Defense Acquisition Guidebook

Chapter 14 - Acquisition of Services

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DEFENSE ACQUISITION GUIDEBOOK
Chapter 14 - Acquisition of Services

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14.0. Overview

14.0.1. Purpose

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14.1. Introduction to the Acquisition of Services

The acquisition of services plays a vital role in advancing and maintaining the mission capability of the Department of Defense (DoD). Services acquisition covers a broad spectrum of requirements from research and development, advisor services, information technology support, medical, to maintaining equipment and facilities. For over ten years the DoD has spent more on service requirements than it has on equipment acquisitions. While the acquisition of major systems follows a much defined process, the acquisition of services tends to be more ad hoc. Services acquisition is not about awarding a contract; it's about acquiring performance results that meet performance requirements needed to successfully execute an organization's mission.

This guidebook provides acquisition teams with a disciplined, seven step process, for the acquisition of services. Applying this rigorous and systematic approach requires the dedicated effort of an acquisition team composed of functional experts, contracting specialists, contracting officer representatives, and others working together to achieve performance results and value their mission requirements. It's important to remember that the Federal Acquisition Regulation (FAR) states that the acquisition process is a shared team responsibility. Completing this process, like all acquisitions, takes allocated planning time. Getting your acquisition team organized and focused early in the process is a fundamental key to successfully achieving the mission results your customer's require.

14.1.1. The Services Acquisition Process

When does the process start? It starts with a valid mission requirement for a service essential for the successful execution of the organizations mission. The process continues through a planning phase, which develops the foundation for defining your requirement and business strategy, and

ultimately ends with the delivery and assessment of the services provided.

The service could be provided by a new contract you develop; it could be provided by an already existing contract within your agency (or outside your agency); or could be part of your Agency's strategic sourcing efforts. The services acquisition process requires that you keep an open mind about where best to source the requirement until you have explored and assessed all the alternatives and developed a clear picture of the requirement and supporting acquisition strategy.

The services acquisition process has three phases.

Planning Phase:

Step One: Form the Team

Step Two: Review Current Strategy

Step Three: Market Research

Development Phase:

Step Four: Requirements Definition

Step Five: Acquisition Strategy

Execution Phase:

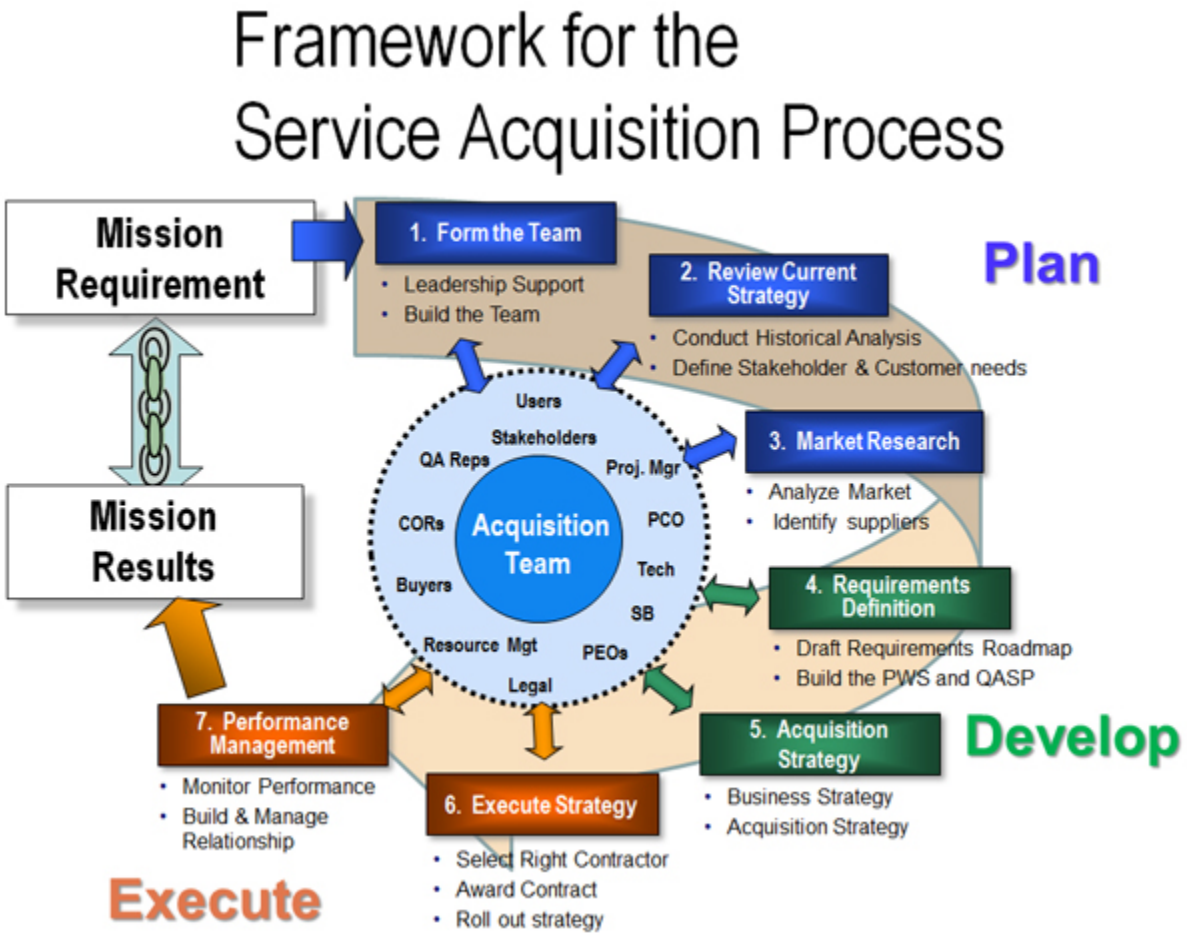
Step Six: Execute Strategy

Step Seven: Performance Management

Each phase builds on the knowledge gained in the previous phase. Some actions within each phase can be completed in parallel; others should be completed sequentially to make more informed decisions based on new knowledge gained. The project plan in Appendix B will help you tailor a plan for your service acquisition. This guidebook will cover each of the steps in detail and illustrate how to use the requirements roadmap tool to assist you in developing performance-based requirements documents.

The process is pictured below in Figure 14.1.1.F1.

Figure 14.1.1.F1. The Services Acquisition Process



The **Planning Phase** , steps 1, 2, and 3, lays the foundation for action. During the planning phase, you form the acquisition team and get leadership support for all the actions that must happen to ensure the mission is supported. Baseline and analyze your current service strategies; identify problem areas and projected mission changes; and get your stakeholders to define their key performance outcomes for this requirement. Also analyze the market place to assess current technology and business practices, competition and small business opportunities, existing and potential new sources of providing the service, and determine if commercial buying practices can be adapted.

During the **Development Phase** , steps 4 and 5, use the requirements roadmap process to define your High Level Objectives and tasks, standards, allowable variations, and method of inspection. After completing the roadmap you will then be in the best position to develop a performance work statement (PWS) and quality assurance surveillance plan (QASP) . During this phase you will also identify your funding sources, develop a government estimate of contract price for the required service, and get industry feedback on your working documents. Finally, synthesize an acquisition strategy that leverages contract type and performance incentives to deliver a best value mission performance to the customer. The basic performance principle is to tell the

contractor what the performance results are, not how to do the job. Let industry develop the solution.

In the **Execution Phase** , steps 6 and 7, you put all your planning and development efforts into action. You create a solicitation document that formally communicates to industry your requirements and strategy. You receive contractor proposals for how they will meet your performance results and standards and then evaluate them against criteria selected that will best determine the success of a potential contractors approach. After contract award, the business relationship you have with the service providing contractor should foster innovation and improvements to mission performance outcomes. This part of the process involves two key areas: administering contract requirements such as invoicing and payments; and managing the relationships and expectations of both the contractor and customer's in meeting the terms of the contract and achieving the required mission performance results. You also start the planning phase for a follow-on acquisition if there is a continuing need for the service being provided.

14.1.2. What is a Service Requirement?

A service requirements primary purpose is to perform an identifiable task rather than furnish an end item of supply. It's primary purpose directly engages a contractors time and effort. A service requirement may be either non-personal or personal and performed by professional or nonprofessional workers whether on an individual or organizational basis. Some of the areas in which service requirements are found include the following:

- Maintenance, overhaul, repair, servicing, rehabilitation, salvage, modernization, or modification of supplies, systems, or equipment
- Routine recurring maintenance of real property
- Housekeeping and base services
- Advisory and assistance services (A&AS)
- Operation of government-owned equipment, facilities, and systems
- Communication services
- Architect-engineering (see FAR part 36.6)
- Transportation and related services (see FAR part 47)
- Research and development (see FAR part 35)

For DoD, the various types of services are grouped into portfolio categories within the taxonomy for the acquisition of services (reference DFARS Procedures, Guidance, and Instruction PGI 237.102-74). The contracting officer is responsible for determining whether the services needed are non-personal or personal using the definitions found in FAR 37.101 and 37.4 and the guidelines found in FAR 37.104 . Agencies **shall not** award personal service contracts unless specifically authorized by statute to do so.

14.1.3. Non-Personal Services Requirements

Non-personal service means that the personnel rendering the services are not subject, either by the contracts terms or by the manner of its administration, to the supervision and control usually prevailing in relationships between the government and its employees. Non-personal service

contracts are authorized by the government in accordance with FAR 37.102 , under general contracting authority, and do not require specific statutory authorization.

14.1.4. Personal Services Requirements

A personal service is characterized by the employer-employee relationship it creates between the government and the contractors personnel. The government is normally required to obtain it's employees by direct hire under competitive appointment or other procedures required by the civil service laws. Obtaining personal services by contract, rather than by direct hire, circumvents those laws unless Congress has specifically authorized acquisition of the services by contract as indicated in FAR 37.104 .

In a personal services contract, the contractor is considered to be, and is treated as, an employee of the government. In this type of relationship, a government officer or employee directly supervises and controls the contractors personnel on a continuing basis. Personal service contracts require specific authorization.

14.1.5. Preference for Performance-Based Acquisitions (PBA) for Services

The FAR, in implementing Public Law 106-398, states that performance based acquisition methods should be used to the maximum extent practicable. PBA for services involves performance requirements and acquisition strategies that describe and communicate measurable outcomes rather than direct specific performance processes. It is structured around defining a service requirement in terms of performance results and providing contractors the latitude to determine how to meet those objectives. Simply put, it is a method for acquiring *what results are required* and placing the responsibility for *how it is accomplished* on the contractor.

To be considered performance-based, an acquisition should contain, at a minimum, the following elements:

- Performance Work Statement (PWS) - Describes the requirement in terms of measurable outcomes rather than by means of prescriptive methods.
- Measurable performance standards -Determines whether performance outcomes have been met; defines what is considered acceptable performance.
- Incentives / Disincentives - Addresses how to manage performance that does not meet (or exceed) performance standards. While not mandatory, incentives should be used, where appropriate, to encourage performance that will exceed performance standards. Incentives can be both monetary and non-monetary.
- Quality Assurance Surveillance Plan (QASP) - Describes how the government will assess contractor performance against the performance standards contained in the PWS.

14.1.6. Objectives of Performance-Based Acquisition (PBA)

By describing requirements in terms of performance outcomes, agencies can help achieve the following objectives:

Maximize performance: Allows a contractor to deliver the required service by following its own best practices. Since the prime focus is on the end result, contractors can adjust their processes, as appropriate, through the life of the contract without the burden of contract modifications, provided the delivered service (outcome) remains in accordance with the contract. The use of incentives further motivates contractors to continue to exceed minimum contract performance requirements.

Maximize competition and innovation: Encouraging innovation from the supplier base by using performance requirements maximizes opportunities for competitive alternatives in lieu of government-directed solutions. Since PBA allows for greater innovation, it has the potential to attract a broader industry base.

Encourage and promote the use of commercial services: The vast majority of service requirements are commercial in nature. FAR Part 12 (Acquisition of Commercial Items) applies to the acquisition of commercial services and provides procedures that offer the benefit reducing the use of government-unique contract clauses and similar requirements, which can help attract a broader industry base. However, it is often the case that commercial services will be acquired through contracts awarded under FAR Part 15 (Contracting by Negotiation) given the limited contract types authorized under FAR Part 12.

Shift in risk: Much of the risk is shifted from the government to industry, since contractors become responsible for achieving the performance results contained in the Performance Work Statement through the use of their own best practices and processes. Agencies should consider this shift in responsibility in determining the appropriate acquisition incentives and contract type.

Achieve savings: Experience in both government and industry has demonstrated that use of performance requirements results in cost savings.

14.1.7. Principles of Performance-Based Acquisition (PBA) for Service Requirements

PBA is not a new procurement strategy. Many procurement activities have never stopped using PBA techniques. The Department of the Navy, as one example among many, has used PBA techniques effectively for facilities maintenance services for decades. The Department of the Air Force and the Army Corps of Engineers has employed PBA techniques in many of their service acquisitions.

PBA techniques are applicable to a broad range of service requirements. Simply stated, PBA methods structure a contract around the contractor achieving stated performance results and standards. The contractors performance against the required standards must be measurable through an objective process. This means that the government acquisition team must describe the required performance results in clearly defined terms with performance standards that can be effectively measured. This is often the most difficult part of implementing PBA techniques. Writing a Performance Work Statement in a way that describes performance results requires us to focus on the relationship between what needs to be done and how well it must be accomplished, not how it must be accomplished or how many full-time equivalents (FTEs) are required. When PBA techniques are not appropriate for use, the decision shall be documented

and included in the contract file.

Let's examine a couple of examples of writing a requirement that focus on achieving a specified outcome rather than how to perform the function. The Navy decided to outsource it's ordering, inventory management, and delivery of aircraft tires. They could have developed a detailed specification on how to order, inventory, and deliver aircraft tires. What the Navy did was to review what performance outcomes the fleet needed to support aircraft operations around the world. Through this review and analysis they developed the following performance objectives, performance standards, and acceptable level of deviation depicted in Table 14.1.7.T1.

Table 14.1.7.T1. Performance Outcomes

Performance Objective	Performance Standard	AQL or Tolerance
Deliver any Navy aircraft tire required within CONUS	Within 48 Hours	95% On Time
Deliver any Navy aircraft tire required outside the CONUS	Within 96 Hours	95% On Time

With this simple set of performance outcomes, contractors were given wide latitude to develop an ordering, inventory, and delivery methodology to support Navy flying operations. Through the innovation introduced by industry the Navy achieved the following benefit's:

- $3M per year in supply chain management savings
- Reduction from approximately 1.5 years wholesale inventory to three months
- Reduction from 60 days to 15 days retail inventory at all Continental United States (U.S.) (CONUS) Naval Air Stations
- Response times reduced to two days in U.S., four days outside CONUS (OCONUS)
- On-time delivery improvement from 81% to 99+%
- Over $49 million net savings to the Navy over life of contract

Another example of the challenges you'll face in developing performance outcomes is illustrated by an example from the Corps of Engineers. The Corps had developed a comprehensive Statement of Work (SOW) for a dredging requirement. It specified where to dredge, how to dredge, when to dredge, and provided little opportunity for innovation; after all it's just dredging, right. So let's step back and try to understand what the real requirement was. Why was the dredging required? Was that the real requirement? Isn't dredging a process to achieve an objective or outcome? After some prolonged and heated discussion, they determined that the dredging was required so that shipping could proceed through a specified channel without underwater obstructions. In other words keeping the channel open was their performance objective, not dredging.

With this new focus, the next question was how well or to what standard must the channel be kept (not dredging)? The answer was 100 feet wide and 12 feet deep mean low water. Now they had a performance standard, but how would they know if the contractor was meeting that performance standard? Their answer was providing a boat with a global positioning system

(GPS) and sonar system that could measure depth and position to ensure the channel met the specified standard. With their new performance objective, performance standard, and a means of inspection, they were well on their way to developing a simpler, more performance-based requirement.

No matter where you are in the services acquisition process, it's very easy to get trapped into a preconceived idea of how a particular function should or must be performed. Like the examples cited above, you need to keep the focus on what mission outcomes you are trying to achieve, not how the process must be accomplished. If you can keep a higher view of what you're asking a contractor to accomplish, you will have far more success in implementing a performance-based approach for your service requirements.

14.2. The Planning Phase

14.2.1. Step One Form the Team

14.2.1.1. Ensure Senior Management Involvement and Support

14.2.1.2. Form the Team and Team Charter

14.2.1.3. Identify and Analyze Stakeholders, Nurture Consensus

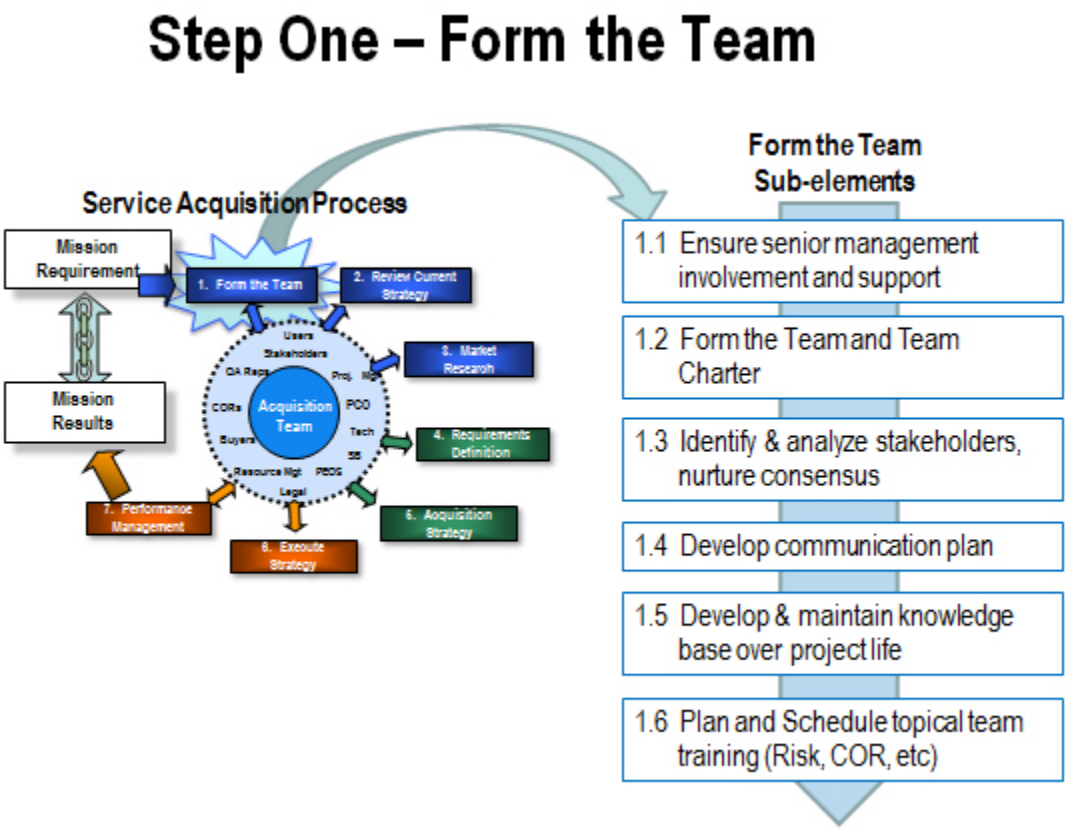
14.2.1.4. Develop a Communication Plan

14.2.1.5. Develop and Maintain Knowledge Base over the Project Life

14.2.1.6. Plan and Schedule Topical Team Training

14.2. The Planning Phase

Figure 14.2.1.F1. Model of Step One



14.2.1. Step One Form the Team

The acquisition team should be a customer-focused, multi-functional team that plans and manages the service requirement throughout its life cycle. We will refer to the multi-functional team as the acquisition team during this guide. The requirement may be for a single function or for multiple functions. Estimated dollar value is not the sole determinant of the amount of effort devoted to the acquisition. Previously, it was common for contracting and other functional experts to work independently in functional stove pipes when acquiring services. This method is outdated and costly. Service acquisition requires a team effort. It is essential that all stakeholders be involved throughout the service acquisition life cycle, from the planning and development phase through the execution phase. The duties, expertise, and contributions of each team member are important to the success of any service acquisition. Many functional experts should make up an acquisition team.

14.2.1.1. Ensure Senior Management Involvement and Support

Early in your acquisition efforts you should make sure you've got senior leadership support. It is important to understand leaderships concerns and expectations for your acquisition. What

priority does this requirement have in their portfolio of service requirements? Your leadership can help you get the right people on your team and overcome roadblocks when necessary when they understand your team is committed to the success of their mission.

14.2.1.2. Form the Team and Team Charter

The goal of every acquisition team should be to obtain quality, timely contract services in both a legal and cost-effective manner, placing the responsibility for quality performance on the contractor. Nonetheless, achieving this goal can be challenging. The interdisciplinary nature of your acquisition efforts means no single individual or function is likely to have all the requisite knowledge and experience in the majority of cases. Therefore, personnel such as the program manager, contracting officer, contracting officer's representative (COR), responsible fiscal officer, and legal counsel (among others) should form the acquisition team as soon as possible in order to:

- Develop a team vision and charter for the acquisition.
- Develop an effective level of dialogue and teamwork.
- Analyze stakeholders and create a communication plan.
- Develop a project plan and the timeline for the acquisition. A project plan provides the detail of what has to be accomplished and who is responsible to accomplish each task.

Although the composition of the acquisition team may vary depending on the nature of the requirement, a few key members are essential to the success of any contract. They are as follows:

The Customer/User: The customer's representative or functional manager normally brings to the team detailed knowledge of the user requirements. They are responsible for defining the required performance outcomes or results. The requirements definition most likely will include an assessment of the risk that the government might assume when relying on commercial specifications and common marketplace performance and quality standards. The customer/user plays an important role in deciding what tradeoffs are necessary when considering a commercially available service to fulfill an agency requirement. Your customer/user is the key individual in determining the organizations needs and in providing the historical data and perspective.

Program Manager/Technical Specialist/Project Manager: The program manager (PM) is the acquisition team leader and is responsible for ensuring that the acquisition plan is properly executed and the desired results are achieved. The PM provides coordination and facilitates communication among the acquisition team members, closely tracks the milestone schedule, and provides leadership and guidance to overcome and resolve any problems or delays. This individual is responsible for drafting the PWS, which means ensuring that performance requirements are clearly and concisely defined and articulated. PMs identify, plan, and control various areas, such as delivery requirements, scheduling, market research, COR nomination, cost estimating, budgeting, and specific project formulation. The PM normally participates in the source selection as well. This individual serves as the principal technical expert, is most familiar with the requirement, best able to identify potential technical tradeoffs, and whether the

requirement can be met by a commercial solution.

The Contracting Officer: The warranted contracting officer is responsible for performing all relevant contract functions, to include assisting in requirements development and market research. Within this context, the contracting officer does not determine the government's need, but is responsible for advising the PM in preparing a PWS. This individual serves as the principal business advisor and principal agent for the government responsible for developing the business strategy, solicitation, conducting the source selection, and administrating the resultant contract and business arrangement.

Performance Assessment Personnel (Quality Assurance Personnel): Performance assessment personnel are known by many names, such as COR, or quality assurance evaluator (QAE), but their duties are essentially the same. They serve as the on-site technical manager responsible for assessing actual contractor performance against contract performance standards. The COR provides the team with their field experience and surveillance of service contracts (Frequently, this individual is the same person who initiates the program requirements and normally serves as the primary person responsible for assessing performance). They provide guidance to the PM to ensure contract requirements are described in a manner which enables the government to objectively and effectively assess the contractors work performance in terms of outcome. They serve as the "eyes and ears" of the contracting officer and when applicable, the COR performs the actual surveillance of the contractor's work. A letter of appointment signed by the contracting officer provides scope and limitations of the CORs authority.

Small Business Specialist (SBS): The SBS serves as the principal advisor and advocate for small business engagement. This individual serves as the chief analyst on small business laws, regulations and command policy. They can provide insight for market research and an understanding of industry small business capability. He or she may also serve as the liaison with the Small Business Administration (SBA).

Cost/Price Analyst: The cost/price analyst evaluates the financial price and cost-based data for reasonableness, completeness, accuracy, and affordability. Alternatively, some agencies utilize cost engineering personnel from within an engineering division to conduct cost/price analysis from a technical standpoint.

Finance/Budget Officer: The finance/budget officer serves as an advisor for fiscal and budgetary issues.

Legal Advisor: The legal advisor ensures that the commercial practices, and terms and conditions contemplated are consistent with the governments legal rights, duties, and responsibilities; will review the acquisition documents for legal sufficiency; and provides advice on acquisition strategies and contract terms to the PBA team.

Miscellaneous Others: In addition to individuals mentioned above, personnel from outside the agency may also be useful, depending on their area of expertise. This includes individuals from agencies such as the Defense Contract Management Agency, Defense Logistics Agency, the

Defense Contract Audit Agency, and the Environmental Protection Agency, to name a few.

Team Charter and Vision Statement:

Developing a team charter is an important step in getting the team focused on the objectives to be accomplished and to assign key roles and responsibilities. Everyone involved must understand how they will contribute to achieving the required mission results. The charter starts with the acquisition teams vision statement. The vision statement should capture the high level objective of the teams effort and be an objective that unites the team.

Use the project plan (Appendix B) and tailor it for your specific acquisition. This will help you identify all the actions needed to complete each step of the seven step process. It also enables you to assign responsibility for specific actions and develop a time line for how long it will take you to get to performance management. Examples of a team charter and project plan are available in the Service Acquisition Mall (SAM, Appendix C) (http://sam.dau.mil/).

14.2.1.3. Identify and Analyze Stakeholders, Nurture Consensus

Every acquisition has stakeholders. Your acquisition team should identify who are the key stakeholders that will be impacted by your acquisition. Stakeholders often fall into three major categories:

Internal - These are within your organization either as customer's for the service being procured or leaders of activities your effort will be supporting.

Governance These are individuals or organizations that must approve your requirement and acquisition strategies. They are often at higher headquarter levels outside your immediate organization. Their involvement is often dictated by agency policy.

External These are stakeholders not directly tied to your acquisition. They can be local communities, industry, or anyone else who might be affected or have an interest in your actions.

14.2.1.4. Develop a Communication Plan

Once you have identified your key stakeholders, how will you communicate with them and keep them advised of your progress? A communication plan is a good way to target specific communications to specific stakeholders. Well informed stakeholders can be effective advocates for your actions. Your communication plan should determine the method and frequency of communications. The Communication Plan is a living document and should also be adjusted over time as new stakeholders are discovered and you move through the different phases of the service acquisition process.

14.2.1.5. Develop and Maintain Knowledge Base over the Project Life

Depending on the size and complexity of your service requirement it can take up to two years from this point in the process to step seven where you are finally receiving the service. During

this period team members will leave and new ones arrive. It's important for the new team members to understand the decisions that have been made and the rationale that supported them. That's why developing a project library that can be easily shared among the acquisition team, will help new team members get on board quickly and provide everyone with a common understanding of the project and decisions made.

14.2.1.6. Plan and Schedule Topical Team Training

As part of your project plan identify which individuals will need specialized training such as for the COR or for individuals involved with your source selection. Consult current DoD directives for COR training requirements. Also consider requesting DAUs Service Acquisition Workshop (SAW) as a total team training event. There are many training resources available at the Defense Acquisition University (DAU), but if classroom training is needed, plan early.

14.2.2. Step Two Review Current Strategy

14.2.2.1. Identify Current Initiatives/Contracts

14.2.2.2. Review and Document Current Level of Performance

14.2.2.3. Begin Program Risk Identification

14.2.2.4. Document Current Processes

14.2.2.5. Determine Status of Government Furnished Property/Materials/Facilities

14.2.2.6. Stakeholder Submits Current and Projected Requirements Forecast

14.2.2.7. Review Current/Statutory Requirements

14.2.2.8. Define (at a High Level) Desired Results

14.2.2.9. Review Current Performance and Desired Results with Stakeholders and Users

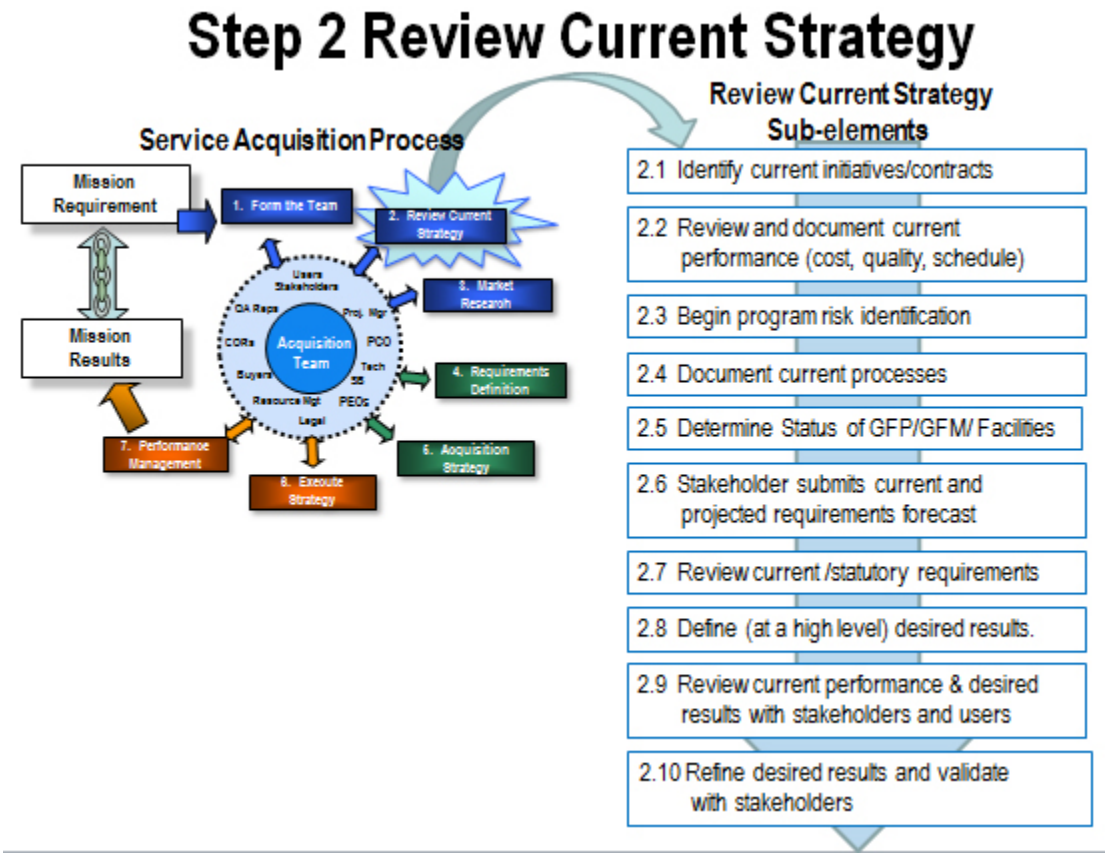
14.2.2.10. Refine Desired Results and Validate with Stakeholders

14.2.2. Step Two Review Current Strategy

The most effective foundation for an acquisition is the intended effect it will have in supporting and improving an agency's mission and performance goals and objectives. Describing an acquisition in terms of how it supports these mission-based performance goals allows an agency to establish a clear relationship between the acquisition and the agency's mission. It sets the stage for crafting an acquisition in which the performance goals of the contractor and the government are in sync. It's important to remember that a service acquisition is a skillful linking of the performance requirement and results with a contract vehicle that motivates contractor performance aligned with the activities mission objectives. This requires the best efforts of the

acquisition team.

Figure 14.2.2.F1. Model of Step Two



14.2.2.1. Identify Current Initiatives/Contracts

Identify current contracts that support this requirement or are closely related to it. Are these a part of your agencies strategic sourcing initiatives? Does your activity have new initiatives in the planning stages that might affect this requirement? All this helps develop a baseline for planning and minimize surprises.

14.2.2.2. Review and Document Current Level of Performance

To develop your baseline, identify any current performance issues; does the current requirement still meet the mission? Interview key stakeholders and understand how they define mission success, what their concerns are, and what mission changes do they see in the future that will affect this requirement. Effective planning requires that we can understand the objectives and focus on the desired outcomes. The first consideration is answering these three questions:

- What is the problem the agency needs to solve?
- What results are required to meet mission requirements?

- Will it meet the organizational and mission needs?

14.2.2.3. Begin Program Risk Identification

Risk assessment is a process that continues through the whole service acquisition cycle. As part of your discussion with stakeholders, begin collecting concerns and risks that might have a mission impact. Risk assessment is a team responsibility, but the program manager must take the lead in identifying and organizing risk areas. This knowledge will help you as you develop the requirement and your acquisition strategy. Risk analysis is discussed in more depth in Step Four.

14.2.2.4. Document Current Processes

This involves understanding how things are actually being done today. How do you capture performance, what metrics are you tracking and reporting, what are the challenges with current performance, and what are the issues associated with resolving problems? What is the current small business strategy for the prime contracts and subcontracts? What you are seeking to develop is a good understanding of the as is state. Based on this, you can more effectively develop plans and actions that will improve performance on your new requirement and implementation strategy.

14.2.2.5. Determine Status of Government Furnished Property/Materials/Facilities

In service contracts the government may furnish property or facilities for the contractors use. Determine if this is still in the best interest of the government. Also determine the condition of the material or facilities and if it is still suitable for use.

14.2.2.6. Stakeholder Submits Current and Projected Requirements Forecast

Interview stakeholders to identify their current requirements, and what mission changes they see coming that may affect the requirements you're planning. What areas hold the most concern for your stakeholders? How will contingency operations affect this requirement? This knowledge will help you develop the scope for your requirement and plan for the flexibility you may need in your contract vehicle to adjust for future requirements. These stakeholder engagements will help ensure alignment of your efforts with your stakeholders expectations.

14.2.2.7. Review Current/Statutory Requirements

As part of the baseline planning process, review current regulations and legislation that could impact your requirement and acquisition strategy. Service contracts normally cover several years, so be sure the plan you develop complies with current regulations and not the ones that were in place at the beginning of the last contract.

14.2.2.8. Define (at a High Level) Desired Results

Based on your stakeholder interviews, knowledge issues, and pending changes, start refining the requirements desired results (outcomes). Is it providing a certain level of help desk support to an

organization? Is it a reduction of computer down time? Is it providing a level of information assurance among its customer's? Is it providing a level of systems and software engineering and support? What is the ultimate intended result of the contract and how does it relate to the agency's strategic plan? What are the critical results your stakeholders have identified?

14.2.2.9. Review Current Performance and Desired Results with Stakeholders and Users

Review your high level results with your stakeholders and customer's to validate that your team has defined the right results. Describe the gaps between current performance and your understanding of what stakeholders are asking. Discuss the funding impact if desired results are significantly beyond current budget levels. This feedback is vital to ensure the actions you take in subsequent steps are aligned with your stakeholder outcomes and results. Failure to do this now can result in a lot of rework later.

14.2.2.10. Refine Desired Results and Validate with Stakeholders

Take the feedback you generated in Section 14.2.2.9 and refine the desired results your team has developed. Validate these refined results one more time with your stakeholders to ensure you are moving in the right direction. Time invested here will pay large dividends later in the process.

14.2.3. Step Three Market Research

14.2.3.1. Take a Team Approach to Market Research

14.2.3.2. Determine Data Sources

14.2.3.3. Develop a Standardized Interview Guide

14.2.3.4. Conduct Market Research

14.2.3.4.1. Customer's

14.2.3.4.2. Consider One-on-One Meetings with Industry

14.2.3.4.3. Look for Existing Contracts

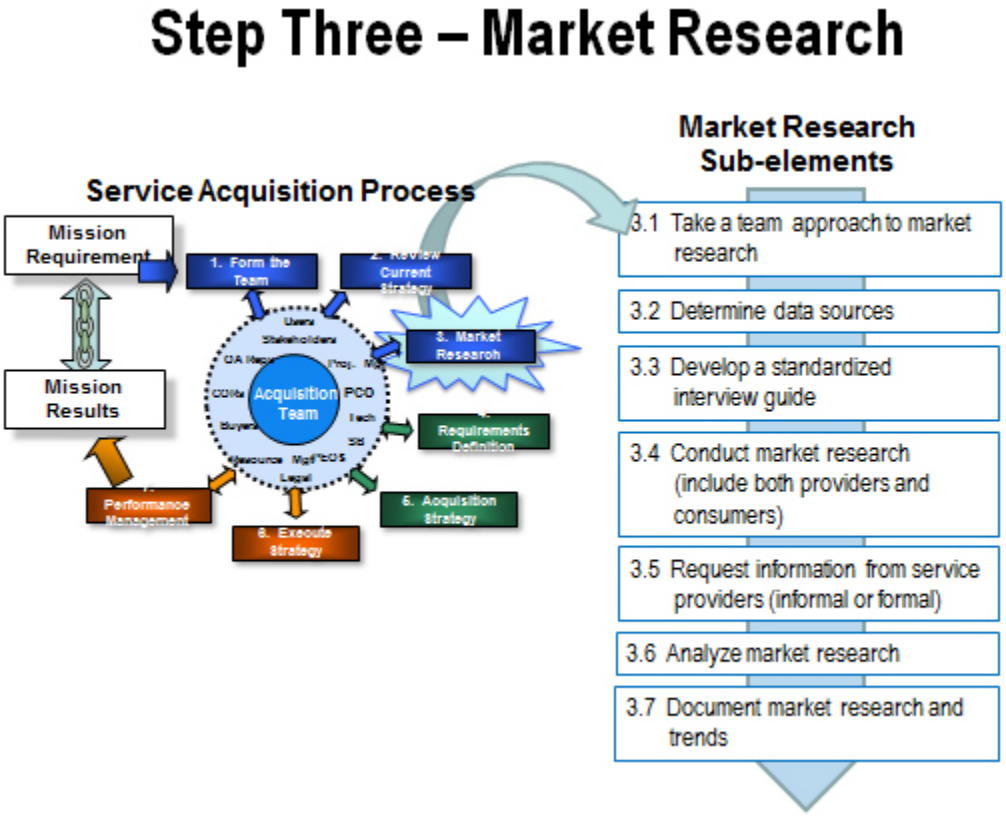
14.2.3.5. Request Information From Service Providers

14.2.3.6. Analyze Market Research

14.2.3.7. Document Market Research and Trends

14.2.3. Step Three Market Research

Figure 14.2.3.F1. Model of Step Three



Market research is required by FAR Part 10 and is a vital means of arming the acquisition team with the knowledge needed to conduct an effective performance-based service acquisition. This type of information helps determine the suitability of the marketplace for satisfying a need or requirement. Market research is the continuous process of collecting information to maximize reliance on the commercial marketplace and to benefit from its capabilities, technologies, and competitive forces in meeting an agency need. Market research is an essential process enabling the government to buy best-value products and services that solve mission-critical problems. Appendix D also provides a list of helpful sites as you are conducting your market research.

14.2.3.1. Take a Team Approach to Market Research

The ultimate goal of market research is to help the acquisition team become informed consumers. To understand the cost drivers in providing the service, research what leverage the team may discover in the marketplace that could affect both the requirement and the business strategy. In short it helps the acquisition team optimize a strategy for meeting their requirement. Since market research should address both business and technical considerations of a requirement, it requires the active participation of all acquisition team members as appropriate.

Market research should be done before:

- Developing new requirements documents;
- Soliciting any offers over the simplified acquisition threshold (SAT);
- Soliciting offers under the SAT when adequate information is not available and cost to conduct the research is justified; and
- Soliciting offers for acquisitions that could lead to a bundled contract (DFARS 210.001).

It is not unusual for the technical staff to conduct market research about marketplace offerings while the contracting staff conducts market research that focuses on industry practices and pricing. However, a better approach to conducting market research is for the entire acquisition team to be a part of the effort. This enables the members of the team to share in the understanding and knowledge of the marketplace and develop a common understanding of what features, schedules, terms and conditions are key for their projects success. The team should consider such factors as urgency, estimated dollar value, complexity, and past experience as a guideline for determining the amount of time and resources to invest in the effort. Don't invest more resources (e.g., lead time, available personnel, and money) than are warranted by the potential benefits. In addition, when acquiring services under the SAT, conduct market research when adequate information is not available and the circumstances justify the cost of such research. One of the purposes of market research is to effectively identify the capabilities of small businesses. Small businesses offer attributes of agility and innovation in the services sector with generally lower overhead costs. Keep in mind that each acquisition of supplies and services that are under the SAT should automatically be reserved exclusively for small business concerns unless the contracting officer determines there is not a reasonable expectation of obtaining two or more responsible offers from small business concerns that are competitive in terms of market prices, quality and delivery (FAR 19.502-2).

14.2.3.2. Determine Data Sources

Acquisition histories may not give the whole picture needed for planning a specific acquisition, particularly if commercial practices or technologies to deliver the service are changing rapidly. There may be times when this information is not adequate, such as first time purchases, rapidly changing technology, change in market capability, and no known sources. In determining and identifying the scope and extent of additional research needed, you should follow these steps:

- Review information already in hand (including your personal knowledge of the market from prior requirements and the findings of recent research on like requirements);
- Identify information deficiencies;
- Select sources of additional information; and
- Plan the collection of additional market information (i.e. when and how) during the acquisition planning, pre-solicitation, solicitation, and evaluation phases.

14.2.3.3. Develop a Standardized Interview Guide

The reason it's critical to conduct market research as the entire acquisition team is it makes it easier when each member of the team knows what his/her responsibility is during this step.

Determine who will do what and by when. As the team begins making calls or visiting with providers, having a standard interview guide may help provide accuracy and consistency. Try not to ask questions that will provide a yes or no response. The interview guide should ask what experience they have in providing this service.

14.2.3.4. Conduct Market Research

While many are familiar with examining private-sector sources and solutions as part of market research, looking to the public-sector is not as common a practice. Yet it makes a great deal of sense on several levels. First, there is an increased interest in cross-agency cooperation and collaboration. Second, agencies with similar needs may be able to provide lessons learned and best practices. So it is important for the acquisition team to talk to their counterparts in other agencies. Taking the time to do so may help avert problems that could otherwise arise in the acquisition. Other resources include state and local governments that are experienced in procuring certain services that have not been procured by the Federal Government.

14.2.3.4.1. Customer's

A wealth of information can be obtained from customers of prospective contractors regarding:

- How well a contractor performs;
- Depth of competition;
- The reliability and quality of the product or service;
- The price they may have paid; and
- Delivery terms and conditions, and incentive provisions.

14.2.3.4.2. Consider One-on-One Meetings with Industry

One-on-one meetings with industry leaders are not only permissible (ref FAR15.201(c)(4)) they are highly encouraged. Note that when market research is conducted before a solicitation or PWS is drafted, the rules are different. FAR 15.201(f) states that general information about agency mission needs and future requirements may be disclosed at any time. As long as the requirements have not (or should not have) been defined, disclosure of procurement-sensitive information is not an issue. Focus your market research on commercial and industry best practices, performance metrics and measurements, innovative delivery methods for the required services, and incentive programs that providers have found particularly effective. This type of research can expand the range of potential solutions, change the very nature of the acquisition, establish the performance-based approach, and represent the agency's first step on the way to implementing an effective and meaningful "incentivized" business relationship with a contractor.

14.2.3.4.3. Look for Existing Contracts

A thorough review of acquisition histories on current or prior contracts for the same/similar items helps determine the type of market information needed for a particular acquisition. FAR part 10 describes techniques for conducting market research. This includes querying the Government wide database of contracts and other procurement instruments intended for use by

multiple agencies available at https://www.contractdirectory.gov/contractdirectory/ and other Government and commercial databases that provide information relevant to agency acquisitions.

14.2.3.5. Request Information From Service Providers

With regard to the more traditional private-sector market research, it is important to be knowledgeable about commercial offerings, capabilities, and practices before structuring the acquisition in any detail. In today's marketplace it's vital to understand how private sector buyers structure their requirements and business deals when buying similar services. Whether it's facility management, food services, or consulting support, major companies buy most of the same services we do. Unlike the public sector, the private sector must sustain their competitive advantage through efficiencies. The more we understand how and why industry buys the way they do, the better we can be at creating innovative requirements packages and business solutions that will improve performance and reduce costs.

Traditional ways to identify who can deliver the required services are to issue "sources sought" notices at FedBizOps.gov, conduct "Industry Days," issue requests for information, and hold pre-solicitation conferences. Also, consider reviewing current FedBizOps solicitations. It's also okay to pick up the phone and call private-sector company representatives. Contact with vendors and suppliers, for purposes of market research, is encouraged, FAR 15.201(a) specifically promotes the exchange of information "among all interested parties, from the earliest identification of a requirement through receipt of proposals." Once the solicitation has been issued and the procurement is underway, the treatment of potential offeror's must be fair and impartial and the standards of procurement integrity (FAR 3.104) must be maintained. So, the real key is to begin market research early before the procurement action is underway.

14.2.3.6. Analyze Market Research

Once the market research is completed, it's now time to analyze the information and data accumulated. This also is a task for the entire acquisition team. Some of the things to consider as market research is analyzed are what are the opportunities for competition and/or small business considerations? Did your market research reveal any new emerging technologies? Sometimes market research can reveal things such as market trends (supply/demand) which can provide leverage during negotiations. Once the market research is analyzed, it's time to document your findings.

14.2.3.7. Document Market Research and Trends

The market research report is the document prepared after all information has been compiled. It provides a summary of the market research teams activities and should provide a logical basis for supporting your business strategy such as a commercial service acquisition, full and open competition or small business set aside. FAR 10.002(e) encourages agencies to document the results of market research in a manner appropriate to the size and complexity of the acquisition. The amount of research should be commensurate with the size, complexity and criticality of the acquisition. You should always check with your local agency for any additional requirements that may not be listed. Your market research report can help build the business case for change in

how you approach your requirement and support your decisions on an acquisition approach. Remember, it is easier to compile all the information gathered during your market research into one document that will be included in the contract file.

14.3. The Development Phase

14.3.1. Step Four Requirement Definition

14.3.1.1. Conduct Performance Risk Analysis

14.3.1.2. Conduct a Requirements Analysis

14.3.1.3. Build Requirements Roadmap

14.3.1.3.1. Automated Requirements Roadmap Tool

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14.3.1.3.3. Performance Assessment Strategies

14.3.1.3.4. Performance Assessment Personnel

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14.3.1.5. Develop a Performance Work Statement (PWS) and Statement of Objectives (SOO)

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14.3.1.6. Develop Quality Assessment Surveillance Plan (QASP) Outline

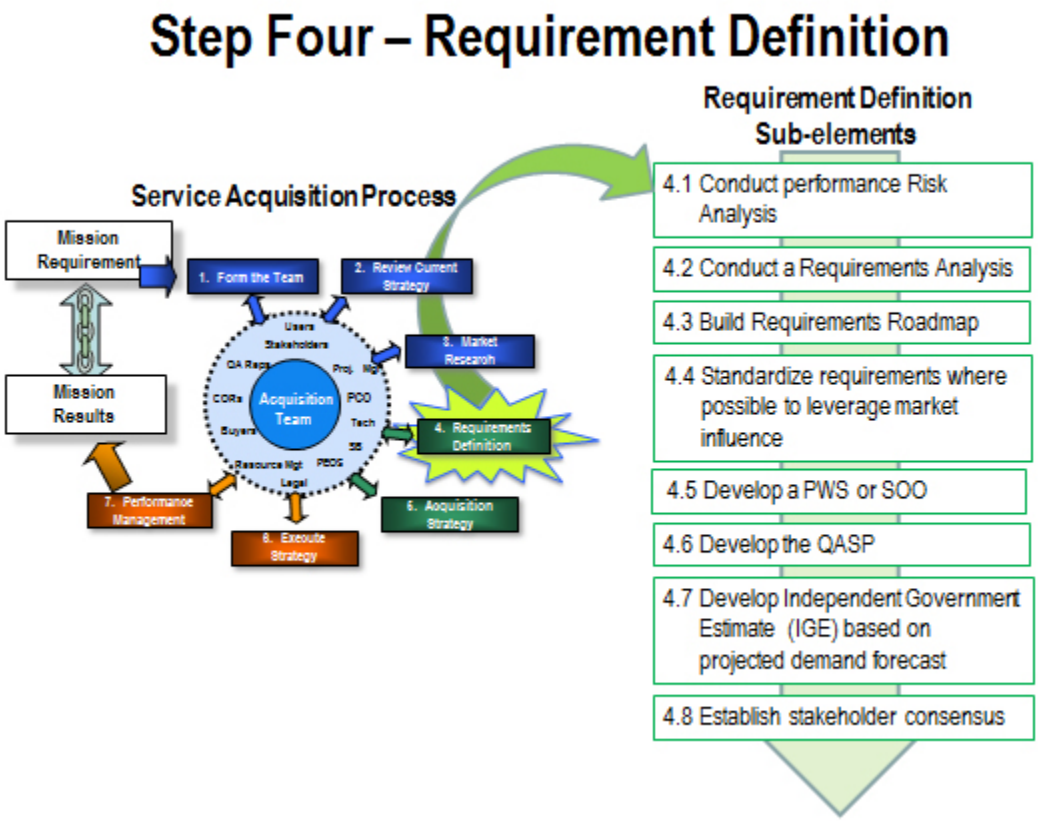
14.3.1.7. Develop Independent Government Estimate (IGE) Based on Projected Demand Forecast

14.3.1.8. Establish Stakeholder Consensus

14.3. The Development Phase

At this point of the process, the Planning Phase of the seven step service acquisition process has been completed. The acquisition team is now ready to use the collected data from the previous three steps (Form the Team, Current Strategy and Market Research) to begin developing the Requirements Document (Step 4) and the Acquisition Strategy (Step 5).

Figure 14.3.1.F1. Model of Step Four



14.3.1. Step Four Requirement Definition

14.3.1.1. Conduct Performance Risk Analysis

As part of the requirements development process you must identify and analyze risk areas that can impact the performance results you are trying to achieve. Identify possible events that can reasonably be predicted which may threaten your acquisition. Risk is a measure of future uncertainties in achieving successful program performance goals. Risk can be associated with all aspects of your requirement. Risk addresses the potential variation from the planned approach and it's expected outcome. Risk assessment consists of two components: (1) probability (or likelihood) of that risk occurring in the future and (2) the consequence (or impact) of that future

occurrence.

Risk analysis includes all risk events and their relationships to each other. Therefore, risk management requires a top-level assessment of the impact on your requirement when all risk events are considered, including those at the lower levels. Risk assessment should be the roll-up of all low-level events; however, most likely, it is a subjective evaluation of the known risks, based on the judgment and experience of the team. Therefore, any roll-up of requirements risks must be carefully done to prevent key risk issues from slipping through the cracks.

It is difficult, and probably impossible, to assess every potential area and process. The program or project office should focus on the critical areas that could impact your program and thus impact your performance results. Risk events may be determined by examining each required performance element and process in terms of sources or areas of risk. Broadly speaking, these areas generally can be grouped as cost, schedule, and performance, with the latter including technical risk. When the word system is used, it refers to the requirement for services as a system with many different activities and events. The more complex the service requirement is, the more likely it will have the components and characteristics of a system. The following are some typical risk areas:

- Business/Programmatic Risk
- Scheduling issues that may impact success?
- Technical Risk
- Maturity of technology and processes reliant on technology
- Funding Risk
- Are funds identified for which availability is reliant on pending events or approvals? Have adequate funds been identified?
- Process Risk
- Are new processes required to be implemented?
- Will the best contractors have time to propose?
- Organizational Risk
- Implementing change within an organization
- Risk Summary
- Overview of the risk associated with implementing the initiative e.g. Is there adequate service life remaining to justify this change?

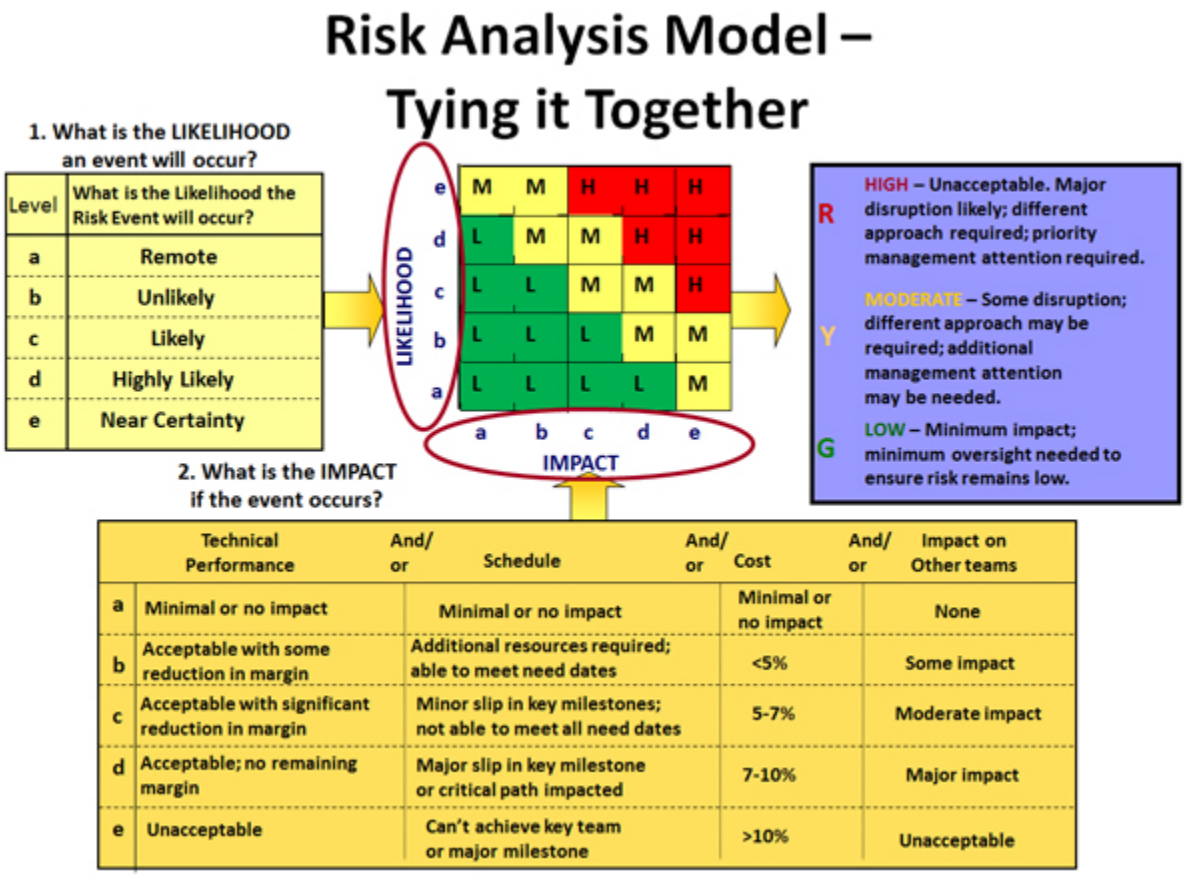
Additional areas, such as environmental impact, security, safety, and occupational health are also analyzed during the requirements definition phase. The acquisition team should consider these areas for early assessment since failure to do so could cause significant consequences. Program/project managers must recognize that any work being performed on government property or government workspace should have the proper control and oversight into access of facilities, clearances, and visitor control.

Identifying risk areas requires the acquisition team to consider relationships among all these risks and may identify potential areas of concern that would have otherwise been overlooked. This is a continuous process that examines each identified risk (which may change as circumstances change), isolate the cause, determine the effects, and then determine the appropriate risk

mitigation plan. If your acquisition team is requesting the contractor to provide a solution as part of their proposal that contains a performance-based statement of work and performance metrics and measures, then it is also appropriate to have the contractor provide a risk mitigation plan that is aligned with that solution.

To learn more about risk management and using a risk mitigation plan, we suggest you take the DAU online course, entitled Continuous Learning Module (CLM) 017, Risk Management. Figure 14.3.1.1.F1 is a typical risk analysis model.

Figure 14.3.1.1.F1. Risk Analysis Model



14.3.1.2. Conduct a Requirements Analysis

Like risk analysis, requirements analysis means conducting a systematic review of your requirement given the guidance you captured from your stakeholders during the planning phase steps One, Two, and Three. The objective of this step is to describe the work in terms of required results rather than either how the work is to be accomplished or the number of hours to be provided (FAR 37.602). This analysis is the basis for establishing the high level objectives, developing performance tasks, and standards, writing the Performance Work Statement, and producing the Quality Assurance Surveillance Plan.

The acquisition team needs to identify the essential processes, and outputs or results required. One approach is to use the "so what?" test during this analysis. For example, once the analysis identifies the outputs, the acquisition team should verify the continued need for the output. The team should ask questions like the following:

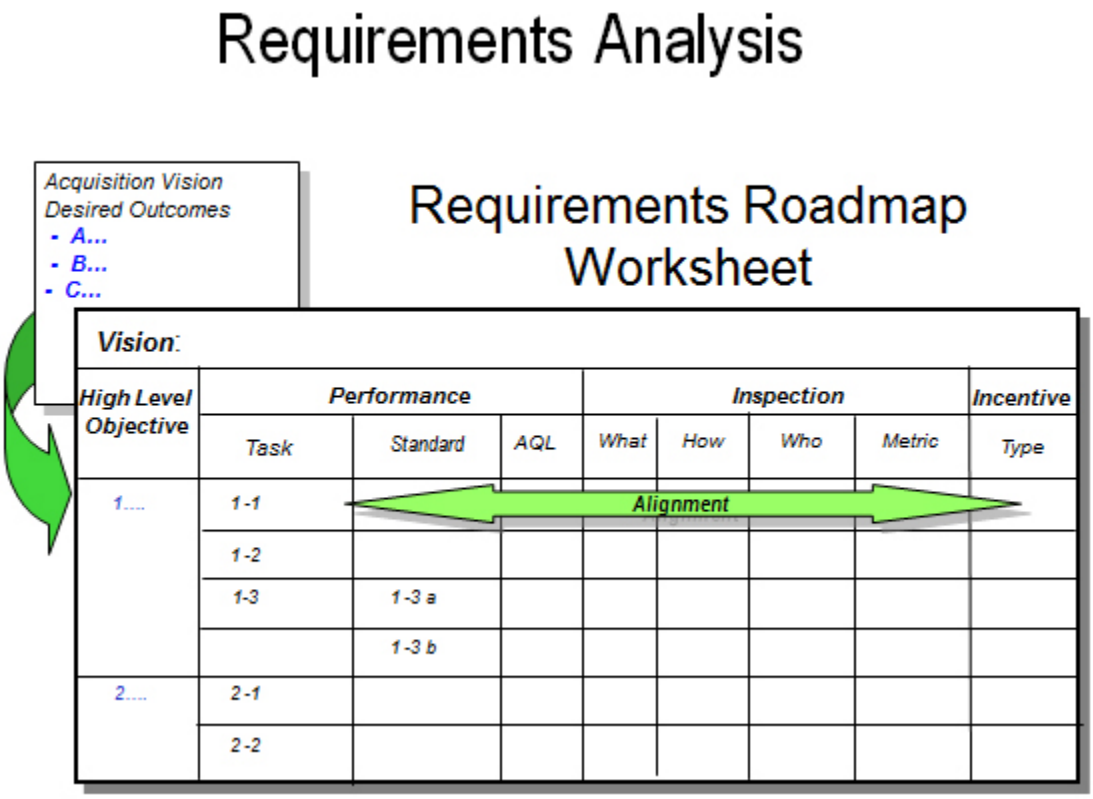
- Who needs the output or result?
- Why is the output needed?
- What is done with it?
- What occurs as a result?
- Is it worth the effort and cost?
- Would a different output be preferable?
- And so on...

14.3.1.3. Build Requirements Roadmap

The requirements roadmap worksheet (Appendix A) provides a method that links required performance to the overall acquisition desired outcomes. The roadmap takes the performance tasks and aligns performance standards and acceptable quality levels (AQLs). It also includes detailed inspection information and responsibilities. Each of these areas will be discussed in greater detail in this step. When using this approach, it is vital that all elements of the document be aligned with the mission objectives you are trying to deliver. If you develop a performance task and standard, but have no way to inspect it, you have a problem. In this case you will need to revisit the objective or find new technology for the inspection. All the elements must fit together as a whole before writing the PWS.

As you build your roadmap with high level objectives and task statements, prioritize them in descending order of importance based on risk, criticality or priority. This will help you later when determining what you want to evaluate in a contractors proposal.

Figure 14.3.1.3.F1. Requirements Roadmap Worksheet



Initially, the High Level Objectives (HLO) need to be defined. What must be accomplished to satisfy the requirement? This should have been accomplished during steps 1 and 2 when you were talking with your stakeholders and customer's. To define HLOs, list what needs to be accomplished to satisfy the overall requirement, from a top-level perspective. HLOs are similar to level two in work bread down structures.

Tasks are the results or actions required to achieve the HLO. It may take several tasks to satisfy a HLO. Tasks consist of results, the context of what or who the results pertain to and what actions are required to complete the task. Defining the task goes into greater detail and expands the stakeholder analysis beyond the top-level perspective. The goal of a task is to adequately describe what action or result is required (not how to accomplish it).

Tasks are generally nouns and verbs and tend to be declarative statements such as the following:

- Conduct a study on
- Provide financial analysis of
- Maintain vehicles
- Review and assess
- Develop a strategic plan
- Identify potential

- Perform and document

When developing tasks ask the question WHY is this action needed? A because answer usually drives the focus on the performance results needed. Why do you want the river to be dredged? Because we want the boats to be able to go in and out. Bottom line: we need to keep the river navigable. That is the objective.

Next, identify appropriate and reasonable performance standards (i.e., how well the work must be performed to successfully support mission requirements). The purpose is to establish measurable standards (adjectives and adverbs) for each of the tasks that have been identified. The focus is on adjectives and adverbs that describe the desired quality of the services outcome. How fast, how thorough, how complete, how error free, etc. Examples of performance standards could include the following:

- Response times, delivery times, timeliness (meeting deadlines or due dates), and adherence to schedules.
- Error rates or the number of mistakes or errors allowed in meeting the performance standard.
- Accuracy rates.
- Milestone completion rates (the percent of a milestone completed at a given date).
- Cost control (performing within the estimated cost or target cost), as applied to flexibly priced contracts.

This should reflect the minimum needs to meet the task results. The standards you set are cost drivers because they describe the performance levels that the contractor must reach to satisfy the task. Therefore, they should accurately reflect what is needed and should not be overstated. In the case of keeping a river navigable, the standard might be: 100 feet wide, 12 feet deep at mean low water. Thus we have a measure for what we define as navigable.

Standards should accurately reflect what is needed and should not be overstated. We should ask the following questions in this area:

- Is this level of performance necessary?
- What is the risk to the government if it does not have this level of performance?
- What is the minimum acceptable level of performance necessary to successfully support your mission?

In the case of the navigable river, 12 feet deep means low water might be sufficient for pleasure craft type usage. However, setting a depth of 34 feet which might be needed for larger commercial watercraft that may never use that river would be considered overkill and a waste of money. The standard must fit, or be appropriate to, the outcomes need.

Another way of describing a performance standard is using terms like measurement threshold or defining it as the limit that establishes that point at which successful performance has been accomplished. Performance standards should:

- Address quantity, quality and timeliness;
- Be objective, not subjective (if possible);
- Be clear and understandable;
- Be realistically achievable;
- Be true indicators of outcome or output; and
- Reflect the government's needs.

The performance standards should describe the outcome or output measures but does not give specific procedures or instructions on how to produce them. When the government specifies the how-to, the government also assumes responsibility for ensuring that the design or procedure will successfully deliver the desired result. On the other hand, if the government specifies only the performance outcome and accompanying quality standards, the contractor must then use its best judgment in determining how to achieve that level of performance. Remember that a key PBA tenet is that the contractor will be entrusted to meet the governments requirements and will be handed both the batons of responsibility and authority to decide how to best meet the government's needs. The governments job is to then to evaluate the contractors performance against the standards set forth in the PWS. Those assessment methods identified in the QASP, together with the contractors quality control plan, will also help in evaluating the success with which the contractor delivers the contracted level of performance.

14.3.1.3.1. Automated Requirements Roadmap Tool

The Automated Requirements Roadmap Tool (ARRT) is a job assistance tool that enables users to develop and organize performance requirements into draft versions of the performance work statement (PWS), the quality assurance surveillance plan (QASP), and the performance requirements summary (PRS). ARRT provides a standard template for these documents and some default text that can be modified to suit the needs of a particular contract. This tool should be used to prepare contract documents for all performance-based acquisitions for services. The ARRT is available for download at: http://sam.dau.mil/ARRTRegistration.aspx

14.3.1.3.2. Acceptable Quality Levels (AQLs)

The acquisition team may also establish an AQL for the task, if appropriate. The AQL is a recognition that unacceptable work can happen, and that in most cases zero tolerance is prohibitively expensive. In general, the AQL is the minimum number (or percentage) of acceptable outcomes that the government will permit. An AQL is a deviation from a standard. For example, in a requirement for taxi services, the performance standard might be "pick up the passenger within five minutes of an agreed upon time." The AQL then might be 95 percent; i.e., the taxi must pick up the passenger within five minutes 95 percent of the time. Failure to perform at or above the 95 percent level could result in a contract price reduction or other action. AQLs might not be applicable for all standards especially for some services such as Advisory and Assistance Services (A&AS) or research and development (R&D) services.

Once the team has established the AQLs, they should review them:

- Are the AQLs realistic?

- Do they represent true minimum levels of acceptable performance?
- Are they consistent with the selected method of surveillance?
- Are they aligned with the task and standard?
- Is the AQL clearly understood and communicated?

14.3.1.3.3. Performance Assessment Strategies

Traditional acquisition methods have used the term quality assurance to refer to the functions performed by the government to determine whether a contractor has met the contract performance standards. The QASP is the governments surveillance document used to validate that the contractor has met the standards for each performance task.

The QASP describes how government personnel will evaluate and assess contractor performance. It is intended to be a living document that should be revised or modified as circumstances warrant. It's based on the premise that the contractor, not the government, is responsible for delivering quality performance that meets the contract performance standards. The level of performance assessment should be based on the criticality of the service or associated risk and on the resources available to accomplish the assessment.

Performance assessment answers the basic question How are you going to know if it is good when you get it? Your methods and types of assessment should focus on how you will approach the oversight of the contractors actual performance and if they are meeting the standards that are set in the PWS. Completing the assessment elements of the requirements roadmap will ensure that you determine who and how you will assess each performance task before you write the PWS. If you develop a task or standard that cannot be assessed you should go back and reconsider or redefine the task or standard into one that can be assessed. This section of the roadmap provides the foundation for your QASP. The QASP is not incorporated into the contract since this enables the government to make adjustments in the method and frequency of inspections without disturbing the contract. An informational copy of the QASP should be furnished to the contractor.

14.3.1.3.4. Performance Assessment Personnel

The COR plays an essential role in the service acquisition process and should be a key member of your acquisition team. During the requirements development process his/her input is vital, because they will be living with this requirement during performance. In accordance with DFARS 201.602-2, A COR must be qualified by training and experience commensurate with the responsibilities to be delegated in accordance with department/agency guidelines.

The method for assessing the contractors performance must be addressed before the contract is awarded. It is the responsibility of the COR, as part of the acquisition team, to assist in developing performance requirements and quality levels/standards, because the COR will be the one responsible for conducting that oversight. The number of assessment criteria and requirements will vary widely depending on the task and standard as it relates to the performance risk involved, and the type of contract selected. Using the requirements roadmap worksheet

(Appendix A) will help ensure that the requirement and assessment strategies are aligned.

14.3.1.3.5. Assessment Methods

Several methods can be used to assess contractor performance. Performance tasks with the most risk or mission criticality warrant a higher level of assessment than other areas. No matter which method you select you should periodically review your assessment strategy based on documented contractor performance and adjust as necessary. Below are some examples of commonly used assessment methods.

Random sampling: Random sampling is a statistically based method that assumes receipt of acceptable performance if a given percentage or number of scheduled assessments is found to be acceptable. The results of these assessments help determine the governments next course of action when assessing further performance of the contractor. If performance is considered marginal or unsatisfactory, the evaluators should document the discrepancy, begin corrective action and ask the contractor why their quality control program failed. If performance is satisfactory or exceptional, they should consider adjusting the sample size or sampling frequency. Random sampling is the most appropriate method for frequently recurring tasks. It works best when the number of instances is very large and a statistically valid sample can be obtained.

Periodic sampling: Periodic sampling is similar to random sampling, but it is planned at specific intervals or dates. It may be appropriate for tasks that occur infrequently. Selecting this tool to determine a contractors compliance with contract requirements can be quite effective, and it allows for assessing confidence in the contractor without consuming a significant amount of time.

Trend analysis: Trend analysis should be used regularly and continually to assess the contractors ongoing performance over time. It is a good idea to build a database from data that have been gathered through performance assessment. Additionally, contractor-managed metrics may provide any added information needed for the analysis. This database should be created and maintained by government personnel.

Customer feedback: Customer feedback is firsthand information from the actual users of the service. It should be used to supplement other forms of evaluation and assessment, and it is especially useful for those areas that do not lend themselves to the typical forms of assessment. However, customer feedback information should be used prudently. Sometimes customer feedback is complaint-oriented, likely to be subjective in nature, and may not always relate to actual requirements of the contract. Such information requires thorough validation.

Third-party audit's: The term third-party audit refers to 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 both the government and the contractor. Remember, the QASP should also describe how performance information is to be captured and documented. This will later serve as past performance information. Effective use of the QASP, in conjunction with the contractors quality control plan, will allow the

government to evaluate the contractors success in meeting the specified contract requirements. Those assessment methods identified in the QASP, together with the contractors quality control plan will help evaluate the success with which the contractor delivers the level of performance agreed to in the contract.

In our case of the navigable river, the method of inspection might be using a boat with sonar and GPS, thus measuring the channel depth and width from bridge A to Z. The results would document actual depths and identify where any depths are not compliant with the standards.

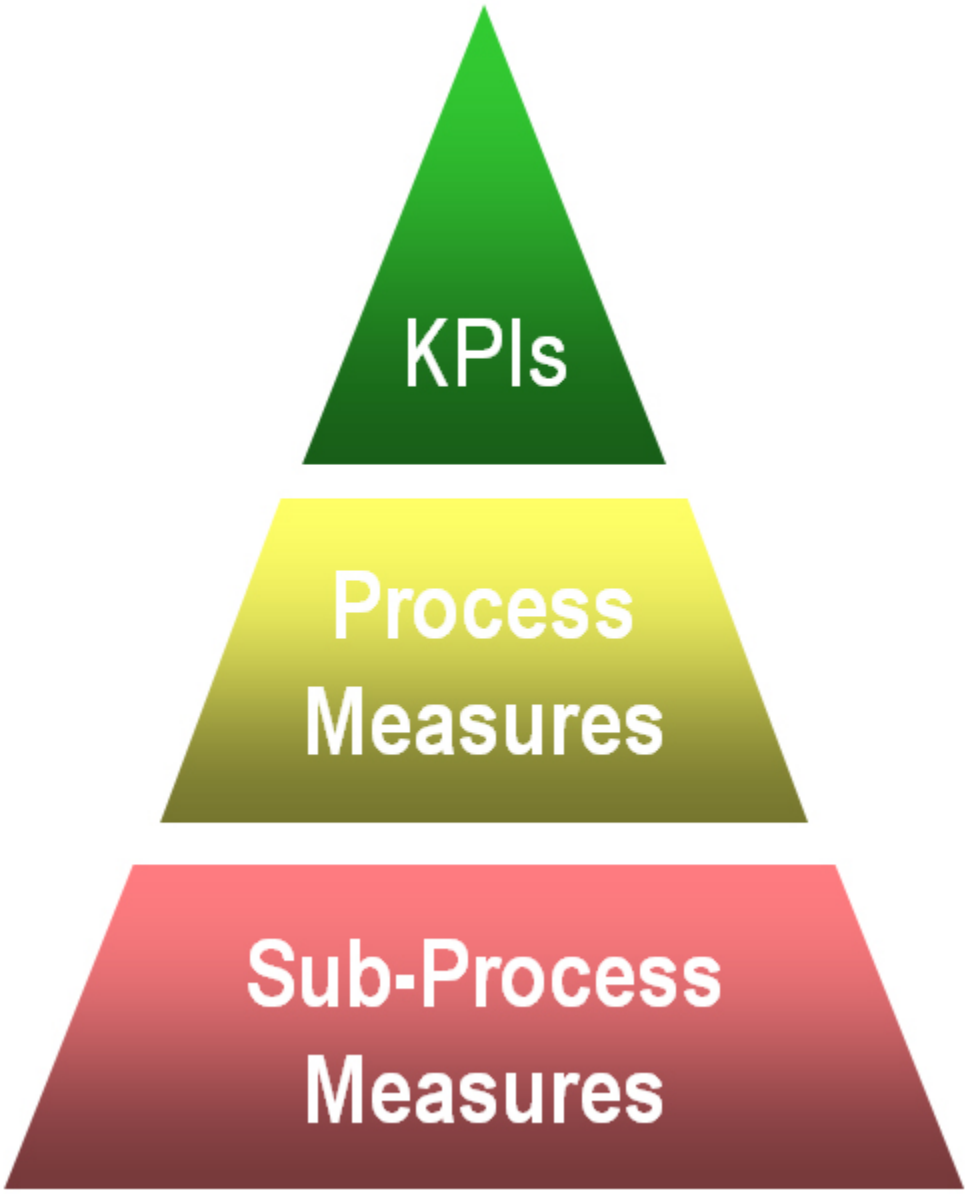
14.3.1.3.6. Contractors Quality Control Plan

A quality control plan is a plan developed by the contractor for its internal use to ensure that it delivers the service levels contained in the contract. The quality control plan should be part of the contractors original proposal, and in many cases, it is incorporated into the resultant contract. The inspection of services clause requires that the quality control plan be acceptable to the government.

14.3.1.3.7. Create Your Performance Reporting Structure

Invest some time to determine how and to whom you will present the contractors performance results. Most often this is to your leadership and stakeholders. This should take the form of periodic performance reviews that quickly capture summary performance results yet also provide the drill down capability when necessary to identify and resolve performance problems. One way to structure your performance reporting is to use the key stakeholder outcomes as key performance indicators (KPIs). These measures are few in number, but supported by the process and sub-process measures in your PWS. The chart below, Figure 14.3.1.3.7.F1, illustrates this approach.

Figure 14.3.1.3.7.F1. Performance Indicators



Key Process Indicators (KPIs): Top level summary metrics that quickly capture current performance status that link to your stakeholder desired outcomes.

Process Measures: Capture the overall status of each process area contained in your PWS.

Sub Process Measures: Capture specific performance outcomes for each performance task in your PWS.

More on performance reporting will be discussed in step seven, but remember that in developing

your approach make sure that the effort required for collection and measurement does not exceed the value of the information.

14.3.1.4. Standardize Requirements Where Possible to Leverage Market Influence

Market research may reveal that commercially acceptable performance standards will satisfy the customer with the potential of a lower price. The acquisition team may also discover that industry standards and tolerances are measured in different terms than those that the customer has used in the past. Rather than inventing metrics or quality or performance standards, the acquisition team should use existing commercial quality standards (identified during market research), when applicable. It is generally a best practice to use commercial standards where they exist, unless the commercial standard proves inappropriate for the particular requirement. Industry's involvement, accomplished through public meetings, requests for information (RFI), or draft request for proposals (RFPs), will help in finding inefficiencies in the PWS, and will also lead to cost efficiencies that can be achieved through the use of commercial practices.

14.3.1.5. Develop a Performance Work Statement (PWS) and Statement of Objectives (SOO)

The PWS comprises the heart of any service acquisition and the success or failure of a contract is greatly dependent on the quality of the PWS. Ensure you have completed all elements of the requirements roadmap worksheet including inspection before starting to write the PWS. There is no mandatory template or outline for a PWS. The FAR only requires that agencies to the maximum extent practicable:

- Describe work in terms of required results rather than 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 measurable performance standards and financial incentives in a competitive environment to encourage innovation and cost effective methods of performing the work.

The roadmap worksheet contains the basic outline for the requirements section of your PWS. The HLOs and supporting performance tasks and standards should be the main component of your PWS. After the introduction and general sections, the nuts and bolts of your PWS might have the HLOs listed as 3.1, 3.2, 3.3, as appropriate. Under HLO 3.1, you would list the tasks and standards associated with this HLO. For example, 3.1.1 would be task 1 under that HLO 3.1. A task can have multiple performance standards and AQLs associated with it from your roadmap such as timeliness, quality etc. Make sure they are accurately captured in your PWS.

14.3.1.5.1. Format

There is no mandatory format for a PWS; however, one normally includes the following:

1. Introduction: It should capture the importance of your mission and how this requirement contributes to the overall mission of your organization. The introduction describes your overall acquisition vision and desired mission results. It sets your expectations of contractor

performance in terms of teamwork and improving mission results thru efficiencies and process improvements. Keep this section focused and relatively brief, but capture the importance of achieving mission results and your performance expectations.

2. Background: This section briefly describes the scope of the performance requirement and the desired outcome. Provide a brief historical description of the program/requirement that provides the context for this effort (include who is being supported and where). Describe the general desired outcomes of your new requirement. Consider that a contractor will have a greater chance at success with adequate information that clearly defines the magnitude, quality, and scope of the desired outcomes.

3. General Requirements: Describe general requirements that are not specifically related to performance outcomes but have an impact on the success of the mission. (Place of performance, period of performance, security clearance requirements, etc.)

4. Performance Requirements: This portion is basically transference of the HLOs, tasks and standards from the roadmap into the PWS. Specify standards to which the task must be completed. Your major paragraphs and subparagraphs should be in descending order of importance based on your earlier risk analysis.

5. Deliverables: This section contains information on deliverables such as data requirements, reports or any other items contained within a contract data requirements list (CDRL). Some agencies list CDRL items separately in Section J of the contract. Limit CDRL requirements to those needed by the government to make a decision, measure performance, or to comply with a higher level requirement. The inspection portion of your roadmap identifies what is going to be inspected, and this often results in a data deliverable.

6. Special Requirements: This section will include information on Government Furnished Property (GFP) or Equipment (GFE). Also include any special security or safety information, environmental requirements, special work hours and contingency requirements. If necessary, include a transition plan and a listing of all applicable documents and/or directives. The number of directives referenced should be limited to those required for this specific effort such as quality standards, statutory, or regulatory.

7. Task Orders: If task orders will be used, you need to address their use and ensure each task order has a well-written PWS that includes HLOs, tasks, standards, data deliverables and incentives as appropriate. Task descriptions should clearly define each deliverable outcome. Subtasks should be listed in their appropriate order and should conform to the numbering within the basic PWS from which the task order derives. All task orders must capture performance assessments gathered using the task order QASP. Each task order should have a trained COR assigned.

However, the team can adapt this outline as appropriate. Before completing the PWS, there should be final reviews, so be sure your team examines every performance requirement carefully and delete any that are not essential. Many agencies have posted examples of a PWS that can provide some guidance or helpful ideas. Because the nature of performance-based acquisition is

tied to mission-unique or program-unique needs, keep in mind that another agency's solution may not be an applicable model for your requirement.

14.3.1.5.2. Best Practices and Lessons Learned for Developing PWS

Best practices and lessons learned for developing a PWS include:

- The purpose of defining your requirement at high level objectives and tasks is to encourage innovative solutions for your requirement. Don't specify the requirement so tightly that you get the same solution from each offeror. If all offeror's provide the same solution, there is no creativity and innovation in the proposals.
- The acquisition team must move beyond less efficient approaches of buying services (time and material or labor hour), and challenge offeror's to propose their own innovative solutions. Specifically, specifying labor categories, educational requirements, or number of hours of support required should be avoided because they are "how to" approaches. Instead, let contractors propose the best people with the best skill sets to meet the need and fit the solution. The government can then evaluate the proposals based both on the quality of the solution and the experience of the proposed personnel.
- Prescribing manpower requirements limits the ability of offeror's to propose their best solutions, and it could preclude the use of qualified contractor personnel who may be well suited for performing the requirement but may be lacking -- for example a complete college degree or the exact years of specified experience.
- Remember that how the PWS is written will either empower the private sector to craft innovative solutions, or stifle that ability.

14.3.1.5.3. Style Guidelines for Writing PWS

The most important points for writing style guidelines are summarized below:

Style: Write in a clear, concise and logical sequence. If the PWS is ambiguous, the contractor may not interpret your requirements correctly and courts are likely to side with the contractors interpretation of the PWS.

Sentences: Replace long, complicated sentences with two or three shorter, simpler sentences. Each sentence should be limited to a single thought or idea.

Vocabulary: Avoid using seldom-used vocabulary, legal phrases, technical jargon, and other elaborate phrases.

Paragraphs: State the main idea in the first sentence at the beginning of the paragraph so that readers can grasp it immediately. Avoid long paragraphs by breaking them up into several, shorter paragraphs.

Language Use: Use active voice rather than passive.

Abbreviations: Define abbreviations the first time they are used, and include an appendix of

abbreviations for large documents.

Symbols: Avoid using symbols that have other meanings.

Use shall and don't use will: The term shall is used to specify that a provision is binding and usually references the work required to be done by the contractor. The word will expresses a declaration of purpose or intent.

Be careful using any or either. These words clearly imply a choice in what needs to be done contractually. For instance, the word any means in whatever quantity or number, great or small which leaves it at the discretion of the contractor.

Don't use and/or since the two words together (and/or) are meaningless; that is, they mean both conditions may be true, or only one may be true.

Avoid the use of etc. because the reader would not necessarily have any idea of the items that could be missing.

Ambiguity: Avoid the use of vague, indefinite, uncertain terms and words with double meanings.

Do not use catch-all/open-ended phrases or colloquialisms/jargon. Examples of unacceptable phrases include common practice in the industry, as directed, and subject to approval.

Terms: Do not use terms without adequately defining them.

14.3.1.5.4. Reviewing your PWS

You can review the PWS by answering the following questions:

- Does the PWS avoid specifying the number of contractor employees required to perform the work (except when absolutely necessary)?
- Does the PWS describe the outcomes (or results) rather than how to do the work?
- What constraints have you placed in the PWS that restrict the contractors ability to perform efficiently? Are they essential? Do they support your vision?
- Does the PWS avoid specifying the educational or skill level of the contract workers (except when absolutely necessary)?
- Can the contractor implement new technology to improve performance or to lower cost?
- Are commercial performance standards utilized?
- Do the performance standards address quantity, quality and timeliness?
- Are the performance standards objectives easy to measure and timely?
- Is the assessment of quality a quantitative or qualitative assessment?
- Will two different CORs come to the same conclusion about the contractors performance based on the performance standards in the PWS?
- Are AQLs clearly defined?
- Are the AQL levels realistic and achievable?

- Will the customer be satisfied if the AQL levels are exactly met? (Or will they only be satisfied at a higher quality level?
- Are the persons who will perform the evaluations identified?

14.3.1.6. Develop Quality Assessment Surveillance Plan (QASP) Outline

The heart of your QASP comes directly from your roadmap. It addresses each HLO and its tasks with their associated standards. It includes the methods and types of inspection (who is going to do the inspection, how the inspections are to be conducted and how often they are to be conducted). Numerous organizations use the term performance requirements summary (PRS), while others incorporate the standards within the PWS. Either way, as long as the HLOs and tasks are tied to the standards in the resultant contract, that is what is important.

Recognize that the methods and degree of performance assessment may change over time in proportion to the evaluators level of confidence in the contractors performance. Like the PWS there is no required format for a QASP, a suggested format is shown below:

- Purpose
- Roles and Responsibilities
- Performance Requirements and Assessments
- Objective, Standard, AQL, Assessment Methodology
- Assessment Rating Structure Outline (1 to 5)
- Performance Reporting - establish reporting frequency to leadership
- Metrics
- Remedies used and impacts
- CPARS Report
- Attachments
- Sample Contract Deficiency Report
- Sample Performance Report Structure

Reviewing Your QASP

You can review the QASP by answering the following questions:

- Is the value of evaluating the contractors performance on a certain task worth the cost of surveillance?
- Has customer feedback been incorporated into the QASP?
- Have random or periodic sampling been utilized in the QASP?
- Are there incentives to motivate the contractor to improve performance or to reduce costs?
- Are there disincentives to handle poor performance?
- Will the contractor focus on continuous improvement?

14.3.1.7. Develop Independent Government Estimate (IGE) Based on Projected Demand Forecast

Determining an accurate IGE can be a challenging task for the acquisition team. This will involve various skills sets from the team to project demand forecasts for the service. What sort of constraints do you have in computing your IGE? You could have cost constraints that can limit what you require in the PWS or Statement of Objectives (SOO). Program scope may also be an issue if it's difficult to determine exactly what the contractor is being asked to propose. Remember, if you can't develop an IGE, how do you expect the contractor to propose based on the PWS?

14.3.1.8. Establish Stakeholder Consensus

This is the point where it would be beneficial to revisit the customer and stakeholders to ensure everyone is satisfied with the PWS and the way forward. It is typical to have varying levels of resistance to the teams strategy. The key is to develop an acquisition team approach to sell the strategy to the customer and stakeholders and then schedule review cycles.

14.3.2. Step Five Develop an Acquisition Strategy

14.3.2.1. Develop Preliminary Business Case and Acquisition Strategy

14.3.2.2. Finalize Acquisition Strategy

14.3.2.2.1. Types of Contracts

14.3.2.2.1.1. Fixed-Price Contract Types

14.3.2.2.1.2. Cost Reimbursement Contract Types

14.3.2.2.2. Incentives - Recognize the Power of Profit as a Motivator

14.3.2.2.2.1. Positive and Negative Incentive Examples

14.3.2.2.2.2. Considerations When Contemplating Incentives

14.3.2.2.3. Determine How You Will Select a Contractor

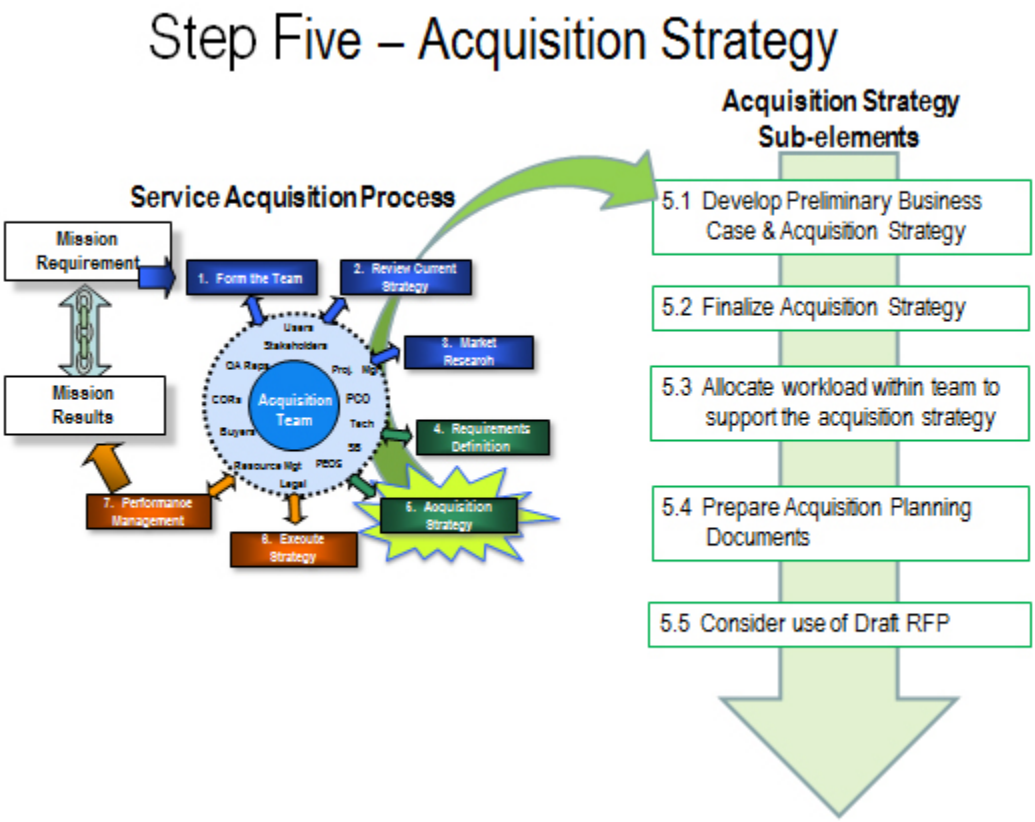
14.3.2.3. Allocate Workload Within the Acquisition Team

14.3.2.4. Prepare Acquisition Planning Documents

14.3.2.5. Consider use of Draft Request for Proposal

14.3.2. Step Five Develop an Acquisition Strategy

Figure 14.3.2.F1. Model of Step Five



14.3.2.1. Develop Preliminary Business Case and Acquisition Strategy

At this point in the process you should have a well-defined PWS and QASP. Now it's time to start developing your business strategy to determine the type of contract vehicle, incentive arrangement if any, and how you will acquire a contract service provider. Review your market research results, how competitive is the market, what are small business opportunities, can this service be acquired using FAR Part 12 , Acquisition of Commercial Items, how are other organizations acquiring this type of service? Is this requirement part of your agency's strategic acquisition initiative? During market research did you find another agency's existing contract suitable for use in supporting this requirement? When reviewing external acquisition options, you should examine your agencies external acquisition policies to make sure there are no potential conflicts. Another important consideration when using another agency's contract is to clearly determine who will provide the performance oversight of the resulting contract to ensure it delivers the required performance results.

If no other viable option is available you will need to develop an effective business case that supports the most effective way to achieve your mission requirements. The business strategy involves selecting the right contract type, incentive structure and contractor selection process that

will best deliver mission results.

14.3.2.2. Finalize Acquisition Strategy

Your acquisition strategy involves several key components: (1) what type of contract type is best suited for your requirement; (2) what incentive strategy, if any, to use; and (3) what method you will use to select a contractor. Developing your strategy must be a thoughtful, integrated team effort defined by the specifics of your mission requirement.

14.3.2.2.1. Types of Contracts

The FAR does not make any recommendation on the type of contract to be used when contracting for services. However, the selection of contract type must be reflective of the nature of the service requirement and risks associated with performance. Selection of a contract type should motivate the contractor to deliver optimum performance. Your observations during market research provide a good basis for analyzing commercial practices, level of competition, maturity level of the service, to guide the selection of contract type. There are two basic types of contract types, fixed price types and cost reimbursable types. Although the FAR provides for the use of time and materials (T&M) contracts under part 12 commercial contracts, DoD policy discourages it's use and therefore T&M should only be used in those rare circumstances where it is justified.

14.3.2.2.1.1. Fixed-Price Contract Types

As a general rule, contracts for routine services, or efforts involving stable requirements, manageable performance risk, are normally a fixed-price type. Work must meet minimum stated performance standards. Service must be delivered within a specified time and meet the performance standards in the contract. Price should be supported by robust competition or recent competitive pricing history.

The contract price represents full payment for the work. Exceeding this amount is at the contractors own risk and expense. This type of contract is used when technical and cost can be accurately estimated (i.e., low or predictable risk). It is also the most appropriate type of contract to use when work can be clearly defined (or when the requirement is constant with no need for flexibility). The contractor bears full responsibility for the performance costs and resulting profit (or loss).

14.3.2.2.1.2. Cost Reimbursement Contract Types

Cost type contracts are used when requirements cannot be accurately defined and performance risk is not easily quantified or managed. These types of contracts require the contractor to deliver their best effort to provide the specified service. Reasonable, allowable, allocable costs will be reimbursed, up to the total estimated amount specified in the contract. This amount represents an estimate of total costs, including fee, as a not-to-exceed ceiling that cannot be exceeded without contracting officer approval. When using a cost type contract ensure that the contractor has an adequate accounting system and the government monitoring during performance provides

assurance of efficient methods and effective cost controls. Cost contracts place more risk on the government because the contractor bears less responsibility for completing the performance requirement within the established cost ceiling.

Two common types of Cost Plus Fixed Fee (CPFF) contracts for services are either completion or term.

- CPFF Completion: If the contractor fails to complete the contract within time or budget, then the government pays only additional costs, but no additional fee to complete the effort. This is an incentive since contractors are in business to earn fees. This type of CPFF contract is applicable when there is a clearly defined result at the outset, but there are considerable unknowns with risks that need to be shared.
- CPFF Term: This form of CPFF contract allows you to describe the scope of work in general terms and the contractor will be required to perform a specified level of effort in a given period of time.

14.3.2.2.2. Incentives - Recognize the Power of Profit as a Motivator

Incentives will drive behavior so one of the keys to effective incentives involves recognizing that the actions of the private sector are motivated by profit. The government relies on industry to provide customers with products and services. We have regulations, policies, and procedures that allow industry to be compensated for these efforts. One contractor was heard to say, "You give us the incentive, we will earn every available dollar." It is important to understand the cause and effect relationship between contractor performance and the type of incentive used. In another words, whatever your team decides to incentivize, that is the area in which the contractor will focus or concentrate on, so your team needs to assure that you are creating a behavior that will deliver the right mission results.

For example, link the incentive program to high priority or high risk performance requirements with measureable metrics. Then, incorporate share-in-savings strategies that reward the contractor for suggesting innovations that improve performance and reduce total overall cost. Develop an acquisition approach that aligns the interests of both parties. In other words develop a strategy in which both the contractor and the government benefit from economies, efficiencies, and innovations delivered during contract performance. If the incentives are right, and if the contractor and the agency share the same goals, risk is largely controlled and effective performance is almost the inevitable outcome. The key to incentives is to make them work for both parties.

Performance Incentives: These are incentives designed to relate profit or fee to results achieved by the contractor in relation to identified cost-based, performance or schedule based targets. For example, a large Cost Plus Incentive Fee, Base Operating Support contract, contained an incentive provision for sharing cost savings generated by the contractor, on a 50/50 basis, when actual costs came in under target cost. In each year of a five-year contract the contractor delivered cost savings earning additional fee for the contractor and cost savings for the installation. This incentive structure also put the contactors base fee at risk if performance suffered as a result of cost cutting. Schedule incentives focus on getting a contractor to exceed

delivery expectations with either quality, or timeliness. These can be important on construction or maintenance requirements. They can be defined in terms of calendar days or months, attaining or exceeding milestones, or meeting urgent requirements.

Award Fee Contract Arrangements: This type of incentive uses an award fee plan that contains the criteria for earning the incentive. Generally, award fee contracts should only be used when objective incentive targets are not feasible for critical aspects of performance, judgmental standards can be fairly applied, and potential award fees would provide a meaningful incentive to motivate the service provider to perform.

Past Performance: Past performance documentation and reporting is a no cost incentive for the government. Maintaining a record of good past performance always motivates contractors. This information affects decisions to exercise options and future contract awards. Past performance assessments are a quick way for motivating improved performance or to reinforce exceptional performance. Keep in mind that the integrity of a past performance evaluation is essential.

Small Business Participation Incentives: There will be times when the nature or value of an acquisition exceeds the ability for small business to be the prime contractor. Large prime contractors develop subcontracting plans in accordance with FAR 19.702 where the use of small business provides value to the government. DoD can incentivize prime contractors to achieve their small business subcontracting goals thus supporting a healthy industrial base for future competition. One means to this end is to use actual small business participation as a factor or sub-factor in best value source selections. Finally, the government needs follow up and ensure that small businesses that are featured in prime contractor proposals as prospective subcontractors are actually successful in attaining subcontract awards if the prime contractor is awarded the contract.

14.3.2.2.2.1. Positive and Negative Incentive Examples

The government can incentivize the contractors performance on just about any contractual aspect, so long as that performance incentive provides ultimate benefit to the government. Ultimately, whatever incentives you prescribe must be based on predetermined, objective performance standards that you can quantify, measure, and perform surveillance as needed. The list below provides examples of positive and negative ways to use incentives:

Positive:

- When performance exceeds standard, pay x% of monthly payment into pool. At the end of y months, pay contractor amount accrued in pool.
- When performance exceeds standard, pay x% of monthly payment into pool. When pool has reached y dollars, pay contractor amount accrued in pool.
- When performance has exceeded the standard for x consecutive months, reduce government oversight or contractor reporting, as appropriate.
- Document past-performance report card, paying particular attention to performance that exceeded the standard.

Negative:

- When performance is below standard for a given time period, require the contractor to re-perform the service at no additional cost to the government.
- When performance is below standard for a given time period, x% of the periods payment will be withheld or deducted.
- When performance is below standard for x consecutive months, increase surveillance or contractor reporting.
- Document past-performance report card, paying particular attention to performance that failed to meet the standard.

14.3.2.2.2.2. Considerations When Contemplating Incentives

Make sure incentives are realistic and attainable. They must focus on achieving the service acquisition objectives, taking into account the mission, the key characteristics, and other unique features of the service. The acquisition team may jointly develop and negotiate these incentive criteria with contractor(s) and all potential stakeholders so that all parties buy in to the merits of this approach. Additionally, soliciting stakeholders input and feedback will help identify what the customer feels are most important. Understand that a contractor will not spend a dime to earn a nickel. Here are some best practice questions the team should address when developing an incentive strategy:

- Is the incentive consistent with the mission, goals, and operational requirements?
- Will it deliver additional value to the mission?
- Which areas of the requirement would benefit most from enhanced performance?
- Which areas do not need added incentives (or which areas can do without)?
- Is your agency willing to pay more to achieve a level of performance beyond the performance standard? Is the incentive affordable?
- Is what we want to incentivize measurable?
- How accurately can we capture and record performance data?
- Is there potential for using cost-sharing?
- Will it affect timelines or schedules in a positive way?
- Does the strategy work to benefit both parties?
- Does the contractor have complete control of performance?

14.3.2.2.3. Determine How You Will Select a Contractor

There are two primary best value methods of selecting a contractor. One of the goals of PBA is to achieve the highest degree of quality and efficiency at a reasonable price. Best-value source selections allow the government to establish factors used to evaluate contractor proposal submissions. These two types of selection methods are:

Low Price Technically Acceptable (LPTA): The government establishes minimum technical criteria and standards for determining which offeror's are technically acceptable. Among those that are determined to be technically acceptable, the contract is awarded to the offeror with the lowest price. One limitation with this approach is that there is no consideration for better

technical solutions; the award is based primarily on price.

Trade-off Method: This process allows for consideration of technical, past performance and cost factors. The contract is awarded to the offeror that represents the best value in accordance with the evaluation criteria contained in the RFP. This process provides for tradeoffs between technical factors and price. Using this method allows the source selection authority (SSA) to select a contractor that represents the best value versus low cost.

Both methods enable the acquisition team to define evaluation factors to be used in selecting the successful offeror. The key to successful use of any evaluation factor is to establish a clear relationship between the PWS, Section L of the solicitation (*either FAR Part 12 Acquisition of Commercial Item or FAR Part 15 Contracting by Negotiation*), and Section M of the solicitation (Evaluation Factors for Award). The evaluation factors selected should link clearly with the PWS and represent those areas that are important to stakeholders or have been identified as high risk during risk analysis. A good rule of thumb is to look at the roadmap you have completed and make an assessment as to which HLOs and tasks are the highest risk, highest priority or most critical and should carry the most weight. The Departments standard source selection procedures are found at DFARS 215.300 .

14.3.2.3. Allocate Workload Within the Acquisition Team

Either best value selection process involves a significant investment in manpower to develop the selection criteria and conduct the technical and cost evaluations. Make sure you have resource commitments in both people and facilities to conduct your proposal evaluations. People involved in the technical evaluations should have good technical backgrounds, yet be open to new approaches they may see in contractor proposals. DAUs continuous learning course CLC007, Contract Source Selection, can provide more information on conducting source selections.

14.3.2.4. Prepare Acquisition Planning Documents

The key documents are the Acquisition Plan, the Acquisition Strategy, and the Source Selection Plan. The acquisition plan is prescribed by the FAR and it spells out the business case for the selected acquisition approach. It utilizes all the information generated from the planning phase such as the nature of the requirement, risk areas, customer concerns, and market analysis to support the plan. Acquisition plans for services must also describe strategies for implementing PBA methods or provide a rationale for not using them and provide a rationale if contract type is other than firm-fixed price (FFP). The acquisition plan also communicates the requiring activities approach to higher approval levels. These authorities will likely ask the following questions:

- Is the plan consistent with current DoD priority and/or policies? (For example, providing for full and open competition, small business set-aside competition and the appropriate use of fixed-price type contracts.)
- Is the plan executable?
- Are the top-level objectives appropriate and in the best interest of the Government?

The acquisition plan and the acquisition strategy serve as a permanent record of decisions made regarding the acquisition strategy for future reference. Acquisition strategies for services are prescribed by DoD Instruction 5000.02 (Enclosure 9).

The source selection plan outlines the membership, evaluation factors, and provides a description of the evaluation process, including specific procedures and techniques to be used in evaluating contractor proposals. Both documents require approvals in accordance with agency procedures.

14.3.2.5. Consider use of Draft Request for Proposal (RFP)

Issuing a draft RFP is an effective way to get industry feedback. The draft RFP contains both the requirement and the proposed business strategy that you are contemplating. You can request feedback on both. Drafts provide any interested party with an opportunity to provide comments before the actual acquisition process starts. The government can benefit from this process by considering the industry feedback and how it could improve the acquisition. It also gives potential contractors an opportunity to get an early start on planning and proposal development since we often give contractors the minimum 30 days to prepare a proposal once we issue the formal RFP.

The primary disadvantage is the time required to issue the draft and evaluate industry comments, so plan accordingly if you anticipate using this very effective technique.

14.4. The Execution Phase

14.4.1. Step Six Execute the Strategy

14.4.1.1. Issue Request for Proposal (RFP) or Military Interdepartmental Purchase Request

14.4.1.2. Conduct Source Selection

14.4.1.2.1. Instructions to Offeror's

14.4.1.2.2. Section L

14.4.1.2.3. Section M Evaluation Factors for Award

14.4.1.2.4. Relationship between PWS, Section L, and Section M

14.4.1.2.5. Role of Past Performance in Best Value Procurements

14.4.1.3. Pre-Award Approval Documents

14.4.1.4. Contract Award

[14.4.1.5. Debrief Unsuccessful Offeror's]

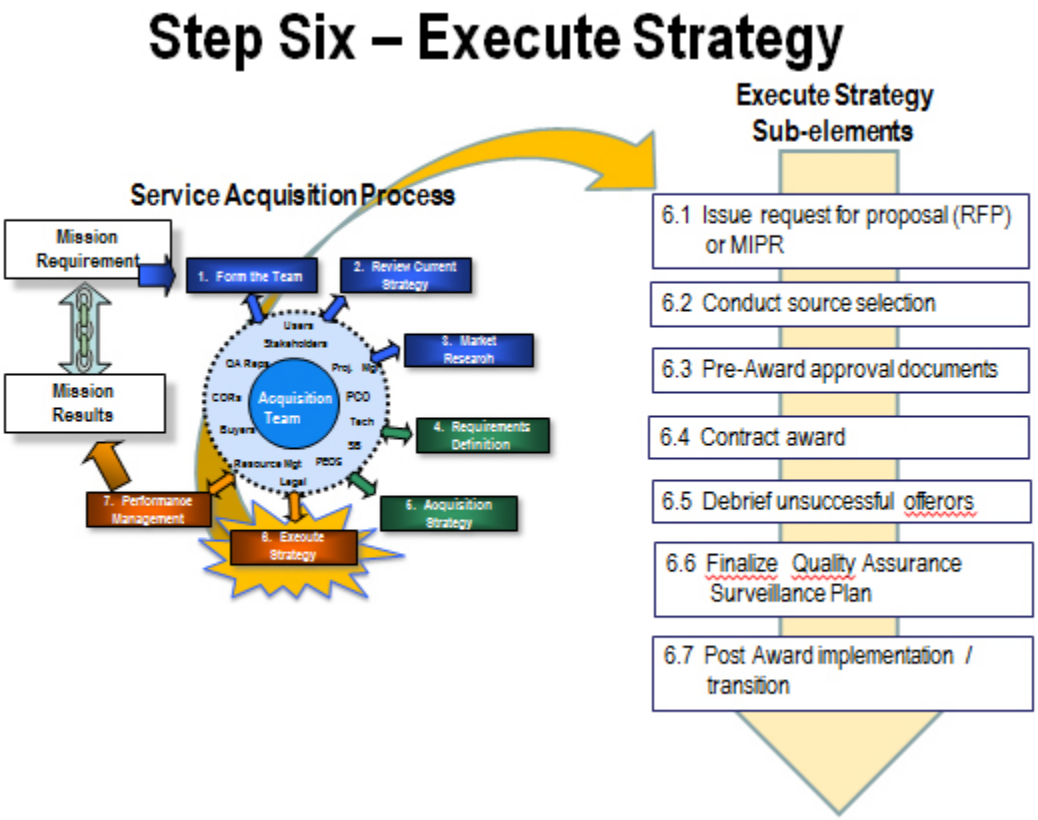
[14.4.1.6. Finalize Quality Assurance Surveillance Plan (QASP)]

[14.4.1.7. Post-Award Implementation/Transition]

14.4. The Execution Phase

14.4.1. Step Six - Execute the Strategy

Figure 14.4.1.F1. Model of Step Six



14.4.1.1. Issue Request for Proposal (RFP) or Military Interdepartmental Purchase Request

The formal acquisition process starts with the issuance of the final RFP or if the acquisition team has determined to use another activity's acquisition vehicle to complete their action the issuance of a MIPR. FAR Part 15.201 states After release of the solicitation, the contracting officer must be the focal point of any exchange with potential offeror's. When specific information about a proposed acquisition that would be necessary for the preparation of proposals is disclosed to one or more potential offeror's, that information must be made available to the public as soon as practicable, but no later than the next general release of information, in order to avoid creating an

unfair competitive advantage.

14.4.1.2. Conduct Source Selection

The objective of source selection is to select the offeror, whose proposal represents the best value in accordance with the criteria stated in the RFP. The FAR gives the government wide latitude in setting the ground rules for how a contractors proposal will be evaluated and for setting the basis of award.

The RFPs Section L *Instructions to Offeror's* and Section M *Evaluation Factors for Award* provide industry information regarding how to submit their offer and how it will be evaluated. Both of these are critical for a successful acquisition.

14.4.1.2.1. Instructions to Offeror's

Section L of the solicitation is where information and guidance are provided to instruct offeror's how to prepare proposals in response to the solicitation. As previously stated, the PWS, Section L and Section M all tie together. The PWS describes the requirement. Section L requests information relating to how the offeror will execute that requirement, for evaluation purposes. Section M describes how their proposal will be evaluated for source selection purposes.

14.4.1.2.2. Section L

You MUST explain in section L of the RFP the structure in which the offeror's will submit their proposals (proposal instructions), and the requirement to specifically address those areas that will be evaluated and scored/rated during the source selection.

Proposal instructions: The instructions for submission of proposals should be complete and thorough, but not overly long, complex, or restrictive. Submission instructions vary, but most agencies have a standard or preferred format that is familiar to contracting officers and evaluators. For example, proposals may be submitted via disks, electronic media, orally, or in paper based form.

Contents of instructions: The most common content items to be prescribed in the instructions include the following: number of volumes, page limit's, font, spacing, and other layout instructions.

Number of volumes: You should determine how many proposal volumes you want the contractor to submit. Proposal volumes can consist of technical, quality control plan, past performance and cost.

Page limit's: Technical and business proposals can be very difficult to evaluate because of their great size and bulk, much of which may be caused by repetition. Placing a limit on the number of pages each proposal may contain reduces this problem. The typical limit is 50 to 100 pages, but be sure that the technical personnel concur that the technical and business approaches can be

adequately explained within the limit's that have been established.

Font, spacing, and other layout instructions: Instructions for these areas enforce a certain uniformity of appearance for proposals so evaluators will not be unduly influenced by a flashy layout, but will find it easier to concentrate on the essentials. However, do not impose unnecessary restrictions on the contractors ability to communicate the necessary information in their proposals (i.e., complicated charts and graphics).

Evaluation areas: Instructions should clearly require contractors to thoroughly address all evaluation areas. It is important for the contractor to know exactly what is going to be evaluated and what should be included in each volume of the proposal.

Oral presentations: Oral presentations are verbal submissions of proposal information. This information is used to determine the offeror's understanding of the requirements and it's capability to perform. When using oral presentations have the presenter be the proposed program manager and not a professional speaker.

14.4.1.2.3. Section M Evaluation Factors for Award

Section M is uniquely tailored for each procurement and is intended to give offeror's guidance concerning the basis of award. You must explain all the evaluation factors and significant sub-factors that will be considered in making the source selection along with their relative order of importance (see FAR 15.304). Section M must clearly state whether all evaluation factors, other than cost or price, when combined, are significantly more important than, approximately equal to, or significantly less important than cost or price.

Evaluation Factors/Sub-Factors: Be sure that section M is clear and complete in describing the evaluation factors and significant sub-factors to be used. Each factor/sub-factor must be fully explained, and their relationship to each other (relative importance) must be clearly stated. The goal here is to make the offeror's fully aware of how the source selection will be made.

One of the main challenges in determining best value is assessing performance risk. This is challenging because the offeror's may be proposing different approaches that can be difficult to compare (an apples to oranges comparison). While Section M of a solicitation provides the basis for evaluation, there is no precise science to assessing dissimilar approaches toward fulfilling a PBA requirement.

14.4.1.2.4. Relationship between PWS, Section L, and Section M

The PWS, Section L, and Section M must all tie together. The PWS describes the requirement. Section L requests information relating to how the offeror will execute that requirement for evaluation purposes and Section M describes how the proposal will be evaluated for source selection purposes. The following example, Table 14.4.1.2.4.T1., describes one piece of a requirement to illustrate the relationship between the three areas.

Table 14.4.1.2.4.T1. Sections L and M Relationship Example

Performance Work Statement	Section L	Section M
Provide taxi service so that pickup time is within 5 minutes of request time, 95% of the time.	The offeror shall describe how taxi service will be provided in accordance with the stated requirement.	The agency will evaluate the offeror's approach for meeting the standards for taxi service. The offer will be evaluated for best value, in terms of technical merit and cost, with additional consideration for the offeror's relevant and recent past performance (track record).

14.4.1.2.5. Role of Past Performance in Best Value Procurements

The FAR mandates that government assess contractors past performance in order to use this information as a significant evaluation factor in the source selection process. Past performance data is an influential factor in motivating contractors toward excellence. The essential premise is that a record of good performance is an important predictor of future performance. When evaluating large business past performance an additional factor to consider is how effective they have been in meeting their small business subcontracting goals.

For those situations where an offeror has no past contract performance or the performance information is either unavailable or irrelevant, the FAR states that the offeror may not be evaluated either favorably or unfavorably on the past performance factor.

14.4.1.3. Pre-Award Approval Documents

These actions vary depending on the dollar value of the acquisition and organization policy. They may include pre-award surveys, pre-negotiation business clearances and Congressional notification, depending on the amount of the award.

14.4.1.4. Contract Award

Upon receipt of all required pre-award approvals and completion of required notifications, the contracting officer executes the contract. To give publicity to the award and recognize the team members, a formal contract signing ceremony often is conducted. This particularly is desirable in large and/or complex acquisitions.

14.4.1.5. Debrief Unsuccessful Offeror's

FAR Section 15.5 requires that all unsuccessful offeror's be given an opportunity for a debriefing concerning their proposal and how they can improve their chances in future procurements. Debriefings are conducted following contract award notification by the

contracting officer and lead technical evaluator from the technical evaluation team.

14.4.1.6. Finalize Quality Assurance Surveillance Plan (QASP)

Once a contractor has been selected, the QASP needs to be updated and finalized. If any significant changes were made to the performance requirements during the competition, the QASP needs to be updated to reflect the final requirement. Also now include the contractors information and the names and role of their key personnel. If a quality control (QC) plan was a required and evaluated as part of the contractors proposal package, the team may consider including the contractors compliance with their QC plan as an assessment area in the QASP. Make sure the COR has been appointed and completed all required training prior to contract award.

14.4.1.7. Post-Award Implementation/Transition

Following contract award, it’s advisable to conduct a "kick-off meeting" or more formally, a "post-award conference," attended by those who will be involved in contract performance. This meeting will help both agency and contractor personnel achieve a clear and mutual understanding of contract requirements and further establish the foundation for good communications and a win-win relationship. It is very important that the contractor become part of the team, and that agency and contractor personnel work closely together to achieve the mission results embodied in the contract.

14.4.2. Step Seven Performance Management

14.4.2.1. Transition to Performance Management

14.4.2.2. Manage and Administer Overall Program

14.4.2.3. Manage Performance Results

14.4.2.3.1. Monitor Contract Performance

14.4.2.3.2. CPARS Report and Past Performance Information Retrieval System (PPIRS)

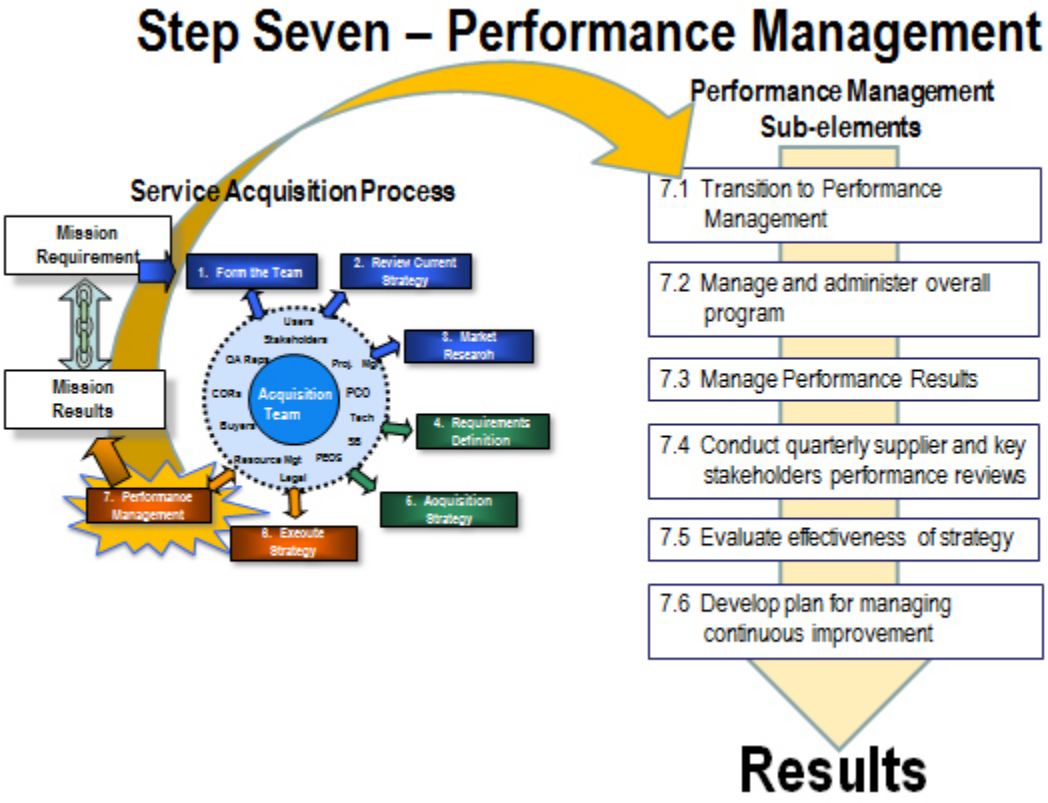
14.4.2.4. Conduct Quarterly Supplier and Key Stakeholders Performance Reviews

14.4.2.5. Evaluate Effectiveness of Strategy

14.4.2.6. Develop Plan for Managing Continuous Improvement

14.4.2. Step Seven Performance Management

Figure 14.4.2.F1. Model of Step Seven



Steps One through Six have prepared you for this step. Step Seven delivers the performance results your stakeholders need to successfully support their mission. It's not time to declare victory and move on. Your engagement with your contractor and stakeholders will often cover several years.

There are two key elements to this step. First are the basic functions of administering the contract such as validating contractor invoices, tracking cost data when required, managing change as it occurs and making sure the contractor is getting paid on a timely basis. The second key function is managing the relationship and expectations between three key groups; customer's, stakeholders and the contractor. Developing an environment of trust and fair play is vital to keeping all parties focused on achieving the intended mission results. This includes assessing performance using the QASP, documenting performance for any incentive arrangement you may have created, and finally making sure performance is documented annually in the government past performance database with a fair and objective Contractor Performance Assessment Reporting System (CPARS).

14.4.2.1. Transition to Performance Management

As new contract performance starts the team must shift from acquisition to performance management. This means focusing on ensuring that the performance results contained in the contract are delivered. To accomplish this effectively, everyone involved clearly understands their role and responsibilities in completing the assessment strategies contained in the QASP. The two key responsible parties are the contracting officer and the COR.

Contracting officers have specific responsibilities that can't be delegated or assumed by the other members of the team. These include, for example, making any commitment relating to an award of a task or contract; modification; negotiating technical or pricing issues with the contractor; or modifying the stated terms and conditions of the contract. The contracting officer relies on the COR to be his/her eyes and ears for providing an accurate assessment of contractor performance.

The duties and responsibilities of the COR are contained in a designation letter signed by the contracting officer. Make sure the COR and anyone else involved with monitoring contract performance has read and understands the contract and has the training, knowledge, experience, skills, and ability to perform his/her roles. The COR must know the performance requirements and standards in depth and understand the assessment strategies contained in the QASP. The COR should also be effective communicators with good interpersonal skills.

To complete the transition, incorporate the contractor into the performance management team. An essential element of performance management is open and frequent communication between the government and the contractor. Make sure that the contractor clearly understands how performance is being measured to ensure there are no surprises. Remember the contractors successful performance is your goal too. At its most fundamental level, a contract is much like a marriage. It takes work by both parties throughout the life of the relationship to make it successful. Characteristics of strong relationships include the following:

- Trust and open communication
- Strong leadership on both sides
- Ongoing, honest self-assessment
- Ongoing interaction
- Creating and maintaining mutual benefit or value throughout the relationship

14.4.2.2. Manage and Administer Overall Program

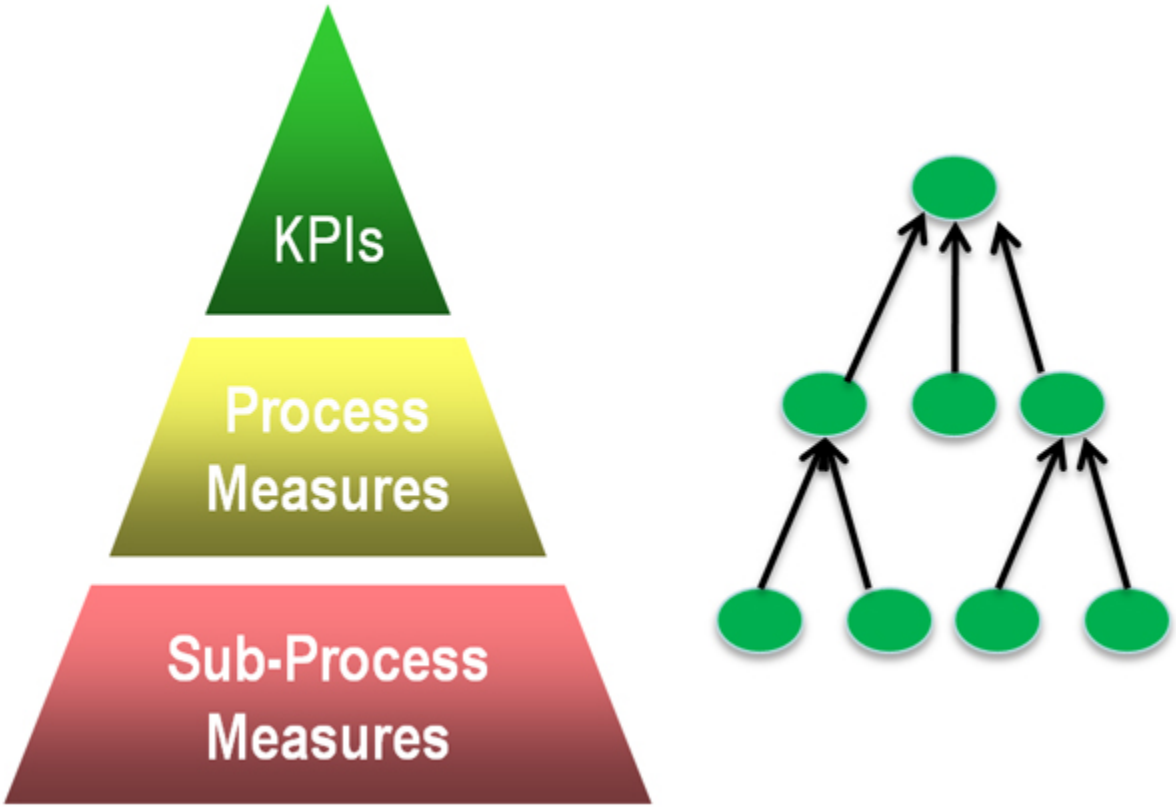
If your requirement involves a contract vehicle that uses task orders for individual requirements make sure you develop a plan to capture performance at the task order level. This task order performance information should flow up the contract level to be captured and reported.

14.4.2.3. Manage Performance Results

Following contract award you should review your communication plan and determine how and to whom you will report contractor performance information. It's vital to keep the communication links open with both your contractor and stakeholders throughout the

performance period of the contract. Establish regularly scheduled meetings with the contractor to keep everyone informed of pending actions that could impact performance such as scheduled exercises and IG visit's. Discuss any issues the contractor may have such as invoicing or payment problems. Identifying potential problems early is a key way to keep them from having performance impacts. Implement the performance reporting structure you developed in Step Four.

Figure 14.4.2.3.F1. Performance Management



- **KPIs:** The few essential performance results that leadership will use to assess performance.
- **Process Measures:** What performance metrics will process stakeholders use to determine if their areas of responsibility are meeting standards? Make sure they link to specific PWS performance tasks.
- **Sub-Process Measures:** What results metrics will sub-process stakeholders or office chiefs use to asses performance in their areas of responsibility and how well current performance is supporting the process stakeholder?

14.4.2.3.1. Monitor Contract Performance

How you capture and report performance information is critical for two reasons. First, it keeps your stakeholders well informed based on actual performance results as measured by your CORs.

Second, it provides the documented performance trends and results to have an open and honest discussion with your contractor concerning the results being achieved. Performance reviews should be held on a regular basis with both your stakeholders and your contractor. The frequency of stakeholder reviews is often dictated by the importance or complexity of the service under contract. Quarterly performance reviews with stakeholders should be a minimum. More complex acquisitions may require monthly reviews.

Fact based communication is an essential element in developing a trusting relationship with your contractor. These routine reviews are focused on keeping performance on course, reporting performance results, and making adjustments as necessary. For most contracts, monthly contractor performance reviews would be appropriate. For contracts of extreme importance or contracts in performance trouble, more frequent meetings may be required. During this review, the acquisition team should be asking these questions:

- Is the contractor performance meeting or exceeding the contract's performance standards?
- Are there problems or issues that we can address to mitigate risk?

There should be time in each meeting where the agency asks, "Is there anything we are requiring that is affecting your performance in terms of quality, cost, or schedule?" Actions discussed should be recorded for the convenience of all parties, with responsibilities and due dates assigned. At each review point the QASP should be reviewed to see if the approach to the inspection should be changed or revamped. If an objective or standard needs to be changed, then it is appropriate that both parties agree to any modification, however, the change may have a cost impact.

14.4.2.3.2. CPARS Report and Past Performance Information Retrieval System (PPIRS)

A CPARS report is an annual requirement on contracts valued over the simplified acquisition threshold. CPARS should be an objective report of the contractors performance during a period against the contract performance standards. Your CPARS report goes into the PPIRS database which collects past performance information (PPI). PPI is one of the tools used to communicate contractor strengths and weaknesses to source selection officials and contracting officers. Communication between the government and contractor during the performance period is essential. The contractor performance evaluation contained in the PPIRS is a method of *recording* contractor performance and should not be the sole method for reporting it to the contractor.

If you've been conducting regular performance reviews with your contractor there should be no surprises at the end of the performance period about what rating the contractor will receive. These ratings are very important to a contractor; they can affect future business opportunities. That's why you need to have the facts and data to support ratings above or below satisfactory.

Consult the DoD PPIRS guide for more information.

14.4.2.4. Conduct Quarterly Supplier and Key Stakeholders Performance Reviews

A best practice concerning service contracts is to schedule regular reviews with your key stakeholders and contractor. Your communication plan should now reflect the schedule for these reviews. As has been mentioned several times already, good communication is absolutely essential. That's why a regularly scheduled review is important. It provides an opportunity to discuss current performance with the stakeholder. It also offers a chance to gain insight on projected changes that might require a change to the current contract. Being proactive is better than the best reactive strategy.

14.4.2.5. Evaluate Effectiveness of Strategy

As performance periods advance, the acquisition team should assess the effectiveness of the strategy that was originally developed to see if it is still achieving the required mission results. What should be changed or modified during the next acquisition cycle to improve mission results? Keep a record of what improvements could be made the next time because before you know it, it will be time to start the acquisition process all over again.

14.4.2.6. Develop Plan for Managing Continuous Improvement

Service contracts tend to have performance periods lasting several years. Continuous improvement should be one of the acquisition teams goals. For example, plan on regular meetings with the contractor to identify actions both parties can take to improve efficiency. This might include the identification of significant "cost drivers and what improvement actions could be taken. Sometimes agencies require management reporting based on policy without considering what the cost of the requirement is. For example, in one contract, an agency required that certain reports be delivered regularly on Friday. When asked to recommend changes, the contractor suggested that report due date be shifted to Monday because weekend processing time costs less. This type of collaborative action will set the stage for the contractor and government to work together to identify more effective and efficient ways to measure and manage the performance results over the life of the contract.

Appendix A -- REQUIREMENTS ROADMAP WORKSHEET

Requirements Roadmap Worksheet Sample

Appendix B -- SERVICE ACQUISITION PROJECT PLAN

Service Acquisition Project Plan Sample

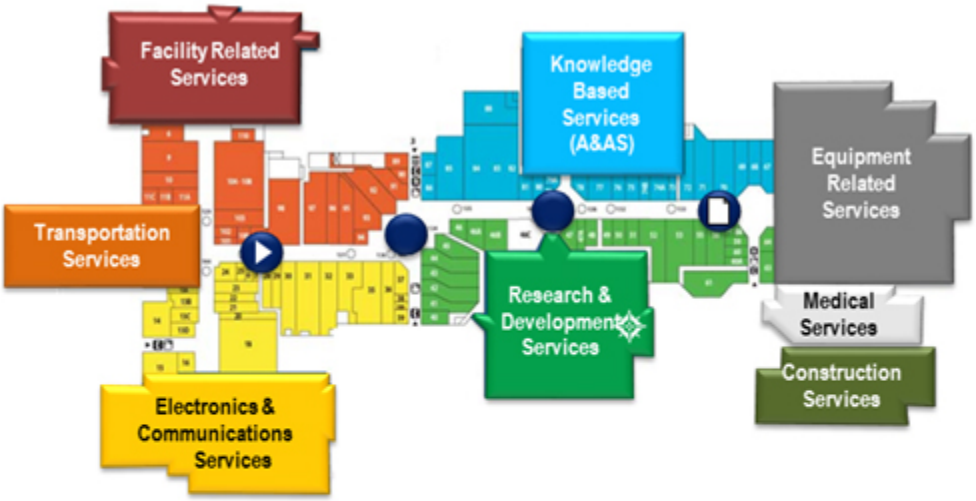
Appendix C -- SERVICE ACQUISITION MALL (SAM)

Welcome to SAM, DAUs Service Acquisition Mall .

SAM is intended to help you get your job done by providing usable tools and templates to create your performance-based service acquisition requirements. Each of the Wings on the mall map

below contains information related to a category of services. Move your mouse over the elements of the mall map to discover what is available in SAM. Enter the Wing by simply clicking on the appropriate space.

Figure 14.Appendix C.1. Model of SAM



Appendix D -- MARKET RESEARCH RESOURCES

You may find this list of sources helpful when conducting your market research:

Central Contractor Registration, http://sam.gov

Commercial Advocates Forum, http://www.acq.osd.mil/

Federal Information Exchange, http://www.ssa.gov/gix/

Acquisition Reform Net, http://www.acquisition.gov/

Thomas Register, http://www.thomasnet.com

Department of Commerce, http://www.commerce.gov/

GSA eLibrary, http://www.gsaelibrary.gsa.gov/

Small Business Administration, http://www.sbaonline.sba.gov

SBA-Dynamic Small Business Search, http://dsbs.sba.gov/dsbs/search/dsp_dsbs.cfm

Consumer Reports, http://www.consumerreports.com

National Contract Management Association, http://www.ncmahq.org

Dow Jones Business Information Services, http://www.dowjones.com

Standard & Poor's Research Reports, http://www.standardandpoors.com/home/en/us

Manufacturers Information Network, http://www.manufacturing.net

National Association of Purchasing Managers, http://www.ism.ws/

National Yellow Pages, http://www.yellowpages.com

Federal Business Opportunities, http://www.fbo.gov

Government Contracts Directory, http://www.contractdirectory.gov /contractdirectory/

DoD market research, http://acc.dau.mil/CommunityBrowser.aspx?id=18892

Other Helpful Web Sites:

http://www.imart.org/ : A collection of search engines, directories, and databases to aid in market research

http://superpages.com : Yellow pages of 16 million U.S. businesses

http://switchboard.com : Business search engine

http://www.techweb.com : More than 100 links to industry, focused on electronics

Appendix E -- GLOSSARY

A&AS	Advisory and Assistance Services
AQL	Acceptable Quality Level
CDRL	Contract Data Requirements List
CLM	Continuous Learning Module
CO	Contracting Officer

CONUS	Continental United States
COR	Contracting Officers Representative
CPARS	Contractor Performance Assessment Reporting System
CPFF	Cost Plus Fixed Fee
DAU	Defense Acquisition University
DoD	Department of Defense
DFARS	Defense Federal Acquisition Regulation
DPAP	Defense Procurement and Acquisition Policy
FAR	Federal Acquisition Regulation
FFP	Firm-Fixed-Price
FTE	Full-Time Equivalent
GFE	Government Furnished Equipment
GFM	Government Furnished Material
GFP	Government Furnished Property
GPS	Global Positioning System
HQ	Headquarters
IGE	Independent Government Estimate
KPI	Key Performance Indicators
LPTA	Low Price Technically Acceptable
MIPR	Military Interdepartmental Purchase Request
MOU	Memorandum Of Understanding
OCONUS	Outside Continental United States
OSD	Office of the Secretary of Defense
PBA	Performance-Based Acquisition
PM	Program Manager
PPI	Past Performance Information
PPIRS	Past Performance Information Retrieval System
PRS	Performance Requirement Summary
PWS	Performance Work Statement
QAE	Quality Assurance Evaluator

QASP	Quality Assurance Surveillance Plan
QC	Quality Control
R&D	Research and Development
RFI	Request for Information
RFP	Request for Proposal
SAM	Service Acquisition Mall
SAT	Simplified Acquisition Threshold
SAW	Service Acquisition Workshop
SBA	Small Business Administration
SBS	Small Business Specialist
SOO	Statement of Objectives
SOW	Statement of Work
SSA	Source Selection Authority