



OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3000

APR 17 2014

ACQUISITION,  
TECHNOLOGY,  
AND LOGISTICS

MEMORANDUM FOR COMMANDER, UNITED STATES SPECIAL OPERATIONS  
COMMAND (ATTN: ACQUISITION EXECUTIVE)  
COMMANDER, UNITED STATES TRANSPORTATION  
COMMAND (ATTN: ACQUISITION EXECUTIVE)  
DEPUTY ASSISTANT SECRETARY OF THE ARMY  
(PROCUREMENT)  
DEPUTY ASSISTANT SECRETARY OF THE NAVY  
(ACQUISITION AND PROCUREMENT)  
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE  
(CONTRACTING)  
DIRECTORS OF THE DEFENSE AGENCIES  
DIRECTORS OF THE DOD FIELD ACTIVITIES

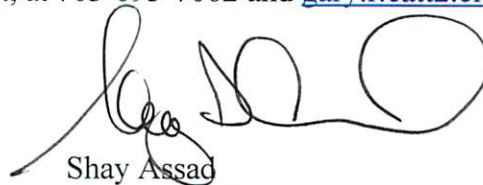
SUBJECT: Policy and Guidance on Performance-Based Payments

The Defense Federal Acquisition Regulation Supplement (DFARS) Final Rule for Performance-Based Payments (DFARS Case 2011-D045) was published in the Federal Register on March 31, 2014. The primary focus of the policy is to ensure that performance-based payments (PBP) are used in a manner that offers a win-win scenario to the contractor and the Government. The PBPs Guide and the DoD PBP Analysis Tool have been updated for the current policy, and are located on the DPAP website at:  
[http://www.acq.osd.mil/dpap/cpic/cp/Performance\\_based\\_payments.html](http://www.acq.osd.mil/dpap/cpic/cp/Performance_based_payments.html).

A continuous learning module, CLC 057 – Understanding Performance Based Payments and the Value of Cash Flow, is available through the Defense Acquisition University (DAU) website at: <http://icatalog.dau.mil/onlinecatalog/tabnavcl.aspx>. DAU will update this course by June 2014, to reflect the Final Rule, the revised PBP Guide, and the revised DoD PBP Analysis Tool. All contracting personnel involved in the negotiation and award of PBPs should complete the revised course as early as possible, but no later than June 2015.

Contracting officers should review open PBP contracts with significant PBP event values remaining to determine if PBP amounts fairly represent event values. If there is a misalignment of PBPs and event values, which is indicated when PBP amounts are greater than the costs incurred, contracting officers should seek legal counsel to assess corrective actions, which may include renegotiation of PBP event values.

My point of contact is Mr. Gary Catt, at 703-693-7062 and [gary.r.catt2.civ@mail.mil](mailto:gary.r.catt2.civ@mail.mil).



Shay Assag  
Director, Defense Pricing