COST ANALYSIS OF
COST PLUS AWARD FEE CONTRACTS

BY

BRUCE C. NEVEL

A REPORT PRESENTED TO THE GRADUATE COMMITTEE
OF THE DEPARTMENT OF CIVIL ENGINEERING IN
PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR THE DEGREE OF MASTER OF ENGINEERING

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Dedication

To Cathy and Savannah:

I love you both more than words can say. I thank you for all the time, patience and assistance you provided, without which I never would have completed this paper.

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Glossary of Terms and Acronyms

ACO	Administrative Contracting Officer
AFB	Award Fee Board
AFP	Award Fee Plan
AIA	Aerospace Industry Association
AMA	American Management Association
ASPR	Armed Services Procurement Regulation
CPAF	Cost Plus Award Fee
CPFF	Cost Plus Fixed Fee
CPIF	Cost Plus Incentive Fee
CPNF	Cost Plus Negotiated Fee
CR	Cost Reimbursement
DFARS	Defense Federal Acquisition Regulation
DOD	Department of Defense
FAR	Federal Acquisition Regulation
FDO	Fee Determination Officer
FFP	Firm Fixed Price
FP	Fixed Price
FPE	Fixed Price with Escalation
FPI	Fixed Price with Incentive
LMI	Logistics Management Institute
NASA	National Aeronautics and Space Administration
NAVMAT	Navy Material
PEB	Product Evaluation Board (also Performance Evaluation Board)
RFP	Request for Proposal
SOW	Statement of Work
TEB	Technical Evaluation Board

CHAPTER ONE
BACKGROUND INFORMATION

Introduction

A wide selection of contract types is available to the Government and contractors in order to provide needed flexibility in acquiring the large variety and volume of supplies and services required by agencies. Contract types vary according to (1) the degree and timing of the responsibility assumed by the contractor for the costs of performance and (2) the amount and nature of the profit incentive offered to the contractor for achieving or exceeding specified standards or goals.

The two broad categories of contract types available for use in Government contracting are fixed-price and cost-reimbursement. The objective of selecting a contract type is to reasonably allocate performance risk between the contractor and Government while providing incentive to the contractor to perform efficiently and economically. It is important to select the contract type that places the appropriate level of responsibility on the contractor to successfully perform and that is commensurate with the technical and cost uncertainties. Contract types range from Firm-Fixed-Price (FFP) which places maximum risk on the contractor and minimum risk and administrative burden on the Government to Cost-Plus-Fixed-Fee (CPFF) which places minimum risk on the contractor and maximum risk on the Government. (See Appendix (A) for a list of contract types)

In this report, I will look at some of the history and background of the Cost Plus Award Fee (CPAF) contract, from its original inception to where it is utilized today. This

cost reimbursement type contract has a two part fee - a base amount fixed at inception of the contract and an award amount that the contractor may earn in whole or in part during contract performance. The base fee is paid to the contractor for minimal satisfactory performance while the award portion of the total fee is designed to provide motivation for contractor excellence in such areas as quality, timeliness, technical ingenuity, and cost effective management. Once the contracting Officer has determined the amount of the award fee, that decision is not subject to the Disputes Clause- the decision is not subject to contractor challenge through the appeals process. I will discuss under what circumstances the CPAF will best serve the Government in the future, and any recommended modifications to current practices. I will be specifically analyzing the administrative costs and burden to the Government associated with the CPAF contract and discussing the costs/benefits of different type acquisitions.

History of the Cost plus Award Fee Contract

Much of the literature regarding CPAF contracts concludes that the concept of the Award Fee Contract was the result of the combined influence of individuals from the Navy, NASA, and industry. One thing is certain, the first Award Fee contracts were issued in 1962 and 1963. In July 1962 the Navy issued an Award Fee contract for Logistic Support Operations at Kwajalein Island and in 1963 NASA issued an award fee contract for the R&D of a nuclear powered rocket engine. (Kennedy, 1986)

The Armed Service Procurement Regulation (ASPR) committee authorized use of the CPAF on an experimental basis in 1963. The DOD guide in 1965 first listed CPAF under the heading "Exceptional Methods of Structuring Incentive Contracts". The idea was about a contract that would help build a team and give the Government better control. The original solution was a cost plus fixed fee with an opportunity for upward adjustment. However, the unique idea was that the fee determination would be unilaterally done by the Government, and that it would not be subject to the disputes clause.

Research indicates that in the late 1950's and early 1960's, both NASA and DOD had invested heavily in the Cost Plus Fixed Fee (CPFF) contract. In this same period, evidence was accumulating that the Cost Plus Incentive Fee (CPIF) contract and Fixed Price Incentive (FPI), although suitable in the development and production areas, were not as appropriate for service contracts. And yet service was precisely the area that NASA was concerned about. Service was critical in nature and massive in dollar amounts. As contracts shifted from the CPFF to incentives, the problem of quantification surfaced; the solution was the CPAF. (Kennedy, 1986)

Where did the unilateral feature come from? In a climate where the senate and congress passed the "Truth in Negotiation" law, and people were screaming about cost overruns, excess profits and 'give aways', a unilateral control was a logical development. The single most distinguishing characteristic of the Award Fee process is that the disputes clause is not applicable to the unilateral determination by the Government of the award fee. The pieces had come together to form the current Cost Plus Award Fee contract.

The Air Force wrote its first award fee contract in 1969. The Army was the last service to adopt the Award Fee contract. The Award Fee has never accounted for a very large portion of DOD expenditures. Since 1968 it's use averaged around one to three percent. In 1985, both NASA and the Navy have reduced and/or restricted the use of Award Fee contracts.

Selection Criteria

The type of contract selected should be based on an objective assessment of the conditions involved in the acquisition. Selecting the proper contract type requires the exercise of sound judgment. Selection of the most appropriate contract type is often critical to the success of the procurement. Many contracts have ended in termination and after the fact both parties cited an inappropriate contract type to be a key contributing factor to the contract failure (ESI,1996). Selection must not be determined by preconceived ideas or customs that may not relate to the current situation.

Incentive contracting motivates the contractor to add value beyond minimum satisfactory performance by paying the contractor a fee based on the contractor's performance in specified areas. If these areas can be measured using objective/quantitative performance criteria (e.g., a weapon system's desired weight and speed), consideration should be given to using an incentive-fee contract. If these areas can best be measured using judgmental/qualitative performance criteria (e.g., program management), then an award-fee contract may be the best method. Award fees may be used in either fixed-price or cost-reimbursement contracts and may be used in combination with incentive fees. In its early use, the Award Fee was applied primarily to levels of effort and service applications. However, with the passage of time, and with general increase in its utilization by all the services, it has been used across the entire range of procurement. It has been used from basic research to production. Dr. Robert Easley, a procurement director at Houston completed his doctoral dissertation in 1984 on the Award Fee. His study is an evaluation of an Award Fee procurement of a large research and development

effort. A major facet of the study was the evaluation of the suitability of the Award Fee to non-service activities. Dr. Easley conducted extensive interviews with the NASA team. He concluded that the Award Fee significantly contributed to the success of the Shuttle Orbiter Program. He stated that the literature and the Government managers supported the opinion that the "Award Fee Contract contributed to the technical success of the program and minimized cost growth". Thus, Easley concluded that both the literature and his research supported the use of the Award Fee for major development efforts. (Easley,1984)

Award-fee contracts *should not be used* to avoid the effort of establishing objective targets for Cost-Plus-Incentive-Fee (CPIF) or Fixed-Price-Incentive (FPI) contracts. Award-fee contracts allow judgmental evaluations of contractor's performance at intervals throughout the life of the contract. The award-fee process allows the Government to assess contractors' performance and appropriately recognize their accomplishments (or lack thereof). The Government has the flexibility to consider both the contractor's performance levels and the conditions under which these levels were achieved during the evaluation process. (AFMC Award Fee Guide, 1995)

The intended goal of award-fee contracting is to motivate the contractor's performance in those areas critical to program success (e.g., technical, logistics support, cost, and schedule) that are susceptible to judgmental/qualitative measurement and evaluation. Award-fee contracts provide for pools of dollars that are earned based upon the contractor's evaluated performance in those critical areas. By entering into an award-fee arrangement, the Contracting Officer (CO) initiates a process that incentivizes a

contractor to improve performance and records the Government's assessment of the contractor's progress.

In both selecting an award-fee contract and developing the award-fee strategy, consideration must be given to interrelated factors such as the dollar value, complexity and criticality of the acquisition; the availability of Government resources to monitor and evaluate performance; and the benefits expected to result from such Government oversight. Award-fee contracts require additional administrative effort and **should only be used** when the contract amount, performance period, and expected benefits warrant the additional management effort. Once the decision has been made to use an award-fee contract, the evaluation plan and organizational structure must be tailored to meet the needs of that particular acquisition.

An award-fee contract gives the Government the flexibility to judgmentally evaluate the contractor's performance levels and, if necessary, institute changes in the award-fee plan to reflect changes in Government emphasis or concern. By entering an award-fee arrangement, the Contracting Officer (CO) initiates a process that rewards good performance, incentivizes a contractor to improve poor performance, and records the Government's assessment of the contractor's progress.

Award-fee contracts are appropriate when key elements of performance cannot be objectively/quantitatively measured and areas of importance may shift over the course of the contract. Award-fee provisions can be in contracts for research and development, major weapon systems, production items, operational contracting services, logistical support, construction, services or manpower support. For example, award-fee service

contracts are used where it is difficult to objectively define what is required and what constitutes good effort. Award-fee contracts are also used to procure design, development, and initial fabrication of state-of-the-art weapon systems when technical challenges are difficult to measure objectively .

An analysis must be performed to demonstrate that the contract amount, performance period, and expected benefits must be sufficient to warrant the additional administrative effort and cost involved prior to awarding a cost-plus-award-fee contract. Since both the anticipated benefits and added administrative costs are judgmental, the benefit analysis may not be a quantifiable analysis. Federal Acquisition Regulations (FAR) lists this analysis requirement under 16.404-2(c), Limitations, which states:

No cost-plus-award-fee contract shall be awarded unless--

(1) All of the limitations in 16.301-3 are complied with; (See Appendix ??)

(2) The maximum fee payable (i.e., the base fee plus the highest potential award fee) complies with the limitations in 16.301-3; and

(3) The contract amount, performance period, and expected benefits are sufficient to warrant the additional administrative effort and cost involved.

Defense Federal Acquisition Regulation Supplement (DFARS) 216.470 extends this requirement to other types of contracts by listing that the "award amount" portion of the fee may be used in other types of contracts under certain conditions. The fifth condition in DFARS is, "The administrative costs of evaluations do not exceed the expected benefits." Therefore, the CO should analyze the anticipated benefits versus added administrative costs before selecting an award-fee contract.

Before entering into an award-fee contract, the CO should also consider the factors summarized below:

Price competition. Normally, effective price competition results in realistic pricing, and a fixed-price contract is ordinarily in the Government interest.

Price analysis. Price analysis, with or without competition, may provide a basis for selecting the contract type. The degree to which price analysis can provide a realistic pricing standard should be carefully considered. (See FAR 15.805-2.)

Cost analysis. In the absence of effective price competition and if price analysis is not sufficient, the cost estimates of the offeror and the Government provide the bases for negotiating contract pricing arrangements. It is essential that the uncertainties involved in performance and their possible impact upon costs be identified and evaluated, so that a contract type that places a reasonable degree of cost responsibility upon the contractor can be negotiated.

Type and complexity of the requirement. Complex requirements, particularly those unique to the Government, usually result in greater risk assumption by the Government. This is especially true for complex research and development contracts, when performance uncertainties or the likelihood of changes makes it difficult to estimate performance costs in advance. As a requirement recurs or as quantity production begins, the cost risk should shift to the contractor, and a fixed-price contract should be considered.

Urgency of the requirement. If urgency is a primary factor, the Government may choose to assume a greater proportion of risk or it may offer incentives to ensure timely contract performance.

Period of performance or length of production run. In times of economic uncertainty, contracts extending over a relatively long period may require economic price adjustment terms.

Adequacy of the contractorÆs accounting system. Before agreeing on a contract type other than firm-fixed-price, the contracting officer shall ensure that the contractorÆs accounting system will permit timely development of all necessary cost data in the form required by the proposed contract type. This factor may be critical when the contract type requires price revision while performance is in progress, or when a cost-reimbursement contract is being considered and all current or past experience with the contractor has been on a fixed-price basis.

Concurrent contracts. If performance under the proposed contract involves concurrent operations under other contracts, the impact of those contracts, including their pricing arrangements, should be considered.

Extent and nature of proposed subcontracting. If the contractor proposes extensive subcontracting, a contract type reflecting the actual risks to the prime contractor should be selected.

Contractor Motivation: Award-fee contracting motivates the contractor to concentrate resources in areas critical to program success. The award-fee plan must convey which performance evaluation areas are most important to program success. An objective in negotiating an award-fee arrangement is to achieve effective communication between Government and contractor personnel at senior enough levels to achieve desired results.

Administrative Cost: The most obvious Government administrative cost is the labor resource dedicated to continuous performance monitoring. Although performance monitoring is necessary for all contract types, the award-fee evaluation process is a structured approach that requires additional documentation and briefings. Since award-fee evaluation periods will continue throughout the award-fee portion of the contract, total administrative cost is the sum of all evaluations. The same level of performance monitoring, reporting, and documentation continues throughout all award-fee periods which may include option periods. Remember to also consider the cost to educate and train technical personnel, Performance Monitors, Award Fee Review Board members, and other related acquisition personnel before implementation of the contract. The need to provide continuous follow-on training should also be considered.

Contract Value: Avoid using dollar thresholds as the sole determinant to select an award-fee contract. Estimated contract dollar amount is only one measure of value and may not be the most important consideration. Instead, consider contract value in terms of the criticality of the acquisition and its impact on related efforts. A relatively small dollar value contract may be extremely significant to the overall major program and, therefore, require the flexibility and judgmental evaluation inherent in using an award-fee contract.

The CPAF is currently used everywhere. It is used for missile, aircraft, munitions, electronics, GSE, research, exploratory development, development, production and services. Furthermore, it is used alone, and with CPFF, CPIF, FPI, and the FFP. It can be used alone or in combination with more traditional contract types. The major concern is always the potential for excessive costs (ESI,1996).

CHAPTER TWO

COMPONENTS OF THE COST PLUS AWARD FEE CONTRACT

There are several elements which make up a Cost Plus Award Fee contract, and no two contracts are the same. There is room for flexibility not only in the award fee calculation method but also in the cost reimbursement method. Both these elements need to be tailored to the specifics of the acquisition involved. One area in which the CPAF contract is extensively utilized, particularly by the Naval Facilities and Engineering Command (NAVFAC), is in the administration of Remedial Action Contracts (RAC). Following is an example of a typical cost reimbursement RAC contract, utilizing Delivery Orders for individual Statements of Work. At the time of award of this type contract, exact delivery orders and quantities are not known and typically a maximum and minimum annual dollar amount is all that is given.

Contract Clauses for Typical Rac

Delivery Orders for Cost Reimbursement Contract:

Work under this contract shall be ordered by written delivery orders issued on DD Form 1155 (Order for Supplies or Services) to the contractor by the Contracting Officer. The Government shall not be obligated to reimburse the contractor for work performed, items delivered, or any costs incurred, nor shall the contractor be obligated to perform, deliver, or otherwise incur except as authorized by duly executed delivery orders.

Ordering Procedures:

Each delivery order shall be placed in accordance with the following procedures:

a) The Contracting Officer shall furnish the Contractor with a written request for estimate. The request shall include:

1) A description of the specified work required,

2) The desired delivery schedule,

3) The place and manner of inspection and acceptance, and

4) Any other pertinent information (such as applicable Davis-Bacon wage determinations).

b) The Contractor shall, within the time specified, provide the contracting officer with:

1) A detailed cost estimate showing direct and indirect costs, organized using the work breakdown structure Hazardous, Toxic, and Radioactive Waste (HTRW), Remedial Action Work Breakdown Structure (WBS). The cost estimate shall be summarized to third level of the WBS.

2) Proposed schedule for completing the delivery order using the third level of the WBS.

3) Dollar amount and type of proposed subcontract (including information required by FAR 52.244-2)

4) Maximum award fee (As calculated by the Award Fee Plan - See Appendix B)

5) Total estimated cost plus award fee.

c) Upon receipt of the Contractor's estimate, the Contracting Officer and technical representatives shall compare it with their own independently prepared cost estimate, enter into any negotiation with the Contractor needed to correct and/or revise the proposed cost estimate, make any needed changes to the Statement of Work (SOW), and effect whatever internal review processes are required.

d) Upon completion of this process, the Contracting Officer shall prepare a delivery order issued on a DD Form 1155 and forward it to the Contractor. Only upon receipt of such an executed order, signed by the Contracting Officer, shall the Contractor commence work.

e) Each delivery order shall include as a minimum:

1) The date of the order;

2) Contract and Order number;

3) Statement of Work, including references to applicable specifications;

4) The delivery date or period of performance;

5) Accounting and appropriation data; and

6) The negotiated estimated cost of performance and award fee. Under no circumstances shall the Contractor exceed 100% of the estimated costs without prior written authorization from the Contracting Officer.

7) The place and manner of inspection and acceptance;

8) Any Government furnished property, material, or facilities to be made available for performance of the order;

9) Any other information deemed necessary to the performance of the order.

f) The Contractor shall notify the Contracting Officer if any apparent difficulties with regard to the performance of the order arise. Each delivery order shall include the FAR clauses "LIMITATION OF COSTS" and "LIMITATION OF FUNDS". The Contractor shall notify the Contracting Officer within 60 days of reaching 75% of the estimated cost of the delivery order. If at any time during the performance of the delivery order, it appears that additional funds will be required to complete the performance of the delivery order, the Contractor is required to promptly notify the Contracting Officer in writing. In response the Government may require the Contractor to continue performance up to the originally estimated cost level and to suspend work thereafter; negotiate a new set of work priorities to be completed with the remaining funds; modify the work order, increasing the estimated cost to the level appropriate for completion of the work without additional fee, or use any other method available under this contract to meet its requirements. Fee may be increased only if there is an increase outside the original scope of the SOW.

Notification required under "LIMITATION OF COSTS" and "LIMITATION OF FUNDS" clauses.

Limitation of Costs applies if the delivery order is fully funded at the time of

issuance. Limitation of funds applies if the delivery order is incrementally funded. The Contractor is required to notify the Contracting Officer in writing if:

a) for LIMITATION OF COST:

1) The expected costs in the next 60 days will exceed 75% of the estimated cost of the delivery order;

2) The total cost for the performance of the delivery order, exclusive of any fee, will be either greater or substantially less than had been previously estimated.

b) for LIMITATION OF FUNDS:

1) The expected costs in the next 60 days will exceed 75% of the total amount so far allotted to the delivery order;

2) Sixty days before the end of the period specified in the delivery order, the Contractor shall notify the Contracting Officer in writing of the estimated additional funds required to continue timely performance under the delivery order;

Delivery Order and Modification Proposals - Price Breakdown

a) The Contractor shall furnish a price breakdown, itemized as required and within the time specified by the Contracting Officer, with any proposal for a contract modification or delivery order.

b) The price breakdown -

1) Must include sufficient detail to permit an analysis of profit, and of all

costs for

i) Material;

ii) Labor;

iii) Equipment;

iv) Subcontracts;

v) Overhead; and

2) Must cover all work involved in the modification or delivery order, whether such work was added, deleted or changed.

c) The Contractor shall provide similar price breakdowns to support any amounts claimed for subcontracts.

d) The Contractor's proposal shall include any justification for any time extension proposed.

Contracting Officer's Technical Representative (COTR)

The COTR for this contract will be appointed in writing by the Contracting Officer at the time of award. A Contracting Officer's Technical Representative (COTR) is NOT a Contracting of Ordering Officer and DOES NOT have authority to take any action, either directly or indirectly, that would change the pricing, quantity, quality, place of performance, delivery schedule, or any other terms and conditions of the contract (or delivery order), or to direct the accomplishment of effort which goes beyond the scope of the Statement in the contract (or delivery order).

The COTR is technically responsible for monitoring of contractor performance and

is the sole technical point of contract. However, a Navy Technical Representative (NTR) may be assigned to assist the COTR in executing inspection and monitoring duties wherein the surveillance and monitoring burden of the contract is significant. The NTRs will be set forth on individual delivery orders, as required.

The Contracting Officer may also appoint, in writing, an alternate COTR to perform the responsibilities and functions of an absent COTR.

Submission of Invoices and Requirements for Approval

(a) The term "invoice" includes requests for interim payments using public voucher (SF 1034 and 1035) as well as requests for payment upon completion of service.

(b) The Contractor shall submit invoices and any necessary supporting documentation, in an original and 1 copy to the contract auditor :

One copy shall also be forwarded to the Contracting Officer and COTR. The supporting documents required for all Contract Task Orders (CTOs) and for monthly spot checks will be a matter of discussion at the Pre-Performance Conference. Following verification, the contract auditor will forward the invoice to the designated payment office for payment in the amount determined to be due, in accordance with the applicable payment and fee clauses of this contract.

(c) Invoices requesting interim payments under this cost reimbursement contract shall be submitted once a month. There shall be a lapse of no more than 90 calendar days between performance and submission of an interim payment invoice, except for adjustments to annual indirect rates which will be ascertained at time of audit. Although

the Contracting Officer will accept invoices of charges older than 90 days, verification becomes difficult which may cause the charges to be disallowed.

(d) Incurred costs invoiced shall be in accordance with FAR 52.216-7, ALLOWABLE COST AND PAYMENT. The Contractor shall present the invoiced costs in accordance with the methodology presented in Attachment JG.1, "Project Management Systems Data Exchange Format, " and JG.2, "Remedial Action HTRW Code of Accounts," to the third level of detail.. The following information is necessary:

(1) Contract number and invoice number;

(2) CTO Number and project title or brief description of work;

(3) Current and cumulative charges for regular and premium direct labor hours specifying labor category and labor hours used. Backup for the current labor charge total shall consist of a record of time worked showing the name of the individual, labor classification for function performed, hours worked, hourly rate paid and total paid to each individual. Current labor charges must be able to be substantiated by individual daily job time cards.

(4) Current material charges are to be substantiated by evidence of actual payment and shall include all cash and trade discounts, rebates, allowances, credits, salvage, commissions and other benefits. This shall include a brief but specific explanation of what was purchased for material billed on this invoice.

(5) Current and cumulative subcontract costs exclusive of Other Direct Costs (ODCs), if any. For current subcontract costs, list a description of each

subcontract on the supporting breakdown and provide an information copy of each invoice. For cost reimbursement subcontracts, list the amount of fee separate from the cost of performance;

(6) Current and cumulative travel and per diem costs, if any. Current travel amounts are to be supported with receipts and the following data for each trip:

(i) dates of travel

(ii) mode of transportation and cost

(iii) point of origin

(iv) destination

(v) name of traveler

(vi) reason for travel

(vii) per diem rates

(7) Current and cumulative ODCs;

(8) Indirect Costs (identifying rate used and base); and

(9) Current and cumulative award fee paid.

(e) The Defense Contract Audit Agency (DCAA) (or other cognizant Audit Office) will review invoices for provisional payment and forward the original invoices, if approved, to the designated paying office.

Award Fee Calculation

Similar to the previous cost reimbursement section, the award fee calculation method and award criteria of a CPAF contract differs dramatically from contract to contract based on the type of acquisition involved. Similar to the cost reimbursement section, the award fee plan needs to be tailored to maximize incentive in those areas critical to success of the project while minimizing costs.

Award-Fee Pool

The award-fee pool is the total of the available award fee for each evaluation period and base fee for the life of the contract. Federal Acquisition Regulation (FAR) 16.305 states, "A cost-plus-award-fee contract is a cost-reimbursement contract that provides for a fee consisting of (a) a base amount (which may be zero) fixed at inception of the contract and (b) an award amount, based upon a judgmental evaluation by the Government, sufficient to provide motivation for excellence in contract performance." Base fee is not earned and is, therefore, paid on a regular basis without the contractor's performance being evaluated. Since the available award fee during the evaluation period must be earned, **the contractor begins each evaluation period with 0% of the available award fee and works up to the evaluated fee for each evaluation period.** Contractors do not begin with 100% of the available award fee and have deductions taken to arrive at the evaluated fee for each evaluation period (AFMC Award Fee Guide, 1995).

Statutory Limits for Cost-Reimbursement Contracts

Maximum contract fee is the sum of all fees (not just the award fee) and incentives payable under the contract, including performance and subcontracting incentives. The following regulatory limitations apply (see FAR 15.903(d)):

Experimental, Developmental, or Research	15% of estimated cost, excluding fee
Other Contracts	10% of estimated cost, excluding fee
Architect & Engineering (A&E)	6% of estimated cost of construction, excluding fee

Often times, CPAF contracts will also include a maximum award fee available of 5% for work that is subcontracted out.

Base Fee

Base fee is the fixed portion of the award-fee pool that is not earned but is paid throughout the award-fee portion of the contract. The remaining portion of the award-fee pool is allocated to each award-fee evaluation period and is earned based upon the contractor's performance for that evaluation period.

Base fee is not allowed in fixed-price-award-fee (FPAF) contracts. Base fee in a cost-plus-award-fee (CPAF) contract is a fixed amount received by the contractor regardless of the contractor's evaluated performance. The base fee may range from 0% to 3% of the estimated contract cost exclusive of the fee (see DFARS 216.404-2(c)).

The acquisition strategy determines the amount of base fee to include in the award-fee pool. The use of base fee enhances contractors' cash flows, but it may be unnecessary if the CPAF portion is combined with other types of contracts.

DFARS 215.974(c) requires the DOD Offset Policy for Facilities Capital Cost of Money in DFARS 215.973(b)(2) be applied when developing a base-fee objective for CPAF contracts. The offset policy recognizes the shift in facilities capital cost of money from an element of fee to an element of contract cost. The Contracting Officer (CO) reduces the overall base fee by the lesser of 1% of total cost or the amount of facilities capital cost of money. When compliance with the offset policy results in a negative base fee, subtract an amount equal to the facilities cost of capital or 1% of the estimated cost of the contract (whichever is less) from the award-fee pool and use a base fee of not less than zero.

Establishing the Award-Fee Pool

Establishing the award-fee pool is critical and requires careful consideration. Fees must be sufficient enough to provide the contractor motivation to achieve excellence in overall contractor performance. Fees should not be excessive for the effort contracted nor should they be so low that the contractor has limited incentive to respond to Government concerns. An inadequate award-fee pool does not provide the motivation incentive to the contractor that this type of contract is intended to stimulate. Fees should neither be excessive nor insufficient for the effort contracted.

There is no single approach required by FAR for establishing an award-fee pool. However, it should be logically developed and reflect the complexity of the contract

effort. The amount of award fee available to be earned and any base fee is established as part of the acquisition strategy.

Methodology for Non-Competitive Acquisitions

Following is a three-step approach for determining the award-fee pool for non-competitive acquisitions.

1. Develop an estimated contract cost. Determine the estimated cost for the work required within the scope of the contract. To ascertain the estimated cost of a proposed contract, the buying activity may rely on the contractor's proposal and/or the Government's estimated cost. The type of cost estimating technique used depends on the size, complexity, and other critical aspects of each contract action. The cost estimate should be thoroughly documented.
2. Consider all factors pertinent to award-fee pool determination. When the award-fee pool is evaluated considering the following factors under FAR 15.905, the pool should be sufficient to compensate the contractor for the highest level of performance. If not, the pool should be adjusted accordingly, while keeping reasonableness in mind.

   - Complexity of the work and the resources required for contract performance.
   - Reliability of the cost estimate in relation to the complexity and duration of the contract task.
   - Degree of cost responsibility and associated risk that the prospective

contractor will assume as a result of an award-fee contract.

- Amount of base fee, if applicable. Remember to apply the DOD Offset Policy for Facilities Capital Cost of Money in calculating the pre-negotiation base-fee amount.
- Degree of support given by the prospective contractor to Federal socioeconomic programs.

3. Ensure statutory fee limitations are not exceeded. The final step for determining the award-fee pool is to ensure the total fee(s) available under the contract (not just the award fee) does not exceed statutory fee limitations. (See Statutory Limits for Cost-Reimbursement Contracts.) Review all fee-producing clauses or contract terms that add to the total fee that can be earned, such as incentives for subcontracting with small businesses or small disadvantaged businesses. This calculation results in the maximum-allowable-fee pool a contractor may earn for a given Government contract. However, the calculation should not dictate the maximum allowable award-fee pool. The fee pool does not have to equate to the resultant maximum allowable percentage. Establish the fee pool for the proposed contract based on your acquisition strategy.

Allocation of Award Fee by Evaluation Period

After the amount of the award-fee pool is established, deduct the base fee (if any) and allocate the remainder of the pool over the various award-fee evaluation periods. The base fee (2% or $100,000 in the example below) is allocated equally throughout the award-fee portion of the contract. The distribution of the remainder of the award-fee pool depends on the acquisition strategy and individual circumstances of each procurement. The available award fee allocated for each evaluation period is the maximum amount that can be earned during that particular evaluation period. The available award fee may be allocated equally among the evaluation periods if the risks and type of work are similar throughout the various evaluation periods. Otherwise, if there is greater risk or critical milestones during specific evaluation periods, a larger portion may be distributed to those periods. This permits the Government to place greater influence on those evaluation periods. The following dollar amounts are used in the examples for equal and unequal allocation apply to the available award fee for each evaluation period.

Estimated Cost	$5,000,000
Award Fee (10%)	$ 500,000
Base Fee (2%)	$ 100,000
Total	$5,600,000

Equal Allocation

The total available award fee ($500,000) may be allocated equally among the evaluation periods as shown below if the risks and type of work are similar throughout the various evaluation periods.

EVALUATION PERIODS	1	2	3	4	Total
Allocation (%)	25%	25%	25%	25%	100%
Allocation ($)	$125,000	$125,000	$125,000	$125,000	$500,000

Unequal Allocation

Unequal allocations of the available award fee ($500,000) can be used to motivate the contractor's performance to correspond to different degrees of emphasis or risk. If the contract has a short initial evaluation period so the contractor becomes familiar with the work (e.g., janitorial services), the initial evaluation period may have a smaller allocation while the remaining available award fee is divided equally among the remaining evaluation periods. Conversely, if the contract effort requires the contractor to become familiar with the work quickly, the initial evaluation period may have a larger allocation. If there is greater risk or a critical milestone(s) during specific evaluation periods, a larger portion of the award-fee pool may be distributed to certain periods. Unequal allocations permit the Government to place greater emphasis on certain award-fee evaluation periods. The following illustrates an unequal allocation that reflects

different degrees of emphasis.

EVALUATION PERIODS	1	2	3	4	Total
Allocation (%)	10%	26%	40%	24%	100%
Allocation ($)	$50,000	$130,000	$200,000	$120,000	$500,000

Award-Fee Hourly Rate Allocation

The available-award-fee amounts can also be calculated by multiplying the maximum or estimated hours times an established award-fee hourly rate before the evaluation periods start for cost-reimbursement term contracts. The available-award-fee amount at the end of each evaluation period is then determined by multiplying the number of hours incurred or authorized, whichever number of hours is less, times the award-fee hourly rate. The contractor's performance must still be evaluated at the end of the evaluation period to determine the award-fee amount earned by the contractor. When this method is used, extra care is needed to ensure that the number of hours the contractor used bears a reasonable relationship to the accomplishments during the period. Cost control is minimal in these situations especially where the type or quality of labor used can fluctuate.

Reallocation

Reallocation is the process by which the Government moves a portion of the available award fee from one evaluation period to another due to such things as Government-caused delays, special emphasis areas, changes to the Performance Work

Statement (PWS) or Statement of Work (SOW), etc. Reallocation is not normally associated with the contractor's performance. Reallocation may be done unilaterally if projected before the start of the effected award-fee evaluation period. Within an award-fee evaluation period, reallocation can only be done by mutual agreement of both parties.

Rollover

Rollover is the process of moving unearned available award fee from one evaluation period to another subsequent evaluation period, thereby providing the contractor an additional opportunity to earn that unearned award-fee amount. Rollover shall not occur in service contracts since the service was either performed during the evaluation period or not. In other than service contracts, rollover should only occur in exceptional cases because it is detrimental to the award-fee process if the contractor knows there is another opportunity to earn the unearned fee. However, there will be instances when it is advantageous to add additional incentives for improved contractor performance. If the Fee Determining Official (FDO) allows rollover, documentation that justifies its use becomes part of the official contract file.

Award-fee payments are bona fide needs of the same fiscal year and appropriation that finance the related contractual effort on which the award-fee determination is based. Since both the bona fide need and propriety of funds (purpose) rules apply, sufficient funds of the correct appropriation type and year of the related effort for the subsequent evaluation period must be available for payment of the rollover amount.

Award-Fee Plan

The number of award fee evaluation criteria and the requirements they represent will differ widely among contracts. The criteria and rating plan should motivate the contractor to improve performance in the areas rated, but not at the expense of at least minimum acceptable performance in all other areas.

Cost-plus-award-fee contracts shall provide for evaluation at stated intervals during performance, so that the contractor will periodically be informed of the quality of its performance and the areas in which improvement is expected. Partial payment of fee shall generally correspond to the evaluation periods. This makes effective the incentive which the award fee can create by inducing the contractor to improve poor performance or to continue good performance.

The award-fee plan captures the award-fee strategy. Depending on the installation or agency involved, the award fee plan may be identified by such titles as Award Fee Determination Plan, Performance Evaluation Plan, or Award Fee Evaluation Plan. Whatever the title, the plan details the procedures for implementing the award-fee provision of the contract. The award-fee plan structures the methodology of evaluating the contractor's performance to determine the earned-award-fee amount during each award-fee evaluation period. The objectives are to (1) provide a workable award-fee plan with a high probability of successful implementation, (2) clearly communicate evaluation procedures that provide effective, two-way communication between the contractor and the Government, and (3) focus the contractor on areas of greatest importance to motivate the best possible use of company resources to improve

performance.

The Air Force Award Fee Guide provides an example of items to be considered in a typical Award Fee Plan, these items, listed below may differ from contract to contract or by services depending on the type of acquisition and other relevant factors unique to a given contract situation.

- Identify the responsible persons and detail their responsibilities.
- List the evaluation periods and their respective fee allocations. (See Evaluation Period Length and Allocation.)
- Identify the grades used for measuring the contractor's performance. (See Award-fee Grades.)
- Identify each category of performance. (See Categories of Performance.)
- Define the evaluation criteria used to grade the contractor's performance. (See Evaluation Criteria.)
- Describe the overall award-fee evaluation process by establishing an effective organizational structure commensurate with the complexity and dollar value of the particular acquisition.
- List weights, if any, to be applied to the evaluation criteria. (See Weighting of Categories of Performance.)

The following sections discuss the various elements of an award-fee plan. For smaller programs, award-fee plans do not need to be as elaborate as for larger programs;

Every award-fee plan should have the following elements:

- Title Page containing the name of the program, RFP/contract number, and coordination/approval signatures and dates.
- Introduction describing the responsibilities and procedures for implementing the award-fee provision of the contract.
- Award-fee Organization including identification of the Fee Determination Officer (FDO), Award Fee Review Board (AFRB) members, Technical Evaluation Board (TEB) members, Performance Evaluation Board (PEB) members and Performance Monitors.
- Evaluation Process including the grades, categories of performance, evaluation criteria, and weights, if any.

Award-Fee Organization

Identify the Fee Determination Officer (FDO) and AFRB, TEB, and PEB members by title/position to eliminate the need for administrative changes to the award-fee plan when an individual member changes. Performance Monitors are identified by function in the award-fee plan. Depending on the agency administering the contract and the type of acquisition involved, there may be different organizational setups for determining the award fee calculation. In the RAC contract discussed earlier, there is typically an award fee administrator , several contract monitors, a technical evaluation board, a performance evaluation board and a Fee Determination Officer. The roles and

responsibilities of these personnel will be discussed in the next chapter.

Evaluation Period Length and Allocation

The total award-fee contract performance is divided into evaluation periods. The amount of available award fee for allocation among the evaluation periods, which is the total award fee pool minus the base fee, is allocated over these evaluation periods. The length of the evaluation periods and allocation of the available-award-fee pool depend on the acquisition strategy, and program needs and goals of each procurement, normally is not less than three nor more than six months.

The award-fee evaluation periods can be established by duration with start and end dates. If duration is used, evaluation periods need not be equal in length. In some instances (e.g., janitorial services), the contractor may need a short initial evaluation period to become familiar with the work required while the remaining periods of performance are divided equally. The award-fee evaluation periods can also be established by milestones with specific anticipated milestone completion dates. If milestones are used, the actual award-fee evaluation period must end either at the completion of the milestone or the anticipated milestone completion date, whichever occurs first.

Award-fee evaluation periods shall not exceed six months for small businesses or one year for large businesses. Typically for RAC contracts, quarterly evaluation periods are utilized. Selection of the length of award-fee evaluation periods is critical since

evaluation periods that are too short can prove administratively burdensome, lead to hasty evaluations or late award-fee determinations, and allow insufficient time for the contractor to improve areas of weakness. On the other hand, if the evaluation periods are too long, effective communication between contractor and Government is jeopardized and opportunities to influence the contractor's performance are diminished.

The Government may unilaterally reallocate or revise the distribution of remaining award-fee dollars among subsequent evaluation periods. (See Reallocation.) The contractor must be notified of such changes in writing by the CO before the relevant evaluation period starts. The award-fee plan must be modified accordingly. If the total award-fee pool and available-award-fee dollars for each period are stated in the contract, a contract modification must also be issued. After an evaluation period begins, changes impacting that evaluation period may only be made by mutual agreement.

Evaluation Requirements

A critical part of developing the award-fee plan is defining the grades, categories of performance, and evaluation criteria. Each of the grades used to evaluate the designated categories of performance may have a range of performance points assigned to it. Grades, categories of performance, and associated criteria are specific to the needs and goals of the contract.

If points are assigned to the grades, the range of points for unsatisfactory shall end at 50% or higher of the total points. For example, the Unsatisfactory range must be at least 0-75 if there are a total of 150 points. However, the unsatisfactory range could

be 0-100 points. In the example quarterly award fee evaluation report (see Appendix C), the range of percentage points is 0-100, with scores of 70% and below receiving no award fee Unsatisfactory performance is usually inadequate to accomplish the contractual requirements. Therefore, unsatisfactory performance does not deserve to be rewarded. In no case shall any award fee be earned for overall unsatisfactory performance.

Award-fee Grades

Three to five standard grades are typically used to evaluate the contractor's performance. The descriptions of grades are purposely general and subjective to ensure they are not objective performance incentives. The award-fee plan should include the range of grade points or scores assigned to each grade. Calculate the overall performance score by totaling the sum of the weighted grade points (if weights are used) for each category of performance. Grade descriptions are not standardized to allow tailoring to specific acquisitions. (Examples of grade descriptions are in Appendix (D))

Categories of Performance

The award-fee plan lists the categories of performance (e.g., technical, management, and cost) to be evaluated and the associated weights, if any. Spreading the potential award fee over a large number of categories dilutes emphasis. Instead, broad categories are selected, such as technical, business management and cost control,

supplemented by a limited number of criteria describing significant evaluation elements over which the contractor has effective management control. Program history and past performance can be helpful in identifying key problem or improvement areas to focus on during award-fee evaluations.

Award-fee plans are tailored to the strategy of the individual procurement. There is no requirement to standardize the categories of performance used in award-fee contracting. It is neither necessary nor desirable to include a category of performance for each function in the statement of work. If the award-fee contract is a manpower support contract, a separate surveillance plan is required for those areas of the contract not covered by the award-fee plan. Categories of performance incentivized through award-fee contracting should be important to the success or failure of the program so neither the Government nor contractor uses inordinate resources on minor tasks to the detriment of major tasks. The functions included in the award-fee plan should be balanced so that contractors, making trade-offs between categories of performance, may assign the proper importance to all the critical functions identified. For example, the award-fee plan should emphasize technical performance, product management and cost control considerations because an evaluation limited to technical performance might result in increased costs that are out of proportion to any benefits gained.

Some basic areas of performance need to be in every award-fee contract. For instance, all cost-incentive-type contracts are required to include a cost incentive or constraint. (See FAR 16.402.) Therefore, cost control should always be evaluated in CPAF contracts. In general, controlling the cost, quality (technical merit, design

innovation, reliability, etc.), and scheduled delivery of hardware or services provided will always be important. However, the relative importance and measure of performance in each area may vary according to the needs of each acquisition.

Evaluation Criteria

The award-fee plan must state the evaluation criteria used to grade each category of performance. The criteria should emphasize the most important aspects of the program that will motivate the contractor in a positive way to improve performance. The criteria should be specific to the needs and goals of the program office. Award-fee plans whose criteria are either too broad, or inapplicable to a given function, make it difficult for Performance Monitors to provide meaningful comments and evaluations.

Depending upon the procurement situation, performance evaluation criteria may include output, input or a combination of both factors. Output factors refer to the end results of contract performance, such as the quality of the end items delivered or services rendered, the actual time of delivery or completion, and the incurred costs. Input factors refer to intermediate processes, procedures, actions, or techniques that are key elements influencing successful contract performance. These include testing and other engineering processes and techniques; quality assurance and maintenance procedures; subcontracting with small and small disadvantaged businesses; purchasing department management; and inventory, work assignment and budgetary controls.

Weighting of Categories of Performance

As contract work progresses from one evaluation period into the next, the relative importance of specific performance criteria may change. The award-fee plan may indicate the relative priorities assigned to the various categories of performance through percentage weightings. If weights are used to communicate relative priorities, the total assigned weights must equal 100 percent. The award-fee plan should clarify that in no way do these percentages imply that mathematical precision is applied to the judgments used to determine the overall performance quality and amount of earned award fee.

Grading and Scoring Contractor's Performance

Grading and scoring methods translate evaluation findings into recommended earned-award-fee amounts. The contractor begins the evaluation period with 0% of the available award fee and works up to the earned award fee based on performance during that evaluation period. Contractors do not begin with 100% of the available award fee and have deductions taken. Using this method helps the FDO decide the earned-award-fee amount for a given evaluation period. The grades and scores should not be released to the contractor. These methods are evaluation tools and are not a substitute for exercising judgment in the award-fee determination process. This process must not be reduced to a mathematical formula or methodology.

Some general considerations in the development of a grading/scoring methodology are:

- When Government actions impact contractor's performance either positively

or negatively, consider those actions in the scoring and grading process. Such Government actions include changes in funding allocation or increased emphasis on certain technical requirements that require the contractor to make unexpected and extensive trade-offs with other technical requirements.

- Keep the process as clear and simple as possible.
- Avoid forcing specially tailored evaluation criteria to fit into a grading table or scoring formula.
- The entire available-award-fee amount should be attainable. However, award-fee contracting loses its ability to motivate the contractor if the maximum amount is consistently "earned."
- Documentation regarding the contractor's performance should be available for the FDO's review before a decision of the earned-award-fee amount is made. Documentation of assigned grade points, if grade points are used, is required to support award-fee recommendations.

Grading and Scoring Cost Control

Contractors should not be incentivized to excel in cost control to the detriment of the other important performance objectives. When cost control is included as a factor in the award-fee plan, measure the contractor's success at controlling cost against contract

estimated cost and not budgetary or operating plan costs. The predominant consideration when evaluating cost control is to measure the contractor's performance against the negotiated estimated cost of the contract, including the cost of undefinitized change orders when appropriate. The following scoring guidelines will help ensure that cost control receives the proper emphasis:

- If there is a cost overrun, consider the reasons for the overrun and the contractor's efforts to control or mitigate it. If there is a significant cost overrun that was within the contractor's control, a score of zero may be given. If the overrun is less than significant, a higher score may be given.
- If the maximum score for cost control is given when the contractor achieves the negotiated estimated cost of the contract, there may be no incentive for cost underruns. Some lesser score may be assigned indicating the degree to which the contractor has prudently managed costs while meeting contract requirements.
- Cost underruns within the contractor's control will normally be rewarded. However, cost underruns may not indicate good cost control unless the actual effort during the evaluation period matches that originally proposed or planned. The extent to which the underrun is rewarded will depend on the size of the underrun and the contractor's level of performance in the other categories of performance.

Conversion Tables

Award-fee plans may include conversion tables or graphs with formulas that translate the contractor's overall score (i.e., performance points) into the earned-award-fee amount. This conversion may or may not be a linear relationship. The earned-award-fee amount indicated by the use of a conversion table or graph is a guide to the AFRB, TEB or PEB (depending on the award fee organization) and FDO. Use of a conversion table or graph does not remove the element of judgment from the award-fee process. Regardless of the method used, zero award fee will be earned for an overall unsatisfactory performance.

Linear Relationship Between Score and Fee Percentage

One method of conversion is linear, a straight point-to-percentage conversion of overall performance above unsatisfactory. For example, if a contractor receives an Excellent grade with an overall score of 91, the contractor would also receive 91% of the available award fee for that evaluation period.

Non-linear Relationship Between Score and Fee Percentage

The following graphs depict non-linear relationships between points and percentage of overall performance above unsatisfactory. The grades in these examples are:

Unsatisfactory	Below 80
Satisfactory	80-85
Very Good	86-90
Excellent	91-100

In this example, an overall score of 80 points receives 25% of the available award fee; an overall score of 87 points receives 41%; an overall score of 88 points receives 53% of the available award fee, an overall score of 92 points receives 65% of the available award fee, and an overall score of 98 points receives 91% of the available award fee.

In this example, an overall score of 80 points also receives 25% of the available award fee. However, an overall score of 87 points receives 53%; an overall score of 88 points receives 60% of the available award fee, an overall score of 92 points receives 81% of the available award fee, and an overall score of 98 points receives 96% of the available award fee.

Evaluation Process

The award-fee plan details the interim (if any) and end-of-period evaluation processes. For award-fee contracts with evaluation periods exceeding six months, interim evaluations are required. (See Appendix (C) for a sample quarterly Award Fee evaluation.)

Procedures for Changing the Award-Fee Plan

All changes to the award-fee plan should be coordinated with the AFRB and sent to the approval authority. For significant award-fee plan changes, the approval authority is the FDO. After approval, the CO shall notify the contractor in writing of any change(s). Unilateral changes may be made to the award-fee plan if the contractor is provided written notification by the CO before the start of the upcoming evaluation period. Changes effecting the current evaluation period must be by mutual agreement of both parties. Examples of significant changes include changing evaluation criteria, adjusting weights to redirect contractor's emphasis to areas needing improvement, and revising the distribution of the award-fee dollars.

Summary - The 'Experts" List

A composite list was made from all of the suggestions on the design of the Award Fee, from various experts who have studied CPAF contracts in detail: (Kennedy, 1986).

1. Increase the level of fees that can be earned
2. Require that fees earned should flow to the people who are responsible for the achievements.
3. Assign weights to things other than just cost, schedule, performance, and management; for example, second sources and simple designs.
4. Minimize combination contracts.
5. Have quality assurance evaluations be performed by middle management or above; the lower echelons tend to see only details and often miss the big picture.
6. The fee board meeting should not be more frequent than monthly; it takes up to two and a half weeks to prepare.
7. Zero in on the quality elements of the fee award.
8. Performance and quality should be the key items for evaluation.
9. Make sure the process does not become an end in itself. The Contractors sometimes work harder at getting grades than at performance under the contract.
10. Remove the potential for interference from outside the program; there are occasionally political interferences.
11. Train the technical monitors in the Award Fee Process.

12. Let the PCO choose the proper contract type; the Award Fe is often the path of least resistance.

13. Quarterly reviews are too demanding; consider six months as appropriate.

14. Generally, do not use Award Fee for small contracts (under $50,00).

15. Obligate fees into a fee pool; expiring funds force inappropriate decisions. Current practice makes financial management slow and needlessly difficult.

16. Consider a fee determining group; turnover of the 'single' FDO can affect award fee decisions drastically.

17. Minimize unilateral changes to ratings, amounts and intervals.

18. Make payments promptly.

19. Change the Fee determination board as little as possible. Consistency is important.

20. Clarify the intent of the Award Fee and its usage; it should be a management tool.

21. Clarify that base fee can be established at various levels; that fees are earned for performance above base fee. Forbid zero base fee.

22. Maintain flexibility; make sure all parties understand that the contract can be changed unilaterally as necessary.

23. Allocate fee pools to most meaningful performance period and be flexible.

24. Make sure people understand that fee awards are a reflection of not just the performance achieved, but also the conditions under which such performance was achieved.

25. Permit rollover; maintain the potential to motivate.

26. Discourage Fee Determination Officials from using fee pools for his or her own pet projects and from discounting fee pool because contractor has a base fee.

27. Be alert as to how to keep administrative burdens to a minimum.

There is no doubt that one of the most critical elements for a successful CPAF contract is the development and implementation of an appropriate Award Fee Plan. There are other important elements such as competent and trained personnel, prior experience with the CPAF methodology, management's commitment, and a cooperative atmosphere. The above 'experts' list may or may not apply in its entirety to every CPAF acquisition, the list does serve as a starting point to consider when developing the Award Fee Plan.

CHAPTER THREE

ORGANIZATIONAL STRUCTURE FOR AWARD FEE ADMINISTRATION

Award-fee evaluations are judgmental due to the nature of the work. Therefore, it is especially important that all personnel involved in award-fee contracting understand the overall process, and the specific roles and responsibilities of the evaluation team. The overall objective in all cases is the adoption of a fair, equitable and timely approach that does not create or impose an administrative burden out of proportion to the benefits anticipated. The evaluation team organization differs by contracting agency and also by acquisition within the same agency, typical assignments include: Fee Determining Official (FDO), Award Fee Review Board (AFRB), Technical Evaluation Board (TEB), Performance Evaluation Board (PEB) and Performance Monitors, there are also usually clerical and administrative types assigned for record keeping and administrative responsibilities. The FDO makes the final determinations regarding amount of award fee earned during the evaluation period and ensures the award-fee process integrity is maintained throughout the program and not just the contract. The AFRB, TEB and/or PEB provides an objective, impartial view of the contractor's performance to the overall process. The Performance Monitors deal with the contractor on a day-to-day basis.

Although award-fee contracting allows for judgmental evaluation of the contractor's performance, it must follow a disciplined approach. Documentation ensures the integrity of the award-fee evaluation process. Therefore, this documentation should demonstrate that the process set forth in the award-fee plan has been followed, that the rating recommendations and final FDO decisions have been based on actual performance

and evaluated according to the award-fee plan, and that timely feedback is provided to the contractor that addresses strengths and weaknesses.

The award-fee organizational structure should be as simple as possible and avoid an excessively structured evaluation process. Excessive layers can hamper the flow of information and cause unnecessary paperwork, delays in turnaround, and large demands on the work force (ESI,1996).

Fee Determining Official

The FDO is designated by position in the award-fee plan. The FDO must be senior enough to ensure the contractor's confidence in the objectivity of the award-fee process and enable communication with the appropriate level of contractor management. All FDO decisions regarding the award fee, including but not limited to: the amount of the award fee, if any; the methodology used to calculate the award fee; the calculation of the award fee; the contractor's entitlement to the award fee; and the nature and success of the contractor's performance are not subject to the "Disputes" clause nor review by any Board of Contract Appeal, court, or other judicial entity.

The FDO or in some cases the Award Fee Administrator (as in RAC contracts) approves the award-fee plan, any significant changes to it, and members of the AFRB, TEB and/or PEB; The FDO makes the final determination of the award-fee amount earned by the contractor at the end of the evaluation periods. The FDO ensures the amount and percentage of award fee earned accurately reflects the contractor's

performance.

The FDO's decision must be documented. If the FDO's final decision varies either upward or downward from the board's recommendation, the rationale for the change shall be documented in the official contract file and explained with reference to the award-fee plan. Case history emphasizes the need for this documentation to ensure the FDO decision does not appear arbitrary and capricious. The FDO decision letter should include the earned-award-fee amount and address the contractor's strengths and weaknesses for the evaluation period. The FDO decision letter should not include: (1) names of individuals that work for the contractor, (2) internal rating scores of board members or (3) internal rating tools, such as stars, arrows, etc. In addition, the FDO's rationale to allow rollover, including the amount of the unearned award fee that may be considered available in the subsequent evaluation period(s), shall be documented in the official contract file (AFMC Award Fee Guide, 1995).

Award Fee Review Board

The AFRB is used most often by the Air Force and NASA contracting agencies in the administration of CPAF contracts. Navy contracting agencies typically replace the AFRB with a TEB and/or PEB. In both cases the boards process information and provide recommendations to the FDO. The AFRB evaluates the contractor's overall performance for the award-fee evaluation period, and recommends the earned-award-fee amount to the FDO. The AFRB reviews the Performance Monitors' evaluations; the contractor's self-evaluation, if any; and other pertinent information to arrive at an overall

evaluation of the contractor's performance. The AFRB may request Performance Monitors to discuss their evaluations so that the AFRB gains further insight into the contractor's performance. The AFRB also recommends changes to the award-fee plan to the appropriate approval authority.

The AFRB is composed of Government personnel only whose experience in acquisition allows them to analyze and evaluate the contractor's overall performance. The only required members of the AFRB are a Chairperson, the CO, and a Recorder. The AFRB shall not include Performance Monitors. AFRB membership may also include personnel from key organizations knowledgeable of the award-fee evaluation areas such as: Chiefs of Engineering, Logistics, Program Management, Contracting, Quality Assurance, Legal, and Financial Management; personnel from the user organizations and cognizant Defense Contract Management Command (DCMC) office; and the local Air Force Small Business Office Director in cases where subcontracting goals are important. Members should be identified only by position to eliminate the need for administrative changes to the award-fee plan when an individual member changes. AFRB members:

- Must be familiar with the award-fee process, contract requirements, and the award-fee plan.
- Assess the contractor's overall performance for each award-fee plan criterion. It is important that the AFRB evaluate the contractor's overall performance according to the criteria stated in the award-fee plan.

- Prepare interim evaluation reports, review contractor's self-evaluation and Government evaluation reports, consider all information obtained from other pertinent sources, and recommend an earned-award-fee amount to the FDO based on their analysis of the contractor's performance.
- Recommend changes to the award-fee plan to reflect program evolution.

Document the AFRB's results to show how the AFRB arrived at the recommended earned-award-fee amount presented to the FDO. This documentation may include Performance Monitors' evaluations; interim letters, if applicable; the contractor's self-evaluation, if any; briefings presented to the AFRB; and other data considered.

AFRB Chairperson

The AFRB Chairperson, who is appointed by the FDO, selects the remaining AFRB members who are approved by the FDO; The AFRB Chairperson also selects the Performance Monitors (AFMC Award Fee Guide, 1995). The AFRB Chairperson:

- Briefs the FDO on recommended earned-award-fee amounts and the contractor's overall performance.
- Recommends significant award-fee plan changes to the FDO.
- Approves award-fee plan changes that do not require FDO approval.

Technical Evaluation Board

(a) Consist of senior military and civilian members who have been appointed by the FDO. Often chaired or advised by the Award Fee Administrator,.

(b) Review Monitor performance evaluations to assure consistency with the award fee plan and provide overall recommended percentage of award fee to the PEB.

(c) Provide recommended changes to the Award Fee Plan to the PEB. (NFCTC RAC, 1993)

Performance Evaluation Board

(a) Consist of senior military and civilian members who have been appointed by the FDO.

(b) Review the TEB report, contractor's self evaluation report and the recommended award fee percentages. The PEB will consider the contractor's overall performance based on the contractor's technical plan, emerging project challenges and encompassing perspectives and may conclude that the overall percentage does not adequately reflect the contractor's performance. The suggested overall fee forwarded to the FDO may be different from the fee presented by the TEB. A written justification will be required if the suggested overall fee is different from the TEB recommended fee.

(c) Guide the TEB in the preparation of the Performance Evaluation Report for submission to the FDO.

(d) Assure the Performance Evaluation report addresses each criteria element

and any subjective adjustments.(NFCTC RAC, 1993)

Contracting Officer/Award Fee Administrator

The CO or in some contracting agencies the Award Fee Administrator in conjunction with a technical representative shall be a member of the AFRB or PEB/TEB and is the liaison between the Government and the contractor. The CO or AFA transmits FDO letters to the contractor. The CO prepares and distributes the modification awarding the fee authorized by the FDO within 15 calendar days after the FDO decision. The CO is to ensure that the award-fee amount is certified and administratively reserved prior to the beginning of the applicable award-fee evaluation period. The CO will ensure that all unearned-award-fee funds are de-committed after each evaluation period.

The CO/AFA ensures a paper trail is in place to substantiate the board's recommendation and FDO final decision. In addition to the required documents already in the official contract file such as the award-fee plan, appointment letters, etc., the official contract file should also contain the following documentation for each separate evaluation period(NFCTC RAC, 1993):

- A copy of the FDO briefing.
- A copy of the FDO's decision letter to the contractor providing the earned-award-fee amount, strengths, weaknesses, and future areas of emphasis, if any.

- Supporting rationale if the FDO's final decision of earned-award-fee amount differs from the board recommendation.
- Justification for the use of rollover and amount of unearned award fee to be available, if applicable.
- Interim evaluation letter, if applicable.
- Contractor's self assessment, if any.
- Funding documents.

Recorder

The Recorder, who is designated by the AFRB Chairperson or Award Fee Administrator, is the administrative backbone of the award-fee process. The Recorder is responsible for coordinating the administrative actions required by the FDO, AFRB, TEB, PEB and Performance Monitors. Although the Recorder is a member of the board, this position may be performed by a member with other functions. In some large programs with numerous performance monitors, an intermediate position between the AFRB and performance monitors may be established to consolidate the evaluations from the various Performance Monitors(AFMC Award Fee Guide, 1995). The Recorder:

- Notifies Performance Monitors that their evaluations are due.
- Receives, processes and distributes evaluation reports from all required sources and maintains official files.

- Schedules and assists with internal evaluation milestones, such as briefings.
- Accomplishes other actions required to ensure the smooth operation of the award-fee process, such as documenting the board activities.
- Retains all Performance Monitors' evaluation reports, if they are not included in the official contract file.
- Retain other pertinent data not contained in the official contract file.

Performance Monitors

Performance Monitors provide the continuous evaluation of the contractor's performance in specifically assigned areas of responsibility. This, often daily, monitoring is the foundation of the award-fee evaluation process.

Performance Monitors are working-level specialists, such as engineers, cost analysts, Quality Assurance Evaluators (QAEs), or Functional Area Evaluators (FAEs), familiar with their assigned evaluation areas of responsibility. Performance Monitors shall not be members of the AFRB, TEB or PEB. Performance Monitors:

- Must be familiar with the contract requirements and the award-fee plan, especially the performance rating criteria for their assigned evaluation area(s).
- Conduct all assessments according to contract requirements and the award-fee plan so that evaluations are fair and accurate.
- Maintain written records of the contractor's performance in their assigned evaluation area(s) that detail specific examples where (1) improvement is

necessary or desired; (2) improvement has occurred; and (3) performance is below, meets or exceeds contract requirements.

- Prepare interim and end-of-period evaluations as directed that address the contractor's weaknesses **and** strengths.
- Be prepared to brief the AFRB or TEB on their specific evaluation area(s).
- Recommend changes to the award-fee plan; e.g., award-fee pool reallocations, performance area weights, evaluation criteria.

Performance Monitors must provide justification for their ratings and document both strengths and weaknesses in their areas of responsibility. It may be helpful to have a worksheet for each category of performance and evaluation criteria that mirror the award-fee plan. The Performance Monitors' written records should be maintained until contract close-out.

The award fee process requires the Government to provide to the contractor both technical and managerial guidance. Furthermore, the contractor must 'sink or swim' based on these judgements from the Government team. For the process to function effectively, it is suggested that the government personnel must be competent and respected by the contractor. If such respect is lacking, the process will not work. If the Government personnel are not competent or are ill equipped, the contractor might well earn 'give-aways' since the Government personnel might not feel qualified to do battle over issues. It is important to ensure that all positions within the organization are occupied by properly trained and equipped personnel, able and willing to perform their

assignments, and preferably are the same personnel throughout the entire contract, particularly the FDO and board members.

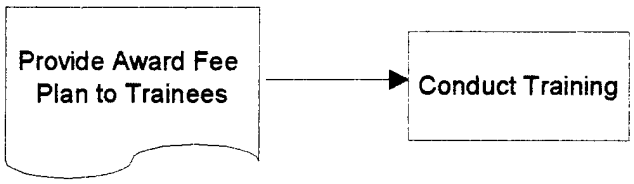
CHAPTER FOUR

AWARD-FEE EVALUATION PROCESS

The award-fee evaluation process actually begins when the award-fee plan is drafted. It is the plan that determines what and how the contractor's performance will be evaluated. For the purpose of discussion , the award-fee evaluation process will be broken into three segments: Training, Interim Evaluation, and End-of-Period Evaluation.

Training Process

Training should begin before a contract is awarded so that personnel understand the award-fee process before beginning their duties. Training of all personnel involved in the award-fee process is essential for successful monitoring and evaluation of the contractor's performance.



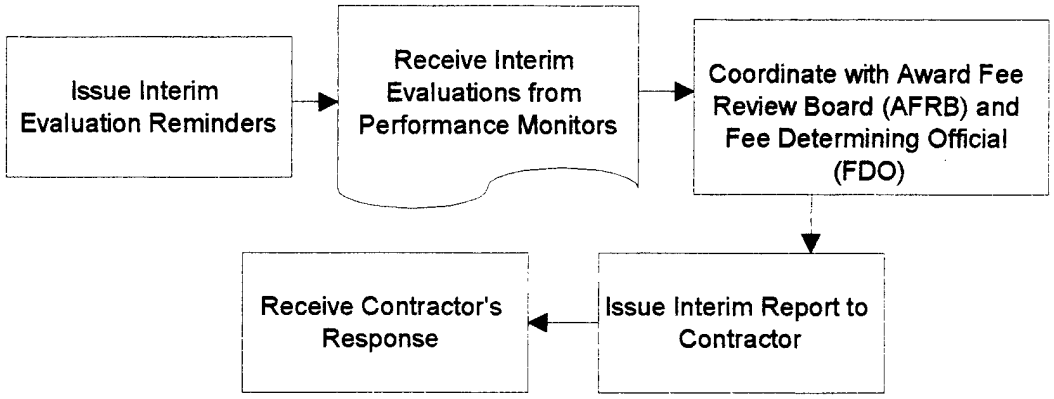
Training should cover such things as the award-fee plan, roles and responsibilities, documentation requirements, and evaluation techniques. Training for all

personnel involved in the award-fee evaluation process should address:

- What is award-fee contracting?
- What is being evaluated?
- How will information be gathered? What techniques will be used? (E.g., inspection, sampling of work, observation, review of reports or correspondence, and customer surveys.)
- How is award-fee information protected?
- What are the standards of conduct for personnel associated with the award-fee process?
- When or how often will information be obtained? (E.g., daily, weekly, or monthly.)
- How will Performance Monitors secure information for areas they may not be able to personally observe? (E.g., off-site testing may be covered by one person for two different Performance Monitors.)

Interim Evaluation Process

Continual and timely communication with the contractor is essential for a successful award-fee contract. Interim evaluations identify strengths and weaknesses in the contractor's overall performance during the award-fee evaluation period. Interim (mid-term) evaluations are required in award-fee contracts having evaluation periods longer than six months.



The Recorder notifies Performance Monitors in sufficient time before the mid-point of the evaluation period (e.g., 14 calendar days) to submit their interim evaluations. Performance Monitors annotate areas where they feel improvements in the contractor's

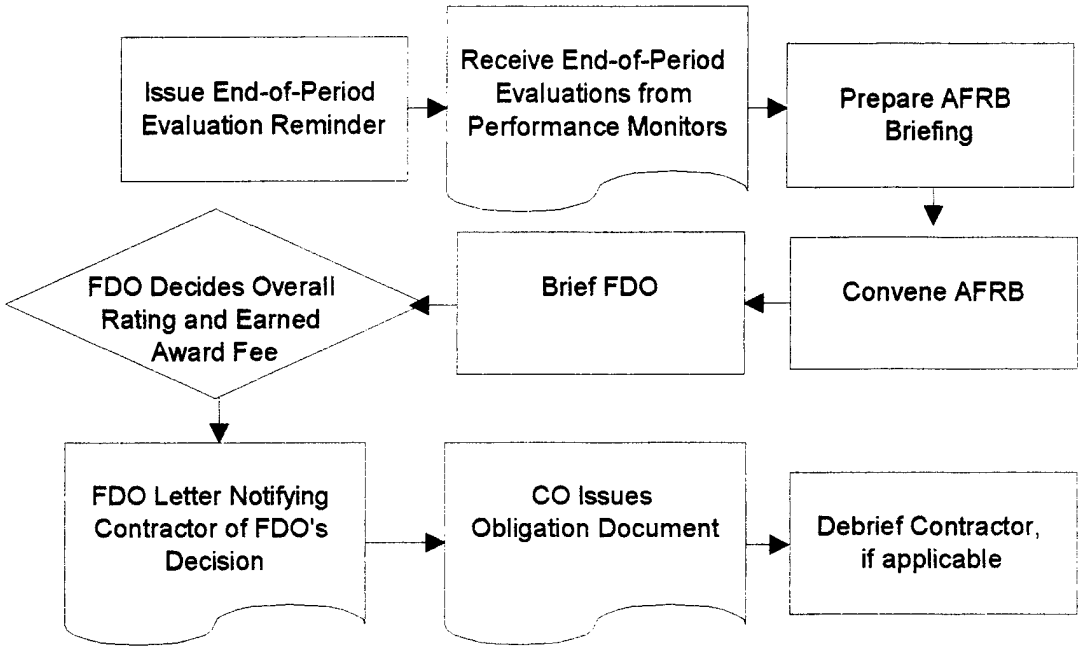
performance are expected or required. They should also annotate areas of strength. Performance Monitors' interim evaluations are consolidated by the Recorder and presented to the TEB or AFRB. The consolidated mid-term evaluation should be documented in narrative or briefing format and should involve the FDO prior to distributing it to the contractor.

The interim evaluation provided to the contractor should not contain any fee determination or rating. It should address the strengths and weaknesses noted for the current evaluation period. A written interim evaluation ensures that the contractor is informed of areas where corrective action(s) can be taken in sufficient time to correct these deficiencies prior to the FDO's award-fee amount determination. When deemed necessary, additional letters may be sent to the contractor identifying areas of concern. These documents should be sent through the CO to a senior contractor official to ensure the contractor's responsiveness. The contractor's response, if required, includes plans for increasing effectiveness in the areas for improvements and is submitted to the CO who distributes the response to the appropriate FDO, TEB, PEB, AFRB, and Performance Monitors.

As part of the interim evaluation, Performance Monitors and the board assess the upcoming requirements and recommend any award-fee plan changes to the appropriate approval authority. The FDO approves significant changes; The award-fee plan may be modified at any point during the length of the contract. However, changes to the current evaluation period must be made by mutual agreement of the parties. Unilateral changes to the award-fee plan may be made before the start of the effected evaluation period.

End-of-Period Evaluation Process

End-of-period evaluations begin at the start of the first award-fee evaluation period and last through the end of the last award-fee evaluation period.



The Recorder notifies Performance Monitors in sufficient time before the end of the evaluation period (e.g., 14 calendar days) to submit their evaluations. Upon receipt of the Performance Monitors' evaluations, the Recorder consolidates a summary evaluation and provides it to the AFRB. The summary evaluation may be in a narrative or briefing format. The contractor may submit a brief written self-evaluation of its performance for that period to the CO within five working days after the end of the period. The AFRB or TEB and/or PEB evaluates the findings; contractor's self-assessment, if submitted; and other pertinent information to develop a recommended earned-award-fee amount for the FDO.

Since the award-fee evaluation should be based on the contractor's performance for the period, exercise judgment in deciding if the contractor is invited to present a separate briefing to explain areas of improvement and/or corrective actions taken during the evaluation period. In some cases, the contractor's briefing becomes a marketing event and the tendency is to hide performance weaknesses.

The Chairperson briefs the FDO on the board's recommendations of the earned-award-fee amount and any significant changes to the award-fee plan. The briefing includes discussion of the contractor's related strengths and weaknesses. The contractor should not be present at this briefing; therefore, a debriefing of the contractor will enhance communication.

Within 45 calendar days after the close of the award-fee evaluation period, the FDO determines the amount of earned award fee and signs the determination letter. The

determination letter should be clear and concise, informing the contractor of the earned-award-fee amount and the major strengths and weaknesses of the contractor for that award-fee evaluation period. Within 15 calendar days of the FDO's determination, the CO issues a unilateral contract modification to authorize payment of any earned-award-fee amount. The CO will de-commit all unearned award fee for that evaluation period. Other example flow charts of the award fee evaluation process utilized by contracting agencies are shown in Appendix (E)

a. The award-fee plan must clearly state that the evaluation criteria are applicable at the contract level and not to each individual order placed on the contract. This does not preclude management of individual orders (e.g., discussions with the contractor in the fulfillment of each order) . But, the award-fee plan must clearly communicate that the contractor earns award fee based on how the accomplishment of each order contributed to the overall contract objectives.

For example, a contract is negotiated to increase the useful military life of a given weapon system through the development of engineering changes to specific subsystems or components. If each specific subsystem or component changes were separate orders, the evaluation criteria must clearly promote the overall weapon system's increased life and not the increased life provided by each subsystem or component engineering change. If the criteria focused on increased life to the weapon system based on changes to the subsystem or component, the criteria would be too narrowly focused to allow for evaluation at the contract level. Therefore, it would be inappropriate to evaluate the

contractor's performance and allocate the funds at the contract level.

b. A second concern may arise when a contract serves multiple customer's requirements with competing priorities, such as the RAC contract considered earlier. This may result in a customer believing that their particular requirement was not fully satisfied. This can result in an award-fee evaluation input that reflects individual order performance rather than meeting overall contract objectives. Although avoiding this situation can present a real dilemma in a customer-oriented quality culture, the TEB or AFRB must remain focused on how well the contractor optimized the available resources to maximize the delivered value. Understanding the trade-offs exercised during the performance of the contract can be integral in evaluating the degree in which overall contract objectives were achieved. If this type of award-fee contract evolves to where each order is actually being separately evaluated using the evaluation criteria and subsequently assigned an individual "score," which is then aggregated with the scores of the other orders to determine an overall average award-fee determination or after the FDO makes an award-fee determination that is allocated based on contractor performance against the individual orders, then you have a contract that incentivizes performance of orders rather than meeting overall contract objectives. Claiming that the earned award fee is based on overall contract performance is misleading, not appropriate and may result in audit scrutiny.

When using this type of award-fee structure with multiple funding sources, fiscal integrity must be maintained. Each order placed on the contract must bear a logical and proportionate burden of the available-award-fee amount. In calculating the allocation of

the earned-award-fee, there must maintain the same logical and proportional relationship as used for establishing the available-award-fee amount. This is an area subject to audit scrutiny or potential fiscal improprieties if not properly managed.

CHAPTER FIVE

THE COST OF COST PLUS AWARD FEE ADMINISTRATION

One of the disadvantages, if not the biggest disadvantage, that is constantly raised about the Cost Plus Award Fee process is the high cost of administration, specifically in the award fee evaluation process. The issue of administration costs has been noted in the literature as far back as the American Marketing Association meetings in New York in 1963 and continues today (ESI,1996). The questions remain: How high is the cost of administration? Is the extra cost of administration worth it?

These are tough questions to answer, due to the flexible nature of the CPAF contract and differing levels of effort required by each individual contract. A few items to consider include (Kennedy,1986):

-The costs of administration is a function of the nature of the contract, the administrative philosophy of the contracting agency, and the contractor.

-There is always a need for at least a minimum amount of administration if the contract is to function (regardless of type).

-The effectiveness of the incentive is diminished because of the cumbersome nature of the administrative process.

-The turnover in personnel forces the new people to 'rediscover the wheel'.

The answers appear to be split by the 'experts' regarding whether the high cost of administering a CPAF contract is worth it. According to a study by LCDR Gerald T. Nielsen, in a 1981 Monterey Post Graduate School study on the F/A 18, concluded that

the greatest disadvantage of the Award Fee contract was the "administrative expense". "Both the Government and the Contractor expend a significant amount of time in the Award Fee process." He concluded, however, that it was worth it. The rewards exceeded the administrative costs. (Nielsen,1981, p.95).

In another study performed by Air Force Officers, Holly R. McLelland and David Odor, in a 1981 paper studying the "Determination of Contract Suitability to the Award Fee Concept", noted the problem of the cost of the administration of the Award Fee. They concluded that, "Experts in the field agree that if improperly used, the Award Fee will yield negative returns on the government dollars spent administering the program" (Kennedy, 1986)

The Sterling Institute has stated that "The time and cost of key people required in the administrative effort...is very high. It takes a lot of hard work by skilled people to make the Award Fee process effective".(Kennedy, 1986)

There are other aspects to the cost issue. There are more dimensions to costs of administration than just short-run dollars.

A. there is the cost of lost management time. Industry and Government managers are "working the Award Fee" daily. They have to assure themselves good grades. They must assure that contract goals are being met. The cost of this management time could be enormous.

B. There is a cost due to lost motivation due to bureaucratic red tape.

C. There is a cost of lost lead time; the process often results in schedule

slippages.

D. There is an opportunity cost. The resources could have been used in a more productive fashion.

Administrative cost can be calculated using the grade levels and hours required to monitor, evaluate, brief and implement the award fee process. Major cost drivers are the number of award fee evaluation periods, performance monitors, Technical Evaluation Board (TEB) members (if utilized in AFP) and Performance Evaluation Board (PEB) members.

For example, assume 6-month evaluation periods, 5 performance monitors who spend an average of 3 hours per week on their duties, 6 PEB members who meet twice for 3 hours during the period and spend one additional hour briefing the Fee Determination Officer (FDO), a recorder who spends an average of 8 hours per week on award fee duties, and a contracting officer who spends 5 hours per period. The administrative costs for one evaluation period, assuming a fully burdened labor hour rate of $40, would be as follows:

5 monitors x 3 hrs x 26 weeks x $40	=	$15,600
6 PEB members x 7 hours x $40	=	$ 1,680
1 Recorder x 8 hrs x 26 weeks x $40	=	$ 8,320
1 CO x 5 hrs x $40	=	$ 200
Government Administrative Cost		$25,800

This is a conservative estimate and does not represent all the administrative costs that may arise (e.g., the FDO's time). The $25,800 must then be multiplied by the number of evaluation periods to calculate the total administrative cost for the award fee contract (Gunther,1997). In other contracts, such as the Facility Support Service contract at the Naval Submarine Base at Kings Bay, GA, the contract has 21 separate evaluation annexes which need to be evaluated by a monitor team and the award fee period is quarterly, costs to the Government are at least $200,000 annually using the above formula (see Appendix C). In addition there is also the cost and time of developing the award fee plan and associated criteria and training the Government personnel in the award fee process.

According to Rebecca Dubuisson, The Procurement Contracting Officer at the NASA Stennis Space Center (SSC), during the latter part of 1994 the SSC converted three of their CPAF contracts (custodial services, security services, and facility operating support services) to FFP, CPFF, and CPFF/CPIF hybrid contract respectively. In regards to the facilities contract, in a letter justifying the conversion, she notes " Subject Contract is currently the largest dollar volume contract at SSC and is a complex contract with diversified functions. However, experience indicates that the nature of the work is relatively stable, although fluctuating workloads still remain a concern due to varying levels of support to resident agencies at SSC. Historically, the FOS Contractor earns an award fee in the Excellent range usually in the upper 80 percentile. In view of the latter comments, the award fee administrative burden appears to be out of proportion

to the improvements expected in the quality of the contractor's performance and in the overall project management. Therefore this office has been re-examining different types of contracts for the FOS contract".

The Contractor has already recognized $2.1 million in cost savings during the first year after conversion. The Contractor estimated he had spent 4000 hours on the CPAF effort prior to the conversion. All three efforts had been under CPAF contracts for approximately 30 years (Dubuisson, 1994).

NASA has historically been the leader of Government agencies in regards to utilization of CPAF contracts, and as such has also taken the lead to determine if and when the CPAF is the appropriate contract type. In October of 1994, the NASA Administrator for Procurement, Mr. Goldin, met with the CEO's from 21 of the major NASA contractors to discuss proposed initiatives. One of the six key issues discussed was the fact that 76% of NASA contracts were awarded on an award fee basis and that this contract type was not appropriate in all cases, and from now on the approach would be to select a contract type with the "emphasis on reducing day to day Government involvement".(Dubuisson, 1994).

As a result of these talks, NASA soon after published a "NASA/INDUSTRY COST CONTROL INITIATIVE" which was divided into three broad categories, near-term, medium term and longer term. Within the near-term category, falls the category of 'contract type' . The initiative states " Contract type should reflect the risk and maturity of the effort under contract. New contracts will be scrutinized more closely and some existing award fee contracts can be converted to cost plus incentive fee or other more

appropriate types....The intent would be to focus on key areas that can be clearly identified and incentivized and place the fee in those areas. At the same time, Government involvement with the day to day management of the effort would decline as contractors were allowed to manage their efforts. Savings will occur from contractors being more able to effectively manage, reduction in data and Government direction, and from both parties not spending time on the award fee evaluation process".(Dubuisson,1994)

Administrative costs associated with CPAF contracts are difficult to calculate and must be done on an individual contract basis. Even more difficult can often be the intangible benefits the Government receives through the award fee arrangement, benefits might be measured in dollars saved by tighter cost control or enhanced technical capability, or any other target criteria or combination. The bottom line is the CPAF is not always appropriate and that a cost analysis must be performed in every potential CPAF application to determine if it is cost effective.

CHAPTER SIX

CONCLUSIONS AND RECOMMENDATIONS

Government use of the Cost Plus Award Fee (CPAF) contract dates back over 30 years. The CPAF has gradually been applied to almost all spectrums of acquisition. This experience has confirmed that in a wide range of procurements, the CPAF approach can provide contractor motivation, flexibility, and improved management and communications discipline. Experience has also provided certain lessons in how best to assure the successful application, development and administration of a CPAF contract.

There is no cookbook approach to CPAF contracting. Each contract must be structured and administered in full recognition of its use as a management tool. The CPAF process is more than just a contract type, it is a management system. The decision to use an award fee is fundamentally a selection of a management approach. To be successful, a CPAF contract needs to be tailored to reflect and complement the management approach, objective and priorities the Government believes best suited to the particular procurement. Consideration must be given to certain interrelated factors such as the size, complexity, and relative priority of the procurement, the availability of Government resources to monitor and evaluate performance, and the benefits anticipated.

Clearly there are strong advantages and serious disadvantages to using the CPAF approach to Government contracting. The greatest strengths of the CPAF approach are that it provides for a basis of quality and cost control through team building and

communication. Some of the strengths of the CPAF as identified by prior researchers are summarized below(Kennedy,1986):

1. It provides control over the contractor
2. It is based on a broad motivational basis (not just profit)
3. It can be flexible
4. It provides the Government with visibility into the program
5. It fosters communication between and among the parties
6. It provides team building
7. It induces quicker contractor reaction time to Government requests
8. It gets top management involved
9. It improves job quality
10. It forces technical and business people to talk to each other

The two principle disadvantages of CPAF are the cost required to monitor performance and the associated administrative effort and cost to evaluate the contractor's performance for the specified award fee periods, at the completion of each period. The other disadvantage of CPAF contracting is that few contracting and related acquisition personnel in Government and industry are knowledgeable and experienced in detailed policy, procedures, and applications of award fees. Thus, most often, using CPAF on Government contracts requires extensive education and training of contracting and

related acquisition personnel to ensure a successful award fee application. Some of the weaknesses of the CPAF as identified by prior researchers are summarized below (Kennedy,1986):

1. The administrative burdens can be massive
2. There are significantly increased costs of administration
3. There is a disproportionate amount of time required of top management
4. There is an increased potential for gamesmanship
5. There is relatively low risk for the contractor
6. It requires more highly qualified personnel to make it work
7. There are more people, paperwork and planning required to make it work
8. It has special funding requirements
9. It requires more Government interference into the free market system.
10. It imposes a management philosophy and structure on the contractor

In these times of decreased availability of defense dollars and increased attention to Government spending and cost overruns, many federal agencies are taking a hard look at their contracting methods and the Cost Plus Award Fee (CPAF) contract is currently under siege. Clearly the pendulum is swinging away from CPAF. As stated by the NASA Administrator for Procurement, Mr. Goldin, " 76% of NASA contracts were awarded on an award fee basis and that this contract type was not appropriate in all cases, and from now on the approach would be to select a contract type with the "emphasis on reducing day to day Government involvement. (Dubuisson, 1994)"

In keeping with this initiative, NASA director of Facilities Engineering, William W. Brubaker, has stated " We are also converting all facilities maintenance contracts from cost reimbursement, level of effort approaches to firm fixed price, performance-based ones. The equipment condition and performance data we are developing are leveraged into them. Knowing these data and performance expectations allows perspective bidders to prepare a risk manageable bid at a lower cost to the Government. With our first contract conversion underway at the Johnson Space Center, it appears we will do more facilities maintenance work than previously and at over 20% savings. When all level-of-effort maintenance and repair contracts are converted, our annual savings could be at least $50 million. (Brubaker, 1997, p.55)"

Similarly, in the Navy, Commander Naval Facilities Engineering Command, Admiral David Nash, has stated "Many changes encourage innovation and risk taking with respect to how Government acquires services and products...New contract methods will improve performance. One such method is the multiple award task order contract. In September 1996, our Engineering Field Activity Chesapeake awarded the first such contract, a $5 million a year awarded to five contractors wherein each task order is competed among the five. This is a quick way to award jobs at a competitive price while work is being done by carefully selected contractors. (Nash, 1997, p.59)"

Clearly, the CPAF is not appropriate for all acquisitions, for those it is determined to be appropriate, if the CPAF contract is to survive in the future, there are some modifications recommended. NASA has revised thier award fee policy to include a

NASA-wide simplified award fee scoring system, in addition they have placed a cap of 80% on provisional interim fee payments. Finally, NASA now stipulates that if the final award fee evaluation is "poor/unsatisfactory", all provisional base fee payments shall be refunded to the Government. Other recommended modifications are summarized below (ESI, 1996):

1. Assign weights to things other than just cost, schedule, performance, and management; for example, second sources and simple designs.

2. Evaluate and encourage the use of combination contracts.

3. The fee board meeting should not be more frequent than monthly. It often takes two and a half weeks to prepare for it.

4. Emphasize the performance and quality elements of the fee award; these should be the key items for evaluation.

5. Quarterly reviews are too demanding: consider six months as appropriate.

6. Consider a fee determining group; turnover of the FDO can drastically affect award fee decisions.

7. Change the organization as little as possible. Consistency is important.

8. Clarify that the base fee can be established at various levels, and that award fees are earned for performance above base fees; limit the use of zero base fee.

9. Make sure all parties understand that the fee awards are a reflection of not just the performance achieved, but also the conditions under which such performance was achieved.

10. Finally, be alert as to how to keep administrative burdens to a minimum.

The Cost Plus Award Fee is successful because it prompts visibility, support, and favorable recognition of the effort by upper-corporate management. the participation and positive recognition by upper management can serve to motivate the contractor team to achieve exceptional performance. Further, the favorable recognition from the Government for a job well done can be result in good media attention and coverage for the company, which in today's Government contracting environment could be considered a rare and endangered form of media. Clearly, when both parties involved in a contract win, then you know the system is working.

Using award fees on Government contracts to motivate and reward contractors to achieve Government acquisition requirements and goals is a topic subject to debate. Yet, if there is an acquisition planned that has a problem calling for a contractor's performance over and above that which can be objectively measured and incentivised, under other than "usual" forms of Government contracting, the CPAF offers unique features that have eluded the acquisition community to date and may still be the best solution when properly applied.

TYPES OF CONTRACTS (A Comparison & Summary from FAR Part 16)

	FIXED-PRICE (GREATEST RISK ON CONTRACTOR)				
	FIRM FIXED-PRICE (FFP)	**FIXED-PRICE WITH ECONOMIC PRICE ADJ (FP AND EPA)**	**FIXED-PRICE INCENTIVE (FPI)**	**FIXED-PRICE WITH REDETERMINED (FPR)**	**FIRM-FIXED PRICE LEVEL-OF-EFFORT TERM (FFP, LOE)**
APPLICATION AND ESSENTIAL ELEMENTS	Reasonably definite design or performance specifications available. Fair and reasonable price can be established at outset. CONDITIONS FOR USE: Adequate competition. Prior purchase experience of the same, or similar, supplies or services under competitive conditions. Valid cost or pricing data. Realistic estimates of proposed cost. Possible uncertainties in performance can be identified and costed. Contractor willing to accept contract at a level which causes him to take all financial risks. Any other reasonable basis for pricing can be used to establish fair and reasonable price. FAR Clause: 52.216-1	Unstable market or labor conditions during the production period and contingencies which would otherwise be included in the contract price can be identified and made the subject of a separate price adjustment clause. Contingencies must be specifically defined in contract. Provides for upward adjustment (with ceiling) in contract price. May provide for downward adjustment if price of escalated element has potential of falling below the limits established in the contract. Three general types of EPAs: Adjustments based on established prices. Adjustments based on actual costs of labor or material. Adjustments based on cost indexes of labor or material. FAR Clauses: 52.216-1 52.216-2 52.216-3 52.216-4 DFARS Clauses: 52.216-7000 52.216-7001	Cost uncertainties exist but there is potential for cost reduction and/or performance improvement by giving contractor a degree of cost responsibility and a positive profit incentive. Profit is earned, or lost, based upon relationship that contract's final negotiated cost bears to total target cost. Contract must contain: target cost, target profit, ceiling price, and profit sharing formula. There are two forms of this contract: firm target (FPIF) and successive targets (FPIS). FIRM TARGET (FPIF): firm target cost, target profit, and profit sharing formula are negotiated into basic contract, profit is adjusted upon contract completion. SUCCESSIVE TARGETS (FPIS): Initial cost and profit targets are negotiated into contract but final cost target (firm) cannot be negotiated until sometime during performance. Contains production point(s) at which either a firm target and final profit formula, or a firm fixed-price contract, can be negotiated. Elements which can be incentivised are: costs, performance, delivery, and quality. FAR Clauses: 52.216-1 52.216-16 (Firm Target) 52.216-17 (Successive Target)	There are two forms of this contract: PROSPECTIVE (FPR-P): used when it is possible to negotiate a fair and reasonable Price for an initial period of Performance but not for entire contract period. Contract is firm fixed-price at the start. At a specific time(s) during performance the contract price is redetermined either up or down. A price ceiling, if appropriate, should be negotiated into the original contract. RETROACTIVE (FPR-R): used when realistic fixed-price cannot be negotiated initially, or when contract amount is so small, or time so short, that any other contract type would be impractical. Realistic ceiling price is negotiated into original contract and final price is negotiated after contract is completed. FAR Clauses: 52.216-1 52.216-5 52.216-6	Suitable for investigation or study in a specific research and development area. Contract product is usually a report showing the result(s) achieved by application of the required level of effort. Payment based on effort expended and not on results achieved. FAR Clause: 52.216-1
LIMITATIONS	Price not subject to adjustment regardless of contractor performance costs. Places 100% of financial risk on contractor. Places least amount of administrative burden on contracting officer. Preferred over all other contract types. Used with advertised or negotiated procurements.	Price can be adjusted up or down upon action of an industry wide contingency which is beyond contractor's control. Reduces contractor's fixed price risk. Fixed price with EPA is preferred over any cost reimbursement type contract. If contingency manifests, the contract administration burden will increase. Used with negotiated procurements and, in limited applications, with formal advertising when determined to be feasible. Contracting officer must determine that this type contract is necessary either to protect the contractor and the Government against significant fluctuations in labor or material costs or to provide for contract price adjustment in the event of changes in the contractor's established prices.	Requires adequate contractor accounting system. Contracting officer must determine that contract type is least costly and award of any other type would be impractical. Government and contractor administrative effort is more extensive than under other fixed price contract types. Used only with negotiated procurements. Billing prices must be established for interim payment. D & F required.	FOR BOTH: contracting officer must determine that a firm fixed price contract will not satisfy requirement. Contractor's accounting system must be adequate. Prospective period must be made to conform to contractor's accounting period. Price must be redetermined promptly at time(s) specified. Redetermination must be done promptly upon contract completion. Must establish ceiling price in the original contract that represents the contractor's assumption of reasonable degree of risk. Requires approval, in writing, from the head of a contracting activity. Used only with negotiated procurements.	Work required cannot otherwise be clearly defined. Required level of effort is identified and agreed upon in advance. Reasonable assurance that the intended result cannot be achieved by expending less than the stipulated effort. Price is $100,000, or less, unless approved by chief of contracting office.
SUITABILITY	Commercial products and commercial type products, military items for which reasonable prices can be established, and services.	Commercial products and commercial type products, military items for which reasonable prices can be established at time of award, and services.	Development and production.	PROSPECTIVE: quantity production or services. RETROACTIVE: research and development of $100,000 or less ONLY.	Research and development work that can be stated only in general terms. Requires the contractor to expend a specified level of effort over a stated period of time. The Government pays the contractor a fixed dollar amount for performing this required level of effort.
FAR	16.202	16.203	16.403	16.205 (Prospective) 16.206 (Retroactive)	16.207

Appendix A 80

Appendix A80

TYPES OF CONTRACTS (A Comparison & Summary from FAR Part 16)

	COST REIMBURSEMENT (GREATEST RISK ON GOVERNMENT)				
	COST (C)	**COST SHARING (CS)**	**COST-PLUS-INCENTIVE FEE (CPIF)**	**COST-PLUS-AWARD-FEE (CPAF)**	**COST-PLUS-FIXED-FEE (CPFF)**
APPLICATION AND ESSENTIAL ELEMENTS	Appropriate for research and development work, particularly with nonprofit educational institutions or other nonprofit organizations, and for facilities contracts. Allowable costs of contract performance are reimbursed but no fee is paid. FAR Clauses: 52.216-1 52.216-7 52.216-11 52.216-13 52.216-14 52.216-15	Used when Government and contractor agree to share costs in a research or development project having potential mutual benefits. Because of commercial benefits accruing to the contractor, no fee is paid. Contractor reimbursed for Government's predetermined portion of allowable costs of contract performance. Contractor agree to absorb a portion of the costs of performance in expectation of compensating benefits to his firm or organization. Such benefits might include an enhancement of the contractor's capability and expertise or an improvement of his competitive position in the commercial market. FAR Clauses: 52.216-1 52.216-7 52.216-12	Development has a high probability that it is feasible and positive profit incentives for contractor management can be negotiated. Performance incentives must be clearly spelled out and objectively measurable. Fee range should be negotiated to give the contractor an incentive over various ranges of cost performance. Fee is adjusted by a formula negotiated into the contract in accordance with the relationship that total allowable cost bears to target cost. Total fee usually cannot exceed the statutory limits shown in FAR 15.903: A&E 6%, production and services 10%, and R&D—15% of estimated cost. Contract must contain: target cost, target fee, minimum and maximum fees, and fee adjustment formula. Fee adjustment is made upon completion of contract. FAR Clauses: 52.216-1 52.216-7 52.216-10	Contract completion is feasible, incentives are desired but performance not susceptible to finite measurement. Provides for SUBJECTIVE evaluation of contractor performance. Contractor is evaluated at stated time(s) during performance period. Contract must contain clear and unambiguous evaluation criteria to determine award fee. Award fee is earned for excellence in performance, quality, timeliness, ingenuity, and cost effectiveness and can be earned in whole or in part. Two separate fee pools can be established in contract: a base fee not to exceed 3% of the contract's estimated cost and an award fee. The total award fee plus base fee cannot usually exceed the statutory limits shown in FAR 15.903: A&E–6%, production and services–10%, and R&D–15% of estimated cost. Award fee earned by contractor is determined by the contracting officer and is often based upon recommendations of an award fee evaluation board. FAR Clauses: 52.216-1 52.216-7	Level of effort is unknown, and contractor's performance cannot be subjectively evaluated. Provides for payment of a fixed fee. Contractor receives fixed fee regardless of the actual costs he incurs during performance. Can be constructed in two ways: COMPLETION FORM: clearly defined task with a definite goal and specific and product. Government can order more work without an increase in fee providing the contract estimated cost is increased. TERM FORM: scope of work described in general terms. Contractor obligated only for a specific level of effort for stated period of time. Completion form is preferred over the term form. Fee is expressed as percentage of estimated cost at time contract is awarded. Maximum fee limits are provided in FAR 15.903. They are: A&E–6%, production and services–10%, and R&D–15%. These limitations may not be deviated from. FAR Clauses: 52.216-1 52.216-7 52.216-8 52.216-9
LIMITATIONS	Application limited due to no fee and by the fact that the government is not willing to fully reimburse contractors if there is a commercial benefit for the contractor. Only nonprofit institutions and organizations are willing (usually) to perform research for which there is no fee (or other tangible benefits). D&F required	Care must be taken in negotiating cost-share rate so that the cost ratio is proportional to the potential benefit (i.e., the party receiving the greatest potential benefit bears the greatest share of the costs). D&F required	Difficult to negotiate range between the maximum and minimum fees so as to provide an incentive over entire range. Performance must be objectively measurable. Costly to administer, contractor must have an adequate accounting system. Used only with negotiated procurements. Appropriate Government surveillance during performance to ensure effective methods and efficient cost controls are used. D&F required.	Weighted guidelines will NOT be used to determine either base or award fee. Government's determination of amount of award fee earned by the contractor is NOT subject to Disputes clause. CPAF contract cannot be used to avoid either CPIF or CPFF types if either is feasible. Should not be used if the amount of money, period of performance, or expected benefits are insufficient to warrant additional administration effort. Very costly to administer. Contractor must have an adequate accounting system. Used only with negotiated procurements. D&F required.	Contractor has minimum incentive to control costs. Normally not used for development of major weapons systems once initial exploration contract has determined project feasibility. Shall not be used for Engineering Development or Operational System Development (DFARS 16.104(71)(3) and 16.306(C) (70)). Costly to administer. Contractor must have an adequate accounting system. Least preferred type because contractor assumes no financial risk. Used only with negotiated procurements. D&F required.
SUITABILITY	Research and development. Facilities.	Research and development that has potential benefits to both the Government and the contractor.	Major systems development and other development programs where it has been determined that this contract type is desirable and administratively practical.	Level of effort services that can only be subjectively measured, and contracts for which work would have been accomplished under another contract type if performance objectives could have been expressed as definite milestones, targets, and goals susceptible of being actually measured.	COMPLETION FORM: Advanced Development Stage (DFARS 16.104(71)(3)). Requires contractor to complete and deliver the specified end product for payment of entire fixed fee. TERM FORM: Research and Exploratory Development (DFARS 16.104(71)(2)). Used when the level of effort required is unknown and there is an inability to measure risk.
FAR	16.302	16.303	16.404-1	16.404-2	16.306

AWARD FEE PLAN

I. INTRODUCTION:

A. This plan covers the administration of the award fee provisions for Contract No. N62472-94-R-0398.

B. The contractor is required to perform testing, remediation, and construction services in support of the Navy's Environmental Remedial Action Program at activities under the cognizance of NORTHERN DIVISION, NAVAL FACILITIES ENGINEERING COMMAND.

C. The amount of the Award Fee Pool is established by setting aside a pool relating to the amount of the negotiated estimated budget(s). The award fee payment will be based on the results of comparison of performance on individual Delivery Orders (DOs) with the Attachment 1 Evaluation Criteria.

II. OBJECTIVES OF THE AWARD FEE:

A. The objective of the award fee provisions of the contract is to afford the Contractor an opportunity to earn fee commensurate with optimum performance. In addition to providing special management emphasis to the "Evaluation Criteria" set forth herein, the contractor is responsible for striving to attain the highest standards of excellence in the performance of this contract.

B. The Award Fee is an amount that may be earned by the Contractor in whole or in part, based upon an evaluation by the Fee Determination Official of the Contractor's performance. Fee associated with overall unsatisfactory performance on a specific task order will be removed from the award fee pool. All evaluated, unearned fee will be removed from the contract at the conclusion of the award fee evaluation.

C. Award Fee Determinations are not subject to the "Disputes" clause of the contract.

Attachment JG.4

D. The Fee Determination Official (FDO) may unilaterally change any matters covered in the plan, provided the Contractor receives notice of the changes at least thirty (30) calendar days prior to the beginning of the evaluation period to which the changes apply. The changes may be made without formal modification of the contract.

E. The award fee will not be adjusted for cost overruns when an order has been completed at less than the total estimated cost per delivery order. Adjustments to the award fee will be made for modifications which cause an increase or decrease to the scope of the delivery order. (Note: All rework will be non-fee bearing)

III. EVALUATION REQUIREMENTS

A. Both during and at the conclusion of each rating period, the Navy will identify specific areas/task orders that may negatively impact the overall performance evaluation. Prior to the FDO's final decision, the contractor will be given an opportunity to address its own performance during the rating period. Written self-assessments by the contractor are not required but will be accepted. Accordingly, costs associated with such effort will not be reimbursed under this contract.

B. For purposes of this contract, Award Fee evaluations will be performed on six month intervals.

C. The Award Fee earned and payable will be determined by the FDO. The estimated time for completion of the Navy's evaluation is sixty (60) days after the conclusion of the evaluation period.

IV. PERFORMANCE EVALUATION CRITERIA AND RATING GUIDELINES

A. In order to evaluate the Contractor's performance, general criteria have been developed. This section of the plan highlights the criteria and describes the overall rating process that will be employed.

B. When specific task orders are not completed within an evaluation period, the Government will evaluate the physical completion to date. In the event that the

performance to date does not provide adequate information to facilitate evaluation of performance, this evaluation and associated award fee will be postponed until the next rating period. Prior to completion of a specific task order, the maximum award fee that will be made available is 75%. Upon receipt of all required interim close-out information, the remaining award fee will be included in the next rating period.

C. The evaluation criteria are provided by Attachment 1.

D. Attachment 2 entitled "General Characteristics of Levels of Performance" is intended as a guide to describe performance characteristics which represent a level of performance and a correlating range of award fee payout percentages. It is not necessarily intended that any of the listed performance descriptions would exactly describe the contractor's performance nor is it intended that a contractor's performance in all areas necessarily fall in any one level. But rather the general characteristics of levels will be used as a tool to select the level of performance which best characterizes the contractor's overall performance for the evaluation period.

E. The FDO is required to make a final determination of the overall fee total to be awarded to the contractor, for that rating period. Accordingly, the FDO has the flexibility to increase or decrease the overall award fee recommended by adjustments to:

(1) the fee allocated to an individual DO due to extraordinary input from the activity or other sources;

(2) the overall award fee based on trends in performance on all DOs or any general economic or business trends which may affect performance capability; or

(3) any other information he determines is applicable to a final fee determination.

F. Once the FDO has determined the award fee earned for the period,

a letter will be prepared that includes a summary of both strengths and weaknesses observed during the period. Invoicing instructions for the award fee earned will also be provided at this time.

Attachment 1

Evaluation Criteria

A. Technical Services/Quality Management

A1. Adherence to DO scope of work and federal and state regulations and guidelines.
A2. Use of creativity to achieve technically innovative and/or cost effective solutions.
A3. Management of an effective Quality Control and Health & Safety Program
A4. Adequacy, reporting, and maintenance of any government property records
A5. Assisting government in determining requirements (rules, regulations, guidelines) to respond to changed field conditions
A6. Maintenance of a safe working environment and a neat/clean project site and laydown area
A7. Minimizing impact of field/construction work on Activity personnel and operation
A8. Effective management of completion of field work and response to government DO closeout requirements

B. Cost Control/Project Management

B1. Development and maintenance of planned budgets and schedules and accurate reporting of actuals
B2. Minimizing costs including subcontractor and consultant costs
B3. Ability to adjust schedules and prioritize requirements of many ongoing DOs, especially in the event of workload surges
B4. Timeliness, accuracy, and completeness of performance and invoices
B5. Efficient use of resources and suitability of choice of subcontractors
B6. Adequate compliance with FAR Subpart 30.2 - "CAS Program Requirements"
B7. Effectiveness of contractor's purchasing system
B8. Maintenance of a professional/team relationship between the contractor, CLEAN contractors and government contract administrators
B9. Effective management of subcontractors and adherence to the subcontracting plan and the contractor's Purchasing System
B10. Notification to government 60 days prior to reaching 75% of the negotiated estimated cost of each Delivery Order.
B11. Emphasis will also be placed on meeting Preference for Local and Small Businesses utilization. (BRAC sites)

C. Schedule Adherence/Timely Performance

C1. Completion of all tasks subject to the timely submittal of costs and DO interim close-out information
C2. Proper pre-planning and minimizing scheduled utility outages

C3. Timely and adequate schedule submission and management of actual performance
C4. Submission of cost proposals, implementation plans, work plans, construction submittals, monthly progress reports, etc. on schedule
C5. Minimizing impact to project schedule from change orders/modifications
C6. Fast, effective reaction to unforeseen problems

Note: Evaluation criteria A, B, and C are equal importance.

Attachment 2

General Characteristics of Levels of Performance

Level 1 - 90-100% of available award fee

Technical performance which corrects the hazardous waste problem, which may have innovative elements.
Timely completion with minor corrections, or completion after increases due to additional requirements or regulatory changes.
Highly effective management of the subcontracted effort
Control of costs yields some savings
Results recognized from continuous improvement and partnering
May include minor correctable weaknesses in products and services
Maximum use of local labor where applicable

Level 2 - 61-89% of available award fee

Reasonable technical quality and effective management
Timely deliverables and schedule control with some corrections and slippages
Successful management of the subcontracted effort
Effective cost control
Strives to make continuous improvements and employs partnering
May include some correctable weaknesses in products and services
Significant use of local labor where applicable

Level 3 - 30-60% of available award fee

Quality only acceptable with government direction
Changes in delivery schedule which do not cause significant problems
Adequate management of the subcontracted effort with some inefficiencies
Reasonable cost control with some increase in cost
No continuous improvement or partnering efforts visible
Some deficiencies in products and services which require government input to correct
Minimal use of local labor where applicable

Level 4 - 0% of available award fee

Technical performance does not follow the design or record of decision and does not correct the hazardous waste problem
Failure to meet delivery schedule without notice of plan for correction
Failure to monitor subcontractors
Significant cost increases due to inadequate performance
Deficiencies so pervasive as to require substantial rework
Ineffective relations with Navy or regulators

DEPARTMENT OF THE NAVY
SOUTHERN DIVISION
NAVAL FACILITIES ENGINEERING COMMAND
2155 EAGLE DR., P. O. BOX 10068
CHARLESTON, S. C. 29411-0068

PLEASE ADDRESS REPLY TO THE COMMANDING OFFICER, NOT TO THE SIGNER OF THIS LETTER. REFER TO:

4330
Code 0231MM
90-D-0669
1 July 1992

From: Commanding Officer, Southern Division, Naval Facilities Engineering Command
To: Commander, Naval Facilities Engineering Command, 200 Stovall Street, Alexandria, VA (ATTN: Code 021C1)

Subj: AWARD FEE DETERMINATION FOR THE PERIOD ENDING 31 MARCH 1992 ON CONTRACT [redacted] FOR MULTI-FUNCTION FACILITIES SUPPORT SERVICES AT THE NAVAL SUBMARINE BASE, KINGS BAY, GA

Encl: (1) Award Fee Determination ltr dtd 29 Jun 1992
(2) Performance Evaluation Board Report w/encls dtd 7 May 1992

1. Enclosures (1) and (2) are forwarded for your information.

2. Questions concerning this matter may be directed to Mary Mimms at Autovon 563-0473.

DORIS K. OTT
By direction

Copy to:
OIC NAVFAC CONTRACTS,
NAVSUBASE KINGS BAY

DEPARTMENT OF THE NAVY

NAVAL FACIL
2155 E.
CHARL

Notification to [redacted] from SOUTHDIV

PLEASE ADDRESS REPLY TO THE COMMANDING OFFICER, NOT TO THE SIGNER OF THIS LETTER, REFER TO:

4330
Code 0231MM
90-D-0669

29 JUN 1992

[redacted]

Subj: AWARD FEE EVALUATION FOR THE PERIOD ENDING 31 MARCH 1992 ON CONTRACT [redacted] FOR MULTI-FUNCTION FACILITIES SUPPORT SERVICES AT THE NAVAL SUBMARINE BASE, KINGS BAY, GA

Gentlemen:

I have evaluated your performance for the [redacted] of the Base Period of Performance and have determined that a numerical point value of 93 has been achieved. This translates to Award Fee earned in the amount of $262,500.00.

I am impressed with your community involvement in areas such as the Camden County Soberfest and the Small Business Conference. Such involvement greatly enhances the public's view of not only Johnson Controls but also the Navy. The hazardous waste program, particularly the Industrial Waste Treatment Facility, continues to be managed in an outstanding manner, again reflecting well on both [redacted] and the Navy. Your outstanding performance in grounds maintenance continues to be a source of pride for the Navy and is setting a bench mark for all others to achieve. In addition, your performance in Annexes 3, 4, 6, 8, 20, 21 and 22 has been noted as outstanding and your Safety Program has received an excellent evaluation from OSHA inspectors.

Although there were concerns expressed over performance and management in the Utilities Annexes in the previous Award Fee evaluation, there was some Award Fee granted for the extensive efforts made to correct and resolve problem areas. I am pleased to learn that gains have been made in these areas and the efforts have started to pay dividends. However, further efforts are necessary to maximize your performance and management scores in these annexes.

I look forward to your continued improvement and encourage you to pay special attention to the areas of concern in the Utilities Annexes.

Sincerely,

B. L. RUNBERG
Captain, CEC, U.S. Navy
Commanding Officer

Copy to:
NAVSUBASE KINGS BAY
NAVFACENGCOM

DEPARTMENT OF THE NAVY

OFFICER IN CHARGE (N5)
NAVFACENGCOM CONTRACTS
BUILDING 2015
NAVAL SUBMARINE BASE KINGS BAY
KINGS BAY, GEORGIA 31547-5500

Board Report
Cover Letter

16

07MAY 1992

From: Chairman, Award Fee Determination Board
To: Commanding Officer, Southern Division, Naval Facilities Engineering Command, Charleston

Subj: CONTRACT [redacted], BASE OPERATING SERVICES (BOS), NAVAL SUBMARINE BASE, KINGS BAY, GA; QUARTERLY SUMMARY AWARD FEE EVALUATION REPORTS FOR SECOND QUARTER OF FY92

Ref: (a) SOUTHNAVFACENGCOM ltr 4300/0231AO of 23 Apr 91

Encl: (1) Award Fee Board Summary
(2) Proposed Letter
(3) Chairman, Award Fee Evaluation Committee ltr Ser N5/0805 of 29 Apr 92
(4) [redacted] Award Fee Presentation for the period of January through March 1992

1. In accordance with reference (a), the Award Fee Evaluation Plan for the subject contract, the Award Fee Determination Board met on 5 May 1992 to evaluate contractor's performance for second quarter, 1 January through 31 March 1992. A summary of the Board's deliberations is provided as enclosure (1). A draft of the Board's proposed Award Fee letter to [redacted] is provided as enclosure (2). Enclosures (3) and (4) were considered by the Board in its deliberations. The Board recommends 93.0 award fee points be assigned to [redacted], Inc. for the second quarter of the first option year.

2. This recommendation is forwarded for the Award Fee Determination Official's review and continuing action.

C. A. JOHANNESMEYER, CAPT, CEC, USN

C. E. ELLIS, CAPT, USN
Chairman

G. E. GIBSON, JR., CAPT, USN

B. L. Rumberg
Fee Determining Official

Appendix C 92

6/29/92
Date

Board Summary

AWARD FEE BOARD SUMMARY

1. The Award Fee Determination Board met on 5 evaluate the performance of [redacted] for the second quarter of fiscal year 1992. After [redacted] from both [redacted], [redacted] and the Award Fee Committee, Board members went into deliberations and agreed to increase the committee recommended points from 89.50 to 93.0. The circumstances leading to this increase are highlighted below:

a. The Board is impressed with [redacted] continuing community involvement. Participation in Camden County's Soberfest was outstanding. [redacted] was also a co-sponsor with Public Works of the Small Business Conference, entitled "Doing Business with Kings Bay." These types of community activities represent both the contractor and the Government well. [redacted] hazardous waste program and management of the Industrial Waste Treatment Facility continue to receive accolades. This again is a high visibility area and the Government is well represented by [redacted]. The Board is also impressed with [redacted] Safety Program. OSHA inspectors rated the program as excellent with very few discrepancies. The carpenter shop was rated outstanding. [redacted] continues its involvement with Government personnel in the TQL process, and cooperation has been excellent.

b. The efforts to cleanup the Utilities plants that were initiated last quarter have resulted in substantial improvements. Performance in the Utilities annexes has improved also; however, diligent effort must continue to bring these annexes up to consistently good performance. The Board concluded that although performance had plenty of room for improvement, the management efforts to improve are significant and demand reward. Performance in Annex 7 continues to be outstanding. Efforts were ongoing this quarter to prepare for the peak growing season. This is the first time a large amount of effort has been put into pre-preparation of the grounds. This should result in excellent performance throughout the growing season.

2. For the reasons highlighted in paragraphs 1(a) and (b), the Award Fee Determination Board recommends an overall grade of 93 points which equates to an award fee amount of $262,500.00. The Board has determined this award fee grade to be justified and urges the Contractor to continue to strive for excellent performance.

Enclosure (1)

PROPOSED LETTER

Proposed Letter

[redacted].

Subj: CONTRACT [redacted], BASE OPERATING SERVICES (BOS), NAVAL SUBMARINE BASE, KINGS BAY, GA

Gentlemen:

I have evaluated your performance for the period January 1992 through March 1992 and have determined a numerical point score of 93.0 was achieved for the second quarter of the first option year. Based on this point score, an award fee of $262,500.00 is granted.

I am impressed with your community involvement in areas such as the Camden County Soberfest and the Small Business Conference. Such involvement greatly enhances the public's view of not only [redacted] but also the Navy. Your Safety Program received a excellent evaluation from OSHA inspectors. The hazardous waste program, particularly the Industrial Waste Treatment Facility, continues to be managed in an outstanding manner, again reflecting well on both [redacted] and the Navy. Your outstanding performance in ground maintenance continue to be a source of pride for the Navy and is setting a bench mark for all others to achieve. In addition, your performance in Annexes 3, 4, 6, 8, 20, 21 and 22 has been noted as outstanding.

Last Award Fee period, I expressed concern over the Performance and Management in the Utilities annexes, but was assured that extensive efforts were being made to correct and resolve problem areas. Award Fee was granted last period for this effort in anticipation of results. I understand that gains have been made in these areas and the efforts have started to pay dividends. However, I am still concerned that further strides can be made to maximize performance and management scores in these annexes. Further efforts are necessary.

I look forward to your continued improvement. Special attention to the areas of concern expressed herein will certainly help to maximize award fee.

Sincerely,

Enclosure (2)

DEPARTMENT OF THE NAVY
OFFICER IN CHARGE (N5)
NAVFACENGCOM CONTRACTS
BUILDING 2015
NAVAL SUBMARINE BASE KINGS BAY
KINGS BAY, GEORGIA 31547-5500

Committee Report

1992

From: Chairman, Award Fee Evaluation Committee, Naval Submarine Base, Kings Bay
To: Commanding Officer, Naval Submarine Base, Chairman, Award Fee Determination Board, Kings Bay,

Subj: CONTRACT [redacted], BASE OPERATING SERVICES (BOS), NAVAL SUBMARINE BASE, KINGS BAY, GA; QUARTERLY SUMMARY AWARD FEE EVALUATION REPORTS FOR SECOND QUARTER OF FY92

Ref: (a) SOUTHNAVFACENGCOM ltr 4330/0231AO of 23 Apr 91

Encl: (1) Quarterly Summary Award Fee Evaluation Report for Second Quarter of FY92
(2) Narratives in Support of Grades Assigned for Criteria Elements, Management and Performance
(3) Contractor's Self-Evaluation of 07 April 1992

1. Per reference (a), enclosures (1) through (4) are being forwarded for review by the Award Fee Determination Board Members prior to the formal board meeting to be held 5 May 1992 at 1030 in the Commanding Officer's Conference Room, Base Administration, Building 1063.

2. The computed score from the TRCO input to the Committee is 87.90 points for the second quarter. The Committee recommends 89.50 points after review of documentation and correspondence with cognizant technical representative responsible for contract performance surveillance:

a. Annex 3: The committee feels because of the excellent performance in Annex 3, the overall grade should be raised to 100. Annex 3 generally experiences minor defects and corrections are always made in a timely manner. Annex management is always willing to cooperate with the Government to meet customer needs in a timely and professional manner.

b. Annex 7: MDI has turned Annex 7 around since taking over this portion of the contract. The defects found by the Government this quarter were immediately reworked. MDI should be commended for a tremendous effort. The committee feels an overall grade of 100 was justified.

ENCLOSURE (3)

Subj: CONTRACT [redacted], BASE OPERATING SERVICES (BOS), NAVAL SUBMARINE BASE, KINGS BAY, GA; QUARTERLY SUMMARY AWARD FEE EVALUATION REPORTS FOR SECOND QUARTER OF FY92

c. Annex 8: The committee feels this overall score should also be raised the 100. Annex 8 again experienced no defects and provided excellent quality service to customers.

d. The Committee also feels an additional 1.22 points of consideration should be added to the total adjusted score for the following reasons: (1) [redacted] Safety Program was reviewed favorably by OSHA during the February inspection. (2) There has been considerable improvement in housekeeping at several of the utilities plants. (3) [redacted] should be commended for participation in the Soberfest activities and for co-sponsoring the Small Business Conference during the month of March. This additional consideration brings the overall award fee points recommendation to 89.50 points.

3. The Committee recommends an award fee of $135,000.00 be provided to [redacted] for the second quarter of the contract year.

4. In accordance with the Award Fee Determination Plan, the Award Fee Determination Board is to meet and review the Award Fee Evaluation Committee's Award Fee Evaluation Report and the Contractor's Self Evaluation, and make a recommendation in writing to the Award Fee Determination official regarding the proper Award Fee Evaluation grade and the amount of the award fee for the evaluation period.

5. Should you have any questions or comments prior to the scheduled board meeting, please contact Mr. Minter Garvin, Contracts Director, extension 4609.

Copy to:
CO, Naval Medical Clinic, Kings Bay

bcc:
N5
N5B
N53
N531D
N531G
AWARD FEE/A:2NDQTSUM.92
4/17/92

SUMMARY OF CONTRACTOR'S PERFORMANCE

t	96–100	Period SECOND QUARTER FY92
od	90–95	
	80–89	Contract [redacted]
	70–79	
otable	Below 70	Date 04/10/92

CONTRACT PERFORMANCE BREAKDOWN

ANNEX PERFORMANCE & MANAGEMENT

DESCRIPTION	PERFORMANCE	MANAGEMENT	AVERAGE
Administrative Requirements	88.17	89.60	88.88
Security Services	93.17	93.17	93.17
Fire Protection Services	100.00	100.00	100.00
Custodial Services	81.00	84.13	82.57
Refuse Services	100.00	100.00	100.00
Grounds Maintenance	97.75	96.83	97.29
Emergency Medical Services	99.25	99.57	99.41
Family Housing	82.75	76.60	79.68
Thremal and Compressed Air O&M	78.83	75.17	77.00
Electrical Distribution O&M	82.17	84.80	83.48
Sewage System O&M	82.00	78.13	80.07
Water System O&M	80.17	78.93	79.55
Telephone and Electronic Systems	90.17	81.17	85.67
Building and Structures	86.17	86.70	86.43
Ground Structures	82.17	85.33	83.75
Transportation O&M	87.25	92.53	89.89
Crane and MHE O&M	79.58	79.73	79.66
Material Services	100.00	100.00	100.00
Social Services	91.25	94.97	93.11
Mess Attendant Services	96.00	92.00	94.00
Hazardous Waste	87.50	87.47	87.48
OVERALL AVERAGE SCORES	88.83	88.42	88.62
CONTRACT FACTORS	0.40	0.40	
PERFORMANCE AND MANAGEMENT AWARD POINTS	35.53	35.37	

COMMITTEE ADJUSTED

CONTRACT PERFORMANCE BREAKDOWN

COMMITTEE ADJ. PERFORMANCE	COMMITTEE ADJ. MANAGEMENT	CHANGE
88.17	89.60	0.00
100.00	100.00	6.83
100.00	100.00	0.00
81.00	84.13	-0.00
100.00	100.00	0.00
100.00	100.00	2.71
100.00	100.00	0.59
82.75	76.60	0.00
78.83	75.17	0.00
82.17	84.80	-0.00
82.00	78.13	-0.00
80.17	78.93	-0.00
90.17	81.17	0.00
86.17	86.70	0.00
82.17	85.33	0.00
87.25	92.53	0.00
79.58	79.73	0.00
100.00	100.00	0.00
91.25	94.97	0.00
96.00	92.00	0.00
87.50	87.47	0.00
89.29	88.92	
0.40	0.40	
35.72	35.67	

ENCLOSURE (1)

INITE QUANTITY PERFORMANCE					
IDQ SCORE					
CONTRACT FACTOR	80.00	* 0.15		80.00 * 0.15	
IDQ AWARD POINTS		12.00		12.00	
ONTRACTING PLAN EVALUATION					
SUBCONTRACTING PLAN SCORE					
CONTRACT FACTOR	100.00	* 0.05		100.00 * 0.05	
SUBCONTRACTING PLAN AWARD POINTS		5.00		5.00	
ADDITIONAL CONSIDERATION DETAILED IN COMMITTEE REPORT				1.22	
TOTAL AWARD POINTS		87.90		89.50	

AWARD FEE		
NUMERICAL POINTS	PERCENT EARNED	AWARD FEE
70 AND BELOW	0	$0.00
80	1%	$3,750.00
81	2%	$7,500.00
82	4%	$15,000.00
83	6%	$22,500.00
84	8%	$30,000.00
85	10%	$37,500.00
86	14%	$52,500.00
87	19%	$71,250.00
88	25%	$93,750.00
89	32%	$120,000.00
90	40%	$150,000.00
91	50%	$187,500.00
92	60%	$225,000.00
93	70%	$262,500.00
94	80%	$300,000.00
95	90%	$337,500.00
96	94%	$352,500.00
97	96%	$360,000.00
98	98%	$367,500.00
99	99%	$371,250.00
100	100%	$375,000.00

AWARD FEE COMPUTATION

AWARD FEE POINTS 89.50

1. .50*.08= 0.04

2. .32+.04= 0.36

3. .36*375000= 135000

RECOMMENDED AWARD FEE $135,000.00

AWARD FEE
EVALUATION

BASED ON SUBJECTIVE EVALUATIONS
SUBMITTED BY TRCO'S ON A MONTHLY BASIS.

SUMMARY OF CONTRACTOR'S PERFORMANCE

GS

ont	96–100	Period SECOND QUARTER FY92
ood	90–95	
	80–89	Contract [redacted]
al	70–79	
eptable	Below 70	Date 04/10/92

CONTRACT PERFORMANCE BREAKDOWN

ANNEX PERFORMANCE & MANAGEMENT

X	DESCRIPTION	PERFORMANCE	MANAGEMENT	AVERAGE
	Administrative Requirements	88.17	89.60	88.88
	Security Services	93.17	93.17	93.17
	Fire Protection Services	100.00	100.00	100.00
	Custodial Services	81.00	84.13	82.57
	Refuse Services	100.00	100.00	100.00
	Grounds Maintenance	97.75	96.83	97.29
	Emergency Medical Services	99.25	99.57	99.41
	Family Housing	82.75	76.60	79.68
	Thremal and Compressed Air O&M	78.83	75.17	77.00
	Electrical Distribution O&M	82.17	84.80	83.48
	Sewage System O&M	82.00	78.13	80.07
	Water System O&M	80.17	78.93	79.55
	Telephone and Electronic Systems	90.17	81.17	85.67
	Building and Structures	86.17	86.70	86.43
	Ground Structures	82.17	85.33	83.75
	Transportation O&M	87.25	92.53	89.89
	Crane and MHE O&M	79.58	79.73	79.66
	Material Services	100.00	100.00	100.00
	Social Services	91.25	94.97	93.11
	Mess Attendant Services	96.00	92.00	94.00
	Hazardous Waste	85.17	87.17	86.17

OVERALL AVERAGE SCORES	88.71	88.41	88.56
CONTRACT FACTORS	0.40	0.40	
PERFORMANCE AND MANAGEMENT AWARD POINTS	35.49	35.36	

NITE QUANTITY PERFORMANCE

IDQ SCORE			
CONTRACT FACTOR	80.00	*	0.15
IDQ AWARD POINTS			12.00

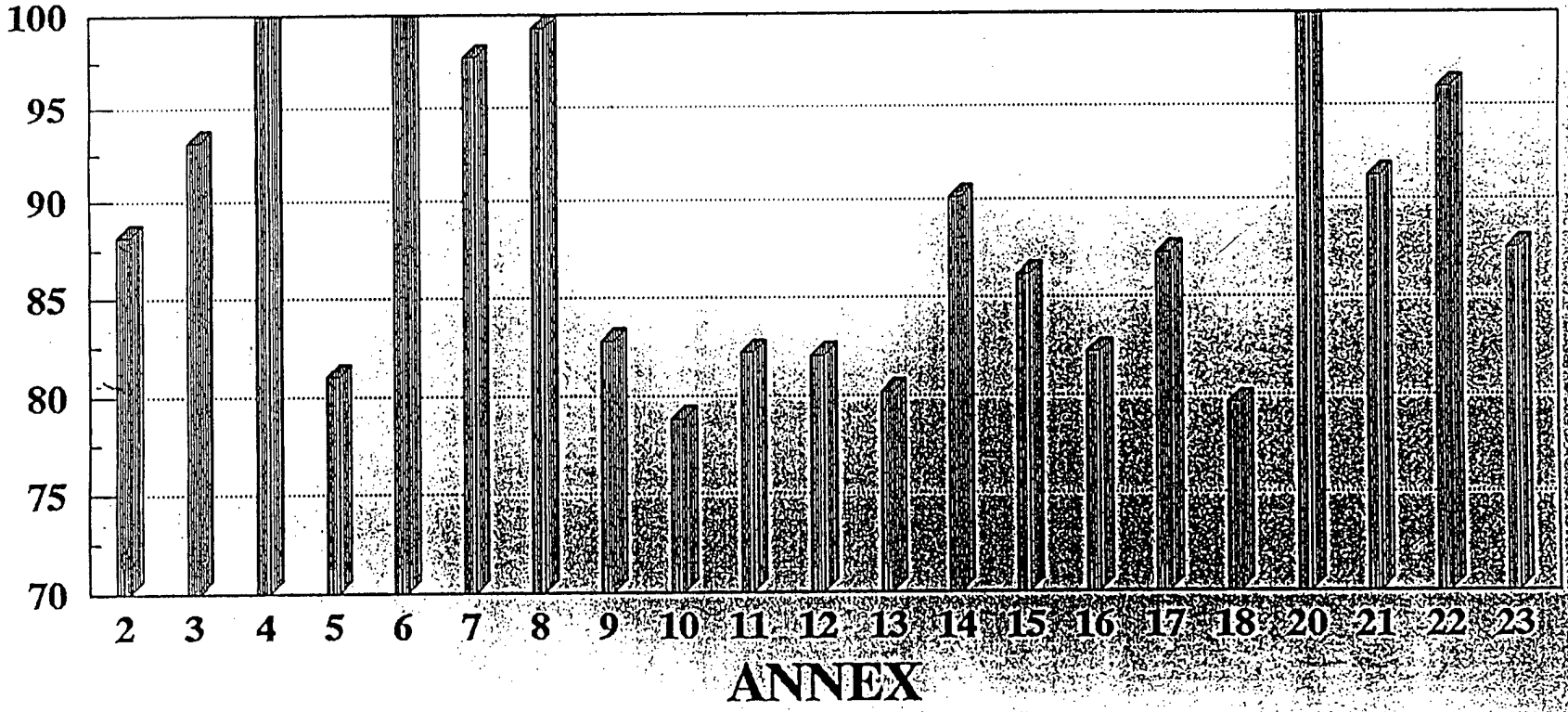
ONTRACTING PLAN EVALUATION

SUBCONTRACTING PLAN SCORE			
CONTRACT FACTOR	100.00	*	0.05
SUBCONTACTING PLAN AWARD POINTS			5.00

TOTAL AWARD POINTS	87.85

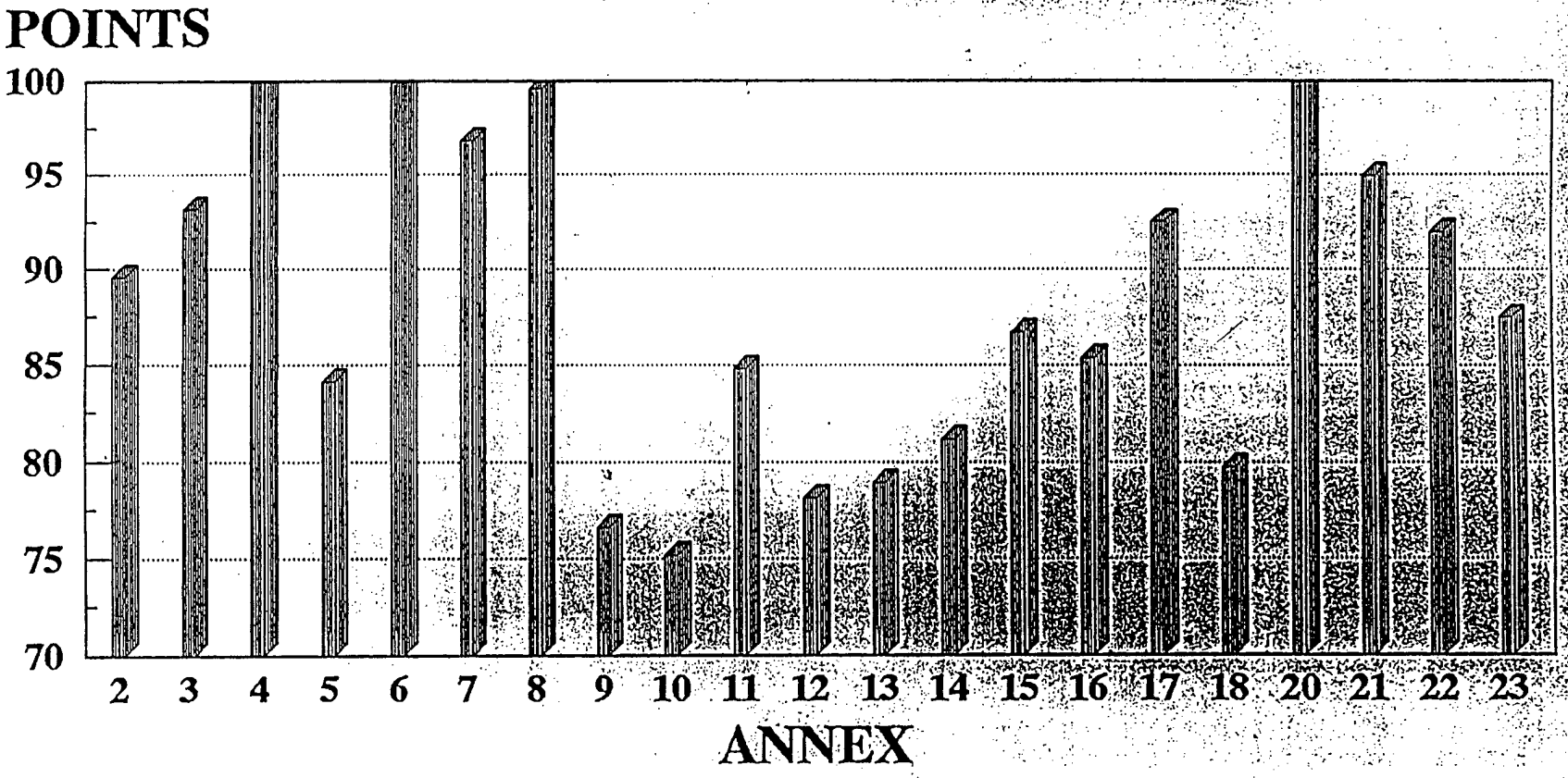
Reviewed and Approved by Date
Head, Contract Planning
and Operations Branch

ANNEX PERFORMANCE
SECOND QUARTER



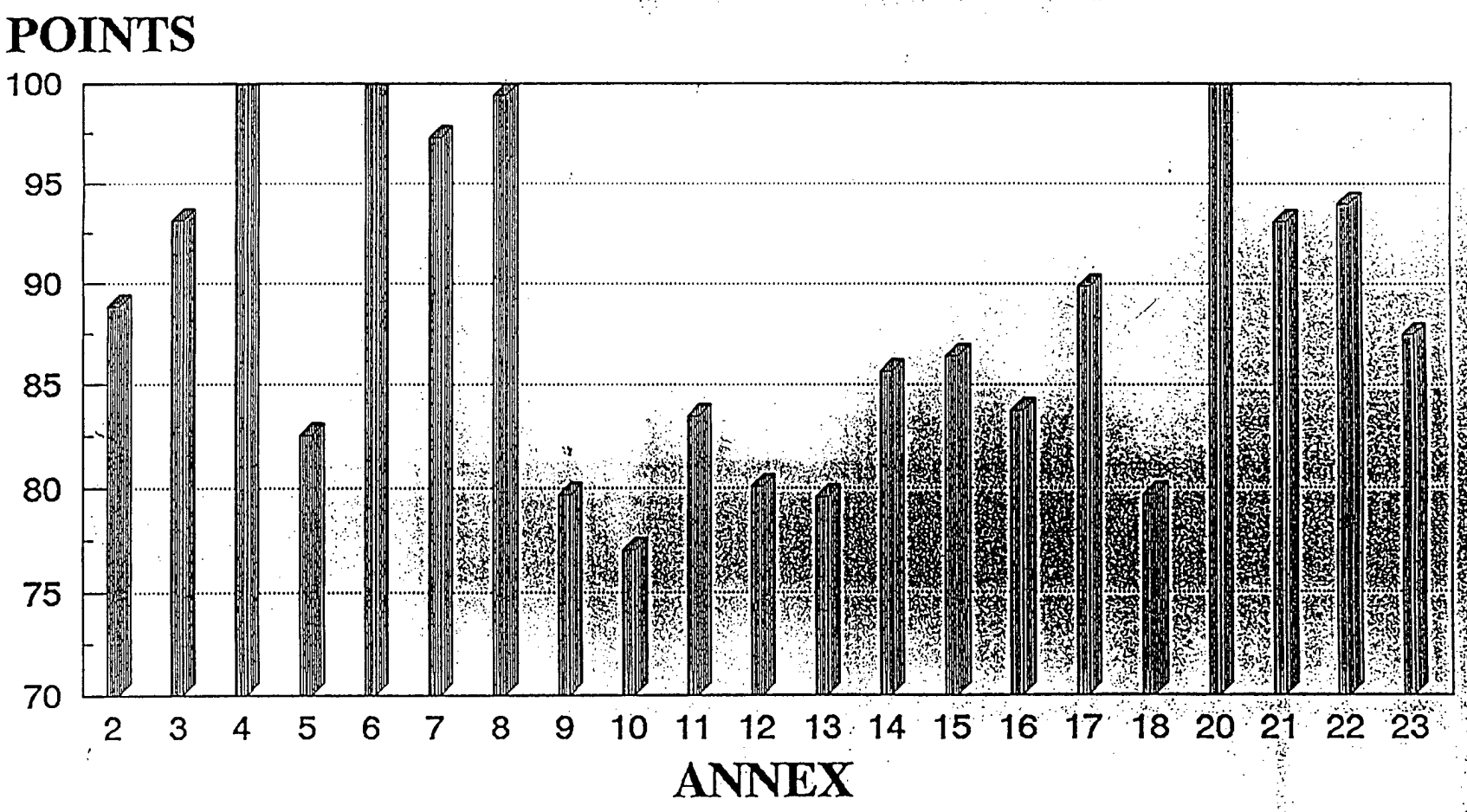
ANNEXES OF CONCERN: 10, 13, AND 18

ANNEX MANAGEMENT
SECOND QUARTER FY92



ANNEXES OF CONCERN: 9, 10, 12, 13, AND 18

AWARD FEE
SECOND QUARTER AVERAGE



NARRATIVE IN SUPPORT OF GRADES ASSIGNED FOR MANAGEMENT

Evaluation: Good Three Month Average Score: 88.41

Overall annex management for the quarter is rated as Good. Five annexes are rated in the Excellent range, five in the Very Good range, seven in the Good range, and four annexes are rated in the Marginal range (Annexes 9, 10, 12 and 13). No annexes were rated Unacceptable. The annex management score improved from the previous quarter.

COOPERATION

Annex management continues to run the gamut from very good cooperation in some annexes to very little cooperation in others. Continued strides need to be made toward good cooperation from all annexes.

Specific examples of good cooperation:

Annex 7: Grounds maintenance management continues to be very cooperative with the Government with very few exceptions.

Annex 11: Contractor has taken action to improve cooperation with Government representatives and to improve customer relations.

Annexes 12 & 13: There have been great strides made in these two annexes in the area of cooperation. Work leaders and supervisors now work with the Government instead of against. Lines of communication have finally been opened.

Specific examples where increased cooperation is needed:

Annex 9: Cooperation ratings dropped tremendously the last two months of this period. February and March were rated unacceptable. It was noted that craftsmen seem to be getting conflicting instructions.

Annex 10: Annex management is telling Government representative what we want to hear, but the follow-up is non-existent.

INGENUITY

Ingenuity/Flexibility is generally the lowest rated of the evaluation criteria, with a few exceptions. This area is still a concern; however, there have been some areas of improvement.

Specific examples of Ingenuity/Flexibility:

Annex 7: MDI management identifies and implements solutions to problems before the Government gets involved. Schedule changes are taken in stride with little effect on work or services.

Annex 12: Annex supervisor, leadmen and operators are working to solve problems and improve plant operation. They are now very receptive to suggestions from Government personnel.

Specific examples where ingenious solutions are needed:

Annex 10: Crisis management is the rule, rather than trying to solve problems before they develop into a crisis. The contractor relies too heavily on input from the Government.

Annex 11: The contractor demonstrates a inability or reluctance to take positive action to reduce and alleviate the backlog of unaccomplished PM's.

RESOURCE UTILIZATION

With very few exceptions, this is an area the contractor needs to pay specific attention to. An overwhelming majority of the comments provided by Government personnel are negative.

Specific examples of good resource utilization:

Annex 7: Excellent use of manpower to accomplish contract requirements.

Annex 20: One of the few annexes where the contractor is utilizing personnel and equipment adequately.

Specific examples where resource utilization needs improvement:

Annex 9: [redacted] continues to fall short on staffing requirements and does not complete change of occupancies in a timely manner.

Annex 10: Trucks do not stock necessary parts to do PM's. Some improvement has been noted toward the end of the period.

RESOURCE UTILIZATION

Annex 11: Again trucks need to be better stocked with consumables (e. g. fuses, tape, connectors, receptacles, switches, etc.). Stocking the trucks properly would alleviate unnecessary and repeated trips between supply and the repair location. This is a continuing problem.

Annex 12: This remained a very weak area of this annex. Noted again is improper stocking of vehicles. Repairmen spend entirely too much time riding around the base trying to track down needed tools and equipment.

NARRATIVE IN SUPPORT OF GRADES ASSIGNED FOR PERFORMANCE

Evaluation: Good **Three Month Average Score:** 88.71

Overall annex performance for the quarter is rated as Good. Eleven annexes are rated in the Good range, three are Very Good and six are rated Excellent. Only one annex, Annex 10, is initially rated as Marginal. No annexes are rated Unacceptable. The performance score improved from the previous quarter.

QUALITY

There is still disparity between the quality of work in the various annexes. Many annexes are experiencing high quality work, and the overall quality effort seems to have improved in the second evaluation period.

Examples of high quality work:

Annex 3: Security Services were once again performed in an excellent manner with very few noted problems.

Annex 6: MDI, [redacted] subcontractor, has received no defects this evaluation period. The quality of work performed in this annex meets and exceeds all requirements.

Annex 7: Again MDI demonstrates its attention to detail and quality by receiving no defects during the evaluation period.

Annex 8: Emergency Medical Services once again provided quality and highly professional service to Kings Bay.

Examples where quality needs improvement:

Annex 5: Quality Control in Custodial seems to have diminished somewhat during this period. Performance overall is satisfactory but has been on the decline in certain areas (e. g. Medical Dental, Gymnasium, Hull Shop). Problems are more profound on the night shift; however, the contractor is making efforts to improve.

Annex 10: Though the plants in Annex 10 are somewhat cleaner, Government personnel have to constantly remind [redacted] to keep up with housekeeping. This is a basic function of quality service.

Annex 16: Culvert systems and fountains were not cleaned in accordance with the contract. Playgounds were not adequately taken care of, and pavement markings had not been completely accomplished early in this evaluation period. However, some improvement was seen later in the period.

TIMELINESS

Timeliness of performance continues to be a problem in specific areas, although a few areas have experienced noted improvement. On most of the timeliness issues, lack of manpower is the noted problem.

Examples of timely performance:

Annex 3: Security personnel continue to meet requirements of response times for incidents and submission times for reports. Security has very few areas of non-compliance.

Annex 4: All alarm responses, burn permit issuances, inspections, training and reports continue to be accomplished within established time constraints.

Annex 6: Again, all collections and scheduled events were completed by the required dates.

Annex 7: Out of thousands of events, only eight UNSATS were noted during this period. All eight were found the same day by Government personnel, and all eight were completely reworked within 24 hours. For the period MDI has generally remained ahead of schedule.

Annex 20: All requirements for the quarter were completed within the timeframes allowed.

E. R. HUNTER
CDR, CEC, USN

R. D. GROVER
LCDR, CEC, USN

M. A. GARVIN
Director, Contracts Division

Examples where timeliness needs improvement:

Annex 5: Again there were problems with completing requirements on time and with completing reworks on time. The problems continued until almost the end of the period when Trusted Hands made some management changes. Improvement was noted almost immediately, but there is still room for more.

Annex 9: Missing completion dates for change of occupancies is an increasing problem.

Annex 10: [redacted] has not been able to accomplish PM's, corrective maintenance or work requests in a timely manner (e. g. Baghouse and generator repairs). Government monitors attribute this directly to lack of adequate manpower.

Annex 11: The backlog of PM's in Annex 11 is a concern. There has been an increased effort to accomplish PM's but not enough effort to catch up the backlog. During the month of March the contractor cancelled outages to accomplish annual PM's at major facilities (e. g. Building 6006-ESB, Building 5066-SWSSMS). Each of these outages were cancelled at the last minute with the excuse "lack of manpower."

One area of particular concern this evaluation period is that of engineering services. Outage reports is a big concern. Outage reports are submitted without proper engineering evaluation. Rarely are they timely or complete, and they do not adequately address action plans which will prevent recurrence. Constant reminders have failed to produce an outage report for the last unscheduled outage of the high pressure water system. This occurred nearly a month ago.

Engineering support to shops is basically non-existent. Design work typically requires extensive rework.

[redacted] performance in Engineering Services is poor and compliance with engineering services requirements is almost non-existent.

NUMERICAL POINTS	AWARD FEE PERCEN EARNED	AWARD FEE
70 AND BELOW	0	$0.00
80	1%	$3,750.00
81	2%	$7,500.00
82	4%	$15,000.00
83	6%	$22,500.00
84	8%	$30,000.00
85	10%	$37,500.00
86	14%	$52,500.00
87	19%	$71,250.00
88	25%	$93,750.00
89	32%	$120,000.00
90	40%	$150,000.00
91	50%	$187,500.00
92	60%	$225,000.00
93	70%	$262,500.00
94	80%	$300,000.00
95	90%	$337,500.00
96	94%	$352,500.00
97	96%	$360,000.00
98	98%	$367,500.00
99	99%	$371,250.00
100	100%	$375,000.00

AWARD FEE COMPUTATION

AWARD FEE POINTS 87.85

1. .85*.06= 0.051

2. .19+.0501 0.241

3. .241*375000= 90375

RECOMMENDED AWARD FEE $90,375.00

TABLE 16-1. PERFORMANCE EVALUATION CRITERIA

		Submarginal	Marginal	Good	Very Good	Excellent
A Time of Delivery	(A-1) Adherence to plan schedule.	Consistently late on 20% of plans.	Late on 10% plans w/o prior agreement.	Occasional plan late w/o justification.	Meets plan schedule.	Delivers all plans on schedule & meets prod. change requirements on schedule.
	(A-2) Action on Anticipated delays.	Does not expose changes or resolve them as soon as recognized.	Exposes changes but is dilatory in resolution on plans.	Anticipates changes, advise Shipyard but misses completion of design plans 10%.	Keeps Yard posted on delays, resolves independently on plans.	Anticipates in good time, advises Shipyard, resolves independently and meets production schedule.
	(A-3) Plan Maintenance	Does not complete interrelated systems studies concurrently.	System studies completed but constr. plan changes delayed.	Major work plans coordinated in time to meet production schedules.	Design changes from studies and interrelated plans issued in time to meet product schedules.	Design changes, studies resolved and test data issued ahead of production requirements.
B Quality of Work	(B-1) Work Appearance	25% dwgs. not compatible with Shipyard repro. processes and use.	20% not compatible with Shipyard repro. processes and use.	10% not compatible with Shipyard repro. processes and use.	0% dwgs. prepared by Des. agent not compatible with Shipyard repro. processes and use.	0% dwgs. presented incl. Des. agent, vendors, subcontr. not compatible with Shipyard repro. processes and use.
	(B-2) Thoroughness and Accuracy of Work.	Is brief on plans tending to leave questionable situations for Shipyard to resolve.	Has followed guidance, type and standard dwgs.	Has followed guidance, type and standard dwgs. questioning and resolving doubtful areas.	Work complete with notes and thorough explanations for anticipated questionable areas.	Work of highest caliber incorporating all pertinent data required including related activities.
	(B-3) Engineering Competence	Tendency to follow past practice with no variation to meet reqmts. job in hand.	Adequate engrg. to use & adapt existing designs to suit job on hand for routine work.	Engineered to satisfy specs., guidance plans and material provided.	Displays excellent knowledge of constr. reqmts. considering systems aspect, cost, shop capabilities and procurement problems.	Exceptional knowledge of Naval shipwork & adaptability to work process incorporating knowledge of future planning in Design.

TABLE 16-2. CONTRACTOR PERFORMANCE EVALUATION REPORT

Ratings
Excellent
Very good
Good
Marginal
Submarginal

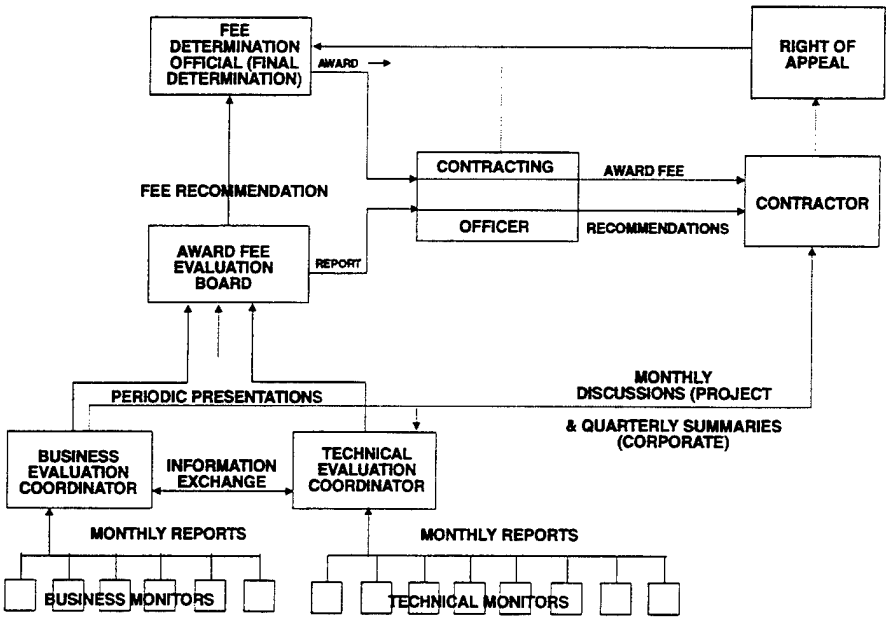
Period of _____ 19____
Contract Number _____
Contractor _____
Date of Report _____
PNS Technical Monitor/s _____
_____

CATEGORY	CRITERIA	RATING	ITEM FACTOR	EVALUATION RATING	CATEGORY FACTOR	EFFICIENCY RATING
A	TIME OF DELIVERY					
	A-1 Adherence to Plan Schedule	_____	x .40 =	_____		
	A-2 Action on Anticipated Delays	_____	x .30 =	_____		
	A-3 Plan Maintenance	_____	x .30 =	_____		
		Total Item Weighed Rating		_____	x .30 =	_____
B	QUALITY OF WORK					
	B-1 Work Appearance	_____	x .15 =	_____		
	B-2 Thoroughness and Accuracy of Work	_____	x .30 =	_____		
	B-3 Engineering Competence	_____	x .20 =	_____		
	B-4 Liaison Effectiveness	_____	x .15 =	_____		
	B-5 Independence and Initiative	_____	x .20 =	_____		
		Total Item Weighed Rating		_____	x .40 =	_____
C	EFFECTIVENESS IN CONTROLLING AND/OR REDUCING COSTS					
	C-1 Utilization of Personnel	_____	x .30 =	_____		
	C-2 Control of all Direct Charges Other than Labor	_____	x .30 =	_____		
	C-3 Performance to Cost Estimate	_____	x .40 =	_____		
		Total Item Weighed Rating		_____	x .30 =	_____

TOTAL WEIGHED RATING _____
Rated by: _____
Signature(s) _____

NOTE: Provide supporting data and/or justification for below average or outstanding item ratings.

CPAF Information Flow Chart



NASA H.B. 5104.4

STUDENT NOTES

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