

ACQUISITION ALERT 13-03

NOAA IMPLEMENTATION OF COST-PLUS-AWARD-FEE AND AWARD-TERM PROCESSES SUPPORTING FEES AND EXTENSIONS

1. **Purpose:** This Acquisition Alert is being transmitted to the Acquisition Management Advisory Council (AMAC), and all NOAA Heads of Contracting Offices (HCOs) for dissemination within their respective Acquisition Divisions. The Acquisition Alert provides guidance on policies and procedures required for supporting Cost-Plus-Award-Fee (CPAF) and Cost-Plus-Award-Term (CPAT) contracts.
2. **Background:** On May 18, 2012, The Department of Commerce (DOC) Office of Inspector General (OIG) issued Final Report Number OIG-12-027-A. The final audit report assessed NOAA's management of CPAF and CPAT contracts and whether rating and payment decisions were supported; whether NOAA effectively monitored award-fee and award-term plans; whether NOAA effectively monitored contractor performance; the documentation used to support ratings and payments made by NOAA; and the guidance, payment structure, and evaluation criteria used in CPAF and CPAT contracts.
3. **Applicability:** In response to the final audit report, NOAA provided the OIG with a Corrective Action Plan (CAP). The CAP set-forth the actions planned and the actions already taken, in response to the report recommendations. The CAP is being implemented as policy, by issuance of this Acquisition Alert. The policy guidance shall be applied to all NOAA CPAF and CPAT contracts in order to improve award-fee and award-term processes.
4. **Guidance:** Effective immediately, NOAA Head of Contracting Offices (HCO) shall ensure compliance with the following procedures for CPAF and CPAT contracts:
 - (A) Require performance monitors to provide narrative comments that identify specific strengths, weaknesses and deficiencies to support assigned ratings.
 - Documentation for the basis of all award-fee determinations will be required and documentation shall include identification of specific strengths, weaknesses and deficiencies in supporting the assigned ratings,
 - The amount of award-fee earned shall be commensurate with the contractor's overall cost, schedule, and technical performance as measured against the contract requirements as stated in the award-fee plan, in accordance with FAR 16.401(e)(2), and

- At a minimum, documentation will include determination that overall cost, schedule and technical performance in the aggregate is or is not at a satisfactory level.
- (B) Develop award-fee and award-term incentive structures that encourage contractor excellence.
- NOAA contracts containing award-fee and incentive structures will clearly include incentive structures and award-fee evaluation criteria linked to acquisition objectives,
 - Objectives will be defined in terms of contract cost, schedule and technical performance, and
 - Develop evaluation criteria that motivates the contractor to enhance performance in the areas being rated, but not at the expense of at least minimum acceptable performance in all other areas.
- (C) Develop measurable and outcome-based criteria for assessing contractor performance for award-fee and award-term extensions.
- Award-fee plans shall describe how contractor performance will be measured against the award-fee evaluation criteria,
 - Evaluation criteria will encourage contractor excellence, and
 - Establish measurable award-fee evaluation criteria in accordance with FAR 16.401(e)(3)(ii) and (iii) and Commerce Acquisition Manual (CAM) 1316.1 Chapter 7.2.
- (D) Require a cost-benefit analysis in decisions on CPAF and CPAT contracts, including documentation of how the benefits will offset the costs and justifications and approvals for all contract actions containing award fee and award term provisions.
- The contracting officer shall ensure that the contract file contains documentation to support the decision to use an incentive contract in accordance with the documentation requirements listed in FAR 16.401(d); 16.401(e)(ii) and CAM 1316.1 paragraph 7.3(a).

(E) Establish a clear division of responsibility for the evaluation team (award determining official, Performance Evaluation Board, and performance monitors) and prohibit the same official from performing multiple roles.

(F) Develop controls over the maintenance of contract files to ensure more immediate availability and completeness of documentation for all contract actions.

- Establishing, maintaining and disposing of contract files will follow the guidance from FAR 4.8 and NOAA's Acquisition Process Guide 5.13.2.

5. Point of Contact: Questions concerning this Acquisition Alert should be directed to Dale Henderson, Acquisition and Grants Office (AGO), Policy and Oversight Division (POD), at Dale.Henderson@noaa.gov or by telephone at 816-823-3836.

Attachment:

Microsoft PowerPoint – AA 13-03 CPAF and CPAT Training