



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
RESEARCH, DEVELOPMENT AND ACQUISITION
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JAN 31 2007

MEMORANDUM FOR DISTRIBUTION

Subj: PERFORMANCE BASED ACQUISITION (P07-002)

Encl: (1) Director, Defense Procurement and Acquisition Policy memorandum of November 17, 2006

Ref: (a) Federal Acquisition Regulation, Section 37.102
(b) DASN(ACQ) memorandum "Acquisition of Services" of December 1, 2006
(c) PDASN(RDA) memorandum "Implementing Performance-Based Services Acquisition (PBSA)" of July 11, 2000

Use of performance-based procedures for acquisition of services is a preference established in the Federal Acquisition Regulation (reference (a)). Enclosure (1) reiterates the Department of Defense commitment to increase the appropriate use of performance-based procedures for the acquisition for services.

The Department of the Navy (DoN) endorses proper use of performance-based procedures for the acquisition of services. Reference (b), the DoN Management and Oversight Process for the Acquisition of Services (Revised) (MOPAS 2) indicates that service acquisitions are to support DoN objectives and are, to the maximum extent practicable, to be based on clear performance-based requirements; that required outcomes are identified and manageable; and that acquisitions are properly structured and administered to obtain the intended results.

Understanding performance-based procedures is critical to the success of the acquisition. Personnel defining service requirements need to identify required outcomes, measurable performance standards and the method for assessing contractor performance. Reference (c) recognized the need for training and requires that personnel defining service requirements receive training on performance-based acquisition prior to initial participation.


M. F. JAGGARD
Chief of Staff/Policy
for DASN(ACQ)

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Page 2

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NOV 17 2006

Mr. Robert Burton
Associate Administrator,
Office of Federal Procurement Policy
Office of Management and Budget
Washington, DC 20503

Dear Mr. Burton:

The Department of Defense (DoD) continues to be committed to increasing the appropriate use of performance-based acquisition. The Under Secretary of Defense for Acquisition, Technology and Logistics (USD(AT&L)) emphasized the requirement for acquisitions of services to be based on clear, performance-based requirements in his recent memorandum, Acquisition of Services Policy, dated October 2, 2006.

The initial DoD Performance-Based Acquisition (PBA) Management Plan is attached. We anticipate updating the Plan periodically to keep it current. Our goal is to have a comprehensive, DoD-wide plan that responds quickly to emerging issues and trends. Our focus is on the appropriate implementation of contracting techniques such as performance-based acquisition.

Shay D. Assad
Director, Defense Procurement and
Acquisition Policy

Enclosure:
As stated

Department of Defense Performance Based Acquisition Management Plan

1. Background.

The mission of the Department of Defense (DoD) is to provide the military forces needed to deter war and to protect the security of our country. The military forces include the Departments of the Army, Navy, and Air Force, as well as the Defense Agencies that provide specialized support to the military departments and the warfighter to help achieve the DoD mission.

The Army defends the land mass of the United States, its territories, commonwealths, and possessions. The mission of the Army is to fight and win our Nation's wars by providing prompt, sustained land dominance across the full range of military operations and spectrum of conflict in support of combatant commanders. They do this by, executing directives, to include organizing, equipping, and training forces for the conduct of prompt and sustained combat operations on land. Additionally, the Army accomplishes their mission by accomplishing missions assigned by the President, Secretary of Defense and combatant commanders, and Transforming for the future.

The mission of the Navy is to maintain, train and equip combat-ready Naval forces capable of winning wars, deterring aggression and maintaining freedom of the seas. The U.S. Navy is America's forward deployed force and is a major deterrent to aggression around the world. Their aircraft carriers, stationed in hotspots that include the Far East, the Persian Gulf, and the Mediterranean Sea, provide a quick response to crises worldwide.

The Air Force provides a rapid, flexible, and when necessary, a lethal air and space capability that can deliver forces anywhere in the world in less than forty-eight hours. The mission of the United States Air Force is to deliver sovereign options for the defense of the United States of America and its global interests -- to fly and fight in Air,

Space, and Cyberspace. To achieve that mission, the Air Force has a vision of Global Vigilance, Reach and Power. That vision orbits around three core competencies: Developing Airmen, Technology-to-Warfighting, and Integrating Operations.

Defense Logistics Agency (DLA) supplies the nation's military services and several civilian agencies with the critical resources they need to accomplish their worldwide missions. DLA provides wide-ranging logistical support for peacetime and wartime operations, as well as emergency preparedness and humanitarian missions.

Defense Contract Management Agency (DCMA) provides customer focused acquisition life cycle and combat support to ensure readiness, worldwide 24/7. They achieve this by enabling their people to excel; delivering great customer care; improved support to acquisition lifecycle processes; and improved financial management through performance and budget integration

2. Management Support.

DoD ensures PBA is applied to the maximum extent practicable through the, regulatory guidance, issuance of policy memoranda, and training. Under Secretary of Defense for Acquisition, Technology & Logistics (USD(AT&L)) policy memorandum titled, "Acquisition of Services Policy" dated October 2, 2006 (Attachment 1) implements section 812 of the National Defense Authorization Act for FY 2006, which replaced Section 2330 of title 10, U.S. Code. The policy is intended to strengthen DoD management of the acquisition of services at the strategic and tactical level, while ensuring that acquisitions of services support and enhance the warfighting capabilities of the Department of Defense. The revised policy establishes a governance structure for procurement of contract services. Additionally, it establishes contract services acquisition categories (based on dollar thresholds) to establish review levels, decision authorities, and applicable procedures.

3. Policy and Guidance.

DoD has issued policy and guidance to encourage the use of PBA in addition to the regulatory guidance included in the Federal Acquisition Regulation (FAR). Below is a summary of that policy and guidance, listed in chronological order.

- USD(A&T) memorandum “Acquisition of Services” dated May 31, 2002, (attachment 2) establishes a management structure and review process for the acquisition of services in accordance with Section 801(d) of the National Defense Authorization Act FY 2002. The intent of the policy was to emphasize the use of PBA.
- DoD Instruction 5000.2, Operation of Defense Acquisition System, dated May 12, 2003,(attachment 3) requires that the acquisition of services shall be based on clear, performance-based requirements, and require identified and measurable outcomes properly planned and administered to achieve the intended results.
- USD(AT&L)DPAP memorandum titled, “Performance-Based Service Acquisition (PBSA)” dated February 1, 2006, (attachment 4) implements the Office of Federal Procurement Policy (OFPP) memorandum dated September 7, 2004 and re-emphasizes and clarifies current DoD policy. This memorandum asks for confirmation that "personnel involved in preparation of performance-based statements of work" have completed Performance Based Service Acquisition (PBSA) training. This memorandum also provides a reminder that actions may be coded as performance-based if more than 50% of the requirement, measured in dollars, is performance-based.
- USD(AT&L)DPAP memorandum “Government Accountability Office High Risk Area of Contract Management” dated August 16, 2006, (attachment 5) focuses on successful execution of current contracting policies, especially in the area of contracting for services. Accordingly, it requires each Military Department and Defense Agency to self-assess the sound use of appropriate contracting and

contract administration techniques and approaches including performance-based approaches.

- USD(AT&L)DPAP memorandum “Performance Based Acquisition” dated September 06, 2006, (attachment 6) emphasizes the use of PBA’s, along with accurate reporting of PBA’s in FPDS-NG, reinforces PBA goals, clarifies services that are excluded in DoD for PBA, and identifies appropriate activities involved with implementing PBAs. This memorandum implements the Office of Management and Budget, Office of Federal Procurement Policy memorandum "Use of Performance-Based Acquisitions" dated July 21, 2006.
- USD(AT&L) memorandum titled, “Acquisition of Services Policy” dated October 2, 2006, (attachment 1) implements section 812 of the National Defense Authorization Act for FY 2006, which replaced Section 2330 of title 10, U.S. Code. The policy is intended to strengthen DoD management of the acquisition of services at the strategic and tactical level, while ensuring that acquisitions of services support and enhance the warfighting capabilities of the Department of Defense. This includes achieving the objective of having acquisitions of services based on clear, performance-based requirements.
- The Defense Federal Acquisition Regulation Supplement (DFARS) has been revised to incorporate the requirement that contracting officers shall designate a properly trained contracting officer’s representative in writing before contract performance begins (attachment 7).
- The “Seven Steps to Performance-Based Service Acquisitions” has been updated and DoD encourages its use in PBA (attachment 8). This guide, geared to the greater acquisition community identifies seven simple steps to accomplish performance-based service acquisition. The intent is to make the information about performance-based acquisition accessible and logical for all

4. Acquisition Process.

DoD is currently re-assessing all of the processes related to the procurement of services, to include the planning, award, selection, and management of contracts utilizing the PBA approach, as well as the roles and responsibilities of individuals involved. One of the goals of this re-assessment is to provide for the appropriate use of contracting techniques, such as PBA. DoD will describe process enhancements to the management of PBA that result from the re-assessment in the next update to this PBA Management Plan.

One key focus area in this review is to identify what the Department buys and put them into “portfolios” of related services. Once the services are associated with portfolios, DoD will identify best practices for the procurement of those portfolios. The Department will look across the Federal Government to seek out and identify these best practices. Once best practices are identified, they will be considered for DoD-wide use. Additionally, DoD will review the appropriate use of contracting techniques and approaches, including performance-based techniques. The Department is also developing enhancements to our processes to provide for more clearly identified requirements; early-on development of appropriate metrics, along with quality assurance or written surveillance plans, for these requirements; improved post-award contract performance management; and, when appropriate, development of appropriate award fee plans and award fee evaluation plan with metrics tied to expected outcomes.

5. Service Categories.

Table 1 below identifies the Product Service Codes (PSCs) for those categories of services for which PBA methods are primarily used (measured in dollars) and the PSCs for those categories of services for which PBA methods are not used (measured in dollars).

Table 1

CATEGORIES OF SERVICES FOR WHICH PBA APPROACHES ARE PRIMARILY USED		CATEGORIES OF SERVICES FOR WHICH PBA APPROACHES ARE NOT USED	
PSC	PSC DESCRIPTIONS	PSC	PSC DESCRIPTIONS
Q201	General Health Care Services	M139	Operation of Other Educational Buildings
R706	Logistics Support Services	B516	Animal & Fisheries Studies (not R&D)
D399	Other ADP & Telecommunications Services	C212	Engineering Drafting Services
R414	Systems Engineering Services	K044	Modification of Eq/Furnace-Steam Plant-
R425	Engineering Technical Services	M149	Operation/Other Hospital Buildings

The target achievement level for the service categories where PBA methods are primarily used is 50% of DoD's eligible service actions as measured in dollars. Although the Office of Federal Procurement Policy (OFPP) reduced the target government-wide goal from 50% to 40%, DoD has retained the target of 50% because of our commitment to the principles of PBA. Contract reporting data indicates that the Department has surpassed the OFPP 40% target since 2004.

6. FPDS-NG Reporting Requirement.

The agency PBA results from 2002-2005 are provided in Table 2. The Department's projected PBA target achievement level for the next five years is 50%.

Table 2

PBA RESULTS	
YEAR	PERCENTAGE
2005	55%
2004	41%
2003	29%
2002	29%

7. Training.

The DoD AT&L workforce is trained in the appropriate use of PBA through various avenues to include the new Defense Acquisition University (DAU) class offering of Acquisition 265, Mission Focused Services Acquisition. This is a new course that will be deployed in December 2006. This is a multifunctional offering that will provide requirements managers and contracting personnel insights to the benefits of PBA and guidance on how to prepare acquisition documentation to appropriately use PBA. DAU and other training providers offer a variety of PBA workshops that can count toward the mandatory 40 hours of continuous learning required of AT&L workforce members. DAU also offers a cross-functional workshop to facilitate the development of performance-based work statement and quality assurance surveillance plans. Additionally, DAU offers continuous learning online modules for Contracting Officer Representatives to learn not only about the acquisition process but also about their role and responsibilities. Furthermore, the DoD AT&L workforce has at their fingertips a performance-based knowledge sharing website to facilitate information sharing. The website can be found at <http://deskbook.dau.mil/jsp/default.jsp>.

The defense components have supplemental mission specific training available. Many include multi-media training, websites, and communities of practice.

8. Agency PBA Recognition Program.

DoD awards personnel based on overall performance excellence, including the appropriate use of emerging and preferred initiatives and techniques. DoD seeks to recognize and reward individuals and teams whose efforts contribute to the improved acquisition of the products and services underpinning the warfighting and peacekeeping capabilities of the military services.

9. Agency PBA POC.

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