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TECHNICAL TRAINING

QUALITY ASSURANCE PROGRAM COORDINATOR

Blocks I & II

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QUALITY ASSURANCE PROGRAM COORDINATOR COURSE

Study guides (SGs), workbooks (WBs), study guide and workbooks (SG/WBs), programmed texts (PTs), student texts (STs), and handouts (HOs) are authorized by AETC for students' use in AETC courses. They are designed to guide you through your study assignment in the most logical sequence for easy understanding. Answers the exercise questions and complete each problem or work assignment in the sequence given. It will aid you in understanding and retaining the key points covered in the material you have studied.

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UNIT 2. Principles and Policies of Air Force Service Contracting

OBJECTIVES

- a. Identify facts about the importance of conflicts of interest and standards of conduct.
- b. Identify principles of OMB Circular A-76.
- c. Identify general principles of contract law.
- d. Identify facts about unauthorized commitments.
- e. Identify facts about the Freedom of Information Act.

a. Identify facts about the importance of conflicts of interest and standards of conduct.

Conflicts of Interest

A conflict of interest arises when the interest(s) of the member directly oppose the interest(s) of the government. Under the Joint Ethics Regulation (JER), “An employee shall not engage in outside employment or any other outside activity that conflicts with his official duties.” This policy seeks to avoid any conflict of interest and their Government duties, and any appearance of favoritism or preferential treatment.

This policy also extends to the individual’s spouse, minor child or business partner. So if someone is administering a contract with Corporation X, he or she cannot own stock in corporation X, nor can their spouse be employed by Corporation X, nor can they have an arrangement to go to work for corporation X after leaving federal service. You are considered to have a financial interest in a company if you are negotiating for employment with that company.

This policy will not apply where the employee or officer disqualifies himself or herself from further official participation in the matter, or makes full disclosure of the financial interest and that interest is in a trust, mutual fund or less than \$15,000 (5 CFR 2640.202).

This statute simply states that only the Government may pay a federal employee for performing official duties, not by any other private or public entity. This does not bar the receipt of compensation from other sources, but prohibits such when acting in an official capacity. Violations of 18 U.S.C.205, 207, 208, and 209 can result in imprisonment for one year and a \$10,000 fine, or both, for each violation. Willful violations of these sections can increase the term of imprisonment to five years.

Furthermore, 18 U.S.C.216 provides that the Attorney General can initiate a civil action against anyone violating these sections, and upon proof of such misconduct by a preponderance of the evidence, the person may be fined as much as \$50,000 for each offense, or the amount received or offered for the misconduct, whichever is greater.

Designated Agency Ethics Official (DAEO)

The DAEO is assigned the responsibility to manage and supervise the ethics and standards of conduct programs. Each installation has a DAEO and they are to coordinate and oversee the implementation of the standard to include:

- Written standards of conduct and advice.
- An education and training program.
- Action to evaluate and remedy violations or the appearance of violations.
- Assign attorneys qualified for counseling.

Resolution of Conflicts

A violation of the standards of conduct can occur when DoD personnel do not follow the general principles or conduct themselves in a manner that creates a real or apparent conflict of interest. A violation of the FAR or of supplemental agency regulations may call for appropriate corrective or disciplinary action to be taken under applicable Government-wide regulations or agency procedures. Such actions may be in addition to any action, or penalty prescribed by law.

Resolving a real or apparent violation

- Resolution of real or apparent violations must be accomplished promptly, at the lowest possible command level.
- Resolution of a violation will be accomplished by using one or more of the following:
 - **Disqualification** from particular official actions.
 - **Limitations of duties** - reduction in the level of responsibility, i.e., from Contracting Officer to buyer.
 - **Divestiture** - relinquishment of financial involvement with a business organization.
 - **Transfer or reassignment.**
 - **Resignation.**
 - **Exemption under 18 U.S.C. 208(b)** - Financial interest is inconsequential and too remote to affect the integrity of an employee's services to the Government.
 - **Other appropriate action** provided by statute (law) or administrative procedure.

What are government standards of conduct?

In order to maintain the public confidence in the federal procurement process, it is necessary that government and contractor employees follow exemplary standards of conduct. There are numerous statutory and regulatory provisions that give guidance on the standards that are expected to be followed and prescribe stringent penalties for noncompliance. In this study guide and workbook, we discuss these standards in two broad categories:

- Those dealing with improper influence on government decisions and
- Those requiring honesty and disclosure of relevant facts in dealing with the government.

Why are standards of conduct so important in the government procurement process?

Government decisions in the procurement process must be objective in fact and appearance. Favoritism or other improper motives have no place in the award or administration of public contracts. Thus, the government has by statute and regulation prohibited activity that would improperly influence decision-making or would appear to do so. The following are some areas of concern:

- **Bribery:** To offer or give something of value to a government official or for a government official to solicit or receive something of value in return for preferential treatment. *Bribery is a criminal offense.*
- **Gratuities:** A crime when offered or given to a government official or when a government official solicits or receives a gratuity. To be categorized as a gratuity, the item being offered must be “something of value” and be presented with the “intent of corruption”. As a participant in the acquisition process, you must constantly keep yourself “on-guard” to improper actions or those that can be construed as such. Understand, be aware, and act within the guidelines we’ve discussed.
- **Gifts:** Gift includes any gratuity, favor, discount, entertainment, hospitality, loan, forbearance, or other item having monetary value. It includes services as well as gifts of training, transportation, local travel, lodgings and meals, whether provided in-kind by purchase of a ticket, payment in advance, or reimbursement after the expense has been incurred. It does not include:
 - Modest items of food and refreshments, such as soft drinks, coffee and donuts, offered other than as part of a meal;
 - Greeting cards and items with little intrinsic value, such as plaques, certificates, and trophies intended solely for presentation;
 - Loans from banks and other financial institutions on terms generally available to the public;

- Opportunities and benefits including favorable rates and commercial discounts available to the public or to a class consisting of all government employees or all uniformed personnel, whether or not restricted on the basis of geographic considerations;
- Rewards and prizes given to competitors in contests or events, including random drawings, open to the public unless the employee's entry into the contest is required as part of his official duties;
- Pension and other benefits resulting from continued participation in an employee welfare and benefits plan maintained by a former employer;
- Anything which is paid for by the government or secured by the government under government contract;
- Any gift accepted by the government under specific statutory authority;
- Anything for which market value is paid by the employee.

An employee shall not, directly or indirectly, solicit or accept a gift from a prohibited source based on the employee's official position. Notwithstanding any exception, employees shall not

- Accept a gift in return for being influenced in the performance of an official act;
- Solicit or coerce the offering of a gift; or
- Accept gifts from the same or different sources on a basis so frequent that a reasonable person would be led to believe the employee is using his office for private gain.

Gifts may be accepted in accordance with the below listed circumstances. Even though acceptance of a gift in accordance with one of these exceptions may be permitted it is never inappropriate and frequently prudent for an employee to decline a gift offered by the prohibited source or because of his official position.

- Gifts of \$20.00 or less. An employee may accept unsolicited gifts having an aggregate market value of \$20 or less per source per occasion, provided that the aggregate market value of individual gifts received from any one person shall not exceed \$50.00 in a calendar year.
- Gifts based on a personal relationship. An employee may accept a gift given under circumstances that make it clear that the gift is motivated by a family relationship or personal friendship rather than the position of the employee. Relevant factors in making such a determination include the history of the relationship and whether the family member or friend personally pays for the gift.
- Discounts and similar benefits
- Awards and honorary degrees
- Gifts based on outside business or employment relationships.
- Gifts in connection with political activities permitted by the Hatch Reform Amendments

- Widely attended gatherings and other events
- Social invitations from persons other than prohibited sources
- Meals, refreshments, and entertainment in foreign areas
- Gifts to the President or Vice President
- Gifts authorized by supplemental agency regulation
- Gifts accepted under specific statutory authority

Is there a standard imposed upon the contractors with whom we do business?

One of the most important requirements of the public contracting process is that contractors and subcontractors be honest in their dealings with governmental agencies and contractors. In federal contracting this requirement is supported via a number of criminal and civil statutes imposing a variety of penalties on contractors and others who do not comply with the minimum standards of disclosure and honesty. This includes false claims, false statements, conspiracy, noncompetitive practices, and collusive bidding.

Are there penalties for violating ethical standards of conduct?

In general, Air Force personnel may be subject to criminal penalties if they solicit, accept, or agree to accept anything of value in return for performing or refraining from performing an official act. For example, how do you perceive the following situation?

“Many companies have offered me box seat tickets to football games, health club memberships, travel on their corporate jet to meetings we both have to attend and to pay for our business lunches. There are no strings attached, so can I accept their offers?”

Air Force personnel and their immediate families must not: solicit, accept or agree to accept any gratuity for themselves, members of their families, or others, either directly or indirectly, from or for any source that’s engaged in or seeks business or financial relations of any sort with any DoD component or have interests that may be substantially affected by the performance or nonperformance of the official duties of DoD personnel.

Air Force personnel or their families who accept gratuities, no matter how innocently tendered and received, from those who have or seek business with DoD and from those whose business interests are affected by Department functions may:

- Be a source of embarrassment to the Department.
- Affect the objective judgment of DoD personnel involved.
- Impair public confidence in the integrity of the Government

What is the code of ethics for government service?

Any person in Government service should:

- Put loyalty to the highest moral principles and to country above loyalty to persons, party, or Government department.
- Uphold the Constitution, laws, and regulations of the United States and of all governments therein and never be a party to their evasion.
- Give a full day's labor for a full day's pay, giving earnest effort and best thought to the performance of duties.
- Seek to find and employ more efficient and economical ways of getting tasks accomplished.
- Never discriminate unfairly by dispensing of special favors or privileges to anyone, whether for remuneration or not; and never accept, for himself or herself or for family members, favors and benefits under circumstances which might be construed by reasonable persons as influencing the performance of governmental duties.
- Make no private promises of any kind binding upon the duties of office, since a Government employee has no private word, which can be binding on public duty.
- Never engage in any business with the Government, either directly or indirectly, which is inconsistent with the conscientious performance of governmental duties.
- Never use any information gained confidentially in the performance of government duties as a means for making private profit.
- Expose corruption wherever discovered.
- Uphold these principles, ever conscious that public office is a public trust.

NOTE: AIR FORCE PERSONNEL MAY SEEK ADDITIONAL CLARIFICATION OF THE ETHICS AND RELATED STATUTES FROM THE LEGAL OFFICE THAT SERVICES THEIR ORGANIZATIONS OR ACTIVITY. REMEMBER, IGNORANCE IS NEVER A VALID EXCUSE FOR WRONG DOING.

b. Identify principles of OMB Circular A-76.

In order to understand services acquisitions and the necessity for quality assurance, you must familiarize yourself with the policies and procedures that are inherent in the service contracting process. We will begin with the foundation of service contracting, Office of Management and Budget (OMB) Circular A-76. OMB Circular A-76 outlines the history of the quality assurance arena and discusses the responsibilities of key personnel in the acquisition process.

What is a Service Contract?

A service contract is defined by the Federal Acquisition Regulation as —one which directly engages a contractor’s time and effort whose primary purpose is to perform an identifiable task rather than furnish an end item of supply.” Air Force policy regarding service contracts states; —agencies shall use Performance Based Service Contracting methods to the maximum extent practicable.”

What is A-76?

OMB Circular A-76 helps the government to determine whether it is less expensive to obtain the essential services from a contractor or perform the work in-house. The primary reason for the current emphasis on A-76 studies is to reap cost savings that may be used to fund modernization.

A-76 prescribes the following three distinct concepts:

- **Achieve Economy and Enhance Productivity.** Competition enhances quality, economy, and productivity. Whenever commercial sector performance of a government operated commercial activity is permissible, comparison of the cost of contracting and the cost of in-house performance shall be performed to determine who will do the work.
- **Retains Government Functions In-House.** Certain functions are inherently governmental in nature, being so intimately related to the public interest as to mandate performance only by federal employees. These functions are not in competition with the commercial sector. Therefore, government employees shall perform these functions.
- **Rely on the Commercial Sector.** The federal government shall rely on commercially available sources to provide commercial products and services. In accordance with the provisions of OMB Circular A-76, the government shall not start or carry on any activity to provide a commercial product or service if the product or service can be procured more economically from a commercial source.

An A-76 cost comparison study always generates savings. The study assures the in-house workforce that an equitable process exists, so as to minimize adverse impacts on morale and continuity. The cost comparison is the process of developing a cost estimate for performance of a commercial activity by AF civilian employees and comparing it to the cost to the government for contract performance. The cost comparison process consists of the following six major components:

- The development of a Performance-Based Work Statement (PWS)/ Performance Requirements Documents and Performance Plan with an outline of the contract management.
- The performance of a management study to determine the government's most efficient organization (MEO);
- The development of an in-house government cost estimate;
- Issuance of the Request for Proposal (RFP) or Invitation for Bid (IFB);
- The comparison of the in-house bid against a proposed contract; and
- The administrative appeal process, which is designed to assure that all costs entered on the Cost Comparison Form (CCF) are fair, accurate and calculated in accordance with OMB Circular A-76. Cost comparisons should be completed within 18 months for a single activity or 36 months for multiple activities.

The Management Plan describes the government's Most Efficient Organization (MEO) and is the basis of the government's in-house cost estimates. The MEO is the government's in-house organization to perform a commercial activity. The management plan, which must reflect the scope of the Performance-Based Work Statement, should identify the organizational structures, staffing and operating procedures, equipment, transition and inspection plans necessary to ensure that the in-house activity is performed in an efficient and cost effective manner.

Under OMB Circular A-76 studies, a Steering Group is formed and is the responsibility of the wing manpower organization. This group's responsibilities are similar to those of a multi-functional team. If the cost comparison determines that the function under study should be contracted out, the A-76 steering group would be replaced by a multi-functional team to assume the administration of the service and follow-on requirements. During the solicitation, proposal evaluation and contract award portion of the acquisition cycle, a source selection team might be formed which would include members of the team along with other members as might be required. Remember, the multi-functional team is not a Source Selection Evaluation Team, nor do the multi-functional team activities substitute for formal acquisition planning. We will take a closer look at multi-functional teams in Unit 4 of this course.

Key Regulations and Manuals

The Federal Acquisition Regulation (FAR) is the basis for our regulatory guidance. The FAR was created from the Office of Federal Procurement Policy Act of 1974, as amended by Public Law 96-83 and other Federal policy letters and directives. Department of Defense (DoD), Air Force (AF), and Major Command's (MAJCOM's) supplements, provide specific guidance on each agency's policies and procedures. FAR 1.102 states that the Federal Acquisition System will satisfy the customer in terms of cost, quality and timeliness of the delivered product or service by maximizing the use of commercial products and services, using contractors with a successful past performance track record and by promoting competition. It also states that the Acquisition team consists of all participants in Government acquisition including the representatives of the technical, supply, and procurement communities, customers and contractors.

Other regulations and manuals used in conjunction with the QA Program are:

- **AFI 63-124, Performance Based Service Acquisition (PBSA)** – Empowers field personnel to tailor the acquisition to meet local conditions and support agile acquisition and procurement transformation.
- **AFI 63-501, AF Acquisition Quality Program** - Prescribes policy and assigns responsibilities for implementing effective Air Force quality assurance programs.
- **DoD 5500.7R, Joint Ethics Regulation** - Applicable to all AF personnel/employees (including QA Personnel). Explains standards of conduct relating to possible conflicts between private interests and official duties, regardless of assignment.
- **AFI 51-1101, AF Procurement Fraud Remedies Program** - Formalizes the AF commitment to prevent and eliminate fraud, waste, and abuse. Also covers contractual activities and personnel involved with writing, awarding, and administering government contracts.
- **AFPD 63-1, Capability-Based Acquisition System** - creates a context that allows the program manager to shape and execute a program with an emphasis on *teamwork, trust, common sense, and agility*. These four *pillars* are firmly founded on our people's skill, innovation, dedication, and will. This directive provides overall guidance to achieve a desired end state.

c. Identify general principles of contract law.

AIR FORCE CONTRACTING ORGANIZATION

Air Force Instruction (AFI) 38-101, Air Force Organization, outlines the organizational structure of Air Force units. It describes the —operational flow” of authority from the Executive Branch down to the Contracting Squadron. See figure 2-1 for a basic diagram of the Air Force Contracting organizational structure.

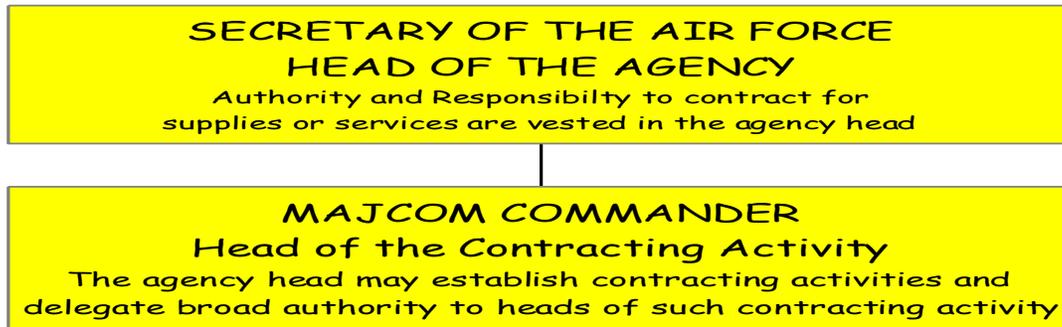
Where AFI 38-101 describes the *operational* flow of authority (mission accomplishment), the Federal Acquisition Regulation (FAR) outlines the flow of *functional* (acquisition) authority for contracting personnel. The personnel within these Contracting Squadrons are often referred to as performing —operational contracting” or —base level contracting” because they typically provide contracting support for the units on the base or installation where they are located.



(Figure 2-1)

FAR 1.6 states: —Unless specifically prohibited by another provision of law, authority and responsibility to contract for authorized supplies or services are vested in the agency head. The agency head may establish contracting activities and delegate broad authority to manage the agency’s contracting activities.” The Air Force FAR Supplement (AFFARS) defines the Air Force as an —agency” and the Secretary of the Air Force (SAF) as the agency head. To assist the Secretary of the Air Force in acquisition and contracting matters, there is an Assistant Secretary of the Air Force for Acquisition and a Deputy Assistant Secretary of the Air Force for Contracting.

The Secretary of the Air Force (agency head) established the Major Commands (MAJCOMs) as contracting activities. In turn, the MAJCOM Commanders are the *Heads of the Contracting Activity*. Figure 2-2 illustrates this flow of acquisition authority. Agency heads (and/or their designees) have the authority to appoint individuals to be Contracting Officers. These individuals within the Contracting Offices have the actual authority to sign government contracts. This will be discussed in more detail later in the unit.



(Figure 2-2)

CONTRACTING OFFICER

All contracting officers are selected based on certain criteria and by certain authority as directed by the FAR.

Selection and Appointment: FAR 1.603-2 states that ~~the~~ appointing official (Head of the Agency or his designee) shall consider the complexity and dollar value of the acquisitions to be assigned and the candidate's experience, training, education, business expertise, judgment, character, and reputation in selecting Contracting Officers." Examples of selection criteria include the following:

- Experience in Government contracting and administration, commercial purchasing, or related fields;
- Education or special training in business administration, law, accounting, engineering, or related fields;
- Knowledge of acquisition policies and procedures, including the FAR and other applicable regulations;
- Specialized knowledge in the particular assigned field of contracting; and
- Satisfactory completion of acquisition training courses.

Contracting Officers shall be appointed in writing on a Standard Form (SF) 1402, Certificate of Appointment. This Certificate of Appointment (commonly called a warrant) includes the individual's name, period of appointment, if any, and any limitations, such as dollar thresholds, placed on the Contracting Officer's authority. (FAR 1.603-3(a))

Termination of a Contracting Officer appointment will be by letter, unless the Certificate of Appointment contains other provisions for automatic termination. Terminations may be for reasons such as reassignment, termination of employment, or unsatisfactory performance. No termination shall operate retroactively (FAR 1.603-4).

Contracting Officer Authority and Responsibilities: The Contracting Officer (CO) is the key operational person in the Federal acquisition process. The fundamental authority and responsibilities of a CO, as summarized from FAR 1.602, are shown below.

Authority:

- Contracting officers may enter into, administer, or terminate contracts and make related determinations and findings.
- Contracting officers may bind the Government only to the extent of the authority delegated to them.
- Contracting officers shall receive, from the appointing authority, clear instructions in writing regarding the limits of their authority. Information on the limits of the contracting officers' authority is readily available to the public and agency personnel.
- No contract shall be entered into unless the contracting officer ensures that all requirements of law, executive orders, and all other applicable procedures have been met.

LAW OF AGENCY:

The law of agency has two types of authority: actual and apparent. See figure 2-3 below.

Authority	Description	
Actual	Actual authority is created by communications which flow from the principal to the agent. Actual authority falls within two categories: express and implied.	
	Express	Created by explicit language, written or oral, from the principal to the agent. The government expressly states the authority given to the contracting officer in a written warrant.
	Implied	Implied actual authority is necessary or incidental to carrying out express authority.
Apparent	Created by <i>perceived</i> communications or circumstances that flow from the principal (the government) to a third party (the contractor). The principal, negligently or intentionally, presents to the third party a reasonable illusion that an individual has <i>actual</i> authority. Before apparent authority can be considered legal, all three of these conditions must be proven: <ul style="list-style-type: none"> • The principal, not the agent, caused the illusion of authority. • The third party acted reasonably in relying on the authority. • The third party suffered some detriment due to this reliance. 	

(Figure 2-3)

Express and implied actual authorities are equally valid. Implied actual authority is exercised when a CO, having express authority to award a contract, negotiates terms and conditions prior to award. Even though negotiating is not expressly written in the CO's warrant, express authority to contract implies authority to negotiate. Implied actual authority also occurs when an agent (the CO) consistently performs in a manner that expands or interprets express authority and the principal (the government) fails to prohibit the conduct. The principal's tolerance of the conduct legally implies agreement that the agent has authority to act.

Express and implied actual authorities are necessary elements in government contracting. Apparent authority, on the other hand, is not. Apparent authority is the wing commander directing a contractor to perform grounds maintenance services at his on-base residence even though it is not covered in the contract. The wing commander's position and rank give the illusion that he/she has the authority to direct the contractor to perform. After all, they are in charge of the installation so they must have some contractual authority, right? Wrong! The wing commander is not a contracting officer; therefore, they do not have the authority to bind the government. In government contracting, the government emphasizes only a CO with express authority can bind the government. Despite this, contractors may still believe that commanders or other uniformed personnel have apparent authority to bind the government. As long as a contractor's reliance on a commander's illusion of authority is not reasonable, the government will not refund damages (detriment) suffered by the contractor.

d. Identify facts about unauthorized commitments.

The FAR defines an unauthorized commitment as, —...an agreement that is not binding solely because the Government representative who made it lacked the authority to enter into that agreement on behalf of the Government.”

Can an unauthorized commitment be corrected?

In some cases, unauthorized commitments can be rectified. Ratification is the act of approving an unauthorized commitment by an official who has the authority to do so. *Please note ratification is a corrective action, not a cure to the problem of unauthorized actions.* Be aware that only certain actions can be ratified. Those that cannot be ratified become the personal liability of the individual committing the act.

When can the ratifying authority ratify an unauthorized action?

The following circumstances **must** exist before the ratifying authority can ratify an unauthorized action:

- Supplies or services were received and accepted by the government, or the government has or will get a benefit from the unauthorized action.
- The ratifying official has the authority to enter into a contractual commitment.
- The resulting contract would otherwise have been proper if made by a warranted CO.
- The contracting officer reviewing the unauthorized commitment determines the price fair and reasonable.

- The contracting officer recommends payment and legal counsel concurs in the recommendation, unless agency procedures expressly do not require such concurrence.
- Funds are currently and were available at the time the unauthorized commitment was made.

Unless *all* of these conditions are met, unauthorized actions on the government's part will most likely result in the QA Personnel paying from their own pocket.

What is the ratification process?

The procedure for ratifying unauthorized acts is difficult, time consuming, and very embarrassing for the individual committing the unauthorized action. The following describes the basic procedures involved in ratifying an unauthorized action:

- ***Statement of Facts:*** The individual who committed the unauthorized act must prepare a statement of pertinent facts plus all relevant documents/records. The package must be reviewed and signed by the individual's commander and forwarded to the chief of the contracting office.
- ***Commander's Actions:*** The commander's request for ratification must include a statement of disciplinary action taken, if any, and steps taken to prevent any further occurrence.
- ***Contracting Officer Actions:*** The CO will: (1) review and determine adequacy of facts, records, and documentation; (2) prepare a statement of facts; (3) obtain review for legal sufficiency; and (4) state whether the price involved is fair and reasonable.
- ***Ratification Authority:*** After legal review, the file is forwarded to the ratification authority. The individual having ratification authority, usually the Wing, Vice Wing, or Numbered AF Commander, may ratify the action if it is in the best interest of the government.
 - ***If Approved:*** If the file is approved for ratification, it is returned to the CO who will prepare the necessary purchase documents for payment purposes.
 - ***If Not Approved:*** If the file is not approved, the CO will notify the contractor in writing of the Government's decision and the contractor is then free to seek reimbursement through courts or other available methods from the person who committed the act.

When considering ratification, the ratifying official views the best interest of the government as the primary consideration. The fact that the ratification may be getting a person out of trouble is not a consideration.

SAMPLE RATIFICATION FORMAT
Determination and Findings (D&F)
for Ratification Action

FINDINGS:

1. The _____ (*Your agency*) _____ proposes to issue a purchase/delivery/task order or contract to pay for descriptive title of supplies or services obtained accepted by individual name, unit/office symbol and address which will reflect a ratification action for the supplies (or) services provided by contractor name and address.
2. These supplies (or) services were obtained for the purpose of state bona fide Government need that was met. This was a valid Government requirement that existed at the time of the unauthorized commitment. Standard acquisition procedures could have been used for obtaining these supplies (or) services.
3. Briefly describe what happened to result in a need for ratification, including whether this was the result of an urgent or emergency need, or from a mistake of fact on the part of Government personnel.
4. The Government has/will obtain(ed) the benefit of having list supplies delivered or describe services performed.
5. The following invoice(s) has/have been submitted:

Invoice Number _____, dated _____ in the amount of \$ _____
Invoice Number _____, dated _____ in the amount of \$ _____
Invoice Number _____, dated _____ in the amount of \$ _____
6. The amount invoiced, \$ _____, is considered fair and reasonable and in the best interest of the Government since the prices are fill in the price reasonableness rationale for the supplies/services pricing.

DETERMINATION:

1. There is sufficient cause to support ratification of the amount invoiced by insert contract name here in that the firm acted in good faith and relied on the apparent authority of the officer or employee making the unauthorized commitment. The contractor also believed their actions to provide the description of supplies or services would be reimbursed by the organization of the individual who committed the unauthorized commitment.
2. The action resulting from ratification would have otherwise been proper, if made by a duly appointed Contracting Officer or Government-wide Purchase Cardholder.
3. It is recommended that the commitment be authorized and a purchase/delivery/task order or contract be issued to contractor name in the amount of \$ _____ in payment for list supplies delivered or describe services performed for individual name and unit/office symbol.

Contracting Officer Signature

Date

APPROVAL

Based on the foregoing, it is my determination that name of contractor is entitled to payment in the amount of \$ _____ for the product delivered/services performed in accordance with FAR 1.602-3(c). The Government has obtained a benefit resulting from this unauthorized commitment. It is further determined that award of this purchase/delivery/task order or contract would be in the Government's interest and, for the reasons stated in the preceding D&F, the recommendation is hereby approved.

Ratifying Official Signature

Date

e. Identify facts about the Freedom of Information Act.

I often get requests for information about the contract I'm responsible to survey. Is it ok to release this information?

This section is broken down into two topic areas:

- General information and
- Advance acquisition information

We will cover release of information pertaining to contract specifications, interpretations of contract terms and conditions, personnel/employees, advance acquisition data, and any other information pertaining to a contract, contractor, and employees of the government and the contractor. Since we can't cover all aspects of this broad topic, we believe it is important to make QA Personnel aware of how improper release of certain information to unauthorized persons can become embarrassing, damaging to the government, and in some cases illegal.

General Information

Representatives of the government, contractors, or other personnel may ask for information concerning a contract. They may also ask about the contractor, his employees, or other information related to a QA Personnel's work. In most cases, such requests are innocent and answerable. However, there are times when release of certain contractual information to unauthorized personnel can be prejudicial to the Government, or in extreme cases, illegal for release to certain people or activities.

Regardless of the circumstances, if QA Personnel are not sure about answering a question or releasing information, they should ask the contracting officer. **NEVER HESITATE TO ASK!**

Advance Acquisition Information

Government personnel are not authorized to release certain information about proposed acquisitions to anyone who does not have proper authorization to have it. In advance acquisition planning, we cannot discuss or release information concerning specific topics of the acquisition to anyone without a valid "need to know".

Many of the rules regarding what is and what is not releasable have changed considerably with the FAR Part 15 rewrite, AFI 63-124 and case law surrounding the Freedom of Information Act (FOIA). Many items once considered off-limits are now shared freely with contractors as part of the pre-solicitation phase, market research and debriefing.

Discuss this issue with your CO to get further guidance. Any information falling within any of these areas can be released ONLY at the direction of the CO. Some key points to remember are:

- Information cannot be provided to one contractor that is not provided or available to all prospective contractors.
- One contractor cannot be given information in advance of other contractors.
- Do not give information to one contractor that will provide him any advantage over another current or prospective contractor.

When asked for any information that might fall into any of these questionable categories, direct the contractor to the CO or base FOIA monitor. Do not take any chances - always send the inquiry to the contracting officer.

What is the Freedom of Information Act?

The Freedom of Information Act specifies how federal agencies will make their records available for public review (upon request), sets time standards for compliance actions, and details those records that are exempt from public disclosure.

An AF service contract is a public document. The reports that a contractor must submit in compliance with the terms and conditions of a service contract are likewise public documents with certain exceptions. Some of the types of things exempted are:

- Classified information
- Source Selection information
- Trade secrets and confidential commercial or financial information (sometimes referred to as proprietary information)
- Interagency or intra-agency memoranda or correspondence
- Personal and medical information pertaining to an individual

If a contractor requests information under the provisions of FOIA, immediately refer him to the CO or base FOIA monitor. The key word is “immediately.” The FOIA monitor will establish suspense, not to exceed 20 calendar days, for each request. See DOD 5400.7-R, DoD Freedom of Information Act Program, for further guidance.

REMEMBER: IT'S NOT YOUR JOB TO DETERMINE IF INFORMATION IS RELEASABLE - ALWAYS REFER INQUIRIES TO THE CONTRACTING OFFICER OR YOUR BASE FOIA MONITOR.

NOTES

UNIT 3. Performance-Based Services Acquisition (PBSA)

OBJECTIVES

- a. Identify basic facts and terms about the philosophy of Performance-Based Services Acquisition (PBSA).
- b. Identify the application of AFI 63-124 and PBSA.
- c. Identify roles and responsibilities of key management duties.
- d. Identify facts about the concepts of partnering.

3a. Identify basic facts and terms about the philosophy of Performance-Based Services Acquisition (PBSA).
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Why change the philosophy of Service Contracting?

When acquiring services in the past, the functional user often developed the requirement and then handed it over to contracting to develop the contract structure. Contracting then passed it on to Quality Assurance Personnel to develop a surveillance plan. In most cases, the performance work statement was “task oriented”, outlining each and every step the contractor would be required to accomplish to perform a task. The government was too restrictive in specifying how service contracts and quality assurance evaluation programs had to be structured. This approach was inefficient for many reasons, including:

- Many of the tasks were unnecessary, leading to higher costs
- The government didn't always get the desired outcome,
- The government couldn't hold a contractor accountable when we didn't get the desired results; and
- The government couldn't take advantage of commercial processes.

AFI 63-124 changed the philosophy and process of how we acquire and manage service acquisitions. This change occurred as a result of several factors in addition to those cited below:

- Instituting acquisition reform principles as required by law;
- Implementing commercial practices and standards;
- Performance assessment vs. surveillance;
- Contract Management upon contract award;

- Continual cuts in funding;
- Increased outsourcing of base support, infrastructure and base services; and
- Each acquisition is unique, and the acquisition strategy should capture the critical element the service contributes to mission support.

History of Quality Assurance

The average military base operates and has requirements similar to those of a small town. It provides base populous services such as police protection, refuse collection, utilities, grocery and restaurant facilities, and custodial and maintenance services. The services are provided and controlled by in-house manpower or the contracting process. In today's environment of reduced budgets and manpower, it is vital for the government to contract for as many of these services as is practical and affordable. The contracting and administration of service contracts has come a long way in the last twenty years. We've gone from the mind-set of limited administration and inspection to the very detailed Quality Assurance program of present.

The extent of the contract administration of many of these earlier service contracts was generally limited to the "complaint" or "spot check method." In these instances, administrators spent their time reacting to user complaints or, when they had time to, spot checks; normally, just prior to processing monthly invoices.

- **1990's...** In November 1994, AFMAN 64-108 replaced AFR 70-9 and AFR400-28. AFMAN 64-108 made changes to the way the government accomplished surveillance of the contractor along with other minor changes in the Quality Assurance Program. AFI 63-504 was added in April 1996 and gave guidance on QAE training and manning.
- **AFI 63-124 replaced AFMAN 64-108 and AFI 63-504 in April 1999.**
- **2000's...** *PBSA has redirected how the government evaluates a contractor's performance. The focus is now defining the critical objectives to mission support for each acquisition, and develop a strategy that ensures mission success. The focus of the acquisition is no longer a single member of the acquisition team; the focus is the multi-functional team members working together to ensure performance is a success. This includes ensuring the service is performed as defined by the contractor, evaluating opportunities for improvement (efficiency, increased customer satisfaction), and ensuring the acquisition strategy is revised to reflect changing objectives.*

The quality assurance program has come a long way. Learning from our mistakes, we have managed to attain a level of "assurance" that is both reliable and workable, if properly understood by those involved.

What are the major principles in AFI 63-124?

Performance-Based Services Acquisition is the structuring of all aspects of an acquisition around the purpose of the work to be performed with the contract requirements set forth in clear, specific and objective terms with measurable outcomes as opposed to either the manner by which the work is to be performed or broad and imprecise statements of work. PBSA is developed and implemented by a multi-functional team of stakeholders. This team is responsible for planning the acquisition and remains responsible for assessing contractor performance and managing the contract throughout the life of the requirement. PBSA consists of:

- An acquisition strategy that develops performance-based requirements that align and track mission objectives complemented by a contract methodology that optimizes and drives performance,
- Market research that demonstrates reliance on the commercial marketplace for its capabilities, innovations, technologies, and competitive forces in meeting an agency need,
- A Performance-Based Work Statement (PWS) that defines the requirements in terms of results rather than the method of performing the work.

Performance-Based Services Acquisition structures an acquisition around —**what**” is required as opposed to —**how**” the contractor should perform the work. Specifically, PBSA incorporates the following acquisition philosophies:

- **Provide flexibility:** PBSA allows the acquisition team to use good business judgment in making acquisition decisions and developing acquisition strategy. It allows the flexibility to do what makes sense.
- **Promote Acquisition Reform Principles:** Due to this flexibility, new acquisition reform initiatives can rapidly be implemented into acquisitions. Interacting with industry, doing market research and being creative and innovative also stimulate the probability of initiating new acquisition reform ideas and principles.
- **Encourage Commercial Practices:** PBSA emphasizes the statutory order of precedence for use of commercial standards and practices when available.
- **Promote Business Process Improvements:** PBSA allows for developing better business practices (faster, cheaper, better), encourages contracting’s role as a key business advisor and promotes open communication within the government as well as with industry.
- **Promote Team Approach:** FAR Part 1.102-3 and Part 4, Acquisition Team, states, —**Teamwork**, unity of purpose and open communication in sharing the vision and achieving the goal is encouraged.” In concert with the FAR, AFI 63-124 establishes the structure for promoting teamwork and open communication within the government and with industry. It provides guidelines and responsibilities of a multi-functional team to manage the acquisition throughout the lifecycle. All affected stakeholders, including the contractor, must now work as a team over the lifetime of the requirement.

- **Requires Market Research – Critical to Success:** Some form of market research must be conducted for every acquisition. The foundation of AFI 63-124 is based on market research and procuring services in a manner that is as similar to industry as possible. First, market research is conducted to determine whether a requirement meets the definition of a commercial item or service. Secondly, the team must determine how the commercial world does business and identify standard commercial practices. Market research occurs throughout the life of the acquisition. The Air Force must understand the market to develop the correct strategy.

How is this different than what we've done in the past?

In the past, we have written many of our contracts by describing the processes the contractor must use instead of focusing only on the end results. The new emphasis is describing our requirements in terms of the end result, not in terms of the process or how to accomplish the requirements. By describing our requirements in terms of the outcome desired, it is then up to the contractor to determine the most efficient approach that will allow for use of commercial practices and management innovation. **It is important to note that moving from telling the contractor “how to” do something to purely “performance based” is a continuum.** There may be a valid need, under some circumstances, to include some —howto” language in the Performance Work Statement (PWS). In some instances, there may be some mandatory interfaces with unique AF systems or processes that drive us to specify how the contractor interacts with those areas. However, the goal is to move to as far right on the continuum as possible.

We now have to expand into contract management. AFI 63-124 requires the use of a performance plan to implement and manage an acquisition strategy. The performance plan must cover the following:

- The objective in having the service provided
- The results the multi-functional team is striving to achieve in managing the acquisition
- The multi-functional team members, and how the roles and responsibilities are distributed among the team members
- The approach, methods and tools they will use to assess the contractor
- The approach, methods and tools the multi-functional team will use to manage the acquisition upon award.

Oversight vs. Insight

In the area of quality assurance (QA) we are making a shift from oversight to insight. Since new service contract requirements will be outcome-based, we can switch our focus to whether the standards (desired end results) are met, versus evaluating if each individual task is performed. QA is built into the program from the start and should focus on verifying the contractor's quality control (QC) documentation where possible instead of duplicating the contractor's program.

A major benefit to this approach is that it allows us to reduce quality assurance manning and focus our efforts where we can reap maximum results—a key benefit in this era of continued “rightsizing” and budget cuts. In an effort to achieve our desired results, the following areas should be considered:

- Contractor’s quality control system
- Partnering with the contractor
- Contractor metrics or metrics developed jointly between the government and contractor may be used to tap into the contractor’s quality control system. This gives us the “insight” we need to make sure our requirements are being met.
- Focusing on whether we get the desired results, not how the contractor gets there

Do not expect that all acquisitions will be able to move through the continuum from oversight to insight at the same rate. The goal is to go as far to the right as possible based on the specifics of the acquisition. In some instances we may need to have a certain level of what we call “oversight”.

PBSA applies to the acquisition life cycle making it *a continuous business process* throughout the life of the requirement. In the past, different organizations worked on new or follow-on acquisitions at various times based on their areas of expertise. The calendar of events went something like this:

- One group defined the requirement,
- Another group built the solicitation, evaluated proposals, and awarded the contract,
- Lastly, another group managed the contract.

We tended to let the contract take its course until a follow-on contract was required. This approach was ineffective. Instead, to achieve good acquisition development we must continually look at our current contractor’s performance, our changing environment (government and industry) and adjust our goals, strategies and management techniques. Adjustments must be made, performance measures may need to be changed and market research must be continuous in order for the team to stay abreast of the latest issues.

How do we accomplish this continuous business process?

We accomplish this by concentrating on all aspects of the acquisition life cycle. There are several key areas that must be addressed including:

- ***Strategic Sourcing/Market Research***: Wing management is responsible for accomplishing strategic sourcing by becoming aware of commercial business activities that could reap economies of scale, help manage risk and induce continuous improvement. AFI 63-124 requires some type of market research be conducted as part of a performance based service acquisition. The results of these actions will carry forward into our business and acquisition strategies.

- ***Refine Wing Business Strategy:*** Wing business strategy and goals must continuously be refined based on results of strategic sourcing, market research, mission needs and requirements.
- ***Incorporate Acquisition Life Cycle Into Acquisition Strategies:*** Acquisition strategies should support wing goals and be tailored to the specific requirement. For example, the RFP should be tailored to reflect industry practices, format, terms and conditions, warranties, and requirements documents. One of the biggest challenges in writing the requirements document is reflecting those practices found in the commercial marketplace.
- ***Implement Performance Management Techniques:*** AFI 63-124 highlights the shift from oversight to insight. Under PBSA, instead of the government inspecting the quality of every task, we must shift our focus to outcomes and shift the responsibility for quality control to the contractor. AFI 63-124 also introduces the concept of the Centralized Performance Management Office (CPMO) where all quality assurance personnel work together in a centralized office.

What are the 7 simple steps to Performance-Based Services Acquisitions?

In an attempt to make PBSA accessible and logical for all and to shift the paradigm from traditional —“acquisition think” into one of collaborative, performance-oriented teamwork, the following seven steps were created. These simple steps will help the team focus on program performance, improvement and innovation rather than only contract compliance. The seven steps are:

- Establish the Team
- Describe the Problem
- Examine Private-Sector and Public-Sector Solutions
- Develop a PWS/SOO
- Decide how to Measure and Manage Performance
- Select the Right Contractor
- Manage Performance

Establish the Team: Establishing an integrated solutions team involving all of the stakeholders from the customer to the contractor lays the groundwork for PBSA. You must ensure that you have senior management involvement and support. —Tuff wars can become an issue unless you have strong senior management support and a shared vision. Also, the team members should be the best in their career fields. It is important to tap into the multi-disciplinary expertise of each of the members to accomplish the goal. After the team is established, the roles and responsibilities of each member and the rules of conduct must be discussed and agreed upon. Taking care of this early in the process will help facilitate a better working relationship. To ensure buy-in and participation from all members, you must empower them. Allowing the members to make decisions within their area of responsibility will help the teamwork together.

It is also important to identify stakeholders and determine what the nature of their interests, objectives and possible objections are. Stakeholders should be consulted and at times may participate on the team.

Describe What Problem Needs Solving: This step involves linking the acquisition to mission and performance objectives. The most effective foundation for an acquisition is the intended effect on the contract in supporting and improving the mission. Once you have linked the acquisition to the mission needs, you must turn your thoughts to what the desired results or outcomes are. Ask the question “What is the ultimate intended result of the contract and how does it relate to the agency’s strategic plan?”. The answers to this question need to be captured in the PWS that is created later. Just as important as determining the desired results, is to determine what constitutes success. Two distinct questions will help you determine success: Where do I want to go, and how will I know when I get there? Lastly, you must determine the current level of performance. This will assist you in establishing a baseline against which future performance can be measured.

Examine Private-Sector and Public-Sector Solutions: This step obviously involves market research. The best approach to this market research is to involve the whole team. Stay away from the technical staff conducting market research about marketplace offerings and contracting conducting market research on industry practices. Sharing in the research between the whole team will enable everyone to understand the big picture. The team needs to spend time learning from public-sector counterparts and learn from their processes. It is also important to talk to private-sector companies before structuring the acquisition. The real key is to begin market research before a procurement is underway. This can be done by issuing “sources sought” notices on Fedbizops.gov, conducting “Industry Days” or just by picking up the phone and calling a private-sector company representative. Another effective way of conversing with the industry is to consider having one-on-one meetings with them. FAR 15.201 states that the rules are different if you hold meetings with industry before a solicitation or PWS is drafted. FAR 10 requires the team to access the Interagency Contract Directory as part of market research. This is a website set up to facilitate the location of available contracts. The website address is:

https://ezquery.patrick.af.mil/Login.asp?QueryString=&ret_page=%2FDefault%2Easp.

FAR 10 also requires that a market research report be placed in the contract file upon completion of market research.

Develop PWS/SOO: The fourth step to Performance-Based Services Acquisition is the development of your service acquisition specification. The development of the PWS will be covered in more detail in Unit 7.

Decide How to Measure and Manage Performance: Developing an approach to measuring and managing performance is a complex process. It establishes the strategy of managing the contract to achieve planned performance objectives. In this step, you need to review the success determinants; building upon Step 2 where we determined what constitutes success. Rather than inventing metrics or quality standards, the team should use existing commercial quality standards. These quality standards can be incorporated into the evaluation and selection criteria.

One approach to this step is to have the contractor propose the metrics and the quality assurance plan. Whether the measures are developed by the contractor or by the team, it is important to limit the measures to those that are truly important and directly tied to the objectives. The team needs to reserve the right to change the metrics and measures. This requires that the contractual documents include provisions to allow this. At this point, you need to consider the type of contract and whether there will be any incentives offered. One type of incentive is —Award Term”. This incentive ties the length of a contract’s term to the performance of the contractor. Most importantly, the multi-functional team needs to rely less on management by contract and more on management by relationship. Keeping up a close working relationship with the contractor will help throughout the life of the contract.

Select the Right Contractor: Developing an acquisition strategy that will lead to the selection of the —right” contractor is especially important in PBSA. The first key to this step is to structure the acquisition so that the government describes the problem and the vendors compete by proposing solutions. The team needs to use down selection and —due diligence” when selecting the contractor. Evaluating the proposals from contractors is a substantial job in itself. The team needs to consider some sort of down selection so that only those contractors with a significant likelihood of winning the award will go through the expense of developing proposals. Use oral presentations and other opportunities to communicate as a streamlining tool in your acquisition. Oral presentations provide —face time”, permitting the team to assess prospective contractors. Another way to ensure you are selecting the right contractor is to use past performance in your evaluation factors and to consider the best value, rather than low cost.

Manage Performance: The final step is the most important. To be successful in PBSA, you must keep at least the core of the team together. Keep in mind that roles and responsibilities of the members may need to be readjusted after contract award. To ensure a win-win environment and active participation of the contractor as part of the team, you should hold a —kick-off” meeting as shortly after award as possible. After the contract is in place, it is important to regularly review performance in a Contract Performance Improvement Working Group. It is important in this working group to ask the right questions and keep the focus of the meetings on improving performance, not evaluating people. Last, but certainly not least, you need to ensure that the contractor’s past performance is reported. This will give other agencies an indication of how well this particular contractor performs.

The “ins and outs” of PBSA can be overwhelming to an unsuspecting soul. Using the above seven simple steps will help put PBSA into perspective and make it logical for all involved. Various government agencies partnered together to assemble a document on the Internet that explains the seven steps even further. This document can be accessed on the website listed in the bibliography.

3b. Identify the application of AFI 63-124 and PBSA.

Does AFI 63-124 supersede previous regulatory guidance?

Yes. AFI 63-124 replaced AFM 64-108, “Service Contracts” and AFI 63-504, “Quality Assurance Evaluator Program.” Both of these manuals mandated very strict approaches to service contracting and the quality assurance evaluator program while embodying the “oversight” philosophy.

Under AFI 63-124, the Air Force recognizes that each acquisition is unique and may require a different approach. AFI 63-124 gives us the leeway to explore the right approach given the circumstances of a particular acquisition. Figure 3-1 below shows that this applies to the whole acquisition life-cycle.

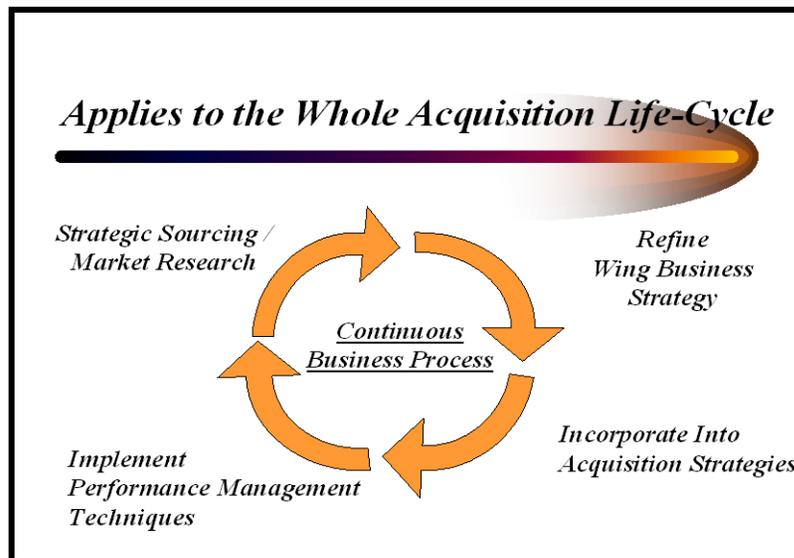


Figure 3-1

When does AFI 63-124 apply?

AFI 63-124 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), with exceptions as 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 the AFI in a manner that would restrict the acquisition flexibilities.

Acquisitions exempted from the requirements of AFI 63-124 include the following:

- Architect-engineer services acquired in accordance with 40 U.S.C. 541-544 (see FAR Part 36),
- Construction (see FAR Part 36),
- Utility Services (see FAR Part 41),
- Services that are incidental to supply purchases.

Does that mean PBSA concepts cannot be applied to those exempted contracts?

No. Even if a requirement is exempt, the goal is to follow or apply the principles of this instruction to the maximum extent practicable.

What is the approval process if an acquisition purchased through DoD is not performance based?

In accordance with AFFARS 5337.170-2(b), the Services Designated Official (SDO) is responsible for approving any services acquisition that is not performance based. The purchase request shall contain the following statement:

“LAW 10 USC 2330, the Services Designated Official has approved the attached non-performance-based work statement and performance plan. Any contract or task order/delivery order resulting from this request is to be acquired using performance-based principles to the maximum extent practical.”

In accordance with 5337-503-90(d), HCAs or designees are the designated officials and are responsible for acquisitions with a total value of \$100 million or less and A-76 studies with less than 300 Full Time Equivalent (FTEs).

3c. Identify roles and responsibilities of key management duties.

Even though each group presented in Figure 3-2 below has its own specific responsibilities, the decisions and outcomes of each group affect the other. One group cannot work in isolation of the other and be effective in accomplishing the desired outcomes. Those outcomes include developing the wing business strategy, acquisition strategies and performance management criteria. AFI 63-124 provides the following guidelines for the roles and responsibilities of key management positions.

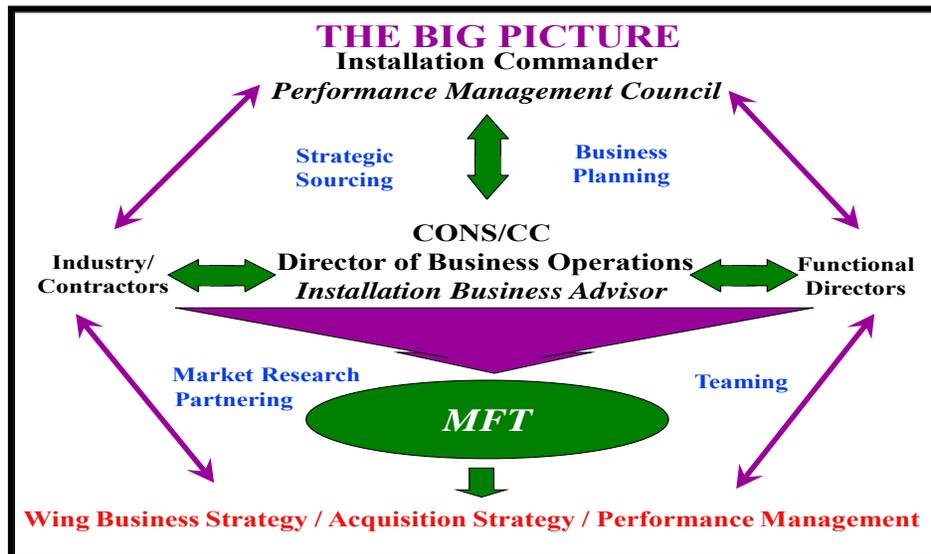


Figure 3-2

What are the roles and responsibilities of SAF/AQCP?

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

What are the roles and responsibilities of Air Force Program Executive Officers (AFPEOs)?

The AFPEO is responsible for the management and oversight of service acquisitions within their portfolio.

What are the roles and responsibilities of MAJCOM Contracting Leadership?

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 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.

What are the roles and responsibilities of 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:

- 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.
- 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.
- Developing, implementing and executing a performance-based Performance Management Assessment Program that satisfies mission requirements, fosters innovation, and includes defined metrics.
- Ensuring performance management focuses on risk management, cost, and schedule and performance baselines.

What are the roles and responsibilities of the 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)?

- Serving as Business Advisor to senior leadership.
- 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.
- 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).

What are the roles and responsibilities of the Business Advisor?

The Business Advisor is not a separate heading under AFI 63-124 but is listed as a responsibility of the 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). The importance of the role of the Business Advisor has been recognized at the highest levels of contracting. Since contracting operates in a continually changing environment and we serve many customers, the need for a business advisor is paramount. Contracting must take the lead in interfacing with industry (strategic sourcing/ market research/ partnering), bringing new business approaches to the attention of functional and installation commanders and acting as a sounding board and center of expertise in adapting and executing new tools.

The Business Advisor fulfills this key role by:

- Generating and advocating business options to assist the installation commander and functional commanders in developing business strategies,
- Advocating and implementing acquisition reform initiatives,
- Conducting business more efficiently while meeting the customer's needs, and
- Changing the way the government works with contractors and industry to foster teamwork.

Some recommended responsibilities of the business advisor are:

- Advocating and assisting in the performance of strategic sourcing,
- Taking a proactive approach to market research,
- Venturing out - helping customers - extending boundaries,
- Becoming an expert on existing tools as well as adapting and using new tools,
- Teaming and partnering with contractors and establishing performance parameters, and
- Sharing smart business processes and practices.

What are the roles and responsibilities of the Contracting Officer (CO)?

The primary role of the contracting officer is to safeguard the interests of the United States in all contractual matters. The CO is the only person authorized to bind the Government and only to the extent of the authority delegated to him/her through the issuance of a warrant. Contracting officers are charged with ensuring that contractors receive impartial, fair and equitable treatment.

Contracting officers are also responsible for providing contracting policy and guidance after considering the advice of specialists in audit, law, engineering, finance, small business and other fields as appropriate. The CO ensures that all requirements of law, executive orders, regulations and other applicable procedures including clearances and approvals have been met for each acquisition.

The responsibilities of the CO include:

- Delegating authority for inspection and/or acceptance in accordance with terms of the contract; and
- Informing the contractor of the names, duties and limitations of authority for all QA personnel assigned to the contract.
- Advises the multi-functional team on performance plan development.
- Manages the listing of QA personnel (QAP) assigned to the contract, indicating their areas of responsibilities and limitation of authority, and ensures that the contractor is notified of such.
- Multi-functional team advisor for developing incentives/remedies as appropriate tied to performance objectives and performance thresholds.
- Maintains in the contract file documentation of training provided by contracting personnel and/or QAPC identified herein.

What are the role and responsibilities of the Functional Commander or Functional Director (FC/FD)?

AFI 63-124 did not change the main responsibilities of the FC/FD and did not intend to indicate a difference in responsibilities from the Functional Area Chief (FAC) as defined in AFMAN 64-108. The FAC was a generic term used by the contracting community to indicate the position that had mission responsibility for the requirement. The level of that position was a squadron commander in the Wing structure or a director at headquarters or AFMC organizations. FC/FD encompasses both.

The FC/FD must satisfy mission needs and requirements. In order to do so, the FD/FC must interface with the contracting squadron to ensure the government receives quality performance from contractors and mission requirements are met. The FC/FD also interacts with the installation commander to ensure mission needs and requirements are integrated into installation business goals and current, near and long-term strategic business plans.

- Identifying mission essential services, to include developing the necessary documents in accordance with DoDI 3020.37, *Continuation of Essential DoD Contractor Services During Crisis*.
- Assigning primary and alternate Quality Assurance (QA) personnel.
- Reviewing contractor performance documentation, prepared by Quality Assurance personnel

What are the roles and responsibilities of Quality Assurance Personnel?

Quality Assurance Personnel is a term that was developed to encompass both Quality Assurance Evaluators (QAEs) and Quality Assurance Specialists (QASs). The determination of whether QAEs or QASs will be used to surveil a particular contract is based upon the requirement and personnel resources needed and available to do quality assurance. For the purposes of this course, QA Personnel will be used to indicate both.

Quality Assurance Personnel ensure that quality assurance requirements are applied on contracts per FAR Parts 12 and 46 and DFAR Part 246. They provide quality assurance guidance and ensure contract quality requirements; provisions, standards and thresholds are defined, practical, enforceable, necessary and verifiable.

Quality Assurance Personnel are assigned from various functional areas. A primary and alternate QA Personnel should be assigned unless another QA organization or method is used to satisfy surveillance requirements (Centralized Performance Management Office/Quality Assurance office). Quality Assurance Personnel duties take precedence over all other duties. QA Personnel must be appointed and trained prior to assuming QA responsibilities which include:

- Evaluating and documenting a contractor's performance in accordance with the a Performance Plan (PP)
- Notifying the CO of any significant performance deficiencies
- Maintaining surveillance documentation
- Recommending improvements to the PP and PWS throughout the life of the contract
- Participating as a member of the multi-functional team. This will contribute to the primary areas of developing quality requirements and evaluating contractor's proposed approaches.

What are the roles and responsibilities of the Quality Assurance Program Coordinator (QAPC)?

The Quality Assurance Program Coordinator is a coordinator for the FC/FD and is responsible for providing training to QA Personnel as well as the FC/FD. The QAPC will be discussed further in Chapter 10.

What are the roles and responsibilities of the Acquisition Center of Excellence for Services?

Mission: Acquisition Center of Excellence for Services fosters an agile acquisition by providing a premier source for services information to both the public and private sector acquisition community to promote knowledge sharing and excellence in making smart business decisions.

Vision: To establish an online resource center for services best practices that will evolve in to a knowledge management repository for best practices. The center will include areas for best practices, e-tools, policy and guidance, as well as education and training opportunities. The center will expand to include the ability to provide virtual experts to assist the acquisition community in planning, soliciting, evaluating, awarding, and managing service contracts. This center will also complement and enhance the Services Course under development by the Defense Acquisition University (DAU) and Federal Acquisition Institute (FAI) partnership-led interagency development team.

Benefit/Value of the Site: Offers a collaborative structure that has proven to be extremely effective in the creation and transfer of knowledge within and between organizations, and provides value to organizations in the following ways:

- Provides a one stop resource information center for new/more junior employees and senior/more experienced practitioners
- Facilitates the building of services knowledge
- Facilitates the rapid identification of individuals with specific knowledge or skills
- Fosters a collaborative knowledge sharing across organizational boundaries (—boundary spanning—)

- Promotes and facilitates the capture and re-use of existing knowledge assets within the acquisition community

More information on Acquisition Center of Excellence for Services can be found at the following website:

<https://acc.dau.mil/ace>

What is a Centralized Performance Management Office (CPMO) and who has the authority to form a CPMO?

The CPMO is a centralized quality assurance office. The formation of a CPMO is optional. The installation commander has the authority to form a Centralized Performance Management Office instead of using QA Personnel from the functional area to perform surveillance of contractor performance. This office handles all service contract quality assurance issues for the installation whether it is for a large base operating support requirement or a single function. The CPMO has performance management responsibilities and is still required to have a Quality Assurance Program Coordinator and follow the performance plan. CPMO members will:

- Conduct inspections as required
- Receive customer complaints whether by phone, fax or e-mail
- Review contractor-developed metrics

3d. Identify facts about the concepts of partnering.

What is partnering?

Partnering/teaming is an attitude that defines a relationship of teamwork, cooperation and good faith performance to meet mission objectives. Government and industry must work together, communicate their expectations, agree on common goals and methods of performance and identify problems early on. Partnering promotes a team-based approach to issue identification and problem resolution and focuses on the ultimate goal of how to most effectively accomplish the wing's mission.

Partnering/teaming is the creation of a government-contractor relationship that promotes achievement of mutually beneficial goals. It involves an agreement in principle to share the risks involved in completing a project and to establish and promote a nurturing partnership environment. Partnering is not a contractual agreement, nor does it create any legally enforceable rights or duties; it seeks to create a new cooperative attitude in completing government contracts.

In order to create the attitude, each partner must seek to understand the goals, objectives and needs of the other—their “win-win” situation—and seek ways that these objectives can overlap.

What are the benefits of partnering/teaming?

The benefits of a partnering relationship include:

- **Establishing mutual goals and objectives.** The “us-versus them” mentality that has been around in the government for years is outdated and seldom leads to the best possible mission support. Looking for common ground in mutual goals and objectives while achieving the mission is key.
- **Building trust and encouraging open communication.** At the beginning of contract performance the government and contractor team must establish communication to promote openness, trust and efficient contract administration.
- **Enabling parties to anticipate and resolve problems.** Increased communication on various aspects of the mission eliminates the sudden surprises that sometimes occur with changes to the contract. Better planning can occur to anticipate potential changes in contract scope, ultimately reducing the cost of contract modifications.
- **Reducing the time and cost of contract performance.** By establishing open communication as the guiding principle, issues are brought to the forefront more often. This eliminates the need for costly contract modifications that are associated with an unanticipated increase in requirements over time.
- **Avoiding disputes through informal conflict management procedures.** A mutual understanding of the desired performance up-front should reduce or even eliminate disputes.
- **Avoiding litigation through the use of Alternative Dispute Resolution (ADR).** There are many different types of ADR, including arbitration, mediation, fact-finding and summary trials. While it is not necessary to go into the differences among these various forms of ADR, it is important to understand is that when it works well, ADR offers a quick, efficient resolution to a dispute.

Roles in partnering/teaming

Contractor - Under PBSA, the contractor assumes the principal quality assurance role. PBSA increases the use of contractor self-governance in lieu of government oversight processes. It is incumbent upon the contractor to propose ways to accomplish the mission more effectively and efficiently from both a cost and performance standpoint.

Government - The government's role is not one of oversight but insight through the use of contractor-generated quality control metrics. The government evaluates contractor performance and shares this information with the contractor for use, not only in future government source selections, but also as a vehicle for contractor self-improvement. The contractor should have ample opportunity to comment on the government evaluation before it is finalized.

What are some issues surrounding partnering agreements?

While partnering is certainly the appropriate approach for many acquisitions, it is not mandatory, nor is it suitable for every difficult situation. Partnering is a two-way street that is successful only with the total commitment of both parties. A partnering agreement does not constitute a waiver of either party's contractual rights and obligations, nor can it be inconsistent with any acquisition related statute or regulation or be contrary to the government's business interests.

Partnering may be informal or formal; Informal partnering agreements are preferred. In a formal partnering agreement, a written agreement is signed by both parties and is appropriate for use in requirements where there historically have been problems and/or there are complexities or uncertainties that would make a written agreement desirable.

The following is an example of how partnering language may be used in your Performance-Based Work Statement under the heading of "General Information."

PARTNERING AGREEMENT: The contracting officer may require a partnering agreement between the government and the contractor to ensure joint cooperation and a sound partnership of all parties involved in the execution of this contract. Partnering is the creation of a government-contractor relationship that promotes achievement of mutually beneficial goals. It involves an agreement, in principle, to share the risks involved in completing the project and to establish and promote a nurturing partnership environment. Representatives from each organization are encouraged to participate in developing the partnering agreement. Suggested representation is the civil engineer manager, government inspector, government contract administrator, the contractor's manager and the contractor's quality control person. All costs for the partnership agreement should be shared equally between the government and contractor. This group is responsible for developing a formal partnering agreement that should be signed by all parties involved. The agreement should contain as a minimum: specific goals to be reached, a list of objectives to reach those goals, a set of metrics to evaluate the objectives, frequency for meetings to review the metrics, and a statement of cooperation to execute the terms of the agreement. (NOTE: INSTALLATIONS MAY WANT TO REQUIRE AN INDEPENDENT MEDIATOR.)

In summary, engage in joint problem solving with your contract partner and contracting officer. Develop a positive attitude, avoid blame or surprises, seek mutual accountability for problem resolution and embrace change. Bottom line: working together with our contract partners will reduce costs and improve contract performance.

Where can I obtain additional information on partnering?

One resource is the AT & L Knowledge Sharing System (AKSS) website, found on the Defense Acquisition University homepage. That address is <https://acc.dau.mil/communitybrowser.aspx?id=21749>

Another resource is —Partnering for Success - A Blueprint for Promoting Government-Industry Communication and Teamwork,” a publication by the U.S. Army Material Command/AMCCC, Alexandria VA.

Unit 3 REVIEW QUESTIONS

INSTRUCTIONS FOR QUESTIONS 1 through 14: Determine the correct answer by matching the letter in column two with the question in column one. The letter response can be used once, more than once, or not at all.

COLUMN ONE	COLUMN TWO
1. ___ Maintains surveillance documentation	A. Installation Commander
2. ___ Updates MAJCOM Commanders yearly on the health of the Command's services acquisition program	B. MAJCOM Contracting Leadership
3. ___ Has the authority to form a Centralized Performance Management Office	C. 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)
4. ___ Fosters an agile acquisition by providing a premier source for services information to both the public and private sector acquisition community	D. Business Advisor
5. ___ Responsible for providing PBSA policy, tools, and training and is the Office of Primary Responsibility (OPR)	E. Functional Commander/Functional Director (FC/FD)
6. ___ Shares smart business processes and practices	F. QA Personnel
7. ___ Informs the contractor of the names, duties, and limitations of QA Personnel assigned to the contract	G. Contracting Officer
8. ___ Evaluates and documents the contractors' performance	H. Quality Assurance Program Coordinator
9. ___ Coordinator for the FC/FD and is responsible for providing training to QAP and FC/FD	I. Acquisition Center of Excellence for Services
10. ___ Serving as Business Advisor to senior leadership	J. Senior Leadership (Wing Commanders, Group Commanders, AFMC/AFSPC Center-level Commanders, and other Headquarters Directors, and Program Executive Officers (PEO))
11. ___ Assigns primary and alternate QA Personnel	K. SAF/AQCP

12. Performance based services contracting structures an acquisition around _____ is required as opposed to _____ the contractor should do the work.

13. What are the seven steps to PBSA?

_____	_____
_____	_____
_____	_____

14. What step to PBSA involves market research?

15. What is partnering?

NOTES

UNIT 4. The Multi-Functional Team

OBJECTIVES

- a. Identify the roles of the Multi-Functional Team throughout the life cycle of an acquisition planning process.**
- b. Identify the performance management duties and responsibilities of the Multi-Functional Team.**

4a. Identify the roles of the Multi-Functional Team throughout the lifecycle of an acquisition planning process.

What is the purpose of the multi-functional team?

The purpose of the multi-functional team is to create an environment that shapes and executes an acquisition. It plans and manages service contracts throughout the life of the requirement.

What is a multi-functional team?

The multi-functional team is a customer-focused team instituted under the authority of the senior leadership. The team is composed of stakeholders in the acquisition and is responsible for the acquisition throughout the life of the requirement. After contract award, it is very important to include your contractor as part of the team.

The Contracting Squadron Commander (CSC) is responsible for establishing and ensuring the formation of the multi-functional team as well as ensuring it contains the right mixture of functional expertise with the needed set of skills for a particular procurement. The CSC must also foster the environment needed to successfully operate by conveying the wing business objectives and how a particular acquisition fits into those objectives.

The Functional Commander/Functional Director (FC/FD) is responsible for assigning functional experts to the multi-functional team. The FC/FD must ensure assigned personnel are competent in the acquisition subject matter, capable of identifying and defining mission needs and requirements, and assigned personnel are available fulltime as required.

Functional personnel assigned to multi-functional team are responsible for maintaining their functional knowledge, meeting continuing education requirements and providing functional continuity and stability.

What are the roles and responsibilities of the Multi-Functional Team?

The Multi-functional team (s) 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:

- 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.
- 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.
- 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.
- 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.
- Managing risk to ensure mission performance is within cost and schedule constraints.
- Developing, implementing and executing a source selection.

- Planning, programming, and budgeting adequate funds to ensure the execution is within approved funding baseline.
- Developing, implementing and managing milestones to ensure the acquisition supports mission requirements within the approved funding baseline.
- Completing and reporting annual performance reviews in accordance with the MOASP.
- Identifying opportunities to improve performance throughout the life of the acquisition.
- Assessing and managing contractor performance data, to include submitting Contractor Performance Assessment Reporting System (CPARS) reports.
- Developing, implementing, and executing performance measurement and management in accordance with the Performance Plan.
- 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.
- Recommend changes to the performance plan.

How is the organizational structure of a multi-functional team determined?

A multi-functional team may be formed for a single or multiple function. A multiple function is one acquisition that supports more than one customer or function. However, the team membership must include the cross-functional support and skill mix needed to meet the requirements of all functions associated with the acquisition.

Multi-functional teams can be formed to support a single acquisition or support major customers. AFI 63-124 allows the flexibility to set up multi-functional teams based on what makes sense for a particular acquisition or installation. A team may be formed for each single acquisition regardless of the major customer or one team can develop and manage multiple acquisitions along customer lines. This decision will depend on workload, manpower, customer desires, and complexity of the acquisition. A combination of the two options may be the desired approach for an installation.

Multi-functional teams may be centralized for Regional, MAJCOM or combined MAJCOM type acquisitions. Centralized teams work with local functional and contracting personnel throughout the life of the acquisition. This may be an option when a requirement spans multiple wings or the acquisition is complex and the appropriate skill mix, expertise and experience are not available at the local level.

How is team membership determined?

The team contains the needed resources with the authority and responsibility to effect the procurement from its inception through follow-on contracts. The team formalizes the working relationships between contracting, functionals, and other organizations. Membership in the team may constitute as few members as the CO, quality assurance and the user for simple, single function acquisition or membership may include the majority of organizations on base, other bases, or other MAJCOMs for a complex multi-function acquisition.

How does the multi-functional team membership interact?

The team determines how it will function as a group (offices of primary responsibility, action items, administrative duties, etc). Using step one of the seven steps, the team will define roles and responsibilities of the members. AFI 63-124 does not designate an office or person as the leader of the team. All members of a team do not have to be present at every meeting. Some meetings may only require a small subset of the team to discuss a specific issue. It may be helpful for the members of the team to write a charter outlining each member's responsibilities.

What if the team needs assistance from outside agencies?

Other functional experts may be called upon to help research an issue that arises during acquisition planning. For example, the Defense Finance Accounting Service (DFAS) may be consulted to help determine if a standard commercial practice payment program may be implemented.

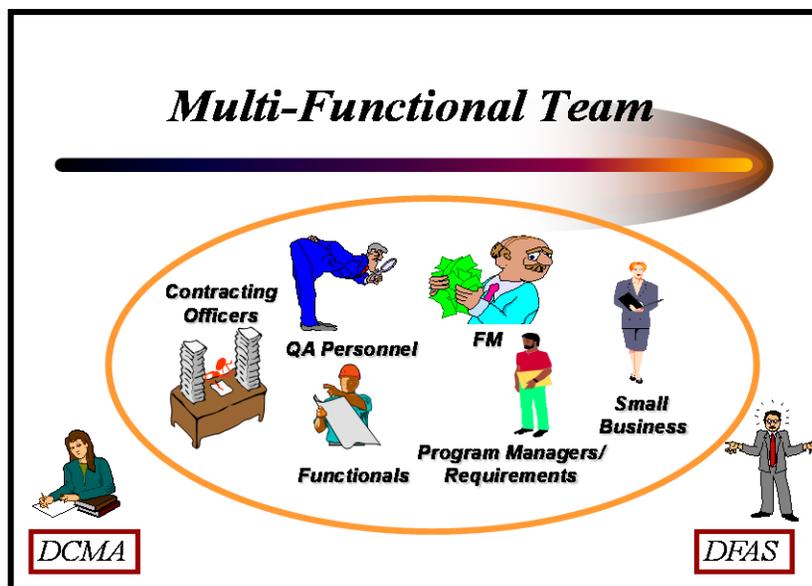


Figure 4-1

Figure 4-1 above is a representation of a multi-functional team. It does not define who is and is not a member of the team. It is simply an example of the mixture of people and functional experts that make-up a team. Membership in the team will depend on the nature, complexity and specific circumstances surrounding a particular acquisition.

4b. Identify the performance management duties and responsibilities of the Multi-Functional Team.

Roles and responsibilities of the multi-functional team

Prior to AFI 63-124 contracting, functional experts, and other representatives worked independently to acquire a service. Now under AFI 63-124 all interested parties follow an acquisition throughout its life cycle. This includes formation of business and acquisition strategy, market research, acquisition planning, solicitation development, contract award, and performance management. These areas run concurrently. For example, market research supports business and acquisition strategy development as well as acquisition planning. Below are the roles and responsibilities of the multi-functional team during different phases of the acquisition cycle.

- **Business/Acquisition Strategy Development phase** – The team outlines innovative solutions that promote best value business decisions on performance-based service contracts while meeting customer requirements. Development of the strategy must take place as soon as possible after identification of a requirement. During this phase, team membership is formalized and roles and responsibilities defined.
- **Market Research phase** – Team members exchange information with industry and other business experts to determine 1) whether a requirement meets the definition of a commercial item or service, and 2) how the commercial world does business to identify standard commercial practices. See Unit 6 for more specific guidance on Market Research.
- **Acquisition Planning phase** – The team integrates the effort of all personnel responsible for significant aspects of the acquisition, such as contracting, fiscal, legal and technical personnel. Acquisition planning is defined as the process by which the efforts of the team are coordinated and integrated through a comprehensive plan for fulfilling the customer(s) need in a timely manner and at a reasonable cost.
- **Solicitation Development phase** – The team is responsible for developing a complete Performance-Based Work Statement (PWS) that clearly defines the requirement in performance based language, meaningful and measurable performance thresholds which encourage the use of incentives, and performance plan.

- **Contract Award phase** – The team organizes and manages the source selection and obtains required reviews, milestones, and clearance approvals.
- **Contract Performance Management phase** – The team administers and manages the contract as required, including, but not limited to: analyzing contractor metrics and contract submittals, documenting PPI, briefing the Contracting Squadron Commander as required; and implementing partnering with the contractor.

Summary

Multi-functional teams are established to plan and manage services contracts throughout the life of the requirement. Member's work together to conduct Market Research, Define the Requirement, Structure the Contract, and Establish Quality/Surveillance approaches. The team is responsible for acquisition planning, development, and performance management for new (including A-76 studies) and follow-on service contracts. Together, the team builds the acquisition strategy, purchase request package and solicitation, and executes performance management. Contractor input should be encouraged throughout the process.

Unit 4
REVIEW QUESTIONS

1. What is the purpose of a multi-functional team?

2. The _____ is responsible for assigning functional experts to the multi-functional team.

3. What are the different organizational structures that can be used when forming multi-functional teams?

4. What are some of the multi-functional team responsibilities during the contract performance management phase?

Choose whether the following are true or false by placing a T or F in the space provided.

6. _____ The multi-functional team is a customer-focused multi-functional team instituted under the authority of the senior leadership.

7. _____ The Functional Commander/Functional Director (FC/FD) is responsible for establishing and ensuring the formation of the multi-functional team.

8. _____ A multi-functional team may be formed for a single or multiple function.

9. _____ AFI 63-124 designates the contracting officer as the head of the multi-functional team.

10. _____ Under AFI 63-124 contracting, functional experts, and other representatives work independently to acquire a service.

NOTES

UNIT 5. Contractor Performance Incentives

OBJECTIVES

- a. Identify facts about the application of incentive contracts.
- b. Identify uses of other incentive program arrangements.
- c. Identify the use of past performance information.

5a. Identify facts about the application of incentive contracts.

As taxpayers and government employees, we are motivated to get the “bang for the buck” when using contracts as vehicles to accomplish our mission. Contractors are motivated to stay in business and make a profit. We need to seek the best ways to incentivize our contractors to compete for our business. This will ensure we get the best value service provider motivated to perform under the best business arrangement. We should do this for each requirement. The principles of performance-based contracting combined with our best value source selection procedures lead us to the desired results. PBSA principles include defining our requirement in terms of outcome desired and measurable performance standards upon which we can base our quality assurance approach. The better we are at focusing on measurable outcomes, the better we will be at developing clear and effective performance incentives.

What is the role of the multi-functional team in developing incentives?

AFI 63-124 encourages the use of incentives to strengthen contractor performance. If you remember back to Unit 3, this is included in Step 5 of the Seven Steps to PBSA. Multi-functional teams should use incentives that result in higher levels of contractor performance that are consistent with economic efficiency. Incentives (including non-monetary incentives) should be considered for every acquisition as early as possible in the planning stages. They are an inherent part of our acquisition strategy and should be consistent with (or build on) performance objectives (outcomes) and thresholds (standards).

Application of Incentives

What are the different types of incentives?

There are endless possibilities for the actual incentives used as an engine for contractor performance. Some general classifications can be made however. Incentives may be considered monetary or non-monetary, positive or negative. No matter what the final composition of the incentives used is, incentives should encourage better quality performance where appropriate and discourage inefficiency.

In order to be effective, the incentive must be controllable by the contractor, and realistic in terms of contractor performance. The incentive should be consistent with the effort or cost to achieve the desired outcome. A contractor won't spend a dime to earn a nickel. Like all other aspects of the contract, the incentives must be clearly communicated. Part of this communication is to define the incentives so that they are measurable. If we don't communicate clearly our expectations and how well the contractor must perform to achieve the incentive, the contractor will have, at best, only a random chance of achieving our desired outcome. An "I know it when I see it" approach is **NOT** an incentive.

Where can I find additional information on incentives?

The Office of Federal Procurement Policy (OFPP) Guide on PBSA, accessible at http://www.whitehouse.gov/omb/procurement/pbsa/guide_pbsc.html is a good reference for anyone involved in government service contracts. Some points from its discussion on incentives are as follows:

- Ensure incentives reflect both the value to the government and a meaningful incentive to the contractor. They should correlate with results.
- Incentives should be challenging yet reasonably attainable.
- Where negative incentives are used, the deduction should represent the value of service lost based on a reasonable estimate of the cost it would have taken to perform.
- It is important to verify the effectiveness of incentives used.
- Past performance "report cards" should reflect actual performance and be used for future award evaluations. A powerful incentive of excellence and customer satisfaction is created when contractors know their performance will influence future award decisions.

What are the different categories of incentives?

A general way to look at types of incentives is to categorize them in terms of cost, performance, schedule, award fee, and future business.

- **Cost incentives** must always be a factor in an incentive arrangement. Contract type and negotiated price or fee in cost-type contracts establishes these incentive arrangements. Various contract types are discussed in more detail later in this chapter.
- **Performance incentives** may be considered in connection with specific product characteristics or other specific elements of the contractor's performance. Performance incentives should be designed to relate profit or fee to results achieved by the contractor when compared with specified targets. For services such as maintenance of equipment, these characteristics may include mean time between failures (MTBF); mean time to repair or system availability rates (in-commission rates). Regardless of the measure, performance incentives must be quantified and a reasonable range, high-target-low, established. The FAR points out that:
 - Technical performance incentives may be particularly appropriate in major systems contracts, both in development and in production, if improved performance is attainable and highly desirable to the Government. Performance tests and/or assessments of work performance are generally essential in order to determine the degree of attainment of performance targets. Because performance incentives present complex problems in contract administration, the CO should negotiate them in full coordination with Government engineering and pricing specialists.
- **Schedule incentives.** Schedule incentives should be considered when improvement from a required delivery schedule is a significant government objective. Schedule incentives can be defined in terms of calendar days or months, or in terms of milestone attainment.
- **Award Fee incentives.** An award fee incentive may be used with both fixed price and cost reimbursement type contracts. Award fee is different from other incentive types because it is based on subjective rather than objective evaluation criteria and the government unilaterally determines the amount of fee earned. Other incentive types are distributed strictly in accordance with the formula (share ratio) established during negotiations.
 - Quality assurance personnel documentation of contractor performance provides the groundwork for award fee. When award fee incentives are based on exceeding performance standards, objective quality evidence is essential.
 - Award fee ratings must be supported by documented findings of the evaluation/assessment personnel--both positive and negative.

- **Future business.** Using contractors' PPI when determining whether to exercise options for additional work or periods of performance and when awarding new contracts using best value criteria is a strong incentive for contractors to ensure current performance is satisfactory or better. Documentation of poor performance may be the sole reason for a contractor not receiving award of future contracts. Communicating how well the contractor is performing while he is performing is the fastest way to motivate the contractor to improve performance or to reinforce exceptional performance. Incentive fee ratings should match the past performance information. There should be no unexplained inconsistencies between the two. The integrity of the quality assurance and past performance evaluation and its documentation of contractor performance are essential in incentivizing the contractor to do well.

Contract Types

Contract type is the agreement on the level of responsibility a contractor will assume for the cost of contract performance. It also provides the amount and nature of profit offered to the contractor for achieving or exceeding specified standards on government contracts. The type depends largely on how well you can define and quantify your requirement. You may use any contract type alone or in combination with other contract types. The one contract type expressly prohibited in government contracting is cost-plus-percentage-of-cost. In other words, you can't use a contract type that provides incentive for the contractor to increase costs by increasing profit proportionately to cost. We want the contractor to be efficient, not encourage inefficiencies and increased costs.

What are the choices and why is one better than another?

The contract types are grouped into two broad categories: fixed-price contracts and cost-reimbursement contracts. The specific contract types range from fixed-price, in which the contractor has full responsibility for the performance costs and resulting profit (or loss), to cost-reimbursement, in which the contractor has minimal responsibility for the performance costs. In between are the various incentive contracts, in which the contractor's responsibility for the performance costs and the profit or fee incentives offered are tailored to the uncertainties involved in contract performance. Figure 5-1 below depicts the scale for contract types and risk.

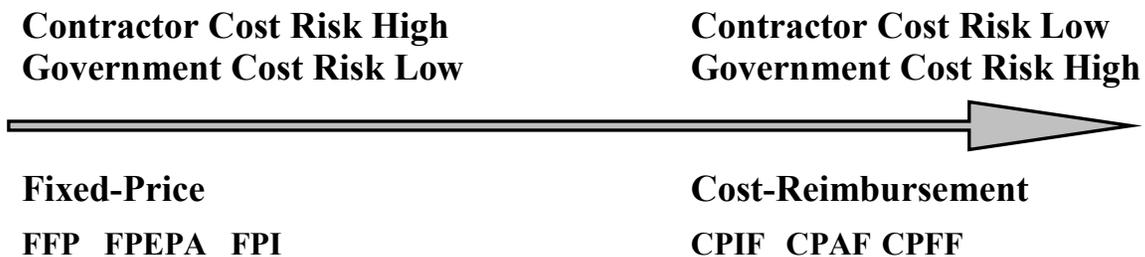


Figure 5-1

Contract type may be viewed as a continuum between fixed price and cost type contracts. The CO is responsible for determining the appropriate contract type for the specific requirement. The most common contract types used in operational contracting are discussed below so you can see how the profit incentive can be structured in various ways. Again it is important to remember how well we achieve the principles of performance-based contracting will in large part determine the contract type we should use. The further we are to the left (fixed-price) end of this continuum the better, because that gives the government the least cost risk. The more complex and government unique the requirement, the more risk the government must assume and the further we will move to the right of the continuum. The time, effort and resources it takes the government to administer the contract also increase as we move from the left (fixed-price) to the right (cost reimbursement). The contractor's obligation to perform also shifts within the continuum. In fixed-price type contracts the contractor is obligated to complete performance regardless of cost. In cost-reimbursement type contracts the contractor is required to perform his best effort up to the amount of funds obligated on the contract. Keep the continuum in perspective by remembering these contract types cover relatively simple purchases for commercial items to acquisitions of major weapons systems. Use the best type for the circumstances.

How do you decide which contract type is right?

Choose the contract type most likely to motivate the contractor to perform at optimal levels. To the maximum extent practicable performance incentives, either positive, negative, or both, shall be incorporated into the contract to encourage contractors to increase efficiency and maximize performance. These incentives shall correspond to the specific performance standards in the Performance Plan and shall be capable of being measured objectively. Fixed-price contracts are generally appropriate for services that can be defined objectively and for which the risk of performance is manageable.

Selecting the contract type requires the exercise of sound business judgment. When using competitive proposals, contract type is a matter for negotiation. Negotiating or determining the contract type and pricing structure are closely related and should be considered together. The objective is to select a contract type and price, or estimated cost and fee, which will result in reasonable contractor risk and provide the contractor with the greatest incentive for efficient and economical performance.

A firm-fixed-price contract, which best utilizes the basic profit motive of business enterprise, shall be used when the risk involved is minimal or can be predicted with an acceptable degree of certainty. However, when a reasonable basis for firm pricing does not exist, other contract types should be considered and negotiations should be directed toward selecting a contract type (or combination of types) that will appropriately tie profit to contractor performance.

There are many factors the CO should consider in selecting and negotiating the contract type. These include: extent of price competition, confidence in the realism of the price of the service, type and complexity of the requirement, urgency of the requirement, period of performance of the contract, the contractor's technical capability and financial responsibility, impact of other contracts, the extent and nature of subcontracting, the adequacy of the contractor's accounting system and the acquisition history of the service to be provided.

What is the difference between profit and fee?

Both profit and fee are monetary incentives. The term profit is normally reserved for fixed price contracts and fee for cost-reimbursement contracts. Fee and profit do not translate directly. Profit relates to the amount of money the contractor earns after all costs of performance. Therefore, profit can be negative (loss). Under a cost-reimbursement type contract, the fee is the monetary incentive above and beyond costs paid by the government. Keep in mind that the fee may not be free and clear as the contractor may have incurred costs that were unallowable, non-allocable or unreasonable.

What are the different types of fixed price contracts?

- **Firm-Fixed-Price** -- A firm-fixed-price contract provides for a price that is not subject to any adjustment on the basis of the contractor's actual cost experience in performing the contract. This contract type places maximum risk and full responsibility for all costs and resulting profit or loss on the contractor. It provides maximum incentive for the contractor to control costs and perform effectively and imposes a minimum administrative burden upon the contracting parties. As the government, we prefer to place the maximum risk suitable to the requirement on the contractor; therefore, a firm-fixed-price is the preferred contract type. Contracts for commercial items or services must be FFP or fixed-price with economic price adjustment (FPEPA). This makes sense because the commercial market place ensures the price is reasonable through competition. Performance-based service contracts that are FFP provide the maximum performance and cost risk for the contractor, but also the maximum profit incentive. This is because the price is typically set based on reasonable expectations of cost plus profit. If the contractor becomes more efficient and reduces his overall costs, the efficiencies translate to increased profits.
- **Fixed-Price with Economic Price Adjustment -- FPEPA** is a variation of a firm-fixed-price contract type. It is used when there are unstable markets or labor conditions that would cause offerors to include significant costs in their price to cover contingencies. It is similar to a FFP contract but contains a clause that allows upward (with ceiling) and downward adjustments of price based on actual cost of specific contingencies. It reduces the cost risk for the contractor and keeps the price in line with actual market conditions. Market research done by the MFT should uncover conditions that would make this contract type more appropriate than other types. The longer the period of the contract, the more likely an EPA provision might be appropriate. Fixed-price with EPA is preferred over any cost reimbursement type contract.

Cost reimbursement-type contracts require more administration to track contingencies and modify the contract to adjust the price than FFP type contracts.

- **Fixed-Price-Incentive (FPI).** FPI is a fixed-price contract type that provides for adjusting profit and establishing the final contract price by a formula based on the relationship of final negotiated total cost to total target cost. This is a more complex contract type that requires visibility of actual costs and the contractor to have an acceptable accounting system. The elements that must be negotiated are: target cost, target profit, ceiling price and a formula for sharing cost risk above and below the targets. It becomes a FFP contract when actual costs plus earned profit equal the ceiling price (Point of Total Assumption). It is used when technical and cost uncertainties are too great for the use of FFP but a reasonable estimate (target cost) and ceiling price can be determined. As with other fixed price type contracts, the contractor must complete the requirement regardless of actual cost. In service contracts this contract type might be used for operation and maintenance of an established weapon system.
- **Fixed price contracts with award fees.** Award fee provisions may be used in fixed price contracts when the government wishes to motivate a contractor and other incentives cannot be used because contractor performance cannot be measured objectively. Such contracts shall establish a fixed fee for the effort, which will be paid for satisfactory performance. Award fee earned (if any) will be paid in addition to the fixed price. When an award fee is used the contract must provide for periodic evaluation of the contractor's performance against an award fee plan.

What are cost reimbursement contracts?

Cost reimbursement contracts are at the other end of the continuum of contract types. They place the cost risk on the government and are the least preferred category. In a cost reimbursement contract the government pays the contractor for all allowable and allocable costs the contractor incurs in performing the contract. The government has an additional administrative burden when managing a cost reimbursement contract. Cost reimbursement contracts require appropriate surveillance to ensure effective performance and efficient cost controls are used. While cost reimbursement contracts are not preferred, they are appropriate when we cannot describe our requirement with certainty. Cost reimbursement contracts are suitable for use on complex service efforts associated with systems level acquisitions.

What are the different types of cost reimbursement contracts?

- **Cost-plus-fixed-fee (CPFF).** CPFF is a cost-reimbursement contract with a specific dollar amount established at contract award. The fee will be paid to the contractor regardless of actual cost of performance, whether or not the contractor produces the desired outcome, or simply exhausts the dollars obligated to the contract. Obviously CPFF contracts don't provide much incentive for contractors to control costs. It is the least preferred contract type because the government bears the cost risk and there is little incentive to control costs. You would use this contract type when no other is appropriate and when you can't define or quantify the requirement.
- **Cost-plus-incentive-fee (CPIF).** A CPIF contract is a cost-reimbursement contract that provides for an initially negotiated fee to be adjusted later by a formula based on the relationship of total allowable costs to total target costs. It is similar to a FPIF in that it provides for a sharing of the cost risk. There is no ceiling price so the cost risk is never fully shifted to the contractor and the incentive is only effective over the range of costs that fall within the formula for adjusting fee. We have successfully used this contract type for operations and maintenance of satellite ground stations around the world. The changing mission, with associated equipment modifications and worldwide locations, presents significant cost uncertainty. This contract also has an award-fee portion to provide an incentive for other performance factors than cannot be objectively measured.
- **Cost-plus-award-fee (CPAF).** A CPAF contract is a cost-reimbursement contract that provides for a fee consisting of:
 - A base amount (which may be zero) fixed at inception of the contract, and
 - An award amount, based upon a judgmental evaluation by the Government. This amount must be sufficient to provide motivation for excellence in contract performance.

The contractor may earn the award fee in whole or in part during performance for excellence in such areas as quality, timeliness, technical ingenuity, and cost-effective management. When a base fee of zero is used the entire fee is included in the pool against which specific evaluation criteria are applied, therefore allowing some amount of the award fee to be given for "satisfactory" performance. When the base fee amount is not zero, the contractor receives the base fee for "satisfactory" performance. He or she will receive some or the entire award fee for better than "satisfactory" performance. The base fee plus the award fee is the effective (total) fee for the contract.

The amount of the award fee to be paid is determined by the Government's judgmental evaluation of the contractor's performance in terms of the criteria stated in the contract. The Government makes this determination unilaterally. The cost-plus-award-fee contract is suitable for use when objective measures cannot be developed and when we need to motivate the contractor to excellence. Award fee contracts take a great deal of resources to administer. Award fee monitors, an award review board and a fee-determining official must be identified in each award fee plan.

- **Award fee monitors.** Award fee monitors are responsible for evaluating contractor performance against the award fee criteria in the plan. Normally, the QA Personnel assigned to the contract are designated as award fee monitors. This ensures that the quality assurance documentation forms the foundation of award fee documentation, eliminates duplication of effort and ensures consistency in contractor evaluation.
- **Award Review Board.** The Award Review Board is typically comprised of personnel higher in the organizational structure who are familiar with the requirement. Their job is to analyze the information provided by award fee monitors to ensure the recommended rating is supported and consistent with the award fee plan. They then present the results to the Fee Determining Official (FDO).
- **Fee Determining Official.** The FDO then decides the amount of award fee the contractor earns based on actual performance. He advises the contractor and CO of the amount. The contracting officer modifies the contract to authorize payment of the FDO's determined award fee amount.

You need to read the award fee plan and understand the award fee philosophy for the contract. For example, the introduction for a CPAF contract might state that the contractor will receive up to 50 percent of the award fee for meeting PWS requirements and the remaining award fee is earned by exceeding PWS requirements in the areas specified in the evaluation criteria. For combination contracts and CPAF contracts with base fee, the philosophy may be that an incentive/target/base fee provides profit/fee for satisfactory performance and the award fee is considered a bonus to motivate the contractor to provide optimum performance in critical areas.

When would you use a combination of contract types?

Combination Contract Types: More than one contract type may be used when it results in a more effective incentive arrangement for the particular requirement. Benefits of the incentives must also outweigh the administrative effort required to properly manage such an arrangement. For instance, you may have a fixed price contract with a cost reimbursable line item for incidental supplies. Another combination may involve award fee for certain aspects of performance. Award fee is used with both cost-reimbursement and fixed-price type contracts.

5b. Identify uses of other incentive program arrangements.**Is money the only way to motivate a contractor?**

No. A contractor not only wants to make a profit, but he also wants to stay in business. A contractor's reputation is very important to attracting new business. Opportunities for future awards provide a significant incentive. The same things that motivate you also motivate the contractor--things like recognition, trust and, in some cases, increased responsibility or autonomy. The following paragraphs discuss how these apply to government contracting.

Contract options: We can include options in service contracts that add or increase services or extend the period of performance. Any service contract funded with one-year money, which is intended to continue more than twelve months, has an option or options to extend the period of performance. For ongoing (recurring) service contracts we typically award a basic year with four one-year options. This is because we used to have a five-year limit on service contracts and trying to price services for longer than five years is difficult for both the government and the contractor. Before we exercise an option, the CO has to determine the option is the best way for the government to fill its requirement. The CO works with the requiring activity and QA Personnel to make this determination. Now more than ever, the exercising of options is based on the incumbent contractor's past performance. Since we are using "best value" rather than "low price" to determine contract awards, we are less likely to award or exercise options to contractors with poor past performance.

Award Term: Some contracting activities are using an award term to motivate contractors. An award term contract provides that the contractor can earn additional periods of performance instead of, or in addition to, an award fee or incentive fee. Under an award term contract the government monitors and evaluates the contractor's performance, and if a government term determining official decides that the contractor's performance was excellent, the contractor earns an extension. The extension is conditioned upon the government's continuing need for the service and the availability of funds. An award term is distinguished from an option in that an option is exercised at the sole discretion of the government. It becomes more and more effective as we improve our communication with the contractor throughout the contract period. Giving the contractor continual feedback on his performance gives us similar benefits as using award fee. As the contractor understands what we need, he can actually help us improve our Performance-Based Work Statement to better reflect our desired outcomes and include measurable performance standards. The contractor can also help reduce our surveillance by identifying metrics he uses to manage the contract that provide verifiable evidence he is complying with contract requirements.

Indefinite delivery, indefinite quantity contracts (IDIQ): Acquisition reform encourages multiple awards of IDIQ contracts. These are also called task order contracts because the actual work is awarded when it is needed through orders against the contract. These task orders describe the specific task or service to be performed. The intent is to increase competition even when we can't determine up front exactly when or how many services are needed. In this situation, we award two or more contracts to different contractors. Within the contracts, we state how we will give each contractor a fair opportunity to be awarded task orders. The emphasis on using a contractor's past performance record as an incentive for future awards allows us to stipulate that future task orders will be awarded based on our evaluation of price (or cost) and the contractor's past performance record. In this case the contractor knows at the outset that he may not receive any future task orders unless his performance and price represent the best value compared to the other contractors holding similar contracts.

Reduced government surveillance: The higher the level and frequency of surveillance, the more obtrusive we seem to the contractor. We convey that we don't trust the contractor to perform without —~~by~~ brother" watching. If we don't trust the contractor, it isn't likely that we will evaluate him high in past performance. With a constant presence of government QAP, the contractor is less likely to duplicate that effort. The contractor may wait for us to identify deficiencies before he takes corrective action. The point is--too much surveillance tends to be a disincentive.

Our ideal situation is one where we have clearly defined our desired outcomes (objectives) and measurable performance standards (thresholds) and hold the contractor responsible for delivering only conforming services. In addition, we want to tailor our surveillance methods so that we are expending the minimal government resources necessary to ensure we are getting what we are paying for.

—Partnering" is an effective means of increasing communication and trust and it focuses both the government and contractor on finding more efficient, mutually beneficial methods to ensure services conform to contract requirements.

5c. Identify the use of past performance information.**What is past performance information (PPI)?**

Past performance information is recent and relevant information regarding a contractor's actions under previously awarded contracts, including the contractor's record of conforming to specification and standards of good workmanship, record of containing and forecasting costs on cost-reimbursement contracts, adherence to contract schedules, history of reasonable and cooperative behavior, commitment to customer satisfaction, and concern for interest of the customer. FAR 42.1502 requires agencies to collect this information on all contracts over \$100,000 and make the data available for use in evaluating offerors on negotiated procurements. Agency evaluations of a contractor's past performance must be provided to the contractor as soon as practicable after completion of the evaluation. The contractor will be given at least 30 days to submit comments, rebutting statements, or additional information. Quality assurance personnel documentation of contractors' past performance is the keystone for PPI. Past performance information also includes annual PPI assessments (report cards) and award fee evaluations that are both largely based on QA documentation. Past performance information may also include surveys and interviews conducted as a part of a source selection, and any records in the contract file that address contractor performance. All PPI is "For Official Use Only" and should be so marked. It should not be released outside the government to anyone other than the contractor to which it pertains. However, PPI should be no surprise to the contractor to whom it pertains. *The keys to effective PPI are fairness, openness, and a commitment to using the information as a tool to improve performance.*

How do I collect and maintain PPI?

In this section we'll talk about the Air Force process for collecting PPI and QA Personnel's role in the PPI process. We'll also discuss how it should be used to improve performance during the life of a contract. The DoD Guide to Collection and Use of Past Performance Information is a great resource to understand why PPI is so important to improving government contracts. The introduction to the guide is quoted below and excerpts pertaining to the services business segment will appear throughout this section.

Confidence in a prospective contractor's ability to perform satisfactorily is an important factor in making a best value source selection decision. One method of gaining this confidence is the evaluation of a prospective contractor's performance on recently completed or on-going contracts for the same or similar goods or services. Past Performance Information motivates contractors to improve their performance because of the potential use of that information in future source selections. It is equally useful as a means of communication to provide feedback and additional performance incentives for on-going contracts. Excellent past performance also indicates a heightened probability of delivery of high quality products and services which are on time and within costs.

Past Performance Information objectives provide a consistent evaluation methodology to identify and describe the performance of the wide array of DoD contractors and suppliers, including foreign companies, educational and non-profit institutions, and other federal agencies.

Past Performance Information may be used with other criteria to:

- Enhance market research
- Help establish the competitive range and make award decisions
- Provide a basis for discussing progress with contractors during contract performance
- Help decide whether to exercise contract options
- Help decide between different vendors on multiple award contracts when awarding task orders
- Aid in the development of acquisition strategies
- Recognize good performers

What is the role of QA personnel in PPI?

PPI Collection Process: The government has always been required to determine whether we are getting the services required before we accept them. Acceptance, in turn, allows the CO to approve, and finance to pay, the contractor. The documentation quality assurance personnel create, collect and maintain, as a record of contractor performance on a specific contract is, by definition, PPI. For ongoing service contracts, government and contractor personnel discuss performance throughout the contract life. Therefore, QA documentation is done throughout the period of performance as well. The Performance Plan for each contract will identify how to document contractor performance for that contract. The documentation requirements may be unique to each contract.

Where is PPI documented?

In addition to the QA Personnel documentation, the multi-functional team is required to document PPI in the Contractor Performance Assessment Reporting System (CPARS) for service contracts in excess of \$1,000,000. CPARS generated PPI will be one of many tools used to communicate contractor strengths and weaknesses to source selection officials and contracting officers. The Air Force's usage of an automated CPARS collection capability is aimed at reducing reliance on paper, improving the business process, and being more efficient. This is one of several initiatives the Air Force is deploying to meet DoD's paperless contracting mandates. The Air Force is utilizing the existing Navy CPARS tool to collect PPI and pass it to the Federal Past Performance Information Retrieval System (PPIRS) where PPI will be able to be retrieved by the Air Force and other services.

The CPARS Automated Information System collection tool can be accessed at <http://www.cpars.csd.disa.mil/cparsmain.htm>. The CPARS system has 2 forms available for inputting PPI information on your contract. Figure 5-2 below is an example of the rating area on the Services CPARS form.

		CURRENT RATING					
18. EVALUATE THE FOLLOWING AREAS	PAST Rating	Unsatisfactory	Marginal	Satisfactory	Very Good	Exceptional	N/A
a. QUALITY OF PRODUCT OR SERVICE							
b. SCHEDULE							
c. COST CONTROL							
d. BUSINESS RELATIONS							
e. MANAGEMENT OF KEY PERSONNEL							

Figure 5-2

The most important part of the Contractor Performance Assessment Report (CPAR) is the narrative support for the ratings. This should include specifics on actual performance. The details should come from the QA documentation and other multi-functional team members' knowledge of the contractor's performance. The more detailed the narrative is, the more useful it will be to give feedback to the contractor on improving performance on the current contract, and in evaluating a contractor's PPI record during source selection to make a new award decision. To be credible for either purpose, the narrative must provide factual details of actual performance to support the ratings given. It's important to remember that a contractor must be given the opportunity to comment on any adverse PPI. Therefore, anything in the actual report should have already been identified and discussed with the contractor.

What is different about the assessment report and my usual documentation of contractor performance?

Evaluation areas or assessment elements and ratings: The assessment element descriptions and rating definitions directed by DoD in the OUSDA (A&T) Memo dated November 20, 1997 are set out below.

Assessment Elements

QUALITY OF PRODUCT OR SERVICE – *Assess the contractor’s conformance to contract requirements, specifications and standards of good workmanship (e.g., commonly accepted technical, professional, environmental, or safety and health standards). ”*

Stated in simpler terms, this is how well the contractor performed the contract. Quality Assurance documentation should provide the basis for this element.

SCHEDULE – *Assess the timeliness of the contractor against the completion of the contract, task orders, milestones, delivery schedules, administrative requirements (e.g. efforts that contribute to or effect the schedule variance). ”*

This element has varying degrees of importance to service contracts. If there are clear delivery dates or milestones to be met, whether the contractor met, did not meet, or exceeded schedule is clear. If you are dealing with a contract for on-going recurring services, the evaluation of this element will probably deal with things such as, —**di** the contractor meet requested dates for submitting proposals for negotiating changes?” The CO and/or program manager are likely to have the knowledge to evaluate this element.

COST CONTROL – *(Not required for Firm Fixed Price or Firm Fixed Price with Economic Price Adjustment) – Assess the contractor’s effectiveness in forecasting, managing, and controlling contract cost. ”*

Although not required for FFP contracts, we want the narrative evaluation to convey as much as possible and give credit to superior performers. If you have a FFP contract where the contractor’s performance was exceptional in helping the government save money by improving processes or submitting value engineering change proposals, you should mention it in the narrative. The CO or program managers are likely to have the most knowledge of cost control, but other multi-functional team member may also have significant contributions to evaluating this element.

BUSINESS RELATIONS – *Assess the integration and coordination of all activity needed to execute the contract, specifically the timeliness, completeness and quality of problem identification, corrective action plans, proposal submittals, the contractor’s history of reasonable and cooperative behavior, customer satisfaction, timely award and management of subcontracts, and whether the contractor met small/small disadvantaged and women-owned business participation goals.”*

This element covers a lot of subjective areas that were not necessarily covered in QA documentation in the past. We need to emphasize **that both positive and negative performance should be documented**. In the past, we tended to focus on only deficiencies. We need to shift our focus so that we obtain the information needed to differentiate between exceptional and satisfactory performers, in addition to differences between satisfactory and marginal or unsatisfactory performers. This is the element that may be the strongest incentive for contractors. All multi-functional team members, including QAP, should have evaluation inputs to this element. This element shows why the annual assessment report needs to be a team effort in order to be meaningful. Each multi-functional team member is likely to have a slightly different perspective of contractor performance against this element. The team approach gives each member a better understanding of the total business relationship with the contractor and helps develop a credible assessment.

MANAGEMENT OF KEY PERSONNEL – *Assess the contractor’s performance in selecting, retaining, supporting, and replacing, when necessary, key personnel.”*

This is an area we normally discourage QAP from focusing on because most of our service contracts are —non-personal services”. When we have a non-personal service contract, we are prohibited from taking any action that would imply the government is supervising contractor employees. Evaluating key personnel would violate that prohibition. This assessment of how the contractor managed key personnel should focus on management and how they affected performance through their ability to attract and retain qualified personnel. This element is also a multi-functional team effort, but QAP documentation will provide the factual basis of how well the contractor performed the services.

Ratings

Exceptional - *Performance meets contractual requirements and exceeds many to the Government’s benefit. The contractual performance of the element or sub-element being assessed was accomplished with few minor problems for which corrective actions taken by the contractor were highly effective.*

Very Good - *Performance meets contractual requirements and exceeds some to the Government’s benefit. The contractual performance of the element or sub-element being assessed was accomplished with some minor problems for which corrective actions taken by the contractor were effective.*

Satisfactory - Performance meets contractual requirements. The contractual performance of the element or sub-element contains some minor problems for which corrective actions taken by the contractor appear or were satisfactory.

Marginal - Performance does not meet some contractual requirements. The contractual performance of the element or sub-element being assessed reflects a serious problem for which the contractor has not yet identified corrective actions. The contractor's proposed actions appear only marginally effective or were not fully implemented.

Unsatisfactory - Performance does not meet most contractual requirements and recovery is not likely in a timely manner. The contractual performance of the element or sub-element contains serious problem(s) for which the contractor's corrective actions appear or were ineffective.”

Note the rating definitions are basically two aspects of describing or assessing contractor performance. The first aspect deals with meeting, exceeding or failing to meet contract requirements. This is nothing new. The second deals with effectiveness of corrective action taken by the contractor. Our statistical random sampling surveillance approach under the rescinded AFM 64-108 tended to focus on QAE identification of deficiencies, not the contractor's responsibility to ensure conforming services. The old approach also tended to block meaningful communication with the contractor that is needed for continual improvement. It is important for you to remember to focus on the contractor's responsibility to identify deficiencies and take lasting corrective action. You also need to address both aspects as you develop QA documentation during the course of the contract. This will prepare you for producing a meaningful assessment with factual documentation and it will help you to focus the contractor on his responsibility to ensure he delivers only conforming services by finding the root cause of performance deficiencies and taking lasting corrective action.

Some key points to remember in completing assessment reports are:

- **Narrative comments must correlate to the adjectival rating.** If the narrative only gives examples of deficiencies, it doesn't support a rating of very good or excellent. If the narrative fails to give details of performance, it doesn't provide sound support for any rating.
- **The ratings and narrative need to be consistent with QA documentation and when applicable, award fee determinations.** Note that award fee plans may have different rating schemes from the DoD directed ratings for annual PPI report cards. Narrative becomes even more important in this instance to ensure the DoD standardized ratings are supported. The goal is to ensure all performance assessments, award fee determinations, incentive allocations or any other performance measures are evaluated consistently throughout contract performance.

- *Identifying excellent performers is as important as identifying marginal or unsatisfactory performers.* Fair differentiation will motivate the contractor to improve performance and provide the information needed to make a best value decision on future awards.
- *Writing the assessment report is a multi-functional team effort.*
- *Contractors must be given an opportunity to comment on and discuss any adverse PPI.* There should be no surprises for the contractor in the annual assessment report.
- *PPI is “For Official Use Only” and should be protected as source selection information.* Contractors do not want their competitors to have access to their PPI!

Why is PPI so important to QA Personnel?

Using contractors' PPI when determining whether to exercise options for additional work or periods of performance and when awarding new contracts using best value criteria is a strong incentive for contractors to ensure current performance is satisfactory or better.

Documentation of poor performance may be the sole reason for a contractor not receiving award of future contracts. Communicating how well the contractor is performing during the contract is the quickest way to motivate and/or reinforce the contractor. The integrity of the quality assurance and past performance evaluation and documentation of contractor performance is essential to incentivizing contractor performance. It is essential that QA Personnel document both positive and negative PPI.

When should PPI be reported in the Contractor Performance Assessment Reporting System?

<i>Business Sector</i>	<i>Dollar Threshold</i>
Systems	> \$5,000,000
Ship Repair/Overhaul	> \$ 500,000
Operations Support	> \$5,000,000
Fuels	> \$ 100,000
Services	> \$1,000,000
Health Care	> \$ 100,000
Information Technology	> \$1,000,000
Construction	> \$ 550,000
Architect-Engineering (A & E)	> \$ 30,000

Figure 5-3

What is the Contractor Performance Assessment Reporting System (CPARS) process?

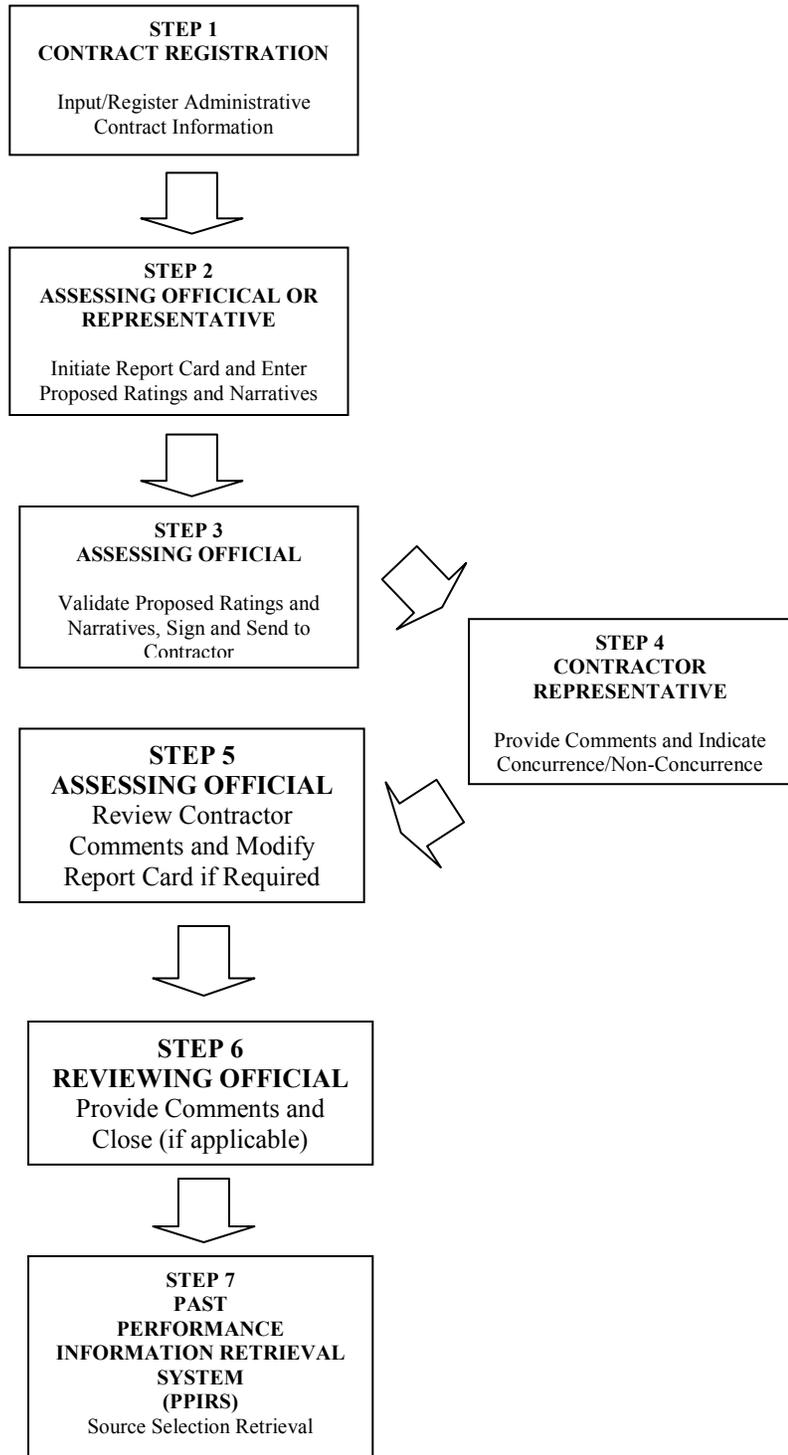


Figure 5-4

Summary

We've covered the various types of contract incentives and how to apply them. In summary, here are some of the best practices taken from an article on performance-based incentives by Gregory Garrett that appeared in the February 1995 issue of *Contract Management* magazine. Keep in mind they came from an exceptionally large complex program. However, regardless of what your requirement is many of them will apply.

Think creatively. Creativity is critical to the success of performance-based contracting.

- Avoid rewarding contractors for simply meeting contract requirements.
- Ensure that your performance incentives focus the contractor's efforts on the desired objectives. Make sure the contractor understands what is most important to you.
- Make performance incentives challenging yet attainable.
- Ensure that incentives motivate quality control, and that the results of the contractor's quality control efforts can be measured.
- Recognize that not everything can be objectively measured. Consider using a combination of objectively measured standards and a subjectively determined award fee.
- Use a combination of positive and negative incentives.
- Make sure that applicable FAR fee limitations are not exceeded.

Remember as a QAPC you are a critical member of the team. With your help, the multi-functional team can develop the most effective, efficient incentives to improve contract performance and your mission. Good luck!

INSTRUCTIONS FOR QUESTIONS 6 THROUGH 15: Determine the correct answer by matching the letter in column two with the answer in column one. The letter responses can be used once, more than once, or not at all. Column one may have more than one correct answer.

COLUMN ONE

COLUMN TWO

- | | |
|---|--------------------------|
| 6. ____ Price is not subject to any adjustment on the basis of the contractor's actual cost | a. Firm-Fixed Price |
| 7. ____ Used when there are unstable market or labor conditions | b. Fixed price with EPA |
| 8. ____ Provides maximum incentive for the contractor to control costs | c. Fixed price incentive |
| 9. ____ Places the cost risk on the government | d. Cost-Reimbursement |
| 10. ____ Least preferred contract type | e. Fixed Price |
| 11. ____ Award amount based on a judgmental evaluation by the government | f. Cost-plus-fixed fee |
| 12. ____ Contract award paid regardless of whether or not contractor produces desired outcome | g. Cost-plus-award fee |
| 13. ____ Consists of a base amount and an award amount | h. Fixed price award fee |
| 14. ____ The two categories of contracts | |
| 15. ____ Fixed price paid for satisfactory performance, award fee may be earned | |

NOTES

UNIT 6. Market Research

OBJECTIVES

- a. Identify facts about the purpose of market research.
- b. Identify requirements for conducting market research.
- c. Identify techniques and information sources of market research.

Introduction

As discussed earlier, part of the responsibility of the multi-functional team is to develop the initial or basic needs statement into a comprehensive service contract that fulfills a government requirement. But how do we reach the goal of a comprehensive contract? The initial needs statement delivered by the functional user is often only an idea of what he or she believes will support the requirement. Market research is the tool the team uses to define the need and ensure the need is met throughout the life of the contract, at a fair and reasonable price to the government. Before we move into the purpose and process of market research, let's first look at some significant definitions.

6a. Identify facts about the purpose of market research.

Definitions

Market Research

Market research is not a new idea. We as consumers have always done some sort of —window-shopping,” before making any purchase. Market research is the process of collecting and analyzing information about capabilities within the marketplace to satisfy agency needs. In government procurement, market surveys have been a part of acquisition planning for years. However, in recent years, the role of market research has grown with legislation such as the Federal Acquisition Streamlining Act (FASA) and revisions to the Federal Acquisition Regulation (FAR). In addition paragraphs 1.4 and 1.4.2 of AFI 63-124 state —A performance based services acquisition consists of...(m)arket research that demonstrates reliance on the commercial marketplace for its capabilities, innovation, technologies, and competitive forces in meeting an agency need.” These changes emphasize the importance of procuring commercial items and services. The best way to understand if the commercial marketplace can support the government's requirements is through valid and meaningful market research.

Commercial Item/Service

A commercial item is any item or service of a type customarily used for nongovernmental purposes that

- Has been sold, leased or licensed to the general public, or
- Has been offered for sale, lease, or license to the general public.

Commercial items are not limited to just those items currently available to the general public. If an item or service will be available in the marketplace, it may be considered commercial. Commercial items are not limited to just supplies. For instance, the maintenance of a piece of machinery that *is* or *will be* available to the general public may be commercial. Services are commercial if they comply with the above definition, or are in support of a commercial item. Another commercial service example is installation of and training on commercial items.

Commercial items also include any item that has evolved from a commercial item through technology or performance, or is a modification of a commercial item. The modification can be either 1) A modification customarily available in the commercial marketplace, or 2) A non-customary *minor* modification that does not significantly alter the nongovernmental function or characteristics of the item.

Non-developmental Item

A non-developmental item may also be determined a commercial item. A non-developmental item is any previously developed item of supply used exclusively for governmental purposes by a Federal Agency, a State or local government, or a foreign government with which the United States has a mutual defense cooperation agreement. The item is commercial if it is developed exclusively at private expense and sold in substantial quantities on a competitive basis, to multiple state and local governments.

What is the purpose of market research?

The primary purpose of market research is to determine if commercial items will meet our needs. Market research is essential to the government's ability to buy best-value services. There are several other reasons why market research is so crucial to the acquisition process. Some of these are addressed below:

- **Aiding the justification for other than full and open competition:** In accordance with FAR 6.303-2(8), the Justification and Approval (J&A) document for other than full and open competition shall include — a description of the market research conducted and the results or a statement of the reason market research was not conducted”.

- **Performing acquisition planning:** In accordance with FAR 7.102(a), agencies shall conduct market research as part of acquisition planning —~~and~~ promote and provide for the acquisition of commercial items . . . and . . . full and open competition.” In accordance with FAR 7.105(b)(1), market research is to be specifically addressed as part of the Acquisition Plan.
- **Specifying or describing agency needs:** In accordance with FAR 11.002, market research should be conducted to aid agencies in specifying their needs in a manner to promote full and open competition to the maximum extent practicable and to only include restrictive provisions or conditions as authorized by law. In accordance with FAR 11.103(c)(3), criteria for demonstrating that an item has achieved commercial market acceptability should be supported by market research. Also, in accordance with FAR 11.104(a), market research should be used in support of the reasons as to why agency requirements have to be written so as to require a particular brand name, product, or a feature of a product, peculiar to one manufacturer.
- **Determining if commercial items or services are available to fulfill a government need:** Title VIII of the Federal Acquisition Streamlining Act of 1994 states the government prefers to purchase commercial items and services. This is reinforced in FAR 12.101(a). Below are a number of reasons beyond the regulatory and statutory requirements for using market research in procuring commercial items and an explanation of the importance of each area.
 - **Identify and define the government requirement**

The functional representative provides a basic or initial needs statement to the multi-functional team. The team then uses market research to further develop and define the needs statement into the requirements or PWS. Part of market research is also considering whether the government can change the requirement to better fit what is available in the commercial market and still be able to meet the needs of the mission.
 - **Comply to the maximum extent practicable with commercial practices**

Complying with commercial practices goes further than just buying commercial items. Commercial practices that should be identified in building a solicitation include, but are not limited to:

 - ✓ Commercial performance standards
 - ✓ Delivery time
 - ✓ Payment methods
 - ✓ Contract types
 - ✓ Contract terms and conditions
 - ✓ Financing methods
 - ✓ Surveillance methods

Market Research is a continuous process throughout the life of a contract. The information above should be evaluated as commercial practices change to ensure the government is still getting the best deal available. If changes do occur in the marketplace, the team should consider contract modifications, partnering with the contractor to find a solution, or re-soliciting for a new commercial requirement. Some programs will require more continuous market research than others after the contract has been awarded. For example, programs that involve constant technology changes, such as software or computer development, upgrades, training or maintenance would involve more continuous market research after award. For programs less impacted by technology, such as base custodial services, you may simply do some “refresher” Market research prior to the award of an option.

- **Ensure acquisition of commercial items promote full and open competition:** FAR Part 7 provides guidance on conducting market research during the acquisition planning stage —“ensure the Government meets its needs in the most effective, economical, and timely manner.” If the team performs market research in determining the government’s needs and models the solicitation in accordance with commercial practices, vendors will be more likely to bid at competitive prices. In the past, the government has had a reputation of being —“difficult to work with.” Lengthy specifications and increased administrative effort came at a price premium to the government. The aim of adopting commercial products and practices is to move away from the higher prices, encourage competition and achieve maximum efficiency in every buy.
- **Open lines of communication:** Communication is crucial between the government organizations involved in the acquisition as well as between the government and industry. Market research begins with the team, with each party involved in the acquisition coming together to define the best way to fulfill the government need. This starts with everyone on the team having a clear understanding of the government’s need.

Market research also enables the government to establish an open dialogue with industry. This is done before a solicitation is put out on the street. Working with industry as the requirement is developed saves time and money later in the acquisition process. Vague requirements are defined with the help of sellers in the marketplace and government questions can be answered firsthand by the experts in the market. Lines of communication can also be opened between small business concerns and the government to broaden the potential contractor or vendor base. From the beginning, the government must team with as many vendors as possible to get a broad sense of what is available in the market to develop the most efficient and effective requirement package and contract possible.

- **Determine Small Business presence in the market:** Requirements can be set-aside for small businesses if it is determined before solicitation that there is a large enough small business presence to ensure competition. Programs such as the Small Business Association's 8(a) and HUBZone programs should also be explored in analyzing the market and vendor base. It is strongly suggested that your wing's or organization's Small Business Specialist, usually the Director of Business Operations (DBO), be a participant on the multi-functional team while conducting Market Research.
- **Increase efficiency of government contracting:** Budget and manning cuts no longer allow the government to work inefficiently. By adopting commercial items and practices, we are joining a market that is profit-driven. Conforming to those market practices means acquiring products that are developed efficiently by the nature of the market. It also ensures that the government remains on the cutting edge of technology and up-to-date in all requirements.

6b. Identify requirements for conducting market research.

Start with a description of government need

The functional specialist is responsible for bringing the requirement or basic needs statement to the multi-functional team when the need first materializes. The requirement will then be refined by what is found in the marketplace.

Determine if Market Research is required

Some level of market research is required for all government acquisitions. Market research must be conducted appropriate to the circumstances; and:

- Before developing new requirements documents for an acquisition by that agency;
- Before soliciting offers for acquisitions with an estimated value in excess of the simplified acquisition threshold (\$100,000); and
- Before soliciting offers for acquisitions with an estimated value less than the simplified acquisition threshold when adequate information is not available and the circumstances justify its cost.

Market research is an essential element of building an effective strategy for the acquisition of commercial items and establishes the foundation for the agency description of need, the solicitation, and resulting contract. The description of agency's need must contain sufficient detail for potential offerors of commercial items to know which commercial products or services may be suitable. The statement of need should describe the type of product or service to be acquired and explain:

- How the agency intends to use the product or service in terms of function to be performed
- Performance required, or
- Essential physical characteristics.

By following these guidelines, we allow offerors to propose methods that will best meet the needs of the Government.

Determine who will conduct market research

In accordance with paragraph 2.8.3. of AFI 63-124, the multi-functional team is responsible researching the commercial market to ensure the team is using the most efficient and effective methods, techniques, and best practices in the performance of the contract. Each team should assign duties to the most appropriate personnel. Market research involves gathering information on:

- The requirements and how they are written
- The contractors/vendors quality controls and standards,
- How the contract is written, and
- What industry terms and conditions are standard.

As you can see, market research involves both the technical requirements aspect of the program and the business/contract aspect. Therefore, when conducting market research, whether it is face-to-face or over the phone, a team of individuals covering the requirements and business aspects of the program should participate. All findings will then be brought back to the team for analysis and requirements generation and/or refinement. The following is guidance on who may be involved as members of the team. (It should be noted that this is not necessarily a complete list of your choices of who may participate. The team should include everyone that is necessary to provide input or experience in developing the acquisition.)

- **Technical Specialist/Program Manager.** This is the functional representative on the team. He or she is usually the most familiar with the requirement, having developed the basic or initial needs statement presented to the team. As the technical expert, it is recommended that they be responsible for research on the specific requirement. They will also be able to provide input on whether the government can change the requirements to more closely reflect the commercial marketplace and still meet the wing's or organization's mission.
- **End-User.** Sometimes one and the same as the technical representative. The end user plays an important role in deciding what trade-offs can be made between the commercial items available in the market and the government's requirements. They will help define the amount of risk the government is willing to accept in relying on commercial vs. government specifications and in acceptance of the performance and quality standards found in the marketplace.

- **Legal Advisor.** The legal advisor plays a role in determining if commercial practices or terms and conditions conflict with the government's rights.
- **Cost/Price Analyst.** The cost/price analyst is instrumental in evaluating different commercial alternatives from a cost/price standpoint.
- **Contracting Representative.** The contracting representative researches contracts in the marketplace to determine commercial contracting practices, such as commercial contract terms and conditions, contract type, and bid schedule breakout.
- **Quality Assurance Personnel.** QA Personnel research common surveillance or quality control methods.

Others: Other personnel from outside your organization may also be used because of the expertise in certain areas that affect your program. Some examples include Defense Logistics Agency (DLA), Defense Contract Audit Agency (DCAA), Defense Finance and Accounting Service (DFAS), Defense Contract Management Agency (DCMA), Environmental Protection Agency (EPA), Federal Communications Commission (FCC) and Federal Aviation Agency (FAA).

What information should be determined through Market Research?

Overall, market research is about collecting information to get a snap shot of the **industry**. You are trying to gain insight and understanding of the industry *as a whole*. Market research is *not* about getting information that is specific to *one* contractor/vendor, nor is it a new way of getting proposal information from a specific contractor/vendor. The best way to collect information about the industry is to determine and contact the industry leaders because they establish industry standards. Information that should be attained or determined through market research includes:

- **Commercial Determination...**Is the product or service a:
 - Common commercial marketplace item, or
 - Modification of a commercial item, or
 - An exclusively governmental item?

NOTE: You also need to consider whether you need to modify the government's requirements to take advantage of using a commercial service to meet the requirements, provided you can still meet the Wing's or Organization's mission.

- **Statements of Work/Product Descriptions:** Use samples from the market place to develop/refine your own solicitation.
- **Industry Standards:** Can industry practices, performance standards, and quality standards be adopted from the commercial market and incorporated into the PWS and PP?

- **Contract type:** Firm fixed price, cost-reimbursement, time and material and labor-hour? How much risk is the market willing to accept?

NOTE: The only contract types allowed for commercial item acquisitions are FFP or FPEPA.

- **Contract financing:** What type of financing, if any, is common to the industry (advanced payment, interim payment or delivery payment)?
- **Vendor Base:** Do large companies dominate the market or are there enough small/women-owned/disadvantaged businesses available to solicit a full or partial competitive set-aside? Are there any HUBZone or 8(a) businesses available? <http://www.sba.gov/hubzone/section05d.htm>
- **Quality Assurance/Control Methods:** What methods (100% inspection, random sampling, customer complaint), how often and at what points in the process does the industry typically perform quality checks?
- **Terms and Conditions:** Are there any standard contract terms that should be added under any of the FAR Part 12 commercial clauses?
- **Evaluation Criteria:** What evaluation criteria do contractors or vendors who have the same or similar requirements as the government use to evaluate and select their awardees?

What do I do with the information obtained through Market Research?

Commercial determination: The CO has the responsibility of making the determination as to whether the service the government is acquiring is a commercial service or not. Everyone on the team provides input into the determination through the Market Research process. Determining whether the service is commercial or not has certain implications as to how the contract document is written and how many additional administrative requirements are thrust upon the contractor/vendor above and beyond the industry standard.

Complete the requirements package: Integrate commercial practices into your requirements package, if it makes sense to do so. Commercial practices may not always give you the results you need to meet your mission. Write the PWS using standard commercial language and standards to the greatest extent possible. We have found many instances where a PWS was written in government language, which led to unspoken confusion regarding exactly what the government was asking for. Then, when it comes time for the kick-off meeting, we find out that the government is talking apples and the contractor is talking oranges. Often times this has a direct cost impact to the contract because of the miscommunication.

The main thrust of AFI 63-124 is to write performance-based or outcome-based requirements. If standard commercial language relative to a particular step, process, or function is written in “howto” language, and is necessary to be included in the requirement, market research should provide support of writing this portion, as such:

- **Defining the competition level:** Will the solicitation be full and open or some type of set-aside?
- **Developing the Performance Plan:** Use commercial surveillance methods and standard contractor-developed metrics as much as possible.
- **Writing the contract:** If you are writing a commercial contract, then you should try to copy the commercial contracts for that industry as much as possible.

It’s imperative that you evaluate the requirements throughout the life of the contract to ensure the requirements are being met efficiently and effectively.

6c. Identify techniques and information sources of market research.

What are some Market Research techniques?

Once the multi-functional team convenes with a basic or initial needs statement, how do they actually do market research? There are no required procedures for performing market research because market research is not a checklist process. You need to tailor your approach to each particular requirement. The following is a suggested approach to market research:

- **Market Research Group Organization:** The group responsible for performing market research is the team. This group should include at least one representative from all functional areas that are impacted by or responsible for the acquisition including any advisors or experts who can provide input as to the adequacy of the commercial industry’s capabilities to meet the government’s technical and contractual requirements. A leader should be nominated within the group to facilitate the meeting sessions, assign duties, and track the schedule. If needed, the leadership responsibilities may change to another person if the emphasis of the market research changes (i.e. from the technical aspects to the business of the acquisition).

- **Develop Sources of Information:** Information sources are those locations, groups, publications, etc. where you may be able to find specific contact points to approach in order to conduct market research (i.e. yellow pages, internet, industry associations, trade journals, sources sought synopsis, etc.) Developing sources of information can be accomplished through group brainstorming. This may require more than one brainstorming session. The market research group should define a list of sources and eventually narrow these sources down into government, industry, or vendor contacts that can provide specific information on the requirement. Narrowing the list down may require individuals within the group to split up the list of sources to further research on their own in order to find some viable contact points. Some techniques that can be used to gather information are:
 - Contact knowledgeable individuals in the government and industry. Exchange best practices, acquisition strategies, PPI, etc.
 - Obtain source listings: Yellow pages, Internet
 - Query government and commercial databases
 - Publish formal requests for information (Commerce Business Daily/Electronic Posting System)
 - Review vendor publications/catalogs
 - Host pre-solicitation industry exchanges
- **Develop market questionnaire:** The group should then develop a survey of questions that can be distributed to the entities on the source list. Any terms and conditions that you want to include in a contract should be addressed as part of your market research. Then, if the terms and conditions are found to be inconsistent with customary commercial practices, you are required to get a waiver from the HCA. The survey or questionnaire can also be built using brainstorming. Questionnaires, whether mailed or faxed, should contain a point of contact and number. See Exhibit 6-1 for a sample questionnaire.
- **Assign contacts to subgroups:** Divide the search between subgroups of your Market Research Group or multi-functional team (including at least one technically oriented and one business oriented person within a subgroup), and set a date to meet and combine information. Sometimes a Market Research Group or multi-functional team is not big enough to split the work up into subgroups. If that is the case, the Group should perform the market research as a unit. There are two reasons why you are strongly encouraged to perform market research as a unit:
 - Not every person in the Group or subgroup can address all aspects of the subject matter to be covered by the market research in the depth that is required (i.e. technical specialists do not often have the knowledge to ask additional or clarifying questions relative to terms and conditions and contracting personnel do not often have the knowledge to ask additional or clarifying questions relative to technical issues)
 - There is a higher probability that all of the issues/questions can be addressed at one time without having to repeatedly approach the contractor.

You can decide at this point if you want to rely on phone and Internet contacts, or decide to take a more hands-on approach, such as using site-visits or industry-exchange conferences. Contractors/vendors tend to be more responsive and forthcoming with information when personal contact is made. The level of interaction will depend upon the dollar amount, complexity, and the procurement history of each requirement.

- **Gather information:** Remember, set a time-line and be willing to convene the Group and set a different course of action if information you discover in your research points you in a different direction. Use the market research information gathered to write your PWS (including the SS) and performance plan, and to define contract type, terms and conditions, bid schedule and proposal information to be requested.

NOTE: If the contractor gives you proprietary information, you are required to protect it as you would with any proprietary information submitted as part of a proposal IAW FAR Part 3.

- **Document all information in a Market Research Report:** The Air Force Logistics Management Agency Market Research Guide gives a list of suggested items to include in a Market Research report. These topics include:
 - An explanation of the acquisition's background, including its purpose and any special features.
 - An identification of the market research team members (at a minimum, the buyer and the requirements official or technical specialist).
 - A description of the agency's needs, in terms of their function, performance, and/or essential physical characteristics. This section should also discuss possible alternatives or modification to the needs statement or to the potential for trade-off analysis.
 - Identification of the desired or required schedule for the delivery of the end items.
 - An explanation of the methodology that was used for completing and refining the lists of potential suppliers, including the number of firms that were contacted and a list of the suppliers in the final consideration.
 - A summary of the industry sources that were contacted and the types of information obtained from them.
 - A summary of the customary commercial terms, provisions, and conditions, including payment and buyer financing, freight, delivery, inspection/acceptance/rejection, maintenance and warranties.
 - A summary of the laws and/or regulations unique to the required supplies and/or services.
 - Identification of the price ranges discovered, possible reasons for variations, and the potential of determining a fair market price.

- The Market Research, including a summary description of the available commercial or non-developmental items, along with their respective merits or shortcomings.

Are there information sources available to help in conducting market research?

Information to develop a requirement can be found in the Yellow pages, on the Internet, in trade journals, from other government organizations, etc. The list of sources is practically endless. See Exhibit 6-2 for some available information sources.

Figure 6-1

Sample Market Research Questionnaire

PROJECT: Protective Coating Services

Please answer the following survey and return to _____ at _____.

Contractor: _____

Address: _____

Phone/Fax: _____

1. Do you perform any of the following protective coating services?

- a. _____ MAJOR EXTERIOR ROOF PAINTING
- b. _____ EXTERIOR PAINTING
- c. _____ INTERIOR PAINTING
- d. _____ TRIM PAINTING
- e. _____ REPAIR WALL SURFACES
- f. _____ STREET/PARKING LOT/CURB PAINTING
- g. _____ AIRFIELD RUNWAY & TAXIWAY & RAMPS

2. Do you provide Protective coating services on contract? If yes:

Type of contract (fixed price, IDIQ, time and materials, etc):

Period of Performance:

Please include a copy of the contract with this survey.

3. Are there any contract terms and conditions specific to the industry? (payment, financing terms, etc)

4. Is there an industry standard guide? If so, please provide a copy.

5. What quality assurance methods (100% inspection, customer complaint, etc) and quality standards are used?

6. Any other pertinent information?

Figure 6-2

Information Sources

Market Research Guides:

- AFLMA MR Guide. See bibliography for specific website address.
- OSD MR Guide. See bibliography for specific website address.
- SAF/AQC AFFARS Library Page.
- Acquisition Community Connection:
<https://acc.dau.mil/CommunityBrowser.aspx>
- National Contract Management Association: <http://www.ncmahq.org/>
- Directory of Internet's search engines: <http://www.searchenginecolossus.com>

Databases

- Thomas Register: <http://www.thomasnet.com>

Unit 6

REVIEW QUESTIONS

INSTRUCTIONS FOR QUESTIONS 1 THROUGH 4: Answer the questions by providing a short answer for each of the following.

1. Define market research?
2. Who is responsible for conducting market research?
3. When is market research required?
4. If the multi-functional team wishes to incorporate terms and conditions in solicitations/contracts that are inconsistent with commercial standards, who must approve a waiver?

INSTRUCTIONS FOR QUESTIONS 5 THROUGH 10: Choose whether the following are **true** or **false**, by placing a **T** or **F** in the space provided.

5. ____ FAR Part 7 provides guidance on conducting market research in the acquisition planning stage.
6. ____ Some level of market research is required for all acquisitions.
7. ____ Market research is used in the solicitation phase only.
8. ____ Commercial items are only those items currently available to the general public.
9. ____ The Justification and Approval (J&A) document for other than full and open competition may include a description of the market research conducted.
10. ____ Industry practices, performance standards, and quality standards adopted from the commercial market should be incorporated into the PWS and PP.

INSTRUCTIONS FOR QUESTIONS 12 THROUGH 14: Provide a brief explanation of the role each identified group or individual players in the market research process.

11. Technical Specialist

12. Legal Advisor

13. Quality Assurance Personnel

14. Contracting Representative

NOTES

UNIT 7. Performance-Based Work Statement (PWS)

OBJECTIVES

- a. Identify the development process of the PWS.
- b. Identify facts and terms about the government performance plan.
- c. Identify the procedures for developing the Performance Plan.
- d. Determine what makes up an effective performance assessment program.

Introduction

The emphasis of performance based contracting is describing our requirements in terms of the end result not in terms of how to accomplish the requirements. Performance based contracts include measurable requirements (performance objectives) and quality standards (performance thresholds) which allows us to easily determine if we received the outcome desired. If we tell our contractors what end result we want, it is left up to them to figure out the most efficient approach. This will allow for the use of commercial practices and management innovation-- major areas that will allow efficiencies. As long as we get the desired end result, it shouldn't matter how the contractor gets there.

7a. Identify the development process of the PWS.

Typically, commercial service contracts are already performance based so market research helps us accomplish the task of writing a Performance-Based Work Statement without starting from scratch.

What is a Performance-Based Work Statement?

A Performance-Based Work Statement (PWS) defines the requirements in terms of results rather than the method of performing the work. The multi-functional team should work together to define the requirements (objectives), incorporate commercial practices and establish desired performance levels (thresholds) for the PWS. If a service requirement is being resolicited, the prior PWS is a good starting point. However, when developing the new PWS, changes in the customer's requirement, funds availability, and the ability of the commercial marketplace to provide the needed service must be considered. Relying on an "old" PWS, even if it is performance based, may not reflect the current needs of the user. It is important to allow adequate time for conducting solid market research and meaningful exchanges with industry.

Issuing a draft PWS allows industry to provide feedback and interchange relative to the requirement. The team should expect their draft PWS to evolve as a result of industry comments and market research data. In a re-acquisition, the former PWS may be a great starting point but should only be viewed as that, a starting point.

Outputs should be expressed in clear, concise, commonly used, easily understood, and measurable terms. Material already included in other parts of the contract should not be repeated in the PWS.

Detailed procedures that dictate how the work is to be accomplished should not be included in the PWS. Instead, the PWS should be structured around the purpose of the work to be performed, i.e., what is to be performed, rather than how to perform it. For example, instead of requiring that the lawn be mowed weekly, or that trees be pruned each fall, state that the lawn must be maintained between 2-3" or that tree limbs not touch utility wires or buildings.

PWSs should be written using precise terms and clear, concise wording. Broad or vague statements and "overly used" technical language should not be used. To prevent misunderstandings, abbreviations and acronyms should be avoided as much as possible. Abbreviations and acronyms must be defined the first time they appear in a document and/or be included in a PWS glossary or appendix. Ambiguous words and phrases should not be used. For example, say, "keep driveways clear of snow so that depth does not exceed two inches" or "maintain grass between two and three inches high" rather than "clear snow as required" or "mow grass as necessary." The PWS should contain consistent terminology. Use the same words throughout the PWS when addressing the same thing. This is particularly important when referring to technical requirements.

Is there a specific format for the Performance-Based Work Statement?

AFI 63-124, paragraph 1.4.3 states at a minimum a PWS should include:

- Description of Services/General Information (definitions, etc.)
- Services Summary (SS)
- Government-Furnished Property (GFP) and Services, if applicable
- Appendices such as workload estimates, labor hour rates, square footage, etc.

Description of Services/General Information (definitions, etc.). The Description of Services/General Information (definitions, etc.) narrates the specific requirements while the SS follows to summarize the requirements and performance thresholds. Additional information such as GFP and Services and General Information is placed after the Description of Services.

This area of the PWS should be consistent with the outcomes in the SS. In addition, this is where we define requirements that the contractor would not know from the outcome alone, such as specific subtasks that are government-unique.

Services Summary (SS). Even though listed second, the SS should be developed first. It is the foundation of your requirement because it identifies your desired outcomes. The General Information adds additional details necessary for the contractor to be able to perform the service. The SS should be used when developing evaluation factors since it highlights the requirements we want a successful offeror to perform well. The SS is also the starting point for the development of the Performance Plan, which will be discussed later in more detail. Development of the SS was addressed in Objective 7a.

Government Furnished Property and Services. The Government Furnished Property and Services section should include all GFP and services that the government will provide to the contractor. Be certain to indicate from whom and when the property and services will be provided to the contractor. Documents that merely state that the government will provide certain services or property do not provide enough information to the contractor about the forthcoming support. Be aware that issues associated with Government-Furnished Property and Services may not be completely addressed in FAR clauses and additional information may need to be specified in the PWS.

Appendices. Appendices may include workload estimates, maps and work area layouts, GFP listings, etc. If publications are listed, they need to be identified by specific paragraph or chapter and should reference back to the paragraph in the PWS that requires compliance with the publication. Required reports such as Contract Data Requirements Lists (CDRLs) and Data Item Descriptions (DIDs) should not be listed as an appendix. In accordance with DFARS 204.7105 they should be listed in an exhibit to the solicitation in Section J of the Uniform Contract Format.

See exhibit 7-2 for a sample PWS.

How should applicable AFIs, publications and forms be cited in the PWS?

AFI 63-124, paragraph 1.4.3 requires all referenced directives (e.g. publications, instructions) be cited 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.

Describing government contract requirements by referencing government publications is discouraged for a number of reasons.

First, we use service contracts when in-house resources are not available and to save money. A contractor can be more cost effective and efficient than an Air Force (AF) organization because contractors are not expected, nor required, to create a mirror image of an AF organization. Our contract requirements should be performance-based to provide maximum flexibility for contractors to find better, faster and cheaper ways of performing our requirements giving us the benefits of the commercial market place.

Secondly, government publications are generally not written in language suitable for contract application. The purpose is to direct government personnel and resources from entry level to experienced personnel. They tend to provide step-by-step instructions on how to do specific tasks and are directive rather than performance-based. Government publications also standardize operations. They frequently use standard titles, assigning responsibility to a single position for inherently governmental duties as well as tasks that could be contracted out.

Since government publications tend to provide step-by-step instructions, it requires a lot of time to make sure a contractor is doing each step. Focusing on outcomes and including performance standards (thresholds) makes a contract easier to enforce because verifying the output takes less time than verifying each of many steps. With fewer AF resources, we can no longer afford technical experts in all areas to observe contractor performance.

Finally, reliance on publications to define contract requirements means the contract requirement becomes outdated or changes must be negotiated to stay current. Administratively, it is very labor intensive.

Where should publications be cited?

The preferred method of including requirements called for in government publications in a PWS is to write the requirement in the narrative portion of the PWS or Description of Services/General Information (definitions, etc.) so it is clear the contractor is required to perform the requirement. If this is not practical, you may incorporate required portions by referencing the publication in the PWS. You should make an informed decision when referencing publications based on the requirement and the specific content of the publication. Don't include a publication that duplicates federal, state or local laws the contractor must comply with as a part of doing business. Don't include a publication just because it would be mandatory on an AF organization performing the requirement. If a publication is needed because of law, security, and safety or to interface with other government systems or agencies, reference only the needed portions. In accordance with AFI 63-124, paragraph 1.4.3. cite reference directives (e.g. publications, instructions) by specific process/procedure (e.g. paragraph or chapter) rather than the entire publication. For example:

The food service contractor shall ensure only authorized individuals are served, IAW AFI 34-241, para. 1.1.

A complete listing of publications contained in the Description of Services/General Information may also be included in an Appendix/Attachment, tailored to the specific paragraph(s) applicable to the PWS. See Figure 7-1.

Citing Publications

<u>Publication No.</u>	<u>Name</u>	<u>Date</u>	<u>Applicable Paragraph</u>	<u>PWS Paragraph</u>
AFI 34-239	Food Service Management Program	02/20/2004	Paras. 1.1, 1.2, 1.6, 1.7, 3.1, 3.2, 3.6, and 4.6	Para. 1.3
AFI 48-116	Food Safety Program	03/17/2004	Paras 2.14, 2.15 & 2.16	Para. 1.5.
AFI 31-101	Air Force Installation Security Program	03/01/2003	Chapter 5	Para. 4.3

Figure 7-1

When you cite reference publications in a PWS and a cited paragraph refers to another government publication, the second publication does not become part of the PWS. For example, AFI 23-201 mentions a number of technical orders, AFOSH standards and AFI 91-301. The mention of these publications does not constitute an enforceable PWS requirement unless those specific publications are also referenced in the PWS. Likewise, when a reference publication calls for a report to be sent to another organization, (such as a headquarters), the report is not a required deliverable under a contract that references the publication unless there is also a contract data requirements list (CDRL) item requiring the report. A referenced publication could require the contractor to fill out a log or report, but a CDRL is required for delivery of the data item.

Technical orders are frequently referenced in the PWS. They may be appropriate when the service requirement they refer to is government-unique. As we purchase more and more commercial services, we may be able to rely on manufacturer's manuals or recommended maintenance intervals. Market research will help the functional expert decide.

Are contractors responsible for updates to publications?

If the contractor is to be held responsible for implementing updates to publications, the PWS must indicate how the contractor will obtain those updates (i.e. via the internet, Publishing Distribution Office, etc.). In addition, the PWS must include the timeframe required for the contractor to implement supplements and amendments to their original publications.

The PWS must also indicate that it is the contractor's responsibility to inform the CO of any increases or decreases in contract price due to publication changes. We cannot expect contractors to provide additional effort without compensating them fairly for the additional work. This is another reason why it is essential to only include publications that are really required to accomplish the desired outcomes.

Alternative Methods

In this unit, we described one method to define requirements and write the PWS. However, any method, or combination of methods may be used as long as they meet the following requirements of FAR 37.602-1:

- Define requirements in clear, concise language identifying specific work to be accomplished. Performance-based Work Statement must be individually tailored to consider the period of performance, deliverable items, if any, and the desired degree of performance
- Describe the work in terms of "what" is to be the required output rather than either "how" the work is to be accomplished or the number of hours to be provided
- Enable assessment of work performance against measurable performance standards
- Rely on the use of measurable performance standards and financial incentives in a competitive environment to encourage competitors to develop and institute innovative and cost-effective methods of performing the work
- Avoid combining requirements into a single acquisition that is too broad for the agency or a prospective contractor to manage effectively

Examples of performance-based work statements are found in the SAF/AQC AFFARS Library, Part 5337, whose website address is located in the summary at the end of this unit.

EXHIBIT 7-2

**PERFORMANCE-BASED WORK STATEMENT
FOR
OPERATION AND MAINTENANCE OF**

ENERGY MANAGEMENT AND CONTROL SYSTEMS

(EMCS)

1. DESCRIPTION OF SERVICES/GENERAL INFORMATION. The contractor shall provide all management, tools, supplies, equipment, and labor necessary to operate and maintain Energy Management and Control Systems (EMCS) at (INSERT INSTALLATION NAME. PROVIDE A MAP WITH SPECIFICS SUCH AS LOCATION OF CENTRAL AND REMOTE CONTROL CENTERS, INSTALLED HARDWARE AND SOFTWARE, AND REGULATORY STANDARDS.)

1.1. BASIC SERVICES. The contractor shall operate the EMCS, central equipment and field EMCS equipment, with qualified and (when applicable by law, regulation, or standard) certified managers, supervisors, operators, mechanics, and inspectors. Approved quality control, operation, maintenance, and inspection methods shall be employed. (ON LARGER SYSTEMS WITH A REQUIREMENT TO OPERATE THE SYSTEM ON A TWENTY-FOUR HOUR BASIS, SERVICE MAY BE EXPANDED TO INCLUDE MANNING AN EMERGENCY CALL DESK.)

1.2. SPECIAL REQUIREMENTS. (GENERALLY ACCEPTED COMMERCIAL STANDARDS REQUIRE EFFICIENCY AND COMFORT. ADHERENCE TO STANDARDS IN FACILITIES SUCH AS HEALTHCARE ORGANIZATIONS IS MANDATORY. SOME ON-BASE LOCATIONS, SUCH AS COMMUNICATIONS AND COMPUTER FACILITIES, REQUIRE ENVIRONMENTAL STANDARDS FOR ELECTRONIC EQUIPMENT. THEREFORE, INSERT REQUIREMENTS FOR SPECIAL LOCATIONS SUCH AS HEALTHCARE, COMMUNICATIONS, AND/OR COMPUTER FACILITIES.)

1.3 QUALITY CONTROL. (OPTIONAL) Contractor shall develop and maintain a quality program to ensure services are performed in accordance with commonly accepted commercial practices for operation and maintenance of Energy Management and Control Systems. The contractor shall develop and implement procedures to identify and prevent defective services from recurring. As a minimum, the contractor shall develop quality control procedures that address the areas identified in paragraph 2, Services Summary. The government evaluator must have a specific quality control inspector to receive customer complaints.

1.4 QUALITY ASSURANCE. The government will periodically evaluate the contractor's performance by appointing a representative(s) to monitor performance to ensure services are received. The government representative will evaluate the contractor's performance through intermittent on-site inspections of the contractor's quality control program and receipt of complaints from base personnel. The government may inspect each task as completed or increase the number of quality control inspections if deemed appropriate because of repeated failures discovered during quality control inspections or because of repeated customer complaints. Likewise, the government may decrease the number of quality control inspections if merited by performance. The government will periodically inspect the environmental condition of selected buildings, including the central computer console center, to ensure compliance with regulatory standards and maintenance of comfortable conditions in buildings under the control of the EMCS. The government will also investigate complaints received from various customers located on the installation. The contractor shall be responsible for initially validating customer complaints. However, the government representative shall make final determination of the validity of customer complaint(s) in cases of disagreement with customer(s).

EXHIBIT 7-2 (Cont)

1.5 GOVERNMENT REMEDIES. The contracting officer shall follow the requirements of FAR 52.212-4, Contract Terms and Conditions for Commercial Items (May 1997), for contractor’s failure to correct nonconforming services.

1.6 HOURS OF OPERATION. (INSERT APPROPRIATE HOURS.)

1.7 SECURITY REQUIREMENTS. (INCLUDE INSTALLATION AND CONTRACT OR REQUIREMENT-SPECIFIC SECURITY REQUIREMENTS OF THE CONTRACTOR AND EMPLOYEES HERE. THIS WILL INCLUDE BASE PASS REQUIREMENTS, SECURITY CLEARANCE REQUIREMENTS, ETC. DO NOT DUPLICATE SECURITY CLAUSES OR SPECIAL PROVISIONS REQUIRED IN THE SOLICITATION AND CONTRACT BY THE FEDERAL ACQUISITION REGULATION (FAR) AND ITS SUPPLEMENTS. THE UNIT SECURITY MONITOR SHOULD INITIATE A DD FORM 254, DOD CONTRACT SECURITY CLASSIFICATION SPECIFICATION. REQUIREMENTS NOT COVERED IN THE DD FORM 254 OR THE SOLICITATION SHOULD BE INCLUDED HERE.)

1.8 PERFORMANCE OF SERVICES DURING CRISIS DECLARED BY THE NATIONAL COMMAND AUTHORITY OR OVERSEAS COMBATANT COMMANDER. (IDENTIFY SERVICES DETERMINED TO BE ESSENTIAL FOR PERFORMANCE DURING CRISIS ACCORDING TO DODI 3020.37. SPECIFY HOURS OF OPERATION REQUIRED AND THE PROCEDURES TO NOTIFY THE CONTRACTOR.)

1.9 SPECIAL QUALIFICATIONS. The contractor shall assign employees who possess certification to handle refrigerants when required. (NOTE: INSERT ANY ADDITIONAL SPECIAL CERTIFICATIONS OR REQUIREMENTS FOR EMPLOYEES IF DEEMED NECESSARY.)

PARTNERING AGREEMENT. (OPTIONAL) The contracting officer may require a partnering agreement between the government and the contractor to ensure joint cooperation and a sound partnership of all parties involved in the execution of this contract. Partnering is the creation of a government-contractor relationship that promotes achievement of mutually beneficial goals. It involves an agreement in principle to share the risks involved in completing the project and to establish and promote a nurturing partnership environment. Representatives from each organization are encouraged to participate in developing the partnering agreement. Suggested representation is the civil engineer manager, the government inspector, the government contract administrator, the contractor’s manager and the contractor’s quality control person. All costs for the partnership agreement should be shared equally between the government and contractor. This group is responsible for developing a formal partnering agreement that should be signed by all parties involved. The agreement should contain as a minimum: specific goals to be reached and a list of objectives to reach the goals, a set of metrics to evaluate the objectives, a frequency for meetings to review the metrics, and a statement of cooperation to execute the terms of the agreement. (NOTE: INSTALLATIONS MAY WANT TO REQUIRE AN INDEPENDENT MEDIATOR.)

2. SERVICES SUMMARY.

Performance Objective	Para.	Performance Threshold
Operate EMCS Equipment	Para. 1.1	Comfort levels maintained; energy goals are met; metrics are maintained on system efficiencies; all systems are balanced; (INSERT THRESHOLDS)
Preventive Maintenance	Para 1.1	System is fully operational; system defects are identified for timely repair; (INSERT THRESHOLDS)

3. GOVERNMENT FURNISHED PROPERTY AND SERVICES. (LIST GOVERNMENT FURNISHED PROPERTY/SERVICES/EQUIPMENT, ETC. OR INCLUDE IN APPENDIX C. THIS CAN INCLUDE VEHICLES, HEAVY EQUIPMENT, CONTAINERS, PLACARDS, LABELS, ACCUMULATION POINTS, ENVIRONMENTAL COMPLIANCE GUIDANCE, ETC.)

EXHIBIT 7-2 (Cont)**4. APPENDICES****A. Estimated Workload Data****B. Maps and/or Site Plans****C. Government Furnished Property/Services/Equipment**
(NOTE: ADD ANY OTHER APPENDICES THAT MAY BE NEEDED.)**APPENDIX A****ESTIMATED WORKLOAD DATA**

ITEM	NAME	ESTIMATED QUANTITY	
		1	Operate and Maintain EMCS
2	(LIST TYPE OF SYSTEM, MAKE, MODEL, AGE)		

(NOTE: ADD OTHER WORKLOAD DATA AS CONSIDERED APPROPRIATE.)

APPENDIX B**MAPS AND/OR SITE PLANS**

SUGGESTED MAPS ARE:

BUILDINGS WHERE EMCS EQUIPMENT IS LOCATED
 AUTHORIZED GATE ENTRY POINTS
 BASE MAP OF ALL PERTINENT OFFICES
 EMERGENCY SERVICES

(NOTE: ADD MAPS/PLANS AS CONSIDERED APPROPRIATE.)

APPENDIX C**GOVERNMENT FURNISHED PROPERTY/SERVICES/EQUIPMENT**

POSSIBLE ITEMS ARE:

EMCS EQUIPMENT TO BE MAINTAINED
 UTILITIES TO OPERATE SYSTEMS
 POTABLE WATER

(NOTE: ADD DATA AS CONSIDERED APPROPRIATE.)

What are the benefits of Performance-Based Requirements?

Converting our requirements to performance based should result in reduced contract prices and improved contractor performance.

Conversion to performance-based contracting for Navy aircraft maintenance resulted in immediate savings of \$25 million. Additional savings are anticipated through the positive and negative incentives contained in the contract. The proposal, evaluation and award process took 30 days less than was needed for the previous non-performance based competition. Working with industry as a team, to meet Navy aircraft maintenance requirements, resulted in dollars and time savings. So far, performance is surpassing the contract's minimum required standards.

Measurable Requirements: Another benefit is that performance based contracts must have clear and definitive performance requirements which are measurable. Measurable performance requirements leave no question as to what our requirements are or whether the contractor has met them.

Example:

Our requirement may be for a contractor to provide parts to the auto mechanics as needed. However, there may be a case when the mechanic asks for a part that is not immediately available and will take the contractor two hours to get it. As a result the general's car was not ready when required. In this case the contractor provided the part meeting the contract requirements yet the mechanic would not agree that the contractor's performance was acceptable. If you had a measurable performance threshold to go along with the requirement, both the contractor and mechanic would know up front what is expected. An example of the performance threshold for this case is that the parts are required within the following time frames for each of the following classification of parts; High use - 30 minutes; Moderate use - 4 hours; Low use - 72 hours.

Contractor Flexibility: Writing "outcome-based" requirements also provides the contractor flexibility in how he performs. The contractor can change his processes in response to a changing environment without contract modification because the required end result does not change, this results in fewer modifications being required which saves the contractor and government time and money.

Decreased Surveillance: Less surveillance is required when requirements are outcome based. Instead of validating every task that is accomplished, our measurements focus on whether the end results were achieved. This requires less quality assurance manpower and can be done through reviewing contractor data and metrics as well as evaluating the end results. (See Unit 8 on Performance Management Assessment)

Contractor Innovation: Performance based requirements also motivate contractors to use innovative and cost effective approaches. We do not want to limit their processes to a rigid government prescribed method. In preparing their proposals, they are incentivized to find ways to streamline their processes in order to reduce costs, making their pricing competitive. Even after contract award the contractor can change processes to implement new, innovative, or more efficient processes-- without contract modification--as long as the required end result is still achieved.

Why Outcome based requirements?

In the past, we described our requirements in terms of the processes or tasks that need to be accomplished in order to arrive at a particular outcome but often left out what the desired end result was. Figure 7-3 is an example from a food services contract.

Air Force Food Service	
OLD	<i>NEW</i>
Personal Hygiene	Comply with Food and Drug Administration (FDA) Food Code which results in a satisfactory or better rating in Health Inspections
Health Exams	
Food Borne Disease Test	
Equipment & Utensil Cleaning	
Food Preparation Equipment Cleaning	
Serving Equipment Cleaning	
Dining Area Equipment Cleaning	

Figure 7-3

The old contract told the contractor that all of the things in the left hand column had to be done -- these are process-oriented requirements. The desired end result was for the contractor to comply with the Food and Drug Administration Food Code to ensure a satisfactory or better rating was received on all health inspections. Previously, this was not stated anywhere in the PWS; therefore, no one reading the PWS would have known that this was the compliance the government intended the contractor to meet. The new PWS simply requires the contractor to comply with the food code and it's up to the contractor to know what needs to be done to comply with that code in order to pass health inspections. It was established through market research that the food code is the commercial standard for food service. This is not a government unique requirement.

What are the elements of Performance Based PWSs?

There are 3 elements of performance-based requirements.

- The requirements are —outcome-based” - only reflecting the desired end results-- not the process
- Each outcome-based requirement includes clear, unambiguous and measurable performance thresholds so there is no question whether our requirement has been met.
- Surveillance methods are consistent with the standards - focusing on end results, not the processes.

How do I write a Performance Based PWS?

Figure 7-4 below depicts a process used to develop a performance-based requirement.

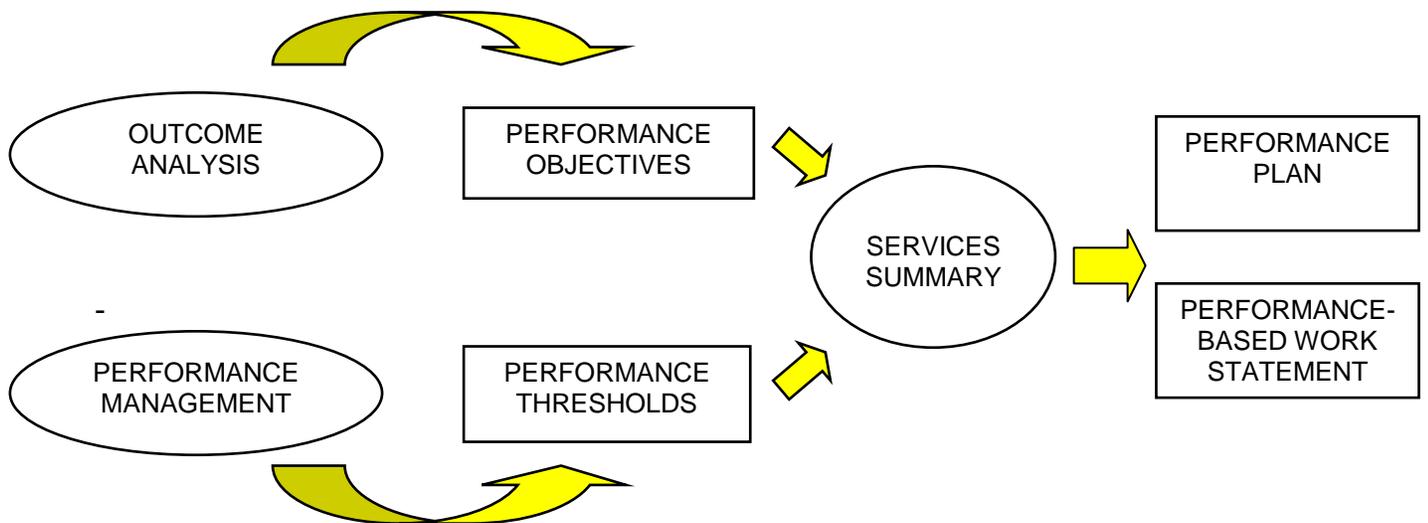


Figure 7-4

First an outcome analysis is conducted to identify performance objectives. Next, based on the performance objectives identified, a performance analysis is conducted to identify performance thresholds for each objective. Both the objectives and the thresholds are then captured in a Services Summary (SS), which provides the foundation for both the PWS and PP.

What is involved in Outcome Analysis?

The purpose of the outcome analysis is to identify performance objectives. Performance objectives are the services needed, defined in terms of the output/outcome required. This is the “~~what~~” or end result desired - not the process.

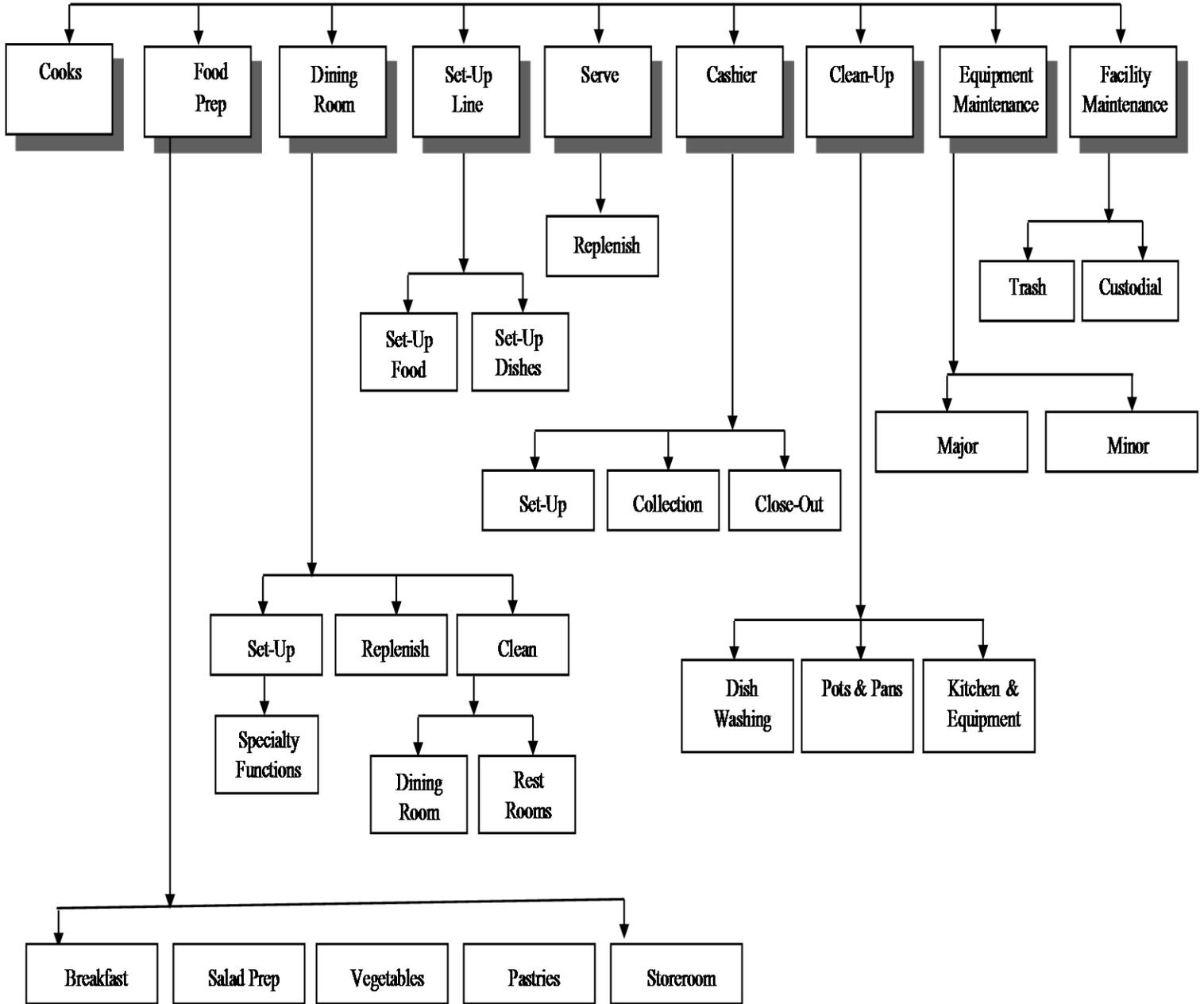
Outcome analysis involves analyzing the required outputs by breaking down the work into its lowest task level and linking tasks in a logical flow of activities. Agencies should start with the overall service or outputs required from the contractor, then divide the job into all its parts and subparts, and identify the relationships among all the parts. One method to accomplish this analysis is a tree diagram (shown in figure 7-5). It is a chart that divides a job into parts and subparts, each of which contributes to a final result or output, and demonstrates its relationship to the others. Identifying all outputs from tasks and subtasks required of the contractor is important. Failure to do so will result in incomplete or ambiguous contractual requirements that may be difficult to enforce or lead to contractor misinterpretation and inadequate performance.

The tree diagram allows the multi-functional team to visualize the requirement and determine which outcomes need to be specified in the requirement. Outputs should only be included in the PWS if the contractor would not reasonably know that the output is required in order to achieve a higher-level output. For example a food service contractor should know that clean up entails washing the dishes, pots and pans and cleaning the kitchen equipment. Therefore, each of these tasks would not need separate outputs identified in the PWS. The outputs that are not covered in a higher-level outcome are now your Performance Objectives. Market research can assist in this process by identifying the types of outputs contained in commercial requirements.

Agencies should insure that each performance objective is necessary, carefully chosen, and not unduly burdensome. Failure to do so can result in unnecessarily increased contract costs.

Figure 7-5 is a sample tree diagram for Mess Attendant Services (Food Services) at Air Force bases.

**Figure 7-5
FOOD SERVICE TREE
DIAGRAM**



What is Performance Management (Analysis)?

Performance analysis assigns at least one performance threshold to each performance objective. This involves determining how a service can be measured and what performance thresholds, timeliness, and quality level(s) apply. The performance threshold establishes the performance level required by the government. Typically, the performance threshold is the percentage of required conformance to, or number of deviations from, the performance objective to be considered acceptable. Care must be exercised in establishing the threshold at which performance standards are set. The performance threshold should rarely be 100 percent or no deviations, since the threshold directly affects the cost of the service. Conversely, if the quality level is too low, it may act as disincentive to good contract performance.

Sometimes it is difficult to come up with the best way to measure our outcomes. The best place to start is by seeing how industry is doing this and including it in your market research. Not only does this make your job easier, but it also makes it easier for the contractors to comply if the government uses industry familiar standards. All performance analysis consists of asking the question –“what is acceptable performance as it relates to the performance objective?”

Performance objectives and thresholds may be published or well recognized, industry-wide standards, or may be developed by the agency. Agency standards should have industry input to ensure they are realistic and effective. This may be done through public meetings, public comment on proposed standards, draft RFPs, or one-on-one discussions just to a few.

In establishing performance thresholds it is important to consider how surveillance will be conducted - to ensure thresholds are measurable. When setting the thresholds answer the question, –“How will we evaluate if the contractor has met this threshold?”

What is a Services Summary (SS)?

The Performance Objectives and Thresholds developed through the preceding processes of outcome and performance analysis are then documented in the SS, which is incorporated in the PWS. The SS should capture the overall requirements at the outcome level. By reading the SS, the contractor should know what our requirements are. This is also a good way for commanders to get a bird’s eye view of what is on the contract and confirm that it meets their mission requirements. Even though the SS looks somewhat like the old Performance Requirements Summary (PRS) or Service Delivery Summary (SDS) from AFM 64-108, it should not be confused. The performance objectives are based on outcomes, not tasks. It doesn’t include percentages for deductions, and the surveillance method is not included. An initial surveillance plan provided with the RFP will permit contractor feedback and increased understanding of the requirement.

This allows the government to tailor the surveillance to contractor performance and effectiveness of contractor quality control. Surveillance methods will be further discussed in the next block.

Figure 7-6 is an example of a SS for the Air Force Food Service Contract. It reflects the performance objective and associated performance threshold as required by AFI 63-124, as well as the corresponding PWS paragraph that specifies this requirement. The eight items listed cover the overall required outcomes for the entire food service requirement we have been using as an example.

Performance Objective	PWS para.	Performance Threshold
Prepare food IAW recipe cards	13.c.	95% of menu items/meal period
Comply with sanitation requirements of the food code and state and local laws/regulations, which result in a satisfactory or better rating in Health Inspections.	9.d. (3), 13.b., 15, & 16.a. (4)	100% of the time
Satisfy facility manager and guests in reference to timeliness of service and courteousness of employees	13.f.	90% of monthly meal periods
Make available supplies and materials necessary to serve the guests	1,12.c., 12.d., and 16.a.3	95% of monthly meal periods
Maintain the interior and exterior of the dining facility in a clean and sanitary condition	16.	85% of the days in the month
Provide cooks/food servers to ensure there is no impact on food service operations during contingency operations	9.e.	100% of the time.
Repairs will be initiated/completed within the following time frames: Routine: 24 hours/96 hours Urgent: 12 hours/48 hours Emergency: 1 hour/24 hours	19.f.	95% of the time

Figure 7-6

Historical and Projected Workload Data

When developing the PWS, historical and projected workload data should be included to incorporate surge and other requirements. Historical and projected workloads allow the contractor to determine manpower and supplies needed to accomplish the service. Surge and other requirements should include contingencies or unplanned events that may increase the contractor's workload.

Needed workload data is often available from existing management information subsystems or other databases or records such as sampling or on-the-job observation. If workload data is not available, various techniques can be used to generate it. For example, agencies can provide their best estimate of the data or, if there is sufficient time before the award of the contract, program personnel can immediately begin collecting workload data for a sufficient period of time to use for projections. Some agencies have placed a performance requirement in the PWS for the incumbent contractor to maintain accurate workload data. This information can be used to help develop the baseline for future contract work estimates.

A good workload estimate aids the contractor in developing a realistic proposal. Should the requirement change significantly and the contractor experiences a cost impact, the contractor or government may be entitled to an equitable adjustment.

An example of workload data for the elevator maintenance example above might look like that in Figure 7-7.

ELEVATOR MAINTENANCE ESTIMATED WORKLOAD DATA

ITEM	NAME	ESTIMATED QUANTITY	
1	Inspect and test elevators	_____	Ea
2	Number of (LIST EACH TYPE OF ELEVATOR SEPARATELY)	_____	Ea
3	Estimated number of repair service calls per year	_____	Ea
4	Estimated number of emergency repair calls per year	_____	Ea

Figure 7-7

7b. Identify facts and terms about the government performance plan.**What is a Government Performance Plan?**

The Performance Plan is to be used as a guide by government QA Personnel and the Functional Commanders/Functional Directors (FC/FD). They provide a systematic method to evaluate the services the contractor is required to furnish. The surveillance/evaluation methods identified in the performance plan, in concert with the contractor's quality control procedures, will assure the government of satisfactory contractor performance. The plans are intended to be "living" documents. They should be revised or modified as circumstances warrant throughout the contract period. Following contract award, the document should be reviewed to ensure it will work cooperatively with the contractor's quality control plan but not duplicate its provisions. The quality control plan must be evaluated to verify that it will provide adequate insight of contractor performance. If contractor metrics are used it should describe how the metrics will measure and present quality indicators. Government QA personnel should use the contractor's quality control plan and program as the basis for their evaluations. This performance plan can then be modified to complement the quality control plan.

The performance plan is based on the premise that the contractor, not the government, is responsible for management and quality control actions to meet the terms of the contract. Good management and use of a contractor quality control plan will allow QA personnel to monitor the contractor's ability to meet the specified contract requirements. QA personnel are to be objective, fair, and consistent in evaluating contractor performance against the performance standards. **(See Appendix C for sample performance plan)**

7c. Identify the procedures for developing the Performance Plan.**How do I develop a Performance Plan and what factors are used to determine the method of surveillance?**

The Performance Plan, if properly constructed, provides quality assurance personnel with an effective tool for assessing the contractor's performance. After a plan has been created and approved, the responsibility for changes remains with the multi-functional team.

To prepare for writing the plan, a few decisions need to be made by the team. For every performance objective listed on the Services Summary, a performance threshold and a method of surveillance must be determined. As discussed in Unit 7, the performance threshold will have been developed during performance analysis.

Numerous factors are to be taken into account when deciding the method of surveillance, including:

- Criticality of task
- Lot size
- Surveillance period
- Performance objective
- Performance threshold
- Availability of QA Personnel
- Value of surveillance in relation to cost or criticality
- Commercial practices identified as a result of market research

Consideration must also be given when re-performance is not possible or practical. Manning and QA expertise of the contracted service will also be a direct factor in the selection of the surveillance method.

Based on the performance thresholds, the team will determine the appropriate method of inspection. The surveillance relationship is derived by the fact that the more difficult or critical a service is, more inspection will be necessary, and the contractor will justifiably require more consideration for the effort.

How are the Performance Plan and PWS related?

As stated earlier the Performance Plan and the PWS, in particular the SS, are developed simultaneously. The team must determine which contract requirements require surveillance and the method of surveillance to be used for each of the requirements listed in the SS. The performance plan is used as a guide for surveying PWS requirements. It should provide QA Personnel with information with which he or she can identify acceptable and potential reasons for any nonconforming performance. The complexity of the plan should match the complexity of the requirement.

Figure 7-8 shows examples of the method of surveillance added to the SS:

PERFORMANCE OBJECTIVE	PWS REF	PERFORMANCE THRESHOLD	METHOD OF SURVEILLANCE
Customer Service Center Emergency – 30 min duty hrs 1 hr non duty completed in 24 hrs Urgent – completed in 5 days Routine – completed in 30 days	Para; 9.1.2.7 & 9.1.3	Emergency 100% Urgent 98.5% Routine 95%	Contractor metrics. Periodic review of records and customer feedback.
Control backlog of work requests/workorders	Para: 9.1.3	Max 10% of all work	Contractor metrics. Periodic review of records
Operate, maintain and repair UPS System	Para: 9.1.13	Max system utility failure 5.3 minutes (99.99%) annually	Contractor metrics. Periodic review of maintenance records, outage reports

Figure 7-8

What elements are included in a Performance Plan?

The performance plan identifies the objective in having the service provided. It needs to state what the purpose is of the service, i.e. to provide quality housing maintenance to military members. The plan must also include the results the multi-functional team is striving to achieve in managing the acquisition. These results come from Steps 2 and 5 of the Steps to PBSA that we discussed earlier. During those steps, we identified where we needed to go and how we knew when we got there. These targets for success need to be identified in the performance plan.

Multi-functional team members and their roles and responsibilities must be outlined in the plan. These roles and responsibilities are identified and briefed to the members during Step 1 of the Seven Steps to PBSA.

The fourth element that should be included in the performance plan is the approach, methods, and tools the team will use to assess the contractor. Step 5, Decide how to measure and manage performance, required that we determine what our standards for performance were going to be. We also had to determine if we were letting the contractor propose the metrics and quality assurance plan or if the government was developing them.

The last element is identifying the approach, methods and tools the multi-functional team will use to manage the acquisition upon award. This should include information relating to how you are going to include the contractor as part of the multi-functional team and what the plan is for keeping the core members together on the team for continuity throughout the life of the acquisition.

What should be included in the Performance Plan?

Suggested PP Content

- PP Purpose
- Roles and Responsibilities
- Surveillance procedures
- Performance objectives/thresholds
- Methods of surveillance
- Action for unacceptable performance
- Certification of Services
- List of SS items
- Procedures for surveillance of non-SS items
- Copy of the Performance Work Statement
- Customer complaint procedures and training instructions

This list is NOT all-inclusive.

What does the team do with the performance plan?

We already know that the multi-functional team works together to develop a performance plan that is tailored to the acquisition. After contract award, the team needs to readdress the roles and responsibilities of the members. The people that are assigned the most direct roles for monitoring contract performance need to ensure they read and fully comprehend the contract, performance plan, and have the knowledge, skills and ability to perform their newly assigned role. They must use the approaches, methods, and tools outlined in the performance plan to assess the contractor and to document the performance.

The multi-functional team is responsible for using the performance plan to implement initiatives brought forward during contract performance. The team members need to be continually asking themselves 2 questions, —Are we measuring the right thing?” and —How are we doing?”. Through constant benchmarking with industry, new ideas and initiatives are going to be revealed and the team needs to use the tools available in the performance plan to assess the risk of implementing the initiative and implementing them. The performance plan will also be used to measure the success of the newly implemented initiatives to ensure they are doing what they were intended to do.

There may be times when the contractor or QA Personnel identifies an area in the performance plan that needs to be reviewed and/or revised. The multi-functional team must look at the suggestions and determine whether or not the change will enhance the performance and outcome of the contract. If so, the performance plan should be revised. This is all part of the contract management portion of the performance plan.

7d. Determine what makes up an effective performance assessment program.

Contract Surveillance

Procedures for observing contractor performance were developed, documented, and agreed upon in the performance plan. For each SS item, the performance plan lists the inspection procedures that have been determined appropriate and must be followed. The method of surveillance will determine how the QA Personnel will actually evaluate the contractor's performance.

Documenting Surveillance

QA Personnel must document surveillance as it is conducted. The documentation is an important component of the official Air Force record of the contractor's performance.

QA Personnel may use any locally devised form to record their observations of the contractor's performance. It is suggested the following information be included:

- Contract paragraph number referencing the requirement
- Short description of the requirement being surveyed
- Method of surveillance and observation
- Date, time, and location of the surveillance
- Results of the surveillance
- Signature and title of the individual accomplishing the surveillance

ALL performance must be documented, whether it is acceptable or unacceptable. When an observation results in an unacceptable rating, QA Personnel must document the area(s) of non-compliance with contract requirements. When unacceptable performance is documented, QA Personnel shall take the following actions:

- If government actions caused the unacceptable performance, take steps to prevent it in the future.
- If the unacceptable performance was not government caused, inform the contractor's on-site representative of the unacceptable performance and reasons why it is unacceptable.
- If the contractor wants to dispute the results of the surveillance, refer them to the CO for resolution.

Performance should not be determined unacceptable until all possible contributing factors have been considered. Let us assume the QA Personnel evaluated all factors, and found that the defects were valid and were unaffected by outside contributing factors. The contractor's defects actually represented unacceptable performance; therefore, action by the CO is required.

What if the QA Personnel find outside factors may, or did, affect the contractor's defective performance? It would be their responsibility to document what they found (contributory factors) and forward the documentation to the CO with recommendations for correcting the recorded observations. The CO should review the documentation and advise QA Personnel on what changes to make. The CO may also request QA Personnel assistance in correcting the "contributing factors".

What if an item I want to inspect is not included in the SS?

For required tasks not shown on the SS, the government still retains the right to inspect any item included in the contract. These services should be inspected in the same general manner as periodic surveillance items mentioned earlier in the performance plan. The results of these inspections are documented and, if necessary, provided to the CO for action. Should a discrepancy be observed, the CO will handle each documented discrepancy on a case-by-case basis.

It is a good idea to list procedures for non-SS items in the performance plan to ensure they are observed periodically during the contract period. When trying to determine how often to observe the non-SS items, keep in mind that there was a reason that the requirement was not put in the SS such as not having enough manpower or value (inspection costs outweighing the cost of the task).

What should be included in the quality assurance contract file?

Currently AFI 63-124 does not provide a main list of the contents of a QA file. Here is a suggested list of documentation that should be kept in centrally located QA Personnel files. The QAPC may establish local requirements.

- QA Personnel Nomination/Appointment Letters
- CO's letter to contractor of appointment and duties
- Copy of contract with all modifications
- Performance Plan
- Contractor QC plan
- Correspondence
- Memorandums For Record
- Records of Inspection
- Discrepancy Reports
- Receiving Reports (i.e. DD Form 250)

Summary

There are many resources available about performance-based acquisition for government contracting personnel. There are far fewer resources available to companies that want to develop a PWS. For a good example of federal guidelines for writing and administering performance-based service contracts, see the Guidebook for Performance-Based Service Acquisition in the Department of Defense (December 2000) and Air Force Instruction 63-124 (1 August 2005), "Performance-Based Services Acquisitions." For more information about federal performance-based service contracting, visit the web site below or the websites identified in the bibliography.

<https://www.my.af.mil/gcss-af/USAF/ep/contentView.do?contentType=EDITORIAL&contentId=1352296&channelPageId=-1989826&parentCategoryId=-1989828&programId=1352351>

NOTES

UNIT 8. Quality Assurance

OBJECTIVES

- a. Identify facts about the different inspection of service clauses.
- b. Identify the difference between oversight and insight.
- c. Identify facts and terms about the contractor quality control plan.
- d. Identify surveillance methods.

Introduction

This unit addresses the different inspection of services clauses, insight vs. oversight, contractor's quality control plan, and the development and use of the Government's Performance Plan.

8a. Identify facts about the different inspection of services clauses.

Where do quality assurance personnel obtain the authority to inspect contractor performance?

Inspection of Services Clauses

In order to inspect a contractor's performance, QA Personnel must have authority to do so. This authority is derived from the Federal Acquisition Regulation (FAR) Inspection of Services Clauses. These clauses contain the fundamental rules and procedures for government quality assurance and acceptance of work, and set forth the rights and obligations of the government and the contractor in the event that defects are found before or after acceptance. In layman's terms, these clauses specifically state the contractor's and the government's rights and responsibilities concerning performance of the contract, quality of services, and acceptance/ or rejection of services.

The FAR prescribes when and what type of Inspection of Services Clause will be inserted into the contract. FAR Part 46, Quality Assurance and FAR Part 52, Solicitation Provisions and Contract Clauses, are the two main sections that address the Inspection of Services clauses.

Specifically, FAR Part 46 prescribes policies and procedures to ensure that supplies and services acquired under a Government contract conform to the contract's quality and quantity requirements. Included are inspections, acceptance, warranty, and other measures associated with quality requirements. FAR Part 46 states, —Agencies shall ensure that:

- Contracts include inspection and other quality requirements, including warranty clauses when appropriate.
- Supplies or services tendered by contractors meet contract requirements.
- Government contract quality assurance is conducted before acceptance by or under the direction of Government personnel.
- No contract precludes the government from performing inspections.
- Nonconforming supplies or services are rejected.
- Contracts for commercial items shall rely on a contractor's existing quality assurance system as a substitute for compliance with Government inspection and testing before tender for acceptance unless customary market practices for the commercial item being acquired permit in-process inspection. Any in-process inspection by the government shall be conducted in a manner consistent with commercial practice.
- The quality assurance and acceptance services of other agencies are used when this will be effective, economical, or otherwise in the Government's interest.

To what extent is the contractor held to strict performance? The QAPC and QA Personnel need to be familiar and understand the contractor's transition plan. Performance assessment during this time must reflect this.

FAR Part 46.2, Contract Quality Requirements, states,

—..the contracting officer shall include in the solicitation and contract the appropriate quality requirements. The type and extent of the contract quality requirements needed depends on the particular acquisition and may range from inspection at acceptance to a requirement for the contract's implementation of a comprehensive program for controlling quality.”

What are the quality requirement categories?

There are four general categories of quality requirements:

- **Contracts for commercial items**

The FAR requires the clause at 52.212-4, —Contract Terms and Conditions—Commercial Items”, to be inserted when acquiring commercial items. This clause states, —The contractor shall only tender for acceptance those items that conform to the requirements of this contract. The government reserves the right to inspect or test any supplies or services that have been tendered for acceptance. The Government may require repair or replacement of nonconforming supplies or re-performance of nonconforming services (preferred method) at no increase in contract price.”

- **Government reliance on inspection and processes of the contractor**

Requires the government to rely on the contractor to accomplish all inspection and testing at or below the small purchase threshold before they are tendered to the government.

- **Standard inspection requirements.**

There are numerous standard inspection clauses, but all:

- Require the contractor to provide and maintain an inspection system that is acceptable to the government
- Give the government the right to make inspections and test while work is in process
- Require the contractor to keep complete and make available to the government, records of its inspection work.

- **Higher-level contract quality requirements**

Requiring compliance with higher-level quality standards is appropriate in solicitations and contracts for complex or critical items or when the contracting officer in consultation with technical personnel, finds it is in the best interest to require that higher-level quality standards be maintained. FAR 46.311 prescribes the use of contract clause 52.246-11 in solicitations and contracts where a higher-level contract quality requirement is appropriate.

The contracting officer shall indicate in the clause which higher-level standards will satisfy the government requirement. Examples of higher-level quality standards are the ISO 9000 series, the ANSI/ASQC Q9000 series, QS-9000, and AS-9000. ISO standards can be tailored for base service contracts.

52.246-4 Inspection of Services--Fixed-Price (Aug 1996)

The standard inspection clause for fixed price service contracts contained in 52.246-4 states:

- (a) *Definition:* "Services," as used in this clause, includes services performed, workmanship, and material furnished or utilized in the performance of services.
- (b) The Contractor shall provide and maintain an inspection system acceptable to the Government covering the services under this contract. Complete records of all inspection work performed by the Contractor shall be maintained and made available to the Government during contract performance and for as long afterwards as the contract requires.
- (c) The Government has the right to inspect and test all services called for by the contract, to the extent practicable at all times and places during the term of the contract. The Government shall perform inspections and tests in a manner that will not unduly delay the work.
- (d) If the Government performs inspections or tests on the premises of the Contractor or a subcontractor, the Contractor shall furnish, and shall require subcontractors to furnish, at no increase in contract price, all reasonable facilities and assistance for the safe and convenient performance of these duties.
- (e) If any of the services do not conform with contract requirements, the Government may require the Contractor to perform the services again in conformity with contract requirements, at no increase in contract amount. When the defects in services cannot be corrected by reperformance, the Government may—
 - (1) Require the Contractor to take necessary action to ensure that future performance conforms to contract requirements; and
 - (2) Reduce the contract price to reflect the reduced value of the services performed.
- (f) If the Contractor fails to promptly perform the services again or to take the necessary action to ensure future performance in conformity with contract requirements, the Government may—
 - (1) By contract or otherwise, perform the services and charge to the Contractor any cost incurred by the Government that is directly related to the performance of such service; or
 - (2) Terminate the contract for default.

(End of clause)

Under the philosophy of Performance-Based Services Acquisition, the preferred method is to work with the contractor toward continuous improvement and to fix the cause of the problem rather than fix the problem itself (or the symptom). **FAR 52.246 indicates re-performance of unacceptable services at no additional cost is the preferred course of action when appropriate.** Please see Unit 5 for a more detailed explanation of the different types of contracts and the government and contractor's rights and obligations under each.

The role of QA personnel is to provide insight to the contractor's quality assurance practices and evaluate performance for acceptance of services and payment of the contractor. This evaluation may take place through several means, both simple and complex, depending on the requirements of the contractor and the contracting officer.

8b. Identify the difference between oversight and insight.

What is the difference between oversight and insight?

According to Webster's Dictionary, the definitions of insight and oversight are as follows.

Oversight

—“Watchful care or management, supervision”

Insight

—“The capacity to discern the true nature of a situation, penetration”

Since there are so many different definitions and interpretations of what insight and oversight are, government and industry leaders requested the Government and Industry Quality Liaison Panel (G&IQLP) to develop a definition of insight and oversight. Here are the definitions they agreed upon:

Oversight

In-process and end-item inspections and document reviews aimed at detecting problems, performed on-site by a customer (or agent thereof).

Insight

A customer's (or agent thereof) risk-based understanding, validation, and surveillance of a supplier's management systems and process performance metrics to assure product quality and contract compliance.

What is insight?

The shift to insight began with the advent of Acquisition Reform. In his July 1993 memorandum, Secretary of Defense Perry set forth the initiative to remove military specifications and standards, use commercial specifications and standards, and reduce direct oversight. Also driving Acquisition Reform were cost overruns, dwindling dollars, and downsizing of the acquisition workforce.

Customer insight is a term for on-going surveillance of a contractor's key processes. The approach and level of understanding and surveillance may be unique for each contractual relationship based on a criticality risk assessment.

Emphasis should be placed on services from contractors found to need corrective action. Communication with contractors should be direct and immediate. Careful focus should be placed on assuring that the necessary effort has been taken to remove the causes of discrepancies and follow-up of corrective action steps taken and the effectiveness of that action.

Insight is a significant shift in that the use of military specifications and standards must be justified and the use of commercial specifications and standards is preferred. Direct oversight is reduced and instead, the responsibility for mission execution and success has been shifted to the contractor.

Shifting the approach from oversight to insight moves us away from "fixing the problem" (i.e. detection and correction) to "fixing the cause" (prevention and continuous process improvement).

Why insight?

Insight will provide better services at a lower contract cost with lower government contract management costs, by focusing responsibility for performance more clearly on the contractor.

8c. Identify facts and terms about the contractor quality control plan.**What is a Contractor Quality Control Plan?**

The contractor's quality control plan is a defined, documented, and disciplined set of practices that focus on assuring that the service conforms to the criteria included in the Performance-Based Work Statement. The basic quality management system must provide for the appropriate controls of service characteristics and attributes from contract start and include inspection and test criteria/methodology/data that is used to verify/validate conformance to acceptance criteria established for the contract.

It should describe specific policies, procedures, and practices and identify quality responsibilities for all operational interfaces. The key consideration is the delivery of services that fall within allowable tolerances. Quality planning procedures define how the requirements for quality will be met.

8d. Identify surveillance methods.**What are the different surveillance methods?**

The most common surveillance methods are: trend analysis, periodic surveillance/inspection, contractor metrics, random sampling, customer complaints, third-party audits, 100 percent surveillance, and quality indices. Each of these methods is described separately in the following paragraphs. Other locally devised methods are also acceptable.

Trend Analysis

This method of surveillance should be used regularly and continually by QA personnel to monitor the contractor's on-going performance over time. Data for tracking trends can be gathered from all other evaluation sources and methods to build the database upon which the trend analysis is based. The contractor's own metrics may provide most of the information needed for the analysis. The contractor may be required to supply metrics on each performance objective in the Services Summary. This database should be created and maintained by government QA personnel, and other surveillance information should be used to confirm the contractor's data. QA Personnel would then be able to analyze this data for contract conformance. Any appropriate software application may be employed which will store and display the trend information in a usable format.

Periodic Surveillance/Inspection

Periodic surveillance/inspection is the type of surveillance that is based upon selecting samples for evaluation on other than 100 percent inspection or on a statistically random basis. Selecting this tool to determine a contractor's compliance to contract requirements can be quite effective and allows QA Personnel to establish confidence or lack of confidence in the contractor while not consuming a significant amount of time. An example of periodic surveillance is weekly inspections when QA Personnel choose the location and time in other than a statistically random basis.

Contractor Metrics

Metrics is a management measurement tool used to measure performance objectives stated in the PWS. The government develops and approves performance objectives and thresholds. Industry input to the development of these objectives and thresholds is desirable. These thresholds should conform to commercial or industry-wide standards to the maximum extent practicable. Metrics should be developed so they are meaningful.

Figure 8-1 below depicts a sample of a metric:

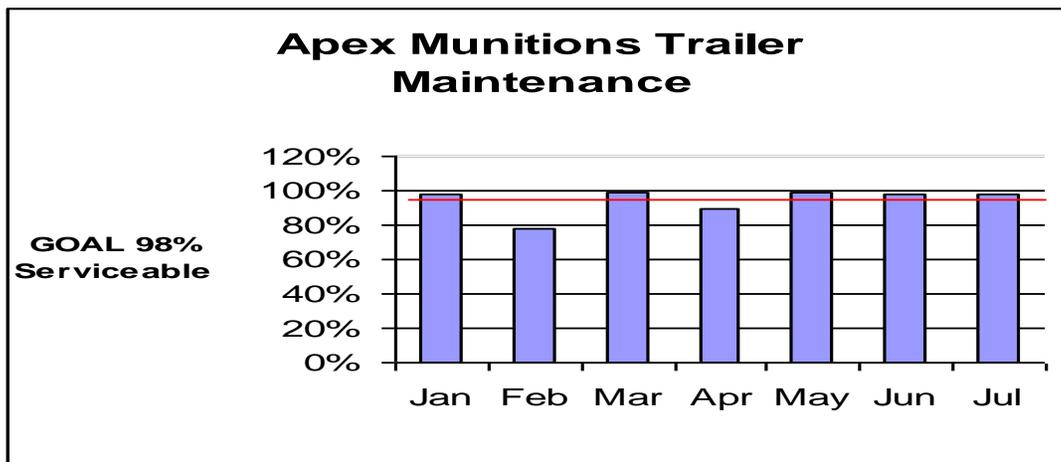


Figure 8-1

Random Sampling

Random sampling is an appropriate method for frequently recurring tasks. A typical use of this surveillance method is lot size sampling. Initially, QA Personnel will evaluate randomly selected samples of the activity to determine the acceptability of the entire requirement. This method of surveillance reduces the time QA Personnel must spend on surveillance duties, and yet it still gives a reasonably accurate picture of a service's overall acceptability.

The random sampling method is statistically based and assumes the government receives acceptable performance by the contractor if a given percentage or number of scheduled inspections is found to be acceptable. The results of our inspection will determine the government's next course of action. For example, if performance is marginal or unsatisfactory, we need to document that inspection finding and begin corrective action. If performance is acceptable, we document this finding as well and may reduce the sample size or sampling frequency.

Customer Complaints

Customer complaints and comments can be a way to validate information obtained through other sources. They may also provide a basis for an incentive payment to the contractor. However, customer complaints are likely to be subjective and may not always relate to actual requirements of the contract; therefore, they need to be fully validated. Customer complaints and comments are useful in those areas that do not lend themselves to other types of surveillance.

QA Personnel should furnish written instructions and customer training to each organization receiving the contractor's service. Instructions and training should cover the format and content of the program and service to be surveyed; the action that may be expected from QA Personnel, contract administrator, and contracting officer as a result of the complaints, and the limitations on the customers in dealing with contractor personnel. Instructions should also clearly explain what service/level of service the customers should expect from the contractor, based on what is in the contract.

QA Personnel are the point of contact and must collect all customer complaints. All complaints and any resulting resolution of such complaints must be documented. A locally developed form may be used for this purpose. Customer complaint forms become a permanent part of the QA Personnel surveillance records.

Customer complaints may be used to assess performance in any area. Valid customer complaints may be used as the basis for adverse action against the contractor. In such cases, the Inspection of Services Clause becomes the basis for the CO's actions. Again, the preferred method of correcting the defect is reperformance of the action or service at no additional cost.

Third Party Audits or Assessments

Third Party Audits or Assessments refer to contractor evaluation by a third party organization that is independent of the procuring government agency and the contractor. All documentation supplied to, and produced by, the third party should be made available to the government procuring agency and the contractor.

One Hundred Percent Inspection

One hundred percent inspection is exactly what the title implies--inspecting a requirement every time it occurs. Use of this technique may be appropriate in the surveillance of contract requirements that (1) have especially critical impact on mission accomplishment or safety, (2) occur infrequently, or (3) have stringent requirements

Quality Index

A quality index is an “indicator” of quality. It is not dissimilar from a quality metric of a particular service except it is more frequently used when what you are measuring is something that is affected by what is being performed. For example, it could be construed that by measuring the in-commission rate of a system, you have measured the supply system’s ability to provide parts when needed and therefore, supply system performance.

Additional Commercial Methods

Additional methods of surveillance may be identified with market research. If there is a commercially acceptable process to evaluate a specific service or product, AFI 63-124 gives the latitude to use these commercial methods of surveillance.

Summary

As you have seen in this unit, Quality Assurance encompasses many things. It is the responsibility of QA Personnel to inspect the services provided by the contractor to ensure that the performance levels are in line with the performance plan. There are many different surveillance methods that can be used to make up an effective performance assessment program. The multi-functional team, now including the contractor, need to work together to implement the performance plan and revise if necessary.

INSTRUCTIONS FOR QUESTIONS 6 through 16: Determine the correct answer by matching the letter in column two with the question in column one. The letter response can be used once, more than once, or not at all.

COLUMN ONE

COLUMN TWO

- | | |
|---|--------------------------|
| 6. ____ Samples selected on other than 100% or random basis | A. Trend Analysis |
| 7. ____ Evaluation by an independent organization | B. Periodic surveillance |
| 8. ____ Appropriate method for frequently recurring tasks | C. Contractor Metrics |
| 9. ____ Likely to be subjective | D. Random Sampling |
| 10. ____ Monitors the contractor's on-going performance over time | E. Customer Complaint |
| 11. ____ May provide a basis for an incentive payment to the contractor | F. Third Party Audits |
| 12. ____ Management measurement tool | G. 100% Inspection |
| 13. ____ Appropriate for critical tasks | H. Quality Index |
| 14. ____ Weekly/Monthly/Quarterly inspections | I. Quality Audits |
| 15. ____ Information for analysis may be obtained from metrics | J. Commercial Methods |
| 16. ____ Inspecting every time requirement occurs | |

NOTES

UNIT 9. Contract Administration Functions

OBJECTIVES

- a. Identify facts about post-award orientation/conference.
- b. Identify facts about the contract modification process.
- c. Identify facts and terms about the Contract Disputes Act (CDA).
- d. Identify facts and terms involved with terminations.

Introduction

—We strongly encourage planning, requirements and acquisition offices throughout the Air Force to more openly communicate with industry...” Assistant Secretary of the Air Force (Acquisition) Jun 97

In this current era of downsizing and outsourcing we rely more heavily on contractors to help us perform our mission. Therefore, it is important to consider the contractor as part of our Air Force Team. In order to achieve successful mission accomplishment during contract performance we must have open communication with industry.

During contract performance the emphasis of industry participation shifts from that of many industry participants to focusing on the relationship between government and a specific contractor. During this phase the contractor should assign appropriate representatives to work with government representatives to ensure proper execution of the contract.

This course has focused on quality assurance and the activities required to assure that the government only pays for what it has received. In the background of all this very visible part of the contracting process there are numerous support functions that must also be accomplished or the contract and the service contracted for will not meet the needs of the requesting agency/customer. Administration of a contract is a vital and necessary requirement. It is imperative that all personnel involved in the requirement, from requirements identification, through contract award and administration, are represented on the multi-functional team. It is incumbent upon quality assurance personnel to understand contract administration and their role in this process.

Each of the parties to the contract incurred legal obligations and acquired legal rights when the contract was signed. Through contract administration the government ensures that all parties, government as well as contractor, meet the contract terms and conditions.

What is the quality assurance personnel's role in contract administration?

Contract quality assurance was covered in Unit 8; however, in order to perform effectively as part of the multi-functional team and contract administration team, there are some terms and procedures that quality assurance personnel must be familiar with. These include the use of contract clauses, reporting and documentation requirements associated with payment terms and conditions, options, modifications, terminations and contract disputes.

All of these subjects will be covered in subsequent sections of this unit.

9a. Identify facts about post-award orientation/conference.

What is the purpose of a post-award conference?

In the Seven Steps to PBSA, we learned in Step 7 that we need to ensure that we include the contractor as part of the multi-functional team. The best way to do this is to hold a “kick-off meeting” or post-award conference. The post-award conference is held prior to the contractor beginning performance and is conducted to insure that the contractor and the government have a complete understanding of the role of each party in the contract relationship. We need to emphasize to the contractor that if we, as a team, work closely together we can fulfill the mission and program needs. The responsibility of conducting and setting up a post-award conference belongs to the contracting officer. At this conference all interested parties gather to discuss the contract and the Performance-Based Work Statement (PWS). This type of discussion aids both the contractor and the government to (1) achieve a clear and mutual understanding of contract requirements, terms, and conditions; and (2) identify and resolve potential or actual problems. However, it is not a substitute for a contractor fully understanding the requirement, nor is it to be used to alter the final agreement arrived at in any negotiations leading to contract award.

Is a formal post-award conference always necessary?

The decision to conduct a post-award conference is up to the contracting officer in accordance with Federal Acquisition Regulation (FAR) Part 42. In some circumstances, a letter or other form of written communication to the contractor may be adequate post-award orientation in lieu of a conference. The letter should identify the government representative responsible for administering the contract and cite any unusual or significant contract requirements. In this case, the contracting officer may still want to convene a meeting of the multi-functional team to outline the member's roles and responsibilities, since they may have changed slightly since contract award.

Some factors to take into consideration when deciding to hold a post-award conference include:

- Nature and extent of the pre-award survey and any other prior discussions with the contractor
- Type, value, and complexity of the contract
- Contractor's performance history and experience with the service

When should the post-award conference be held and who should attend?

The conference should be held as soon as possible after contract award and always prior to commencement of work. Normally, it should be scheduled at the date and time acceptable to the contractor and then arranged with other attendees. Usually the contracting officer, functional director/functional commander, quality assurance personnel, base fire department representative, ground safety representative, security forces and the contract administrator. In short, anyone who has a vested interest in the successful completion of the contract should be invited.

What should be discussed at the post-award conference?

The post-award conference gives everyone the opportunity to clear the air about any questions concerning the contract. A good post-award conference demonstrates to the contractor that the government expects to get what is contracted for, that the contractor is responsible for that service, and the government will commit people and resources to assure that result. All issues discussed during the post-award conference shall be included in a summary report issued by the contracting officer. A DD Form 1484, Post-award Conference Record, may be used for this record.

This conference should also be used to ensure everyone clearly understands the role and authority of all government participants during contract performance. It is important for all personnel to understand that the contracting officer is the only individual authorized to make changes to the contract. Participants without the authority to bind the government shall not take action that in any way alters the contract or obligates the government. Any change to the contract that results from the post-award conference shall be made only by a contract modification referencing the applicable terms of the contract.

Finally, the post-award conference is an ideal setting to discuss formal or informal partnering agreements, use of contractor metrics and the importance and use of past performance information. We need to ensure that the contractor realizes they are now part of the multi-functional team and that they have roles and responsibilities just like any other member.

9b. Identify facts about the contract modification process.

How are changes in a contract affected?

The subject of contract changes often initiates various levels of anxiety among contracting and quality assurance personnel. When the contract is written, future changes in contract requirements may be required. Changes to the contract are accomplished through a legal process known as contract modification. "*Contract modification*," means any written change in the terms of a contract. These changes can be accomplished by either unilateral or bilateral actions.

Who has the authority to issue contract modifications?

Only contracting officers acting within the scope of their authority are empowered to execute contract modifications on behalf of the Government. Other Government personnel shall not –

- Execute contract modifications;
- Act in such a manner as to cause the contractor to believe that they have authority to bind the Government; or
- Direct or encourage the contractor to perform work that should be the subject of a contract modification.

QA Personnel may suggest changes to the contracting officer in writing. Any proposed change must be sent to the contracting officer for action. Both the government and the contractor are then required to submit cost estimates/proposals for the proposed changes (even if there are no cost changes). The CO will then review the change/proposal, and the cost estimate, and then negotiate appropriate consideration for the change that is agreeable to both parties.

If the contractor and CO cannot agree on the terms of the modification, the CO has the authority (in most cases) to make a determination of a fair and reasonable change to the contract. Based upon this determination, the CO can direct the contractor to adopt the change and then work out any disagreements at a later time (in accordance with the Disputes clause of the contract.) The contractor has the right to disagree with a contracting officer's decision and use the appropriate legal means to dispute a modification. The Contract Disputes Act will be discussed in the next objective of this unit.

What is a unilateral modification?

A unilateral modification is a contract modification that is signed only by the contracting officer. Unilateral modifications have several uses.

The first is to make administrative changes. Administrative change means a unilateral (see FAR 43.103(b)) contract change, in writing, that *does not affect the substantive rights of the parties* (e.g., a change in the paying office or the appropriation data).

Unilateral modifications are also used to issue change orders. A change order is a written order signed by the contracting officer directing the contractor to make changes. The "Changes" clause authorizes the contracting officer to order a contract change without the consent of the contractor. The change order will normally be used either when the government is unable to reach agreement with the contractor through negotiations, or when time does not allow for negotiations and the change must be made to the contract for the good of the government.

FAR 52.243-1 - Changes -- Fixed Price (Aug. 1987) – Alternate 1 (Apr 1984)

- (a) The Contracting Officer may at any time, by written order, and without notice to the sureties, if any, make changes within the general scope of this contract in any one or more of the following:
 - 1) Description of services to be performed.
 - 2) Time of performance (*i.e.*, hours of the day, days of the week, etc.).
 - 3) Place of performance of the services.
- (b) If any such change causes an increase or decrease in the cost of, or the time required for, performance of any part of the work under this contract, whether or not changed by the order, the Contracting Officer shall make an equitable adjustment in the contract price, the delivery schedule, or both, and shall modify the contract.
- (c) The Contractor must assert its right to an adjustment under this clause within 30 days from the date of receipt of the written order. However, if the Contracting Officer decides that the facts justify it, the Contracting Officer may receive and act upon a proposal submitted before final payment of the contract.

- (d) If the Contractor's proposal includes the cost of property made obsolete or excess by the change, the Contracting Officer shall have the right to prescribe the manner of the disposition of the property.
- (e) Failure to agree to any adjustment shall be a dispute under the Disputes clause. However, nothing in this clause shall excuse the Contractor from proceeding with the contract as changed.

(End of clause)

The contracting officer can make changes "within the general scope" at any time pursuant to the "Changes" clause. The meaning of these words has caused a considerable amount of confusion. However, the courts have given us some guidance on the meaning of these words.

What is meant by “within the general scope” of a contract?

In 1922, the Supreme Court said that work within the general scope is that work which "should be regarded as fairly and reasonably within the contemplation of the parties when the contract was entered into". In essence, the basic standard is whether the modified contract was essentially the same work as the parties bargained for when the contract was awarded.

What is meant by “description of services to be performed”?

The first of these areas allows the contracting officer to make changes in the description of the services to be performed. This means that changes can be made to the Performance-Based Work Statement provided the service remains essentially the same. For example, if we have a refuse collection contract, we might change the pickups from dumpsters to government provided garbage cans that will be placed at curbside.

What is meant by “time of performance”?

The second area considered in the clause states that changes can be made in the time of performance. In other words, we can change the hours of the day, the days of the week, or other times when we want the contractor to perform. For example, with a food service attendant's contract, experience may show that a lot of personnel are unable to eat in the dining hall. Because of this, the contracting officer may have the contractor open the dining hall an hour earlier; i.e., at 1100 instead of 1200.

What is meant by “place of performance”?

The last area where changes can be made is in the place of performance. Again, provided we receive essentially the same service, we can change the place where the contractor performs. For example, if your civilian personnel office is moved to a different building and they have been receiving contracted custodial services, then the contracting officer can have the contractor discontinue the service in the original building and start performance in the new building.

Will the contractor be reimbursed for these unilateral changes?

Issuing a change order under the terms and conditions of the contract has some effect on the price of the contract by altering the performance of the contractor. As a result, the clause requires that an equitable adjustment be made in the contract price, delivery schedule or both. In all cases, the equitable adjustment resulting from a change order must be addressed in a written contract modification and definitized with a supplemental agreement, also called a bilateral modification. An equitable adjustment may adjust the price of the contract up or down.

Unilateral modifications are also used to make changes authorized by clauses other than a changes clause (e.g., Property clause, Options clause, Suspension of Work clause, etc.) and are used to issue termination notices.

How are Commercial Service Contracts different?

FAR Part 12 takes precedence over FAR Part 43 in commercial awards. FAR 52.212-4 covers changes to a commercial service and states that changes in the terms and conditions may only be made by written agreement by the parties.

What is a bilateral modification?

A bilateral modification (supplemental agreement) is a contract modification that is signed by the contractor and the contracting officer. Bilateral modifications are used to –

- Make negotiated equitable adjustments resulting from the issuance of a change order;
- Definitize letter contracts; and
- Reflect other agreements of the parties modifying the terms of contracts.

A bilateral modification, commonly termed supplemental agreement, simply means the contractor and the government are aware of the changes and have agreed in writing to the changes. A supplemental agreement is defined as any contract modification that is accomplished by the mutual action of the parties. This means the supplemental

agreement is a bilateral action because the modification is signed by the contractor and the contracting officer.

When modifying government contracts, the supplemental agreement is the preferred type of modification. This is because both parties must agree to the changed terms and conditions (i.e., contract price, delivery dates, etc.) before the modification is effective. The authority for issuing a supplemental agreement stems from the contract in the form of a contract provision or clause contained in the original contract.

How are Quality Assurance Personnel involved in the modification process?

Quality Assurance Personnel may be involved in the modification process in the following areas:

- Identifying the required change(s)
- Preparing documentation on the proposed change(s)
- Preparing government cost estimate(s)
- Advising the CO on technical aspects of the change(s)
- Participating in reviews of contractor technical proposals
- Participating in actual negotiations of the change(s)
- Other support functions as required by the CO

9c. Identify facts and terms about the Contract Disputes Act (CDA).

What if the contractor does not agree with the Contracting Officer's decision?

All contracts contain a "Disputes" clause, which provides an administrative and legal remedy for settling contract issues brought about by disagreement between the contracting parties. Regardless of the remedy used to settle the disagreement contract performance must continue.

The disagreements that result in a dispute could arise from a multitude of reasons. Some of the most common disagreements are derived from a change order given to the contractor or when attempting to negotiate a supplemental agreement. Disagreements that might arise are disagreements over changes in the contract price, whether a directed change is within the general scope of the contract, whether the work meets the standard in the Performance-Based Work Statement, or whether parts of the Performance-Based Work Statement are subject to interpretation.

Once a disagreement surfaces, the matter should be immediately referred to the contracting officer. The government's policy is to try and resolve all contractual issues in controversy by mutual agreement at the contracting officer's level. The contracting officer will study the issue at hand to develop a government position. This could involve Quality Assurance Personnel because of the technical knowledge about the service being performed. After the government position has been established, the contracting officer will attempt to negotiate a settlement with the contractor. If the contracting parties come to an agreement during the negotiations, the agreement is reflected in a modification and the issue is settled.

If the contracting parties are unable to reach an agreement through negotiations, the contracting officer must issue a final decision. This decision addresses all of the circumstances and facts surrounding the issue of the contract change. The decision must be fair to both the contractor and the government. Before transmitting the decision to the contractor, the contracting officer must send the decision to the Staff Judge Advocate for review. If this review substantiates the validity of the decision, the contracting officer will transmit the final decision to the contractor, with a return receipt requested.

Upon receipt of the contracting officer's final decision the contractor has several options. The first option available to the contractor is to agree with the contracting officer's decision and continue performing in accordance with the decision. If the contractor disagrees with the decision, other options are available. One of these options is to appeal the contracting officer's decision to the Armed Services Board of Contract Appeals (ASBCA) within 90 days after receiving the decision. The other option available to the contractor is to file suit in the U.S. Court of Federal Claims within 12 months of receiving the decision.

If the contractor elects either of these options, Quality Assurance Personnel may become actively involved in the dispute. This involvement could range from providing technical advice to the contracting officer, delivering to the contracting officer all documentation concerning the contractor's performance, to providing testimony in a federal court. **This is why it is especially important for Quality Assurance Personnel to document all contractor performance, good and bad.** Again, regardless of the option chosen by the contractor, performance must continue under the contract as directed in the contracting officer's final decision.

9d. Identify facts and terms involved with terminations.**How does the government end a contract prior to expiration of the term of that contract?**

The contracting officer may terminate the contract when in the best interest of the government. There are three types of terminations: termination for default, termination for convenience and termination for cause. Quality Assurance Personnel should have a broad understanding of the three types of terminations and their implications.

When does the Contracting Officer Terminate for Default?

A contracting officer will normally use the Termination for Default clause when the contractor has not fulfilled his obligations under the contract. The primary reason for terminating a contractor for default is unsatisfactory performance.

Under what authority does the Contracting Officer Terminate for Default?

The "Default" clause of the contract gives the government the unilateral right to terminate the contractor because of a failure. The first paragraph of the clause gives three instances in which the government may terminate. First, the contractor fails to perform the services within the time specified or any extension thereof. Secondly, the contractor fails to make progress so as to endanger performance of the contract in accordance with its terms. Third, whenever the contractor fails to perform any other provision of the contract.

If the termination is predicated upon this type of failure, the contracting officer shall give the contractor written notice specifying the failure and providing a period of 10 days (or longer as necessary) in which to cure the failure. This notification can be a "Cure Notice", provided time remains in the performance period. If adequate time does not exist or the contractor fails to cure a condition made known, the contracting officer may issue a "Show Cause Notice".

The government is required to notify the contractor prior to termination to ensure that the contractor has not encountered an excusable delay. The clause defines an excusable delay as one that is beyond the control and without the fault or negligence of the contractor.

If the contractor claims to have encountered an excusable delay, the contracting officer must review the facts and circumstances prior to determining if the delay was excusable. The CO cannot terminate the contractor if the delay was found to be excusable. Furthermore, the CO must give the contractor time equal to the delay. However, if the delay was not excusable, the CO can terminate the contractor for default and charge the contractor any costs over the original price we incurred in obtaining the required services.

When would the government terminate a contract for convenience?

Normally, if there is no longer a requirement for the contract, then the contract is terminated for the convenience of the government. Requirement changes, non-availability of funds and technical advancements are reasons for terminating a contract for the convenience of the government.

When the government terminates a contract for convenience, the contractor may be entitled a settlement of cost as a result of the termination. The CO is required to send the contractor a termination notice informing them of their rights. The contractor is required to submit a proposal for the settlement within one year of the effective date of the termination notice. Once the proposal is received, the contracting officer and the contractor negotiate the settlement. Quality Assurance Personnel may be involved in the settlement process as a technical expert for the CO.

Terminations for Convenience for commercial items differ only by how the settlement costs are determined. When the contracting officer terminates a contract for commercial items for the government's convenience, the contractor shall be paid –

- The percentage of the contract price reflecting the percentage of the work performed prior to the notice of the termination, and
- Any charges the contractor can demonstrate directly resulted from the termination. The contractor may demonstrate such charges using its standard record keeping system and is not required to comply with the cost accounting standards or the contract cost principles in FAR Part 31. The government does not have any right to audit the contractor's records solely because of the termination for convenience.

When does the contracting officer terminate for cause?

Terminations of commercial items under FAR 12 differs from Terminations for Default under FAR Part 49 in that contractors are required to notify the government of any excusable delays, thereby eliminating the need to issue a show cause notice. However, the contracting officer must still issue a cure notice for reasons other than late delivery.

Remedies under the Termination for Cause clause also differ. The government's rights after a termination for cause shall include all the remedies available to any buyer in the marketplace. The government's preferred remedy will be to acquire similar items from another contractor and to charge the defaulted contractor with any excess procurement costs together with any incidental or consequential damages incurred because of the termination.

When a termination for cause is appropriate, the contracting officer shall send the contractor a written notification regarding the termination. At a minimum, this notification shall –

- Indicate the contract is terminated for cause
- Specify the reasons for the termination
- Indicate which remedies the government intends to seek or provide a date by which the government will inform the contractor of the remedy, *and*
- State that the notice constitutes a final decision of the contracting officer and that the contractor has the right to appeal under the Disputes clause.

Generally, the parties should mutually agree upon the requirements of the termination proposal. The parties must balance the government's need to obtain sufficient documentation to support payment to the contractor against the goal of having a simple and expeditious settlement.

Summary

Contract administration is the action taken by the government to assure timely and satisfactory performance by the contractor. Some of these actions have been covered briefly in this unit and did not take into consideration the various policies of the different commands. If Quality Assurance Personnel have specific questions in this area, they should contact the contracting officer in charge of the contract at their base.

NOTES

UNIT 10. Quality Assurance Program

OBJECTIVES

- a. Identify the roles and responsibilities of the QAPC.
- b. Identify the roles and responsibilities of the Centralized Performance Management Office.
- c. Identify facts about the development and management of the QAPC program.

10a. Identify the roles and responsibilities of the QAPC.
--

What are the roles and responsibilities of the QAPC?

There is little guidance available as to the duties and responsibilities of a QAPC. AFI 63-124 outlines some duties of the QAPC, however most are determined by local policy. This unit's purpose is to provide you with ideas and suggestions for developing and maintaining an effective QA Program.

One of the QAPC's main responsibilities is to oversee QA Personnel surveillance activity. AFFARS MP5346.103, Contracting Office Responsibilities outlines the QAPC's responsibilities for training Quality Assurance Personnel (QAP). QAPC'S provide Phase I training and document QAPs acknowledgement of their requirement Training, while important is by no means the only activity required of the QAPC. DAU also has an online Performance-Based Services Acquisition (PBSA) course useful for Phase I training. Prior to being appointed as a QAPC, you must receive training conducted by AETC. The training provided by AETC prepares QAPC's to conduct training for QAP's, contract administrators, and FC/FDs.

Training Requirements:

QA Personnel training is conducted in two phases:

- **Phase I Training:** Phase I training orientates the QA Personnel in areas of surveillance activities and the federal acquisition environment. Prior to assuming QA responsibilities, QA personnel must complete Phase I and Phase II training.

- Phase I training consists of:
 - ✓ Seven Steps to PBSA Training,
 - ✓ Review of AFI 63–124, Performance-Based Services Acquisition (PBSA),
 - ✓ Relevant examples of performance objectives and performance thresholds,
 - ✓ Ethics/Government-Contractor Relationships.

When conducting Phase I training it is important to keep a class roster for your records. Also a training certificate should be accomplished for each individual completing the training. Guest speakers can add to your training. Some suggestions are OSI, finance, and legal. Always have your students critique the class. Their comments will give you insight into whether your training is effective, and can help you make constructive changes to your training. See Figure 10-1.

- **Phase II Training:** AFFARS MP5346.103 & IG5346.103, Contracting Office Responsibilities outlines the QAPC's responsibilities for providing Phase I training to Quality Assurance Personnel (QAP). QA Personnel must complete Phase I & Phase II training before assuming QA responsibilities. Phase II training is conducted by the contract administrator or procuring contracting officer. Although it is the contract administrator's responsibility to perform Phase II training, the QAPC may be required to facilitate. Phase II training covers the specific requirements of the contract the QA will be responsible to monitor. As a minimum the training should include review and discussion of at least the following:
 - A detailed discussion of the contract, PWS, and performance plan.
 - An awareness of any areas in the contract susceptible to fraud, waste, and abuse.
 - How to properly certify acceptance of services.
 - Maintenance of and submission of all QA documentation and past performance information required by the contract and applicable regulation.

Phase II training should be conducted as soon as possible after Phase I training. The QAPC should suspense the following items to the contract administrator for the completion of Phase II training:

- A phase II briefing checklist
- A letter to the QA Personnel stating their duties and responsibilities
- A letter, or requirement for a letter, to the contractor informing them of the QA assignment and also the QA Personnel's authority and limitations

While not a mandatory requirement it is recommended that QA Personnel be provided refresher training. This is especially important if there is a major change to the contract or new information regarding the program. For additional guidance on Phase II training, see IG5346.103 in Appendix C.

- **FC/FD Training:** The QAPC is also responsible for providing training to the Functional Commanders/Functional Directors. FC/FD's must receive training within 30 days of their commencement of duties. Training is conducted by the QAPC and will be tailored to their needs. Areas covered should be tailored to your individual FC/FD needs. Some possible areas are their responsibilities and limitations; the scope of the contract; the correct procedures for initiating changes/modifications to the contract; and the responsibilities and limitations of QA Personnel. This training should also include details on how to develop/change the Performance-Based Work Statement (PWS) and the Performance Plan. See Figure 10-2.
- **Multi-Functional Team Training:** Training the multi-functional team is another possible area of responsibility. The following areas may be covered in this training:
 - Responsibilities of each member of the team;
 - Business/acquisition strategy development to provide innovative solutions that promote best value decisions on performance based service contracts;
 - Acquisition planning for new and follow-on contracts (encouraging the use of incentives and the exchange of information with industry and other business experts);
 - Market research;
 - Requirements and solicitation development;
 - Source selection; and
 - Contract performance management.

QAPCs need to maintain copies of QA Personnel and FC/FD training records in a central location with training dates and phases of training successfully completed. QAPCs should maintain a master FC/FD and QA Personnel roster, which contains training information on personnel currently performing FC/FD and QA Personnel duties.

10b. Identify the roles and responsibilities of the Centralized Performance Management Office.**Centralized Performance Management Office (CPMO)**

For the purposes of AFI 63-124, the CPMO is a centralized quality assurance office. The office handles all service contract quality assurance issues for the installation whether it is for a large base operating support requirement or a single function. Members conduct inspections, receive customer complaints and review contractor-developed metrics. The benefits of a full-time performance management center include; manpower efficiencies, proficiency in many monitoring techniques, and improved and consistent documentation.

The office remedies unacceptable services by contacting the contractor to resolve the complaint and performing follow-up. The office may also review contractor-supplied metrics for input into the multi-functional team. One of the benefits of a full time performance management center is manpower efficiency in managing performance over multiple contracts. This includes reviewing metrics, proficiency in many monitoring techniques, and 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 and presents a consistent face to industry.

10c. Identify facts about the development and management of the QAPC program.**What is the QAPC's role in the Multi-Functional Team?**

The following responsibilities are areas to consider when determining a QAPC's role in the multi-functional team:

- Participate in market research to determine commercial/industrial standards.
- Determine methods of surveillance based upon market research;
- Coordinate the insertion of commercial methods into the performance plan;
- Assist team members in developing performance objectives and performance thresholds.
- Ensure that the SS, PP and award fee plan all correspond with each other

Other Responsibilities: The type and nature of the mission, customers and acquisition management philosophy will define the QAPC Program. As stated earlier there is little guidance on QAPC's responsibilities. It is recommended that the QAPC perform

audit/surveillance of the QA program. This may include reviews of QA Personnel files or accompanying QA Personnel on surveillance.

It is important for the QAPC to keep current with the changing philosophies, techniques and procedures for quality assurance throughout the commercial marketplace.

How does the QAPC support the FC/FD?

The QAPC is a coordinator for the Functional Commanders and Functional Directors. They provide training to quality assurance personnel and can be expanded to include performance management duties for the contract. Part of this coordination is to review program performance for continuous improvement.

How does the QAPC support the Contracting Squadron Commander?

QAPC may work with the contracting officer in the development of briefing information for the contracting squadron commander. Subjects to brief may include the effectiveness of the quality assurance program; contract cost changes, acquisition planning, strategic sourcing issues, effectiveness of the teams and business objectives. As the Installation Business Advisor, the contracting squadron commander will use this information to brief the Installation Commander on the health of the installation services contract program.

Quality Assurance Program Files and Documentation.

Another duty of the QAPC is to maintain an official QA file. The following is a sample of items the file could contain:

- AFI 63-124
- Master FC/FD and QA Personnel listing
- Master contract listing
- FC/FD and QA Personnel training records
- Copy of QA Personnel appointment letter
- Commander's Briefing
- Reviews (PWS, PP, QC plans)
- Exemptions to AFI 63-124
- Correspondence and documentation

Figure 10-1
QUALITY ASSURANCE
PHASE I TRAINING CRITIQUE

CLASS DATE: _____

NAME (OPTIONAL): _____

Use the following scale for items 1-6

1 Strongly Agree	2 Agree	3 Neither agree nor disagree	4 Disagree	5 Strongly Disagree
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Please rate the instructor in the following areas:

1. _____ Instructor was knowledgeable in subject matter
2. _____ Instructor effectively presented the course material
3. _____ Instructor responded effectively to questions from the group
4. _____ Visual aids were effective
5. _____ Handouts were effective
6. _____ Overall the instructor was effective

Please circle your response to the following questions:

- | | |
|---|---|
| <p>7. Do you feel confident that you will use what you have learned?</p> <p style="margin-left: 40px;">a. Yes</p> <p style="margin-left: 40px;">b. No</p> | <p>9. The content of this course</p> <p style="margin-left: 40px;">a. Too basic</p> <p style="margin-left: 40px;">b. Too difficult</p> <p style="margin-left: 40px;">c. Just right</p> |
| <p>8. How much of what you learned in this rating of course do you expect to be able to use on the job?</p> <p style="margin-left: 40px;">a. All</p> <p style="margin-left: 40px;">b. Almost all</p> <p style="margin-left: 40px;">c. Some</p> <p style="margin-left: 40px;">d. Almost nothing</p> <p style="margin-left: 40px;">e. Nothing</p> | <p>10. What is your overall this course?</p> <p style="margin-left: 40px;">a. Excellent</p> <p style="margin-left: 40px;">b. Very good</p> <p style="margin-left: 40px;">c. Good</p> <p style="margin-left: 40px;">d. Not very good</p> <p style="margin-left: 40px;">e. Poor</p> |

ADDITIONAL COMMENTS: (Ways to improve course, items you liked or disliked, classroom conditions, etc.)

Figure 10-2

PHASE II TRAINING

Contract Number: _____

Name of QA Personnel: _____

Name of Administrator: _____

ITEMS DISCUSSED

1. Has the QA Personnel attended required training conducted by the QAPC? YES/NO

2. GENERAL CONTRACT INFORMATION:
 - a. Type of contract
 - b. Contract amount and performance period
 - c. Review of contract sections
 - d. Performance-Based Work Statement
 - e. Use of performance plan
 - f. Methods of surveillance used
 - g. Key management duties and membership of the MFT
 - h. Areas susceptible to fraud, waste, and abuse
 - i. High technical risk areas

3. MAINTENANCE AND SUBMISSION OF QA SURVEILLANCE DOCUMENTS:
 - a. Discuss any forms/checklists to be used to document performance.
 - b. Discuss the maintenance of and submission of all QA documentation and past performance information.

4. INSPECTION AND ACCEPTANCE OF CONTRACT SERVICES
 - a. Inspection of Services Clause/Inspection for commercial services (ensure QA Personnel understand that services may be reformed)
 - b. Ensure contractor compliance with the requirements of the contract
 - c. Disagreements between the contractor and QA Personnel must be promptly referred to the contracting officer for resolution
 - d. Procedures for certification of services
 - e. Changes to the contract can only be authorized by a duly appointed contacting officer

5. ADMINISTRATION OF CONTRACTS

- a. The contract administrator is the point of contact for all contractual matters
- b. The contract administrator or the QAPC may accompany QA Personnel periodically during their surveillance of the contractor's performance.

Briefed by: _____ Date _____
 Contract Administrator

Acknowledged By: _____ Date _____
 QA Personnel

cc: QAPC
 QA Personnel (original)

UNIT 10
REVIEW QUESTIONS

QUESTIONS: Supply the best answer for each of the following items.

1. What does Phase I training consist of?

When is it required?

Who is required to conduct the training?

2. What does Phase II training consist of?

When is it required?

Who is required to conduct the training?

3. What items should be covered in FC/FD training?

4. How may the QAPC support the contracting squadron commander?

5. What is the QAPC's role in the multi-functional?

SW L3OZR64P4 0Q1A
L7OZT64P4 0Q1A

Block II – Performance-Based Exercises

UNIT 1. Performance-Based Exercises

OBJECTIVES

- a. Given a PWS, evaluate and develop a Services Summary as a multi-functional team with unlimited instructor assists.**
- b. Given a PWS, evaluate and develop a Performance Plan as a multi-functional team with unlimited instructor assists.**
- c. Given QAP surveillance feedback, develop a Contract Performance Reporting System (CRARS) assessment rating as a multi-functional team with unlimited instructor assists.**

INTRODUCTION

Now that you have the basic knowledge and the tools necessary to build a successful Quality Assurance program, it's time to put that knowledge into practice. Using various student instructional handouts, the computer, and your multi-functional team members, you will be required to accomplish the above progress checks. This is your opportunity to work as a team and achieve the best value for the government.

PERFORMANCE BASED WORK STATEMENT

FOR

CUSTODIAL SERVICES

AT

XYZ AIR FORCE BASE

01 October 20XX

1. DESCRIPTION OF SERVICES/GENERAL INFORMATION (definitions, etc). The contractor shall perform base custodial services to present a clean, neat and professional appearance at XYZ AFB in accordance with the Building Owners and Managers Association (BOMA) Cleaning Makes Cents Publication, Copyright 1997, AFI 34-248, Child Development Centers (Chapters 10 and 11), Accreditation Requirements for the National Association for the Education of Young Children, all local, state and federal laws and the requirements of this Statement of Work (SOW). The contractor, through innovation, technology, and other means, shall perform the required custodial services at frequencies determined by the contractor to meet the levels of cleaning described below.

1.1. Levels of Cleaning: Locations, square footages and levels of cleaning per location are identified in **Appendix A.**

1.2. EMERGENCY OR SPECIAL EVENT CLEANING SERVICES. Upon notification, the contractor shall perform emergency or special event cleaning required in any building, area, or room covered under this contract. The contracting officer shall request cleaning services (to include carpet shampooing) for the appropriate and required work task(s). Contractor shall begin emergency work, as determined by the contracting officer, within one hour of notification, which may be verbal. The Contracting Officer or designated representative will notify the contractor as soon as a special event requirement is known, but not less than 24 hours prior to the event. Completion schedule shall be determined for each emergency or special event cleaning service performed. Performance of this work shall in no way relieve the Contractor of performing normal custodial work required under this contract. If emergency or special event cleaning services interferes with other contract requirements (such as scheduled cleaning), the Contractor shall be allowed a reasonable amount of time to complete all interrupted service. The contractor shall be reimbursed for the cost associated with performing emergency or special event cleaning services at the rate specified in the pricing schedule.

1.3 CHILD DEVELOPMENT CENTER. This building requires on-site custodial service during all hours of operation, 8:00 am through 9:00 pm, Monday through Friday. Further, where they are more restrictive than the BOMA "chemical" standards, the contractor shall perform cleaning tasks in accordance with Chapters 10 and 11 of AFI 34-248, "Child Development Centers" and accreditation requirements of the National Association for the Education of Young Children. Because of the additional health and cleanliness requirements of the CDC, the contractor shall be required to clean any spills, stains, etc., that occur between scheduled cleanings. A rapid response in these instances is particularly important in this facility.

1.4 CLEANING SCHEDULES. The Contractor shall submit a copy of all cleaning schedules to Quality Assurance (QA) Personnel prior to contract start. Additionally, copies of all revised cleaning schedules shall be provided to QA Personnel two weeks

prior to implementation. Cleaning schedules will be utilized by building custodians and other government personnel to ensure there will be no conflicts with building access.

1.5 EMPLOYEE CRIMINAL HISTORY/BACKGROUND CHECK. The contractor shall perform and report the results of criminal history and background checks on any employee working in the Child Development Center, Youth Center and the Youth Center Annex. Results of these background checks shall be submitted directly to XX CONS/LGC, XYZ AFB. These checks shall be at the contractor's expense and shall be conducted in accordance with AFI 34-248, Chapter 5, paragraph 5.3.

1.6 TRASH REMOVAL. All trash will be collected and disposed of in the nearest designated dumpster. Trash cans shall be emptied and kept clean and free of dirt, stains and debris. Plastic liners shall be utilized in trash containers and shall be replaced when torn, worn or containing residue.

2. SERVICES SUMMARY (SS)

INSERT SERVICES SUMMARY HERE

3. GOVERNMENT FURNISHED PROPERTY AND SERVICES. The Government shall provide, without cost, the facilities, equipment, materials and/or services listed below:

- 800 sq ft of office and storage space in Bldg 543
- All utilities required to support the assigned area
- All refuse removal, entomology services and police and fire protection
- Emergency medical transportation/treatment if required. Contractor shall reimburse the government for the cost of medical services at current rates

3.1. The contractor shall maintain this space to present a neat clean and professional working environment at all times and use space only in connection with performance under this contract. The contractor shall not make any alterations to the space except with the prior written permission of the Contracting Officer. Any approved **contractor required** alterations shall be made at no additional cost to the Government. The contractor, at his/her own expense shall restore the space to the condition in which it was received, fair wear and tear expected, at the time of contract completion or termination, except as otherwise approved in writing by the Contracting Officer. In the case of damaged facilities, the amount of compensation due to the Government by the contractor shall be the actual cost of the repair.

3.2. The contractor shall notify the Government of any circumstances of needed repair of assigned space or of any area that may affect performance of contract work, present unsafe or unhealthy condition, or cause any delays or interference of work by

employees of the contractor. The contractor shall immediately notify the Contracting Officer.

4. GENERAL INFORMATION:

4.1. Hours of operation. The hours of operation are 0730 to 2100, Monday through Friday. Contractor shall request in writing to work outside normal duty hours to the Contracting Officer at least 72 hours in advance.

4.2. Contractor Personnel. The contractor shall provide an on-site point of contact (POC) to the Contracting Officer for all contractual matters during normal hours of operation. Contractor personnel shall present a neat appearance and be easily recognized. This shall be accomplished by wearing uniforms bearing the name of the company.

4.3. Physical Security. The contractor shall be responsible for safeguarding all Government property provided for contractor use. At the close of each work period, Government facilities, equipment, and materials shall be secured.

4.3.1. Key Control. The contractor shall establish and implement methods of ensuring that all keys issued to the contractor by the Government are not lost or misplaced and are not used by unauthorized persons. No keys issued to the contractor by the Government shall be duplicated. The contractor shall be responsible for paying for replacement of lost keys in their possession.

4.4. Publications: The following instructions and guidance shall be followed in the performance of this contract. See Appendix B.

4.5. PERFORMANCE OF SERVICES DURING CRISIS DECLARED BY THE NATIONAL COMMAND AUTHORITY: IAW DoDI 3020.37 (Continuation of Essential DoD Contractor Services During a Crisis), and aforementioned Air Force implementation, unless otherwise directed by an authorized Government representative, it is determined that services to the Child Development Center (CDC), Fitness Center, and any contingency areas identified by the Contracting Officer are essential for performance during a crisis.

4.6 QUALITY ASSURANCE. The contractor shall employ his commercial quality control program/procedures to ensure services are provided as required. The contractor shall provide a copy of his quality control program/procedures to the Contracting Officer upon request.

**APPENDIX A
LEVELS OF CLEANING**

BLDG	SQ FT	LEVEL OF CLEANING
Bldg 500	10,000 sq ft	BASIC SERVICE AREAS, RESTROOM ONLY SERVICE AREAS
Bldg 510	6,000 sq ft	BASIC SERVICE AREAS, RESTROOM ONLY SERVICE AREAS
Bldg 537	11,978 sq ft	CHILD DEVELOPMENT CENTER (CDC), PRESTIGE SERVICE AREAS, RESTROOM ONLY SERVICE AREAS
Bldg 543	12,123 sq ft	BASIC SERVICE AREAS, RESTROOM ONLY SERVICE AREAS
Bldg 618	9,243 sq ft	BASIC SERVICE AREAS, RESTROOM ONLY SERVICE AREAS
Bldg 620	8,767 sq ft	BASIC SERVICE AREAS, RESTROOM ONLY SERVICE AREAS
Bldg 642	7,777 sq ft	BASIC SERVICE AREAS, RESTROOM ONLY SERVICE AREAS
Bldg 650	11,666 sq ft	BASIC SERVICE AREAS, RESTROOM ONLY SERVICE AREAS
Bldg 670	12,380 sq ft	CLINICAL AREAS, PRESTIGE SERVICE AREAS, BASIC SERVICE AREAS, RESTROOM ONLY SERVICE AREAS
Bldg 690	10,736 sq ft	BASIC SERVICE AREAS, BASIC AREAS, RESTROOM ONLY SERVICE AREAS
Bldg 710	9,376 sq ft	BASIC SERVICE AREAS, RESTROOM ONLY SERVICE AREAS

Clinical Areas: These areas require the removal of all dirt of any kind, including, bacteria and viruses from all building surfaces and fixtures.

Prestige Service Areas: These areas require regularly scheduled cleaning of surfaces regardless of whether dirt is visible. These areas are equivalent to BOMA's identification of *Executive Areas*.

Basic Service Areas: These areas require cleaning of all visible dirt from surfaces. These areas are equivalent to BOMA's identification of *Tenant Suites*.

Restroom Only Service Areas: These areas require the removal of all dirt of any kind, including, bacteria and viruses from all building surfaces and fixtures. The contractor is required to provide and replenish all consumable items (i.e., soap and paper products) in the restrooms.

Child Development Center (CDC): In addition to "Clinical" requirements, this area requires cleaning as identified in Para 1.3.

**APPENDIX B
PUBLICATIONS**

Publications	Title	Date
Air Force Instruction 34-248	Child Development Centers http://afpubs.hq.af.mil	1 October 1999
Building Owners and Managers Association (BOMA)	Cleaning Makes Cents: Benchmarks for Managing Your Clean Operations www.boma.org/clean.htm	Copyright 1997

PERFORMANCE PLAN

FOR

(*list name of service*) **SERVICES**

(*date*)

1. PURPOSE.

This Performance Plan (PP) has been developed and adheres to AFI 63-124, Performance-Based Services Acquisition (PBSA) guidelines. This PP will also be used to implement the Performance Management Assessment Program by interfacing with the Management and Oversight of Acquisition of Services Process (MOASP). This PP will be used by the Multi-functional team and the Quality Assurance Personnel (QAP)/Quality Assurance Evaluator (QAE) to ensure contractor compliance and progress at meeting mission objectives on the (*list name of service*) service contract.

2. OBJECTIVE.

This PP is designed to provide the Multi-functional team a vehicle to ensure delivery of the desired mission support services within cost and on schedule. The PP will also provide the QAP/QAE an effective systematic surveillance method for each item listed in the Performance Work Statement (PWS), specifically on the Service Summary (SS). The premise of commercial contracting is for the Contractor to assume responsibility for the work they produce. The government will also rely on the Contractor's submitted Quality Control Plan (if applicable) for ensuring contractual requirements are met.

3. RESULTS.

The results in managing this acquisition through this PP, is to provide Team Lackland with (*list name of service*) services that are acceptable and timely while protecting Government resources.

4. MULTI-FUNCTIONAL TEAM ROLES & RESPONSIBILITIES.

The following government officials will participate in performance management of this contract through use of the Management and Oversight of Acquisition of Services Process (MOASP) and the contractor. Their roles and responsibilities are described as follows:

4.1. QAP / QAE:

is responsible for monitoring, assessing, recording and reporting on contractor compliance with the terms and conditions of the contract. These individuals will have primary responsibility for completing quality assurance monitoring forms that will be used to document the inspection and evaluation of the contractor's performance. The QAP/QAE will maintain surveillance documentation, notify the Contracting Officer (CO) of any significant performance deficiencies and recommend improvements to the PP and Performance Work Statement (PWS) throughout the life of the acquisition.

4.2. The Contracting Officer (CO):

has overall responsibility for overseeing the contractor's performance. The CO will also be responsible for the day-to-day monitoring of the contractor's performance in the areas of contract compliance, contract administration, cost control, and property control; reviewing the QAP/QAE assessment of the contractor's performance; and resolving all differences between the QAP/QAE version and the contractor's version of events. The CO is the only person with the authority to direct the contractor in the performance of their duties under the contract and to make interpretations of and changes to the contract. The CO will facilitate BRAG/Multi-functional Team meetings.

4.3. The Functional Commander/Director (FC/FD):

has overall responsibility for developing the PWS and the Performance Plan and ensuring they satisfy mission requirements, are performance-based, foster innovation, and define metrics. The FC/FD will also be responsible to assign competent and capable functional experts to the BRAG/Multi-functional Team who will be available full time or as warranted by the procurement cycle. The FC/FD will also assign, as a minimum, a primary and an alternate QAP/QAE and notify the CO of any changes to this designation. Review contractor performance documentation, prepared by the QAP/QAE on a regular basis to ensure performance is compatible with contract and mission objectives. The FC/FD is also responsible for identifying mission essential services and developing the necessary documents IAW DoDI 3020.37, Continuation of Essential DoD Contractor Services During Crisis.

4.4. The Contracting Squadron Commander (CSC) and/or The Director of Business Operations(DBO):

serves as the Business Advisor to senior leadership; developing and implementing acquisition strategies for services acquisitions; providing oversight of the BRAG/Multi-functional Team in planning, assessing contractor performance, and managing the acquisition throughout the life of the requirement IAW the FAR, DFARS and AAFARS. Also provide Management and Oversight of the Acquisition of Services Process (MOASP) reports on service acquisitions to the MAJCOM for consolidation. The CSC will provide a health of services acquisitions to senior leadership on an annual basis.

4.5. The Quality Assurance Program Coordinator (QAPC):

develops, manages and implements the Lackland AFB Quality Assurance Program; supports the BRAG/Multi-Functional Team in the development of contract requirements, ensuring requirements are clearly stated and enforceable; aids in development of the Service Summary (SS) and Performance Plan and provides training to all FC/FD, QAP/QAEs and others that interact with this contract as needed.

4.6. The Contract Administrator (CA):

is the focal point for issues regarding the contract; prepares and processes modifications to the contract; assists the CO in ensuring contractor performance meets contract standards; records and transcribes minutes for meetings.

4.6.1. will perform Quality Assurance (QA) personnel assessment on a periodic basis as determined by the CO. The contract administrator (CA) will verify that the QA is accomplishing

their surveillance according to this performance plan. Observation of one or two checks will be sufficient to verify the QA's procedures. If deficiencies are discovered in the QA surveillance procedures, the contracting officer will notify the FC/FD and provide any assistance the FC/FD may request, such as additional training for QA personnel. The CA will ensure that the QA is documenting their surveillances on a timely basis. A check of the QA files will also be performed on a periodic basis as determined by the CO/CA.

4.7. The Contractor:

is the service provider and will ensure that a government acceptable quality control system is provided and maintained. The contractor is required to provide all services identified in the PWS not just those identified in the SS. The contractor will also provide support to Senior Leadership as required (e.g., performance metrics, briefings).

5. QAP/QAE APPOINTMENT AND TRAINING.

5.1. A primary and alternate QAP/QAE will be appointed for this contract. The FC/FD is the designating authority.

5.2. Each QAP/QAE will be available to receive Phase 1 & Phase 2 training provided by the contracting office before they can perform contractor surveillance.

5.3. Each QAP/QAE will be available to receive Annual Refresher training provided by the QAPC. The QAP/QAE will contact the QAPC for the annual training dates.

6. GENERAL.

Government surveillance will be conducted by inspections that mirror the market research findings. QAP/QAE documentation of contractor performance should be accomplished as the observation is completed, thus preventing loss of information. All documentation generated in the performance of this plan will be marked, "For Official Use Only".

7. METHODS OF INSPECTION APPLICABLE TO THIS CONTRACT.

(Only include verbiage of method of inspection to be used on this contract. Delete all other methods not applicable to your specific needs and/or this contract.)

(Please ensure to expand on the information for the method of inspection you are using. You should include enough detail so that an alternate QAE can perform the same inspection as the primary QAE, in their absence.)

7. x. ONE-HUNDRED PERCENT INSPECTION

The QAP/QAE will inspect and evaluate the contractor's performance each time it is performed. The results of the contractor's overall performance is then evaluated to determine acceptability of the service provided.

7. x. RANDOM SAMPLING SURVEILLANCE

When selecting samples, the number of selections should exceed the required sample size by at least 10 percent to allow for situations where a selected sample cannot be evaluated. For

example, if the sample size is 25 samples, select 28 samples. The QAP/QAE will make every attempt to evaluate the first 25 samples selected but, should surveillance of the 15th sample be impossible, then the QAP/QAE must evaluate the 26th selected sample instead. The QAP/QAE must evaluate only 25 samples.

If the QAP/QAE does not evaluate the total number of required samples, the samples not evaluated are deemed to have been performed and are recorded as acceptable.

(Schedules are needed when random inspections and periodic inspections are used as the methods of inspections.) The government inspector will submit a schedule to the contracting officer / contract administrator (CO/CA) the month prior to the month being inspected. Schedule will show time, date, location, and item(s) that will be inspected. Any changes to the schedule will be submitted to the CO/CA when the change occurs.

7. x. PERIODIC INSPECTION

These items are inspected using periodic surveillance (daily, weekly, monthly, quarterly, etc.) as determined by the QAP/QAE. The results of the periodic surveillance inspections may be used as the basis for actions (other than payment deductions) toward the contractor. In such cases the Inspection of Services clause becomes the basis for the contracting officer's actions. The schedules (if applicable) are submitted to the contract administrator for review prior the month being inspected.

7. x. CUSTOMER COMPLAINT

(The QAP/QAE will furnish written instructions and customer training to each organization receiving the contractor's service. Instructions and training should cover the format and content of the program and service to be surveilled; the action that may be expected from the QAP/QAE, contract administrator, and contracting officer as a result of the complaints; and the limitations on the customers in dealing with contractor personnel. This information is to be included here.)

The QAP/QAE is the point of contact and must collect all customer complaints. The AF Form 714, Customer Complaint Record, or a similar locally devised form may be used for this purpose (see attachment). All complaints and any resulting resolution of such complaints must be documented with the information required on the customer complaint form. Customer complaint forms become a permanent part of the QAP/QAE surveillance records.

The QAP/QAE will contact each customer involved with this contract, periodically to assure there is an understanding of the contract requirement by all appropriate personnel and that they have a sufficient number of complaint forms.

7. x. QUALITY INDEX

An indicator of quality. Similar to a quality metric that measures what is being performed. For example, it could be construed that by measuring the in-commission rate of a system, you have measured the supply system's ability to provide parts when needed and therefore, supply system performance.

7. x. THIRD PARTY AUDITS

Contractor evaluation by a third party organization that is independent of the government and the contractor. All documentation supplied to, and produced by, the third party should be made available to the government by the third party.

7. x. TREND ANALYSIS

Data gathered from all other evaluation sources and methods to build a database upon which to monitor the contractor's on-going performance over time. Data used to analyze contract conformance.

7. x. CONTRACTOR METRICS

Metrics used to measure performance objectives stated in the PWS/SOW; e.g., a bar chart. These metrics are usually developed and maintained by the contractor.

(A copy of the Service Summary (SS) with an additional column added identifying the method of inspection used toward that specific performance objective should be inserted here.)

“SAMPLE” SS WITH INSPECTION METHODS INCLUDED

<u>PO #</u>	<u>Performance Objective</u>	<u>PWS Reference</u>	<u>Performance Threshold</u>	<u>Inspection Method</u>
1	Prepare food IAW Recipe Cards	1.3.1	100% of the time	100% Inspection
2	Maintain interior and Exterior	1.4.	95% of the time	Random Sampling

8. CONTRACT MANAGER NOTIFICATION.

The QAP/QAE will ensure that the contract manager/project manager is informed of contract performance status. The contract manager/project manager should also be informed of any contract discrepancies noted during QAP/QAE surveillance.

9. DISCREPANCY REPORTING.

The QAP/QAE will notify the contract manager/project manager of any discrepancies noted during the QAEs inspections. This notification is for discrepancy correction only and does not indicate concurrence to the discrepancy by the contractor. The QAP/QAE will also notify the CA of all discrepancies noted during the surveillance. The frequency and method of notification to the CA will be provided to the QAP/QAE during phase two training.

10. NON-SS ITEMS.

Everything that is written into the PWS is required to be provided by the contractor, thus everything in the PWS is subject to government surveillance. Attached to this PP is a list of non-SS items that are to be inspected by the QAP/QAE.

(The list should contain the performance objectives found in section 1, 3 and appendices of the PWS that were not listed on the SS. This listing should have the same columns as the SS in that it will also include the inspection methods and frequencies of the inspections. Preference is to do this on a periodic basis.)

11. CERTIFICATION OF SERVICES.

Certification of services is performed by QAP/QAE via Wide Area Work Flow (WAWF) system. At the end of each billing period, service provider inputs invoice information in the WAWF system. WAWF automatically notifies appropriate QAP/QAE via email of pending invoice. QAP/QAE accesses WAWF and verifies accuracy of service provider's data. If data is correct, QAP/QAE certifies invoice and payment is conducted by Defense Finance Accounting System (DFAS). If QAP/QAE encounters errors in service provider's invoice, QAP/QAE consults with on site manager to mutually rectify data. If service provider disagrees with QAP/QAE, issue is forwarded to the CO for resolution.

12. PERFORMANCE METRICS (MOASP).

Performance metrics are to be used to track contractor progress quarterly towards meeting stated performance objectives. The effort in assessing contractor performance validates that the performance metrics align with the performance-based work statement and overall mission support objectives and states any negative variances as applicable. These metrics are consolidated and submitted annually to the Service Designated Official for review and are drawn upon for annual MOASP reporting.

12.1. KEY PERFORMANCE INDICATORS.

Some of the performance objectives identified on the SS will also be identified as key performance indicators (KPIs). These KPIs will be tracked and used toward MOASP reporting.

13. CONTRACTOR RATING (Partnering).

The QAE and the CA will perform a periodic (monthly or quarterly) joint contractor rating using the common DoD Rating System. This rating will be used to 'partner' with the contractor and provide them with a process for continual contract service improvement. **This rating is NOT to be confused with the established Contractor's Performance Assessment Rating (CPAR).**

14. CONTRACTOR RATING (CPARS).

Contractor's Performance Assessment Rating (CPAR) is applicable to all service contracts valued over \$1,000,000. Guidance on CPARS is available from the Department of the Air Force CPARS Guide and the 37 CONS CPARS representative.

REVIEW & ACCEPTANCE.

The following BRAG/Multi-Functional Team member signatures indicate their review and acceptance of the Performance Plan for (*list name of service*) services. These signatures indicate coordination on this performance plan at the time of development. These team members are not the only individuals on the BRAG but are the individuals that will have continual interface with this contract. No further BRAG/Multi-Functional Team coordination is needed unless the intent of the Performance Plan is changed.

Print Name:
37 XXX Functional Commander

Print Name:
Chief, XXth Contracting Squadron

Print Name:
MFT Functional Representative

Print Name:
Contracting Officer

Print Name:
Contract Administrator

Print Name:
Procurement Analyst

Print Name: Jesse G. Garza
QA Program Coordinator

Print Name:
QAP

Print Name:
QAP

*****AFI 63-124 PERFORMANCE PLAN SAMPLE *****

CUSTOMER COMPLAINT RECORD			DATE/TIME OF COMPLAINT
SOURCE OF COMPLAINT			
ORGANIZATION	BUILDING NUMBER	INDIVIDUAL	PHONE NUMBER
NATURE OF COMPLAINT			
CONTRACT REFERENCE			
VALIDATION			
DATE/TIME CONTRACTOR INFORMED OF COMPLAINT			
ACTION TAKEN BY CONTRACTOR			
RECEIVED/VALIDATED BY			

Customer Complaint Record Template, Feb 05 (SAF/AQCP)

(OPTIONAL PAGE, NEED NOT BE INCLUDED IN THE PP)

CALCULATING CONTRACTOR COMPLIANCE

RANDOM SAMPLING, PERIODIC INSPECTION, OR 100% INSPECTION

The following formula will be used to calculate contractor compliance when the aforementioned inspection methods are used.

1. QAE performed 100 observations in a given timeframe (normally measured monthly)
2. QAE noted 10 contractor non-compliances
3. # of defects (10) is divided by the # of observations performed (100)
4. Contractor is found to be 10% defective
5. This number is then subtracted from 100% to give you the percentage compliant
6. This number is then compared to the performance threshold to see if the performance objective is met.

$$\frac{\text{number of defects found}}{\text{number of observations performed}} = \% \text{ defective}$$

CUSTOMER COMPLAINT

The following formula will be used to calculate contractor compliance when customer complaint is the method used to ensure contractor compliance.

1. Lot size – Number of times the Contractor performed a specific service in a given timeframe (normally measured monthly), e.g., 100 times
2. 10 customer complaints were submitted and validated
3. # of valid customer complaints (10) is divided by the lot size (100)
4. Contractor is found to be 10% defective
5. This number is then subtracted from 100% to give you the percentage compliant
6. This number is then compared to the performance threshold to see if the performance objective is met.

$$\frac{\text{number of customer complaints submitted}}{\text{lot size}} = \% \text{ defective}$$

Lot Size = Total number of service outputs in a surveillance period (normally a month).
 (NOTE: The SDS, is the biggest influence on what is to be surveilled by the QA. If, for example, the SDS states that the contractor will be performing custodial services by square feet, then the QAE’s surveillance should parallel that objective.)

Defect = A service output that does not meet the terms and conditions of the contract.

NOTES

SW L3OZR64P4 0Q1A
L7OZT64P4 0Q1A

APPENDICES

Appendix A

ACRONYMS AND ABBREVIATIONS

<u>Acronym</u>	<u>Abbreviation Definition</u>
ADR	Alternate Disputes Resolution
AFLMA	Air Force Logistics Management Agency
AFPEO	Air Force Program Executive Officer
ASP	Acquisition Strategy Panel
CA	Contract Administrator
CDRL	Contract Data Requirements List
CO	Contracting Officer
CSC	Contracting Squadron Commander
CPAF	Cost-Plus-Award-Fee
CPAR	Contractor Performance Assessment Report
CPARS	Contractor Performance Assessment Reporting System
CPIF	Cost-Plus-Incentive-Fee
CPFF	Cost-Plus-Fixed-Fee
CPMO	Centralized Performance Management Office
DCMA	Defense Contract Management Agency
DID	Data Item Description
DFAS	Defense Finance Accounting Service
DoD	Department of Defense
DoDI	Department of Defense Instruction
FAC	Functional Area Chief
FAR	Federal Acquisition Regulation
FASA	Federal Acquisition Streamlining Act
FC/FD	Functional Commander/Functional Director
FDA	Food and Drug Administration
FDO	Fee Determining Official
FFP	Firm-Fixed Price
FOIA	Freedom of Information Act
FPEPA	Fixed Price with Economic Price Adjustment
FPI	Fixed-Price-Incentive
FTE	Full-Time Equivalent
GFP	Government-Furnished Property
IDIQ	Indefinite-Delivery/Indefinite-Quantity
MOASP	Management and Oversight of Acquisition of Services Process
OFPP	Office of Federal Procurement Policy
OPR	Office of Primary Responsibility
OSHA	Occupational Safety and Health Act
PBSA	Performance-Based Services Acquisition
PBSC	Performance-Based Service Contracting
PMC	Performance Management Council
PP	Performance Plan

Acronym**Abbreviation Definition**

PPI	Past Performance Information
PPIRS	Past Performance Information Retrieval System
PRS	Performance Requirements Summary
PWS	Performance-Based Work Statement
QA	Quality Assurance
QAE	Quality Assurance Evaluator
QAP	Quality Assurance Personnel
QAPC	Quality Assurance Program Coordinator
QAS	Quality Assurance Specialist
QC	Quality Control
QCP	Quality Control Plan
RFP	Request for Proposal
SAF/AQC	Deputy Assistant Secretary for Contracting
SDO	Services Designated Official
SDS	Services Delivery Summary
SOO	Statement of Objective
SS	Services Summary

Appendix B

TERMS

Benchmark – A measurement or standard that serves as a point of reference by which process performance is measured.

Benchmarking – A structured approach for identifying the best practices from industry and government, and comparing and adopting them to the organization's operations. Such an approach is aimed at identifying more efficient and effective processes for achieving intended results and suggesting ambitious goals for program output, service quality and process improvement.

Best Practices – The processes, practices, and systems identified in public and private organizations that performed exceptionally well and are widely recognized as improving an organization's performance in specific areas. Successfully identifying and applying best practices can reduce business expenses and improve organizational efficiency.

Chief, Contracting Office – The individual responsible for operating the contracting Office if the organization is not designated as a contracting squadron. For purposes of this course it is used interchangeably with "Contracting Squadron Commander".

Contract Administrator – The individual within the contracting office who performs the day-to-day administration of the contract. The contract administrator may also be the contracting officer.

Contracting Squadron or Office – The Air Force contracting squadron or office responsible for award or administration of service contracts.

Contracting Officer – The duly appointed government agents authorized to award or administer contracts. The contracting officer is the only person authorized to contractually obligate the government.

Contracting Squadron Commander – The individual responsible for operating the contracting squadron.

Defect – Any nonconformance with requirements specified in the contract.

Defective Service – A service output that does not meet the standard of performance specified in the contract for that service.

Functional Area – The organization having responsibility for the actual performance of a given service whether it is performed in-house or by contract. For example, the transportation organization has responsibility for packing and crating; the civil

engineering organization has responsibility for custodial services and family housing maintenance.

Functional Commander or Functional Director – The individual responsible for a functional area. For example, the transportation commander is the functional commander for the transportation statement of work.

Partnering – Is the creation of a government-contractor relationship that promotes achievement of mutually beneficial goals. It involves an agreement in principle to share the risks involved in completing the project and to establish and promote a nurturing partnership environment.

Performance Management Office – A centralized quality assurance office that handles all service contract quality assurance issues for the installation whether it is for a large base operating support requirement or a single function.

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 point that divides acceptable and unacceptable performance of an outcome-based requirement.

Quality Assurance – A planned and systematic pattern of actions necessary to provide confidence that adequate technical requirements are established; products or services conform to established technical requirements; and acceptable performance is achieved.

Quality Assurance Program – The plans and procedures developed to implement and administer quality assurance requirements for an installation.

Quality Assurance Program Coordinator – Individual selected to coordinate the installation quality assurance program. The Air Force standard is for this to be a full time funded position.

Quality Assurance Personnel – A functionally qualified person who performs quality assurance functions for a contracted service. Includes quality assurance evaluators and quality assurance specialists.

Quality Control – A program of action to effectively and efficiently manage the quality of performance objectives relating to standards of performance and inspections necessary to assure that the service satisfy the requirements from concept through validation.

Services Summary – 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.

Statement of Work – A performance based description of the services required by a functional activity. May also be termed a Performance Work Statement, Statement of Need, Statement of Objective, Technical Requirements Document or work statement.

Strategic Sourcing – A business approach that ties commercial business activity to the installation business goals. It includes methods in combining functional activities to get economies of scale and scope, manage risks, and induce continuous improvement.

Wing Commander – The officer responsible for the installation or activity having service functions contracted.

Appendix C

Do's and Don'ts for QAPs

DO:

1. Represent the contracting officer in all technical matters concerning your contract.
2. Consult with the contracting officer when in doubt about any matter involving a contract or contractor.
3. Assist the contracting officer to ensure complete and timely performance by the contractor.
4. Use the surveillance plan as applicable to your contract.
5. Keep abreast of the contractor's performance through proper monitoring.
6. Give the contractor fair and equal treatment; be consistent in your approach.
7. Accept the services for the government and forward a receiving report/certification of services received to the contracting officer each month.
8. Ensure you receive proper QAP training before contract start date.

DON'T

1. Make or imply any agreement(s) with the contractor relating to commencement of work or expenditure of government funds.
2. Encourage a contractor by words, actions, or a failure to act to begin work either on a new proposed effort or on an extension of work beyond the period set forth in an existing contract.
3. Act in any way with a contractor or contract employee that may create or imply favoritism.
4. Monitor a contract so closely and rigidly that the contractor will lose direction of the work.
5. Provide information relating to any potential contract or modification to existing/prospective contractors or individuals unless directed to do so by the contracting officer.

6. Give specialized treatment, tours, or information concerning future contracts, changes, or options to the present contractor.
7. Negotiate or execute a contract, modification to the contract, or an option to the contract.
8. Make final determinations of a contractor's liability for loss, damage, or unreasonable use of government furnished material.
9. Authorize a contractor to obtain property for use under a contract or to use government furnished property in the contractor's possession obligated to one contract under a second contract.

Appendix D

INTERFACE WITH CONTRACTORS AND ADMINISTRATORS

It's easy to say, —Maintain good working relations with your contract administrator and contractor. However, one of the key skills a QAP must master is just that—maintaining good working relations. With the pressure put on the QAP, how can they maintain a professional and objective attitude and still be human and cooperative? Seems like a difficult task doesn't it? Following are a few suggestions for consideration:

1. Being friendly does not mean that you have to be friends. Anyone can be courteous and friendly; however, when dealing with a contractor, the QAP should draw the line and keep friendships at a distance.
2. Be professional and treat every contractor the same. Even the hint of preferential treatment could cause problems if viewed by the wrong person in the wrong context.
3. Keep the contract administrator in touch with what is going on with your contracts. It's embarrassing for the contract administrator to learn about problems from the contractor; it makes the government look incompetent.
4. If the QAP has an opinion about how the contract is being run, ensure the QAP does not share them with the contractor. Take those concerns directly to the contracting office. The contractor can, and will use anything he can gather on the government to his advantage.
5. Meet with the contracting squadron commander periodically to be briefed on the status of your contract. Meet with the contracting officer, who through the contract administrator will be assessing the QAP performance during the life of the contract. Also the contracting officer will be advising the FD/FC of any deficiencies with QAP performance.

This can be very beneficial to you. It is better for your contract administrator to discover problems and help you correct them, and to have a contractor discover irregularities and use them against the government. Additionally, the QAP program and all its records and documents are often items of special interest for formal local, MAJCOM, and inspection teams.

These are just a few suggestions for developing and maintaining a professional interface with both the contractors and contract administrators. Talk with your contract administrators and see if they have any other suggestions. The better educated and prepared we are, the better we can perform our duties.

Appendix E

QUALITY ASSURANCE PROGRAM COORDINATOR (QAPC)
BIBLIOGRAPHY
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Appendix F
PHASE I TRAINING

- 1) Conflicts of Interest/Standards of Conduct
 - a) Definition
 - b) DAEO
 - c) Resolution of Conflicts of Interest
 - d) Bribes/Gratuities/Gifts
- 2) OMB Circular A-76
 - a) Program Concepts
- 3) Unauthorized Commitments/Ratification
 - a) Definitions
 - b) Ratification Process
 - c) CO Authority
- 4) AFI 63-124, Performance Based Service Acquisition (PBSA)
 - a) Purpose
 - b) Applicability
 - c) Seven Steps to PBSA
 - d) Exemptions
- 5) Roles and Responsibilities
 - a) SAF/AQCP
 - b) MAJCOM Contracting Leadership
 - c) Senior Leadership
 - d) Contracting Squadron Commander
 - e) Contracting Officer
 - f) QAPC
 - g) FC/FDs
 - h) Contract Specialist
 - i) QAP
 - j) Multi-Functional Team
 - i) Purpose
 - ii) Team Membership
 - iii) Performance Management Duties
- 6) Partnering
 - a) Definition
 - b) Purpose
- 7) Contract Incentives
 - a) Types
 - b) When to incorporate into contracts

8) Past Performance Information/Surveillance Methods

- a) Purpose
- b) Importance
- c) Effective Contract Surveillance
- d) Surveillance Methods
- e) CPARS
- f) Contract Discrepancy Report
- g) Surveillance Forms

9) Market Research

- a) Definition
- b) Required
- c) Purpose
- d) Methods
- e) Information to Obtain

10) Performance-Based Work Statement (PWS)

- a) Benefits
- b) Format
- c) Steps to Write a PWS
- d) Publication citing
- e) Example

11) Services Summary (SS)

- a) Purpose
- b) Objectives
- c) Paragraphs
- d) Thresholds
- e) Example

12) Performance Plan (PP)

- a) Purpose
- b) Content
- c) Example

Appendix G

PHASE II TRAINING

Contract Number: _____
Name of QAE: _____
Name of Administrator: _____

ITEMS DISCUSSED

1. Has the QAP attended required training conducted by the QAPC? YES / NO
2. GENERAL CONTRACT INFORMATION:
 - a. Type of contract
 - b. Contract amount and performance period
 - c. Review of contract sections
 - d. Statement of work
 - e. Use of surveillance plan
 - f. Methods of surveillance used
 - g. Key management duties and membership of the MFT
 - h. Areas susceptible to fraud, waste, and abuse
 - i. High technical risk areas
3. MAINTENANCE AND SUBMISSION OF QA SURVEILLANCE DOCUMENTS:
 - a. Discuss any forms/checklists to be used to document performance.
 - b. Discuss the maintenance of and submission of all QA documentation and past performance information.
4. INSPECTION AND ACCEPTANCE OF CONTRACT SERVICES
 - a. Inspection of Services Clause/Inspection for commercial services (ensure the QAP understands that services may be reperformed
 - b. Ensure contractor compliance with the requirements of the contract
 - c. Disagreements between the contractor and QAP must be promptly referred to the contracting officer for resolution
 - d. Procedures for certification of services
 - e. Changes to the contract can only be authorized by a duly appointed contacting officer

Appendix H QAPC PROGRAM FILE CONTENT

- 1) Training Certificates/Appointment Letters
 - a) QAPC training certificate
 - b) QAP Phase I/II training certificate(s)
 - c) FC/FD training certificate
 - d) QAP appointment letter
 - e) Annual refresher training certificate (if applicable)
- 2) Master FC/FD, QAP, and Multifunctional Team listings
- 3) Complete listing of all Service Contracts applicable to AFI 63-124 and others developed IAW AFI 63-124. Add QAP file checklists.
- 4) AFI 63-124 exemptions
- 5) Copy of AFI 63-124, AFI 63-501, the AF and respective MAJCOM supplements, AFFARSMP 5346.103, and AFFARSIG 5346.103
- 6) Commander's briefings to include metrics of the QAP program
- 7) Contract Reviews to include PWS, SS, PP, and QAP reviews
- 8) Copies of electronic templates for the FC/FD and the QAP to manage the QAP program to include:
 - PWS/SOW/SOO samples or links to website on where to get information
 - QAP forms and checklists used to document performance
 - QAP nomination/appointment letters
 - Template of COs letter to contractor concerning QAP appointment
 - QAP/FC/FD training certificates
 - Multifunctional team charter template
 - Performance Plan template
 - Past performance templates (CPARS)
 - Post award conference review template
 - Template of checklists
 - Activity or memo for record log template
 - Government cost estimate template
 - Market research template
 - Excel spreadsheet template for contract balance of funds

Appendix I
QAP PROGRAM FILE CONTENT

- 1) Training Certificates/Appointment Letters
 - a) QAP Phase I/II training certificate(s)
 - b) QAP appointment letter
 - c) Annual refresher training certificate (if applicable)
 - d) Delegation of Authority Letter from Contracting Officer
 - e) Wide Area Work-flow training
 - f) CPARS/Past performance training

- 2) Contractual documents
 - a) AF Form 9
 - b) Contract (to include drawings, maps, technical specifications)
 - c) Modifications
 - d) Performance-Based Work Statement/Services Summary
 - e) Performance Plan
 - f) Market Research Report
 - g) Incentive programs (i.e. Award Fee plan)
 - h) Multi-Functional Team meeting minutes
 - i) Memorandums for Record
 - j) CPARS inputs
 - k) Partnering agreements (if applicable)
 - l) Contractor quality control plan
 - m) Post award conference minutes
 - n) Activity log – chronological log of actions taken in the performance of QAP duties

- 3) All receipt and acceptance documents
 - a) Excel spreadsheet showing the balance of funds on a monthly basis
 - b) Government cost estimates
 - c) Disputes and claims

- 4) Records of inspections
 - a) Surveillance documentation
 - i) Contractor corrective actions
 - ii) Performance management reviews, if applicable
 - iii) Award fees board reviews, if applicable

 - b) Contract Discrepancy reports
 - c) Surveillance checklists
 - d) Technical reviews on contract modification/contractor submitted proposals

