opportunity to learn more about the "as is" operation to facilitate their ability to develop intelligent proposals.
12. The contract/task order is fixed price.
13. The contract/task order is completion type (vs. term type or level-of-effort).
14. Multi-year contracting authority is used where available.
15. Experience and lessons learned from predecessor acquisitions are used to convert recurring requirements to PBSC.

Other Considerations

16. Past performance evaluations are based on the results of contract QA measurements and incentives, and QA plans are consistent with past performance factors.
17. For recurring requirements that have been converted to PBSC, the effects of conversion are measured (e.g., price, performance)

18. The contract/task order is awarded competitively.
19. Best value evaluation/selection methods are used to award the contract/task order.
20. Informal conflict resolution methods are utilized (e.g., alternative dispute resolution, ombudsman, formal partnering agreements).
21. An umbrella-type contract that has demonstrated significant performance problems, cost overruns, or has included an amount of work that is too great or diverse to be effectively managed by either the Government or the contractor, is broken up into multiple contracts.

OFPP PERFORMANCE-BASED SERVICE CONTRACTING PROJECT

Project Measurement Data Sheet for Pledged Contract Requirements

Please submit separate sheets for the outgoing contract and the follow-on contract awarded pursuant to OFPP Policy Letter 91-2. If an umbrella contract is broken up into multiple follow-on contracts, please submit separate sheets for all of the follow-on contracts, clearly indicating the outgoing umbrella contract that they stem from.

PART 1 -- Contract Information

Date:

Department or agency:

Name and address of agency contact:

Telephone no.:

FAX no.:

Brief description of contracted service:

Contract no.: (If this is a follow-on contract awarded pursuant to OFPP Policy Letter 91-2, also provide outgoing contract no.)

Contract type:

(a-CPFF, CPAF, FFP, or FPI, etc.)

(b-term/level-of-effort or completion)

Total contract price, including options:

(a-at award)

(b-current)

Contractor business size: (small or large)

Total length of contract: (no. months)

No. of offerors/bidders:

Total no. of contract audits: (Break down by (a) pre-award audits of offerors and subcontractors and (b) cost incurred, indirect cost rate and closeout audits of contractors and subcontractors.)

No. calendar days needed to award contract: (Definition to be determined, and consistently applied, by each agency.)

No. calendar days from solicitation issuance to award: (Do not include draft solicitations in this calculation.)

Department or agency:

Contract no.:

PART 2 -- Customer Satisfaction Information

If more than one person are considered customers for the purpose of these ratings, please obtain individual ratings, then compute and report the average score.

	<u>Performance Requirements</u>				
	<u>Substandard</u>	<u>Meets</u>	<u>Exceeds</u>		
Quality of services performed	1	2	3	4	5
Quantity of services performed	1	2	3	4	5
Timeliness of services performed	1	2	3	4	5
Cost effectiveness of services performed	1	2	3	4	5
Overall rating	1	2	3	4	5

Comments: (If this is a follow-on contract awarded under performance-based contracting methods, include (a) a comparison to the predecessor contract, and (b) if considered significant, an estimate of the % increase/decrease in overall scope of work from the predecessor contract.)

CONTRACT (Description)	Current Data			PBSC Conversion			PBSC Elements (Yes or No)		
	Contract Type	Date of Expiration	Price or Cost Est.	(Expected) Date of Award	(Expected) Contract Type	(Expected) Price or Cost Estimate	Performance- based SOW*	QAP/Contract Admn. Plan	Incentives (+/-)
U.S. Marshals Service									
FP MS97-R0011 Towing, Storage and Disposal of Vehicles				Nov 97	IDIQ	\$3M/5yr	Yes	Yes	Yes
FP MS 97-R0009 Jail Services				Nov 97	IDIQ	\$35M/5yr	Yes	Yes	Yes
Drug Enforcement Administration DEA-97-C-003 Janitorial Services				Oct 96	FFP	\$4,300 Month	Yes	Yes	Yes
Federal Bureau of Investigation Pilot) JFBI-96-056 Drug Testing	FFP	Apr 96	\$27,350	May 96	FFP	\$1.8 M	Yes	Yes	Yes
Federal Prison Industries Desk-Based-Furniture Program Management				Oct 97	FFP	\$100 M	Yes	Yes	Yes
Facility Management				Dec 97	FFP	\$600,000	Yes	Yes	Yes
				*Must contain performance requirements and standards					

CONTRACT (Description)	Current Data			PBSC Conversion			PBSC Elements (Yes or No)		
	Contract Type	Date of Expiration	Price or Cost Est.	(Expected) Date of Award	(Expected) Contract Type	(Expected) Price or Cost Estimate	Performance- based SOW*	QAP/Contract Admin. Plan	Incentives (+/-)
Migration and Naturalization Office									
Food Services at Krome SPC				Jan 98	FFP	\$1.2M	Yes	Yes	Yes
Food Services at Batavia Detention Camp				Jan 98	FFP	To Be Determined	Yes	Yes	Yes
Prison Services Del Rio				Nov 97	FFP	\$120,000	Yes	Yes	Yes
Prison Services El Paso				Nov 97	FFP	To Be Determined	Yes	Yes	Yes
Prison Facility Denver				Oct 97	FFP	\$7M	Yes	Yes	Yes
Prison Facility Laredo				Sept 97	FFP	\$3.8M	Yes	Yes	Yes
Food Services El Paso				Sept 97	FFP	\$1.25M	Yes	Yes	Yes
Prison Services Chulavista				Oct 97	FFP	\$80,000	Yes	Yes	Yes
Prison Technology Alliance Sources				Apr 98	CPAF or FFP	To Be Determined	Yes	Yes	Yes
Prison of Prisons Operation of Federal Prison on Taft, California				Jun 97	FFP WAF	10 Yr. \$300M	Yes	Yes	Yes

