

**Joint Aeronautical Commander's Group**

**(JACG)**

**Performance Risk Assessment**

**Group (PRAG)**

**Desk Guide**

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## **Foreword**

**For many years, the tri-service acquisition community has recognized that the quality of a contractor's performance on previous contracts is a good indicator of how they will perform in the future. Therefore, past performance should be an evaluation criteria on most competitively negotiated contracts. To maximize the benefits associated with using past performance information, we should not be constrained by the references contractors provide in their proposals- we should use other sources of past performance data and develop disciplined methods of collecting and sharing data among DoD services and agencies.**

**The first step in this process is the Joint Aeronautical Commander's Group (JACG) Performance Risk Assessment Group (PRAG) Desk Guide, which was developed under the Non-Governmental Standards Integrated Process Team by the Past Performance Subpanel. This guide incorporates the expertise reflected in existing Army and Air Force PRAG guides and in the Air Force CPARS system. The information contained in this guide is based on the "lessons learned" from years of source selections. We do not intend for the guide to be "written in stone." Acquisition practices evolve over time in response to changes in the contracting environment. Therefore, we will review the guide periodically and update it as necessary.**

**Policy and procedures, no matter how well intentioned and carefully crafted are not substitutes for the exercise of good business judgment within the source selection process. Therefore, this desk guide is provided as a roadmap to help you obtain products and services that represent the best value to your customers and the American taxpayer -- to select contractors who will deliver quality products and services on time at reasonable prices. I know you will devote your finest efforts to this task. I'm counting on you to develop source selection plans that make sense, given your instant acquisition and have the courage to use good business judgment while executing those plans.**

# **Overview**

## **Introduction**

**An offeror's relevant current (as of the date of the proposal) and prior experience and performance record are considered as a part of every award decision in the Department of Defense. They are part of the criteria used to determine a contractor's responsibility. Specifically, FAR 9.103 states that a contractor must have adequate financial resources, the ability to meet the required performance schedule, a satisfactory record of performance on other contracts, and similar, related attributes demonstrating its ability to perform the contract.**

**However, this is a rather limited use of the contractor's past performance record. In our private lives, we make source selections every day. This can be as mundane as selecting the brand of toothpaste we use or a selection that represents a much greater portion of our private resources, such as purchasing a new car. If we can consider how a product worked (or didn't work) for us in the past, get advice from our friends, read Consumer Reports to see how a product was rated, and check the contractor out with the Better Business Bureau, wouldn't it make sense to give the same credence to past performance when spending taxpayer dollars?**

**Using the contractor's past performance as a significant evaluation factor that will be traded off with price and other non-price factors will benefit the Government in at least two ways. First, it is impossible to convey completely within the four corners of a proposal how the contractor will actually perform the requirement and what the Government's actual costs will be (not just the instant contract costs, but the total cost of obtaining the system, supply, or service). A better tool for predicting how a contractor will perform in the future is to examine their past track record on contracts for similar requirements of the same size and complexity.**

**Second, it permits us to reward the good performer. In the commercial market, poor performers are weeded out as consumers select vendors that live up to the consumer's expectations. Those contractors that provide what is perceived as the best value in supplies or services are the ones that survive. A contractor that delivers what the contract requires without extensive follow-up effort on the part of Government personnel is clearly delivering better value than a contractor that charges the same price, yet needs Government surveillance to ensure performance. At the very least, the salary of those Government personnel performing the additional follow-up should be added to the contract price in the latter case to develop the "real" cost to the Government (not to mention the opportunity cost associated with this effort). Using past performance as an evaluation factor allows us to recognize these "hidden" costs and consider them when making best value awards.**

Thirdly, it better captures the value to the Government embodied in an offeror's proposal. Traditional source selection techniques have focused on objective, quantifiable, "hard" data. However, this approach does not capture the total value to the customer. This is best defined by the concept of economic utility, "...the satisfaction, pleasure, need fulfillment, etc., derived from consuming some quantity of a good. It is thus necessarily a psychological thing which is incapable of measurement in absolute units." (The Penguin Dictionary of Economics) Therefore, subjective criteria must be used to fully define the ability of a proposal to satisfy the Government's requirement.

Finally, using subjective criteria such as past performance also supports the current reinventing government initiatives because it emulates commercial practice. Although the Government will never be able to completely adopt commercial practices, we should use those that do not conflict with our concurrent goals of emphasizing competition and complying with Congressionally mandated socio-economic programs. Considering past performance during source selection enhances the ability of the government to form a new kind of relationship with industry- that of a partner instead of a litigious adversary.

What does this new relationship add to our ability to get the best value for the taxpayer? It shifts the emphasis from writing the best proposal to performing the best work-- coming through as promised. It helps eliminate the need for longer, complex clauses that define to excruciating detail what the contractor must do and how he must do it. It substantially reduces the need for inspection and oversight- after all, what greater leverage can the Government have than selecting another supplier for future business if current performance is inadequate? Most importantly, it enhances the ability of the contractor and the government to work together as a team-- with the common goal of a successful program.

## **Role of Past Performance in Source Selection**

### **Use of Subjective Criteria**

The first hurdle to get over is using subjective criteria. Past performance information is based on personal observations in most cases. It usually can't be confined to "yes or no" answers on a questionnaire or to information recorded on a checklist.

Because past performance information is based on personal observation, the perceptions of that individual are reflected in the information. Therefore, anyone using the information must understand the context of the contractor's performance. This includes the relationship between the Government and the contractor during contract performance, what the person recording the information believed the contractor was

**supposed to perform and what the contractor was actually on contract to perform. The only way to process this type of information is to rely on the judgment of the source selection authority to determine how the integrated assessment of the contractor's past performance affects the probability of the contractor successfully performing the requirements of the instant acquisition:**

**"In evaluating contractor's proposals, contracting personnel are required to exercise judgment in determining how and to what extent an offeror's past contract efforts and experience relate to the requirements and evaluation factors stated in the solicitation. Generally, this is not something that can be reduced to a formula or a mechanical process that yields a numerical rating or grade. In some instances, previous contracts as a whole may be compared. In other cases only portions or elements of the contract are relevant. Performance risk assessments, except for fairly simplistic systems such as the DLA system, use narrative or adjectival descriptors rather than numerical ratings. Some factors that should be considered other than size, complexity, subject matter, and proximity in time include: the contractor's record of conforming to specifications and standards of good workmanship; the contractor's record of containing and forecasting cost on previously performed cost reimbursable contracts; the administrative aspects of the contractor's performance; the contractor's history for reasonable and cooperative behavior and commitment to customer satisfaction, and generally, the contractor's business-like concern for the interest of its customers." (Charles Clark and Matthew Blum, "Past Performance Questions and Answers, December 7, 1993.)**

**The best way of dealing with subjectivity is to acknowledge that it exists early in the source selection planning process. Embrace it-- tell prospective offerors in the Request for Proposal that you intend to use subjective criteria. Tell them how those criteria will be considered within the decision process.**

### **Use of RFP Filter Process**

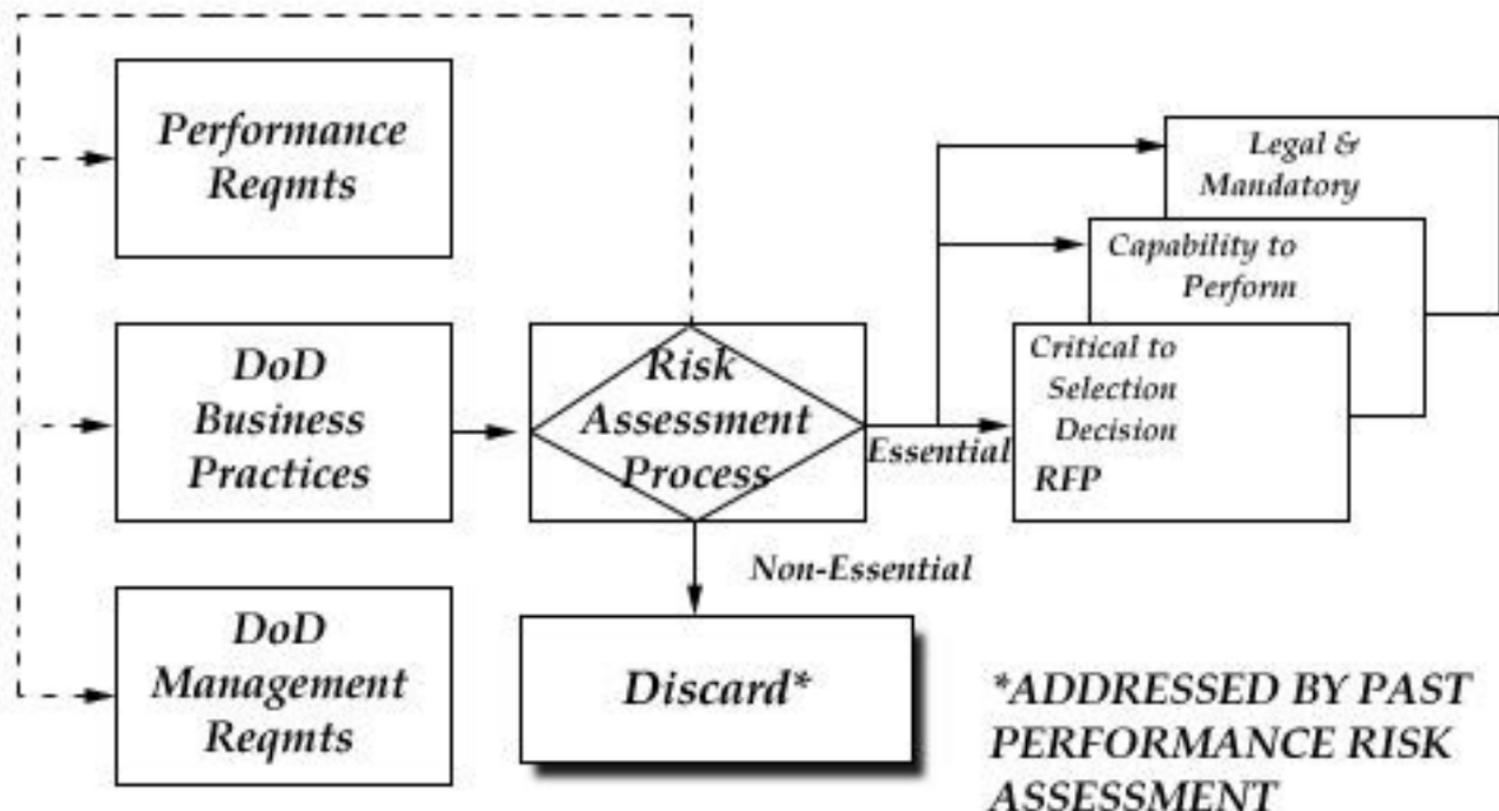
**Current acquisition reform efforts support implementation of a new approach in source selection, one that focuses on risk management rather than risk avoidance. In the past, risks associated with a given program have often not been understood by either the government or industry. Now, part of the RFP development process includes focusing in on what the risks are and using those risks to develop source selection criteria that capture the true discriminators of contractor performance.**

**Secretary of Defense Perry has espoused this approach in his "performance based contracting." Under that approach, the government defines the "what to," leaving the contractors free to define the "how to." The government defines top-level performance requirements, focusing on form, fit, function, and interface. Industry defines the critical risks associated with meeting those requirements, defining what critical processes will be used, what products will result from the processes, how the processes will be controlled and measured, and what management actions will be taken to ensure success.**

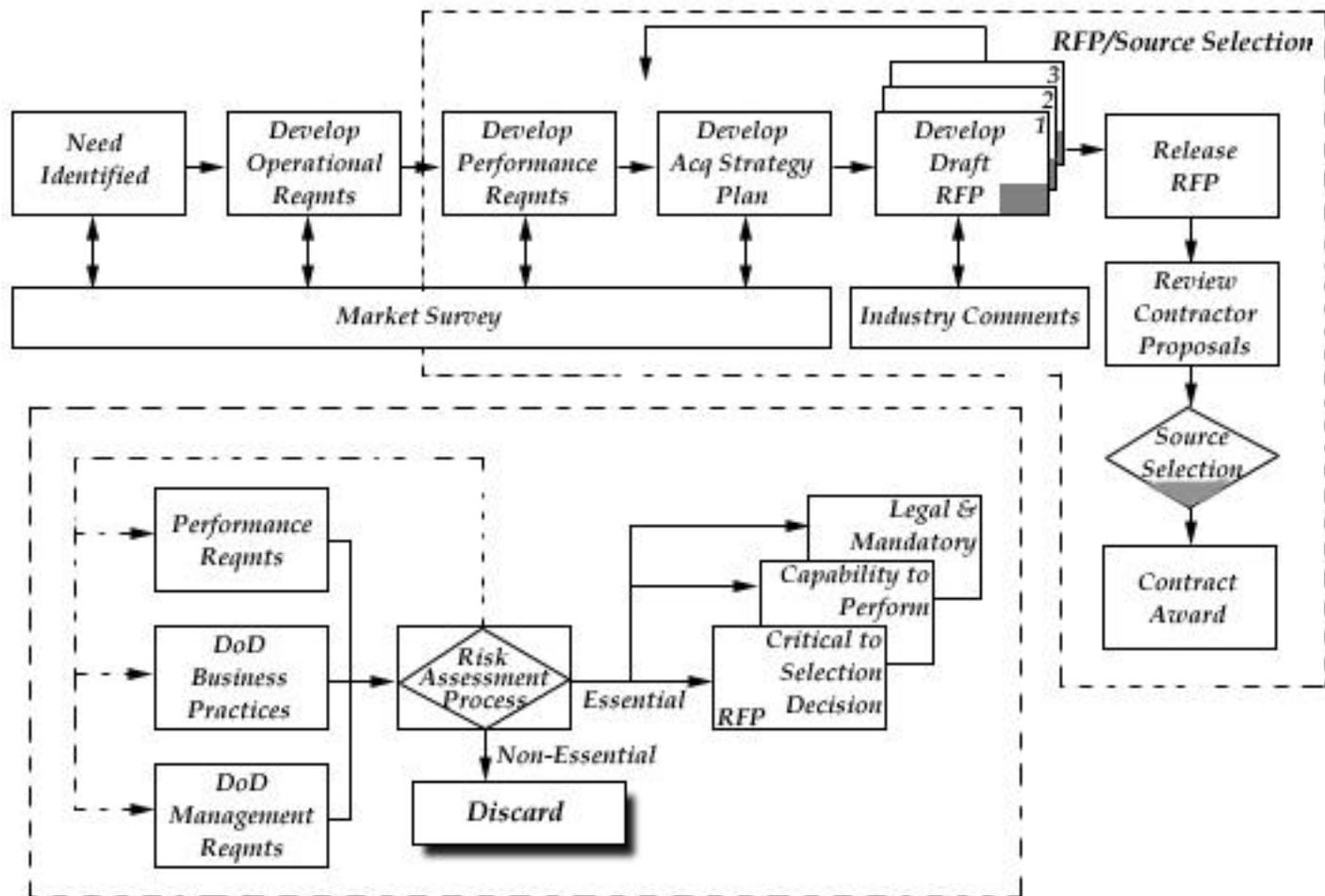
**Thus, the risks inherent in a contractor's proposal now become a paramount concern during source selection. This can be embodied in the technical concept proposed, the critical processes proposed to complete the work, the controls and metrics identified, the risk management and mitigation approach and last, but not least, past performance. One of the best indicators of a contractor's ability to mitigate risk is their past performance under contracts of similar size and scope. This is one way of "filtering" out the risks in a program. Other methods in this iterative filtering process include feedback from market surveys, industry comments during pre-proposal conferences, draft RFPs, and other interchanges with industry that provide avenues to identify and define critical programmatic risks that must be addressed in the source selection, with the goal of selecting the most executable proposal. (See flow charts on next pages)**

**Since we are now going to rely on a contractor's internal processes, rather than "inspecting in" quality, we expect contractors to have robust internal control systems in place that are capable of identifying problems and instituting prompt corrective action. This new attitude is reflected in the proposal evaluation process. The PRAG will assess a contractor's past performance by reviewing only actions that occurred before the proposal due date. Proposed actions that will take place after the proposal due date, including proposed corrective actions will not be considered by the PRAG. However, the SSEB may address the planned improvements if such information is provided outside the past performance volume of the proposal and is within the constraints of the RFP.**

# Risk Assessment Filter



# How Filter Fits into SS Process



## **Past Performance vs. Experience**

Another important issue is the difference between a contractor's experience and his past performance. Experience reflects the contractor's capability of doing something. It reflects whether he has the plant, equipment, and trained labor force available to perform the job. Past performance, on the other hand, describes **how well** he performed the work. In other words, how well did he execute what was promised in the RFP/contract. Both of these areas are considered when making a responsibility determination. Either area can be considered as a source selection criteria, where they can either stand alone or be considered under "performance risk."

It is also important to distinguish past performance assessments from pre-award surveys. The Defense Contract Management Command conducts pre-award surveys to determine whether a contractor is responsible. Responsibility is a broad concept that addresses whether a contractor has the *capability* to perform a particular contract based upon an analysis of many areas including financial resources, operational controls, technical skills, quality assurance and past performance. These surveys provide a "yes/no," "pass/fail," or "go/no-go" answer to the question, *can* this offeror do the work?

(Note that the responsibility determination described here is not the same as the capability evaluation performed under the SAS.)

Unlike a pre-award survey, a past performance assessment during the source selection process is a very specific endeavor that seeks to identify the *degree of risk* associated with each competing offeror, thereby permitting a comparative assessment of offers. Rather than asking whether an offeror can do the work, a past performance assessment asks, *will* it do that work successfully? In short, it describes the degree of confidence the government has in the offeror's likelihood of success. If properly conducted, the past performance assessment and the pre-award survey will complement each other and provide a more complete picture of an offeror than either one could by itself.

## **Objectives of the PRAG**

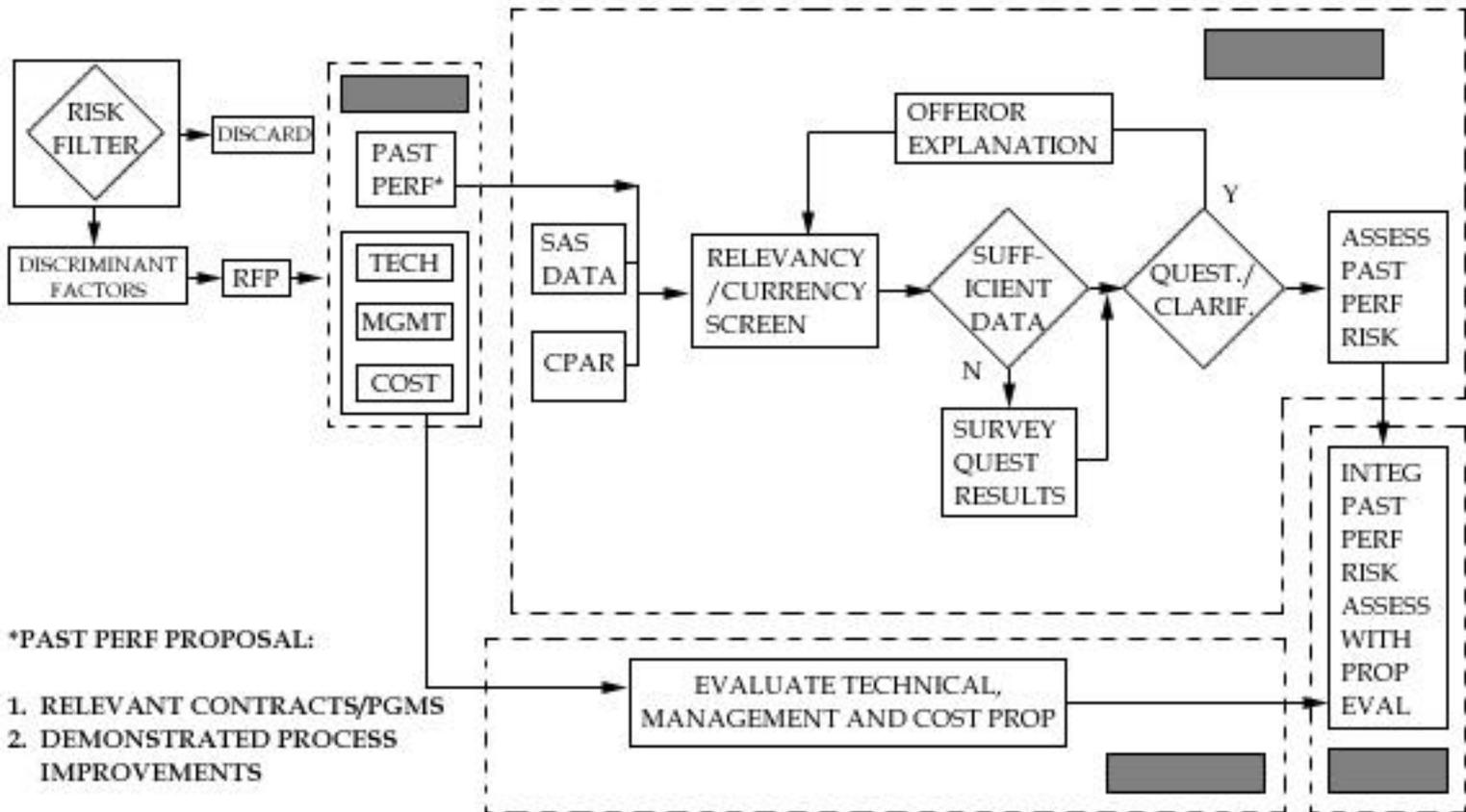
The Performance Risk Assessment Group (PRAG) is a group of experienced government personnel that are appointed by the SSAC Chairperson to assess performance risk. They conduct a structured risk assessment of present and past performance in an attempt to predict the offeror's likelihood of performing the proposed effort. The PRAG may be a stand-alone group of experienced functional personnel, or it may be area/team chiefs from the SSEB/SSET who conduct performance assessments as an additional duty during the source selection.

**The PRAG uses information that is outside of the offerors' proposals to assess past performance. No longer must contracting activities rely solely upon information submitted by the very contractors being assessed for past performance information. Now PRAG members can use independent sources of information to determine how well those contractors performed in the past. A thorough assessment of past performance identifies the relative performance risks associated with competing proposals and thereby serves to ensure that awards are made to good performers rather than to just good proposal writers.**

**The PRAG conducts the past performance assessment to determine the degree of risk involved in accepting a contractor's promises of performance. This determination is called performance risk. The PRAG prepares a report that describes these risk assessments and identifies strong and weak points in each offeror's past performance.**

**The PRAG structure should enhance its ability to independently assess performance risk. The PRAG may operate separately from the Source Selection Evaluation Board (SSEB) and report directly to the Source Selection Advisory Council (SSAC), or it may operate as a separate SSEB subgroup that reports to the SSEB chairperson. A PRAG assessment plan, like the sample attached, should be developed early in the process and made a part of the source selection plan.**

# Past Performance in Source Selection



## **PRAG Membership and Training**

Each contracting activity determines the appropriate membership and structure of its PRAGs. Ideally, the membership should include individuals who have procurement, cost, and technical/program management expertise, as well as some with PRAG experience. The individuals selected should also be capable of making sound and impartial judgments.

The heart of the PRAG assessment is the information gathering process. Through questionnaires and telephone interviews and by tapping existing data sources, the PRAG can obtain a detailed and useful picture of an offeror's past performance. Because of the importance of the information gathering process, it is absolutely critical that PRAG members have the ability to conduct meaningful telephone interviews. They should also be able to assimilate voluminous data, exercise sound judgment, arrive at conclusions that make common sense, and communicate those conclusions effectively both orally and in writing.

The size of the PRAG should reflect the anticipated workload during the source selection- the number of contractors and subcontractors expected to respond to the solicitation as well as the nature and complexity of the solicitation requirements. Army experience indicates that a four-person team, including one administrative assistant, is a reasonable size for a solicitation with three to six offerors. The best practice is to have at least two members, one with procurement expertise and one with technical expertise, on each PRAG to allow for dialogue, brainstorming, and in-depth fact finding.

## **Sources of Past Performance Data**

### **JACG CPARS**

The Contractor Performance Assessment Reporting System (CPARS) is a manual database system that provides detailed information and an assessment of the on-going performance of contractors. Each report in the CPARS consists of a narrative assessment by the project manager, the contractor's comments, if any, relative to the assessment, and the overall performance assessment (exceptional, satisfactory, marginal or unsatisfactory) assigned by the CPAR approving official. The primary purpose of the CPARS is to provide a data base of contractor performance information that is current and available for use in source selections. The CPARS can be used to effectively communicate the strengths and weaknesses of contractor performance on past programs to source selection officials.

The program manager assesses a contractor's performance on a given contract during a specific period of time. It is a "snapshot." Each assessment, therefore, must be based on objective facts and be supportable by program and contract management data, such as cost performance reports, customer complaints, quality reviews, technical interchange meetings, reviews of contractor internal operations, and earned contract incentives. However, subjective assessments concerning the causes and ramifications of the contractor's performance are also provided.

### **JACG Supplier Assessment System**

This is a third party assessment of a contractor's internal processes, done by Defense Contract Management Command. Taken together with past performance, it will provide a good estimate of the probability of a contractor mitigating risks associated with a given program. The goal is to award to contractors that have an integrated set of capable and efficient processes in place for a given program. The DCMC review will focus on the robustness of each contractor's processes. This new approach relies on risk management versus risk avoidance.

### **Questionnaires**

Sometimes the only way to find out past performance information is to generate a list of potentially similar contracts, using the DD Form 350 data base, which is normally used to report contract information. The cognizant contracting office is identified by a code on the form. The list of contracting offices addresses and their codes is located in Appendix G of the DFARS.

A standardized questionnaire, such as the one attached, should be used to obtain information on relevancy and performance from contracting officers and program managers associated with such contracts. It provides the most thorough method of collecting information for use on the instant acquisition. Typically, the questionnaires are mailed to the attention of the contracting officer for each contract, and a response is requested within ten days.

### **Interviews**

If you do not receive completed questionnaires back from the contracting officer or program manager, it is time to follow-up with a telephone interview. You should also use telephone interviews to fill in any missing or questionable information from CPARS, or the questionnaires.

## **Commercial Data**

The best practice is to rely on government sources of information. However, the PRAG may use non-governmental sources such as contractor provided references or Dun and Bradstreet, when necessary.

## **Risk Assessment Process**

### **Definition of Risk Categories**

No acquisition program is risk-free. The PRAG must assess the probability of an offeror executing the requested performance, given their demonstrated past performance. In doing so, the following definitions are used to define performance risk:

(A) HIGH (H) - Significant doubt exists, based on the offeror's performance record, that the offeror can satisfactorily perform the proposed effort;

(B) MODERATE (M) - Some doubt exists, based on the offeror's performance record, that the offeror can satisfactorily perform the proposed effort;

(C) LOW (L) - Little doubt exists, based on the offeror's performance record, that the offeror can satisfactorily perform the proposed effort; and

(D) NOT APPLICABLE - No significant performance record is identifiable. This is a neutral rating. You must rely on the rest of the proposal to assess this offeror.

### **Assessing Performance**

Each proposal risk assessment will consider the number and severity of problems, the effectiveness of corrective actions taken, and the overall work record. Consider also the offeror's demonstrated ability to effectively identify and take actions to abate requirement risks. The assessment of performance risk is not intended to be a simple arithmetic function of an offeror's performance on a list of contracts. The assessment team should place the greatest consideration on the information deemed most relevant and significant.

Use only clearly described criteria that were contained in the solicitation to assess contractors and maintain detailed documentation supporting adverse past performance findings in the source selection files, to avoid the common pitfalls of source selection evaluation. The contractor's most recent performance is often a better indicator of his ability to perform your requirement than older information. Prompt corrective

**actions by contractor management can be a positive indication of their commitment to customer satisfaction, rather than an indication of potential performance problems. No contract ever runs perfectly smoothly-- each one can experience problems of one kind or another.**

**Be careful when defining what a "contractor" is when requesting or collecting past performance information. For weapon systems, it may be a separate cost center in a large corporation, or, for R&D projects, it may be the chief investigator. The best way to describe the concept to DoD acquisition personnel is as an operating location with its own Commercial and Government Entity (CAGE) code. Others may choose to use the Data Universal Numbering System (DUNS) or taxpayer identifier codes to determine when an offeror is a separate profit center from sister organizations within a given corporation. Groups that have completely separate management teams but happen to belong to the same corporation are not adequate predictors of each other's behavior, as they are independent of each other, and corporate offices generally have little impact on the day-to-day performance of contracts.**

**Be particularly careful when assessing an incumbent's past performance. They shall be held to the same standards as other offerors. Assess only efforts actually completed (not planned) on the current contract. If the work effort was in the Statement of Work, but they didn't actually complete it, their ability to perform that type of work has not been demonstrated.**

**The PRAG team should assemble the data gathered concerning each contract for each offeror and for each offeror's critical subcontractor (s) and perform an analysis of the data. The objective of the analysis should be to identify those key pieces of data concerning the offeror's (and subcontractor's) present and past performance that should be highlighted in the PRAG briefings and in the final written PRAG report. The analysis should include a comprehensive interpretation of the information gleaned from the questionnaire responses, from any staff interviews, CPARs, SAS, and from the other sources of offeror past and present performance data. The objective is the assignment of a risk assessment of high, moderate, low or not applicable (N/A) at the highest level at which proposal assessments and proposal risk assessments are assigned; performance risk assessments may also be assigned at lower assessed levels. A performance risk assessment shall always be assigned for the cost area. These assessments should be arrived at independently after consideration of all relevant past performance data received and of the complexities and unique features of the instant program. This consideration must include an assessment of the efforts accomplished by the contractor to resolve problems encountered on prior contracts. While assessments are arrived at independently, the PRAG Chairperson should review the assessments from one offeror to the next to ensure consistency overall. Merely having problems should not automatically equate to a moderate or high risk assessment, since an offeror may have subsequently demonstrated the**

ability to overcome the problems encountered, thereby making him a low risk candidate. **The assessment of an offeror's performance risk is not intended to be a simple arithmetic function calculated against an offeror's performance on a list of contracts. Rather, the information deemed most relevant and significant by the PRAG should receive the greatest consideration.**

### **Use of Outside Data/Commercial Data**

The best practice is to rely on government sources of information. However, it is permissible to use nongovernment references when necessary. The PRAG should verify information received from commercial and foreign government sources to ensure accuracy. The use of such references for one offeror does not require the same for all offerors so long as sufficient information is available for them.

The following quote highlights one of the more controversial aspects of past performance-- using information from outside the proposal to verify contractor performance. Mr. Carl Peckinpaugh addressed this issue in his 23 November 1993 article in the Federal Contracts Report:

"A contracting agency may consider evidence obtained from outside of the proposals, if this is consistent with established procedures. Therefore information obtained within the Government and from other sources such as consumer protection groups and better business bureaus may be considered, even if the offeror did not furnish these references as part of their proposal. An agency's failure to consider its own negative experience with a contractor has been found to be irrational by the GAO (*G. Marine Diesel*)."

### **Questionnaires**

This is a questionnaire that will be sent to government and/or non-government sources to: (1) verify present and past performance information contained in the offeror's proposal; and (2) obtain information about other contracts not mentioned in the offeror's proposal, but which are believed to be similar to the on-going source selection effort. The questionnaire should be structured to avoid yes/no answers and obtain both historical and current contract status information as well as elicit detailed information about the offeror's performance as it relates to the specific assessment areas and factors for award (Section M) of the solicitation

A single page cover letter that is complete except for the date and addressee information should be prepared. It should accompany the verification/fact-finding questionnaire. This letter should clearly explain why and when the requested information is needed as well as to whom and how the information should be returned as the completed questionnaire contains source selection information. This letter should be sent to the appropriate points of contact. Signature on the cover letter shall normally be the PRAG Chairperson

Using the information furnished by the offerors, the PRAG should confirm by telephone at least one point of contact (POC) for each referenced contract, preferably the Program Manager. The POCs should, wherever possible, be Government employees with personal knowledge of the past performance of the contractor in question. In addition to Program Managers, POCs could include equipment specialists, systems engineers, ACOs, or pre-award survey monitors. POCs may also include private contractor personnel only when reference contracts are commercial/non-Governmental. Use the initial telephone contact to determine a fax number for questionnaire transmission. Include the name of the referenced contract and contract number so that the respondent can identify the related past performance activity. In addition, be sure that the questionnaire includes instructions about protecting the completed form as source selection information.

A few days after faxing the questionnaire, the PRAG should make a follow-up telephone call to confirm that the POC received the questionnaire and will be able to meet the requested suspense date. If a questionnaire has not been returned by the suspense date indicated in the transmittal letter, a follow-up telephone call should be made to the POC to ensure that a response is forthcoming and confirm the new suspense date. Such follow-up calls should be made promptly to encourage timely completion and delivery of the questionnaires.

For those POCs in the local area, the PRAG may choose to conduct personal interviews to complete the questionnaire for each of the referenced contracts. Such interviews may elicit additional information concerning the past performance of the offeror or subcontractor not readily apparent through the use of the questionnaire alone, particularly since information can be easily obtained from more than just the single POC. Personal interviews may also be desirable outside the local area (resources permitting), especially when the referenced POC is located at a DCMAO/DPRO. In such cases it may be advisable to in-brief and interview the organizational commander. The commander can then ensure that the most knowledgeable personnel are available for interview. Such visits often provide the PRAG with information concerning other contracts not referenced in the offeror's proposal.

### **Telephone Interviews**

Following the screening of previous contracts for further in-depth review, each PRAG member should send questionnaires and/or initiate telephone calls to the identified references for those efforts. The interviewing and reporting of results are usually individual efforts conducted by each PRAG member. However, it is sometimes helpful for the PRAG to collect information as a group through the use of conference calls. In any event, the environment in which this work is done significantly impacts both the time required to complete this portion of the process and the quality of the results. These activities are hampered severely if each

**PRAG member attempts to conduct telephone interviews at their normal work site with all of its attendant interruptions, distractions, and security risks.**

**If, on the other hand, the PRAG members are able to assemble as a group for telephone interviews, they will be able to provide considerable reinforcement and instant feedback for one another. Each PRAG member should be able to devote their undivided attention to this initial assessment process. Although this approach requires a secure area that is large enough to accommodate all of the PRAG members, the resulting benefits are significant.**

**The telephone interview process is an art form. Until a smooth conversation pattern is developed, it is an inherently uncomfortable situation for many people. There will be some difficulty learning how to start a telephone interview, keep it moving, and cover all important areas. As the interviewing process continues, the PRAG member usually uncovers special items of interest that he or she will want to pursue through follow up calls.**

**At least two references should be contacted on each previous contract effort selected for in-depth review. Additional references are often identified during the interviews. Maximum effectiveness occurs when the expertise of the PRAG interviewer matches that of the person being interviewed.**

**Before initiating a telephone interview, a PRAG member should gather all available information on a specific effort and draft a list of questions. There may be a common group of questions for all offerors and/or tailored questions for each offeror, depending upon the circumstances. These questions can either be sent as questionnaires to each reference or be used by the PRAG member during the telephone interview.**

**At the start of each telephone interview, the PRAG member should explain the purpose of the call and request voluntary assistance from the person being interviewed. The PRAG member should explain that he or she will document the results of the conversation and send a copy of the memorandum to the reference for verification. There is usually no need to divulge the solicitation number, program description, or other identifying information to the reference. If you do so, you need to obtain a nondisclosure statement.**

**In most instances the person being interviewed will willingly provide the information requested. In those rare cases when the person refuses to participate, the PRAG member should request assistance from the contracting officer. Alternatively, the PRAG member may attempt to continue the interview off-the-record to obtain data that may be validated on-the-record during interviews with other references. However, off-the-**

record data that is not validated may not be considered in the PRAG report or the source selection decision.

It is important to pursue the underlying facts supporting any conclusionary statements received on a contractor, particularly if they are unusually positive or negative. The PRAG member can determine neither the magnitude of a reported problem nor its possible impact on the current risk assessment without first understanding the details surrounding the problem. It is helpful for the PRAG members to meet periodically to share information and ideas.

In some cases, the facts may be in dispute. The contractor may have submitted a claim or request for equitable adjustment alleging that the government is partially or wholly at fault for the performance problems on the program in question. The PRAG members should review the substance of the claim and attempt to determine if it is relevant and material. The environment that the contractor performed in is an important aspect of past performance. Raw performance data should not be divorced from the context of the performance. For example, if the contractor has significantly overrun his schedule but has submitted a claim alleging that the customer's actions caused significant delay and disruption, it may be unfair to judge the contractor's performance against the contract schedule without considering the actions of the customer, as well.

Immediately following a telephone interview, the PRAG member must prepare a narrative summary of the conversation and send it to the reference for verification preferably by certified mail return receipt requested. Fax transmissions are also acceptable. The following step is *extremely* important. **Extra care must be taken to ensure accuracy, clarity, and legibility because these summaries often represent the only written back-up supporting the opinions and conclusions of the final PRAG assessment report.**

In order to maintain accurate records and facilitate verification, the telephone record form should include the reference's name, full mailing address and telephone number, the date and time of the call, and the description of the contract effort discussed. A sample telephone record form is attached.

The PRAG should send the telephone memorandum to the reference, stating explicitly that if the reference does not object to its content within the time specified, it will be accepted as correct. The amount of time allowed for a response depends on the circumstances of each procurement. A sample cover letter is attached. Note that the reference need not sign a nondisclosure form if the PRAG member withholds the identity of the program and solicitation number.

If a reference indicates that the narrative is incorrect, then a corrected narrative must be sent for verification. Experience indicates that

**in most instances, changes are minor. If, however, a reference expresses opposition to a record and satisfactory corrections cannot be agreed upon, the PRAG should not rely on the record. Another source may provide the same information, however.**

**Once the telephone interviews are completed, the entire PRAG needs to assess all offerors and assign performance risk assessments. The PRAG should note instances of singularly good or poor performance and relate it to the solicitation requirements. Once again, it is helpful for the PRAG to review the statement of objectives or statement of work and specifications. If the PRAG identifies performance problems on a prior contract, it should consider the role government fault played in that result.**

**The PRAG should not limit its inquiry solely to the proposing entity if other corporate divisions, contractors or subcontractors will perform a critical element of the proposed effort. The performance record of those organizations should be assessed in accordance with the solicitation. Performance risk assessments should consider the number and severity of problems, the *demonstrated* effectiveness of corrective actions taken (not just planned or promised), and the overall work record.**

**The PRAG's assessment is usually based upon subjective judgment. It is not a precise or mechanical process. The assessment should include a description of the underlying rationale for the conclusions reached. As long as that rationale is reasonable, it will withstand scrutiny even if other reasonable conclusions exist.**

### **Data Relevancy**

**The PRAG should screen the information provided for each of the referenced contracts to make an initial determination of its relevance to the current requirement. Such aspects of relevance include the type of effort (development, production, repair, etc.), and the type of requirement (weapon systems, information systems, engineering services, programmed depot maintenance, etc.). The objective of the screening is to remove from consideration those contract references that are clearly unrelated to any assessment criteria. It should be noted that valuable information can be obtained from seemingly unrelated prior contracts regarding technical capability, management responsiveness, proactive process improvements, ability to handle complex technical or management requirements, etc. Other members of the source selection team may be consulted as necessary for assistance in determining relevancy.**

**Relevancy should not be described as a subfactor. Relevancy is a threshold question when considering past performance, not a separate element of past performance. Irrelevant past performance should not form the basis of a performance risk assessment.**

**Although the PRAG may consider data available from many sources, its main sources of information are often the references cited by offerors in their proposals. Upon receipt of proposals, the PRAG will determine which of the offeror's past contract efforts relate to the solicitation requirements. Although these determinations of relevancy are judgment calls, it is helpful to consider the offeror's explanation of relevancy contained in its proposal.**

**In some cases, previous contracts as a whole may be similar to the current contract while in others only portions of previous contracts may be relevant. For example, the government uses ADA software language in many different systems. If a solicitation calls for the development of ADA software for an aircraft system, the contractor might identify a previous effort where it developed ADA software for a satellite terminal. The government may consider that previous effort to be relevant for purposes of assessing the contractor's ability to develop ADA software even though the underlying system is different from the current requirement. Another example is the assessment of the contractor's management, planning, and scheduling of subcontractors on a past service contract for a current production requirement calling for integration skills.**

**The PRAG should consider the most recent data available. The best practice is to select efforts that are either still in progress or just completed, and that have at least 1 year of performance history. The actual cut-off time is left blank in the attached sample Section L provisions because it should be determined by the contracting officer on a case-by-case basis.**

### **Discussion of Past Performance Data**

**Past performance should be treated just like any other technical or managerial criteria during discussions. If a deficiency has been noted, the contractor should be given the opportunity to present his side of the story. This is done in the interest of fairness. However, if award is made without discussions, past performance is not discussed with the offerors (just as all other criteria are not addressed, since discussions are not held in this situation). In the event that the Government mistakenly omits discussions of past performance weaknesses with the contractor during discussions, there are GAO cases that support the Government's right not to discuss past performance problems, based on past performance being a matter of record, and, as such, uncorrectable. However, as with any other source selection criteria, trade-offs can be made between technical, costs, and performance risk factors in accordance with the ranking structure provided in the solicitation.**

**Should questions come up about how to handle past performance as a source selection criteria, consider what you would have done if it were a technical criteria. Treat it as such, including whether you discuss perceived performance weaknesses with a contractor during discussions. Since you normally discuss technical weaknesses, discuss performance**

weaknesses at that time. If you intend to award without discussions, then discussing past performance is not necessary, provided the risk assessment is backed up by factually-based information.

During discussions with offerors in competitively negotiated procurements, the contracting officer must disclose deficiencies in the offerors' proposals. Arguably, negative past performance information provided by a reference is generally not a "proposal deficiency" because it is based upon information outside of that proposal. Nonetheless, a past performance problem can be a significant shortcoming that must, in fairness, be brought to the attention of the offeror during discussions if the offeror has not previously been apprised of the problem and provided an opportunity to respond.

This practice validates any negative information relied upon during the risk assessment process, and ensures fairness for the competing offerors. The validation process is particularly important when the negative information is provided by only one reference, or when there is any doubt concerning the accuracy of the information. It is noted, however, that while the government must disclose past performance problems to offerors' it need not disclose the identity of its sources.

A special problem arises with respect to subcontractors. Past performance information pertaining to a subcontractor cannot be disclosed to a non-government entity without the subcontractor's consent (OFPP Policy Letter 92-5, Dec. 30, 1992). Because a prime contractor is a non-government entity, the government needs to obtain the subcontractor's consent before disclosing its past performance information to the prime during negotiations. There are a variety of ways to obtain subcontractor consent. For example, the solicitation could require the prime to submit its subcontractor's consent along with the prime's proposal to the government.

### **Evaluating Contractors with No Past Performance Record**

In most cases the PRAG will find some related past performance information for each contractor and subcontractor, especially if the PRAG applies a broad interpretation of relevancy. Occasionally, however, a PRAG cannot find any relevant information. In those cases, contracting activities should treat an offeror's lack of past performance as an unknown performance risk that is neutral, having no positive or negative evaluative significance. This approach allows the government to assess past performance in a manner that is fair to newcomers.

An alternative approach may be used on rare occasions when the government must have a contractor with a *proven* performance record. In this situation, an offeror with no related past performance may represent a high or moderate performance risk to the contracting activity. This alternative approach should only be used if experience is assessed by the

**PRAG, not the SSEB. In this case, the solicitation should clearly state that the PRAG will assess experience as well as past performance and that a lack of experience may result in a high or moderate risk assessment. Even here the government can ease the impact on newcomers by including language in the solicitation that encourages them to team with proven performers.**

### **Evaluating Incumbent Contractors**

**Finally, how do you treat the past performance of an incumbent contractor? First, it is proper to consider an incumbent's performance when you are considering the past performance of other offerors. To simply ignore it is not sensible, as it provides the best predictor of future performance, since it is obviously current and relevant to the instant acquisition. However, when considering an incumbent's performance, address only the work that was actually performed. Do not give credit for work that was on contract, but not performed or extrapolate their ability to perform other work. Remember that considering past performance of an incumbent contractor is not necessarily beneficial to the contractor. He may be performing poorly and need to be replaced by another contractor that can deliver better value.**

## **Integrating CPARS/SAS within Past Performance Assessment**

The past performance assessment can be enhanced with data from Contractor Performance Assessment Report System (CPARS) and the Supplier Assessment Data Repository (SADR). It is incumbent upon the PRAG to incorporate “lesson-learned” from relevant, recent experience with suppliers that have tendered offers in response a government solicitation. As recommended by OFPP, the PRAG should evaluate all contract performance relative to the supplies or services being procured. Rather than relying on the programs cited in the contractor’s proposal as the basis for the assessment, a comprehensive search of the CPARS library may reveal performance that the contractor overlooked during proposal preparation that is relevant to the PRAG risk assessment.

CPARS [/CIM] contains a library of systematic performance assessments on all aeronautical sector programs having contract value in excess of \$5 million. These performance assessments are systematically prepared in accordance with DOD Instruction XXXX. PRAG members can find a narrative description of the contract effort, adjectival ratings in a number of critical performance area including program management, system engineering, schedule, cost, test and evaluation, etc. The data is available to all Department of Defense agencies for use in source selection from the libraries at locations designated in Attachment XX of the DOD Instruction.

When utilizing Contractor Performance Assessment Reports (CPARs ), care must be taken that insures that information is relevant to the procurement. This will require a systematic search of library files. Since CPARs are written annually for all qualifying contracts, select current information that complies with OFPP guidelines and FAR requirements.

After obtaining selected reports from the CPARS library, compare the reported performance assessments with proposal data provided in the supplier proposal and other data collect by the PRAG. If disparities exist, notify the contracting officer. When the data has a material effect on the source selection, such disparities must be reconciled before award. The offeror should be given a chance to respond to questions prepared to resolve the disparity.

In addition to the CPARS, the PRAG has process metric data at its disposal via the Defense Contract Management Command (DCMC) representatives at the contractor plant-site. You can obtain both a Supplier Rating and key process metrics that are regularly reported for the aggregate work being performed at a given site. The Supplier’s Rating is an indication of the level of self governance being practiced by the contractor which may be used as a qualitative measure of process maturity. It should not be heavily

weighted because the level of oversight required by DCMC and PEOs will be included as an element in the calculation of total cost to the government.

The key process metrics may be utilized to evaluate those processes deemed critical to the successful performance of the contract effort. See DOD Instruction YYYY for a summary of processes being monitored by DCMC as well as the list of attributes and measurements maintained. The following steps outline an approach for incorporating this data:

1. Identify the processes that are critical to the project's success.
2. Request performance data on these processes from DCMC.
3. Analyze the data for indications of high performance risk such as adverse trends, lack of process control, insufficient capacity, high defect rates, etc.

The PRAG may not make direct comparisons between offerors based on the raw value of the measurements. The processes are defined to provide indicators of performance but do not adhere to any auditable basis common to all contractors. Furthermore, you should not be influenced by the relative magnitude of the measurement. Many factors may influence the plant-wide data including the mix of contracts in work, stage of contract work in a product's life cycle, plant utilization, availability of skills, stability of work force, level of investment in plant, equipment and technology.

At this point your assessment contains data from many sources: the proposal document, questionnaires, interviews, CPARS, SADR, and commercial data. Various analytical techniques, when properly applied to the situation, aid the development of your final contractor performance risk assessment which must be briefed to the SSA. As you consolidate your data, it may be helpful to distinguish between process and results type of performance measurements. CPARS assess results on each contract while Supplier Assessment data (from the SADR) is a process assessment. If your other inputs can be similarly classified, your performance risk assessment can be approached from two distinct perspectives: process and results.

Regardless of the method used to finalize your performance risk assessment, it is imperative that your result is supported by clearly documented facts, a logical development leading to your conclusion, and this information reflects the evaluation criteria that the contracting officer set forth in the solicitation.

## **Administrative Issues**

**The first action of the PRAG chairperson should be to meet with the local source selection focal point. This individual will provide the latest guidance with respect to conducting performance risk assessments, local**

briefing formats, and lessons learned. The focal point can also identify sources of performance data that are available locally and explain how this information can be obtained.

The PRAG will require a secure work area with access to telephones, a fax machine and locking file cabinets. If dedicated source selection facilities are not available, the PRAG chairperson must ensure that the necessary resources are obtained. When the PRAG is located away from a dedicated source selection facility, members should be reminded of their responsibility to protect all source selection information received or generated throughout the process. The PRAG Chairperson must also ensure adequate clerical support is available to the PRAG team. This may require coordination with the SSAC or SSET Chairperson.

A review of all current source selection regulations, supplements and instructions should be conducted before the PRAG effort begins as specific PRAG guidance and RFP language are included in these documents. A review of the key RFP documents and provisions such as specifications, statements of work/ statements of objectives, and Sections L and M is essential to get a working knowledge of the primary objectives of the acquisition.

## **Developing Source Selection Criteria**

### **Focus on Key Discriminators**

After you have generated a list of potential candidates for source selection criteria, the number of criteria used to assess past performance in a source selection should be limited to a few key discriminators. Too many or inappropriate assessment criteria may not provide the basis for determining significant distinctions among proposals because it results in too much “granularity”. Assessments against such criteria typically level the proposals and obscures how the offerors past performance was in areas that are the best predictors of performance under the instant acquisition. It may hinder assessments of the significant strengths and weaknesses of the proposals. When selecting which of the possible quality discriminators will be used as a selection criteria, consider how the team will obtain information about the contractor. What types of questions will you ask references about the contractor's past performance that will give you information that can then be used to rate the contractor's past performance regarding that criteria? If you can't come up with a good, practical way to assess a potential discriminator, eliminate it from the list.

The following are some things to keep in mind when developing source selection criteria. Don't just use past experience and performance as a general criteria. Think about how it impacts the instant acquisition-- Does it affect the public health and safety, specialized equipment, mission critical tasks, or downtime aspects of the statement of work/ statement of objectives? Were there questions that you wish you had asked the

incumbent contractor that would have prevented performance problems? Think about the types of questions you will ask references-- "Has the contractor produced and delivered the product before? Does the contractor have a proven ability to meet schedules and a satisfactory record of performance? Does the contractor have a favorable reputation, a customer orientation, and a proven history of meeting long-term commitments? Is the contractor's record free from instances of overpricing, post-award cancellations, unauthorized substitutions of materials, and requests for price increases or waivers?" The answers to these questions should generate a list of criteria that describe the overall quality of work completed by the contractor on past projects of similar size and scope.

### **Past Performance Inputs for Section L/Section M of the RFP**

Section L of the solicitation should instruct offerors to submit information concerning contracts and subcontracts which are in any way similar to the work required by the solicitation, or which offerors consider relevant in demonstrating their ability to perform the proposed effort. Also, it is important that the offeror specifically describe the work that its subcontractors will perform so that the PRAG can conduct a meaningful performance risk assessment on each significant subcontractor (as defined in Sample Section L # 2.) Presolicitation or preproposal conferences should explain the performance risk methodology to ensure that offerors understand the process and its overall significance.

Section M should clearly state that: (1) the government will conduct a performance risk assessment based upon the past performance of the offerors and their proposed subcontractors as it relates to the probability of successful accomplishment of the work required by the solicitation; (2) in conducting the performance risk assessment, the government may use data provided by the offeror and data obtained from other sources; (3) while the government may elect to consider data obtained from other sources, the burden of providing thorough and complete past performance information rests with the offeror. Section M should also explain how the performance risk assessments will be considered in the integrated evaluation of proposals.

### **What is needed in Contractor Past Performance Volume**

The past performance volume of the proposal should contain enough information on the offerors' present and past performance to enable the PRAG to determine how closely the work performed relates to the assessment areas and factors. Offerors should submit information they consider relevant in demonstrating their ability to perform the proposed effort. This information may include data on efforts performed by other divisions, corporate management, critical subcontractors or teaming contractors. The offerors should explain how such resources will be brought to bear or significantly influence performance of the proposed effort. The offerors should also identify knowledgeable points of contact for

each listed contract. Relevancy criteria that limit the offerors' performance data submission, such as dollar value, product line, business division, and time should generally not be stated in the solicitation. Instead, offerors should focus their input on the source selection areas and factors identified in Section M, Evaluation Factors for Award.

Note that the RFP may request that this volume be submitted earlier than the rest of the proposal. This gives the PRAG an opportunity to get the “long lead “ items (preaward surveys and questionnaires) completed on time. If an offeror does not get the past performance volume in early, but turns in the entire proposal before the closing date, they can not be deemed non-responsive on the basis of the late delivery of the past performance volume

The required content and format for the past performance data submission is included in the Section L instructions. Offerors can enhance the quality of the past performance portion of their proposal by clearly identifying which past contracts are relevant indicators of performance against specific source selection factors (or areas if factors are not used). As a minimum, the original schedule and cost/price, the current schedule and cost/price, and the reason for any differences should be discussed. Offerors must ensure that points of contact listed as references are current. The page limitation on this volume should be clearly stated.

## **PRAG Output**

### **SSA Briefing**

The PRAG must accomplish its efforts in a timely manner in order to meet source selection schedule objectives. Communication with the PCO and SSET chairperson is critical to that end. If discussions with offerors are conducted, the PRAG must have all clarification requests (CRs) prepared in time for the competitive range briefing. In the context of past performance, CRs are formal requests to the offeror for clarification on any performance data gathered that is contradictory, unclear or could lead to a moderate or high risk assessment. Subsequent CRs may be necessary as additional data is uncovered or becomes available. However, all communication between the Government and offerors must be completed with the issuance of the request for Best and Final Offers (BAFOs).

In the event award without discussions is contemplated, the PRAG must be able to demonstrate at time of business clearance that discussions regarding past performance are not necessary in order to make award. Questionnaire data which cannot be independently verified cannot be used in the PRAG's analysis if award without discussions is being made.

It may be advantageous to provide an “in-process” presentation of PRAG findings at the competitive range briefing(s) (if held). This presentation should show what the PRAG has done to date and any

**preliminary analysis of data collected. If there is a problem with the PRAG's approach, this presentation allows the PRAG to correct its approach and provide the analysis needed in the PRAG's final report. This may also provide insight into either additional contracts or points of contact for the PRAG to check concerning an individual offeror's past and present performance.**

**Following the analysis and assessment of the performance data, the PRAG should prepare a draft briefing presenting its summary of the data gathered and the performance risk assessments assigned. The PRAG chairperson should conduct a "dry run" of the briefing prior to the presentation to the SSA.**

**A draft of the final written PRAG report should be prepared after the completion of the draft briefing. The final report should summarize the PRAG effort and the assessment of performance risk and address, as a minimum, sources and type of performance data gathered, relevance and significance of the data, and risk assessments and supporting rationale for each.**

**The PRAG briefing should be presented to the SSET or SSAC at the decision briefing "dry -run". Any suggested additions, changes or other modifications to the briefing should be incorporated into the final briefing and report as necessary.**

## **Input to Post-Award Debriefing**

The PRAG Chairperson should be prepared to support debriefings to offerors as requested by the Contracting Officer. The content of the debriefing will be substantially the same as that presented to the SSA at the decision briefing.

## **Lessons Learned/Feedback**

At the conclusion of each source selection, the contracting officer will collect “lessons learned” from those participating in the source selection process. PRAG members should contribute their honest impressions of the process and suggestions for improvement to the contracting officer, who will forward them to the appropriate service office. This information will help ensure the continuous improvement of the source selection process.

# Attachments

## Sample Key Milestones and Events

<u>EVENT</u>	<u>OPR</u>
Acquisition Strategy Panel Completed	PCO/PO/PK
Draft RFP to Industry	PCO/PO
AP Approved	PCO/PO
SSP Approved	PO/Rec
SSEG Approved	PO/Rec
RFP Released	PCO
Receive Performance Volumes	PCO/Rec
Release Performance Questionnaires	Rec
Proposals Received & Checked	PCO/Rec
Request Audits/Preaward Surveys	PCO
Receive Performance Information/Questionnaires	Rec/PRAG
Performance Risk Assessment Completed	PRAG/Rec
Prepare PRAG Performance Charts	PRAG/Rec
Start Writing PAR	PO/Rec
Start Writing Lessons Learned Report	Rec/PO/Chair
Complete Competitive Range Briefings Charts	Rec/PO
Competitive Range Briefing Dry Run	TT/Chair/CT/PRAG
Correct Competitive Range Charts	Rec
Competitive Range Briefing To SSA	TT/Chair/CT/PRAG
Prepare Questions for Discussions	PCO/TT/PO
Receive Audits/Preaward Surveys	PCO
Discussions With Offeror A	TT/CT/Rec
Discussions With Offeror B	TT/CT/Rec
Discussions With Offeror C	TT/CT/Rec
Request BAFO	PCO
Receive BAFO	PCO
Evaluate BAFO	PCO/TT
Prepare Decision Briefing Charts	Rec/PO
Complete PAR	Rec/PO
Prepare Decision Document	Rec/PO
Decision Briefing Dry Run	TT/Chair/CT
Decision Briefing To SSA/Contract Award	TT/Chair/CT
Decision Doc Signed By SSA	TT/Chair
Complete Lessons Learned Report	Rec/PO/Chair
Debriefings (Upon Request By Offeror)	PCO/TT

Chair = SSET Chairperson  
 CT = Contract Team  
 JA = JAG  
 PCO = Procuring Contracting Officer  
 PK = ASP Chairperson  
 PKC = Procurement Committee  
 PKXB = Operations  
 PKXC = Competition Advocacy Representative  
 PRAG = Performance Risk Analysis Group  
 PO = Project Officer  
 REC = Recorder  
 SS0 = Source Selection Officer  
 TT = Technical Team

## **Sample Sections L**

The following two examples of RFP language are offered as points of departure- **DO NOT BLINDLY COPY THEM.** Any RFP language should be tailored to reflect the requirements in the Statement of Work/ Statement of Objectives and the key performance characteristics that the agency will use to assess offerors.

### **Section L #1**

Offerors shall submit the following information in Vol. XXX of their proposal:

A. A list of the last five relevant contracts completed by the offeror, including the following information about each contract:

1. Name of the contracting activity
2. Contract Number
3. Contract Title
4. Face value at award, including all options
5. PCO name and telephone number
6. Program Manager name and telephone number
7. ACO name and telephone number
8. Contract type
9. Basic contract award amount
10. Current contract award amount
11. Final project contract amount (including all unexercised options that may still be exercised)
12. Original delivery schedule
13. Current delivery schedule
14. Short description of the requirement
15. Description of your performance to date, including corrective actions taken, in the following areas: cost, delivery, technical
16. Description of major subcontracts

B. The information as set forth in A., above, for any current contract that has been underway for 6 months or longer.

C. The information as set forth in A., above, for any other contract completed in the last two years or current contract that demonstrates your commitment to customer satisfaction.

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## **Section L # 2**

*(Caution: Proposals that fail to contain the information requested in this paragraph may be rejected by the government.)*

### ***Performance Risk:***

The offeror shall submit a description of its previous government contracts (all prime and major subcontracts received, or in performance, during the past \_\_\_ years) which are in any way relevant to the effort required by this solicitation. Commercial or state and local contracts may be included if necessary. The description shall include the following information in the following format:

Identify in specific detail for each previous contract listed, why or how you consider that effort relevant or similar to the effort required by this solicitation

Your (and/or your subcontractor's) CAGE and DUNS numbers

Government or commercial contracting activity, address, and telephone number

Procuring Contracting Officer's (PCO's) name and telephone number

Government or commercial contracting activity technical representative, or COR, and telephone number

Government or commercial contract administration activity, and the name and telephone number of the Administrative Contracting Officer (ACO)

Contract number

Contract award date

Contract type

Awarded price/cost

Final, or projected final, price/cost

Original delivery schedule

Final or projected final, delivery schedule

A narrative explanation on each previous contract listed describing the objectives achieved and any cost growth or schedule delays encountered. For any government contracts which did not/do not meet original requirements with regard to either cost, schedule, or technical performance, a brief explanation of the reason(s) for such shortcomings and any demonstrated corrective actions taken to avoid recurrence. The offeror shall also provide a copy of any cure notices or show cause letters received on each previous contract listed and a description of any corrective action by the offeror or proposed subcontractor.

The offeror shall also provide the above required information for any and all contracts it has had terminated in whole or in part, for default during the past years, to include those currently in the process of such termination as well as those which are not similar to the proposed effort.

**The contractor shall list each time the delivery schedule was revised and provide an explanation of why the revision was necessary.**

**New corporate entities may submit data on prior contracts involving its officers and employees. However, in addition to the other requirements in this section, the offeror shall discuss in detail the role performed by such persons in the prior contracts cited.**

**Offerors shall provide an outline of how the effort required by the solicitation will be assigned for performance within the contractor's corporate entity and among proposed subcontractors. Information required in the above paragraphs shall be provided for each proposed subcontractor who will perform a significant portion of the effort. "Significant" is defined for these purposes in terms of estimated dollar amount of the subcontract (e.g., \$1,000,000 or more) and/or in terms of criticality of the subcontracted work to the whole. With regard to prime contract assignments that will be performed by you and not a proposed subcontractor, you shall indicate:**

- 1) what internal corporate bodies/divisions will accomplish which portions of the effort,**
- 2) whether or not those divisions were responsible for performance under the previous contracts cited for the instant proposal, and**
- 3) if those divisions have relocated since the accomplishment of previous cited contract efforts, a description of any changes arising from that relocation in terms of key personnel, facilities and equipment.**

**Offerors shall include in their proposal the written consent of their proposed significant subcontractors to allow the government to discuss the subcontractor's past performance assessment with the offeror during negotiations.**

**Note: Offerors are reminded that both independent data and data provided by offerors in their proposals may be used to assess offeror past performance. Since the government may not necessarily interview all of the sources provided by the offerors, it is incumbent upon the offeror to explain the relevance of the data provided. The government does not assume the duty to search for data to cure problems it finds in proposals. The burden of providing thorough and complete past performance information remains with the offerors. Proposals that do not contain the information requested by this paragraph risk rejection or high risk assessment by the government.**

### **Sample Sections M**

**The following examples are offered as points of departure- DO NOT BLINDLY COPY THEM. Any RFP language should be tailored to reflect the requirements in the Statement of Work/ Statement of Objectives and the key performance characteristics that the agency will use to assess offerors.**

#### **Section M #1**

**A. Offers will be assessed on the basis of price, quality of the technical proposal, and the offeror's past performance and experience, in descending order of importance. All other evaluation factors other than cost or price, when combined are significantly more important than price. Price is slightly more important than the technical proposal, and the technical proposal is slightly more important than past performance and experience.**

**B. Past experience will be assessed as follows:**

**1. Recency - Recent experience doing the same type work as called for in the solicitation will be assessed higher than non-recent experience; (the more recent the experience, the higher the assessment).**

**2. Relevancy - Work that matches the work required under the solicitation will be given more weight than work that does not match the required work. Offerors who have performed the same or similar work as that required under the solicitation will be assessed higher than offerors who have not performed the same or similar work. Work performed for the Government may be assessed higher than work performed for a private entity, as it is typically more relevant to Government acquisitions, such as this one.**

**a. Work that corresponds closely or exceeds the complexity of the required work is generally more relevant than past experience is limited to less complex tasks.**

**b. Size of Prior Contracts - Past contracts that are of the same approximate size or larger than the proposed contract are generally more relevant than contracts smaller than the proposed contract.**

**C. Past performance will be assessed as follows:**

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

**commitment to customer satisfaction; and, generally, the offeror's business-like concern for the interests of the customer.**

**2. The assessment of the offeror's performance will be used as one means of evaluating the credibility of the offeror's proposal. A record of marginal or unacceptable past performance may be considered an indication that the ability of the contractor to perform the contract as proposed may be questionable. This increased performance risk may be reflected in the overall assessment of the offeror's proposal.**

**3. The assessment of the offeror's past performance will be used as one means of evaluating the relative capability of the offeror and other competitors to meet the performance requirements of the proposed contract. Thus, an offeror with an exceptional record of past performance may receive a more favorable assessment than another whose record is acceptable, even though both may have otherwise equally acceptable proposals.**

**4. In investigating an offeror's past performance, information in the offeror's proposal will be considered along with information obtained from other sources, such as past and present customers, other Government agencies (including state and local governments), consumer protection organizations, better business bureaus, and others who may have useful information.**

**5. Assessment of past performance will be a subjective assessment based on consideration of all relevant facts and circumstances. It will not be based on absolute standards of acceptable performance. The Government is seeking to determine whether the offeror has consistently demonstrated a commitment to customer satisfaction and timely delivery of quality goods and services at fair and reasonable prices. This is a matter of judgment.**

**6. Offerors will be given an opportunity to address especially unfavorable reports of past performance and the offeror's response, or lack thereof, will be taken into consideration. In particular, recent contracts will be examined to ensure that corrective measures have been put in place to prevent the reoccurrence of past performance problems. Prompt actions taken to correct performance problems will be a reflection of management concern for customer satisfaction; however, such action may not mitigate all negative performance trends.**

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## **Section M # 2**

### **M. 1 Evaluation Factors For Award**

(a) Selection of an offeror for award will be based on an evaluation of proposals in three factors: Technical, Cost, and Performance Risk. Each factor is separately described below in greater detail. The technical, cost, and performance risk factors will not be numerically scored but rather will be rated in an adjectival and narrative manner. The ultimate objective of the evaluation is to determine which proposal offers the best prospect for optimum attainment of the objectives of this program. Negotiations may be conducted with those offerors determined to be in a competitive range by the contracting officer.

(b) All other evaluation factors other than cost or price, when combined are significantly more important than price. The technical factor is slightly more important than the cost factor which is slightly more important than the performance risk factor. However, to be considered for award an offeror must be determined to be acceptable in the technical factor. A deficiency could constitute a basis for rejection of a proposal. Award will be made to that offeror whose proposal represents the best overall buy for the government. The government reserves the right to award to other than the low offeror.

(c) Offerors are urged to ensure that their proposals are submitted on the most favorable terms in order to reflect their best possible potential, since less than the best potential could result in exclusion of the proposal from further consideration.

Offerors are reminded that unsupported promises to comply with the contractual requirements will not be sufficient. Proposals must not merely parrot back the contractual requirements but rather must provide convincing documentary evidence in support of any conclusionary statements relating to promised performance.

(d) The offeror's proposal is presumed to represent its best efforts to respond to the solicitation. Any inconsistency, whether real or apparent, between promised performance and price should be explained in the proposal. Unexplained inconsistencies resulting from the offeror's lack of understanding of the nature and scope of the work required may be grounds for rejection of the proposal.

#### **M.2 Technical Factor**

#### **M.3 Cost Factor**

#### **M.4 Performance Risk Factor**

**(a) During the source selection process, the government will assess the relative risks associated with each offeror and proposal. It is important to note the distinction between proposal risk and performance risk.**

**(1) *Proposal risks* are those associated with an offeror's proposed approach in meeting the government's requirements. Proposal risk is assessed by the proposal evaluators and is integrated into the analysis of each specific evaluation subfactor under the technical and cost factors.**

**(2) *Performance risks* are those associated with an offeror's likelihood of success in performing the solicitation's requirements as indicated by that offeror's record of past performance. Performance risk is assessed by the PRAG and is assigned a narrative assessment in the performance risk factor of the evaluation.**

**(b) The government will conduct a performance risk assessment based upon the quality of the offeror's past performance as well as that of its proposed subcontractors, as it relates to the probability of successful accomplishment of the required effort. When assessing performance risk, the government will focus its inquiry on the past performance of the offeror and its proposed subcontractors as it relates to all solicitation requirements, such as cost, schedule, and performance, including the contractor's record of conforming to specifications and to standards of good workmanship; the contractor's record of containing and forecasting costs on any previously performed cost reimbursable contracts; the contractor's adherence to contract schedules, including the administrative aspects of performance; the contractor's history for reasonable and cooperative behavior and commitment to customer satisfaction; and generally, the contractor's business-like concern for the interests of its customers.**

**(c) A significant achievement, problem, or lack of relevant data in any element of the work can become an important consideration in the source selection process. A negative finding under any element may result in an overall high performance risk assessment. Therefore, offerors are reminded to include all relevant past efforts, including demonstrated corrective actions, in their proposal. The lack of a performance record may result in an unknown performance risk assessment.**

**(d) Offerors are cautioned that in conducting the performance risk assessment, the government may use data provided by the offeror in its proposal and data obtained from other sources. Since the government may not necessarily interview all of the sources provided by the offerors, it is incumbent upon the offeror to explain the relevance of the data provided. Offerors are reminded that while the government may elect to consider data obtained from other sources, the burden of providing thorough and complete past performance information rests with the offerors.**

## **Sample Telephone Interview Format**

**PRAG I.D. NUMBER:**

**CONTRACTOR: (Name & Address)**

**PERSON CONTACTED: (Name, Address, Phone)**

**DATE & TIME OF CONTACT:**

**I am (name). My telephone number is (#). I am calling in reference to contractor (name). My questions will concern that contractor's record of past and current performance. The information that you provide will be used in the award of a federal contract. Therefore, it is important that your information be as factual and accurate as possible. A summary of this discussion will be sent to you for your records. If that summary is inaccurate or incomplete in any way, please contact me immediately.**

**SUMMARY OF DISCUSSION:**

**(To be filled in by Government personnel.)**

**Telephone #** **Signature of PRAG Member**

***Reminders for PRAG Member:***

- Discuss recency and relevance of information**
- Read summary to person contacted**
- Send copy to person contacted**

## **Sample Format for Telephone Interview Cover Letter**

*[on letterhead]*

### **Address**

1. Attached is a summary of your telephone conversation with a member of the Performance Risk Assessment Group on *(date)*.

2. If this office does not hear from you by *(date)* we will assume that the summary of the discussion is correct. If you have any questions or comments you may address them to *(address)*. You may also call me directly at *(phone #)*.

3. We thank you for your time and assistance regarding this effort.

**Chairman, PRAG**

**Attachment:  
Telephone Interview Format**

## **Other Ideas for Telephone Interviews**

Because the word "PRAG" is new, it may not be recognized by the references. To avoid confusion, simply state that the contractor's past performance is being assessed for a source selection. There is usually no need to divulge the solicitation number, program description, or other identifying information to the reference. If you do so, you need to obtain a nondisclosure statement.

Confirm the following data received from the contractor:

- Contract number and type
- Award amount and final or projected final amount
- Award delivery schedule and final or projected final delivery schedule
- Nature of the effort (i.e., the scope of the effort, the types of tasks involved and the product to be delivered)

If the award amount or delivery schedule has changed, find out what caused the change. Discover what role the reference played (e.g., COR (Contracting Officer's Representative), contract specialist, ACO, etc.) and for how long.

If a problem is uncovered, discuss what the government and contractor did to resolve it.

Ask for a description of the types of personnel (skills and expertise) the contractor used and the overall quality of the contractor's team. Did the company appear to use personnel with the appropriate skills and expertise?

Ask how the contractor performed considering quality of performance, responsiveness, schedule, overall management, technical performance, and financial/cost management.

Ask whether the contractor was cooperative in negotiations and in resolving issues.

Inquire whether there were any particularly significant risks involved in performance of the effort.

Ask if the company appeared to apply sufficient resources (personnel and facilities) to the effort.

Ask if the company used subcontractors. If so, what was the relationship between the prime and the subcontractors? What was the management role of the prime and how well did it manage the subcontractors? Did the subcontractors perform the bulk of the effort or 'just add breadth or depth on particular technical areas? If the subcontractors worked on specific technical areas, what were those areas and why were they accomplished by the subcontractors rather than the prime?

If a problem is uncovered that the reference is unfamiliar with, ask for another individual who might have the information.

Inquire whether there are other past efforts by this firm with the reference's agency.

Inquire what the company's strong points are or what the reference liked the most about them.

**Inquire what the company's weak points are or what the reference liked least about them.**

**Inquire whether the reference has any reservations about recommending a future contract award to this company.**

**Inquire whether the reference knows of anyone else who might have past performance information on the offeror.**

## **Sample Questionnaire**

*Program Name:*

*Contract No.:*

1. Please specify the contract requirements, purpose, and technology.
2. Did the contractor meet the original equipment performance requirements? Please explain:
3. Did the contractor request specification relief. If so, was there an impact on system performance, cost or delivery?
4. Did the contractor use ADA language? If yes, did the contractor meet the ADA language and software requirements? Please explain:
5. Did the contractor meet test schedule requirements? Please explain:
6. Were any Quality Deficiency Reports (QDR) or corrective action requests submitted to the contractor due to quality deficiencies? Please explain:
7. Opinion: Quality, reliability and maintainability of equipment delivered. Very Good ( ) Good ( ) Acceptable ( ) Marginally Acceptable ( ) Please explain:
8. Was the contractor's engineering management effective in controlling costs, schedule and performance requirements? Please explain:
9. Did the contractor successfully manage its subcontractors? Please explain:
10. Was human engineering/manprint a requirement? If so, was it satisfactory? Please explain:
11. Was logistics support satisfactory in meeting contract requirements? Please explain:
12. At completion of the contract, was the contractor committed to customer satisfaction? Please explain:
13. Rate the contractor s overall technical performance: Good ( ) Fair ( ) Poor ( ) Would you recommend this contractor for other contracts? Please explain:
14. Were there any problems with Engineering Change Proposal, Requests for Waivers, or Requests for Deviations? Please explain:
15. Were there any problems with Logistics Support Documentation? Please explain:

**16. During technical meetings) was the contractor cooperative and receptive to government concerns affecting production and/or performance requirements? Please explain:**

**17. With respect to design, engineering capability, and overall technical performance, would you recommend this contractor for similar government contracts? Please explain:**

**18. How would you rate the contractor's technical performance on this contract? Outstanding ( ) Good ( ) Poor ( ) Please explain:**

**19. Do you know of anyone else who might have relevant information concerning this contractor's past performance? Please explain:**

**20. Please make any additional comments you wish here:**

## **Sample PRAG Assessment Plan**

### **Definitions**

#### ***Performance Risks:***

Performance risks are those associated with an offeror's likelihood of success in performing the solicitation's requirements as indicated by that offeror's record of past performance. Performance risk is assessed by the Performance Risk Assessment Group (PRAG) and is assigned a narrative analysis in the Performance Risk Factor of the evaluation.

#### ***Performance Risk Assessment Group:***

A PRAG is the source selection entity that assesses performance risk. The PRAG may either be separate from the SSEB and report directly to the SSAC, or operate as a separate group within the SSEB and report through the SSEB chairperson to the SSAC. Each contracting activity determines the appropriate composition and structure of its PRAGs, depending upon the size, nature, and complexity of a particular procurement.

#### ***Proposal Risks:***

Proposal risks are those associated with an offeror's proposed approach in meeting the government's requirements. Proposal risk is assessed by the proposal evaluators and is integrated into the assessment of each specific evaluation subfactor under the technical and cost factors.

### **The Performance Risk Assessment Group**

#### ***Responsibilities:***

The PRAG shall perform an in-depth review and assessment of the performance data provided by offerors and obtained from other sources to:

Assess each offeror's past and current performance as it relates to the solicitation requirements. The PRAG should consider the relevancy, recency and accuracy of the data in arriving at its overall assessment.

Identify strong and weak points for use during negotiations and/or contract administration.

#### ***Performance Risk Assessment:***

The performance risk assessment conducted by the PRAG assesses each offeror's record of performance to determine the offeror's likelihood of success in performing the required effort. The PRAG must focus its inquiry on the offeror's record of performance *as it relates to the performance of the solicitation requirements*. Therefore, the PRAG must become thoroughly familiar with the statement of work and specifications. Since the PRAG does not perform the proposal risk assessment (the SSEB's proposal evaluators do that), it does not normally review the offerors proposals.

**The PRAG's performance risk assessment is not solely limited to the prime contractor division submitting the proposal when other divisions, corporate entities, critical subcontractors, or teaming contractors perform a critical element of the required effort. In such cases, the PRAG should assess the other organization's performance record.**

**Each performance risk assessment will consider the number and severity of problems, the effectiveness of corrective actions taken, and the overall work record. The assessment of performance risk is not intended to be the product of a mechanical or mathematical analysis of an offeror's performance on a list of contracts, but rather the product of subjective judgment of the PRAG after it considers all available, relevant and recent information. The following definitions of performance risk should be used:**

**(A) HIGH (H) - Significant doubt exists, based on the offeror's performance record, that the offeror can satisfactorily perform the proposed effort;**

**(B) MODERATE (M) - Some doubt exists, based on the offeror's performance record, that the offeror can satisfactorily perform the proposed effort;**

**(C) LOW (L) - Little doubt exists, based on the offeror's performance record, that the offeror can satisfactorily perform the proposed effort; and**

**(D) NOT APPLICABLE - No significant performance record is identifiable. This is a neutral assessment. You must rely on the rest of the proposal to evaluate this offeror.**

**Note: Each of the high, moderate, and low risk categories may be further subdivided to enhance the comparative analysis of offerors.**

***[Insert Section M of the Solicitation here]***

***Documentation:***

**The PRAG's performance risk assessment report will be provided directly to the SSAC or SSET Chairperson. The results of the PRAG assessment will also be briefed to the contracting officer by the PRAG chairperson.**

**The PRAG's documentation and presentations should address the following:**

- The sources of the performance data**
- The relevancy of the data to the program requirements**
- The currency of the data**

- The performance risk assessment of each offeror
- The supporting rationale for each performance risk assessment
- The strong and weak areas of each offeror for use during negotiations and/or contract administration
- Any other matters deemed relevant

### **Gathering Performance Data**

The two primary sources of performance data are the contractor references contained in the performance risk volume of the offeror's proposal and formal data gathering systems such as the CPARS and the AMC CIS.

The CPARS is a manual database system that provides detailed information and an assessment of the on-going performance of contractors. Each report in the CPARS consists of a narrative assessment by the project manager, the contractor's comments, if any, relative to the assessment, and the overall performance assessment (exceptional, satisfactory, marginal or unsatisfactory) assigned by the CPAR approving official. AFMCI 64-107 contains specific instructions for obtaining CPAR data and for proper handling of the data. It should be noted that if current CPAR data is available for a particular contract, use of a questionnaire is normally unnecessary as the CPAR provides all needed data relevant to the contract in question.

The CIS does not contain a subjective analysis of past performance. Instead, it was designed to provide the PRAG with the key factual information needed to commence an investigation into the contractor's performance history. The actual assessment has been reserved for the PRAG members who can best determine which information is most relevant to the acquisition.

Upon request, the CIS will provide the PRAG with a Contractor Information Report (CIR) on an offeror's contract history within AMC. In reviewing that data report, the PRAG should exercise its own judgment to determine which of the offeror's past efforts are most relevant to the solicitation's requirements. Key points of contact will be identified on the data report for direct telephonic contact.

The PRAG will obtain whatever information it deems most relevant to the required effort by telephonic and/or written inquiry with the points of contact identified on the CIR. It is important that each discussion be accurately summarized on a PRAG Telephone Interview Report Form for it is this material which will later serve as back-up for the PRAG's performance risk assessment. A *copy of the Telephone Interview Report Form*

*must be promptly sent by certified mail (return receipt requested) or by data fax to the point of contact for verification.*

**There is usually no need to divulge the solicitation number, or other identifying information to the reference. If you do so, however, you need to obtain a nondisclosure statement.**

**The PRAG should also exercise its judgment in determining which, if any, of the contractor supplied references should be called for additional information or verification. Both negative and positive information should be corroborated before it is relied upon to any significant degree to ensure accuracy in the final PRAG report and fairness in the overall process. PRAG Telephone Interview Report Forms should be completed for these contacts as well.**

**The key to the success of each performance risk assessment is the PRAG's willingness and ability to seek out the most relevant, recent, and accurate information available. Should a PRAG member be unable to obtain information for a reference, he or she may contact the PRAG chairperson who should seek assistance through the source selection hierarchy.**

## **References**

- 1. AFFARS Appendix AA, Formal Source Selection for Major Acquisitions, and AFMCFARS Appendix AA**
- 2. AFFARS Appendix BB, Source Selection Procedures for Other than Major Acquisitions, and AFMCFARS Appendix BB**
- 3. AFMCI 64-107, Contractor Performance Assessment Reporting System (CPARS)**
- 4. AFMC Pamphlet 715-3, Vol 4; Past Performance in Source Selection, An Evaluation Guide**