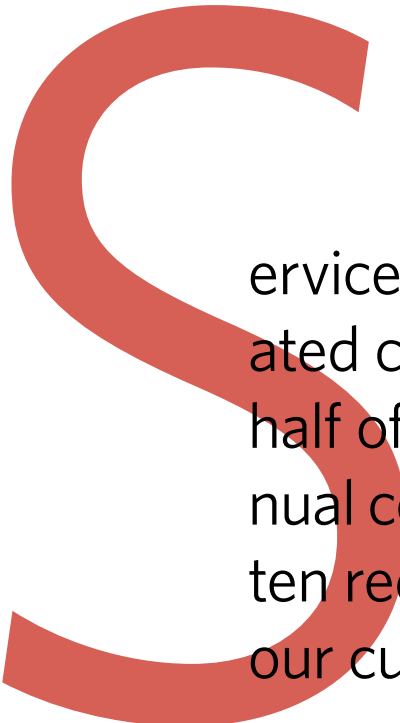


Good Contracts Start with Good Requirements

Lyle Eesley



ervice requirements and their associated contracts account for more than half of the Defense Department's annual contract spending. A clearly written requirement is the key to meeting our customers' performance needs.

Contracting officers know that the best contract in the world cannot save poorly defined requirements. The opportunity for protest, claims, cost increases, and administrative nightmares all await those who can't define the results they need from their service contracts. Reports from the Government Accountability Office, the Defense Science Board, and Inspector General routinely identify poorly defined requirements as a common fault in services acquisition. So how can we define better requirements?

The Defense Acquisition University (DAU) has developed a job aids and training process to support the service requirements definition process. The Acquisition or Automated Requirements Roadmap Tool (ARRT) is a Better Buying Power job aid designed to help

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users improve service acquisitions by developing high-quality performance-based service requirements. ARRT is used in conjunction with the seven-step service acquisition process outlined in the DoD *Guidebook for the Acquisition of Services* (July 2011). (www.acq.osd.mil/dpap/cpic/cp/docs/Guidebook_for_the_Acquisition_of_Services_7_20_2011.pdf)

The *most important part of this process* is writing the requirement clearly and accurately. Requirements don't exist in a vacuum; there must be a sustaining mission need within an agency or organization for the service being acquired. The Performance Work Statement (PWS) must capture all the performance requirements necessary to meet the agency's or activity's need for the service. This requires a thoughtful, disciplined approach and not merely a cut-and-paste from the last effort. Your results can be improved by allowing enough

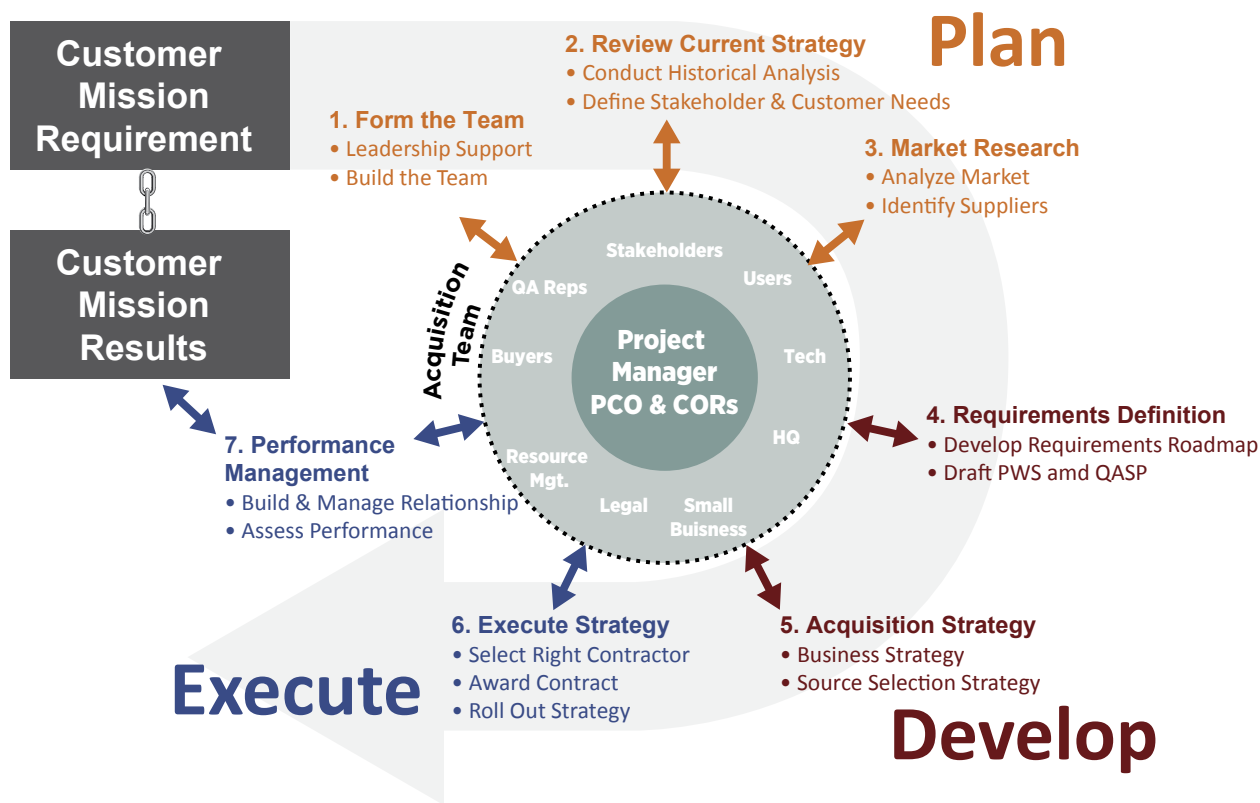
have with your customers, industry, contracting community, and stakeholders.

As with all communications, the clearer you are, the fewer opportunities there are for misunderstanding. Clearly stated performance requirements will result in more competition, better pricing, and a greater likelihood you will get the results you need at a price you can afford. An added benefit is that the resulting contract also should be easier to administer and the contractor's performance easier to assess. So getting the requirement right is the critical part of this process.

The Process

Developing a performance requirement is like building an organizational chart. In the case of service requirements, we call it a work breakdown structure or WBS. Figure 2 illustrates a

Figure 1. Services Seven-Step Acquisition Process



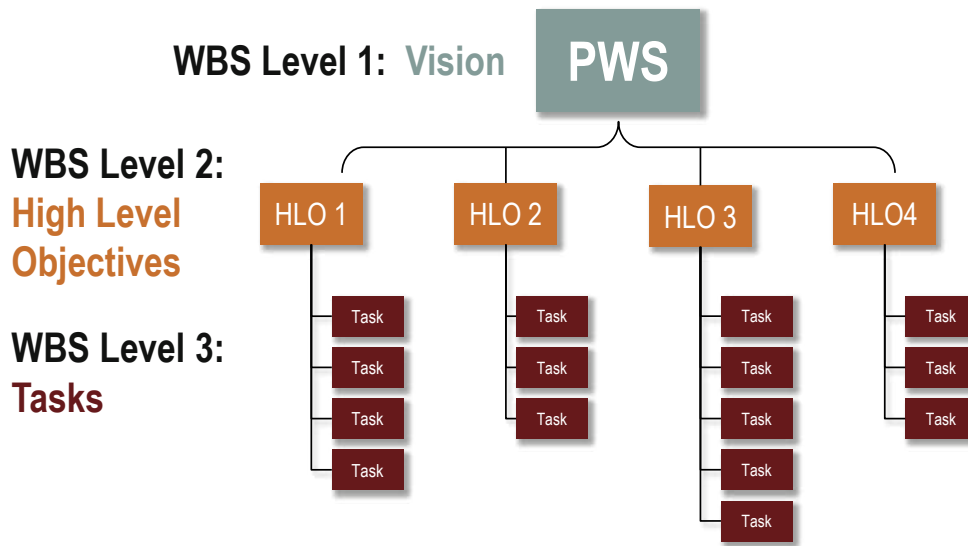
time for customers' and stakeholders' input as well as building a solid acquisition team supporting the development, execution, and assessment of this requirement through the service acquisition life cycle.

Requirements for services are sometimes hard to define or articulate. You can see and understand the need for the services, but how do you describe them? Your requirements document is the most effective communication medium you

PWS WBS. A WBS can go down many levels, based on the nature of the requirement. It is important when developing any requirement to provide sufficient detail so potential contractors understand the results you need without telling them how to do it. So focus on results. The highest level of your WBS is your vision.

In Step One of the service acquisition process, the acquisition team develops a vision statement for the requirement. The vision statement is a guiding goal. It should capture, at the

Figure 2. Work Breakdown Structure



highest level what you're striving to accomplish. The vision is not to develop a PWS or issue a contract or obtain 27 support engineers. Your vision and mission statement go together to set the cornerstone for the services you are buying and why they are important. At one time, a prominent U.S. airline's vision statement was to "move people, move cargo, on time, every time." If you've ever flown on that carrier, it did a pretty good job of achieving that vision because all its actions focused on the four elements of the airline's vision statement.

For example, if your requirement is to support an installation's transportation needs, your vision statement might be something like this: "Ensure our installation's mission success by providing reliable and effective transportation support 24/7." Do you see how this vision statement focuses on the higher order results, not just on the transportation function—in other words, how the transportation function will be an enabler for the broader organization's mission success?

High-Level Objectives

After you have developed your vision, define the High-Level Objectives or HLOs necessary to achieve this vision. For this example, the HLOs could be: Transport People, Transport Cargo, Fleet Maintenance, and Fleet Administration. This is WBS Level 2. HLOs are the organizing components for your requirement. An alternative to consider at this point is whether to use a Statement Of Objective (SOO) or continue to develop the PWS.

A SOO gives the widest possible latitude to the contractor in developing a comprehensive solution for your requirement. Developing broad performance outcomes and standards for your HLOs provides the foundation for the SOO. In their proposals, contractors will develop the tasks and standards as they create a PWS that captures how they will meet your HLO performance outcomes and standards. Choose the approach best suited for your requirement.

If using a SOO is not appropriate, once you have defined your HLOs you can begin an analysis of the tasks or results needed to support each HLO. This is WBS Level 3. The requirements roadmap organizes your work in a step-by-step process. The ARRT captures this information in a database by asking the user a sequence of questions (A-H) that walks you through the necessary thought process for documenting your requirement. Note that the roadmap includes not only the performance elements of task, standards, and Acceptable Quality Level (AQL) but also the in-

specification/assessment elements of monitoring performance (the Quality Assurance Surveillance Plan [QASP] portion). The reasoning is that, as you're defining the performance results and standards, you're in the best position to define how each task should be inspected and/or assessed. This ensures alignment of the requirement with the inspection/assessment approach. It also helps in developing tasks with inspectable standards.

Performance Tasks

The key in developing good task statements is to focus on results. Our experience has shown that defining results seems to be one of the hardest concepts to grasp. PWS Task Statements have three components;

- A. The result(s)
- B. The context for the result(s)
- C. The actions the contractor is to take to achieve the results.

Follow this A, B, C process and you have the elements of your PWS Task Statement. The ARRT tool will automatically take your inputs and rearrange them (CAB) to form a clear requirements statement for you.

A result usually is a noun, describing the outcome needed. Context defines what the results apply to. Actions describe what the contractor has to perform to achieve the results (normally verbs). Let's look at a few examples. Can you find the results, context, and actions required in these statements?

1. The contractor shall provide and maintain taxi service within the XX installation.
2. The contractor shall perform and document initial inspections for newly received vehicles and equipment.

Use as many standards as necessary to fully define how well the task must be accomplished to meet your mission requirements. Remember: Standards are cost drivers, so avoid gold-plating standards, as this will drive up costs.



the D question: At what level of performance (standard) do you need to successfully achieve this task?

3. The contractor shall evaluate, participate, and prepare Program Management Reviews (PMRs), technical reviews, and audits for the transportation office.

A PWS task statement can have multiple results, but remember that all the results listed must relate to each other. They must also share the same actions, context, and performance standards. Try to limit the number of results per task statement to those that are truly integrated and related to each other. Create as many task statements as you need to fully support the HLO.

The Service Acquisition Mall (SAM) website includes a tool for you to practice this ABC process. (<http://sam.dau.mil/skilldevelopmentcenter.aspx>)

Videos also are available in SAM that will provide more detailed information on each step of the process using the ARRT.

Review some of the requirements documents you've already created. If you can easily find the results, context and actions, you probably have a well-written task statement. Each task statement requires performance standards and AQL to complete a PWS task statement. Remember that the requirement you are developing is a communication device, both to industry and to the COR. It should communicate clearly and accurately the required results necessary to support your customer's performance need.

Performance Standards and Acceptable Quality Level (AQL)

After you've defined a clear PWS task statement (steps A, B, C), the next step (D) is to define how well or what level of performance is required for this task to adequately meet the mission need. Performance standards fall into one of three categories: cost, quality (performance), and timeliness. ARRT asks

Each PWS task statement may have several different performance standards, but remember that each standard must be related to the actions and results specified by the task statement. For example, there may be standards such as regulations or technical orders compliance, quality or frequency standards, completion or timeliness standards, etc. Use as many standards as necessary to fully define how well the task must be accomplished to meet your mission requirements. Remember: Standards are cost drivers, so avoid gold-plating standards, as this will drive up costs.

The Acceptable Quality Level (AQL) recognizes that variations can happen and that 100 percent performance is not always possible. Use good judgment in determining if an AQL is appropriate. For example, a standard for on-installation taxi service is to pick up the passenger within 10 minutes of the call being received by the contractor; this means 100 percent of the time. Ask yourself if it is absolutely necessary to meet the 10-minute standard 100 percent of the time. What are the risks to the activity if the 10-minute standard is not met? These are questions you should consider when determining if an AQL is advisable. Using your risk assessment process should help in determining both standards and AQLs. In this case, perhaps meeting the 10-minute standard 80 percent of the time is acceptable performance. Then our AQL is 80 percent. There are many instances such as environment, technical orders, laws, etc., where 100 percent compliance is absolutely essential. Conducting a good risk analysis will help in determining if and at what level an AQL can be established.

Performance Inspection and Assessment

Now that you've defined your PWS task statement (ABC), and established standards for it (D), you need to capture the elements of your QASP to define who will inspect and assess performance and how this will be done. These issues are addressed by questions E-G. Question E focuses on what you will inspect. This should be directly related to the result of your task statement. If the "What" is a deliverable such as a report, you need to identify it as a data deliverable, capture a description of it and tie it to the task statement. ARRT ties

the deliverable to the task and also automatically creates the Deliverables Section of the PWS. After looking at your Task Statement, if you can't determine "what" you will look at, you should go back and work on the task statement to define a result that can be inspected.

Next, Question F asks "How will you inspect it?" There are several methods to inspect and assess a task such as: 100 percent inspection, periodic inspection, random sampling, trend analysis, customer complaints, and third-party audits. Since you've just defined the task, you're in a good position to specify how you intend to inspect and assess performance to determine if the contractor has met the performance standards. Remember that inspection requires resources. You should ask yourself whether you have the resources necessary to inspect everything that will be necessary for your requirement. Your risk analysis will be very valuable in helping you determine the level and frequency of inspections required for each task.

Question G asks: "Who is going to inspect this?" This responsibility normally falls on the Contracting Officer's Representative (COR), but it can also be a combination of a technical expert in coordination with the COR. You can be as specific as you need in defining the position responsible for conducting the inspections. This should be a position—not necessarily a person by name. Before contract award, you must identify the person responsible for inspecting and assessing contractor performance. Make sure that person completed the necessary COR training and is technically qualified to perform the function. Remember: The QASP is a government-developed document and is not included as part of the contract.

The last question to ask is, "Are there any incentives/remedies beyond documenting past performance for the contractor if it exceeds/fails to meet the performance standards for this task?" This is Question H in ARRT. Capturing and documenting contractor performance is a requirement for all government contracts and is reported and captured in our past performance system. This is always an incentive for a contractor to do well. Question H gets at the specifics for this task and can be influenced by the type of contract used for this effort. In a fixed-price contract, the contractor has agreed to meet all the performance standards for the price specified. If the contractor's performance fails to meet the standard, the government is entitled to a remedy such as having the contractor redo the task at no additional cost, or deducting money from the contractor's invoice if re-performance is not possible. If a cost-reimbursement type contract or time-and-material contract is used, be careful not to pay twice for the same service. The incentive/remedy information

must be included in the contract and is captured in the Performance Requirements Summary (PRS) as part of the PWS. This ensures contractors are aware when they submit their proposals of any remedies that may be required of them for unsatisfactory performance.

Conclusion

Following a standard service-acquisition process to define and develop requirements has the potential of reducing acquisition lead times, obtaining better competition, reducing costs, and delivering better results. The ARRT will help you capture requirements more accurately and clearly. ARRT users have reported they have reduced acquisition lead times, received fewer RFP questions, and have better proposals to evaluate with less administrative work after contract award.

With the budget challenges facing the Department of Defense, we all need to work on improving the effectiveness and efficiency of the service acquisition process to "deliver more without more."

ARRT is a free, downloadable MS Access file that guides a user through a disciplined process to define the results, standards, and method of inspection using standard templates for the Performance Work Statement (PWS), Quality Assurance Surveillance Plan (QASP), and the Performance Requirements Summary (PRS). (<http://sam.dau.mil/Content.aspx?currentContentID=arrt>)

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