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PAST PERFORMANCE POLICY IMPLEMENTATION AT THE PORTSMOUTH NAVAL SHIPYARD

by
David C. Warunek

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Principal Advisor: Danny A. Shockley
Associate Advisor: Mark W. Stone

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The use of past performance as a factor in the source selection process intuitively makes sense. A contractor's record of past performance is a good indicator of future performance and should be used to make best value vice low cost contract awards. The Federal Government recognizes the value of assessing past performance and mandates its use by all agencies. This study discusses the issues surrounding the use of past performance. It also provides an overview of current mandatory and discretionary past performance guidance, and describes several past performance information systems applicable to the Portsmouth Naval Shipyard, Portsmouth, NH. An analysis of the shipyard environment is then used to form the basis for an effective policy implementation plan. Currently past performance shall be a significant factor in all competitively negotiated procurements above one million dollars. Similarly, evaluations must be prepared for each contract valued at five hundred thousand dollars or above. These thresholds will soon be lowered to one hundred thousand dollars each. Implementing the highly discretionary Federal policies at the command level requires a thorough understanding of the issues surrounding past performance such as fairness, the prescriptive versus tailored approaches, new entrant treatment, information validity, and implementation costs. Successful implementation is also dependent upon command specific needs and limitations. This study investigates the issues surrounding the implementation of the Federal past performance policies at the Portsmouth Naval Shipyard.

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PAST PERFORMANCE POLICY IMPLEMENTATION AT THE PORTSMOUTH NAVAL SHIPYARD

David C. Warunek
Lieutenant, United States Navy
B.A., Penn State University, 1988

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Author: _____
David C. Warunek

Approved by: _____
Danny Shockley, Principal Advisor

_____
Mark Stone, Associate Advisor

_____
Reuben T. Harris, Chairman
Systems Management Department

ABSTRACT

The use of past performance as a factor in the source selection process intuitively makes sense. A contractor's record of past performance is a good indicator of future performance and should be used to make best value vice low cost contract awards. The Federal Government recognizes the value of assessing past performance and mandates its use by all agencies. This study discusses the issues surrounding the use of past performance. It also provides an overview of current mandatory and discretionary past performance guidance, and describes several past performance information systems applicable to the Portsmouth Naval Shipyard, Portsmouth, NH. An analysis of the shipyard environment is then used to form the basis for an effective policy implementation plan. Currently past performance shall be a significant factor in all competitively negotiated procurements above one million dollars. Similarly, evaluations must be prepared for each contract valued at five hundred thousand dollars or above. These thresholds will soon be lowered to one hundred thousand dollars each. Implementing the highly discretionary Federal policies at the command level requires a thorough understanding of the issues surrounding past performance such as fairness, the prescriptive versus tailored approaches, new entrant treatment, information validity, and implementation costs. Successful implementation is also dependent upon command specific needs and limitations. This study investigates the issues surrounding the implementation of the Federal past performance policies at the Portsmouth Naval Shipyard.

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I. INTRODUCTION

A. PURPOSE

The primary purpose of this research is to explore the issues surrounding the Federal Government's mandatory use of past performance as a factor in the source selection process, and to develop a strategy that would enable the Portsmouth Naval Shipyard (PNSY), Contracting Division, to successfully implement a program which would conform to all mandatory and pertinent discretionary guidance. Contractor past performance evaluation, as with other acquisition reform or "best practices" approaches, requires serious consideration of a multitude of factors prior to adopting it and initiating changes within an organization. Factors such as mandatory versus discretionary guidance, business area analysis, lessons learned, existing and future data collection and retrieval systems, and fairness must be considered in order to make intelligent decisions about the commitment of personnel and material resources. The purpose of this research is to enable PNSY to comply with the regulations, and to thoughtfully consider the issues and the current environment in order to reap the benefits for which the regulations came into being.

B. BACKGROUND

Contractor past performance is intuitively a viable predictor of future performance on a given contract. In practice however, the use of past performance information as a source selection criterion can vary greatly between contracting activities or between contracts. In its most fundamental application, past performance information is used in determining contractor responsibility prior to selection or award. [Ref. 1:Subpart 9.104] A much more involved application would be to evaluate past performance information as a factor in the

source selection process and weight it according to what the contracting officer (CO) determines to be an appropriate amount. Theoretically, this could approach one hundred percent, provided a waiver was received for quality, and cost or price was minimized. [Ref. 1:Subpart 15.605]

As a practical matter, existing past performance regulation and policy is derived from the Office of Federal Procurement Policy Letter 92-5. [Ref. 2] Subsequent to its issuance, twenty Government Departments signed a pledge to make past performance a major selection criterion in the award of sixty contracts during 1994 and 1995. [Ref. 3] Ten months later, statutory language appeared in the Federal Acquisition Streamlining Act (FASA) which "acknowledged" the relevance of past performance information in the source selection process and encouraged contracting officials to consider it. [Ref. 4] The basic rule, applied as of this writing, mandates the use of past performance information as a source selection factor for all contract awards above five hundred thousand dollars. This threshold, which will be revised to one hundred thousand dollars on 1 January 1999, compels contracting organizations to include past performance as a measure of a contractor's ability to fulfill the terms of the contract. [Ref. 1:Subpart 15.608] Implicit within this mandate is the notion that a contractor's ability to perform well or poorly in the past must be significant to the contract at hand, and that it is a factor in providing the best value to the Government. [Ref. 3:p. 3]

Given that there is an ample collection of statutory and regulatory guidance which outlines the importance of past performance information and requires its use in source selections, the focus shifts to a variety of functional issues. [Ref. 3][Ref. 5][Ref. 2][Ref. 3] Some of these issues which have been the source of much debate throughout the public and

private sectors include: (1) how a contracting organization or program might evaluate past performance according to a set of standards, (2) how the past performance information should be recorded, (3) how the data, once stored, can be retrieved and utilized by the buying organization without undue complication or expense, and (4) how much weight the factor should be given. Many individual solutions to the problem of simply implementing the policies could be produced throughout the Department of Defense (DOD). The establishment of "one size fits all" standards could resolve some of the issues, but establishing a system which makes sense and fairly produces the desired efficiencies and economies requires a more thoughtful approach. A thorough analysis, that helps to provide answers to the plethora of questions surrounding the policy, is required prior to recommending a specific past performance policy in support of the source selection process at the PNSY Contracting Division.

C. POLICY OVERVIEW

The basic policy can be divided into two primary elements: first, the requirement for contracting organizations to prepare evaluations subsequent to contract performance; second, the requirement to utilize past performance information in the source selection process. [Ref. 1:Subpart 42.15; 15.605] It is important to note that the milestone requirement to start collecting the past performance information precedes the requirement to utilize the information at and below the $500,000 levels. Theoretically this allows for the establishment of a pool of evaluations prior to the requirement to use them. The following is a summary of the basic mandatory guidance in effect as of this writing:

1. Evaluations

An important aspect of the basic requirement provides for the collection and compilation of contractor performance data. Agencies are required to prepare an evaluation, "at the time the work under the contract is completed," for *each contract* above the $500,000 threshold, as of 1 July 1996. Commencing 1 January 1998, this threshold will be reduced to $100,000. In order to provide current information for source selection purposes, interim evaluations "should" also be prepared for contracts with periods of performance over one year. Exceptions to this rule include acquisitions awarded under Federal Acquisition Regulations (FAR) Part 8.6 or 8.7; that is, the Federal Prison Industries Inc. (UNICOR) and nonprofit agencies employing people who are blind or severely disabled. [Ref. 1:Subpart 42.1502]

2. Utilization

As of 1 July 1995 past performance must be evaluated for each competitively negotiated procurement expected to exceed $1,000,000. This threshold is expected to be reduced, pending further revision, to $500,000 on 1 July 1997 and to $100,000 on 1 January 1999. This requirement essentially adds another mandatory source selection factor, cost or price and quality being the other two, unless the contracting officer documents in the contract file why past performance should not be used. Agencies have "broad discretion" in selecting the number of factors and their weighting so long as they have a desired impact on the source selection decision. Agencies also have the option of developing their own implementation schedule provided it falls within the aforementioned milestone. [Ref. 1:Subpart 15.605]

D. DEFINITIONS

1. Past Performance Information

Although a variety of factors make up contractor past performance information, a working definition from OFPP Policy Letter 92-5 is provided in order draw the appropriate mental borders around the issue.

> Past performance information (PPI) is relevant information regarding a contractor's actions under previously awarded contracts. It includes the contractor's record of conforming to specifications and to standards of good workmanship; the contractor's record of containing and forecasting costs on any previously performed cost reimbursable contracts; the contractor's adherence to contract schedules, including the administrative aspects of performance; the contractor's history for reasonable and cooperative behavior and commitment to customer satisfaction; and generally, the contractor's business-like concern for the interest of the customer.

PPI can be obtained from a variety of sources. The following list represents the primary sources and briefly describes them:

- Government Evaluations--prepared as a result of the FAR requirements
- References--Government, Commercial, and State/Local references obtained about an offeror's performance on a given contract or contracts
- Past Performance Information Systems--Automated or manual data bases containing performance information on quality, delivery, cost, and a variety of factors
- Contract Files--In-house information that has been retained from previous contracts with the offeror
- Commercial Supplier Performance Reviews--Information purchased from commercial sources

- Contract Administration Information Systems--Information obtained from contract administration organizations such as award/incentive fee data, cost and schedule tracking data, and contract close-out histories

As indicated, source selection officials can utilize information from a great number of sources and in a variety of formats. Market research results, phone and correspondence diaries, and litigation results may also be of value.

2. Past Performance Information System

A past performance information system (PPIS) is "an ongoing effort to collect and record past performance information for subsequent use in determining contractor eligibility and selection." [Ref. 6] Within this description three types of systems are identified:

a. Performance Appraisal System--contains evaluations prepared by cognizant Government officials subsequent to contract performance. [Ref. 6]

b. Performance Tracking System--primarily quality and delivery data which is extracted from data bases for the purposes of source selection. [Ref. 6]

c. Performance Certification System--an established set of criteria which are applied to contractors for the purposes of identifying high levels of performance. [Ref. 6]

The aforementioned categories are provided in order to aid in the classification of the existing systems listed in Chapter III.

3. General

For the purposes of this research, the term "agency" can be applied to a particular branch of the Armed Forces, the DOD, or other Government element which is empowered to implement Federal past performance policies. Likewise, "department" can be used to

describe a particular Service or the DOD. These terms are used in this manner to facilitate the discussion of the latitude which all agencies have with regard to implementing a particular past performance program.

E. RESEARCH QUESTIONS

1. Primary

How could the elements of the Federal Government's policy with regard to utilizing contractor past performance data in the source selection process, be most efficiently and effectively implemented at the Portsmouth Naval Shipyard?

2. Subsidiary

a. What are the issues associated with the collection and utilization of contractor past performance information in the source selection process?

b. What are the current statutory, Federal, departmental, agency, and local policies with regard to contractor past performance measurement, utilization, storage, and retrieval?

c. What past performance information systems are currently available and what are their capabilities?

d. What is the current environment in which PNSY operates, and how does it impact the implementation of Federal past performance policies?

F. SCOPE AND LIMITATIONS

Although many of the issues and regulations addressed in this research apply to the generic contracting organization, a departure was made from this approach with regard to specific aspects of program tailoring, business area analysis, and policy implementation at PNSY. The reader should therefore not expect all issues identified in Chapter II to be completely associated with an action within the implementation recommendations. PNSY's Contracting Division does not face the same challenges nor conduct business on the same scale as do major weapon systems Program Managers or System Commanders. Lessons learned and best practices information however, is utilized whenever applicable.

Additionally, due to the downsizing of PNSY, as well as the rest of DOD, business area data were utilized from fiscal years 1995 and 1996 as a baseline vice older data which would reflect either a much larger Navy or a series of decommissionings which are not anticipated in the immediate future. Another significant change in the business area will be the absence of Foreign Military Sales (FMS) in the immediate future. Finally, the basic organization and reporting relationships of the Contracting Division and PNSY appear to be in flux due to the current push for the regional maintenance concept, and therefore the recommendations are based on a snapshot of PNSY as it exists during this writing. [Ref. 7]

G. METHODOLOGY

Initial research was conducted by reviewing all Federal, departmental, agency, and organizational policy related citations, both electronic and hard copy, in order to ascertain the current status of past performance guidance. Next a variety of search engines were

utilized, via the Internet, to locate any acquisition reform or best practices related web sites which contained past performance information. Information was also obtained regarding existing and planned past performance evaluation systems. Numerous phone interviews and a visit to PNSY were then accomplished in order to gain insight into the practices in place and the internal and external environments of the PNSY Contracting Division. An historical analysis of all contract actions above the one hundred thousand dollar threshold then revealed the business areas in which to focus specific strategies for policy implementation. Concurrent with all of the above was a continual search for lessons learned and a constant effort to keep abreast of: (1) the proposed changes to both the Federal Acquisition Regulations (FAR) and the Defense Federal Acquisition Regulation Supplement (DFARS), and (2) the sometimes volatile atmosphere which could possibly predict the ultimate course which regulatory bodies might take. Phone interviews with the Defense Acquisition Regulations (DAR) Council and members of the Past Performance Coordinating Council (PPCC) seemed to be the best "bell weathers" available to determine which regulations may apply in the near future. The preponderance of discretionary guidance was taken from two sources; the Office of Federal Procurement Policy (OFPP) Best Practices Guide for Past Performance and the Arthur D. Little report on Contractor Past Performance Systems Evaluation. [Ref. 3][Ref. 6]

H. ORGANIZATION OF STUDY

Chapter II outlines the myriad of issues surrounding the mandatory inclusion of past performance in the source selection process from both the Government and contractor perspectives. The researcher attempted to marry an appropriate "answer" to each issue by utilizing the mandatory and discretionary guidance available. This chapter is intended to

compare the potential problems or benefits created by past performance evaluation, and the guidance created to mitigate the problems.

Chapter III provides an overview of the current past performance information systems and briefly describes how they would apply to PNSY.

Chapter IV outlines the shipyard and contracting office environments and identifies the particular business areas which may be affected by Federal past performance policies. An analysis is provided to determine what PNSY needs with regard to the elements of an appropriate implementation strategy.

Chapter V outlines a strategy that is intended to successfully implement the current past performance policies at PNSY while taking into account command specific issues as well as general concerns. Recommended actions are based on the status of past performance policies and on the changing environment of PNSY.

Chapter VI summarizes the main points of the research and addresses each thesis question. General conclusions and additional recommendations are provided, and areas for further research are addressed.

II. ISSUES AND ANSWERS

A. INTRODUCTION

The use of contractor past performance information (PPI) in the source selection process intuitively seems to make good sense. If a contractor was able to consistently provide superior goods or services in the past, and was able to deliver them on time with minimal oversight, and at the quoted price, then there should be no question as to the Government's inclination to utilize the same contractor in the future for similar goods or services. Likewise, if a contractor has performed poorly in the past and exhibited a trend of cost overruns, late deliveries, poor quality, and strained business relations, the Government would not, and should not, competitively award to that contractor. If all contractors could be classified into either of the aforementioned categories through the use of easily obtainable, form fitting, and relevant past performance information, then the source selection process would likely be greatly simplified. In practice however, it seems unreasonable to expect that such "perfect" information would be available across the vast spectrum of Government procurements. Such scenarios also beg the question as to the predictive qualities of PPI with regard to future contract success. Consequently, there are a plethora of issues surrounding the mandatory inclusion of past performance as a factor in the source selection process. The following is a discussion of some of the more prevalent issues with a corresponding "answer" provided via existing mandatory or discretionary guidance. The methodology for identifying a topic as an issue was primarily based on a review of the guidance provided by OFPP and the FAR,

interviews, informal classroom and personal discussions, and various written opinions. The issues cited can generally be attributed to any number of sources, including the researcher.

B. INFORMATION RELEVANCE

Before unconditionally accepting the notion that past performance information, in the broad sense, is an appropriate indicator of a contractor's ability to successfully complete the requirements of a particular contract, it is necessary to establish its relevance. Comprising this issue are the subsidiary concepts of PPI as a valid predictor and its appropriate application.

1. Predictive Validity

The question has to be asked: "Who says past performance is a such a good predictor of future contract performance?" It should not necessarily be taken for granted that past performance is an effective measure of a contractor's ability to perform in the future. As contracting professionals we should not simply accept new policies without trying to understand or challenge their validity. [Ref. 8] To examine and resolve this issue a common analogy, a litigation result, and the sentiments of numerous leaders are cited.

a. Performance Appraisals

It may be difficult to argue with the concept of past performance assessment as a common basis for reward in our society. Performance evaluations are routinely produced throughout industry and the military in order to document a person's ability to comply with the terms of employment. Such evaluations are also used to reward employees, often times competitively, with promotions, transfers, cash, and the like. It also makes good business

sense to afford those with a record of superior past performance an opportunity to continue in that evaluated capacity, or one of similar or increased responsibility, so that the positive results can be reaped again. Similarly, and sometimes consequently, poorly evaluated employees should not be rewarded nor should they be given the opportunity to continue performing to the detriment of the employer. Although the positive aspects of this analogy could translate well to the Government's use of PPI via the contract award/reward features, so could the negative aspects. Performance evaluations are often inflated or may include non-descriptive or non-distinctive "cookie cutter" comments. There are also biases with regard to favoring certain employees over others, or citing only favorable instances or the most recent instances vice trends of performance. Additionally new employees are sometimes at a disadvantage comparatively, as rankings often favor more senior employees. All of the aforementioned negative aspects can of course affect the predictive validity of PPI. [Ref. 9] But just as employee evaluations are not prepared without well-intentioned guidance, past performance evaluations and evaluation procedures are guided by regulations and recommendations which are discussed below. [Ref. 1:Subpart 42.15; 15.6][Ref. 3]

b. Comptroller General

In a relatively recent case, May 1996, the Comptroller General of the United States helped validate the use of past performance in the source selection process. A protest which sought to stop the award of a hotel services contract, on the grounds that past performance was used in the competitive negotiation vice price alone, was denied. The protester contended that because sealed bids were used previously, where price alone was considered, including past performance in the source selection in question provided the

incumbent with an unfair advantage; especially since past performance was weighted more heavily than price. In short the Comptroller General thought that it was reasonable for the contracting officer to assume that there was a correlation between the quality of service that could be expected from the offerors and the offerors' past performance. [Ref. 10] This decision effectively validates the notion that past performance is of value in the source selection process, at least as much as price. It also serves to set a precedent for contracting officers who would likely worry about assigning a significant weighting to the past performance factor.

c. Leadership Validation

Although not the first to acknowledge the importance of past performance in the source selection process, the President of the United States included the topic as one of a series of measures designed to "ensure effective and efficient spending of public funds." [Ref. 5] This acknowledgment was consistent with the recommendations of the Vice President's National Performance Review which sparked a maelstrom of Federal procurement reform initiatives. The Executive Office of the President, that is the Office of Management and Budget (OMB), actually established the importance of past performance much earlier by stating that it was a "key indicator for predicting future performance." [Ref. 2]

Leaders in the private sector also advocate the use of past performance in source selections. Norm Augustine, Chief Executive Officer (CEO) of Lockheed Martin International Corporation and arguably the Commander in Chief of the defense industry, believes that the commercial practice of "placing great credence in a supplier's past

performance" is an essential element of successful acquisition reform. [Ref. 11] In support of this contention is the following partial list of companies used as benchmarks to model the DOD's past performance evaluation systems: Black and Decker Corporation, Boeing Defense and Space Group, Ford Motor Company, McDonnell Douglas Corporation, Mobil Corporation, and Rockwell Defense Electronics. [Ref. 6:p. 26] These companies have come to the realization that past performance is an important factor in selecting suppliers, especially given that materials purchased account for approximately 40% to 60% of sales. [Ref. 6:p. 5]

2. Information Source Applicability

Making the assumption that a collection of PPI is accurate is another part of the overall relevance determination. This same information might be unmatched to the target organization or contract. The past performance of a particular division within a company may not be suitably applied to the evaluation of an entire organization. Likewise, key personnel are often transferred as companies are merged and dissolved on a frequent basis. This complicates the ideal situation that would allow data to be collected about the same people, the same factory, the same division, etc. who performed the identical processes in the past. Ideal information may not be available from the contracting officer's perspective, but may be provided as such by an offeror. Conversely, the contracting officer may wish to cite instances of poor performance from a particular division, subsidiary, or factory, while the contractor prefers a corporate evaluation. The evaluator must place an emphasis on selecting the appropriate source of PPI.

The past performance of key management and operating personnel should be looked at as an indicator of how well the contract might be performed. This is also important with

regard to new entrants as this may be a method of evaluating the risk involved with selecting a company with no relevant experience. [Ref. 3:p.14] With regard to corporate versus divisional performance, an agency must determine the degree of control that a parent organization has or will exert over the affiliate.

> If a parent organization has an excellent or poor performance record and the affiliate is going to be closely controlled and managed by the parent, then the agency *should consider* the parent organization's performance record in making the performance decision. [Ref. 3:p.16]

C. EVALUATIONS

It is fairly simple to say that a contractor's performance will be evaluated after each contract and that the information may determine the award of future contracts. This inherently creates the need for some type of document or collection of data that can be utilized by contracting organizations to make critical, and perhaps expensive, source selection decisions. Information contained in such evaluation documents or data sets must be accurate and complete, reflecting the results of some fair process that is truly indicative of a contractor's ability to perform for the Government in the future. Thus are created many of the questions surrounding the actual evaluation.

1. Tailored Versus Prescribed Format

The heart of the issue is whether there should be a prescribed or universal evaluation format versus one tailored to the individual department, service, command or even the individual contract. The primary advantage of having a standardized version is that data can be readily applied to a common form for ease of extraction and comparison. This is especially important when utilizing automated data processing systems, discussed in Section D below,

as data fields need to be transferred from one system to another. The main problem with using a standard format is that the collector or evaluator is forced to make whatever variety of data fit the mold or template that is provided. To apply an evaluation format standard across the multitude of commodities and procurement actions in which the Federal Government, or even the DOD, engages is likely to produce distortions and ambiguities. Likewise the standard evaluation would have to incorporate a sufficient number of evaluation subfactors so that an accurate "picture" of a contractor's performance is produced. These issues suggest that a tailored approach might produce more accurate information. The caution here is that the benefits received through the expeditious and efficient sharing of information among agencies would likely be decreased. Essentially a tradeoff exists between incorporating the optimum number and style of rating areas and rating criteria within a selected format, and the resources required to produce, archive, and collect the evaluations.

a. Rating Areas

Mandatory guidance on this issue provides that agencies are responsible for tailoring the evaluations to the size, content, and complexity of the contractual requirements. [Ref. 1:Subpart 42.1502] The FAR does not prescribe actual rating areas but does elaborate on what PPI includes; that is, standards of good workmanship (quality), the contractor's record of forecasting and controlling costs (cost control), adherence to contract schedules (timeliness), business relations, and customer satisfaction. The DOD's response to this was to prepare proposed DFARS language, see appendix A, that will establish a general format for evaluations consisting of five rating areas: quality, cost control, timeliness, business relations, and an overall assessment. All areas except business relations were to be considered

mandatory. [Ref. 12] Discretionary guidance from OFPP, which preceded the DFARS proposed language, recommended a system with all of the aforementioned areas but with customer satisfaction and key personnel as additional areas to be rated. In general it appears that cost, quality, and delivery/timeliness are common throughout both Government guidance and commercial practice. [Ref. 6:p. 29] Given that selecting the rating areas for an evaluation is currently up to the discretion of the agency, the question turns to how any coordinated approach to establishing a uniform or at least compatible format is possible. Likewise the number and style of rating criteria are called into question.

b. Scoring Criteria

This issue relates to the same decision that source selection officials need to make regarding the rating criterion or scoring of the proposal in general. Provided that the method chosen is rational and can be supported by documentation, the adjectival, numerical, ranking, and color coding systems seem to be the major classifications. [Ref. 1:Supart 15.612] [Ref. 13:p.156] It is generally up to the discretion of the agency conducting the source selection to select the system best suited to the solicitation at hand. This is a problem as a case can usually be made for utilizing any scoring system over another. Different systems do not lend themselves well to sharing information via any type of automated data system. The number of gradations, the definition of adjectives or colors, and the number of offerors involved in the process could conceivably be different for each source selection. As previously mentioned, it is up to the agency to tailor the evaluation to the individual contract if desired, but without some form of specific guidance on how the rating areas should look, the problem of incompatibility will be perpetuated. The DOD response was to include a

specific scoring technique in the proposed DFARS language. Adjectival ratings were prescribed for use within each area: unsatisfactory, marginal, satisfactory, and excellent. [Ref. 12] Although the implementation of this proposed language is currently suspended [Ref. 14], the evaluation format prescribed is similar to that proposed by OFPP via its Contractor Performance Report (CPR). [Ref. 3:p. A3] OFPP also recommended a category of "excellent plus" to further distinguish superior past performance. Even if one considered these five specific rating criteria sufficient, the issue then turns to the definition of such adjectives. The proposed DFARS language for example indicated that within the area of quality, an excellent rating would indicate that there were "no quality problems." What constitutes a problem? It is unlikely that within a major weapon system acquisition covering potentially thousands of deliverables and processes, multiple subcontractors, and multiple years that a single quality problem could not have arisen. With smaller procurements of piece/parts or single commodities, this criterion, in its literal interpretation, could possibly be sustained. To reiterate, there is such a broad spectrum of procurements and acquisitions across the Federal Government and DOD that a prescriptive approach has many weaknesses.

2. Resources

A major consideration with regard to the latitude afforded contracting officers in the evaluation process involves the resources required to prepare, maintain, and share them. Additional direction, or at least a clear vision, is required in order to prevent organizations from wasting resources while designing individual solutions. [Ref. 15] If ten contracting shops come up with ten different formats utilizing different data base software and descriptive definitions, and a uniform system is prescribed later, the majority of the contracting

organizations would have to either change or terminate their existing programs. The labor associated with implementing a new system, changing the new system, and continuing the new system are all costs associated with the collection of PPI. This is representative of the larger issue of the tradeoff between the cost of collecting, maintaining, and disseminating PPI and the benefits received in terms of best value.

With the threshold of one million dollars, or even five hundred thousand dollars, it seems reasonable that some nominal amount of effort expended in the source selection process for competively negotiated procurements would be less costly than oversight and inspection after award. The problem is that one of the goals of policy implementation is to include past performance in negotiated procurements down to the one hundred thousand dollar level. Closely associated with that issue is the requirement that *all* contract actions over one hundred thousand dollars be evaluated. The one hundred thousand dollar threshold and the recommendation that negotiated procurements under that value *should* use PPI greatly increases the costs associated with what is now an amorphous system. Potentially adding to the resource problem of implementation without direction is the pending language of the DFARS that attempted to move up the one hundred thousand dollar milestones for preparing evaluations and utilizing PPI by one year and eighteen months respectively. [Ref. 12] A logical argument to the wasted resources contention is that through trial and error, a system that allows contracting officers easy access to PPI would result. This new system, according to the non-specific vision of OFPP, would simply require solicitations to ask offerors to provide a list of past contracts that they have performed on. This list would be screened against the system and all applicable evaluations would be produced. The need for

source selection boards to conduct extensive investigations/pre-award surveys and interviews may be eliminated or substantially reduced. [Ref. 3:p. 8-9] In general it seems that the unarticulated approach that is being taken is to expend resources now in an effort to produce a series of solutions that could be chosen from to produce the desired system. As a practical matter, it seems likely that organizations would be hesitant to commit short term resources for a long-term ambiguous goal.

3. Rebuttals

Assuming that a system of evaluating past performance could be implemented by Government sources, the issue turns to one of accuracy and fairness to the contractor being evaluated. Although it is incumbent upon contracting professionals to include accurate and unbiased information in an evaluation, it is understood that human nature does not completely lend itself to objective behavior. Emotions, misunderstandings, clerical errors, and political pressures could play a part in both the fair assessment of a contractor's past performance and the appropriate application of the evaluation. A mechanism is required to allow a contractor to question or validate the information presented.

The FAR provides that once the inputs are received and an evaluation is produced, both must be provided to the contractor in question for review or rebuttal. The contractor is allowed a minimum of thirty days to submit any remarks. If disagreement exists between the contracting officer and the contractor, and it cannot be resolved to either party's satisfaction, the issue must be reviewed one level above the contracting officer. Although the ultimate conclusion of performance evaluation will rest with the agency, *all* review comments, contractor responses, and the evaluation itself must be included in the evaluation package.

[Ref. 1:Subpart 42.1503] Again, the issues of uniformity and resource application are raised as the rebuttal process would necessarily involve comparisons, and potentially protests, of different evaluation formats, and the human labor required to facilitate such actions. Considering the number of sources of PPI available, and the requirement that each evaluation be provided to the contractor for rebuttal, the overall evaluation process could be stymied. Even if the process is ultimately streamlined so that "one stop shopping" for PPI is available, the thirty day minimum requirement for rebuttals could produce gaps of questionable instances of past performance that would have been considered by source selection officials. Contractors could intentionally stretch out the process to afford themselves an opportunity to successfully compete on another contract where the same "piece" of past performance would be heavily weighted. The tradeoff is fairness to the contractor versus process time.

4. Information Age

The basic issue is one of information pertinence and fairness. Given the frequency of corporate reorganizations, mergers, and acquisitions: should information obtained about an entity that performed poorly or superbly ten years ago be considered pertinent to the current acquisition? The situation that produced an incidence of poor performance ten years ago is likely to be much different than one that exists today. Personnel turnover, equipment modernization, process maturation, and regulatory streamlining could have produced a vastly different environment for the target contractor to perform. Information of such an age could also be entirely different with regard to format and validity than the requirements of the current solicitation, as controls such as the rebuttal process and a normative application of evaluation standards were not in effect. What is an appropriate limit on how old information

can be? The FAR provides that the evaluation and comments from both parties will be retained for future source selection purposes no longer than three years after contract completion. [Ref. 1:Subpart 42.1503] It is important to note that the FAR prescribes how long the information should be *retained* by Government sources vice a limit on how old information can actually be. In effect, source selection officials are not restricted from using information obtained from either commercial or Government sources that is older than three years. It should also be noted that the current FAR prescription is not consistent with the six year limit imposed by OFPP in 1992. [Ref. 2] Whatever the limit, it is conceivable that both contractors and source selection officials would prefer to provide or use information that best suits their needs. Information beyond the three year limit may be the only pertinent information available. A contractor would want older information to be used if a favorable trend had been established on older contracts but only a single instance of poor performance exists within the last three years.

D. AUTOMATED DATA PROCESSING SYSTEMS

In order to achieve the benefits of sharing past performance information among contracting activities and aid in the streamlining of the source selection process, a system or systems must be established to deal with the enormous amount of data that will be produced as a result of the contractor evaluation requirement. Automating the storage and retrieval of PPI in order to conduct a comparative analysis seems to be necessary. The "vision" expressed by OFPP implies a single system capable of producing, rather effortlessly, a summation of performance history based on the contractor's list of references and contract numbers. [Ref. 3:p. 8] Such a system does not seem possible without some automated data

processing features. Users of PPI currently have a variety of automated information sources available, which are discussed more fully in Chapter III. The systems offer a wide range of features under the umbrella classification of a past performance information system (PPIS). Whether the information is collected and stored locally, at a centralized data base, or a combination of both, the systems used to track, store, and disseminate PPI will be subject to the problems of differing formats, hardware and software incompatibility, user friendliness, validity of data, and the parochialism or "rice bowl" effect.

1. Format

As previously mentioned, the format of the evaluation is an important consideration when establishing an automated data base. It is not the issue of being able to "map" a particular section on one form to a different location on another, but rather an issue of definition. Once assigned by the programmer, data fields can easily be transferred from one data base to another, but the premise behind what the data mean to the evaluator could be lost or misinterpreted. This problem is exacerbated if the number and type of grading areas or scoring criteria are different. The whole issue could be negated, however, if a variety of standard formats tailored to program complexity, commodity, or similar criterion was recommended. Conceivably multiple formats could be used and transmitted precisely as they appeared to the evaluator. An electronic document exchange vice a data base field exchange could be more beneficial. Although the complexity of this proposition is currently the subject of much debate under the larger umbrella of Electronic Commerce/Electronic Data Interchange (EC/EDI), it could prove to be a compromise between the tailored and prescribed approaches.

Another option is to continue with the decentralized systems that exist today. The Navy would maintain its Red/Yellow/Green (RYG) and Product Deficiency Reporting and Evaluation (PDREP) Programs, the Air Force would maintain its Contractor Performance Assessment Reporting System (CPARS), and the Defense Logistics Agency (DLA) would continue with its Automated Best Value Model (ABVM) system. [Ref. 6:p. 4] Although there are many common features to each system, it may be acceptable to simply continue with multiple sources of information.

2. Compatibility

This compatibility issue essentially involves the ability of the respective computers to "talk" to each other effectively. This assumes that there would be a need for this to occur given a future where past performance continues to receive its current level of attention. Pursuant to such an environment, those who wish to comply with current regulations need to choose an appropriate method that would maximize compatibility among systems. Selecting the "right" software and ensuring that adequate personnel are trained on how to utilize and configure the software are important aspects of the method. Discerning the current software trends in the DOD and the Federal Government are also important so as not to waste resources or commit to a direction that no one else is taking.

One of the most prevalent issues concerning compatibility of data bases is the use of "open architecture" systems. These systems facilitate the smooth transfer of information from one data base to another regardless of the software used. Further, establishing an "intuitive desktop tool designed for decision makers to access vital information needed from multiple data bases" seems to fit the current environment of multiple PPIS. [Ref. 16]

Existing systems such as ABVM and PDREP are either using or upgrading to ORACLE data bases and a UNIX operating system. Although minor technical problems must be addressed, these systems should be able to readily share PPI. [Ref.17] This process is in compliance with the limited FAR guidance that requires that information can, and shall be, shared between agencies and departments when requested to support future award decisions. [Ref. 1:Subpart 42.1503]

3. Validity of Data Bases

Although the issue of data base validity has been alluded to previously, it is relevant when one is talking about machines handling and interpreting information. Are adequate safeguards in place to ensure that all data entered into the data bases have been reviewed and rebutted? Is supporting documentation available within the system to substantiate the ratings given to a particular contractor? These issues and the very basic one of whether the data entered into the system were accurate in the first place might tend to create apprehensions among users. Although the FAR gives general guidance with regard to ensuring the proper review and rebuttal of evaluations, it does not address how to specifically deal with the multitude of evaluations that will be produced and stored within automated systems. [Ref. 1:Subpart 42.1503] It is reasonable to assume that problems could arise.

The administrators of the PDREP/RYG systems, the Navy Material Quality Assessment Office (NMQAO), have indicated that validity is a serious issue at this time. Before attempting to share data with the ABVM system, they conducted validity checks of randomly selected vendor profiles. Data verification letters were sent to the commands and vendors indicated in the ABVM data base as originating the evaluation. It was determined

that nearly twenty percent of the records selected contained inaccurate information. Whether it was erroneous delivery dates or different assessments of quality, the data were in error. The PDREP data base on the other hand experienced fewer problems in this area. Of the ten percent of evaluations that have been historically challenged, only one half of one percent ever require alteration. [Ref. 17] There are potential flaws despite this validation system.

Interpretation of what is to be considered a defective vice an acceptable lot has raised some criticism of the PDREP system by one of its users at PNSY. The Nuclear Procurement Quality Control Office has questioned the appropriate use of the defective lot concept. A pipe which received damage due to mishandling in transit may in fact only have a slight imperfection at one end while the significant remainder is fit for use. The user and the inspector would simply remove the imperfection, use the rest of the pipe, and consider the lot to be acceptable. But due to the relative inflexibility of the RYG/PDREP system and its recognition of lots versus units per lot would record the lot in question as defective in the respective vendor's profile. [Ref. 18]

4. Parochialism

It seems likely that in the absence of a clear policy with regard to establishing a single or compatible systems, that there would be independent directions followed and independent agendas formed. The recent popularity of the past performance issue gives rise to competing technologies and ideologies among Government organizations, much the same as profit making opportunities gives rise to private sector competitors. Further, public sector organizations need to create something distinctive and unique about their organization or risk having their function privatized. [Ref. 19:p. 78] These pressures combined with the genuine

desire to improve, innovate, and create motivate many of the players involved with the PPIS issue. Traditional inter-service rivalry is also a factor when one addresses the issues of system commonality and redundancy. If a comprehensive policy delineating the establishment of a single system or multiple systems working in concert is ever realized, "rice bowls" will be affected. Which system will be adopted as the standard? Which system or systems will be deemed redundant given a common evaluation format? To what degree could the systems be privatized? These questions do not have simple answers. It is the researcher's opinion that the PDREP/RYG and ABVM systems are potential competitors for the selection of a single system, given their similarities, and lead to the discussion of the centralized versus decentralized issue.

5. Centralized versus Decentralized

In addition to the issues addressed under the format categories, the centralized versus decentralized argument essentially revolves around the control consideration. Should PPIS be controlled by a singular regulatory or management body? Given the incredible diversity of procurements and acquisitions that the Federal Government and DOD engages in, it is unlikely that all of the concerns and requirements of each agency could be fairly addressed by one body.

E. REFERENCES

Another primary source of past performance information is references from other Federal Government agencies, state and local agencies, and commercial entities. Contractors can be required to submit a list of references from organizations for whom they have provided a similar product or service. In addition, contractors can provide information regarding any

problems encountered on the identified contracts and the corrective action taken. [Ref. 1:Subpart 15.608] General considerations of the discretionary guidance recommend soliciting references early in the proposal evaluation process from a reasonable number of sources (at least two), with the preferred method being by phone. A well organized and efficient questionnaire should be prepared and sent in advance to the interviewee. [Ref. 3:p. 27-30] Although it sounds simple to request and receive a reasonable number of references from a contractor and conduct the interviews, receive the inputs, and make the assessment as to how well they performed, a variety of issues should be addressed prior to incorporating references into the source selection process. The problems of "cherry picking," information age, optimal method, Government vs. commercial, format, and rebuttals are just a few.

1. "Cherry Picking"

The "cherry picking" issue relates to the practice of contractors selecting only those contracts that they know would be considered favorably by the Government. This practice would distort the evaluation process and could potentially displace a more qualified offeror. Although the solicitation could specifically state that *all* contracts of a similar nature are to be listed, the contractor could genuinely exclude contracts from the list because of a difference of interpretation. A check on the credibility of the contractor could be obtained through the use of PPIS reports listing all the contracts that have been performed by the contractor within the same Federal Supply Class (FSC). This process could also be subject to gaps in time pending full compliance with the evaluation preparation requirements. Another method of checking the contractual history of a contractor could involve accessing the Performance Management Reporting System (PMRS), managed by the Naval Supply

Systems Command (NAVSUP), or the Mechanization of Contract Administrative Services (MOCAS) managed by the Defense Logistics Agency (DLA). Both systems accumulate a tremendous amount of descriptive contract information. [Ref. 17] In the end however, it will likely be an act of trust that dictates the value placed on the references received.

2. Information Age

While the limit on retaining past performance evaluations is three years, the limit on maintaining references is not specifically addressed. If a reference is not incorporated into a PPIS, then there is no reason to limit the solicitation of, or retention of, reference information to any length of time. [Ref. 1:Subpart 42] This could lead to problems with regard to trends versus isolated incidents of poor or superior past performance. Source selection officials could specify the maximum age of contracts for which references are being sought, but this may lead to the exclusion of the only past performance information available from a contractor. This would make the contractor appear to have no past performance in the targeted area and creates the other problem of comparing those with and without experience. The discretion of the contracting officer would have to be applied in this case.

3. Optimal Method

There are a variety of methods by which a past performance reference can be obtained. Once the appropriate list of references is obtained, a questionnaire could be faxed, mailed, or E-mailed to the source, or interviews could be conducted either face-to-face or over the phone. Of these methods, telephone interviews are probably the most cost effective and practical. One reason for this is that regardless of how the questionnaire is originally sent to the source, a phone interview is often required to clarify comments. This is especially true

if a particular reference was a significant departure from the others. [Ref. 3:p. 28-29] It is also reasonable to assume that the person completing the reference would be more thorough if being questioned vice simply pushing an additional piece of paper around a busy desk.

One of the main reasons why the method is an issue is that resources must be used to solicit, receive, interpret, and apply the references. Further, unless the references/evaluations are solicited at the time of contract completion and placed into a PPIS, the source selection official runs the risk of getting invalid or ambiguous information as memories and employee turnovers degrade the quality of the reference. If the use of reference information is to help streamline the process, then it should be considered for some sort of automation.

4. Format

Once again the issue of format is raised as a possible impediment to efficiently collecting PPI. Using a standardized reference format would achieve the same benefits that a standardized evaluation form would, and would likewise decrease the flexibility that may be required for the "instant" contract. Using a standard format would also facilitate the reference's inclusion into a data base along with standard evaluations. This gives the future users of the PPI a larger pool of information to choose from and to analyze.

5. Commercial versus Government References

One of the primary concerns with accepting commercial evaluations is the fact that the source of the reference and the target of the reference could have been engaged in a buyer/seller relationship. That relationship may still exist and any derogatory information that could somehow be attributed to the commercial buyer, could adversely affect future

dealings. Another aspect of this is that due to the complicated nature of primary contractors (primes) and subcontractors (subs) in major systems procurements, a prime who contributes a reference that is highly critical of a former "sub" could be doing so to cast a shadow on the sub's performance, in order to win a competition in which they may be actively engaged. Source selection officials should be able to surmise such relationships and give credence as appropriate.

6. Rebuttals

As mentioned in the introduction to this section, contractors are to be provided an opportunity to submit amplifying information along with their list of references. They are not however, technically afforded the right to dispute the reference once submitted. Unless the reference is provided by a Government agency, vice a commercial source, and could be described as an evaluation, it would not necessarily receive the same review process. A check to this is that if the information were to be placed into a PPIS, it would be exposed to the rebuttal process. (Assuming the proposed DFARS language is adopted) [Ref. 12] This issue could also be resolved if the solicitation clearly established a review process for *all* PPI. [Ref. 3:p. 22]

F. SOLICITATION AND SOURCE SELECTION

As is the case with any factor or scoring methodology used in the source selection process, the use of past performance must be clearly delineated in the solicitation and then applied as described. Additionally, the factors and subfactors must be tailored to each acquisition and must have an impact on the source selection decision. [Ref. 1:Subpart 15.605] The key to the use of past performance is the establishment of a clear relationship between

the statement of work (SOW) in Section L of the solicitation, and the evaluation criteria in Section M. These sections should also be clear with regard to what PPI will be evaluated and how it will be weighted. [Ref. 3:p. 19] In general, the contracting activity needs to be as explicit as possible about what information is required and how past performance will be evaluated in order to be fair to all offerors and to avoid protests. A case in point is a protest that the Comptroller General sustained after it was determined that the source selection officials unreasonably selected one offeror over another based on flawed past performance measurement and comparison. Specifically, they determined that the Defense Reutilization and Marketing Service (DRMS) imposed a forty nine percent price premium on the unsuccessful offeror due to a lack of experience. This premium was deemed to be excessive based on the articulated past performance evaluation criteria. [Ref. 20]

Another major issue that would force source selection officials to take great care in crafting the solicitation is the "new entrant" treatment. Essentially this involves the evaluation of contractors who have no relevant past performance. The FAR simply indicates that offerors with no past performance information will be given a neutral evaluation in that category. [Ref. 1:Subpart 15.608] This is vague considering the different methods of scoring or rating proposals. OFPP offered a method that involved creating an average of all other offerors who do have documented past performance, and applying that average to the offeror in question. [Ref. 3] Is this fair to the contractor who has no past performance but who might have superior technical and cost proposals? Another aspect of fairness is that of the offerors who fell below the average. The "new entrant" obtained an advantage over them without having any past performance evaluation. Another method of dealing with this issue is to

eliminate past performance as a factor from the applicable contractor. The average of all the other factors would then be used to calculate an overall evaluation grade. This could lead to problems if colors or adjectives were used as they cannot easily be manipulated like numerical scores. Even numerical methods could cause problems if the overall assessment was based on a total point scheme. It can be seen from these examples that the "new entrant" problem is difficult to address in the solicitation, and is probably more difficult to support during the source selection.

Specific guidance on how to compose the necessary language in the solicitation is provided via a variety of sources. The OFPP Best Practices Guide [Ref. 3], incorporates several samples of Section L and M remarks, and the Navy Acquisition Reform Turbo Streamliner Web site [Ref. 21] lists a variety of actual examples of the language that have proven successful.

G. CONCLUSION

The variety of issues listed in this chapter illustrates the many potential problems that could negatively impact the successful implementation of the past performance policy. In general, the researcher feels that more direction is needed with regard to the overall vision of past performance policy. Prescriptions to the degree contained in the proposed DFARS language do not provide such direction and may actually contribute to the contentiousness of the issue.

III. TOOLS

A. INTRODUCTION

The regulatory, statutory, and best practices guidance discussed thus far are essentially intangible means to achieve the positive ends purported by the past performance "movement". When it comes down to preparing the evaluations and utilizing all the past performance information available however, physical systems or programs need to be in place, or developed, to aid in the practical application of the guidance. There are currently several such programs/systems that are available to help contracting officials collect, archive, distribute, and utilize past performance information. In addition to the commodity type tracking systems mentioned in Chapter II, R/Y/G and ABVM, there are also systems that provide appraisal information, contract administration information, and quality certifications. Depending on how one defines a PPIS, there are at least thirty five systems currently in use throughout the DOD. Not all of these systems will have an application to PNSY but are listed for the reader in Appendix B. [Ref. 6:p. A-2] The purpose of this chapter is to identify and briefly describe the variety of past performance information systems that currently exist. The primary focus will be on those systems that have the most relevance to PNSY; and these will be described in more detail. Additionally, future PPIS are listed as they appear to be promising .

B. PRODUCT DEFICIENCY REPORTING AND EVALUATION PROGRAM

The Product Deficiency Reporting and Evaluation Program (PDREP) is a Navy-wide automated system that which tracks the product/material quality of items provided by the

supplying contractor. [Ref. 22] Managed by the Navy Material Quality Assessment Office (NMQAO) in Portsmouth NH, PDREP is intended to provide a more effective use of quality assurance and delivery information by combining source data from all Navy System Commanders (SYSCOMS) into a single system. Additionally, it is intended to improve the reliability and maintainability of purchased material, thereby assisting Navy personnel in making a more objective award decision/determination. [Ref. 23] Users may access PDREP products via software applications, installed on their personal computers or office servers, and a modem link to NMQAO.

1. Reports (The "Product")

The PDREP system contains relevant contractor evaluation data, deficiency reports on new and reworked material, and general contract information for Naval material. The system also contains information about Government owned products under development, Government lot acceptance tests, rework assessment tests, test products, and Government furnished equipment. [Ref. 23:p.1-3] In general, the reports can be classified into three types; ad-hoc, pre-formatted/canned, and graphical representations. [Ref. 23:p. 1-9] This feature, combined with the variety of qualifiers/parameters by which data may be extracted, provides flexibility to the user and permits a tailored approach to PPI gathering. The specific types of PPI that can be extracted from PDREP include [Ref. 22]:

- Summary profile of Contractor Past Performance by Commercial and Government Entity (CAGE) Code. Parameters include date ranges and Federal Supply Class (FSC)
- Defect rate by National Stock Number (NSN). Parameters include date ranges, rejected attributes, contractor name, and contract number

- Defect rate by specification. Parameters include sorting by NSN, contractor name, contract number, and date range

- Detailed descriptions of deficiencies reported by Navy users. Parameters include sorting by part number, NSN, CAGE, date range, end item type, and Equipment Identification Code (EIC)

- Lists of Approved Engineering Alternatives for Level I, Sub-safe materials

- Alternate Sources of Supply/Diminishing Manufacturing Sources. Parameters include a listing of manufacturers who have previous experience producing similar items, and summary listings of contractor and FSC past performance ratings used in the R/Y/G Program

- Cross reference lists between contractor name/location and CAGE code. Parameters include phone numbers and mailing addresses

- Listing of suspended or debarred contractors

- Contractor survey information by CAGE code which provides a summary listing of deficient areas

2. Sources of Information

The PDREP system collects, maintains, and distributes data collected from commands within each of the SYSCOMS. Source documents/inputs include Material Inspection Records (MIR), Quality Deficiency Reports (QDR), Contractor Surveys (preaward, product, special), Test Reports, Special Quality Data, and Waivers/Deviations. [Ref. 23:p. 1-8] Additional inputs are provided in the form of Contract Delivery Data, Government-Industry Data Exchange Program (GIDEP) information, CAGE updates, Corrective Action Requests, and Bulletins. [Ref. 6] All of the aforementioned source documents are required to be validated, via contractor challenge, by the submitting command. Contractors are also afforded an opportunity to challenge their overall

classifications within the system as summary listings are provided to them regularly. The following statistics provide an indication of the breadth and depth of information contained within PDREP [Ref. 6]:

- 7500 electronic reports received on average each month
- 750 hard copy reports received on average each month
- 700,000 CAGE records on file
- 11,000 active contractor files
- 541 FSCs represented
- 50,000 Product Quality Deficiency Reports (PQDRs)
- 400,000 MIRs
- 32,000 R/Y/G classifications
- 2,000 classification changes per month

It should be noted that the PDREP data base continues to expand as more and more commands submit data. Such contributions are necessary to prevent a cycle of disappointment and non-participation as users try to obtain information about a specific contractor via PDREP, only to find out that the target contractor is not yet listed. Also as mentioned in the previous chapter, the possible combination or sharing of data between the PDREP and ABVM data bases would greatly increase the number of contractor records available. [Ref. 17] The use of a distributed data base system, such as the Open Architecture Retrieval System (OARS) and the Oracle 7 data base could also provide for information sharing among any number of existing and future data bases. [Ref. 24]

C. RED/YELLOW/GREEN

The R/Y/G Program is a performance tracking system established to help reduce the risk of receiving nonconforming products and late shipments. [Ref. 25] Primarily designed for purchases below the Simplified Acquisition Threshold (SAT) of one hundred thousand dollars, R/Y/G utilizes the PDREP electronic data base that assigns a color performance risk classification to represented contractors. It assists buyers in making best value, low risk awards vice "low cost", high risk awards, and utilizes the following designations: red represents high performance risk, yellow is moderate risk, and green is low risk. There is also a neutral category for those contractors who do not have a record of past performance within the requested FSC. Utilizing software resident within the PDREP package, buyers query the system for classifications on a particular contractor within an FSC. These classifications, which are updated continuously and downloaded monthly, are presented to the buyer via tailorable reports. Two methodologies are currently employed by the system to utilize these classifications in making best value decisions: the Technical Evaluation Adjustment (TEA) and the Greatest Value/Best Buy. [Ref. 25]

1. Technical Evaluation Adjustment

In addition to the color classifications, the system provides a relatively simple mechanism for comparing proposals or offers by assigning a price adjustment factor, the TEA, to account for any oversight costs to the Government. This oversight would be necessary to reduce the risk of receiving non-conforming products or late deliveries and is based on the contractor's past performance. Once the price adjustment factor is determined, it is applied to a Red or Yellow offeror's price in an effort to provide a more realistic estimate

of the true cost to the Government. This may have the effect of displacing the low cost offeror behind one with a higher price. [Ref. 6:p. 17]

2. Greatest Value/Best Buy

This method is used primarily in large purchases where the differences in the offerors' prices may render the TEAs ineffective. [Ref. 25] It is essentially a means by which the color classification is used in conjunction with cost/price or other source selection factors as an additional discriminator; that is, performance risk. At a minimum it could be used as a "flag" to detect potential performance risk problems that would require further investigation.

3. Applicability

The PNSY Contracting Division currently uses the R/Y/G system in its Small Purchases Branch. [Ref. 7] All Navy Field Contracting Activities (NFCA) are required to check the R/Y/G system for classifications on each offeror. This information, if available, must then be used to evaluate past performance. [Ref. 26] Although PNSY Contracting Division is not currently considered an NFCA, it did formerly fall under the Naval Supply Systems Command (NAVSUP) claimancy for contracting functions. This may account for their inclusion of the R/Y/G system in their standard operating procedures. [Ref. 27] [Ref. 7] Currently the contracting organization at PNSY falls within the Naval Sea Systems Command (NAVSEA) who does not require the use of R/Y/G specifically.

D. AUTOMATED BEST VALUE MODEL (ABVM)

ABVM is a Defense Logistics Agency (DLA) system that provides buyers with a best value procurement technique similar to that of the R/Y/G system. It covers specific equipment and supplies by FSC or other specification, and reports on the quality and delivery

performance of the vendor. [Ref. 22] ABVM analyzes an offeror's historical quality and delivery performance over a specified time period, and translates that performance into a *numerical* score that can be considered along with price. [Ref. 28] Buyers can then make a trade-off decision between the offeror with the lowest price and the offeror with a higher price and a better past performance score.

ABVM is a module of the DLA Pre-Award Contracting System (DPACS) that is used at DLA centers to automate the solicitation and award processes. DPACS is also a migration system, along with MOCAS, to the Standard Procurement System (SPS) which is currently being tested throughout DOD. [Ref. 29]

ABVM's applicability to PNSY will most likely be realized via its shared data with the PDREP and R/Y/G systems. Although no formal plans seem to be in place to somehow merge the two data bases [Ref. 30], it is reasonable to expect some form of compatible system given their similarities. The similar nature of the past performance information being stored, and the comparison methodologies employed from these systems should permit an expansion of the overall data base resource. ABVM will also be converting to an Oracle 7 data base that will aid in the compatibility and ease of use areas.

E. COMMERCIAL SERVICES

Although not specifically addressed in the current guidance, commercial services are available to provide PPI on prospective awardees. Dunn & Bradstreet Inc. offers a Supplier Performance Review that provides an assessment of how well a company performs as a supplier, based on the solicited evaluations or references from former customers. The ratings provided are broken down into eight categories; overall rating, timeliness, problem

responsiveness, quality, total cost, technical support, delivery quantities, and supplier attitude. The scoring or rating method used is on a 5.0 performance scale where a five indicates that a supplier does not meet performance expectations and a one indicates that the supplier exceeded expectations. These ratings are presented both numerically and graphically by category. A comparison is also provided between the vendor's individual score and an average of all vendors in the same Standard Industrial Classification (SIC). Finally an individual listing of how each customer rated the vendor is provided with their applicable SIC. [Ref. 31]

This service could have great application to organizations that do not have the volume of competitively negotiated procurements that could justify establishing a formal system of contractor past performance evaluation. It could also be utilized as an added source of PPI or as a validation of information already received from Government sources. The cost of the service is based on the extent of information required and could be weighed against the internal labor costs that would be required to obtain the information by other means. The FAR does not specifically address the issue of using commercial data bases but users should understand that the validity of the PPI in this or any system should be considered prior to use.

F. GOVERNMENT INDUSTRY DATA EXCHANGE PROGRAM

The Government-Industry Data Exchange Program (GIDEP) is an interactive electronic network used for the collection, storage, retrieval, and exchange of product technical data. As the name implies it involves inputs from and outputs to both Government and industry. Users generally incorporate the information into the research, design,

development, production, operation, and quality assurance aspects of equipment or systems. The overall purpose of this Government funded system is to realize cost savings and improve quality and reliability of complex systems and equipment. [Ref. 32]

The types of information that can be extracted include: engineering data, failure experience, metrology, reliability/maintainability, product information, and urgent data requests. The engineering data contains a variety of information but the most applicable to the past performance concept are the quality assessments and the evaluation and qualification test reports. The system also contains information on failure rates, replacement rates, demonstration tests, and prediction reports. [Ref. 32]

The main application of this system at PNSY is either the PDREP system, which receives inputs from GIDEP, or through direct access by procurement quality control personnel or engineers. Since many of the procurements at PNSY involve quality assurance issues, as it is a nuclear submarine repair facility, GIDEP could provide another means of obtaining quality information on a particular vendor.

G. LOCAL TOOLS

Although not necessarily developed for the express purpose of serving as a PPI, there are several "systems" in place at PNSY that could provide past performance data. These systems, also addressed in the next chapter, are legitimate sources of information and should be recognized as tools in the same sense as formal PPIS. Contract Completion Records are filled out by both the customer and the buyer and are placed in the contract file for future reference. The records include a general assessment of the overall quality and delivery performance of a contractor for a given contract. The rating criteria for the assessment

involve a simple yes or no answer to a quality and delivery satisfaction question. There is also a small area for general remarks that could include additional details. [Ref. 33] It should be noted that contract files in general can provide significant past performance data in cases where PNSY has contracted with the target offeror in the past. This source seems to be taken for granted in the current guidance.

Contracting Officer's Technical Representative (COTR) reports are produced annually and contain textual descriptions of contractor performance on a given contract. [Ref. 34] This report is more of a first hand assessment of how the contractor is doing while performance is ongoing vice completed. Quality is addressed as are specific elements of contract conformance and schedule adherence. [Ref. 35]

Data bases are also being maintained by several organizations within PNSY. The Material Management System (MMS) is the shipyard's system for tracking material requirements against specific work orders, equipment, shops, boats, etc. Included in the data base is the background or "boiler plate" information concerning materials procured from particular contractors. Material receipt inspection information is also included and can be accessed by buyers, contracting officers, or procurement quality control specialists (both nuclear and non-nuclear). [Ref. 36][Ref. 7]

Other local sources of PPI include the data bases and vendor files maintained individually by the nuclear and non-nuclear procurement quality control personnel. Whether automated or manual, information such as Material Inspection Records (MIR), Quality Deficiency Reports (QDR), vendor lists, testing results, contractor alert lists, and suspended or debarred lists, is stored and used in the technical referral process. [Ref. 18]

H. CONTRACTOR PERFORMANCE ASSESSMENT REPORTING SYSTEM

The Contractor Performance Assessment Reporting System (CPARS) is an Air Force system that tracks contractor past performance for major acquisition programs above five million dollars. [Ref. 22] The system uses qualitative and quantitative measures in an effort to compare what the contractor promised to what was actually delivered. [Ref. 37] It is a manual system kept in files at Air Force Product Centers, and was designed for a low volume of transactions with extensive performance measurement categories. [Ref. 22]

Each report includes a description of the program, a statement describing the contractor's effort, a narrative describing the contractor's performance, and a color rating for each evaluation category/area. Some of the categories include: product/system performance, schedule adherence, cost performance, product assurance, test and evaluation, the ILS program, management responsiveness, and subcontract management. The color ratings consist of red, yellow, green, and blue. [Ref. 22] In addition to the detailed narratives and summary classifications, a summary statement from the program manager is required at the end of every report and should read as follows [Ref. 37]:

> Given what I know today about the contractor's ability to execute what he promised in his proposal I (definitely would not, probably would not, might or might not, probably would or definitely would) award to him today given that I had a choice.

This is a powerful statement for a contracting officer to place into an evaluation. It essentially gives a subjective synopsis of the impression left with the contracting officer. Although the CPARS system does not generally apply to contracting activities such as PNSY, it is being

expanded to small systems, services, science and technology, and operational contracting. Steps are also being taken to automate the information processes.

I. FUTURE SYSTEMS

Given the attention currently being paid to the past performance issue, it is not surprising that a variety of new systems are being developed to conform with current policy and to provide more efficient means of utilizing PPI. The following are a few of the systems that appear to have promise:

- Contractor Past Performance Rating System (Army Material Command)
- Vendor Rating System (Air Force Material Command)
- Automated Past Performance System (US Army Contracting Support Agency)
- Contractor Information Service (Defense Logistics Agency)
- Contractor Profile System (Defense Logistics Agency)
- Standard Procurement System (DOD)

CHAPTER IV. THE ENVIRONMENT

A. INTRODUCTION

Implementing the Federal Government's past performance policies requires an analysis of not only the general issues surrounding the policies and the tools available, but of the particular environment in which the PNSY Contracting Division operates. The environment includes the contracting business areas, organizational relationships, and resources. This chapter analyzes the major issues and systems discussed in Chapters II and III in the context of PNSY's environment.

B. CONTRACTING BUSINESS

The Portsmouth Naval Shipyard's primary business is repairing the fleet's nuclear attack submarines. PNSY is one of the most modern shipyards available to the U.S. Navy and operates a state of the art drydocking facility. Repairs can be effected via overhauls and availabilities at the shipyard, or via "fly away" crews that travel to submarine home ports such as Norfolk, VA and San Diego, CA. The mission of PNSY is to:

> Provide quality overhaul, refueling, modernization, and repair of nuclear submarines and related products and services in a safe, timely, and cost effective manner.

In support of this mission, the Contracting Division provides purchasing and contracting services for the Shipyard. Although the Shipyard is the primary customer, the Contracting Division provides support for a multitude of customers including: submarines at the shipyard, repair shops, the Supply Department, the Naval Medical Clinic, the Defense Marketing and

Reutilization Office (DRMO), NISE West, NISE East, SUBMEPP, NAVSEA, SPCC, and SPAWAR.

Given the number of different customers, the Contracting Division has gained procurement experience in a broad spectrum of supplies and services. Experience ranges from marine equipment, construction materials, and fiber optic components to social services, lodging, and education and training services. (Appendix C provides a more complete listing) This diversity has an impact on the types of past performance information that will be utilized in the source selection process, and the types that will be evaluated on a recurring basis. Also impacting PNSY's utilization of PPI and evaluation of past performance is the volume of contract actions in general, and the number of competitively negotiated procurements specifically.

1. Contracting Business Profile

Fiscal years (FY) 1995 and 1996 contract completion data were used to analyze the volume of contract actions that could require an evaluation to be produced in future years, and also to determine the number of competitively negotiated procurements that could use past performance as a source selection factor. The source of the data was the summary listing of Individual Contracting Action Reports (DD Form 350). The DD Form 350 is required to be completed after every contract action, including Delivery Orders (DO), Task Orders (TO), and Modifications (Mods). Tables 1 and 2 below summarize the data for FY 1995 and 1996 respectively:

Contact Action Category	Volume	% Cat.	% Total
Total Contract Actions (Incl. mods, DOs,TOs)	355	100	100
Greater than $1,000,000	10	3	3
Greater than $500,000	29	8	8
Greater than $100,000	161	45	45
Less than $100,000	194	55	55
Total Modifications, Delivery/Task Orders	283	80	80
Total New Contract Actions	72	20	20
Greater than $1,000,000	2	3	.5
Greater than $500,000	6	8	1.6
Greater than $100,000	23	31	6.5
*Utilizing Competitive Negotiation	12	52	3.4
Less than $100,000	49	68	14
Total Simplified Acquisitions	6,545	N/A	N/A

Table 1. Contract Action Data for Fiscal Year 1995.

The column heading "% Cat." indicates the percentage that the contract action category represents within the larger category above it. For example, new contract actions represent 20% of the total number of contract actions performed, while competitively negotiated contract actions represent 52% of new contract actions greater than $100,000. The simplified acquisitions category is provided for comparative purposes and represents approximately 95% of all purchasing and contract action volume for both years. As a percent of total obligations, simplified acquisitions represent approximately 18% of purchasing and contract action volume.

Contract Action Category	Volume	% Cat.	% Total
Total Contract Actions (Incl. mods, DOs, Tos)	431	100	100
Greater than $1,000,000	14	3	3
Greater than $500,000	42	10	10
Greater than $100,000	208	48	48
Less than $100,000	223	52	52
Total Modifications, Delivery/Task Orders	355	82	82
Total New Contract Actions	76	18	18
Greater than $1,000,000	0	0	0
Greater than $500,000	3	4	.7
Greater than $100,000	30	40	7
* Utilizing Competitive Negotiation	14	47	3
Less than $100,000	46	53	11
Total Simplified Acquisitions	6862	N/A	N/A

Figure 2. Contract Action Data for Fiscal Year 1996.

In general, the data reveal that new contract actions make up a very small percentage of the total actions reported in FY 1995 and 1996 (20% and 18% respectively). The vast majority of contract actions, vice simplified acquisitions, is comprised of modifications, delivery orders, and task orders. Naturally all of these actions are based on the award of an original contract, but the use of multiple year contracts/options does not require the issuance of a new contract for the required product or service each year. This directly impacts the number of past performance evaluations that must be prepared. The other significant feature of the data is the small number of competitively negotiated procurements. This impacts the

requirement to utilize PPI in the source selection process. A review of the dollar threshold and milestone requirements of the FAR applicable to the two issues is provided in Table 3 below:

Contract Value	Prepare Evaluation	Utilize in S/S
> $1,000,000	1 July 1995	1 July 1995
> 500,000	1 July 1996	1 July 1997
> 100,000	1 Jan. 1998	1 Jan. 1999

Table 3. Evaluation Preparation and Utilization Requirements

2. Evaluation Preparation

If the average number of *new* contracts in the last two years is an indication of the total number of contract actions that would need to be evaluated in the future, then conforming to the regulation seems to be a fairly small task. Currently, PNSY Contracting Division would need to ensure that evaluations were prepared for "each contract" over $500,000 [Ref. 1:Subpart 42.1502]. The number of new contracts at this threshold averages just 4.5 per year. At the $100,000 threshold, it would average nearly 27 per year. Neither of these statistics would seem to cause much of a personnel drain. Even if evaluations were required for new contracts below $100,000, the number required would still only average 48 per year. The problem with this assessment however, is one of terminology interpretation. If "each contract" is alternatively interpreted to mean each new contract, each modified contract, each delivery order, and each task order which meets the threshold, then the task of preparing evaluations would grow enormously. The complication of determining whether

to evaluate the original contract, the DO/TO alone, or a combination also adds to the confusion. It seems reasonable to assume that the FAR language would apply to DOs/TOs in that specific products or services are being delivered just as they would for a new contract action. An interpretation of the FAR requirement to produce interim evaluations for contracts exceeding one year may also give weight to the DO/TO argument. [Ref. 1:Subpart 42.1502] A final consideration is that Contracting Officer's Representatives (CORs) are sometimes required to prepare evaluations for DOs/TOs. These could be used to satisfy the requirement of evaluation preparation provided that they contain adequate past performance measures (cost, quality, timeliness, etc.).

Complicating the evaluation preparation process, regardless of the volume, is the fact that the responsibility to prepare them is distributed among those who could actually provide meaningful input. The contracting officer who solicited the contract could be responsible overall, with "subordinate" players from technical offices, receipt and inspection branches, testing centers, and end user organizations. In order to obtain an accurate assessment of how well the contractor performed on a given contract, the inputs of all these participants in the process should be obtained. Obstacles to making this an easy process include the physical separation of functions, incompatibility of existing procedures, workload prioritization, and overall cognizance. In any case, human resources from the "technical office, contracting office, and where appropriate, end users", are required to prepare the evaluations. [Ref. 1:Subpart 42.1502] The interaction that would be required among these parties is another element that is directly influenced by the volume of contracts requiring evaluations. A system needs to be established that could effectively and efficiently "hand off" the evaluation

document between the parties; or one that incorporates separate inputs electronically or manually. Additionally, and perhaps most fundamentally, PNSY needs to adopt an evaluation format. A manual or electronic form needs to be established in order to conform with the mandatory guidance. Considering the variety of commodities and services that the Contracting Division procures, a single prescription may not be appropriate. Basic issues such as quality, cost, and timeliness seem to be accepted throughout Government, and should be evaluated, but customer service, and business relations may be too difficult to obtain or too subjective to include in all evaluations.

Regardless of how many evaluations need to be prepared, an opportunity for contractor review and rebuttal must be established. The evaluations could be mailed to each contractor, reviewed, rebutted, and then mailed back where they would be reviewed by the contracting officer. If the information is contested and cannot be resolved by the contracting officer, then the matter must be reviewed at one level higher than the contracting officer. Complicating the process is the fact that contractors have a minimum of thirty days to review and challenge the information. If the volume of contracts requiring evaluations is dependent on DOs and TOs, the preparation, mail, review, and final determination processes could create intolerable delays. A bulletin board system, similar to the method employed by ABVM, could be established in order to facilitate the evaluation process. Currently PNSY does not have a bulletin board system for this or other purposes, nor does it have a Web site.

Another issue closely associated with evaluation preparation, and also reference solicitation, is the sensitivity of information. Since evaluations and references are to be used in the source selection process, all such information should be marked "Source Selection

Information" and should not be disclosed to anyone other than the respective contractor and Government source selection officials who request it. [Ref. 1:Subpart 42.1503] If a bulletin board or Web site method is used to facilitate the review process, "fire walls" or other controlled access measure must be taken.

Information age is not a significant issue at PNSY currently as evaluations have not heretofore been prepared, nor has reference information been solicited as defined by the current guidance. [Ref. 7]

The tailored versus prescriptive evaluation issue seems to directly impact PNSY. Given the diversity of contract actions that are likely to be encountered, a single evaluation format could limit the effectiveness of the evaluation. If the evaluations will ultimately be consolidated into a system which requires a numerical vice an adjectival rating system, or one which contains six instead of four rating areas, then PNSY's format may have to be changed. Such a situation is entirely likely given the volatile nature of current policy formulation. An example of this volatility is the proposed DFARS language, that prescribed an adjectival scoring system and four rating areas, and was suspended pending further review.

3. Utilization in the Source Selection Process

The data reveal that there are relatively few competitively negotiated procurements over the $100,000 level (on average only thirteen per year). Source selection officials would therefore, be required to use past performance in the source selection process at the rate of approximately one per month if the business climate remains the same. This also assumes that past performance would be an appropriate factor in the particular contracting situation

and that the contracting officer would not seek a waiver. The basic actions required for each source selection would include the following:

- Document the use of past performance in the RFP. (Section L/M)
- Solicit a list of references from all offerors. (Gov't, Commercial, State/Local)
- Screen local files and data bases for pertinent PPI.
- Screen off-site data bases for pertinent PPI. (PDREP, Dunn & Bradstreet)
- Conduct reference checks. (Phone interview, mail, E-mail, fax, etc.)
- Provide all PPI to contractors for review/rebuttal. (Assuming no previous challenge)
- Receive, validate, collate, and compare PPI for each contractor.
- Compare and evaluate offerors using all factors.

The actions listed would have to be performed in a timely manner by the source selection official or board. The complexity of the procurement, the personnel available, PPI access, the rebuttal process, and the sundry of issues relating to references could inhibit the process.

a. Procurement Complexity

PNSY contracts for a variety of supplies and services as indicated in Appendix C. The case of American Management Systems Inc. (AMS) is especially indicative of the complexity of procurements in which PNSY is involved. This contractual relationship is worth nearly thirty million dollars and involves dozens of management service task orders and modifications. Further complicating the issue is that the contracts are let on behalf of

NAVSEA. In fact, nine out of the ten largest contracts that PNSY is responsible for, are solicited on behalf of customers outside of the Shipyard. This is contrasted with a relatively simple source selection process to procure a pump or a motor. It may be relatively easy to obtain pertinent past performance data for the supply of a singular piece of equipment, but very difficult to acquire it on a similar service for each of the disparate services provided under the AMS contract. Another example of this is the potential need to buy motors from Louis Allis Corporation versus hotel services from the Radisson Hotel chain. The breadth of potential source selection opportunities is certainly a factor in utilizing past performance in the source selection process.

The complexity issue would also impact the solicitation language, describing how past performance will be used, and the evaluation process itself. The more complex the procurement, the more detailed the solicitation language and evaluation procedure need to be. Multiple deliverables, schedules, and cost elements create the potential for confusion and misinterpretation. A major concern for PNSY should be to tailor the solicitation language and evaluation procedures to the particular contract to ensure completeness and relevancy.

b. Personnel Resources

The bottom line with implementing any policy that requires performing an action previously not required, is personnel resources. Naturally in the source selection case, the officials who are in charge of the overall process would be tasked to obtain past performance information on the offerors. This is not necessarily an issue provided that the information is "readily" obtainable.

Obtaining a list of references from the contractor is relatively simple and should be requested in the solicitation/RFP. Actually interviewing the reference or otherwise obtaining the evaluation information requires considerable personnel resources. As mentioned under the evaluation preparation section above, the rebuttal process could also consume considerable personnel and time resources.

Screening and interpreting data from a PPIS such as PDREP would also involve personnel resources, although not to the degree that a manual effort would entail. Provided that the target contractors are represented within the PDREP system, and given the close proximity of the system to PNSY, this seems to be a logical choice for obtaining past performance information.

c. Information Access

The process of obtaining PPI could potentially slow the process to the point where the benefits are lost. The list of actions that could be taken to secure PPI all involve discreet functions and processes that consume time and resources. The responsiveness of systems, reference organizations, and offerors contributes to the delay and can also present additional barriers. Organizations may become deluged with requests for PPI on contractors with whom they have done business. Information systems may contain only limited information about the contractor which leads to false impressions.

Potentially PNSY could access the information from any or all of the methods described earlier. They are currently set up to receive PPI from the PDREP and R/Y/G systems, but technology and policy changes may produce a "clearing house" type system which would incorporate inputs from a variety of compatible systems.

Soliciting reference information from the offerors, and evaluation information from the references would require the development of letter and telephone interview templates that could quickly generate the required information.

Using references from commercial entities should also be considered to provide offerors with an opportunity to present relevant PPI even if they are a new entrant in the Government contracting arena. This makes sense, given the Government goals of fairness and competition, and may also preclude a protest.

New entrants should be a concern to PNSY source selection officials. Adequate procedures should be established to deal with the "neutral" evaluation of offerors with no past performance history. The OFPP approach of equating a new entrant's past performance grade to an average of all offerors could be applied to PNSY provided that a numerical scoring system is used. Trying to average colors or adjectives is more ambiguous than numerical averaging, and could open the door to protests. This argument lends credibility to the use of evaluation templates which overlay the three main scoring systems; numerical, adjectival, and color.

Local information is available from the both the nuclear and non-nuclear procurement quality functions at PNSY, but would need a more systematic method of collection, storage, and retrieval.

4. Miscellaneous Issues

The remaining issues addressed in Chapter II, such as the "cherry picking" concept, and compatibility, are germane to PNSY in the general context. They must be addressed as appropriate during the course of policy implementation and practice.

C. ORGANIZATIONAL ENVIRONMENT

Elements of PNSY's organizational environment can potentially have an impact on the implementation of Federal past performance policies. Internally, there are separate functional areas which utilize past performance information on a relatively independent basis. Externally, the PNSY Contracting Division and the shipyard in general have experienced a series of realignments and force reductions. These factors, combined with a pending realignment could impact the way PNSY incorporates past performance into its business operations.

1. Internal Elements

There are several functional areas within the PNSY organization that could contribute to a past performance information collection process or utilize the information to make professional decisions. Specifically, Material Receipt and Inspection, Nuclear Procurement Quality Control, Procurement Quality Assurance, and Contracting are areas that could potentially contribute to and receive the benefits from a local past performance information system.

The Material Receipt and Inspection functions could provide delivery and product quality data on a continual basis. The date received at PNSY and a general assessment of apparent product damage or fitness for use is made. Much of this information is currently reported into the Material Management System (MMS) as an historical record. If this data could be extracted in a useable form without undue delay, the evaluation preparation process would be greatly enhanced.

The Nuclear Procurement Quality Control and Quality Assurance functions routinely

collect detailed quality conformance data. Structured programs are in place to track deficiencies and screen sub-standard contractors. The Nuclear Procurement Quality Control function actually has an automated quality tracking system that was developed locally and is capable of extracting data from MMS. If this system could be used to incorporate additional elements of contractor past performance such as cost and customer satisfaction, it could be of great value in the source selection process.

A system which would integrate the information from all of the functional areas could greatly enhance the achievement of command quality and efficiency goals. If the Contracting Division had access to the quality and delivery information, it could combine it with cost, business relations, and customer service data to assess a contractor's ability to perform in the future. If the source selection process ensures awards to contractors who consistently provide superior products and services, the Quality Control and Assurance functions will be aided in achieving their goals as well. An integrated system has the potential for improving the source selection and quality control processes, with the ultimate goal of providing superior products to the customer.

2. External Elements

The Portsmouth Naval Shipyard is currently a component of the Naval Sea Systems Command (NAVSEA). The Contracting Division is likewise an element of NAVSEA, and receives its contracting authority from them. [Ref. 7] This organizational relationship however, is a relatively recent change (1994). Prior to NAVSEA, the Contracting Division reported to the Naval Supply Systems Command (NAVSUP). As indicated in Chapter III, this accounts for the Contracting Division following a mixture of NAVSEA and NAVSUP

guidance. [Ref. 7] This becomes more of an issue if the two SYSCOMS adopt fundamentally different past performance policies. If PNSY makes an independent decision on how to implement the Federal policies, and its current source of general contracting guidance pursues a direction divergent from PNSY's, then much effort could be wasted. Although unlikely, the fluid nature of the past performance initiative could create such a situation. Complicating this further is the pending realignment of PNSY under a regional maintenance authority. [Ref. 7]

The consolidation of maintenance and repair efforts for the Northeast Region under the Commander in Chief, U.S. Atlantic Fleet (CINCLANTFLT) could change the Contracting Division's reporting relationship once again. Although this possesses the potential for policy conflict, it could also present an opportunity to consolidate past performance information from activities who perform similar repair and maintenance functions, and who are also located in fairly close proximity to each other. This could facilitate a coordinated effort if it was determined that a common PPIS would be beneficial.

V. IMPLEMENTATION PLAN

A. INTRODUCTION

An effective implementation plan is required in order to reap the benefits of the past performance initiative. Benefits such as streamlined source selection procedures, best value procurements, oversight reduction, and increased customer satisfaction can be realized by PNSY through the adoption of a coherent past performance policy.

Preparing evaluations and utilizing PPI in the source selection process are the two primary elements of the policy which must be included in the plan. In effect there are two separate plans in that one relates to preparing the evaluations and the other relates to utilizing PPI in the source selection process. These processes for implementing the policies must also address the overriding functional issues of communication and training, resource allocation, standard operating procedures, incentives, flexibility, compatibility, simplicity, and follow-up procedures.

This chapter provides an overall plan for implementing past performance policies at PNSY. In order to allow a more realistic and flexible approach, the general principles of policy implementation via stakeholder involvement are utilized. "Attention to stakeholder concerns is crucial: the key to success ...is the satisfaction of key stakeholders." [Ref. 19:p.27] Although specific recommendations based on the author's research are provided within this framework, it is not wise to assume that all issues have been taken into consideration at the functional and local levels. These critical issues of the day to day conformance with the policies can be identified by the stakeholders.

B. COMMUNICATION AND TRAINING

It is important that all affected personnel are aware of the past performance initiative. With the multitude of acquisition streamlining efforts currently underway, it is a significant task to keep abreast of the details and applicability of each. Given this environment and considering daily workloads, it is unlikely that past performance would receive the preponderance of the workforce's attention. Therefore, the subject of past performance policy must be specifically addressed and discussed with all concerned. Training must also be conducted at several different levels. From the basic interpretation of what is immediately required as per the FAR, to the larger context of integrated information systems, personnel must be made aware of the situation.

1. Identify the Stakeholders

The stakeholders in the policy implementation process need to be identified in order to present a coherent implementation plan. A *stakeholder* can be defined as "any person, group, or organization that can place a claim on an organization's attention, resources, or output or is affected by that output." [Ref. 19:p.27] A stakeholder for the purposes of this case, is any organization or individual who would be required to take significant action as a result of the policy implementation. Based on the two primary features of the Federal policy, source selection officials and "evaluators" are the main groups. The source selection officials would naturally include contracting and procurement quality personnel, while evaluators include receipt and inspection personnel, quality assurance personnel, contract specialists, and customers. Although the applicable functions internal to PNSY and the local customers are relatively easy to identify, external customers would need to be identified via an historical

analysis of contract actions exceeding the thresholds. Once identified, these customers should be given the opportunity to participate in the policy implementation process.

2. Introduce the Topic

Rather than attempting to "force feed" the Contracting Division and other stakeholders the Federal past performance policies, the issues should be broadcast via an introductory memorandum from the Contracting Division Officer. Addressees should include all purchasing and contracting personnel, as well as procurement quality control personnel, receiving and inspection personnel, and affected customers. This preliminary measure should include a description and interpretation of the current Federal, DOD, and Naval guidance. "The first requirement for effective implementation is that those responsible for carrying out a decision must know what they are supposed to do." [Ref. 38:p.295]

The basic requirements of utilization and evaluation preparation, with the associated dollar thresholds and milestones, are key elements of the guidance and should be detailed first. Bulletized descriptions of the major issues, such as evaluation format and validity, should follow. References should also be listed in the memorandum so that the readers can make their own interpretation of the guidance if desired.

Another key element of the memorandum would be to address the potential benefits to the command and the customer. Preparing past performance evaluations should be equated with providing a best value product to the customer. The best value concept is implicit in PNSY's mission, given the emphasis on quality and safety, and should strike a favorable chord in the minds of all involved. This should have the effect of "incentivizing" all involved to contribute productively to the process. The close of the memorandum should include an

avenue for submitting suggestions, criticisms, or general comments (E-mail, suggestion box, etc.) in anticipation of a meeting with the stakeholders.

3. Follow-up Correspondence

Based on the results of any feedback from the memorandum recipients, and on the applicable guidance, a draft past performance evaluation should be prepared and submitted to the appropriate stakeholders. Appendix D is a sample format prepared by the researcher and is a composite of several formats suggested by the OFPP Best Practices Guide, the proposed DFARS language, and the R/Y/G program. This would be used for soliciting comments before and during a proposed meeting. Similarly, draft solicitation language should be sent to source selection officials in order to elicit feedback. An example of this is provided via Appendix E, and is also a composite of sample language suggested by OFPP and the Navy Acquisition Reform Web site.

4. Modified Working Group

A modified or loosely defined working group/team should be established in order to address the proposed evaluation format, solicitation language, and other functional issues. The team concept is preferred because one person cannot have all the qualitative and quantitative answers, nor can one person grasp and satisfy all the inter-functional political agendas. [Ref. 19:p.219] The rationale behind establishing an *informal* group is to avoid creating yet another process action team with the associated reporting and meeting requirements, while still being able to recognize those who have a role in the process and to create an atmosphere for focused attention. The goals of the group should be to provide adequate training and to reach a consensus on policy implementation.

In order to keep the past performance policy issue in its proper perspective, a balance needs to be achieved with regard to the number of stakeholders brought together to address it. Only those directly affected by the policy requirements should comprise a working group. Competing priorities, geographic distance, and value added factors should be considered before attempting to physically bring all stakeholders together. Once considered, *a* "meeting" should be held. With the goal of a timely consensus in mind, the meeting could actually be series of conference calls, proxy discussions, or correspondence. In any case, the process should not be complicated nor unnecessarily lengthy.

The meetings or discussions should try to resolve as many of the main issues as possible given the time and personnel contraints. Short of accomplishing this goal, the ultimate decision on which evaluation or utilization method to use will fall to the Contracting Division Officer.

5. Technical Training

In addition to the training provided via the correspondence and discussions, formal technical training is required for source selection personnel on the use of automated past performance information systems. NMQAO offers training on the use of its PDREP and R/Y/G systems and is located in close proximity to PNSY. Buyers, contract specialists, procurement quality personnel, and the Contracting Division Officer should be scheduled to receive the training. Formal training on these systems would likely provide a much more informed view of the capabilities and limitations of the systems, and would move the organization closer to achieving process efficiencies.

6. Maintain Lines of Communication

Once initiated, the communication process among stakeholders should be maintained to facilitate changes and enhancements to the implementation program. Developing plans to integrate local information systems and to take advantage of external systems would also be easier once familiar lines of communication are established.

C. PAST PERFORMANCE INFORMATION SYSTEM UTILIZATION

The stakeholders should discuss the merits of using available past performance information systems. As a practical matter, the systems available to PNSY are PDREP, R/Y/G, Dunn & Bradstreet's service, and local data bases. This does not preclude the adoption of new systems as they come on line within the Navy or DOD however.

The PDREP and R/Y/G systems should be utilized to the maximum extent possible. These programs are specifically dedicated to Navy users and are "fed" from commands similar to PNSY. Once training is received, these systems can be a significant source of PPI for buyers and source selection officials.

A local system should be developed utilizing the quality, delivery, and contract data available across the functional areas previously addressed. Representatives from the nuclear and non-nuclear procurement quality functions, material receipt and inspection functions, and the Contracting Division should conduct a feasibility analysis of their individual processes to determine the best method of integrating and utilizing the information available.

If the Regional Maintenance realignment initiative becomes a reality, a proposal for the establishment of a unified PPIS should be prepared by the Contracting Division Officer, and distributed among the members of the new coalition. Feedback should then be solicited

from all involved in order to ascertain the feasibility of such a venture. If a consensus of opinion is reached as to the utility of a regional PPIS, a program should be established based on the details of the consensus.

D. STANDARD OPERATING PROCEDURES

Establishing a standard operating procedure (SOP) should be one of the major goals of the working group. The Contracting Division's SOPs should cover the two primary areas of policy implementation, evaluation preparation and information utilization. A proposed SOP is provided via Appendix F. Although any procedures prescribed would be subject to change, specific elements should include:

- Authority: FAR Parts 15.605, 15.608, and 42.15; DFARS, HCA Instructions as appropriate
- Purpose: To provide procedures for the implementation of and compliance with Federal past performance policies
- Evaluation Preparation Procedures: Format, thresholds, requirement details
- Utilization in the Source Selection Process: Sources of PPI, thresholds, Sections L/M language, weighting, appropriateness of use, new entrants, etc.
- Rebuttal Procedures: Media, review and approval levels, etc.

E. FEEDBACK AND FOLLOW-UP

Once the evaluation and source selection utilization requirements are initially satisfied, a feedback mechanism needs to be established to continue to refine the processes. The contentious nature of the past performance policy implementation initiative necessitates a process for change. The environment will not remain static so the local policy should not be

expected to. Once the lines of communication are opened and supported, stakeholders should feel free to continue to challenge the established procedures and make recommendations to improve the process.

As with any program implementation, a periodic follow-up is required at PNSY to ensure compliance. Once the basic elements of the plan have been established, the Contracting Division Officer should schedule an internal review/assessment for a later date. Given the contracting business environment, three months would be sufficient to experience a significant number of evaluation requirements, and a representative number of source selections.

Another implementation method would be to prescribe procedures and standards from the top down with minimal stakeholder involvement. This may have the effect of speeding up the process of Federal policy implementation, but may also alienate or disenfranchise important personnel in the evaluation or source selection processes. Given the volume of acquisition policy changes or reform initiatives, a more collaborative approach seems justified.

VI. SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

A. INTRODUCTION

The primary purpose of this research was to explore the issues surrounding the Federal Government's mandatory use of past performance as a factor in the source selection process, and to develop a strategy that would enable the Portsmouth Naval Shipyard Contracting Division to successfully implement a program that would conform to all mandatory and pertinent discretionary guidance. The research questions addressed below were crafted to satisfy this purpose and the answers provide a summary of the research. Additional conclusions and recommendations are also provided.

B. RESEARCH QUESTIONS AND ANSWERS

1. Issues

What are the issues associated with the collection and utilization of contractor past performance information in the source selection process?

Literally dozens of issues can be raised concerning past performance. The following is a summary of some of the more prevalent ones:

a. Information Relevance

Before unconditionally accepting the notion that past performance information, in the broad sense, is an appropriate indicator of a contractor's ability to successfully complete the requirements of a contract, it is necessary to establish its relevance. Using the employee performance appraisal analogy, one can see that sustained superior performance is a valid basis for rewards such as promotions and bonuses. Contractors who perform similarly

should also be rewarded via contract awards. The validity of this notion has been generally affirmed by review authorities such as the Comptroller General and the General Accounting Office, and has been espoused by the leadership of both industry and Government.

Making the assumption that a collection of PPI is accurate is another part of the overall relevance determination. This same information might be unmatched to the target organization or contract. The past performance of a particular division within a company may not be suitably applied to the evaluation of an entire organization. Likewise, key personnel are often transferred as companies are merged and dissolved on a frequent basis.

b. Evaluations

In accordance with the FAR, evaluations must be prepared to document a contractor's performance on a given contract. Although it is simply said, the practice is influenced by a variety of factors. The tailored versus prescriptive approach raises the issue of applying evaluation standards or formats to the multitude of contract actions in which the Government engages. Rating areas, scoring criteria, and information sharing are included in this category.

The resources required to prepare these evaluations are also at issue in that it involves an activity not previously required. Contracting officials, technical personnel and customers all have valuable input to an evaluation, but require time and coordination to produce something of value.

The value of the evaluation is also influenced by the rebuttal process. If the evaluation contains information that is inaccurate due to misunderstandings or misinterpretations, then it is of little value and could potentially eliminate an otherwise

qualified offeror. Rebuttals are required to eliminate discrepancies between Government personnel and contractors.

Even if the data in the evaluation accurately describes the contractor's performance, it may be so old that it is not a true indication of what the contractor is capable of doing at present. Trends of improvement or decline could be overlooked or negatively influenced by averaging information which is "too old."

c. References

References are another key source of past performance information. Solicited from Government, commercial, and state/local sources, references are an indication of how well the contractor performed on similar contracts. A variety of issues are raised when the contractor provides references to the contracting activity.

"Cherry picking" is the contractor practice of providing only those references that are beneficial to his position in the competitive process. Source selection officials need to ensure that contractors provide all relevant references.

The age of the information is also a factor with regard to references. Although the FAR limits the storage of PPI to three years, the utilization of references older than three years is not specifically addressed. This could be beneficial to either the contractor or the Government depending on the evaluation resulting from the reference.

Rebuttals or challenges are also required for references as they are sources of past performance evaluation information. The rebuttal or challenge process produces the same benefits as in the evaluation category, but slows the source selection process further as contractors have a minimum of thirty days to respond.

d. Automated Data Processing Systems

In order to achieve the benefits of sharing past performance information among contracting activities and aid in the streamlining of the source selection process, a system or systems must be established to deal with the enormous amount of data that will be produced as a result of the contractor evaluation requirement. Automated Data Processing Systems designed to archive and distribute PPI are subject to the same problems of format and validity as manual systems, and experience the additional challenges of compatibility, parochialism, and centralization vs. decentralization.

e. Solicitation and Source Selection

As is the case with any factor or scoring methodology used in the source selection process, the use of past performance must be clearly delineated in the solicitation and then applied as described. Additionally, the factors and subfactors must be tailored to each acquisition and must have an impact on the source selection decision. The key to the use of past performance is the establishment of a clear relationship between the statement of work (SOW) in Section L of the solicitation, and the evaluation criteria in Section M. These sections should also be clear with regard to what PPI will be evaluated and how it will be weighted.

2. Guidance

What are the current statutory, Federal, departmental, agency, and local policies with regard to contractor past performance measurement, utilization, storage, and retrieval?

The FAR is currently the primary source of mandatory past performance guidance. The proposed DFARS language, that was intended to prescribe an evaluation format and to

implement the FAR milestones, has been suspended pending further review. Subordinate guidance from the Navy and System Commanders is in process. Discretionary guidance is provided mainly from the OFPP Best Practices Guide for Past Performance. The basic guidance in effect as of this writing consists of two elements, the evaluation preparation requirement and the information utilization requirement.

Agencies are required to prepare an evaluation, "at the time the work under the contract is completed," for *each contract* above the $500,000 threshold, as of 1 July 1996. Commencing 1 January 1998 this threshold will be reduced to $100,000. In order to provide current information for source selection purposes, interim evaluations "should" also be prepared for contracts with periods of performance over one year Exceptions to this rule include acquisitions awarded under FAR Part 8.6 or 8.7; that is, the Federal Prison Industries Inc. (UNICOR) and nonprofit agencies employing people who are blind or severely disabled.

As of 1 July 1995 past performance must be evaluated for each competitively negotiated procurement expected to exceed $1,000,000. This threshold is expected to be reduced, pending further revision, to $500,000 on 1 July 1997 and to $100,000 on 1 January 1999. This requirement essentially adds another mandatory source selection factor, cost (or price) and quality being the other two, unless the contracting officer documents why past performance should not be used in the contract file. Agencies have "broad discretion" in selecting the number of factors and their weighting so long as they have a desired impact on the source selection decision. Agencies also have the option of developing their own implementation schedule provided it falls within the aforementioned milestone.

3. Past Performance Information Systems

What past performance information systems are currently available and what are their capabilities?

There are a multitude of programs/systems throughout DOD that are available to help contracting officials collect, archive, distribute, and utilize past performance information. Depending on how one defines a past performance information system, there are at least thirty five systems currently in use. These systems can be classified into three main types: performance tracking systems, performance appraisal systems, and performance/quality certification systems. Although most of these systems will not have an application to the Portsmouth Naval Shipyard, there are several that hold great potential for use. The primary ones are the Product Deficiency Reporting and Evaluation Program (PDREP) and the RED/YELLOW/GREEN (R/Y/G) Program.

PDREP is a Navy-wide automated system that tracks the product/material quality of items provided by the supplying contractor. Managed by the Navy Material Quality Assessment Office (NMQAO) in Portsmouth NH, PDREP is intended to provide a more effective use of quality assurance and delivery information by combining source data from all Navy System Commanders (SYSCOMS) into a single system. Additionally, it is intended to improve the reliability and maintainability of purchased material, thereby assisting Navy personnel in making a more objective award decision/determination. Users may access PDREP products via software applications, installed on their personal computers or office servers, and a modem link to NMQAO.

The R/Y/G Program is a performance tracking system established to help reduce the risk of receiving nonconforming products and late shipments. Primarily designed for purchases below the Simplified Acquisition Threshold (SAT) of one hundred thousand dollars, R/Y/G utilizes the PDREP electronic data base and assigns a color performance risk classification to represented contractors. It assists buyers in making best value, low risk awards vice "low cost," high risk awards, and utilizes the following designations: red represents high performance risk, yellow is moderate risk, and green is low risk. There is also a neutral or "not applicable" category for those contractors who do not have a record of past performance within the requested FSC. Utilizing software resident within the PDREP package, buyers query the system for classifications on a particular contractor and for the class of products required. An internal system algorithm then applies a price estimate adjustment to contractors with a red or yellow rating in order to potentially displace them behind a "green" offeror who bid a higher price.

4. The Portsmouth Naval Shipyard Environment

What is the current environment in which PNSY operates, and how does it impact the implementation of Federal past performance policies?

The Portsmouth Naval Shipyard's primary business is repairing the fleet's nuclear attack submarines. Repairs can be effected via overhauls and availabilities at the shipyard, or via "fly away" crews that travel to submarine home ports such as Norfolk, VA and San Diego, CA. In support of this mission, the Contracting Division provides purchasing and contracting services for the Shipyard. Although the Shipyard is the primary customer, the Contracting Division provides support for a multitude of customers including: submarines

at the shipyard, repair shops, the PNSY Supply Department, the PNSY Naval Medical Clinic, Defense Marketing and Reutilization Office (DRMO), NISE West, NISE East, SUBMEPP, NAVSEA, SPCC, and SPAWAR.

The PNSY Contracting Division has gained procurement experience in a broad spectrum of supplies and services. Experience ranges from marine equipment, construction materials, and fiber optic components to social services, lodging, and education and training services. This diversity has an impact on what types of past performance information will be utilized in the source selection process, and the types that will be evaluated on a recurring basis. Also impacting PNSY's utilization of PPI and evaluation of past performance is the volume of contract actions in general, and the number of competitively negotiated procurements specifically.

New contract actions make up approximately 19% of the total reported contracting actions. The vast majority of contract actions, vice simplified acquisitions, are comprised of modifications, delivery orders, and task orders. Depending on the interpretation of the FAR requirement to prepare evaluations for "each contract" the number of evaluations required to be prepared at PNSY varies greatly.

The number of competitively negotiated contracts over the $100,000 threshold averages thirteen per year. Source selection officials would therefore, be required to use past performance in the source selection process at the rate of approximately one per month if the business climate remains the same. Regardless of the number of competitively negotiated procurements, procedures need to be in place to utilize the past performance information.

This would help preclude inconsistencies in the command specific treatment of contractors and their proposals.

5. Implementation Plan

How could the elements of the Federal Government's policy with regard to utilizing contractor past performance data in the source selection process, be most efficiently and effectively implemented at the Portsmouth Naval Shipyard?

The following basic steps should be followed in order to successfully implement the Federal past performance policies:

- Communicate the content and intent of the policy to all stakeholders
- Establish evaluation and reference formats
- Establish Standard Operating Procedures for preparing evaluations and for utilizing past performance information in the source selection process
- Establish feedback and follow-up mechanisms to monitor the effectiveness of the policy implementation

C. RECOMMENDATIONS

In addition to the implementation plan outlined in Chapter V, the following recommendations are provided:

1. Vision

The Department of Defense should provide an overall vision of what a future past performance program should look like. Instead of the prescriptive language proposed for the DFARS, which is not suited for all contracting organizations, the DOD should allow agencies

to establish procedures that are tailored to their individual requirements. This does not preclude a unified system of some sort, but at present, such a proposition is not realistic.

2. "Clearing House"

The establishment of a past performance information clearing house should be explored with Federal and DOD resources. The concept basically involves a centralized identification, routing, and facilitation system that could link the variety of PPIS currently deployed, and those under development. Users could access information from any data base, in the format utilized by the originating system. The system should not actually store the data, but should route requests for information to the appropriate local, regional, or business profile based system. It should incorporate both Electronic Document Interchange and open architecture/compatible data base features.

3. Scoring Criteria Overlay

The Federal Government and DOD should establish a past performance subfactor scoring system that incorporates and equates the three most prevalent scoring systems. Color, adjectival, and numerical scoring criteria should be equated to each other at the business area or even command levels. This would allow an organization to utilize which ever scoring criteria it wished but would provide compatibility information for a requestor who uses a different system. A "red" classification from one agency could be registered as equating to an unsatisfactory adjectival rating, or a zero on a five point scale. This system would be a compromise between the tailored versus prescriptive approaches as commands could still use the system which they prefer, but the meaning of their ratings could be translated to other users.

D. AREAS FOR FUTURE RESEARCH

The past performance issue is receiving an incredible amount of attention throughout the Federal Government and Industry. Although most will agree that it makes sense to award to a contractor who has a proven performance record, the issues of how to fairly use the information and still benefit from its use, have created a plethora of unresolved questions. Specifically, the following areas need to be addressed:

1. Commercial Practices

How can commercial practices with regard to supplier past performance be applied to Government organizations in light of competition and socio-economic goals? Would the commercial practice of establishing long term supplier relationships limit competition?

2. Predictive Validity

What is the correlation between the preaward past performance evaluation and actual contract performance? Should past performance be a mandatory factor in the source selection process?

3. Centralization versus Decentralization

Should the Department of Defense adopt a centralized past performance information system vice a decentralized one? What are the tradeoffs between substantative information collection and ease of use?

4. Tailored versus Prescriptive Approaches

Should the Department of Defense prescribe a particular past performance evaluation format, or allow subordinate activities to tailor it to their needs?

APPENDIX A. DFARS CASE 95-D715

Tab A
DFARS Case 95-D715
Past Performance
DRAFT FINAL DFARS LANGUAGE
Baseline: DAC 91-7

[213.106-1 Soliciting competition, evaluation of quotes, and award

(b)(1) Use of past performance information is not mandatory for solicitations not expected to exceed $100,000, however, it is encouraged.]

* * * * *

[214.201-8(a) An offeror's record of past performance may be used as an indication of foreseeable costs and delays and may be evaluated where these costs can be reduced to a price-related evaluation factor. For example, where a poor performance record requires a preaward survey or where a record of delivering nonconforming parts would require source inspection, and a preaward survey or source inspection would not otherwise be required, an evaluation factor covering those additional costs may be applied. The method by which these price-related factors will be determined and applied shall be included in the solicitation.]

* * * * *

215.605 Evaluation Factors
[(b)(1)(ii) Notwithstanding the implementation dates in FAR 15.605(b)(ii), past performance shall be evaluated in all competitively negotiated acquisitions expected to exceed $1 million issued on or after July 1, 1995 and expected to exceed $100,000 issued on or after July 1, 1997, unless the contracting officer documents the contract file with the reasons why past performance should not be evaluated. When past performance is evaluated, it should be a significant evaluation factor or significant subfactor. Although the use of past performance is not mandatory for solicitations not expected to exceed $100,000, it is encouraged. Past performance information from contractor performance evaluations shall not be used in source selections until the requirements of 242.1503(b) have been met.]

(B)[(2)] In acquisitions which require use of the clause at FAR 52.219-9, Small Business and Small Disadvantaged Business Subcontracting Plan, the extent of participation of small and small disadvantaged businesses in performance of the contract shall be addressed in source selection....

* * * * *

[SUBPART 242.15--CONTRACTOR PERFORMANCE INFORMATION

242.1502 Policy

(a) Notwithstanding FAR 42.1502(a), contractor performance evaluations shall be prepared for all contracts in excess of $1 million effective July 1, 1995 and all contracts exceeding $100,000, effective January 1, 1997. For contracts exceeding 18 months, interim evaluations shall be prepared annually.

(a)(70) Past Performance Information Collection Procedures.

(a) Agencies' evaluation of contractor performance shall include:

(1) Whether the report is final or interim report;
(2) What period the report covers;
(3) The contractor's name, address and telephone number;
(4) The contract number, initial value, award date, and completion date;
(5) The type of contract and whether or not it resulted from competition;
(6) The FSC and Service Code, and a description of the requirement; and
(7) An evaluation of contractor's performance in the following areas, including a rating and supporting rationale:

(i) (A) Quality of Product or Service (Mandatory). This may include the following aspects of performance:
(a) Compliance with contract requirements;
(b) Accuracy of reports; and
(c) Appropriateness of contractor personnel assigned to the contract.

(B) The following adjectival ratings shall be used when rating Quality of Product or Service (a required element):
(a) Unsatisfactory. Nonconformances compromise (or are compromising) the achievement of contract requirements, despite the use of Agency resources.
(b) Marginal. Nonconformances require Agency resources to ensure achievement of contract requirements.
(c) Satisfactory. Nonconformances do not impact the achievement of contract requirements.
(d) Excellent. There are no quality problems.

(ii)(A) Cost Control (not required for firm-fixed-price and firm-fixed-price with economic price adjustment contracts). This may include the following aspects of performance:
(a) The relationship of negotiated cost to actuals;

(b) Cost containment initiatives; and
(c) The number and cause of change orders issued.

(B) The following adjectival ratings shall be used when rating Cost Control:

(a) Unsatisfactory. Cost issues are compromising performance of contact requirements.
(b) Marginal. Cost issues required (or require) Agency measures to ensure achievement of contract requirements.
(c) Satisfactory. Cost issues do not impact achievement of contract requirements.
(d) Excellent. There are no cost issues.

(iii)(A) Timeliness of Performance (mandatory). This may include the following aspects of performance:

(a) Whether the contractor met performance milestones;
(b) Contractor's responsiveness to technical direction;
(c) Contractor's responsiveness to contract change orders and administrative requirements;
(d) Whether the contract was completed on time, including contract administration; and
(e) Whether liquidated damages were assessed.

(B) The following adjectival ratings shall be used when rating Timeliness of Performance (a required element):

(a) Unsatisfactory. Delays are compromising the achievement of contract requirements, despite the use of Agency resources.
(b) Marginal. Delays require Agency resources to ensure achievement of contract requirements.
(c) Delays do not impact achievement of contract requirements.
(d) Excellent. There were no delays.

(iv)(A) Contracting/Business Relations (a discretionary element). This may include the following aspects of performance:

(a) Whether the contractor effectively managed the contract effort;
(b) How promptly the contractor notified the Government of problems;
(c) Whether the contractor was reasonable and cooperative;
(d) Was the contractor proactive;

(e) How effective were contractor-recommended actions;
(f) Did the contractor effectively implement socio-economic programs, including compliance with requirements of the clause at FAR 52.219-8, Utilization of Small Business Concerns and Small Disadvantaged Business Concerns, and 52.219-9, Small Business and Small Disadvantaged Business Subcontracting Plan; and
(g) Current, accurate, and complete billings.

(B) The following adjectival rating shall be used when rating Contracting/Business Relations:
(a) Unsatisfactory. Response to inquiries, technical service, and administrative issues is not effective and responsive.
(b) Marginal. Response to inquiries, technical service, an administrative issues is marginally effective and responsive.
(c) Satisfactory. Response to inquiries, technical service, and administrative issues is usually effective and responsive.
(d) Excellent. Response to inquiries, technical service, and administrative issues is always effective and responsive.

(v) Rater's Overall Assessment. Based on the above criteria [Unsatisfactory, Marginal, Satisfactory, or Excellent.]

(8) An evaluation of key contractor personnel for services and R&D contracts (applies only to contractually designated individuals);
(9) The evaluator's name, address, telephone number and dated signature;
(10) Whether the contractor provided comments, rebuttals or additional information. If such information was provided, it shall be attached to the Government evaluation;
(11) A resolution of contractor comments; and
(12) The final review authority's name, address, phone number, and dated signature.

242.1503 Procedures
(a) The contracting officer will determine who provides input on the contractor performance evaluations. Where the contract has been delegated for administration, the cognizant ACO shall complete performance evaluations unless otherwise advised by the PCO.
(b)(70) The agency or designee preparing the performance evaluation shall be responsible

for ensuring that the past performance information recorded is in compliance with FAR 42.1503(b) prior to its use.
(b)(71) If the contractor does not respond within the period specified, the data may be assumed to be accurate and may be used in source selections.
(e) The date of completion of contract performance is the date of contract closeout.]

APPENDIX B. EXISTING PAST PERFORMANCE INFORMATION SYSTEMS

	Acronym	System/Process Name	Owner
1	ABVM	Automated Best Value Model	DLA
2	ACASS	A&E Contract Administration Support System	ArmyCOE
3	ACPS	Automated Contract Preparation System	Air Force
4	ACTS	Automated Configuration Tracking System	DCMC
5	AMIS	Acquisition Management Information System	Air Force
6	BCAS	Base Contracting Automation System	Air Force
7	BRP	Blue Ribbon Program	All DOD
8	C/SSR	Cost/Schedule Status Reports	All DOD
9	CCASS	Construction Contract Appraisal System	ArmyCOE
10	CCSS	Commodity Command Standard System	Army
11	CDCS	Customer Depot Complaint System	DLA
12	CIS	Contractor Information System	Army
13	CIS	Contractor Information Service	DCMC
14	CPARS	Contract Performance Assessment Report. Sys.	Air Force
15	CPR	Cost Performance Reports	All DOD
16	CPS	Contractor Profile System	DCMC
17	DPACS	DLA Preaward Contracting System	DLA
18	GIDEP Alert	Gov't Industry Data Exchange Program Alerts	DOD
19	JO41	Acquisition and Due In System	Air Force
20	JACG-IPT	Joint Aeronautical Cdrs Group IPT	Joint/DLA
21	MIR	Material Inspection Records	Navy
22	MOCAS	Mechanization of Contract Admin. Services	DCMC
23	PADDS	Procurement Automated Data & Doc. System	Army
24	PASS	Preaward Survey System	DCMC
25	PDREP	Product Deficiency Reporting & Evaluation Sys	Navy
26	PQDR	Product Quality Deficiency Reports	DCMC
27	PRAG	Performance Risk Assessment Groups	Army/AF

28	PROCAS	Process Oriented Contract Admin. Services	DCMC
29	QPL	Qualified Parts List	Navy
30	RAM	Risk Assessment Model	DCMC
31	RYG	Red/Yellow/Green	Navy
32	SAACS	Standard Army Automated Contracting System	Army
33	SALT	System Analysis and Lab Testing	DLA
34	SAMMS	Standard Automated Material Management Sys.	DLA
35	VRS	Vendor Rating System	Air Force

APPENDIX C. PROCUREMENT EXPERIENCE

SUPPLIES	SERVICES
Ships and Marine Equipment	Social Services
Engines, Turbines, and Components	Maintenance and Repair of Equip, MHE
Water Purification & Sewerage Treatment	Quality Control, Testing and Inspection
Fire Fighting, Rescue and Safety Equip.	Maintenance of Indust. Comm. Equip.
Pumps and Compressors	Technical Respresentative Services
Construction and Building Materials	Tools, Machines, ADP Equipment
Chemicals and Chemical Products	Fuel Handling and Distribution Systems
Furniture	Engineering and Admin./Mgt Support
Metalworking Machinery	Education and Training
Pipe, Tubing, Hose and Fittings	Lodging
Refrigeration, AC & Air Circulating Equip	Lease and Rental of Indust. Equip./Tools
Instruments and Laboratory Equipment	Laundry Services
Nonmetallic Fabricated Materials	Mortuary Services
Fiber Optics Mat'l, Comp., Assemblies	Medical Services
General Purpose ADP Equip., Software	Land Surveys, Casdastral Services
Textiles	Disposal of Excess & Surplus Property
Ship and Boat Propulsion Components	Vocational/Technical Training Services

APPENDIX D. PROPOSED EVALUATION FORMAT

CONTRACTOR PERFORMANCE EVALUATION

[ ] Final **[ ] Interim: From_____ To_____**

1. Contractor Name / Address (Identify Division/Plant)

2. Contract Number:_____

3. Contract Value: _____

4. Contract Award Date: _____

5. Contract Compl. Date: _____

6. Type of Contract: FP FPI FP/EPA CPFF CPIF CPAF
(Circle all applicable) ID/IQ BOA REQ. T&M Other_____
Sealed Bid Negotiated Competitive Non-Comp.

7. Description of Requirement:

8. Ratings: Summarize or distinguish contractor performance in the remarks section. Indentify rating method preferred (adjectival, numerical, color) and indicate the rating by placing an "x" along the scale within each rating area)

	Adjectival	Unsatisfactory	Marginal	Satisfactory	Excellent
	Numerical	0	1	2	3
	Color	Red	Yellow		Green
Quality		Remarks			
Cost Control		Remarks			
Timeliness		Remarks			
Business Relations		Remarks			
Customer Satisfaction		Remarks			
Key Personnel		Remarks			
Overall					

(Front)

9. Key Personnel: (Optional)

(Name)	(Rating)	(Employment Dates)	(Additional Comments)
(Name)	(Rating)	(Employment Dates)	(Additional Comments)
(Name)	(Rating)	(Employment Dates)	(Additional Comments)

10. Contracting Officer's Recommendation:

Given what I know today about the contractor's ability to execute what he promised in his proposal/offer I: (definitely would not, probably would not, might or might not, probably would or definitely would) award to him today given that I had a choice. (Please circle one)

11. Contractor Review: Has the contractor reviewed this evaluation? Yes / No
(Please attach comments if applicable)

12. Additional Qualitative Comments:

* Rating areas and scales are defined via the following guidance: Color - Navy Red/Yellow/Green Program Adjectival and Numerical - DFARS Part 242.15 ** Reference Evaluators may provide scale in use and evaluate accordingly.

(Back)

APPENDIX E. SAMPLE SOLICITATION LANGUAGE

SECTION L - INSTRUCTIONS, CONDITIONS, AND NOTICES TO OFFERORS

L-X GENERAL INFORMATION REGARDING PAST PERFORMANCE

(a) Past Performance. The evaluation will include and assessment of past performance by review of data presented by the offeror, data in existing Government data bases, data from cognizant procuring and contract administration offices and data from on-site surveys and quality certifications. Problems found in this data which have not been addressed by the offeror will be assumed to be still in existence. The past performance inputs will be used to assess the risk of future performance on the proposed contract.

(b) References. Offerors shall submit the following information in section XX of their proposal:

1. A list of the last XX relevant contracts completed by the offeror, including the following information about each contract:
   a. Name of the contracting activity
   b. Contract Number
   c. Contract Title
   d. Face value at award, including all options
   e. PCO name and telephone number
   f. Program manager name and telephone number (if applicable)
   g. ACO name and telephone number (if applicable)
   h. Contract type
   i. Basic contract award amount
   j. Current contract award amount
   k. Final project contract amount
   l. Original delivery schedule
   m. Current delivery schedule
   n. Short description of requirement
   o. Description of your performance to date, including corrective actions taken, with regard to cost, delivery, quality
   p. Description of major subcontracts (if applicable)
2. (OPTIONAL) A list of any other contracts completed in the last XX years that demonstrates your commitment to customer satisfaction or professional business relations. Also list any key personnel who may have had a significant role in the performance of similar contracts for other contractors. (Cite appropriate company identification information)

(c) Additional Sources. Offerors may submit relevant past performance information from commercial and state/local government entities.

SECTION M - EVALUATION FACTORS FOR AWARD

M-X Past Performance

1. Past performance will receive XX percent of the non-cost/price factor ratings. Subfactors A, B, C, and D are of equal importance and will receive up to XX percent of the non-cost/price ratings.

* * * * * * *

M-X EVALUATION CRITERIA

1. Offers will be assessed on the basis of price, quality of the technical proposal, and the offeror's past performance with past performance being more important than price and technical proposal combined. Price is slightly more important than technical proposal.

a. Past performance will be assessed as follows:

1. The Government will consider the offeror's record of conforming to specifications/commericial product descriptions and to standards of good workmanship; the offeror's adherence to contract schedules, including the administrative aspects of performance; the offeror's record of managing subcontractor delivery and performance; the offeror's record of controlling costs under cost-type contracts; the offeror's record of change orders under similar contracts; the offeror's reputation for reasonable and cooperative behavior and commitment to customer satisfaction; and generally, the offeror's business-like concern for the interests of the customer.

* * * * * * *

M-X PAST PERFORMANCE FACTOR

During the source selection process, the Government will assess the offeror's ability to perform on the instant contract/order, including the offeror's likelihood of achieving success in meeting the solicitation's requirements. Past performance is assessed by the Source Selection Authority/Contracting Officer and is assigned a narrative rating in the evaluation.

APPENDIX F. STANDARD OPERATING PROCEDURES

SECTION XX: PAST PERFORMANCE IN THE SOURCE SELECTION PROCESS

Purpose: This section provides guidance on the requirement to utilize past performance in the source selection process and the requirement to prepare performance evaluations.

Ref:
(a) FAR Parts 15.605; 15.608; 42.15
(b) DFARS Parts xxx
(c) NAVSEA/NAVSUP/CINCLANTFLT Instructions
(d) OFPP Best Practices Guide on Contractor Past Performance

Encl:
(1) NAVSHIPYD-PTSMH Form XX - Contractor Performance Evaluation
(2) Sample Solicitation Language

PART I. USING PAST PERFORMANCE IN SOURCE SELECTIONS

1. As per reference (a), and pending revisions of references (b) and (c), past performance shall be included in all competitively negotiated source selections in accordance with the following schedule:

Contract Value	Prepare Evaluation	Utilize in S/S
> $1,000,000	1 July 1995	1 July 1995
> 500,000	1 July 1996	1 July 1997
> 100,000	1 Jan. 1998	1 Jan. 1999

2. Broad discretion is afforded to the contracting officer and source selection officials with regard to the specific subfactors and rating criteria that must be included in the solicitation and subsequently evaluated. The specific weighting should be tailored to the particular procurement. In general, past performance shall be a "significant" factor in the source selection process. The following steps should be taken as appropriate:

a. Document the use of past performance in the RFP (Section L/M). Enclosure (2) is provided but it should be tailored to the procurement

b. Solicit a list of references from all offerors. (Gov't, Commercial, State/Local)

c. Screen local files and data bases for pertinent PPI. (Codes 136.2, 2350, 560)

d. Screen off-site data bases for pertinent PPI. (PDREP, Dunn & Bradstreet)

e. Conduct reference checks via enclosure (1). (Phone interview, mail, E-mail, fax, etc.)

f. Provide all PPI to contractors for review/rebuttal. (Assuming no previous challenge)

g. Receive, validate, collate, and compare PPI for each contractor.

h. Compare and evaluate offerors using all factors.

3. Additional discretionary guidance is provided via reference (d). Contracting personnel should utilize this and/or other best practices or lessons learned information to augment the FAR requirements.

PART II. PREPARING PAST PERFORMANCE EVALUATIONS

1. As per reference (a), past performance evaluations shall be prepared after "each contract" completion in accordance with the above schedule. "Each contract" shall be interpreted to mean each new contract action, each delivery order, each task order, and each modification that would fall within the dollar thresholds.

2. Enclosure (1) shall be used by contracting officers to evaluate contractor performance. Inputs from material inspection and receiving, procurement quality control, and the customers shall be utilized to the extent practicable in order to obtain an accurate assessment.

3. The evaluation shall be presented to the subject contractor for review and rebuttal. The contrator will be given a minimum of thirty days to submit comments. If the evaluation cannot be agreed upon by both the contractor and the evaluator, the matter shall be referred to either the Contracting Division Officer or the Supply Officer.

4. The evaluations of Contracting Officers Representatives (CORs) may be used for task order evaluation provided that they conform to the provisions of reference (a).

5. The evaluation shall be placed in the contract file upon completion/review.

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