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Past Performance In Source Selection

AN EVALUATION GUIDE

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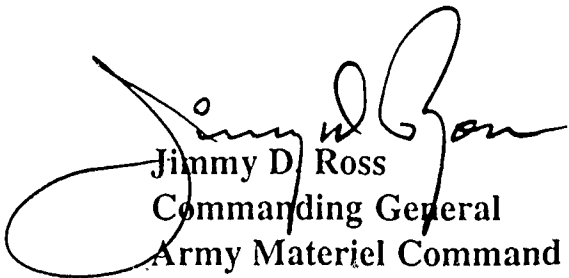
Foreword

For many years, the U.S. Army Materiel Command (AMC) acquisition community has recognized that the quality of a contractor's performance on previous contracts should be an evaluation factor in most of our competitively negotiated acquisitions. To fully realize the advantages of evaluating past performance, it is essential that we consider not only performance information that offerors may include in their proposals, but also information obtained from other sources. Uniform AMC procedures for obtaining and evaluating past performance information have been developed and successfully implemented.

This pamphlet is designed to help you participate in the evaluation of past performance during the source selection process. It updates the guidance developed during an initial pilot program, and contains the most up-to-date procedures for policy implementation. These procedures are based in large part on the "lessons learned" and suggestions submitted by personnel from AMC contracting activities who have been directly responsible for the successful implementation of the program. This pamphlet is an evolutionary document that will change and improve with your practical suggestions and the latest revisions to Department of Defense and Army acquisition policy.

Keep in mind that policy and procedures, no matter how well devised, are no substitute for innovative thinking and good judgment. This pamphlet provides a basic blueprint for conducting past performance evaluations within the traditional source selection process. You should use it, not rigidly, but as basic guidance to help you evaluate past performance and award contracts to those contractors who will deliver quality products and services, on time, and at reasonable prices.

I extend my personal thanks to the members of the Performance Risk Assessment Group (PRAG) Committee who were responsible for developing and implementing the PRAG program. I also extend thanks to the Major Subordinate Command (MSC) representatives who actively participated in the PRAG Workshop and made invaluable contributions to the drafting of this pamphlet.



Jimmy D. Ross
Commanding General
Army Materiel Command

"Contractor past performance, properly documented and considered, is a powerful tool for improving the quality and timeliness of Defense contracts."

**— Report of Joint OSD-DOD Component Contractor
Performance Review System Task Force**

AMC PAMPHLET
NO. 715-3
Volume 4

15 September 1993

PROCUREMENT
PAST PERFORMANCE IN SOURCE SELECTION
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Program Overview

WHAT IS UNIQUE ABOUT THIS PROGRAM?

This pamphlet describes an innovative way to evaluate contractor past performance during the source selection process. AMC contracting activities helped to develop, test and implement this approach which results in smarter procurement decisions and better contracts.

The distinctive feature of this program is that it uses information that is outside of the offerors' proposals to evaluate past performance. No longer must contracting activities rely solely upon the very contractors being evaluated for past performance information. Now contracting officers can use independent sources of information to determine how well those contractors performed in the past. A thorough evaluation 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.

A second unique aspect of this program is that it provides for an independent group of evaluators, called the Performance Risk Assessment Group (PRAG), to evaluate past performance separately from the proposal evaluators. This approach is simple and flexible. The traditional source selection process remains unchanged except that now the Source Selection Authority has additional information from the PRAG that will result in better award decisions.

WHEN DOES THIS PAMPHLET APPLY?

The procedures outlined in this pamphlet apply to competitively negotiated, best value procurements, in which the selection of a source is based on factors other than price alone, including best value competitions based only on price and past performance. In fact, contracting activities can use this process in a variety of procurements including services, supply, and research and development. The procedures would not be appropriate in negotiated procurements when the award is

based solely on low price, and they must not be used to circumvent the Certificate of Competency procedures for small businesses.

While the Office of Federal Procurement Policy (OFPP) Policy Letter 92-5 dated December 30, 1992, requires the evaluation of past performance on all competitively negotiated acquisitions over \$100,000, the procedures outlined in this pamphlet are optional for acquisitions under \$10,000,000.

HOW DOES THIS APPROACH DIFFER FROM PRE-AWARD SURVEYS?

It is important to distinguish past performance evaluations from pre-award surveys. The Defense Logistics Agency 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?

Unlike a pre-award survey, a past

performance evaluation 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 evaluation 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 evaluation and the pre-award survey will complement each other and provide a more complete picture of an offeror than either one could by itself.

PRAG Structure, Composition and Evaluation

WHAT IS THE FUNCTION OF THE PRAG?

The PRAG is responsible for conducting the past performance evaluation 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.

WHAT IS THE PROPER PRAG COMPOSITION AND STRUCTURE?

Each contracting activity determines the appropriate membership and structure of its PRAGs. The quality of the PRAG report depends upon the quality of the PRAG. Ideally, the membership should include individuals who have procurement, cost, and technical expertise as well as 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, 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

number of contractors and subcontractors expected to respond to the solicitation as well as the nature and complexity of the solicitation requirements. 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.

The PRAG structure should enhance its ability to independently evaluate 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 at appendix C, should be developed early in the process and made a part of the source selection plan.

WHAT SUBFACTORS SHOULD BE USED?

The contracting activity has wide latitude in selecting evaluation factors and subfactors. The past performance subfactors, if any, need not mirror those of the proposal evaluation. In most cases the PRAG at least considers the offeror's record for on time delivery, good technical quality, and cost control to determine its likelihood of success in performing the solicitation's requirements.

OFPP Policy Letter 92-5 suggests that past performance include 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 the customer.

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.

HOW MUCH WEIGHT TO GIVE PAST PERFORMANCE

Past performance should be given sufficient evaluation weight to ensure that it is meaningfully considered throughout the source selection process and will be a valid discriminator among the offers received.

The government can evaluate both the offeror's experience and past performance. However, it is improper to exaggerate the

importance of past performance by first evaluating it separately and then again as an aspect of experience. Simply put, neither past performance nor experience should be evaluated twice. It is proper, however, to distinguish company experience from personnel experience and evaluate both.

WHAT ARE THE RATING CATEGORIES?

The PRAG may use the following definitions of performance risk to describe the results of its assessment:

- **High Performance Risk** - Based on the offeror's performance record, significant doubt exists that the offeror will successfully perform the required effort.
- **Moderate Performance Risk** - Based on the offeror's performance record, some doubt exists that the offeror will successfully perform the required effort.
- **Low Performance Risk** - Based on

the offeror's performance record, little doubt exists that the offeror will successfully perform the required effort.

- **Unknown Performance Risk** - No performance record identifiable (This category is optional. See "How to Evaluate No Past Performance," page 6).

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

HOW TO EVALUATE NO PAST PERFORMANCE

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

WHAT TO INCLUDE IN THE SOLICITATION

The solicitation 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. Appendix A contains a sample Section M provision for use in solicitations.

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. Appendix B contains a sample Section L provision for use in solicitations.

Presolicitation or preproposal conferences should explain the performance risk methodology to ensure that offerors understand the process and its overall significance.

PRAG Operations

HOW TO BEGIN

The PRAG chairperson should hold a meeting of PRAG members as soon as possible prior to the receipt of proposals to outline the PRAG process, obtain signed nondisclosure statements, and distribute the evaluation plan and Request for Proposal (RFP). The requiring activity should brief the PRAG on the technical requirements of the acquisition. The PRAG chair may assign each PRAG member an offeror(s) for whom they will

screen the available data to select the most recent and relevant references for in-depth fact finding. However, some contracting activities prefer to assign the work by functional area rather than by offeror. In either event, the PRAG members will meet after gathering past performance information, to determine the performance risk ratings.

WHAT SOURCES OF DATA ARE AVAILABLE?

AMC established a centralized networking system to provide sources of past performance information to the PRAG. This device is called the Contractor Information System (CIS), and it contains only factual information pertaining to contractors. The CIS is basically an electronic telephone book. It does not contain report cards on contractors. Questions pertaining to the CIS or the PRAG methodology that cannot be answered by the source selection hierarchy at the MSC may be referred to the AMC Deputy Chief of Staff for Acquisition.

Although the PRAG may consider data available from many sources such as DLA and AMC, its main sources of information are often the references cited by offerors in their proposals. Upon receipt of proposals and the AMC report, 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 evaluation 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 sample Section L provision in appendix B because it should be determined by the contracting officer on a case-by-case basis. However, most activities have used 3 years with much success.

It is noted that OFPP Policy Letter 92-5 dated December 30, 1992, not only requires the evaluation of past performance during the source selection process,

but also requires contracting activities to prepare an evaluation of contractor performance *at the time the work under the contract is completed* for each contract in excess of \$100,000. These latter evaluations are then placed in the contract file. The PRAGs should use them during the source selection process to help arrive at their own assessment of an offeror's past performance.

CAN THE PRAG USE COMMERCIAL REFERENCES?

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 commer-

cial 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.

HOW TO COLLECT INFORMATION

The PRAG gathers information using questionnaires, telephonic inquiries, or both. Field experience indicates that questionnaires provide useful but incomplete information. A helpful approach is to start by sending a common questionnaire to each reference and to conclude by calling those who respond with the most

promising information. Experience indicates that whether you send questionnaires or not, you will most likely conclude by calling the reference to obtain more detail or clarification.

Samples of questions for telephone interviews and written questions are included in appendixes F and G.

WHERE TO CONDUCT 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 tele-

phone 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.

HOW TO CONDUCT TELEPHONE INTERVIEWS

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 reference.

Prior to 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 reference. 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 reference will willingly provide the information requested. In those rare cases when the reference refuses to participate, the PRAG member should request assistance through the source selection hierarchy at the MSC. 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.

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.

HOW TO DOCUMENT TELEPHONE INTERVIEWS

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. Datafax 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 at appendix D.

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 at appendix E. 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.

HOW TO ASSIGN PERFORMANCE RISK RATINGS

Once the telephone interviews are completed, the entire PRAG needs to assess all offerors and assign performance risk ratings. 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 work and specifications. If the PRAG identifies past 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.

A word of caution is appropriate concerning offeror promises to correct past performance failures, as opposed to actions already taken to correct such failures. A promise to improve does not, by itself, improve past performance. However, *demonstrated* corrective actions reflect a commitment to rectify past performance problems, and therefore, can lower the risk of similar performance failures.

WHAT TO INCLUDE IN THE ASSESSMENT REPORT

The goal is to avoid saying too much or too little in the PRAG report. Although there is no need to restate everything contained in the telephone memoranda, the PRAG must provide the source selection authority with that information needed to make informed judgments. Conclusionary statements must be supported by the underlying factual basis. The best practice is to state the conclusion and provide specific examples that support that conclusion.

To ensure that the risk assessments

provide the necessary background information and are structured consistently, the entire PRAG should review and evaluate the report on each offeror. During this review, the PRAG should correct statements that appear unsupported, inconsistent, or unnecessary.

Occasionally the PRAG will be unable to arrive at a unanimous agreement on a particular risk assessment. If this occurs, the PRAG may include the dissenting opinion as part of the assessment report.

SHOULD THE PRAG BRIEF THE RESULTS?

The PRAG's submission of the assessment report usually completes the major portion of its work. However, because the PRAG concept is relatively new, the PRAG chair should remind the source selection officials of the importance and purpose of the

PRAG to ensure that everyone fully comprehends the significance of the results being briefed. Experience reveals that source selection officials are more apt to rely upon PRAG results if they thoroughly understand the process.

SHOULD PRAG FINDINGS BE DISCLOSED TO OFFERORS?

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 private party without the subcontractor's consent (OFPP Policy Letter 92-5, Dec. 30, 1992). Because a prime contractor is a private party, 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.

HOW TO TREAT PAST PERFORMANCE INFORMATION

PRAG information concerning the past performance of an offeror or of its proposed subcontractors should be treated as sensitive source selection information. This information sometimes includes information that is proprietary, such as trade secrets and confidential commercial or financial data that would not be released under the Freedom of Information Act. Current laws, regulations, and policies governing storage, access, disclosure, and marking of source selection and proprietary information must be observed

at all times. Questions concerning the procedures for the handling of past performance information should be referred to the contracting officer or legal counsel for resolution.

The PRAG must retain the records of its activity throughout the source selection process. Upon contract award or cancellation of the solicitation, all PRAG records are provided to the contracting officer for retention along with the other source selection documents.

HOW TO IMPROVE THE PRAG METHODOLOGY

The PRAG methodology is a dynamic process that will evolve as our needs change and as our knowledge base expands. It is important for all of us to share information and ideas to ensure that this handbook remains current and useful.

Each MSC should establish a centralized focal point to capture and preserve the lessons learned from its PRAGs. Future AMC workshops will call upon the commands to share their experiences and improve this handbook.

"We owe it to our soldiers to ensure that the past performance of our contractors, good or bad, is meaningfully considered during the source selection process."

**— Commanding General,
U.S. Army Materiel
Command**

Appendix

APPENDIX A

SAMPLE SECTION M SOLICITATION PROVISION

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) 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 rating of each specific evaluation subfactor under the technical and cost factors.

Appendix A

(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 rating 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 rating. 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 rating. *

(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.

* *Alternatively, the contracting officer may elect to state : "The lack of a performance record may result in a high performance risk rating." (See page 6, "How to Evaluate No Past Performance.")*

"I believe that the consideration of past performance is helping the Army make better source selection decisions. The risk assessments add another dimension to our ability to identify the hidden risks in an otherwise attractive paper proposal. This has also enhanced the quality of our negotiations."

**— Assistant Secretary of the Army
(Research, Development and Acquisition)**

APPENDIX B

SAMPLE SECTION L SOLICITATION PROVISION

(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 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 (or your subcontractor's) CAGE and DUNNS 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.

Appendix B

- 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 evaluation 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 evaluate 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 rating by the government.

*"The purpose of PRAG is to evaluate performance risk —
to seek out and reward good performance."*

**— Deputy Commanding General
U.S. Army Materiel Command**

APPENDIX C

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 rating 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 rating 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 evaluation 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 evaluate the other organization's performance record.

Appendix C

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:

- **High Performance Risk** - Based on the offeror's performance record, significant doubt exists that the offeror will successfully perform the required effort.
- **Moderate Performance Risk** - Based on the offeror's performance record, some doubt exists that the offeror will successfully perform the required effort.
- **Low Performance Risk** - Based on the offeror's performance record, little doubt exists that the offeror will successfully perform the required effort.
- **Unknown Performance Risk** - No performance record identifiable (this category is optional).

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 contracting officer. The results of the PRAG evaluation 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 the AMC CIS.

Appendix C

- 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.

"I was the contracting officer...PRAG was a new initiative at that time. I used it and it worked! The contractor delivered a quality product, on time and within budget. The users were thrilled with it and it also played a major role in Desert Storm."

**— Contracting Officer, U.S. Army Communications-
Electronics Command, Vint Hill Farms Station**

APPENDIX D

SAMPLE FORMAT FOR TELEPHONE INTERVIEW REPORT

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 pertain to that contractor's record of past and current performance. The information that you provide will be used in the awarding of federal contracts. 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:

Signature of PRAG Member

Telephone #

Reminders for PRAG Member:

- Discuss recency and relevance of information
- Read summary to person contacted
- Send copy to person contacted
- Withhold the identity of your program and solicitation number, if practicable, to avoid having to obtain a non-disclosure statement from the person contacted

APPENDIX E

SAMPLE FORMAT FOR TELEPHONE INTERVIEW REPORT 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.

Encl.

Chairman, PRAG

"We need to remind our contractors that today's performance is tomorrow's past performance, and we will hold them accountable for their past performance in our source selections."

**— Command Counsel,
U.S. Army Materiel Command**

APPENDIX F

SAMPLE QUESTIONS AND IDEAS FOR TELEPHONE INTERVIEWS AND QUESTIONNAIRES

- 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, 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.
-

APPENDIX G

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:

Appendix G

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 govern-
ment 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:

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