



**DEPARTMENT OF THE AIR FORCE
WASHINGTON, DC**

Office Of The Assistant Secretary

10 APR 1998

CONTRACTING POLICY MEMO 98-C-05

MEMORANDUM FOR ALMAJCOM-FOA-DRU (CONTRACTING)

**FROM: SAF/AQC
1060 Air Force Pentagon
Washington DC 20330-1060**

SUBJECT: Past Performance Information (PPI) Collection Requirements

On 20 Nov 97, the Under Secretary of Defense (Acquisition and Technology) issued a memorandum entitled "Collection of Past Performance Information in the Department of Defense" (Attachment 1). The memo, which is now effective, outlines standard "business area" categories, performance assessment elements, and an assessment rating system. It establishes a uniform policy and management approach for the collection of PPI. In addition, the Director of Defense Procurement (DDP) has issued a class deviation to the FAR (Attachment 2) to implement the policies in the memorandum. This deviation requires preparation of past performance assessments for all contracts in excess of \$5 million for Systems and Operations Support, and \$1 million for all other contracts. It also requires that past performance shall be evaluated in all source selections for negotiated competitive acquisitions expected to exceed \$5,000,000 for Systems and Operations Support, and \$1,000,000 for most other acquisitions. Please annotate your copy of FAR in accordance with the 18 Dec 97 DDP memorandum.

While these memos place renewed emphasis on past performance, the Air Force has been collecting and using PPI for several years. SAF/AQC memorandum dated 26 May 95 implemented FAC 90-26 entitled "Past Performance" and, as in the 20 Nov 97 memorandum, addressed the collection and use of past performance information. AFMC uses the automated Contractor Performance Assessment Reporting System (CPARS) to store PPI data for its large volume of contracts; outside of AFMC, PPI has only been collected and stored manually. We must begin now to implement the newly expanded categories and wider assortment of evaluation factors and assessment elements.

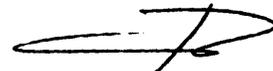
A joint DOD Past Performance Integrated Product Team (IPT) is in the process of preparing a past performance guide and is also laying the framework for an on-line or CD based informational/tutorial to help the acquisition workforce implement the new past performance requirements. It is the goal of the IPT to develop materials for the Services to train their acquisition work force--not only contracting personnel, but program and project managers, item managers, and other contracting customers, who will make the assessment of contractor performance and evaluate that performance during source selections. That assessment, and the collection and use of PPI, are joint endeavors by the contracting and requirements communities.

As the various portions of the training package are developed and issued, we will notify you of their availability.

A separate DOD IPT is working PPI automation issues. Under this program, a contractor is already developing a DoD-wide system. The Air Force will have three pilot sites participating in a test effort; we will keep you advised as the test progresses. Meanwhile, HQ AFMC/PK has developed AFMC Form 162A-1 (Attachment 3) for use in collecting PPI information on non-systems contracts. The form is consistent with the latest policies in Attachment 1 and can be used now. Effective immediately, all Air Force activities shall use this form to perform and record assessments, and to collect and store PPI information. The attached instructions for the form shall be used by all Air Force activities other than AFMC (which will follow AFMCI 64-107). Use of this form by all activities will help ensure the new policies are implemented effectively and uniformly throughout the Air Force.

As a matter of clarification, for multiple-year service contracts that were already in existence prior to 1 Feb 98, and where an evaluation of contractor performance was not previously required but is now required under the DoD deviation, you are not required to perform the assessment for previous years. Use 1 Feb 98 as the start of the performance period covered by the first annual evaluation for that contract.

A contractor's past performance history is a critical factor when award decisions will be made on new requirements or on the basis of "best value." The collection of PPI on an expanded segment of acquisitions will enhance our ability to make sound business judgments in our source selections. All of you will play an important part in this endeavor. I urge each of you to take advantage of the training that will be made available to you; to ensure the right people from the acquisition community are involved; and to encourage participation by our customers. Please assign an individual from your office to be the "PPI Focal Point" for your command, and provide us their name, telephone number (fax and voice), and e-mail address. As with any new policy of this magnitude, we expect many questions to arise. Please refer questions, or any comments about the form or instructions, to Lt Col David Mason at (703) 588-7013 (DSN prefix 425; masond@af.pentagon.mil) or to Karen Bahan at (703) 588-7057 (bahank@af.pentagon.mil).



TERRY L. RANEY, Colonel, USAF
Acting Associate Deputy Assistant Secretary
(Contracting)
Assistant Secretary (Acquisition)

Attachments:

1. OUSD (A&T) Memo, 20 Nov 97
2. DAR Tracking Memo 97-00009, 18 Dec 97
3. AFMC Form 162A-1 and Instructions



THE UNDER SECRETARY OF DEFENSE
3010 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-3010



ACQUISITION AND
TECHNOLOGY

NOV 20 1997

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARY OF DEFENSE (COMPTROLLER)
ASSISTANT SECRETARY OF DEFENSE (COMMAND,
CONTROL, COMMUNICATIONS AND INTELLIGENCE)
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
DIRECTOR, OPERATIONAL TEST AND EVALUATION
COMMANDER IN CHIEF, SPECIAL OPERATIONS COMMAND
DIRECTORS OF THE DEFENSE AGENCIES

SUBJECT: Collection of Past Performance Information in the Department of Defense

Collection of Past Performance Information (PPI) is critical to using this information to obtain best value goods and services. With the support of the Component Acquisition Executives, the Past Performance Integrated Product Team (IPT) was chartered to develop a uniform management approach for the collection and use of PPI. This IPT tackled one of the most difficult issues we face in reforming the acquisition process. I commend the team, and the supporting Working-Level Integrated Product Teams composed of representatives from the components, for a job well done. The IPT developed a management approach, policies and an implementation plan which outlines the tasks necessary to achieve this objective.

The policy contained in the attachment to this memorandum is a solid beginning and is effective February 1, 1998. Collection should begin manually unless an existing automated system is available. Your leadership is critical to successful implementation of this reform. Your active participation in establishing the environment for successfully implementing this change is essential. Please take immediate action to implement this policy. The past performance IPT will continue to serve as the coordinator of Department policy during this implementation period. The Deputy Under Secretary of Defense (Acquisition Reform), with the support of the IPT, shall ensure development of joint Department of Defense (DoD) training materials and education programs for use by the components in training the workforce.

Automation of collection and retrieval of PPI is critical to full implementation of this policy. The Deputy Under Secretary for Defense (Logistics), Life Cycle Information Integration Office is responsible for conducting an automated pilot effort to define the DoD interfaces to existing PPI systems and demonstrate an integrated past performance collection capability. The IPT will establish requirements for this pilot effort and develop recommendations for an overall automation architecture. I request that a status report on the pilot effort be provided to me by January 30, 1998. The proposed plan for an automated architecture, coordinated with the Standard Procurement System, should be presented to me by March 30, 1998. I expect the IPT to monitor the implementation of this policy and recommend any necessary policy revisions to me by November 30, 1998.



ATCH 1

The Director, Acquisition Program Integration shall take action to promulgate necessary amendments to DoD 5000.2R and the Acquisition Deskbook, and the Director, Defense Procurement shall promulgate Defense Federal Acquisition Regulation Supplement implementing procedures, as appropriate.



J. S. Gansler

Attachment
As stated

Policy Changes

This policy statement is a refinement of the current policies in the Federal Acquisition Regulation (FAR) Parts 15, 19, and 42, and the Defense Acquisition Regulation Supplement (DFAR) Part 36. DoD components shall use, without authority to deviate, the assessment elements and ratings described below.

Collection of Past Performance Information By Business Sector

DoD shall collect PPI using a consistent management approach across the designated business sectors. This approach shall include tailored dollar thresholds, consistent elements used to assess contractors, or other government agencies, and consistent ratings applied to those elements. DoD's business sectors are defined below and categorized under the heading of either key or unique.

Key Business Sectors

Systems - Generally, this sector includes products that require a significant amount of new engineering development work. Includes major modification/upgrade efforts for existing systems, as well as acquisition of new systems, such as aircraft, ships, etc. Also includes program budget account code 6.4-funded projects. More specifically—

Aircraft: Includes fixed and rotary wing aircraft, and their subsystems (propulsion, electronics, communications, ordnance, etc.)

Shipbuilding: Includes ship design and construction, ship conversion, small craft (e.g., rigid inflatable boats) and associated contractor-furnished equipment, as well as ship overhaul and repair.

Space: Includes all satellites (communications, early warning, etc.), all launch vehicles, strategic ballistic missiles, and all associated subsystems, including guidance and control.

Ordnance: Includes all artillery systems (except non-Precision Guided Munition (PGM) projectiles), tactical missiles (air-to-air, air-to-ground, surface-to-air, and surface-to-surface) and their associated launchers, and all PGM weapons and submunitions, such as the Joint Direct Attack Missile, the Sensor-Fuzed Weapon and the "Brilliant Antitank" weapon (BAT).

Ground Vehicles: Includes all tracked combat vehicles (e.g., tanks and armored personnel carriers), wheeled vehicles (e.g., trucks, trailers, specialty vehicles), and construction and material handling equipment requiring significant new engineering development. Does not include commercial equipment typically acquired from existing multiple award "schedule" contracts (e.g., staff cars, base fire trucks, etc.)

Training Systems: Generally, includes computer-based (or embedded) virtual and synthetic environments and systems of moderate to high complexity capable of providing training for air, sea, and land based weapons, platforms, and support systems readiness. Does not include operation and maintenance support services beyond the scope of the initial training system acquisition, or basic and applied research in these areas.

Other Systems: Includes technologies and products that, when incorporated into other systems such as aircraft and ships, are often categorized as subsystems. However, many of

these products are often acquired as systems in their own right, either as "stand-alone" acquisitions or as the object major modification/upgrade efforts for ships, aircraft, etc. Examples of other systems include Command, Control, Communication, Computer and Intelligence (C4I) systems, airborne and shipborne tactical computer systems, electrical power and hydraulic systems, radar and sonar systems, fire control systems, electronic warfare systems, and propulsion systems (turbine engines—aviation and maritime, diesel engine power installations—maritime and combat vehicle). Does not include tactical voice radios with commercial equivalents, personal Global Positioning Satellite (GPS) receivers, non-voice communication systems with commercial equivalents (See Operations Support and Information Technology sectors).

Services - Generally, this sector includes all contracted services except those which are an integral part of a systems contract or related to "Science & Technology," "Construction & Architect-Engineering Services," "Information Technology", and "Health Care." Services are further defined below:

Professional/Technical & Management Support Services: Includes all consultant services—those related to scientific and technical matters (e.g., engineering, computer software engineering and development), as well as those related to organizational structure, human relations, etc. Includes office administrative support services (e.g., operation of duplication centers, temporary secretarial support, etc.). Does not include any basic or applied research that will result in new or original works, concepts or applications, but does include contract advice on the feasibility of such research, as well as evaluation of research results.

Repair & Overhaul: Services related to the physical repair and overhaul of aircraft, ground vehicles, etc., and any associated subsystems or components. Includes condition evaluations of individual items received for repair or overhaul, but does not include evaluations of the feasibility or the benefits of the overall project. Does not include Ship Repair and Overhaul, which is included in the Shipbuilding sector.

Installation Services: Includes services for grounds maintenance (grass cutting, shrubbery maintenance or replacement, etc.). Includes services related to cleaning, painting, and making minor repairs to buildings and utilities services, etc. Includes contracted security and guard services. Includes installation and maintenance of fencing. It also includes minor electrical repairs (e.g., replacing outlets, changing light bulbs, etc.), minor road surface repairs (patching cracks, filling in potholes, etc.), relocation of individual telephone lines and connections, snow removal. (See "Construction for the installation services covered by that sector.)

DoD Transportation System Services: Includes services related to transportation by all the land, water, and air routes, and transportation efforts which support movement of U.S. forces and their supplies during peacetime training, conflict, or war. Consists of those military and commercial efforts, services and systems organic to, contracted for, or controlled by the Department of Defense.

Information Technology - This sector includes any equipment or interconnected system or subsystem of equipment, that is used in the automatic acquisition, storage, manipulation, management, movement, control, display, switching, interchange, transmission or reception of data or information. Generally, includes all computers, ancillary equipment, software, firmware and similar procedures, services (including support services), and related resources. Does not include any military-unique C4I systems and components included under Systems, such as JTIDS, Aegis, etc. More specifically-

Software: A set of computer programs, procedures, and associated documentation concerned with the operations of a data processing system; e.g., compilers, library routines, manuals and circuit diagrams. Information that may provide instructions for computers; data for documentation; and voice, video, and music for entertainment and education.

Hardware: Physical equipment as opposed to programs, procedures, rules and associated documentation. In automation, the physical equipment or devices forming a computer and peripheral components.

Telecommunications Equipment or Services: Circuits or equipment used to support the electromagnetic and/or optical dissemination, transmission, or reception of information via voice, data, video, integrated telecommunications transmission, wire, or radio. The equipment or service must be a complete component capable of standing alone. This includes the following type of items: telephones, multiplexers, a telephone switching system, circuit termination equipment, radio transmitter or receiver, a modem, card cage with the number and type of modem cards installed, etc. This does not include the following type of items: a chip, circuit card, equipment rack, power cord, a microphone, headset, etc.

Operations Support - Generally, this sector includes spares and repair parts for existing systems. Also includes products that require a lesser amount of engineering development work than "Systems," or that can be acquired "build-to-print," "non-developmental," or commercial off the shelf. More specifically—

Mechanical: Includes transmissions (automotive and aviation), landing gear, bearings, and parts/components related to various engines (turbine wheels, impellers, fuel management and injection systems, etc.).

Structural: Includes forgings; castings; armor (depleted uranium, ceramic, and steel alloys); and steel, aluminum, and composite structural components. Does not include "bare" airframes, ships, or combat vehicles (i.e., without engines and electronics).

Electronics: Includes parts and components related to digitization, guidance and control, communications, and electro-optical and optical systems. Includes individual resistors, capacitors, circuit cards, etc., as well as "modules" such as radio-frequency receivers and transmitters. Includes tactical voice radios, personal Global Positioning System receivers, etc.

Electrical: Includes electric motors, thermal batteries, auxiliary power units, and associated spares and component parts.

Ammunition: Includes all small arms ammunition and non-Precision Guided Munitions artillery rounds.

Troop Support: Includes all food and subsistence items. Includes all clothing & textile-related items, including uniforms, tentage, personal ballistic protective gear, life preservation devices, etc. Includes all medical supplies and equipment, including medicines and diagnostic equipment (X-ray machines, etc.). Does not include any recreational or morale/welfare items.

Base Supplies: Includes all consumables and personal property items needed to maintain installations, bases, ports, etc. Includes small tools and cleaning and preservation equipment and supplies (paints, brushes, cleaning solvents, etc.). Does not include any grounds maintenance, construction, security, or other types of services.

Unique Business Sectors

Construction and Architect-Engineer and Health Care sectors assessment elements and ratings were previously established and remain unchanged by this policy. The Fuels sector shall use the assessment elements established for Services, Information Technology and Operations Support. No assessment elements have been established for the "Science and Technology" business sector that shall be tailored for each procurement. The Common DoD Assessment Rating System is mandatory for use by the Fuels, Science and Technology and Health Care business sectors.

Construction and Architect- Engineering - Includes all non-combat construction and related architect/construction engineering tasks. Includes construction of new buildings, foundation excavation, building/facility-wide upgrades to heating, ventilation and air conditioning systems, electrical systems, etc. Includes all road, dam and bridge construction, and complete road resurfacing. Does not, however, include minor repairs to road, driveway, or parking lot surfaces (e.g., patching cracks or filling in potholes). Also does not include repair or installation of any signage or pavement markings (painting divider lines, etc.). Does include major excavations (e.g., installation of new water mains or sewage systems, or major alteration of landscapes to improve drainage or to create or refurbish surface water storage facilities). Includes major alterations or repairs of installation-wide electrical power grids, trunk telephone lines, etc. Does not, however, include minor excavations related to the repair of individual pipes. Does not include the repair of individual power lines. Does not include the repair or relocation of individual telephone lines or connections. Also does not include services for building cleaning, painting, or minor repairs (fixing leaky pipes, replacing broken hinges, patching holes in plaster, etc.). Does not include any repair or installation of fencing or snow removal. Evaluate as required by DFARs Part 236. PPI is collected and used for acquisitions above \$25,000. USACE, Portland maintains two databases used throughout DoD and other federal agencies:

Architect-Engineer Contract Administration Support System (ACASS)
Construction Contractor Appraisal Support System (CCASS)

Health Care - Includes all acquisition and management of health care services. PPI is collected at all dollar thresholds; however collection and use are mandatory for acquisitions over \$100,000. The Health Care Acquisition Performance System (HCAPS), is currently used by the Navy and Army with assessment elements tailored to health care. This automated system is managed by Naval Sea Logistics Center Detachment, Portsmouth, NH.

Fuels - Includes all bulk fuels, lubricants, natural gas, coal, storage, and other commodities and related support services. PPI is collected and used at the dollar thresholds set forth in FAR Parts 15 and 42.

Science and Technology - Includes all contracted basic research and some applied research. Includes construction of "proof-of-principle" working prototypes. Includes projects funded by program budget accounts 6.1 (Basic Research), 6.2 (Exploratory Development), and 6.3

(Advanced Technology Development), but does not include projects funded by 6.4 accounts or similarly oriented appropriations. (Those projects are covered by the Systems sector).

For the Science and Technology sector, PPI shall be collected only at the time of the particular acquisition. No dollar threshold or the requirement to maintain an automated database has been established for this category. Collection of science and technology PPI shall be limited to relevant information as determined by the Source Selection team. Requests for PPI shall be tailored to each procurement during the source selection process, with emphasis placed on the expertise of key personnel.

Key Business Sector Assessment Elements

Assessment Elements for the Systems Sector - DoD shall collect PPI on all contracts \$5,000,000 or more within the seven sub-sectors of the Systems Sector using the following Performance Assessment Review (PAR) elements:

TECHNICAL (QUALITY OF PRODUCT). This element is comprised of an overall rating and six sub-elements. Activity critical to successfully complying with contract requirements must be assessed within one or more of these sub-elements. The overall rating at the element level is the Program Manager's integrated assessment as to what most accurately depicts the contractor's technical performance or progress toward meeting requirements. It is not a predetermined roll-up of the sub-element assessments.

Product Performance - Assess the achieved product performance relative to performance parameters required by the contract.

Systems Engineering - Assess the contractor's effort to transform operational needs and requirements into an integrated system design solution.

Software Engineering - Assess the contractor's success in meeting contract requirements for software development, modification, or maintenance. Results from Software Capability Evaluations (SCEs) (using the Software Engineering Institute (SEI's) Capability Maturity Model (CMM) as a means of measurement), Software Development Capability Evaluations (SDCEs), or similar software assessments may be used as a source of information to support this evaluation.

Logistic Support/Sustainment - Assess the success of the contractor's performance in accomplishing logistics planning.

Product Assurance - Assess how successfully the contractor meets program quality objectives, e.g., producibility, reliability, maintainability, inspectability, testability, and system safety, and controls the overall manufacturing process.

Other Technical Performance - Assess all the other technical activity critical to successful contract performance. Identify any additional assessment aspects that are unique to the contract or that cannot be captured in another sub-element.

SCHEDULE - Assess the timeliness of the contractor against the completion of the contract, task orders, milestones, delivery schedules, administrative requirements, etc.

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.

MANAGEMENT - This element is comprised of an overall rating and three sub-elements. Activity critical to successfully executing the contract must be assessed within one or more of these sub-elements. This overall rating at the element level is the Program Manager's integrated assessment as to what most accurately depicts the contractor's performance in managing the contracted effort. It is not a predetermined roll-up of the sub-element assessments.

Management Responsiveness - Assess the timeliness, completeness and quality of problem identification, corrective action plans, proposal submittals (especially responses to change orders, ECPs, or other undefinitized contract actions), the contractor's history of reasonable and cooperative behavior, effective business relations, and customer satisfaction.

Subcontract Management - Assess the contractor's success with timely award and management of subcontracts, including whether the contractor met small/small disadvantaged and women-owned business participation goals.

Program Management and Other Management - Assess the extent to which the contractor discharges its responsibility for integration and coordination of all activity needed to execute the contract; identifies and applies resources required to meet schedule requirements; assigns responsibility for tasks/actions required by contract; communicates appropriate information to affected program elements in a timely manner. Assess the contractor's risk management practices, especially the ability to identify risks and formulate and implement risk mitigation plans. If applicable, identify and assess any other areas that are unique to the contract, or that cannot be captured elsewhere under the Management element.

Assessment Elements for the Services, Information Technology and Operations Support Sectors - DoD shall collect PPI using the following assessment elements within the Services, Information Technology and Operations Support sectors. The threshold for collection for Services and Information Technology shall be \$1,000,000 and more. For Operations Support, the collection threshold is \$5,000,000, however, under the \$5,000,000 threshold, buying activities should continue to accumulate contractor performance data from existing management information systems that already capture data on timeliness of delivery and quality of product or service. (Examples of such performance information collection systems include "Red/Yellow/Green" and "Automated Best Value Method."). While passive systems may continue to be used, DoD wide implementation of collection and use of PPI through passive performance information collection systems is not mandatory until the collection system is automated across DoD.

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).

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)

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.

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.

MANAGEMENT OF KEY PERSONNEL (For Services and Information Technology Business Sectors Only) - Assess the contractor's performance in selecting, retaining, supporting, and replacing, when necessary, key personnel.

Common DoD Assessment Rating System

DoD components shall use the following assessment rating system in all business sectors on report cards for all PPI assessment elements with the exception of Construction and Architect-Engineering. A fundamental principle for rating is that contractors shall not be assessed below a rating of satisfactory for not performing beyond the requirement of the contract.

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.

New Refinements to FAR Part 15.3 & 42.15 Policies

Administrative Information: PPI assessments shall include the following administrative information: company name, place of performance, CAGE code, DUNS+4 number, telephone number, contract number, awarded value, award date, completion date, type of contract, extent completed, item description, Federal Supply Code (FSC), Standard Industry

Classification code, key subcontractors and what effort they performed (for systems, information technology and services), DoD business sector, period of performance being assessed, assessment type (interim, final, or addendum), and contracting officer and program/requirements manager names and phone numbers.

DoD Assessment Inputs: DoD buying activities have primary responsibility for PPI collection and should ensure that PPI assessments provide for input from program managers, contracting officers, item managers, and Defense Contract Management Command contract administration officers and Defense Contract Audit Agency auditors. Performance Assessment Reviews for systems will usually be completed by the program manager. Contractors shall be provided an opportunity to comment on past performance evaluations in accordance with the procedures set forth in FAR Parts 15 and 42. Contractor comments must be included as a part of the final report. Any disagreement between the DoD lead evaluator and the contractor must be reviewed at the next level above the Program or Item Manager, or Contracting Officer, as appropriate.

Narrative Rationales: Narrative rationales are required to support the report card assessment rating and help determine relevancy in support of future source selections.

Addendum Assessments: Addendum assessment reports may be prepared after the final past performance evaluation to record contractor's performance (e.g. contract closeout and other requirements).

Copies of Past Performance Assessments: A copy of the annual or final past performance evaluation shall be provided to the contractor as soon as it is finalized.

Evaluations of Orders Placed Against Other Contracts: To streamline PPI collection contracting officers should specify in the contract the frequency of, and the individual(s) responsible for, past performance assessments associated with orders to be placed against that contract.

Final Past Performance Assessment: The final past performance rating of a contract should not be a cumulative report of contract performance but rather a snapshot of the last period of performance since the last annual performance report.

Contract Value for PPI Collection: The contract thresholds for PPI collection apply to the "as-modified" face value of contracts; that is, if a contract's original face value was less than the applicable threshold, but subsequently the contract was modified and the "new" face value is greater than the threshold, then a performance assessment (or assessments) should be made, starting with the first anniversary that the contract's face value exceeded the threshold. If the contract threshold is expected to exceed the collection threshold by exercise of option, modification or order it may be advisable to initiate the PPI collection process prior to the value of the contract exceeding the threshold.

Implementation Milestones

November 1997	IPT/DUSD(AR) initiates development of core training materials for use by the components for key business sectors
January 30, 1998	IPT briefs USD (A&T) including status of automation pilot effort

- February 1, 1998** **Begin collection of PPI for Systems, Services and Information Technology business sectors using defined assessment elements and ratings. Begin collection of Operations Support PPI over \$5M. Collection should be either manual or through an existing automated system.**
- March 30, 1998** **IPT presents a recommendation to USD (A&T) for a coordinated automated architecture including results of pilot effort.**
- November 30, 1998** **IPT gathers lessons learned, recommends policy changes to USD (A&T) and develops a comprehensive past performance policy for DoD**
- January 1, 1999** **Establish the date for expanded collection of PPI including passive collection using coordinated automated architecture**



ACQUISITION AND
TECHNOLOGY

DP (DAR)

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON DC 20301-3000

DEC 18, 1997

In reply refer to
DAR Tracking Number: 97-00009

MEMORANDUM FOR DIRECTORS OF DEFENSE AGENCIES
DEPUTY FOR ACQUISITION AND BUSINESS MANAGEMENT,
ASN(RD&A)/ABM
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE
(CONTRACTING), SAF/AQC
DEPUTY ASSISTANT SECRETARY OF THE ARMY (PROCUREMENT)
DEPUTY DIRECTOR (ACQUISITION), DEFENSE LOGISTICS AGENCY

SUBJECT: Class Deviation--Past Performance

This supersedes the class deviation issued on December 20, 1996,
under DAR Tracking Number 96-00010, Subject: Past Performance.

Effective immediately, all military departments and defense
agencies shall use the attached language in lieu of Federal
Acquisition Regulation (FAR) 15.304(c)(3) and 42.1502(a) when
collecting and using past performance information.

This class deviation implements the Under Secretary of Defense
(Acquisition and Technology) (USD(A&T)) policy issued in a memorandum
dated November 20, 1997, and entitled, "Collection of Past Performance
Information in the Department of Defense." The deviation requires
past performance evaluation in all source selections for negotiated
competitive acquisitions expected to exceed \$5 million for Systems and
Operations Support (as defined in the USD(A&T) policy memorandum); or
expected to exceed \$1 million for all other acquisitions, except for
lower thresholds specified in the November 20 policy memorandum for
Fuels and Health Care business sectors. The deviation requires
preparation of an evaluation of contractor performance for each
contract in excess of \$5 million for Systems and Operations Support
acquisitions and \$1 million for all other acquisitions. Collection
and use of past performance information within the Department of
Defense shall be performed in accordance with the USD(A&T) policy
memorandum until January 30, 1999.



ATCH

FAR 15.304(c)(3) and 42.1502(a) implement Office of Federal Procurement Policy Letter 92-5, Past Performance Information. The Acting Administrator, Office of Federal Procurement Policy, concurred with this deviation from that policy letter. Therefore, I am authorizing this class deviation from the requirements in FAR 15.304(c)(3) and 42.1502.

This class deviation is approved until January 30, 1999, or until the FAR is revised, whichever occurs first.



Eleanor R. Spector
Director, Defense Procurement

Attachment

cc: DSMC, Ft. Belvoir

PART 15--CONTRACTING BY NEGOTIATION

* * * * *

Subpart 15.3--Source Selection

* * * * *

15.304 Evaluation Factors and Subfactors

* * * * *

(c) * * *

(3) (i) Except as set forth in paragraph (c) (3) (iii) of this section, past performance shall be evaluated in all source selections for negotiated competitive acquisitions ~~expected to exceed \$5,000,000 for Systems and Operations Support or~~ expected to exceed \$1,000,000 [for all other acquisitions].

~~(ii) Except as set forth in paragraph (c) (3) (iii) of this section, past performance shall be evaluated in all source selections for negotiated competitive acquisitions issued on or after January 1, 1999, for acquisitions expected to exceed \$100,000. Agencies should develop phase in schedules that meet or exceed this schedule.~~

(~~iii~~[ii]) Past performance need not be evaluated if the contracting officer documents the reason past performance is not an appropriate evaluation factor for the acquisition (OFPP Policy Letter 92-5).

* * * * *

PART 42--CONTRACT ADMINISTRATION

* * * * *

Subpart 42.15--Contractor Performance Information

* * * * *

42.1502 Policy

(a) Except as provided in paragraph (b) of this section, agencies shall prepare an evaluation of contractor performance for each contract in excess of [~~\$5,000,000 for Systems and Operations Support contracts and~~] \$1,000,000 [for all other contracts] (regardless of the date of contract award) ~~and for each contract in excess of \$100,000 beginning not later than January 1, 1998 (regardless of the date of contract award), at the time the work under the contract is completed.~~

* * * * *

CONTRACTOR PERFORMANCE ASSESSMENT REPORT (CPAR - NONSYSTEMS)

(Source Selection Information - See FAR 3.104)

1. NAME/ADDRESS/PHONE NUMBER OF CONTRACTOR (Division)		2.		INITIAL	INTERMEDIATE	FINAL REPORT	ADDENDUM	
		3. PERIOD COVERED BY REPORT						
		4. CONTRACT NUMBER					AWARD DATE	
BUSINESS SECTOR		5. CONTRACTING OFFICER (Name/Office Symbol/Phone)						
CAGE CODE	DUNS + 4 NUMBER							
FSC CODE	SIC CODE	7. CONTRACT PERIOD OF PERFORMANCE						
8. LOCATION OF CONTRACT PERFORMANCE (if not in Item 1)								
		8. PROGRAM REQUIREMENTS MANAGER (Name/Office Symbol/Phone)						
		9. AWARDED VALUE/CURRENT VALUE						
		11.	COMPETITIVE	NONCOMPETITIVE	OTHER			
10. CONTRACT TYPE/KEY SUBCONTRACTORS		12. ORDER STATUS						
		NOT APPLICABLE						
		ISSUED DURING PERIOD						
		COMPLETED DURING PERIOD						
		WHICH REMAIN ACTIVE						
		13. PROGRAM TITLE						
14. CONTRACT EFFORT DESCRIPTION (Highlight each discrete activity and function)								
15. EVALUATE THE FOLLOWING AREAS		PAST RATING	UNSATISFACTORY (RED)	MARGINAL (YELLOW)	SATISFACTORY (GREEN)	VERY GOOD (PURPLE)	EXCEPTIONAL (BLUE)	NA
a. BUSINESS RELATIONS								
b. MANAGEMENT OF KEY PERSONNEL								
c. SCHEDULE								
d. COST CONTROL								
e. QUALITY OF PRODUCT/SERVICE								
(1)								
(2)								
(3)								
(4)								
(5)								
(6)								
(7)								
(8)								
(9)								
(10)								
f. OTHER (Specify)								

ATCH :

16. PERFORMANCE EVALUATOR/PROGRAM MANAGER NARRATIVE

GIVEN WHAT I KNOW TODAY ABOUT THE CONTRACTOR'S ABILITY TO EXECUTE WHAT WAS IN THE PROPOSAL,

I DEFINITELY WOULD NOT

PROBABLY WOULD NOT

MIGHT OR MIGHT NOT

PROBABLY WOULD

DEFINITELY WOULD

AWARD TO THAT CONTRACTOR TODAY GIVEN THAT I HAD A CHOICE.

17. TYPE NAME AND TITLE OF PERFORMANCE EVALUATOR/PROGRAM MANAGER

OFFICE SYMBOL

PHONE

SIGNATURE

DATE

18. CONTRACTOR COMMENTS (Contractor's Option)

19. TYPE NAME AND TITLE OF CONTRACTOR REPRESENTATIVE

PHONE

SIGNATURE

DATE

20. REVIEW BY REVIEWING OFFICIAL (Comments Optional)

21. TYPE NAME AND TITLE OF REVIEWING OFFICIAL

OFFICE SYMBOL

PHONE

SIGNATURE

DATE

PAST PERFORMANCE COLLECTION GUIDANCE AND USE OF THE AFMC FORM 162A-1

The following instructions, along with the AFMC Form 162A-1 shall be used to implement the collection of past performance information (PPI) within non-AFMC commands.

DEFINITION

In the systems environment, the roles and responsibilities of the program manager and contracting officer are distinct and well-defined. In the operational environment, this is not always the case. In this environment, different terminology constitutes different roles and responsibilities.

In this attachment, you will see the term 'project manager' used extensively throughout. This term is used to indicate the individual who is in the right position to adequately assess contractor performance on any given contract or effort. In addition, terminology used to describe the players at the local level may include the following: program manager, project lead, item manager, quality assurance evaluator (QAE), base civil engineering chief, functional area chief (FAC), services squadron commander, contract administrator, contracting officer, Contracting Squadron Chief, Director of Contract Operations, etc. All of these players, in one form or another, play a vital role in the assessment of contractor performance, depending, of course, on the nature of the effort. A more detailed discussion of the roles, responsibilities, and relationships of these individuals is included later in this guidance.

GENERAL GUIDELINES

Performance evaluations shall be used only for the purpose described herein - to assess the contractor's performance over a given period of time. Performance data shall not be used to support pre-award surveys, debarment proceedings or other internal Government reviews.

For existing contracts where the new policies represent a change to the way you address past performance, contracting officers will notify contractors that performance evaluations will be prepared in accordance with FAR and DFARS and will be made a matter of record for use by the Government. The notification will outline the standard categories and rating system and will alert the contractor that it will be given an opportunity to comment on the evaluation before it is entered into the collection system (sharing this information with our contractors, and giving them an opportunity to comment on an evaluation before it becomes final, is mandatory).

Evaluations must be straightforward and honest, negative or positive, and detailed enough to allow those making future award decisions to make the right decisions. Evaluations must be based on objective facts supported by program/project and contract management data and reports. Subjective assessments concerning the cause or implications of the contractor's performance may be provided; however, speculation or conjecture not supported by facts must be

avoided. As important and detailed as these evaluations need to be, it is not advisable to wait until the close of the performance period or final delivery of the end item to start the evaluation process. A good evaluation is initiated long before the close of the performance period or delivery of the end item. For example, periodic quality assurance evaluations or reviews are excellent for 'building the facts' towards accomplishing an assessment at the end of the one year period. Collect the data necessary to do a thorough evaluation throughout the year; do not wait until the end of that year to initiate your review of the contractor's performance.

Assessments will be accomplished annually unless the contract performance period is less than one year. All assessments will be accomplished and recorded (complete through final Government signature) within 120 days after close of the performance period.

Interim, or out-of-cycle reports, may be accomplished, if warranted, but do not alter the schedule for the annual assessment. A significant change in performance that alters the assessment in one or more evaluation areas is one example of a reason to do an interim report. When a significant change in performance has occurred, the contractor may request an updated report or the project manager may unilaterally change the assessment and process a revised report. The determination as to whether or not a revised assessment will be accomplished will be made solely by the project manager. An updated report will only address changed elements.

In addition, remember that this is the project manager's assessment. Therefore, should that individual be reassigned for any reason, another assessment will be completed by that individual if at least four months has elapsed since the last assessment was accomplished. This update should not be processed through the reviewing official or contractor, but will be passed to the incoming program/project manager for use in the annual assessment.

A final report will be completed for any of the following reasons:

- termination of the contract
- transfer of program or project outside of the command
- delivery of the end item on contract
- completion of the period of performance
- post performance (i.e. warranty repairs, lease maintenance) expiration

Remember, the final report is NOT cumulative, but only reflects the period of performance since the last report was accomplished.

Once completed, these performance evaluations will be made available outside the Government only to the contractor whose performance is assessed, and then only at the level predetermined and agreed to beforehand; usually at a level within the company equivalent to the reviewing official within the Government. The level of review will vary according to the activity and the 'business sector' being evaluated. In addition, the corresponding level within a contractor's organization will depend greatly on the contractor's organizational structure. Performance assessments shall not be disclosed to any other entity outside the Government and only to those

individuals within the Government with a need-to-know. Remember, this is source selection sensitive information and shall be treated as such at all times.

Once the collection of PPI becomes automated, security safeguards (i.e. accessibility of the data) will be in place to protect the data collected. Until automated, sites currently using manual reporting shall initiate safeguards to protect the information in performance assessment reports from unauthorized disclosure. All performance assessment reports, attachments, and working papers must be marked "FOR OFFICIAL USE ONLY/SOURCE SELECTION INFORMATION" and be protected as such at all times.

Automated versions of the form may be created locally, but must be limited to the same data fields that are on the AFMC Form 162A-1. Contractor comments may be in a separate document which can be attached to the AFMC Form 162A-1.

COMPLETION OF THE ASSESSMENT

First and foremost, the completion of the assessment is a JOINT endeavor and NOT the sole responsibility of the contracting officer, but involves the requirements community and customers in the process; in essence, all those familiar with the contractor's performance.

While the evaluation is an important aspect of this process, Blocks 1-14 of the report are equally important. Remember, these reports will be used by source selection teams to evaluate past performance information and will be used, in part, to make award decisions. It is therefore critical that the information provided be concise and clear so comparisons can be made between the report and the current requirement.

The performance evaluator prepares the assessment based upon information of which they are personally cognizant, or have been made cognizant via inputs from personnel directly involved with contract performance. These inputs from second sources must be detailed enough for the evaluator to understand and must be fully substantiated, regardless of color rating assigned. While the assigned rating is the final responsibility of the project manager, disagreements should be discussed and resolved between the individuals in disagreement before the final rating is decided upon. If an agreement can't be reached at that level, the problem will be escalated.

The performance evaluation factors should not be a surprise to the contractor being assessed. Discussions with the contractor concerning their performance is highly encouraged throughout the performance period. The functions listed in Block 15e of the AFMC Form 162A-1 should be discussed with the contractor within 30 days after contract award. The performance evaluator has the final decision authority over what is included in this block but should advise the contractor of that decision. Also, based upon warranted circumstances, functions may be changed; the contractor should be advised of any changes within a timely manner.

The intent of the past performance evaluation is not to provide reams of paper to support or refute ratings given. The intent is to provide fair and succinct evaluations of a contractor's

performance. Therefore, narrative assessments shall be limited to Block 16 (Performance Evaluator) and Block 18 (Contractor); plus NO MORE THAN two additional 8 ½ x 11 pages for either the assessment or the contractor's response. These additional pages will be considered part of the assessment.

Once the project manager has completed their portion of the AFMC Form 162A-1 (i.e. complete through Block 17), the report must be transmitted by the individual(s) held responsible for transmitting the report (a local focal point is recommended), to the contractor for review, signature and return. The most preferred form of transmittal is by hand delivery, in conjunction with face to face discussions. However, if this is not possible, the report should be mailed to the program/project manager's counterpart with a transmittal cover letter via certified mail or under some other type of control. This letter shall contain the following guidance:

- The report is source selection information and should be protected as such
- The report should be strictly controlled while in the contractor's organization
- The report should be returned either via hand-delivery or via certified mail or some other type of control
- Prohibit the contractor's use of, or reference to the report for advertising, promotional material, pre-award surveys, or similar purposes
- Advise the contractor that comments are optional but are due to the originating office within 30 calendar days after receipt
- Regardless of whether or not the contractor decides to comment, the contractor should be advised to acknowledge receipt of the report by signing and dating in Block 19 of the AFMC Form 162A-1
- Advise the contractor that if a meeting to discuss the report is desired, it must be requested, in writing, no later than seven days after receipt of the report
- Advise that a completed copy of the report (complete through Block 21) will be forwarded to the contractor at the time the report is complete. No other distribution will be made by the Government except to the agreed to level within the company (equivalent to the Government reviewer)

If the contractor does not return the report within the 30 days allotted, Block 18 shall be annotated with that fact and processed to the Government reviewer for completion. However, every effort shall be made to encourage the contractor to return a completed (through Block 19) report.

After reviewing the contractor's comments, the project manager may revise the report. Any revisions will become a part of the report, the contractor shall be so advised, but the report will not be forwarded back to the contractor for signature. Once a revision has been made (and a revised report will only include the parts changed from the original) it will be attached to the original report with the reviewing official signing the revision. While it is the project manager's decision to revise a report, the reviewer should be notified as to why a report was not changed based on contractor comments received. This explanation does not become part of the report; however, the explanation shall be used to complete Block 20 of the AFMC Form 162A-1.

Once completed and a copy has been mailed to the contractor, the completed original will be filed and protected as Source Selection Information by the assigned focal point at a central location.

FOCAL POINTS

PPI focal points shall be established at command-level for the purposes of policy implementation and guidance. Each command will also establish PPI focal points at all field activities within the command to ensure local implementation. Field-level focal points shall maintain the original assessment reports and be responsible for the tracking and transmitting of the reports to and from the contractor (including a copy of the report). In addition, field-level focal points will be responsible for filing and storing completed assessments and will be responsible for any decisions to release PPI information. Release of PPI information should only be done after a review of the specific circumstances, and in conjunction with the local legal office, if warranted. Remember, this information is source selection sensitive.

Field-level focal points will be responsible for tracking and suspending PPI collection as the reports become due. The focal point should notify applicable offices of upcoming suspenses at least 90 days beforehand. However, a lack of notification, for whatever reason, does not relieve the project manager from the responsibility for processing reports in a timely manner. This 'tracking and suspense' system should also include information to be provided to management should reports become delinquent for any reason.

A PROCESS EXAMPLE AND FURTHER DEFINITION OF ROLES AND RESPONSIBILITIES

Let us now look at an example of what you might expect and use this to further define the roles and responsibilities of the players. Keep in mind that different efforts or contracts involve different players and that each situation must be tailored to some extent or another.

Food service contracts are fairly common throughout the Air Force. The players normally involved include, but are not limited to, the contractor, the contract administrator, contracting officer, Contracting Squadron Commander, Quality Assurance Evaluator (QAE), Functional Area Chief (FAC), Services Squadron Commander, etc. All these players have an important role in doing a performance assessment.

For example, at the outset of the performance period, the QAE, FAC, contract administrator, and contracting officer will sit down with the contractor to discuss the performance evaluation requirements of the contract. It is at this session that the elements in Block 15e of the AFMC Form 162A-1 will be decided upon as well as name and title of the individual within the company who shall receive the report at the end of the performance period. Remember, this

evaluation should not come as a surprise to the contractor and the performance elements should be shared up front at the start of the process.

Moving on to the assessment portion of our example, the QAE, over the course of the performance period, has conducted many reviews, performed spot checks, perhaps even responded to customer complaints, and held meetings with the contractor. All these efforts will contribute to the assessment to be done at the close of the performance period.

At the end of the performance period, the QAE will begin to prepare the assessment on the AFMC Form 162A-1. But, is this evaluation the sole responsibility of the QAE? The answer is an emphatic NO. While the evaluation is the primary responsibility of the QAE in our example, the contract administrator and/or contracting officer need to be involved before the evaluation is finalized and forwarded for signature. In addition, the QAE may wish to have the FAC involved as well. Once the parties agree on the evaluation, the AFMC Form 162A-1 is ready for signature (Block 17). While the QAE is normally the 'holder of the information' and the individual responsible for preparing the evaluation, the signature in Block 17 should be at least one level above the QAE, for example, the FAC. Once Block 17 has been completed, the AFMC Form 162A-1 shall be forwarded with the cover letter, as described previously, to the contractor for review and signature. The contractor will then review, sign and return the form to the originating office.

Once the signed original has been received from the contractor, the QAE and contract administrator (in our example) will review the comments and proceed accordingly. Should the contractor disagree with any of the assessment, there are two options available. One, the Government may choose to change the assessment (see previous part of guide on how to proceed) or two, disagree with the contractor and forward the form to the reviewing official with the rationale for not agreeing with the contractor's comments. The reviewer will use Block 20 to discuss any rationale for not changing the evaluation or otherwise addressing the contractor's comments. The bottom-line is that the contractor's disagreement with any portion of the evaluation cannot be ignored. Remember also, this is a joint customer/requirements and contracting responsibility.

Once the decision has been made concerning the contractor's comments and Block 20 has been completed, the reviewing official signs and dates the form in Block 21. A copy of the completed form will be mailed to the contractor and the original will be filed in a central location under the control of the field-level PPI Focal Point.

The Reviewing Official (Block 21 of the AFMC Form 162A-1) shall be at least one level above the individual who signed in Block 17. Keep in mind, PPI is vitally important to both the Government and contractor and therefore the level at which the assessments and reviews are accomplished should be at a level high enough to warrant the attention of senior management personnel.