National Nuclear Security Administration

NNSA Policy Letter: NAP- 4A
Date: April 12, 2005

TITLE: Corporate Performance Evaluation Process for Management and Operating Contractors

I. OBJECTIVE: To establish and implement a uniform, corporate process for evaluation of NNSA Management and Operating (M&O) contractors' performance that promotes effective and efficient accomplishment of the NNSA mission and results in documented, consistent, and fair evaluation of results while minimizing the administrative burden from Headquarters involvement.

II. APPLICABILITY: This process applies to all NNSA organizations and elements excluding NA-30.

III. REQUIREMENTS:

The Contractor Performance Evaluation Process will be an "NNSA-corporate," integrated process applied consistently by all NNSA sites. The corporate process may be updated periodically to reflect changes and lessons learned. The annual Performance Evaluation Plan (PEP) for each site will follow the format and boundaries as follows:

- PEPs will be 25-50 pages in length;
- PEPs will contain a total of no more than 25 Performance Objectives (POs) and Performance Based Incentives (PBIs), if applicable. [Note: Not all facilities utilize PBIs];
- PEPs will provide appropriate balance between present requirements and future needs;
- PEPs will provide appropriate weight/fee distribution among PBIs and Performance Objectives based on criticality of the represented scope and its relative cost, benefit and risk;
- Fee Determining Official (FDO) has the discretion to adjust the Site Office Manager's recommended rating or fee; and
- PBI templates, in use at the Plants before the NNSA reorganization, may be used at the discretion of the Site Office Manager.

The FDO will review and approve where appropriate, the fee rate or amount of available fee for each PEP, based on the recommendation of the Site Office Manager and Management Council.

At a high level, the evaluation process is divided into three phases for NNSA M&O Contracts:

1. The Planning Phase precedes the execution year (generally a Government fiscal year) and includes:

- Review and incorporation of lessons learned from the past year
- Identification of performance metrics consistent with the Planning, Programming, Budgeting and Execution/Evaluation (PPBE/E) process
- Development, review and approval of PEPs for each NNSA M&O contract.
- Determination of the amount of fee to be available and allocated within the PEP.

2. The Monitoring Phase takes place during the execution year and includes:
   - Monitoring of contractor performance – operational awareness and evaluation of results during the execution year, supported by appropriate documentation
   - Linkage of evaluation activities to the PPBE/E process
   - Periodic reporting of performance results to appropriate NNSA management.

3. The Assessment Phase begins after the execution year has ended and should be completed before interest penalties are assessed on late payment of fee, if applicable.

   - Site Offices, with input from program offices, functional offices and non-NNSA offices, as applicable, will validate contractor performance and provide recommended ratings and/or recommended earned fee amount to the Management Council and, in turn, NA-1 (FDO). Timely and effective Headquarters input is critical to a successful Assessment Phase.
   - After Management Council review, NA-1 will determine the final performance rating and earned fee for the contractors.
   - The FDO has the discretion to adjust the recommended rating or earned fee within the available fee pool. The adjustment should generally be within the range of plus or minus 5 percent. The rationale for a management adjustment to an otherwise earned fee amount or rating total outside the range of plus or minus 5 percent will be included in the Site Office Manager's letter to the contractor that transmits the final Performance Evaluation Report (PER).

Non-laboratory NNSA sites will develop and conduct performance evaluation processes utilizing a combination of Award Fee Performance Objectives, Measures, Targets, and Performance-Based Incentives (PBIs). Laboratory sites, which do not customarily utilize award fee or PBIs are expected to utilize performance evaluation processes formatted to Performance Objectives, Measures and Targets for consistency. All NNSA performance metrics are linked to the Strategic Plan and other key inputs that are aligned with the PPBE/E cascade of plans, including the individual Program Plans and Implementation Plans for the execution year.

NNSA sites should use consistent PEP formats and definitions for describing the desired performance for its M&O contractors. PEPs should be organized into the following sections: management, mission, and operations. PEPs should use the following definitions:

> **Performance Objective.** A statement of desired results for an organization or activity

Performance Measure. A quantitative or qualitative method for characterizing performance.

Performance Target. The desired condition or target level of achievement for each measure, established at an appropriately detailed level that can be tracked and used for a judgment or decision on performance assessment. The following is an example of a Performance Objective, Measure and Target for a site:
Performance Objective: Provide effective management of facility space.
Performance Measure: Reduction of the site's facility footprint.
Performance Target for FYXX: Reduce facility footprint by 10 percent within budgeted cost and schedule.

Award Fee/Incentive Fee Amount. The amount of fee from the available fee pool that is distributed to the contractor based upon an evaluation of the contractor's performance. Award Fees are earned based on qualitative/subjective performance results. Incentive Fees are earned based on quantitative/objective performance results such as technical performance, schedule or cost.

For Non-NNSA M&O contracts performing work for NNSA, NNSA will follow the Cognizant Program Secretarial Officer's process for providing input for the PEP and PER.

IV. RESPONSIBILITIES:

1. **NA-1**– As the FDO, and based upon recommendations of the Site Office Manager and the Management Council:

   - determines the fee rate or amount of available fee for each M&O contractor and other NNSA prime contractors designated by the NNSA Senior Procurement Executive;

   - determines the final performance rating and earned fee for each M&O contractor and other NNSA prime contractors designated by the NNSA Senior Procurement Executive;

   - determines any unilateral reduction in fee during a performance evaluation period under the Conditional Payment of Fee, Profit, or Incentives clause of the contract.

2. **NA-2** – ensures timely review of PEPs in Headquarters and the resolution of Headquarters comments with Site Offices. Takes action as required to ensure timely and effective Headquarters input to the Site Offices for the Assessment Phase.

3. **Senior Procurement Executive (NA-63)** – Designates non-M&O contracts to which NA-1 will serve as the FDO.

4. **NNSA Management Council** – Provides an integration and calibration function among the NNSA Site Offices. Receives presentation by each Site Office Manager on the proposed total available fee before the beginning of the annual evaluation period, and final performance evaluation results and proposed fee award in the PER. Ensures that

total available fees, final evaluation results and proposed fee awards are fair and balanced across the complex. Recommends decision to NA-1on each PER and proposed fee award at the end of the evaluation period, and any unilateral reduction in fee during the evaluation period.

5. **Contracting Officer's Representative and Program/Functional Point of Contact (PPoC)** – Provides program (e.g., weapons program, nonproliferation program, FIRP, Security)/functional (e.g., CIO, CFO, Acquisition and Supply Management, ES&H adviser) objectives to Headquarters PoC in the timeframe established to support PEP development; monitors contractor performance throughout the evaluation period via interaction with Site Offices and the monitoring process; provides timely input with appropriate detail to support Site Office assessment processes and PER development.

6. **Headquarters Point of Contact (HQ PoC), NA-63** – Chairs the Process Ownership Team for the NNSA Contractor Performance Evaluation Process for M&O Contractors and is responsible for coordinating the process and meeting key action dates. Coordination includes communicating with the PPoCs and the Field Points of Contact (FPoCs) throughout the process, and facilitating feedback between the PPoCs and FPoCs. Facilitates Headquarters review of PEPs on behalf of NA-2 in less than 10 working days, and assists resolution of comments between Headquarters and site offices. Obtains and communicates approval of PERs and earned fee awards. Supports appropriate Cognizant Program Secretarial Officers in obtaining NNSA input on non-NNSA M&O contractor performance of NNSA-sponsored work.

7. **Process Ownership Team** – Team chaired by Headquarters PoC with representatives from NNSA program, functional and site offices who advise the Team Chair on the NNSA-corporate process and have the authority to speak for their respective organizations. Develops and recommends periodic process updates to the Team Chair, and facilitates implementation by their respective organizations. Maintains and updates the Workload Reduction Initiative Report on Performance Measures as required.

8. **Site Office Manager** – Owns and oversees the performance evaluation process from the perspective of the Site Office; periodically briefs program offices and Management Council on contractor performance via standard report format; recommends an available fee rate or pool to the Management Council and FDO based on the draft PEP; issues final PEP; presents PER to Management Council for review and to NA-1for approval of the rating and fee; issues the PER; and briefs the contractor's Board of Directors on the evaluation results following the FDO's decision.

9. **Field Point of Contact (Field PoC)** – Oversees and participates in the development of contractor Performance Objectives, Measures, and Targets for determining achievement of PEP objectives; oversees and owns the PEP and PER development process, as directed by the Site Office Manager; focal point for receipt of contractor's Self-Assessment Report; solicits, incorporates, and addresses PPoC input for PEP elements and PER through the Headquarters PoC; manages Change Control process; monitors contractor performance and provides periodic status reports to Headquarters managers; advises Site Office Manager as required; and prepares contractor PER and Management Council presentations for the Site Office Manager, as required.

10. **Contracting Officer** – Issues contract modification or, as directed by the Site Office Manager, transmittal letter for the PEP and/or PER letter to contractor. Leads PEP and fee negotiations with the contractor in accordance with the NNSA Fee Policy.

11. **Non-NNSA Offices** – Provide performance objectives, supporting information, and input on contractor performance when requested by Headquarters PoC or Field PoCs.

V. REFERENCES:

1. NA-51 Contractor Performance Evaluation Process Flow Charts, updated annually.
2. Report of the Workload Reduction Initiative Team on Performance Measures, updated as required.
3. NNSA Policy Letter BOP-003.0501, "Deviation to DEAR 970.1504 Contract Pricing, and associated 970.5215 clauses."

VI. POINT OF CONTACT FOR CONTRACTOR PERFORMANCE EVALUATION PROCESS: Walt Lips, Field Coordination Advisor, Office of Acquisition and Supply Management, (202) 586-1806.

Linton Brooks
Administrator