

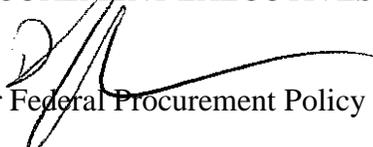


OFFICE OF FEDERAL  
PROCUREMENT POLICY

EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

January 21, 2011

MEMORANDUM FOR CHIEF ACQUISITION OFFICERS  
SENIOR PROCUREMENT EXECUTIVES

FROM: Daniel I. Gordon   
Administrator for Federal Procurement Policy

SUBJECT: Improving Contractor Past Performance Assessments: Summary of  
the Office of Federal Procurement Policy's Review, and Strategies  
for Improvement

Source selection officials rely on clear and timely assessments of contractor past performance to make informed business decisions when awarding federal contracts. Meaningful past performance assessments are critical to ensuring that the government does business with companies that deliver quality goods and services on time and within budget. In July 2009, the Office of Federal Procurement Policy (OFPP) issued a memorandum, *Improving the Use of Contractor Performance Information*<sup>1</sup>, to reinforce changes to the Federal Acquisition Regulation (FAR) subpart 42.15 that mandate the use of the Past Performance Information Retrieval System (PPIRS) and require assessments for task and delivery orders. The memorandum also establishes a process for OFPP's review of agencies' past performance assessments. The purpose of this memorandum is to share the findings of our initial review and recommend additional steps and strategies for improving the collection of past performance information.

### Summary of Review

To determine how well agencies are managing these efforts, OFPP reviewed the management guidance and sampled assessments from the ten agencies<sup>2</sup> that do the most contracting, together obligating about 94% of the \$550 billion obligated on federal contracts in FY2009. Because agencies are in the process of migrating to the Contractor Performance Assessment Reporting System (CPARS)<sup>3</sup> to submit their data to PPIRS and are now capturing performance assessments on task and delivery orders, compliance rates are difficult to determine, but an informal comparison of data from the Federal Procurement Data System (FPDS) and PPIRS indicate that past performance assessments have been completed for only a small percentage of awards, especially in civilian

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<sup>1</sup> Memorandum on Improving the Use of Contractor Performance Information is available at [http://www.whitehouse.gov/sites/default/files/omb/assets/procurement/improving\\_use\\_of\\_contractor\\_perf\\_info.pdf](http://www.whitehouse.gov/sites/default/files/omb/assets/procurement/improving_use_of_contractor_perf_info.pdf).

<sup>2</sup> Those agencies are: Department of Defense, Department of Homeland Security, Department of Energy, National Aeronautics and Space Administration, Department of Veterans Affairs, Department of Health and Human Services, General Services Administration, Department of State, Department of Justice, and Department of Transportation.

<sup>3</sup> The current website for CPARS is <http://www.cpars.csd.disa.mil/>.

agencies. We note that the Department of Defense (DoD) developed a compliance tracking tool, in accordance with OFPP's compliance criteria, and it estimates that the Department has conducted past performance evaluations on about 50% of eligible awards.<sup>4</sup> A similar tracking tool will be rolled out in PPIRS and CPARS to all agencies in early FY2011 and should significantly assist agencies in their compliance and oversight efforts.

While the fact of compliance with reporting requirements is important, the quality of the reports submitted is what really matters, in terms of providing source selection officials with useful and meaningful information. To evaluate the quality of agencies' assessments, OFPP evaluated nearly 700 past performance reports from the same ten agencies to determine how well the four required rating factors were addressed in the assessments. Those four factors are the quality of the product or service, the ability to control cost, the ability to meet schedule, and the quality of business relations, such as customer satisfaction. In our review, which was a subjective assessment based on the quality guidelines found in OFPP's *Best Practices for Collecting and Using Current and Past Performance Evaluation Guide* and DoD's *Contractor Performance Assessment Reporting System Guide*<sup>5</sup>, we found that the reports generally lacked sufficient information, such as details about how the contractor exceeded expectations or corrected poor performance, to support the rating, or did not include a rating for all performance areas. For some factors, only 4% of the assessments sampled from an agency had both a rating and sufficient supporting narrative, and no more than 63% of the assessments of any agency had both an appropriate rating and sufficient information. Attachment 1 includes additional details about our review by factor and by agency.

Our findings are consistent with the April 2009 Government Accountability Office report (GAO-09-374), *Federal Contractors: Better Performance Information Needed to Support Agency Contract Award Decisions*<sup>6</sup>, which also found that agencies were not documenting information sufficiently in PPIRS. Both the GAO report and our review highlight the need to improve the quantity and quality of information available in PPIRS so that source selection officials have greater confidence in the reliability and relevance of the information there. In accordance with recent FAR changes<sup>7</sup>, contracting officers must now check the Federal Awardee Performance and Integrity Information System (FAPIIS) which also links to performance data in PPIRS, in addition to information collected about a vendor's business ethics, prior to making an award<sup>8</sup>. This is an important step in ensuring we do business with vendors who are responsible and

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<sup>4</sup> This is DoD's 2009 data that includes the exceptions outlined in DoD's 1999 class deviation to FAR 15.304(c)(3) and 42.1502(a) requiring assessments on all awards greater than \$5,000,000 for systems and operations support, \$1,000,000 for services and information technology, and \$100,000 for fuels and health care.

<sup>5</sup> The OFPP Guidance at [www.whitehouse.gov/omb/best\\_practice\\_re\\_past\\_perf](http://www.whitehouse.gov/omb/best_practice_re_past_perf) and the DOD CPARS guidance, specifically Attachment 2, at [www.cpars.csd.disa.mil/cparsfiles/pdfs/DoD-CPARS-Guide.pdf](http://www.cpars.csd.disa.mil/cparsfiles/pdfs/DoD-CPARS-Guide.pdf) includes information about the type of quality narration that corresponds with the strength of a rating.

<sup>6</sup> GAO Report 09-374 is available at <http://www.gao.gov/new.items/d09374.pdf>.

<sup>7</sup> Related final FAR rules that affect information collected in PPIRS: the Contractor Performance Information rule was published on July 1, 2009 (74 Fed. Reg. 31557), Termination for Default Reporting rule was published on September 29, 2010 (75 Fed. Reg. 60258) and the FAPIIS rule was published on March 23, 2010 (75 Fed. Reg. 14059)

<sup>8</sup> FAPIIS, a module within PPIRS, is available at [www.ppirs.gov/fapiis.html](http://www.ppirs.gov/fapiis.html) (past performance reviews are not publicly available).

capable of performing the work, and in helping source selection officials make informed decisions. In this regard, agencies should increase their management efforts to make PPIRS a robust and useful tool for the workforce.

### **Strengthening Agency Guidance and Management Controls**

To improve the collection of useful and timely contractor past performance information, agencies are asked to strengthen their past performance reporting guidance and management controls. The steps and strategies below should help to improve agency compliance and increase the quality of the assessments. (Attachment 2 provides additional strategies and links to agency best practices.)

Agencies should review their existing past performance reporting guidance and ensure that it:

- establishes roles and responsibilities for those responsible for preparing and reviewing the interim and final evaluations<sup>9</sup>, including but not limited to the contracting officer (CO), contracting officer's representative (COR)/contracting officer's technical representative (COTR), program manager, end-user, and others;
- addresses the training needs of all acquisition personnel, such as the CO, COR/COTR, program manager, and others, so they can prepare clear and useful evaluation reports<sup>10</sup>;
- includes in all COR/COTR designation letters the requirement that the COR/COTR provide input to the assessment, as appropriate;
- requires performance issues be documented promptly during contract performance instead of waiting until the end of the performance period when critical details may have been forgotten;
- prioritizes assessments of contracts and orders that: 1) use high-risk vehicles, such as cost-reimbursement or time-and-materials type contracts, 2) are complex in nature, such as large software development and implementation, or 3) involve high dollar values or major acquisitions, regardless of the contract type;
- addresses the recent changes to the FAR requiring reporting of non-responsibility determinations, defective cost and pricing data, terminations for cause, and terminations for default to FAPIIS;
- addresses how an award fee determination, if required under the terms of the contract, will be reflected in the contractor's performance assessment; and
- requires that assessments clearly and completely describe the contractor's performance in the narrative statement to justify the rating. At a minimum, the narrative statements should include:
  - an appropriate level of documentation that provides evidence and establishes a basis for the rating assigned;

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<sup>9</sup>See FAR 42.1503 for past performance procedures at [https://www.acquisition.gov/far/current/html/Subpart%2042\\_15.html](https://www.acquisition.gov/far/current/html/Subpart%2042_15.html).

<sup>10</sup> For CPARS training information, visit [http://www.cpars.csd.disa.mil/allapps/cpartng/cpars\\_training.htm](http://www.cpars.csd.disa.mil/allapps/cpartng/cpars_training.htm). For PPIRS training information, visit <https://www.ppirs.gov/webtrain/webtrain.htm>.

- an explanation of how problems were resolved and the extent to which solutions were effective;
- any explicit details that are unique to the circumstances of the contract;
- objective and subjective statements and examples of the contractor's impact on improving or hindering government performance; and
- if a subcontracting plan is required, an assessment of the contractor's performance against, and efforts to achieve, the goals identified in the small business subcontracting plan.

Agencies should also improve management oversight of past performance information to monitor both compliance and quality. These efforts should include, at a minimum:

- setting compliance and quality targets for FY2011 and FY2012 that prioritize high-risk or complex actions (as described above) and communicating the importance of meeting the targets to the acquisition community. (Although full reporting compliance is expected, prioritizing these kinds of actions will help agencies implement recent policy and systems changes);
- establishing a review process, similar to the sampling review conducted by OFPP, that can help an agency measure compliance and assess the quality of their information throughout the year; and
- assigning an agency point of contact who will be accountable for updating agency guidance (as described above), training the workforce, developing oversight mechanisms, and identifying improvements to CPARS and PPIRS.

### **Improving Past Performance Assessments**

We recognize that there may be a number of challenges contributing to the low number and quality of contractor past performance assessments, such as staff shortages, the transition to a central system, and evolving requirements. We are sensitive to the burden that preparing and entering past performance assessments can impose on our acquisition workforce, but ensuring that COs have access to meaningful past performance assessments is so important to improving source selection decisions that we want to do everything we can to improve both the quantity and quality of past performance assessments in PPIRS. We in OFPP are committed to assisting agencies with their past performance efforts, and we are working with the FAR Council and the Integrated Acquisition Environment Program Management Office to take concrete steps to help our acquisition professionals.

- *Regulatory Changes* – The FAR will be changed to include standard evaluation factors and performance ratings, which should improve how agencies input this information. FAR Case 2009-042, Documenting Past Performance, was established to standardize this process and is under consideration by the FAR Council.

- *System Changes* –
  - a change control board (CCB), made up of agency representatives, was established in the 1<sup>st</sup> quarter of FY2011 for the PPIRS/CPARS/FAPIIS suite of capabilities to approve new federal-wide requirements;
  - CPARS, the input function of PPIRS, will be modified in the 3<sup>rd</sup> quarter of FY2011 to reflect any changes resulting from the pending FAR revisions so that assessments will be more uniform; and
  - additionally, earlier this fiscal year, CPARS and PPIRS established an interface with FPDS to allow agencies to more easily monitor their reporting, such as DOD does today. Agencies can identify delinquent past performance reports and use this enhanced functionality to sample their reports for quality control.
  
- *Guidance and Training Improvements* –
  - in FY2011, the PPIRS CCB will update the current DoD CPARS Policy Guide, for submitting past performance reports, which can be used today by all agencies, to be the Governmentwide CPARS Policy Guide. When supplemented by agency-specific past performance guidance, this CPARS Policy Guide will further improve reporting and consistency of contractor assessments.
  - in FY2011, the Federal Acquisition Institute (FAI), with the Department of Homeland Security as a leading partner agency, will establish federal-wide training on conducting past performance reporting. OFPP will work with FAI to ensure that COR/COTR training is updated to cover the responsibilities of past performance reporting.

## Next Steps

To support the efforts outlined above, OFPP will work closely with the PPIRS CCB to discuss past performance reporting issues, share information and best practices, identify additional training needs, and suggest system improvements. Agencies<sup>11</sup> that have not already done so should provide the contact information of the individual accountable for past performance reporting and oversight to [Keith.Parker@gsa.gov](mailto:Keith.Parker@gsa.gov) or [Donna.Davis@gsa.gov](mailto:Donna.Davis@gsa.gov) no later than January 31, 2011.

OFPP will continue to monitor agencies' efforts to improve their contractor past performance assessments through ongoing Acquisition Status (AcqStat) meetings held with agency senior leadership to assess progress in meeting high-priority acquisition improvement goals. At the next AcqStats, agencies will be asked to address how they have strengthened their management controls and improved the quality and quantity of their reporting. Please ensure broad distribution of this memorandum and direct any questions to Julia Wise of our office at [jwise@omb.eop.gov](mailto:jwise@omb.eop.gov) or (202) 395-7561.

Thank you for your attention to this matter.

## Attachments

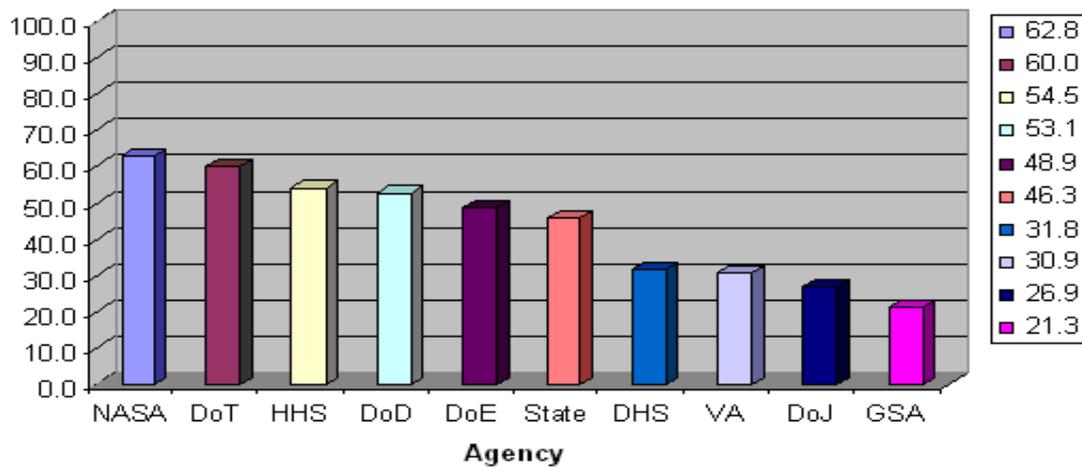
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<sup>11</sup> At a minimum, all Chief Financial Officers Act agencies should participate; the Small Agency Council is welcome to include several representatives as well.

**Summary of Agencies' Past Performance Assessment Review**

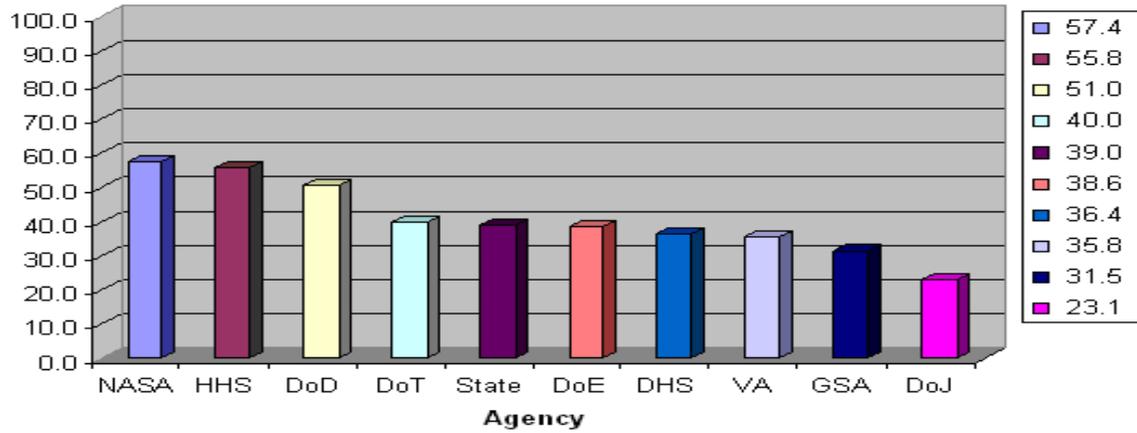
OFPP evaluated almost 700 past performance reports from the ten agencies responsible for nearly 94% of the \$550 billion obligated on federal contracts in FY2009 to determine how well the four rating factors - quality of the product or service, ability to control cost, ability to meet schedule, and quality of business relations such as customer service - were addressed. The review indicated that the reports generally lacked sufficient information to make the reports useful to other contracting officers during source selection. OFPP used the procedures outlined in OFPP's publication, *Best Practices for Collecting and Using Current and Past Performance Evaluation*, along with relevant DOD guidance, for evaluating the quality of the assessments. The findings for each factor are shown below.

Percent of Reports with Sufficient Narrative for Quality of Product/Service



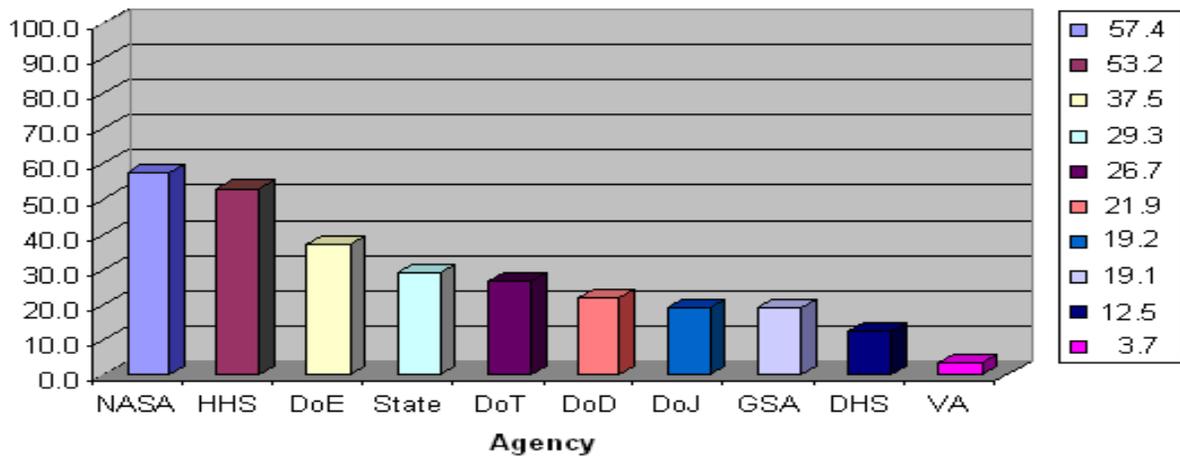
Agencies often omitted narrative statements about the quality of the goods or services. The Government expects a certain level of quality, as defined in the contract, and the rating assigned should be supported by useful details, especially if the quality was described as *excellent or poor*.

Percent of Reports with Sufficient Narrative for Schedule Control



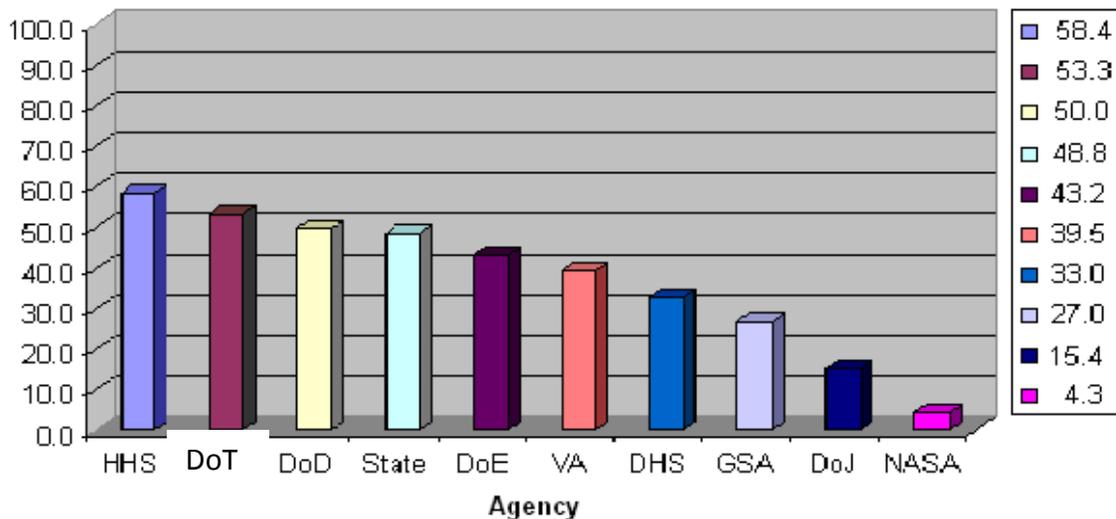
Some agencies' narrative statements regarding the ability of a contractor to meet schedule requirements were not clear or did not include useful information. Statements regarding the contractor's ability to meet, or reasons for not meeting, deadlines are more useful when they explain the contracting environment and the steps the contractor took, or failed to take, to adhere to the schedule.

Percent of Reports with Sufficient Narrative for Cost Control



Narrative statements about a contractor's ability to control costs are especially important to source selection officials awarding a cost-reimbursement contract. Assessments for cost reimbursement contracts, or other high-risk vehicles, should reflect details about the contractor's ability to control cost and manage performance in a high-risk environment.

Percent of Reports with Sufficient Narrative for Business Relations



Some agencies did not rate this factor at all or provided limited input. Agencies should assess contractors on their responsiveness to inquiries, level of commitment to customer satisfaction, and ability to effectively manage their subcontractor relationships. For example, if a subcontracting plan is required, the assessment should reflect the contractor's performance against it, and efforts to achieve the goals identified in its small business subcontracting plan.

## Attachment 2

### Best Practices

As agencies review and update their past performance guidance, they should consider some of the best practices other agencies have implemented. Listed below are some agencies' internal procedures and strategies for improving their efforts.

Department of Defense (DOD)	DOD manages the Contractor Performance Assessment Reporting System (CPARS) which includes extensive past performance guidance (e.g. DOD CPARS Policy Guide; DOD Guide to Collection and Use of Past Performance Information; CPARS quality checklist, CPARS User Manual, etc.). CPARS information is available at <a href="http://www.cpars.csd.disa.mil/cparsmain.htm">http://www.cpars.csd.disa.mil/cparsmain.htm</a> .
Department of Commerce (DOC)	DOC's guidance addresses award fee contracts/orders and encourages the past performance evaluations to align with the fee determination. DOC's guidance is available at <a href="http://oam.eas.commerce.gov/docs/CAM%201342%2015-%20Contractor%20Performance%20Information%20-%20Rev%20April%202010%20Final.pdf">http://oam.eas.commerce.gov/docs/CAM%201342%2015-%20Contractor%20Performance%20Information%20-%20Rev%20April%202010%20Final.pdf</a>
Department of Education	Education's guidance focuses on the roles and responsibilities of participants and includes reporting guidelines on rating elements, methodology and rating system and their internal oversight process.
Department of Energy (DOE)	DOE's guidance includes narrative examples of desirable and inappropriate past performance language. DOE's guidance is available at <a href="http://management.energy.gov/documents/AttachmentFlash2010-17.pdf">http://management.energy.gov/documents/AttachmentFlash2010-17.pdf</a>
Department of Health and Human Services (HHS)	HHS' National Institute of Health (NIH) managed the Contractor Performance System (CPS) since 1996. HHS Transitioned from the CPS to the Contractor Performance Assessment Reporting System (CPARS) in FY 2010. The transition was completed on September 30, 2010. When using CPS, HHS adopted the proven best practices of other agencies. HHS guidance is available at <a href="http://dhhs.gov/asfr/og/acquisition/policies/apm2009_07_contractor_past_performance_information_12_23_2009.doc">http://dhhs.gov/asfr/og/acquisition/policies/apm2009_07_contractor_past_performance_information_12_23_2009.doc</a> .
Department of Homeland Security (DHS)	DHS's improvements include the following strategies: <ul style="list-style-type: none"> <li>• transitioning to the CPARS for entering contractor performance reports into PPIRS and quickly trained employees to use CPARS and PPIRS;</li> <li>• revising their DHS Acquisition Manual to strengthen policy related to the collection and use of contractor performance information;</li> <li>• enhancing their policy and procedures to promote the collection and use of contractor performance information and reports;</li> <li>• developing a quality checklist to improve the information included in their past performance evaluation reports; and</li> <li>• establishing departmental oversight to determine the extent to which performance evaluations are overdue and assess the quality and timeliness of contractor past performance evaluations</li> </ul> DHS's guidance is available at <a href="http://www.dhs.gov/xlibrary/assets/opnbiz/cpo_hsam.pdf">http://www.dhs.gov/xlibrary/assets/opnbiz/cpo_hsam.pdf</a> .
Environmental Protection Agency (EPA)	EPA has an annual past performance stand-down day for the express purpose of entering or getting caught up on past performance reporting; feedback on COR participation is at the highest leadership level; and the Senior Procurement Executive provides past performance reporting status in an annual meeting with program officials. The EPA regulations include instructions for timely past performance reporting when there is a novation and successor-in-interest. Links to EPA's guidance is available at: <a href="http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&amp;sid=7a5bcb3506b59ef2f5218ab5430c2df8&amp;rgn=div6&amp;view=text&amp;node=48:6.0.1.2.8.2&amp;i dno=48">http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&amp;sid=7a5bcb3506b59ef2f5218ab5430c2df8&amp;rgn=div6&amp;view=text&amp;node=48:6.0.1.2.8.2&amp;i dno=48</a>
National Aeronautics Space Administration (NASA)	The Senior Procurement Executive receives a monthly delinquency report to monitor and manage compliance. NASA's guidance is available at <a href="http://www.hq.nasa.gov/office/procurement/regs/pic09-09.html">http://www.hq.nasa.gov/office/procurement/regs/pic09-09.html</a>