

FEB 11 2008



UNITED STATES DEPARTMENT OF COMMERCE
Chief Financial Officer
Assistant Secretary for Administration
Washington, D.C. 20230

PROCUREMENT MEMORANDUM 2008-01

Action

MEMORANDUM FOR: Senior Bureau Procurement Officials (BPOs)

FROM: 
Leslie A. Andreacs
Director, Commerce Acquisition Performance, Policy
and Support
Office of Acquisition Management
and Financial Assistance

SUBJECT: Using Performance-Based Acquisition to Meet
Program Needs—Performance Goals, Guidance, and
Training; Supersedes Procurement Memorandum
2005-01

Background

In fiscal year 2007, the Department of Commerce spent approximately \$1.7 billion on services to meet agency needs. Performance-Based Acquisition (PBA) is the Government's preferred approach for acquiring services. When effectively implemented, the PBA strategy affords many benefits, such as competitive pricing, innovative solutions, quality services, and results that support the Department's mission. To encourage the acquisition workforce to effectively use PBA methods to achieve results, the Office of Federal Procurement Policy (OFPP) has established PBA performance goals.

Purpose

The purpose of this memorandum is to provide feedback on the use of performance-based acquisitions within the Department to date; establish fiscal year 2008 PBA performance goals; provide guidelines for reporting PBA accomplishments; provide guidance on resources available to further enhance the use of PBA; and distribute recent PBA guidance from the Office of Federal Procurement Policy. This Procurement Memorandum (PM) supersedes PM 2005-01 "Increasing the Use of Performance-Based Service Acquisitions" dated May 13, 2005.

PBA Performance

Based on FPDS-NG data, the following results were reported to OFPP for fiscal years 2001-2007 as percentages of eligible service dollars for each year. The results over the past several years demonstrate the need to redouble our efforts to meet PBA goals.

| | <u>DOC PBSA Awards</u> | <u>OFPP PBSA Goal</u> |
|--------------|------------------------|-----------------------|
| FY-01 | 23% | 40% |
| FY-02 | 27% | 40% |
| FY-03 | 31% | 40% |
| FY-04 | 32% | 40% |
| FY-05 | 28% | 40% |
| FY-06 | 30% | 40% |
| FY-07 | 30% | 45% |

Performance Goals

In a memorandum dated December 5, 2007, OFPP raised the bar for PBA awards by setting a goal of 50% of eligible service actions for FY-08 (Attachment A) further emphasizing the need to improve the number of reportable PBA awards. As a result, the Office of Acquisition Management has established specific dollar goals for each contracting office as outlined below. The goals are 50% of projected Eligible PBA Dollars for FY-08*. Performance will be monitored throughout the fiscal year and interim results will be distributed in order to provide ongoing status against the goals.

| | Projected Eligible PBA \$s for FY-08* | 50% PBA Goal for FY-08 |
|--------|--|-------------------------------|
| NIST | \$ 68,000,000 | \$ 34,000,000 |
| OS | \$ 81,000,000 | \$ 41,000,000 |
| CENSUS | \$187,000,000 | \$ 94,000,000 |
| NOAA | \$710,000,000 | \$355,000,000 |
| PTO | \$326,000,000 | \$163,000,000 |

*Projected Eligible PBA Dollars for FY-08 are equivalent to reported Eligible PBA dollars for FY-07.

Reporting

Achievements against PBA goals are measured through analysis of FPDS data. Therefore, it is important that the parameters of the reporting data are considered when entering award information. Awards of both eligible and excluded contracts must be accurately entered so that the universe on which percentages are based is accurate. A list of excluded contracts can be found at: http://www.whitehouse.gov/omb/procurement/pbsa/pbsc_increasing_070704.pdf. Further, all actions should be coded as PBA if more than 50 percent of the requirement is performance-based, as measured in dollars.

The following actions are considered in determining the percentage of PBA actions achieved: PBAs funded by the agency but awarded by another agency;

PBAs awarded by the agency but funded by another agency; PBAs awarded and funded by the agency; and all eligible service acquisitions awarded by the agency.

Actions Required

Heads of Contracting Offices (HCOs) shall renew their efforts in identifying, awarding and accurately reporting PBA contracts. In addition, outreach efforts to program offices within the acquisition planning process and beyond should be enhanced.

In order to continue to realize effective performance-based results for the purchase of IT solutions in light of the transfer of the Commerce Information Technology Solutions (COMMITTS) program to the General Services Administration, contracting professionals are encouraged to implement performance-based measures in any alternative contracting vehicle.

Heads of Contracting Offices shall ensure that acquisition professionals receive PBA training and recommend PBA training for Contracting Officers' Technical Representatives (COTRs) and program and project managers.

Training and Other Resources

The Office of Acquisition Management is working with OFPP to provide a Lunch-and-Learn Session providing an overview of the benefits, techniques and process of PBA contracting which will be presented to the Department's contracting professionals and key program managers in March 2008. Additional training resources are included in the OFPP Memorandum dated May 22, 2007 (Attachment B).

The OFPP PBA Interagency Working Group has developed resources for use by the acquisition community toward maximizing PBSA awards. These resources and additional information on the working group are available at http://www.whitehouse.gov/omb/procurement/index_pbsa.html.

If you have any questions regarding this memorandum, please contact Lori Donovan, Procurement Analyst, at ldonovan@doc.gov or 202-482-1716.

Attachments: OFPP Memorandum Dated December 5, 2007
OFPP Memorandum Dated May 22, 2007

cc: Acquisition Community
Acquisition Council
Heads of Contracting Offices



OFFICE OF FEDERAL
PROCUREMENT POLICY

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

December 5, 2007

MEMORANDUM FOR CHIEF ACQUISITION OFFICERS
SENIOR PROCUREMENT EXECUTIVES

FROM:

Paul A. Denett
Administrator

SUBJECT:

Fiscal Year 2008 Performance-Based Acquisition Performance Goal

As of November 30, 2007, the Government spent approximately \$140 billion on services to meet agency needs.¹ Performance-Based Acquisition (PBA) is the Government's preferred approach for acquiring services. If effectively implemented, the PBA strategy affords the Government many benefits, such as competitive pricing, innovative solutions, quality services, and results that support agency missions. As you know, the PBA performance goal was established to encourage the acquisition workforce to effectively use PBA methods to achieve results. This memorandum provides the Government-wide PBA performance goal for fiscal year (FY) 2008.

For FY 2007, agencies were encouraged to apply PBA methods on 45 percent of their eligible service actions over \$25,000, to include contracts, task orders, modifications, and options, as measured in dollars. Agencies are still reporting data into the Federal Procurement Data System (FPDS), and we expect the Government-wide PBA performance goal achievement to exceed 45 percent for FY 2007. Please submit a one-page update to Julia Wise at jwise@omb.eop.gov by Thursday, January 31, 2008, on your agency's progress toward achieving the 2007 performance goals established in your five-year, agency-wide PBA Management Plan.

To continue to motivate agencies to use the PBA strategy on eligible service actions, the Government-wide PBA performance goal is increased from 45 percent to 50 percent for FY 2008. Agencies should strive to meet the PBA Government-wide and agency-wide goals. More importantly, you should ensure that your acquisition workforce knows how to properly apply the PBA strategy on service actions and manage PBAs to achieve results. Questions regarding this memorandum should be directed to Julia Wise on (202)395-7561 or jwise@omb.eop.gov.

¹ Data Source - Federal Procurement Data System.



OFFICE OF FEDERAL
PROCUREMENT POLICY

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

May 22, 2007

MEMORANDUM FOR CHIEF ACQUISITION OFFICERS
SENIOR PROCUREMENT EXECUTIVES

FROM:

Paul A. Denett
Administrator

SUBJECT:

Using Performance-Based Acquisition to Meet Program Needs –
Performance Goals, Guidance, and Training

Performance-based acquisition (PBA) is a results-oriented acquisition strategy used to achieve innovative solutions in agency programs. The purpose of this memorandum is to recommend appropriate PBA performance goals and identify PBA learning assets, including useful guides and training opportunities, to ensure this acquisition strategy is used effectively. PBA is also discussed in the report issued by the Acquisition Advisory Panel (referred to as the Panel), established under the Services Acquisition Reform Act of 2003. The Panel's report includes specific recommendations to improve the effectiveness and appropriate use of PBA, and this memorandum discusses our plan for implementing some of the Panel's recommendations.

Performance Goals

The PBA performance goal is used to measure agencies' use of PBA, and agencies should use this goal to encourage the acquisition workforce, including program and project managers, to employ PBA methods on service acquisitions. In fiscal year (FY) 2006, agencies were required to apply PBA methods on 40 percent or more of their eligible service actions over \$25,000, to include contracts, task orders, modifications, and options, as measured in dollars. According to the Federal Procurement Data System (FPDS), most agencies met or exceeded the goal, awarding over 45 percent of their eligible service contract actions. Agencies should continue to report PBA actions accurately in FPDS and should review the new report format to assess PBA performance goals, available at <https://www.fpds.gov/>.

In view of last year's success, agencies are encouraged to increase their use of PBA and apply PBA methods on 45 percent of their eligible service actions over \$25,000 for FY 2007, to include contracts, task orders, modifications, and options, as measured in dollars. At a minimum, agencies are expected to meet the PBA performance goals established in the agency-wide PBA Management Plans for FY 2007 through FY 2011. This allows for the flexibility of individual agency assessments as recommended in the Panel's report. Please ensure that your agency plan reflects the most current information. If necessary, provide an

update within 30 days to Julia Wise at jwise@omb.eop.gov. Later this fiscal year, the Office of Federal Procurement Policy (OFPP) will issue a separate memorandum highlighting the “best practices” identified in the agency plans.

Guidance

The Seven Steps to Performance-Based Service Acquisition (PBSA) Guide has a new Web site link at <http://acquisition.gov/sevensteps>. This online guide includes PBA regulations, policy, and guidance. Most importantly, it includes vetted examples, templates, and an “**Ask the Expert**” feature that allows questions to be asked and addressed by a PBA expert within 24 hours. This guide should be visible on agency policy Web sites to ensure the acquisition workforce has immediate access to PBA information. Agencies are encouraged to send good PBA solicitation and/or contract documents and their PBA questions to SevenStepstoPBSA.Feedback@gsa.gov.

The OFPP-led PBA Interagency Working Group meets monthly and the members are listed on the OFPP Web site at http://www.whitehouse.gov/omb/procurement/index_pbsa.html. The group will work on the following tasks that are consistent with some of the Panel’s PBA recommendations:

1. develop an illustrative guide or decision tree to help agencies determine when to use PBA;
2. establish a matrix of contract performance incentives (both monetary and non-monetary) appropriate for various contract vehicles when using the PBA strategy;
3. develop a “Best Practices Guide on Performance Measures” to improve the development and selection of performance standards for PBA contracts;
4. develop a checklist that reflects how well an acquisition works within the basic elements of the Seven Steps to PBSA Guide; and
5. review and evaluate PBA samples and examples to incorporate in the Seven Steps to PBSA Guide.

Training

Effective training is crucial to the successful implementation of PBA, and opportunities include online and classroom courses, workshops, seminars and conferences. PBA training should be completed by senior managers, program/project managers, requirements personnel, quality assurance specialists, Contracting Officer’s Representatives, Contracting Officer’s Technical Representatives, subject matter experts and contracting officials involved in a PBA. Agency acquisition workforce policy should include these PBA training requirements at the appropriate level for all members of the acquisition workforce to ensure PBA principles are applied properly on service acquisitions. The OFPP April 25, 2007, memorandum, *The Federal Acquisition Certification for Program and Project Managers*, emphasizes PBA training requirements for program and project managers at various certification levels. The OFPP memorandum is available at http://www.whitehouse.gov/omb/procurement/workforce/fed_acq_cert_042507.pdf.

The Federal Acquisition Institute (FAI) and the Defense Acquisition University (DAU) offer several PBA training opportunities. The FAI offers a three-day workshop on PBA designed as a just-in-time solution for acquisition teams from various agencies. The participants are encouraged to bring their current PBA documents and are given a chance to refine these documents in the training class. The training is offered at various locations around the country and is generally available through the Acquisition Workforce Training Fund. Students should register online at www.fai.gov. Questions about this training should be directed to FAI student services at 703-805-2300.

The DAU offers a four and a half day classroom course entitled “Mission Focused Service Acquisitions,” course number ACQ265, and two online learning modules: 1) Performance-Based Services Acquisitions, CLC 013; and 2) Work Breakdown Structure, CLM 013. Additionally, a PBA Community of Practice, available at <https://acc.dau.mil/pba>, includes the above PBA training information as well as other training opportunities, policy and guidance, tools and related links such as the Acquisition Center of Excellence for Services Community of Practice, available at <https://acc.dau.mil/ace>. Additionally, many private sector firms offer PBA training. Information about these training resources is available on <http://acquisition.gov/SevenSteps>.

The information provided in this memorandum should prove useful to improving the knowledge and effective application of PBA within your agency. We will continue to work with you to improve the PBA guidance and will keep you abreast of new PBA training opportunities and best practices. Please ensure wide distribution of this memorandum to your agency’s acquisition personnel. Questions may be directed to Julia Wise at (202)395-7561 or jwise@omb.eop.gov.

cc: Chief Information Officers Council
Chief Financial Officers Council
Defense Acquisition University
Federal Acquisition Institute

Update on Department of Commerce (DOC) Agency-wide Performance Based Acquisition Management Plan, FY2006- FY2011

Management Support

The Commerce Information Technology Solutions (COMMITTS) program was transferred to the General Services Administration (GSA) in FY-07. It was established as a preferred method for IT solutions within DOC. The transfer may have reduced performance-based awards for FY-07 and continue to reduce them over time since customers may now opt for alternate vehicles as a result of the transfer. We are strengthening our encouragement to use performance-based measures for IT requirements regardless of acquisition vehicle.

Policy and Guidance

Formal guidance was issued earlier this fiscal year on the acquisition planning process. The guidance provides a consistent approach to acquisition planning across DOC and encourages early coordination with program offices in identifying opportunities for performance-based acquisitions (PBA).

DOC has requested a lunch-and-learn workshop in FY-08 to be presented by OFPP on effective use of performance-based acquisitions.

Service Categories

The top ten PBA service categories have been updated as follows:

| PSC | SERVICE CATEGORY | Target |
|------|--|--------|
| R421 | Other Computer Related Services | 50% |
| R499 | Other Professional Services | 50% |
| R425 | Other Scientific and Technical Consulting Services | 50% |
| D399 | Computer Systems Design Services | 50% |
| D311 | ADP Conversion Services | 50% |
| R408 | Program Management | 50% |
| M199 | Facilities Support Services | 50% |
| R427 | Weather Reporting Observation Services | 50% |
| D301 | ADP Facility Operation and Maintenance Services | 50% |
| D302 | ADP Systems Development Services | 50% |

FPDS-NG Reporting Requirement

The FPDS-NG result for performance-based acquisition (PBA) awards for FY-07 is 30%. Efforts to improve this result are underway and include a procurement memorandum with specific guidance. A potential reporting error was discovered after the closing period for the reporting of performance-based modifications which may have resulted in an understatement of PBA awards for some bureaus within DOC. Corrective measures are being taken.

Training

In addition to information on classroom and on-line training resources, DOC sponsored a team-based PBA training course which included acquisition professionals and program managers and contracting officers technical representatives.

Agency PBA POC

The DOC Agency POC is Lori Donovan, Procurement Analyst, ldonovan@doc.gov, phone number (202) 482-1716.