



## **Department of Commerce Office of Acquisition Management**

# **Advancing a Performance-Based Service Acquisition Culture throughout the Department**

**July 30, 2004  
PBSA Assessment Report**



**ACQUISITION  
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## 1. INTRODUCTION

Performance-based service acquisition (PBSA) offers significant gains in contract quality, potential cost savings, contractor responsiveness, and customer satisfaction. Some institutional resistance, lack of training, and continuing resource constraints have worked as barriers to fully adopting PBSA techniques as a standard Department of Commerce (DOC) business practice. Acquisition Solutions has used their acquisition expertise and knowledge of performance-based best practices to perform a PBSA analysis and to develop recommendations for implementing PBSA best practices department wide.

The most important aspect of a PBSA occurs post-award: managing for results rather than simply managing for compliance. It does not work to have a list of requirements with which a contractor must comply, only to find that the requirements do not meet the mission. There is a growing realization that “the real work” of acquisition is in the post-award, performance management phase where strategic goals are deployed—thus making it far more critical to mission success. Because performance management is the key to the success of obtaining satisfactory results, getting department acquisition teams to commit to PBSA implementation is crucial as a foundation to this much needed cultural change

In addition to resource constraints, a review of acquisition documents and staff interviews revealed that ineffective communication with program officials, minimal investment in PBSA training, and incomplete deployment of strategic plans remain impediments to wide-spread acceptance and implementation. Many acquisition teams in DOC’s bureaus have awarded and managed PBSAs despite these impediments, and their efforts are commendable.

This report provides a background on federal government and DOC PBSA initiatives, then describes a number of PBSA best practices. The report includes our study findings regarding the general acquisition issues of organization and management, staff training, and acquisition procedures. The report provides interview findings concerning six elements of PBSA, and includes a discussion of the transformation potential of ten DOC projects. The report concludes with specific recommendations for improvement in five areas: program office commitment, training, acquisition resources, shared performance goals, and communication of PBSA best practices.

## 2. TASK OVERVIEW

### 2.1 Task Description

It has been a long-standing policy of the U.S. Government to use performance-based approaches for acquiring services; and while DOC has accomplished a great deal and their implementation statistics are improving, much still can be done. In September 2003, the DOC Office of Acquisition Management (OAM) articulated the business need for the creation and execution of a comprehensive strategy for achieving its PBSA goals. OAM issued a request for proposals for strategic advice and support to institute a results-oriented, performance-based culture within DOC where acquisition professionals would use PBSA methods whenever feasible for acquiring services. Acquisitions Solutions, Inc. (Acquisition Solutions) submitted the successful proposal in response to OAM’s solicitation. On September 30, 2003, OAM executed Modification 01 to Acquisition Solutions’ existing contract, SA1301-03-NC-0071, and tasked

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Acquisition Solutions to provide OAM with a comprehensive plan to make PBSA a standard business practice within DOC acquisition offices.

Acquisition Solutions was to use their expert understanding of acquisition and performance-based best practices to perform a PBSA analysis and to develop recommendations for implementing PBSA best practices department wide. Acquisition Solutions was to conduct this study by evaluating DOC's non-PBSA procurements as models for understanding their transformation potential. As a result of the study, Acquisition Solutions was to develop an assessment report which would include findings and recommendations.

Acquisition Solutions was also tasked to develop a marketing/communications plan for creating cultural acceptance of PBSA. In a separate deliverable, Acquisition Solutions will provide a comprehensive marketing strategy to build department-wide understanding of the advantages of PBSA and to ensure that key officials are informed about the processes for participating in department-wide PBSA initiatives. The goal will be to begin the cultural transformation.

The following is a table of the task and deliverables schedule:

PBSA STRATEGIC PLANNING SUPPORT PROJECT PLAN AND DELIVERABLES		
Action Item		Completion Date
1	PBSA Assessment Findings and Recommendations Briefing	May 17, 2004
2	Draft PBSA Assessment Report	June 1, 2004
3	DOC Assessment Report Comments	June 30, 2004
4	Draft PBSA Marketing Plan	July 14, 2004
5	DOC PBSA Training	July 20-22, 2004
6	DOC Marketing Plan Comments	July 26, 2004
7	Final PBSA Assessment Report and Marketing Plan	July 30, 2004

Table 1

## 2.2 Study Approach

As stated, the primary objective of Acquisition Solution's contract was to support the implementation of a results-oriented, performance-based acquisition culture within DOC. The steps required to achieving this objective include reviewing DOC's implementation of PBSA, formulating recommendations for program improvement, promoting PBSA principles through training and communication, and dissemination of PBSA of best practices. The Director for OAM and Procurement Executive, Michael Sade, distributed a memorandum to the HCOs announcing the PBSA study and requesting that their staff cooperate with Acquisition Solutions' data-gathering efforts.<sup>1</sup>

Acquisition Solutions brought together the experts necessary to assess the program, compare DOC processes to the best practices in the field, develop a strategy to improve the operation, and then measure the success of the implementation. Acquisition Solutions performed baseline research by collecting key data and performing staff interviews as follows:

<sup>1</sup> See Appendix A, Department of Commerce Memorandum. (January 12, 2004). Facilitated Advancement of Performance Based Service Acquisition.

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- Conducted research at five DOC acquisition offices. Two files from each office were reviewed, including four FY2003 non-PBSA contracts, five FY2004 non-PBSA planned procurements, and one FY2004 PBSA procurement.
- Conducted 39 interviews of contracting officers (COs), contracting officer's representatives (CORs), Project Managers (PMs), HCOs, and contractors using an interview protocol.<sup>2</sup>
- Used a data call to collect key information and data.<sup>3</sup>

Once the key data was collected and the baseline research completed, Acquisition Solutions compared the current state of DOC's PBSA program to government and industry best practices. The file reviews were evaluated to determine their suitability for transformation to PBSA. Acquisition Solutions identified key issues and concerns based on a comparison of the baseline research to acquisition best practices: critical areas needing improvement, PBSA transformation barriers and strengths, and management actions necessary to ensure the success of the PBSA initiatives. These key issues and concerns were consolidated into the set of findings, and implementation recommendations are provided in this report.

Finally, a PBSA diagnostic tool was created that includes performance-management activities, measurements, and processes that will determine the success of DOC's PBSA initiative.<sup>4</sup> This tool may be used to evaluate a bureau's progress toward achieving the Departmental objectives articulated in strategic plans, OAM's "Case for Change," and industry best practices.

### 3. PERFORMANCE-BASED SERVICE ACQUISITION

#### 3.1 Background

"Performance-based contracting," as defined by Federal Acquisition Regulation (FAR) Part 2.101, means structuring all aspects of an acquisition around the purpose of the work to be performed. Contract requirements are set forth in clear, specific and mission-related, outcome-oriented terms. This approach to describing contract requirements differs from the traditional government-issued statements of work (SOWs) which either provide detailed tasks to be performed or broad and imprecise specifications. Performance-based contracting requires negotiation of measurable outcomes and quality assurance plans that are linked to a disincentive/incentive determination plan. There is also a link between assessing results and achieving an agency's strategic goals.

Acquisition Solutions recommends assigning the technical details of developing performance requirements where the responsibility for performance resides—industry. The government is responsible for identifying the problem and constraints in a statement of objectives (SOO), and the offerors are requested to propose solutions in the form of a SOW. In addition, the offerors are asked to identify performance measures (based on their industry best practices) and/or service level agreements which identify how their solution will meet the government's stated objectives. After best-value evaluation and award, the offeror-developed quality assurance plan goes into effect as the management plan and its performance measures become part of the final contract.

<sup>2</sup> See Appendix B, PBSA Assessment Protocol.

<sup>3</sup> See Appendix C, PBSA Assessment Data Call

<sup>4</sup> See Appendix D, PBSA Performance Diagnostic Tool

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When it comes to PBSA, Acquisition Solutions' philosophy is that contract award is not the most important aspect of the acquisition—in fact, it is only the beginning. The true success of the overall acquisition is measured by how well a solution deploys and how well the overall mission of an organization is accomplished as a result. As stated earlier, the most important aspect of a PBSA is managing for results rather than simply managing for compliance.

### 3.2 History of Performance-Based Service Acquisition

In recent years, an understanding has emerged that the federal government needs to be run in a more business-like manner than in the past. As companies are held accountable to shareholders, the federal government is held accountable to taxpayers, and taxpayers are demanding, as never before, that the dollars they invest in their government are managed and spent responsibly. As a result of this emphasis, today's environment has become results-oriented. With the passage of the Government Performance and Results Act (GPRA) in 1993 and the President's Management Agenda's focus on performance-based budgeting, Congress, the executive branch, and the public are holding agencies accountable for achieving results (i.e., getting a return on invested tax dollars).

Performance-based contracting is not new. Since the early 1970s, performance-based contracting has been successfully applied to operational and maintenance contracts, simultaneously reducing costs while improving the quality of the services received.

Performance-based contracting is not a new contracting method.

The preference for use of performance-based contracting has long been established in regulation and policy. In 1991, Office of Federal Procurement Policy (OFPP) Policy Letter 91-2, "Service Contracting," established that federal agencies should "use performance-based contracting methods to the maximum extent practicable." In fact, the history is deeper. Well over twenty years ago, OFPP Policy Pamphlet #4, "A Guide for Writing and Administering Performance Statements of Work for Service Contracts," described "how to write performance into statements of work," and addressed job analysis, surveillance plans, and quality control.

OFPP revisited this issue in 1996, broadening its focus and its guidance and becoming more process-oriented. OFPP's document, "Guide to Best Practices for Performance-Based Service Contracting," states that the key elements of a performance-based statement of work are (1) a statement of the required services in terms of output; (2) a measurable performance standard for the output; and (3) an acceptable quality level or allowable error rate.

Widespread adoption of PBSA is challenging for a number of reasons. The federal acquisition workforce, by and large, is under the (faulty) perception that PBSA is simply a procurement issue, yet the ultimate success of the PBSA initiative must be shared responsibility between the program and contracting communities. Despite the guidance issued by the OFPP, the FAR's stated preference for it, and the fact that it is measured by the Federal Procurement Data System (FPDS) Individual Contract Action Reports, many look to the contracting profession for implementation. Because PBSAs are fundamentally driven by mission requirements and program managers must adopt new methods of performance measurement and surveillance, PBSAs must be planned, managed, and executed with significant participation and contribution by contracting *and* program offices, from concept through contract close out.

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On the industry side, many companies have been frustrated by a system that doesn't allow them to bid their best solution. However, others have become comfortable with the old process of simply giving the customer what they ask for—not necessarily what they need. Performance-based acquisition practices call for a new understanding of acquisition by both government and industry, and a new approach to the contracting process itself. Furthermore, the government and industry must partner for success, again changing the climate from the adversarial one that has persisted for years, to a cooperative one. These changes cannot occur overnight, nor can they occur without support from senior level management.

### 3.3 Commerce and Performance-Based Service Acquisition

Fiscal year (FY) 2001 was the first year of the Procurement Executive Council's (PEC's)<sup>5</sup> effort to encourage performance-based contracting through the establishment of government-wide goals. The PEC goal for FY2001 was ten percent of the total amount awarded by an agency through eligible service procurement transactions, i.e. all services except utilities, construction and A&E services. PEC established government-wide goals of 20, 30, and 40 percent for FY2002, FY2003, and FY2004, respectively. These targets are based on annual increments of 10 percent, toward the ultimate government-wide goal of awarding 50 percent of total eligible service procurement dollars through performance-based contracts in FY 2005. In order to reach this goal, DOC has promoted and encouraged the expanded use of PBSA throughout the department.

In addition to expanding its use of PBSA, DOC is also taking steps to ensure the successful implementation of other acquisition reform initiatives that are meant to ease the administrative burden of traditional procurement processes. Departmental Management (DM), through the Commerce Procurement Executive, has lead responsibility for carrying out acquisition reform. While DM is actively working with the bureaus to implement the innovative tools that are available to streamline and simplify the procurement process, it recognizes that this effort must be balanced by the need to maintain proper controls.<sup>6</sup>

To address this challenge, DM has adopted a comprehensive approach for managing and minimizing the risks inherent in such an undertaking. DM has adopted a balanced scorecard approach to establishing goals and measuring performance for procurement offices throughout the department, has developed a program for providing training and tools to front-line employees to equip them to meet new procedural requirements, has developed special control levers for large dollar or particularly complex acquisitions, and is conducting focused program reviews on the use of new procurement tools.<sup>7</sup>

Other acquisition initiatives include emphasizing career development for employees involved in procurement; launching a comprehensive risk management plan to continually monitor and measure the effectiveness of acquisition reform; automating the department's procurement process; and integrating oversight of budgeting, planning, and monitoring information technology acquisitions.<sup>8</sup> The success of all these acquisition reforms and the extent to which they free up staff resources will have a direct impact on the success of DOC's PBSA initiative.

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<sup>5</sup> The PEC was an interagency council operating under the leadership of OFPP whose members were agency procurement executives. As of February 20, 2003, the Federal Acquisition Council replaced PEC.

<sup>6</sup> FY 2003 Annual Performance Plan.

<sup>7</sup> FY 2004 Annual Performance Plan.

<sup>8</sup> FY 2001 Annual Program Performance Report and FY 2003 Annual Performance Plan.

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In April 2002, OFPP convened an interagency task force to study PBSA by agencies. The study was completed in July 2003. As a result of its findings, the task force recommended to OFPP that agencies be allowed to set their own interim goals, while still being required to reach 50 percent of eligible service contracting dollars in FY2005. DOC is committed to awarding no less than 40 percent of eligible service dollars on contracts over \$25,000 using performance-based techniques by September 30, 2004, and 50 percent by the end of FY2005.<sup>9</sup>

### 3.4 Performance-Based Service Acquisition Best Practices<sup>10</sup>

An organization's deployment of its strategic plan sets the stage for determining how business goals relate to a project's objectives, definitions of success, and business outcomes. As demonstrated in Figure 1 below, the underlying framework for a project's success is the system of processes and procedures that are in place to manage contract performance.

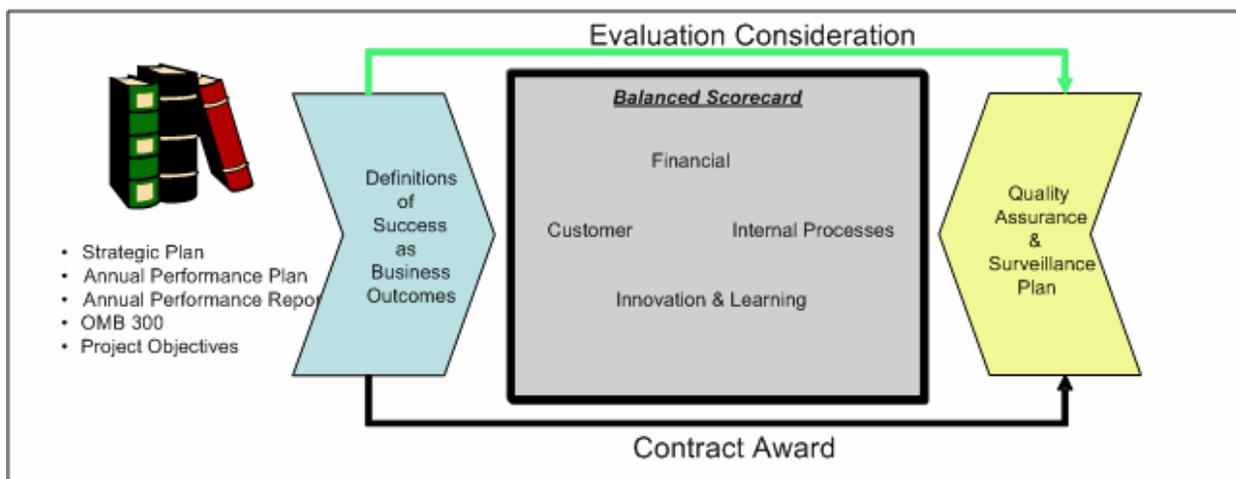


Figure 1: A Framework for Managing Contract Performance<sup>11</sup>

The variety of elements involved in the PBSA process supports Acquisition Solutions' theory that contracting is not the most important aspect of big "A" acquisition. The deployment of strategic goals to the farthest reaches of agency operations is far more critical to mission success.

The following best practices suggest how an agency can accomplish its strategic plan and at the same time manage its relationships with contractors. These best practices focus on what

<sup>9</sup> See Appendix A, Department of Commerce Memorandum. (January 12, 2004). Facilitated Advancement of Performance Based Service Acquisition.

<sup>10</sup> This section incorporates material developed by Acquisition Solutions, Inc. as content for our Advisory, *Managed Relationships, Managed Contracts*, pp. 1-12 (2002, November), Ann Costello and Susan Toner, and our Acquisition Directions™, *Special Report, Building the Model for Acquisition Centers of Excellence*, Fall 2001. The information in this section is proprietary to Acquisition Solutions, Inc., but may be used within the Department of Commerce acquisition workforce with attribution.

<sup>11</sup> Graphic adapted from *Acquisition Solutions Performance Based Management™* training manual (2004).

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behavior is necessary at all levels of the organization to ensure effective public-private partnerships through PBSA.

➤ *Establish an Integrated Solutions Team* comprised of program, finance, legal, and contracting members who come together to develop acquisition strategies, conduct market research, establish statements of objectives, conduct due diligence with prospective vendors, conduct source selection as a team, and manage and measure contract-to-performance standards throughout the life of the program. Only few of the DOC staff interviewed during this study had used a true team approach to acquisition planning and execution.

➤ *Understand that the concept of “managed relationships, managed contracts” is more than contract administration.* The concept of “managed relationships, managed contracts” rests on the guiding principles for the Federal Acquisition System, FAR Part 1.102: *Satisfy the customer in terms of cost, quality, and timeliness of the delivered product or service.* In many cases the adoption of this principle requires a culture shift. Unlike those legacy processes in which the contract is awarded and then thrown over the transom to the “administration branch,” there is a growing realization that “the real work” of acquisition is in the management of the contract—really, the management of the contractor relationship—to ensure that the desired results are attained. Though some of the DOC staff interviewed during the study described their duties as including both contract formation and administration, many interviewees described an “over the transom” approach where less experienced contracting officers managed contract administration.

The first guiding principle for the Federal Acquisition System: *Satisfy the customer in terms of cost, quality, and timeliness of the delivered product or service.*

➤ *Support and champion the cultural change that is required to “manage relationships, manage contracts.”* Many of today’s acquisition professionals maintain an arm’s length distance from the contractor and limit the amount of contact the contractor has with the program staff. The contractor must be part of the acquisition team itself—a reality recognized by another of the FAR guiding principals, Part 1.102(c): “The Acquisition Team consists of all participants in Government acquisition, including not only representatives of the technical, supply, and procurement communities, but also the customers they serve, and the contractors who provide the products and services.” Many of the DOC staff interviewed during this study described close collaboration with the contractor during contract performance. This is an encouraging sign of partnership development; it demonstrates that the arm’s length approach is a thing of the past at DOC.

➤ *Bring the contractor into the fold.* Communications with contracts should be conducted in a manner to establish the foundation for an open dialogue and an effective win-win relationship. One important legacy of acquisition reform has been improved government-industry communications. Government and industry should more effectively employ open communications and agency-contractor teamwork in the pre-proposal market research and due diligence acquisition stages, as well as the post-award “partnering” stage. In these relationships, success is based on carefully defined needs or objectives, performance standards, methods of measurement, aligned goals, and open communications on which to build trusting partnerships. Some of the DOC staff interviewed during this study admitted that their Office of General Counsel prohibited the one-on-one exchanges that are critical to DOC’s market research, and to

One important legacy of acquisition reform has been improved government-industry communications.

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the contractor's "due diligence" in researching the best solution to meet DOC's objectives. This risk-averse stance is a serious impediment to the open dialogue that is necessary to build trusting partnerships.

➤ *Consider establishing a "partnership agreement" with the contractor.* Not a formal or legal document, a partnership agreement or charter often lays out the team's shared objectives and values, and describes the approach that the private-sector and public-sector members will take to work together. The agreement begins an effective communication process, gets members "on the same page," and acts as a guidepost for the team's progress. The DOC staff members interviewed during this study were not asked about usage of a partnership agreement; however, for long-term or complex projects, it is certainly an effective tool to set goals and objectives.

➤ *Be prepared to invest: federal acquisition managers are the stewards of a quarter trillion dollars a year of goods and services.* Acquisition and program office personnel managing mission-critical programs and projects must become great business managers. They should be adept at managing people, managing programs, setting the vision and strategy, and executing the program. Managing a mission-critical contract requires unique leadership and managerial skills to effectively steer divergent groups toward a common goal. Agencies should be prepared to invest in hiring, training, rewarding, and retaining business management professionals. This investment will also require the establishment of an organizational culture focused on empowerment and incentivizing performance consistent with organizational goals and objectives. A review of DOC's sample employee performance evaluation documents revealed that performance is measured against organizational goals. The DOC staff interviewed during this study generally understood the department's vision and strategy; however, they were concerned about successfully achieving DOC goals because of the high rate of attrition in the acquisition management field.

➤ *Invest in performance management training for the team, not only traditional COR training.* Performance management training is likely to deliver a far greater return on investment in the long run. As employees improve their ability to manage by performance, they are at the same time developing skills to help them advance in their careers. DOC has done a commendable job in training its acquisition teams in performance management considering its budget constraints. Acquisition Solutions delivered a "Seven-Steps to PBSA" course to 24 DOC personnel in July 2004, including both program and contract staff from each of the five bureaus.

➤ *Strong, supportive, active leadership is essential.* There is no question that the leaders set the tone for the success of the program. At the outset of major, complex, and highly visible PBSAs, we recommend establishing a high-level "Board of Directors," comprised of top officials from the government and its winning partner, with a formal charter or partnership agreement that requires continual open communication, self-assessment, and ongoing interaction. Because this study focused on reviews of non-PBSA projects, this element of performance management was not addressed with interviewees.

➤ *Don't pass off a complex performance-based contract to less-qualified, less-experienced employees to administer.* Don't declare success at contract award and don't relegate management responsibilities to "administrative" staff. The contract will be doomed to fail. If "cradle-to-grave" contract formation and administration is not possible, ensure that both the procuring and administrative contracting officials are members of the pre-award team. Though some of the DOC staff interviewed during the study described their duties as "cradle to grave,"

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many still pass contract awards to contract administrators who are unfamiliar with the contract formation details. Other interviewees explained that high staff turnover rates prevented acquisition team continuity.

➤ *Bring at least part of the pre-award acquisition team into the contract performance team.* To achieve success in performance-based acquisition, the agency must retain at least a core of the original acquisition team on the project for performance management. This is an important aspect of knowledge management. They will have the most knowledge, experience, and insight into what needs to happen next and what is expected during contract performance. The post-award team should remain multidisciplinary to be most effective. The team should include members from the agency's program, contracting staff, financial, user, and legal departments, along with the contractor's representatives. All of these skills are required to create and manage a true performance-based approach to an agency's needs. A team that has been through pre-award market research, development of a statement of objectives, due diligence, proposal evaluation, and award, and that remains together for post-award management, is more likely to succeed. The DOC staff interviewed during the study accepts and understands that the multi-disciplinary team approach is best, but the practicalities of a heavy work-load and understaffing undermine their ability to maintain a cohesive team.

➤ *Don't rely on existing guidance on contract administration.* Much of the existing guidance "shoots too low" and is out of step with the times. Update and revise policy and procedures to reflect today's acquisition environment which is characterized by best-value selections, performance-based contracts, and industry partnerships. The DOC maintains a robust electronic policy library with various innovative acquisition documents; however some PBSA resources should be added and others revised.

➤ *Make sure each member of the team has read the contract and agrees on its performance base.* Whether or not a contract is labeled performance-based, the members of the team (including the contractor) should achieve consensus on the contract about what is to happen, when it is to happen, and at what cost. The DOC staff members interviewed during this study were not specifically asked this question; however, given the lack of continuity in acquisition team members, it is a safe assumption that those responsible for contract performance are not intimately familiar with the contract objectives and performance requirements.

➤ *Now put the contract away and put a leader in charge of the relationship.* Any type of performance management is ultimately about leadership and people, not paper. People get things done, contracts don't. Find a leader who understands the job and the opportunity that "managing relationships, managing contracts" offers them. This aspect of performance management was not specifically addressed during this study, but the interviewees' skills, experience, and education demonstrate their capability to effectively manage relationships in a performance-based environment.

➤ *Develop a contract management strategy or plan, and assign roles, responsibilities, and accountability for managing contract performance.* The team should develop the contract management strategy or contract management plan. For performance-based contracts, much of the contract management approach will be spelled out in a Quality Assurance Surveillance Plan (QASP), developed either by the government or the contractor. The QASP documents how the contract will be monitored to ensure that the defined performance metrics are being achieved. Accountability is of the utmost importance. Make sure the people assigned the most direct roles

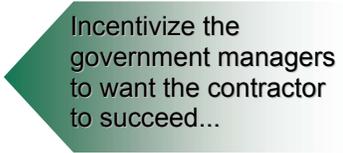
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for managing contract performance understand the contractual relationship and have the training and resources necessary to perform their roles. Most of the DOC staff interviewed for this study had not used QASPs, and were unsure how to conduct performance measurement.

➤ *Accept that “change is constant” in life...and in contracting.* Change is the only constant, and the best idea today will be superseded by technology and system advancements tomorrow. Encourage the contractor to continuously seek more effective processes, procedures, and technological enhancements to achieve the desired results. If the contract is truly performance-based, it should be possible to perform, measure, learn, adapt, and change without constantly issuing contract modifications. This is a hallmark of the “managing relationships” concept. Despite that this study focused on a review of non-PBSA projects and interviews of those who managed them, the interviewees frequently described processes and methods for achieving process improvement.

➤ *Consider incentives for government team members too.* A great way to promote accountability is to link team members’ performance evaluations directly to the performance of the contractor. Incentivize the government managers to want the contractor to succeed, just as you incentivized the contractor to want the government to meet its goals. A review of DOC’s sample employee performance evaluation documents revealed that shared performance goals are not used.



Incentivize the government managers to want the contractor to succeed...

➤ *Meet regularly and review performance in a Contract Performance Improvement Working Group.* Performance reviews should take place on a regular basis, and that means much more than the annual “past performance” reviews required by regulation. These are contract management performance reviews, not for formal reporting and rebutting, but for keeping the project on course, measuring performance levels, and making necessary adjustments. Though none of the DOC staff interviewed during this study used the term “contract performance improvement working group,” many interviewees described regular meetings with the contractor and internal customers to assess performance and identify areas for improvement.

➤ *Communicate “the right way” to continually reassess performance and the performance measures.* It is important to keep the focus of communications with the contractor on improving performance, not evaluating people—diagnosing problems, not punishing the contractor. The team should continually revisit the success measures the team identified during the planning stage and revise as the project matures. Because this study focused on a review of non-PBSA projects, this aspect of performance management was not addressed.

➤ *Understand that the relationship is as—or more—important than the metrics...especially if the metrics are wrong!* Encourage healthy behavior on both sides. Firms in collaborative relationships believe that relying on metrics alone can undermine their intentions. The complexity of the work in collaborative relationships almost always means that contractors don’t have complete control over the ability to meet their promises. The government and service delivery partners have to hold up their end of the bargain too. Agencies need to consider how to modify their own practices and related contract incentives to achieve shared objectives. Because this study focused on a review of non-PBSA projects, this aspect of performance management was not addressed.

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- *Manage and monitor only the most important metrics.* When examining performance metrics, be sure that only the most essential are tracked. The need for every piece of paper that the contractor generates should be scrutinized. Cut out unnecessary paperwork and reports; don't use them as a crutch for weak management skills. Because this study focused on a review of non-PBSA projects, this aspect of performance management was not addressed.
- *Don't revert back to "traditional" contract management (administration) on a performance-based service acquisition.* Keep in mind that when managing a performance-based contract, the government is buying results, not compliance. The focus during contract management should be on establishing the team relationship and putting in place an effective management information system that provides accurate and timely information regarding performance—in effect, the QASP. Because this study focused on a review of non-PBSA projects, this aspect of performance management was not addressed. However, during one of the interviews under this study, a contracting officer explained that non-PBSA methods were being used for a recurring requirement because the internal customers were dissatisfied with the performance measurement process used under the prior PBSA contract.

It is no coincidence that most of the best practices listed above focus on the post-award stage of the acquisition process. All of the work is performed in this stage of the process, making it the place where strategic goals are deployed—and thus making it far more critical to mission success. Unlike traditional processes in which the contract is awarded and the team disperses, there is a growing realization that “the real work” of acquisition is in the performance management phase. It is unrealistic to pour resources into awarding a contract, watch the acquisition team disperse, and then expect a contract administrator to simply dust it off before sending it to close-out. Contract management is where the agency's effort should be intensified, not diminished.<sup>12</sup>

## 4. STUDY FINDINGS

Acquisition Solutions reviewed a large number of documents relating to DOC organization, management, staff development, training, and acquisition procedures. Based on a review of these documents and the staff interviews, Acquisition Solutions discovered several excellent examples of processes and procedures that facilitate implementation of PBSA.

- Several interviewees described excellent integrated teaming and vendor partnership relationships.
- Some core acquisition teams prepare a business case analysis to determine the acquisition strategy and assess the applicability of PBSA.
- An acquisition strategy review process ensures that all acquisitions link to the bureau's mission.
- Several interviewees described a contracting organization that is highly-committed and very successful at PBSA.
- One bureau uses a PBSA transformation and management specialist to assist other staff members who are less knowledgeable or experienced.

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<sup>12</sup> Duke, E., and Schambach, P., Making Performance-Based Contracting (and Relationships) Work, Public Manager (Winter 2003-04).

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- DOC leadership is chartering a course for change to create a performance-based organization.<sup>13</sup>

#### 4.1 Organization and Management

A majority of the contracting officials interviewed understood the benefits of PBSA and were aware of DOC's PBSA goals. However, most industry and program officials interviewed did not understand the benefits or elements of PBSA, and fewer still knew about DOC's goal.

Another significant finding in this review area is that the bureaus are facing budget reduction exercises. Forced to reduce spending, they have cut employee training budgets, limiting the number of opportunities for PBSA training.

Further complicating DOC's ability to implement PBSA is procurement and program office staffing attrition. Understaffed organizations are forced to apply their limited resources in the most efficient manner possible, which inhibits their ability to implement any acquisition reform initiative, including PBSA.

#### 4.2 Staff Training and Development

Though a lot of DOC's contracting staff have had PBSA training, few of those interviewed had actually awarded or managed a PBSA. Normal employee turn-over and the obsolescence of skills not used have left a few procurement offices in need of experienced PBSA mentors and another round of PBSA training.

A significant lack of COR PBSA training inhibits DOC's ability to achieve its PBSA goals. DOC has a robust COR training and certification program, yet most of the CORs that Acquisition Solutions interviewed said they had little more than a module of PBSA training in their coursework.

#### 4.3 Acquisition Procedures and Review

The U.S. Patent and Trademark Office (PTO) is exempt from the FAR and applies its own PTO Acquisition Guidelines to PBSAs; all of the other DOC bureaus are bound by the FAR. Conversations with HCOs and an evaluation of DOC's 2003 PBSA report indicate that success with and barriers to implementing PBSA appear to be independent of whether an organization is bound to or exempt from the FAR. One of the bureau's SOW-SOO transformation efforts has taken more than 18 months, and this delay appears to have more to do with PBSA uncertainty, inexperience, and risk aversion than acquisition procedures.

Contracting (Procurement) Review and Approval Requirements, Department Administrative Order (DAO) 208-5, as amended March 1988, provides outdated guidance, and in some cases the bureaus have supplemented the DAO with local guidance.

Management of Contracted Services, DAO 208-10, dated January 1985, provides guidance to ensure adequate procedures are in place to monitor contracted services, to evaluate their cost-effectiveness, to hold contractors accountable for results, and to ensure the department gets what it is paying for.

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<sup>13</sup> DOC OAM, A Case for Change: Business Brokers for Program Success (May 2004).

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## 4.4 Commerce Interview Findings

The findings in the subsections below come entirely from Acquisition Solutions' interviews of the COs, CORs, HCOs, and industry executives. Acquisition Solutions conducted 39 interviews of acquisition team members. Many of the findings only reflect the impressions of the interviewees and may not be completely accurate; however, employees' perceptions create their reality, so they should be given as much consideration as facts.

### 4.4.1 Integrated Teaming

The program officials often conduct acquisition planning without the participation of contracting officials because the staff in the procurement departments is spread so thin. Not only do staffing shortages leave little time for contracting officers to focus on acquisition planning, but they often neglect two other critical steps in PBSA, market research and due diligence.

National Oceanic Atmospheric Administration (NOAA) interviewees believe that integrated teams are not used as a general rule, and feel that true acquisition planning is uncommon. Contracting staff members receive little or no advance communication about program acquisition plans. The program office prefers that no contract specialists be involved in their requirements definition or source selection efforts.

### 4.4.2 Market Research

If market research is conducted, the responsibility is delegated to contracting officials. Most research is conducted using the Federal Business Opportunities website through the use of sources sought announcements. Research on the availability of solutions in Federal Supply Schedules or government-wide contracts is rare.

Rather than conducting updated market research for a repetitive requirement, one office relies on a legal opinion issued in 1983 for classification of their project as a supply.

One-on-one meetings with industry experts are not a common method of market research. The few attempts at this type of market research have devolved into the contractors' providing canned capability briefings.

### 4.4.3 Performance Objectives

A contracting official and a contractor share the opinion that disincentives tied to poor performance are unnecessary. The interviewees believe that past performance evaluations and the possibility of a contract termination are incentive enough to encourage quality contractor performance. The contractor was especially concerned that application of disincentives would reduce an already low profit margin on government contracts. In the few PBSAs that the contractor has performed, she believed the measures were unrealistic, unsubstantiated, and unattainable.

Program officials are uncomfortable describing their projects with a SOO. Tight government oversight, direction, and control are perceived to be necessary to ensure the safety and security of expensive equipment and/or complex service projects. Though they leave as many aspects of performance as possible to the contractor's discretion in SOWs, program officials believe the projects' constraints require that a detailed directive specification be included in contracts.

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#### 4.4.4 Due Diligence

Due diligence is rarely used. Contractors, COs, CORs, and legal counsel share a concern that the due diligence process will enable some competitors to obtain an unfair advantage. The Office of General Counsel officially discourages the practice in one of the bureaus out of fear that it will expose the department to protests.

#### 4.4.5 Source Selection

Source selection plans are usually developed before request for proposals (RFPs) are issued, and proposal evaluation is the responsibility of program and contracting officials.

One contractor felt confident that his company is capable of submitting a successful proposal to a PBSA solicitation; however he doubted that other service providers would be sophisticated enough to prepare a performance-based proposal that could unseat an incumbent contractor.

A program official expressed concern that the requirement for contractors to develop a SOW and a QASP will limit competition in an already small market. This interviewee was also concerned that small businesses do not have the resources necessary to devote to PBSA training and the development of new proposal development skills.

Two different program managers contracted with specification writing specialists (an architect/engineering firm and a systems engineering and technical assistance firm) to develop detailed SOWs that included the same elements recommended for a SOO: Purpose, Scope, Period and Place of Performance, Background, Program Objectives, and Constraints.

One of the procurement offices uses contractor advisory and assistance services to facilitate their contract formation and administration efforts.

#### 4.4.6 Partnership Management

The successful completion of contract tasks is often dependent on the work of government teams or other contract service providers. Contractors feel they are often held responsible for problems that are outside their control. Contractor teams often work side-by-side with their government counterparts, and contractors often find their performance being directed by the government site lead.

The National Institute of Science and Technology (NIST) government team establishes a close partnership with the Malcolm Baldrige National Quality Award (MBNQA) contractor. The government-contractor team conducts monthly evaluations of each other's performance and addresses deficiencies accordingly.

### 4.5 Transformation Potential of DOC Projects

The criteria for selecting the DOC projects for review included a requirement that they be non-PBSAs. Acquisition Solutions believed that by reviewing projects that didn't use PBSA techniques, a clear picture of barriers could be developed. A list of each project's significant barriers is provided in Appendix E, PBSA Findings Matrices, but in general, the barriers stem from little or poor PBSA training and experience. In an ideal performance-oriented organization, all of the projects Acquisition Solutions reviewed could have been successfully transformed into PBSAs. Only with more training and experience will the acquisition community fully comprehend the elements and benefits of PBSA.

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#### 4.5.1 Acquisition Solutions Reviewed 10 DOC Projects

- NOAA
  - ◆ National Environmental Satellite Data and Information Services (NESDIS) RFP for NOAA Satellite Operations Facility (NSOF) Relocation Services
  - ◆ Western Administrative Support Center Seattle RFP AB133F-04-RP-0034 for Charter Vessel, Marine Debris Removal, and Transportation
- NIST
  - ◆ Contract SB134103C0031, Relocation of the Advanced Measurements Laboratory
  - ◆ RFP for MBNQA Administration Service
- U.S. Census Bureau (Census)
  - ◆ Task Order under Contract 50-YABC-2-66039, MAF/TIGER, Architecture Redesign
  - ◆ RFP 52-SOBC-4-00011, Xerox Maintenance and Repair Service
- PTO
  - ◆ Task order 46PAPT303010, Patent Data Capture Service
  - ◆ RFP 52-PAPT0401006, IT Product Assurance Service
- Office of the Secretary (OSEC)
  - ◆ Contract 50-SAAA-0-00011, Health Care Service
  - ◆ Herbert C. Hoover Building Elevator Maintenance and Repair Service

Most of the ten projects exhibited at least one of the performance-based attributes, but there was a wide range in the extent to which they did. Bureaus strived to build in performance-based attributes, but overall they felt that they still needed to be prescriptive and to exert strong oversight because the services themselves presented considerable risks.

#### 4.5.2 Acquisition Solutions Identified DOC's Top Ten PSCs for PBSAs

The DOC "FY03 PBSA over 100k" report lists each bureau's service contract transactions over \$100,000. An analysis of the report data revealed the ten most common Product/Service Codes (PSCs) that the bureaus reported when using PBSA methods:

D301- ADP facility operations & management	D302 - ADP systems development services
D304 - ADP telecomm & transmission services	D306 - ADP system analysis services
R421- Prof services/technical assistance	R399 - Other ADP services
R499 - Other professional services	R699 - Other administrative support services
R408 - Prof services/program management & support	D399 - Other ADP & telecommunications services

The service contract actions in these same PSCs for which bureaus reported NOT using PBSA methods are DOC's prime targets of opportunity. Since the bureaus awarded \$330M using PBSA methods in these PSCs, it is logical to assume that the other \$192M awarded in these PSCs may also be transformed into PBSAs. Had this \$192M of service transactions been transformed in FY2003, then DOC's FY03 PBSA percentage would have been 48%, far exceeding DOC's FY2003 PBSA goal of 30%, and even surpassing the FY2004 goal of 40%. The table on the following page contains the data points on which this finding is based.

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	Transactions	Value
FY03 Total Service Contract Transactions over \$100k	19,799	\$1,190,548,673
FY03 PBSA Transactions over \$100k	1,062	\$379,384,271
FY03 PBSA Percentage	5.3%	31.8%
<b>Top 10 PSC, and PBSA is "YES"</b>		
Top 10 PSC, and PBSA is "YES"	830	\$329,949,116
<b>Top 10 PSC, and PBSA is "NO"</b>		
Top 10 PSC, and PBSA is "NO"	2,580	\$192,335,748
FY03 PBSA Percentage if Top 10 "NO"s were transformed	18.4%	48.0%

Table 2: DOC Top Ten PSCs for PBSA

## 5. RECOMMENDATIONS

### 5.1 Enhance Commitment to Performance-Based Service Acquisition

#### 5.1.1 *The many benefits of performance-based service acquisition should be communicated to program officials and major service delivery partners in a bureau-level memorandum*

PBSA benefits include:

- ◆ Increased likelihood of accomplishing mission
- ◆ Better value and enhanced performance
- ◆ Government prepares no detailed specification or process description
- ◆ Better competition: not just number of contractors, but technical approaches
- ◆ Shared incentives permit innovation and encourage cooperation
- ◆ Less frequent, more meaningful surveillance
- ◆ Focus on intended results, not process
- ◆ Less government performance risk
- ◆ Contractor flexibility in proposing solution
- ◆ Contractor buy-in and shared agency objectives
- ◆ Less likelihood of protests due to open communication and process transparency
- ◆ Performance results documented for GPRA reporting

The audience for this memorandum should be both contracting and program officials, and it should be signed by the bureau's senior program and contracting official. A similar letter should be sent to service delivery partners who help execute a significant portion of the bureau's mission. Acquisition Solutions recommends that DOC incorporate a PBSA past performance evaluation criteria in its evaluation factors for award—not only for PBSA contracts for mission-related requirements, but for acquisition support service contracts as well, to ensure that those companies providing acquisition advice to programs have the requisite skills and experience in PBSA to provide current and sound advice. In its letter to industry officials, bureaus should put the service contractors on notice that they will be expected to have training or experience in managing or performing PBSAs.

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Readers of the memorandum must understand that the success of PBSA is a shared goal. The memorandum must explain that PBSA is not a new initiative, just a legacy process that has been given new focus because of the explosion of service contracting in recent years and because of the Administration's linking of performance to budget. The audience must be made aware of the OFPP and DOC PBSA goals, and should be informed about DOC's progress to date. The memorandum must detail to which service categories PBSA techniques apply. The table below includes developed service spend categories that may be included in the memorandum.

### **Developed Service Spend Categories**

#### **Construction Services\***

*Architect/Civil Engineering Services  
General/Buildings/Facilities  
\*not included in PBSA statistics, but  
can be candidates for PBSA*

#### **Special Studies/Analysis**

*Environmental/Agricultural  
General Sciences  
Financial/Management/Advisory*

#### **Equipment Management**

*Maintenance/Repair  
Installation  
Lease/Rental  
Technical Representative Services  
Quality Control/Inspection*

#### **IT/Automation**

*Systems Analysis/Development  
Telecommunications/Networking  
Systems Acquisition Support  
Data/Security Services*

#### **Medical/Health Services**

*Medical Services  
Lab Testing Services*

#### **Education/Training**

*Technical/Scientific/Management Training  
Educational Services  
Tuition/Fees  
Training Development*

#### **Facilities**

*Facilities Maintenance/Management  
Purchase/Lease/Rental of Facilities  
Operation of Government Facilities  
Energy/Utilities*

#### **Professional/Administrative Services**

*Program Management  
Engineering/Technical Services  
Management/Advisory Services  
Administrative Support Services*

*Table 3: Developed Service Spend Categories*

The memorandum should caution readers to consider the impact of PBSA on competition. Discretion will be necessary to determine the probability that implementing PBSA will (1) increase the likelihood of service quality improvements, (2) result in cost-efficiencies or innovations, (3) be amenable to application of performance metrics, and (4) increase likelihood of achieving mission objectives. The probability of these benefits should be weighed against the risks, including the possibility that implementing PBSA will (1) decrease the competitive pool, (2) strain small businesses' proposal preparation budgets, (3) demand PBSA expertise from an unsophisticated pool of service providers, or (4) impose unreliable performance standards on the contractor.

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### **5.1.2 Acquisition Solutions recommends that DAOs include PBSA initiatives**

Acquisition Solutions recommends that Contracting (Procurement) Review and Approval Requirements, DAO 208-5, be updated to incorporate some of the bureau's local procedures. The development of a business case analysis that includes a PBSA determination, and the process of tying acquisition plans to strategic goals, are just two examples that could be helpful if applied department-wide.

Acquisition Solutions recommends that Management of Contracted Services, DAO 208-10, be revised to provide updated guidance on service contracting. The requirements of FAR Concepts should be incorporated that encourage effective performance-based management as the preferred method of ensuring the department gets what it is paying for.

### **5.1.3 Implement change management activities that will increase program and contracting employees' acceptance of PBSA**

In order to accelerate a cultural change from compliance management to performance management, DOC's senior program and contracting officials will need to create an environment that will encourage changes in employee behavior.

"Two of the most common putdowns, 'flavor of the month' and 'this too shall pass,' originated in response to management fads. Such reactions allow employees who see themselves as passive objects of management whims to bond against leaders of the organization. . . . Nearly two decades ago, Professors Richard Guzzon, Richard Jette and Raymond Katzell analyzed 98 empirical studies by scholars on how organizational intervention programs affect employee productivity. . . . The professors concluded in *Personnel Psychology*, that on average all kinds of interventions . . . had positive effects on productivity. Goal-setting and training were the most effective. . . ."14

Overcoming this resistance to "management fads" will require a significant investment, but when employees see and believe in senior management's commitment, when they see successful outcomes, a critical mass of acceptance will form. This critical mass will spread and increase employee acceptance; ultimately, acceptance will create a more efficient application of PBSA department wide. A more detailed discussion of cultural change and communication will be provided separately in Acquisition Solutions' separate PBSA Marketing Plan. Figure 2 on the following page depicts the notional concept of the cultural change process.

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<sup>14</sup> Steven Kelman, "The Last Laugh," Government Executive, May 15, 2004: p. 66.

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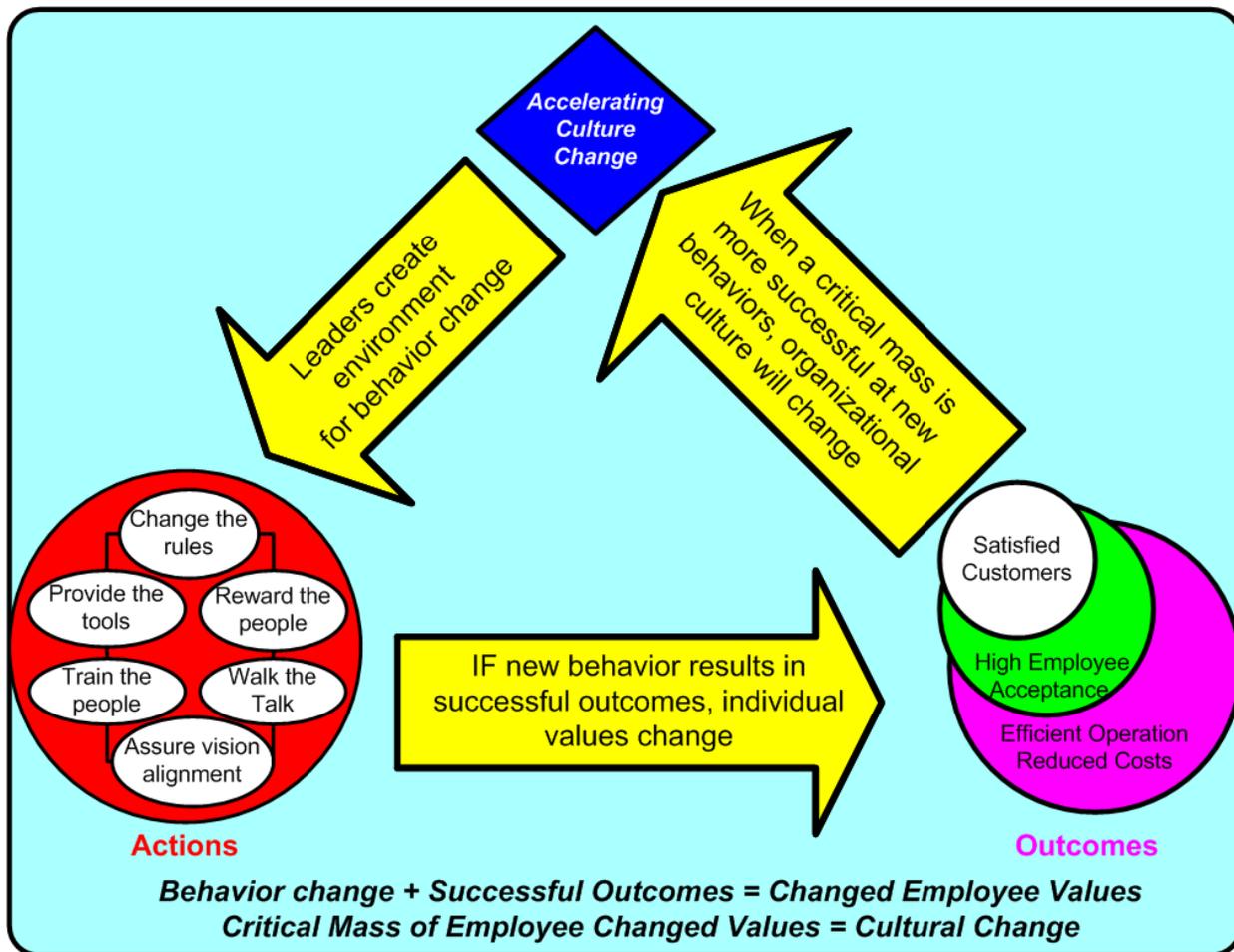


Figure 2: The Cultural Change Process<sup>15</sup>

## 5.2 Create a robust training program

### 5.2.1 Acquisition Solutions recommends that DOC develop a robust PBSA training program for both CORs and COs

Acquisition Solutions has coordinated with OAM to provide PBSA training to 24 of the acquisition team members who were interviewed as a part of this assessment report. Acquisition Solutions will work with OAM representatives to tailor its Seven Steps to Performance-Based Acquisition™ course to address the findings and recommendations in this report. The primary course revision will be to use actual DOC SOWs in the case studies and conduct course exercises to transform the SOWs into SOOs. These exercises will be documented into templates and samples for use throughout DOC. Upon completion, the course attendees have the ability to become the “transformation” specialists each bureau needs to mentor its less-experienced staff.

<sup>15</sup> Developed by Karen Sorber for a seminar sponsored by Council for Excellence in Government (circa 1999-2000) while employed by Logistics Management Institute.

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During interviews, Acquisition Solutions asked if there were bureau requirements that might lend themselves to PBSA, and the following projects were identified:

- Janitorial service
- HVAC system remodeling service
- Patent examiner training service
- Patent data capture service
- Operations and maintenance service
- NSOF communication and cabling installation service
- International Joint Polar System Operations Center communication service
- Personal computer and maintenance and repair service
- Printer/copier maintenance and repair service

Acquisition Solutions recommends that the existing SOWs for these requirements be provided to Acquisition Solutions four weeks in advance of the training date (July 20-22, 2004) for incorporation into course material.

**5.2.2 Acquisition Solutions recommends that CORs be required to complete an in-depth PBSA training course or have demonstrated experience as a prerequisite to appointment as a COR on a service contract**

This recommendation is consistent with Commerce Acquisition Manual (CAM) 1301.670, COR Certification Program. The manual gives the CO the discretion to require that CORs have PBSA training before appointment, and DOC should encourage COs to exercise their discretion.

**5.2.3 Acquisition Solutions recommends that DOC ensure PBSA reporting accuracy by selecting a random sample of FPDS PBSA reports and reviewing the corresponding contract files**

The lack of PBSA training and inexperience may result in faulty reporting and inaccurate data. The only way to confirm that PBSA training programs have educated employees effectively is to review the contracts to ensure they include every element of a PBSA. During interviews with acquisition team members and industry executives, Acquisition Solutions discovered some misconceptions about the elements of PBSA. According to OFPP guidance performance-based contracts should have the following attributes:

1. *Requirements described in terms of results required rather than the methods of performance of the work.* Agencies should structure performance of work statements in contracts around the purpose of the work to be performed, that is, what is to be performed rather than how to perform it. For example, instead of telling the contractor how to perform aircraft maintenance or stating how many mechanics should be assigned to a crew, the contract might state that the contractor is accountable for ensuring that 100 percent of flight schedules are met or that 75 percent of all aircraft will be ready for flight.
2. *Measurable performance standards.* Among other things, standards should be set in terms of quality, timeliness, and quantity. Agencies should ensure that each standard is necessary, carefully chosen, and not unduly burdensome. Failure to do so can result in unnecessarily increased contract costs. Agencies should also ensure that standards are

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not set so high that they could drive up the cost of service or too low that they may act as a disincentive to good contract performance.

3. *A description of how the contractor's performance will be evaluated in a QASP.* A good plan should include a surveillance schedule and clearly state the surveillance methods to be used. The plan should focus on the quality, quantity, and timeliness of the performance outputs to be delivered by the contractor, among other things, and not on the steps required or methods used to produce the service.

4. *Positive incentives, when appropriate.* Incentives should be used in a competitive environment to encourage competitors to develop and institute innovative and cost effective methods of performing the work. They should apply to the most important aspects of the work, rather than every individual task.

#### **5.2.4 Acquisition Solutions recommends that acquisition teams be educated on the purpose and practice of PBSA incentive plans. Organizations that really "get it" have similar performance incentives in their employees' performance standards**

Considering that poor performance on many service contracts persists despite traditional performance incentives (i.e., contract termination and past performance evaluations), PBSA includes a requirement that performance incentive plans be incorporated into each service contract. Many COs are uncomfortable with the idea of damaging a contractor's business reputation and viability, so in reality, contract terminations are rare and past performance evaluations are often inflated. Nothing will turn a contractor's poor performance around more quickly than learning the government is deducting a portion of the negotiated price for failure to meet an accepted quality standard. Giving timely, unbiased performance rewards or payment reductions through the contract QASP and incentive plan is the best way to encourage quality service from contractors.

#### **5.2.5 Acquisition Solutions recommends that acquisition teams be educated on the purpose and practice of PBSA due diligence**

Contracting, program, legal, and industry officials should understand the distinction between "discussions" and "exchanges with industry before receipt of proposals," and DOC should encourage acquisition teams to incorporate the process in their PBSAs.

Due diligence—the process during which competitors take time to learn about an agency's needs in order to propose a solution—is conducted under the rules espoused in FAR Part 15.201(b), "Exchanges with offerors prior to receipt of proposals." It states:

"The purpose of exchanging information is to improve the understanding of Government requirements and industry capabilities, thereby allowing potential offerors to judge whether or how they can satisfy the Government's requirements, and enhancing the Government's ability to obtain quality supplies and services, including construction, at reasonable prices, and increase efficiency in proposal preparation, proposal evaluation, negotiation, and contract award."

The more an offeror understands the government's objectives, constraints, and culture, the more likely the offeror will deliver a superior and executable proposal. FAR Part 15.201(f) addresses the operation of due diligence, as follows:

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“General information about agency mission needs and future requirements may be disclosed at any time. After release of the solicitation, the contracting officer must be the focal point of any exchange with potential offerors. When specific information about a proposed acquisition that would be necessary for the preparation of proposals is disclosed to one or more potential offerors, that information must be made available to the public as soon as practicable, but no later than the next general release of information, in order to avoid creating an unfair competitive advantage. Information provided to a potential offeror in response to its request must not be disclosed if doing so would reveal the potential offeror's confidential business strategy, and is protected under 3.104 or Subpart 24.2.”

The basic principle of due diligence is that one-on-one meetings are established to allow offerors the opportunity to ask questions that may reveal their confidential business strategy. A representative of the contracting officer should be in the room to ensure that answers to questions that are necessary for the preparation of proposals are subsequently provided to all offerors. Acquisition Solutions advises that a “disclaimer” statement be included in the uniform contract format Section L, “Instructions to Offerors,” stating that the government representatives will use their best efforts to answer honestly and to the best of their ability.

The need to treat contractors fairly cannot be stressed enough. FAR Part 1.102-2(b)(3) is the acquisition team's guiding principle in this area: “conduct business with integrity, fairness, and openness. Under due diligence, all contractors in the competition are given the same access and same time frame to conduct due diligence.”

### **5.3 Apply acquisition resources rationally**

#### **5.3.1 Acquisition Solutions recommends that bureaus hire or develop an existing staff member in both the contracting and program office to act as PBSA transformation facilitators**

The difficulty of training all members of acquisition teams in DOC's current fiscal environment makes the creation of a PBSA specialist position especially important to achieving its PBSA goals. If an experienced specialist had the responsibility and time to devote to various transformation or performance management projects, the core acquisition team would be assured that their PBSA efforts were on track and would eventually lead to a successful result.

The transformation specialist could play an important role in identifying the acquisitions planned for the DOC's top 10 PBSA PSCs and assist the acquisition team's efforts to transform them from traditional contracting methods to PBSA methods. Assigning resources to this role would go a long way toward increasing DOC's PBSA percentage and meeting its FY2005 goal of 50%.

#### **5.3.2 Acquisition Solutions recommends that bureaus conduct a strategic analysis of enterprise transactions to consolidate requirements and reduce workload**

The information gleaned from an effective spend management analysis will provide DOC with a number of benefits:

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- ◆ Improved contract prices and terms
- ◆ Better, more strategic use of employees
- ◆ Significantly shorter requisition and order fulfillment cycles
- ◆ Improve supplier performance
- ◆ Lower procurement administrative costs
- ◆ Enhanced negotiation leverage with suppliers
- ◆ Improved compliance with requirements contracts and decrease “maverick spend”
- ◆ Improved data gathering and reporting

In the course of implementing enterprise spend management, private-sector firms are saving hundreds of millions of dollars. Extrapolated to government spend, the savings would be huge—savings that can go directly to furthering DOC program needs and other high priority initiatives.

### **5.3.3 Acquisition Solutions recommends the DOC’s human capital plan be revised to include activities designed to reduce the risk of attrition**

DOC has implemented a human capital plan to reduce the risk of high turnover in mission critical occupations and the impending retirement wave (especially in the Senior Executive Service),<sup>16</sup> but emphasis should also be placed on the normal attrition in the front-line of the acquisition profession. Many of the interviewees expressed their frustration that they simply do not have the time to transform a traditional time and materials service contract into a PBSA. They say that co-workers have left, there are hiring freezes, and they are limping along with too few team members who understand PBSA. Professor Schooner, Co-director of the Government Contract Law program at the George Washington University, recently highlighted this very problem:

“Agencies focus on awarding contracts, not on managing those contracts once they’ve been awarded. This lack of oversight hides significant downstream costs. Nowhere is this more acute than with regard to service contracts. . . . [I]t is becoming increasingly evident that agencies are at risk of not having enough of the right people with the right skills to manage service procurements. Acquisition personnel shortages also have contributed to the proliferation of poorly structured personal services contracts. This is particularly unfortunate because it neutralizes another significant acquisition reform initiative: performance-based service contracting. Agencies have struggled to adopt performance-based service contracting as the norm. At the same time, workforce reductions and outsourcing pressures have conspired to increase the government’s reliance on personal services contracts, under which the government retains the function, but contractor employees staff the effort. Under such contracts, rather than using a performance-based approach, agencies all too often merely purchase labor.”<sup>17</sup>

Note that Professor Schooner didn’t say “contracting” or “procurement” personnel shortages have contributed to the poorly structured personal services contracts; he said “acquisition” personnel shortages have contributed. This is an important distinction, and as Acquisition Solutions interprets it, the DOC would benefit from conducting an analysis of both CO and COR staffing requirements to ensure adequate resources are available.

<sup>16</sup> FY 2003 Performance and Accountability Report.

<sup>17</sup> Steven L. Schooner, “Mismanaged Competition,” *Government Executive*, May 15, 2004: p. 70.

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## 5.4 Create Shared Performance Goals and Objectives

### 5.4.1 Acquisition Solutions recommends that DOC ensure all employees understand their role in meeting strategic objectives

Not only should employees understand their role in meeting strategic objectives, but DOC should deploy goals and objectives down to lowest organizational levels. Figure 3 below depicts the ideal deployment of DOC's strategic plan.

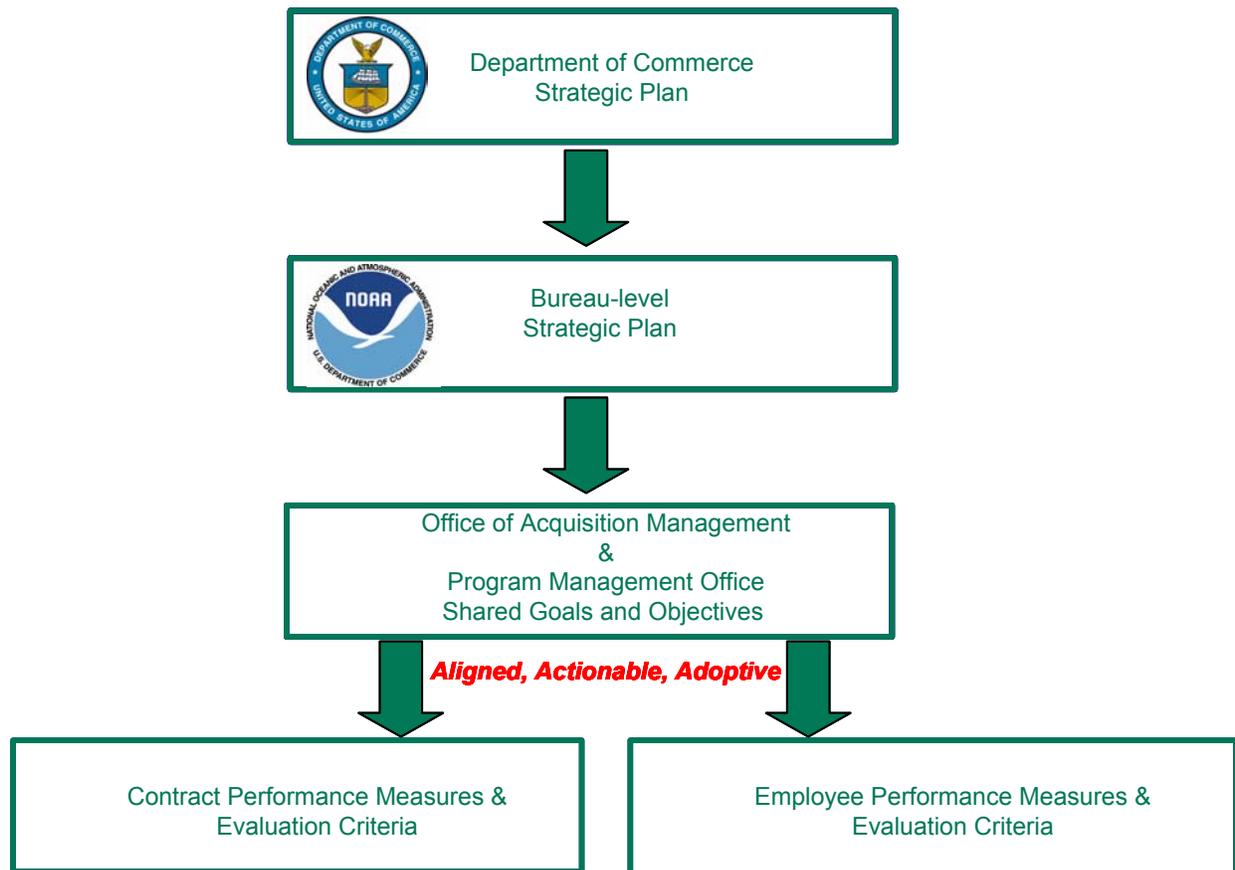


Figure 3: Ideal Deployment of DOC's Strategic Plan

Personnel managers should tailor applicable objectives and include them in employee performance criteria. To increase the likelihood of achieving strategic objectives, government employees and contractors should share the same goals. Acquisition managers should encourage contractors to align personnel and corporate goals to a bureau's objectives. The applicable objectives that were included in employee performance criteria should also be included in PBSA incentive plans. After establishing shared goals and objectives, performance should be periodically measured through contract QASPs and employee performance evaluations.

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## 5.5 Recognize, Publicize and Deploy Performance-Based Service Acquisition Best Practices

DOC must communicate best practices already employed in pockets of DOC to recognize success and create models for repeatable processes. Acquisition Solutions will provide a more detailed marketing strategy in a separate deliverable, but the table below provides the basic framework for a PBSA communication plan.

Vehicle	Audience	Objective	Frequency	Content Sample
Electronic newsletter and other publications	Established distribution list and other interested parties	To provide accurate and timely PBSA information	Semi-annually	Status updates, highlights, training, success stories
Word of mouth/meetings	Contracting and technical group meetings	To distribute and communicate accurate PBSA-related information	As scheduled	Status reports on contract, new requirements, success stories
Website	All stakeholder groups (external and internal)	To provide accurate, informative, and timely information on contracts	Ongoing	Status of new contracts, statistics on attainment of DOC goal, success stories
Official correspondence/policies directives	Senior procurement and program executives	To deliver high-level communication and/or policy statements	As needed	New DOC policy on usage of PBSA techniques
Email/listserv	Limited to specific groups based on subject	To provide contract specific information	As needed	Requests, new announcements, or status reports
Feedback surveys	All stakeholder groups	To measure the effectiveness of PBSA and other performance management activities	On-going/ as needed	Web-surveys, etc.
Technical fairs	All stakeholder groups	Gain support and create awareness of PBSA initiatives and activities	Scheduled technical meetings	Group and audience-specific

Table 4: Basic PBSA Communication Plan

## 6. SUMMARY

Until recently, an acquisition manager was “successful” if he was able to spend the funds he was allotted. Now, however, managers must be accountable for funds expended and must demonstrate they have accomplished the mission for which those funds were provided.

A successfully implemented results-based PBSA program benefits DOC in terms of meeting overall mission requirements and benefits the contractor in terms of remuneration, recognition, and potential future awards. Strategies need to be in place that allocate risk between the

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government and the contractor, tie contract payments to accomplishments, and take maximum advantage of commercial technology.

Although development of performance measures starts during the pre-award stage, the true test of measuring performance comes during the implementation stage of the contract. Communication is an important step in measuring performance. It is hard to underestimate the importance of continuously sharing results and progress toward program objectives with all stakeholders.

Formation and management of service contracts using PBSA is not simple. It requires a significant investment in changing organizational cultures and a long-term commitment by senior contracting and program executives. It is too easy to revert back to traditional methods of arms-length contract negotiation and compliance with prescriptive statements of work. But those agencies that resist this temptation, those that rise to the challenge of managing performance-based, mission-related acquisitions, will reap the ultimate reward: results.

At Acquisition Solutions, we view PBSA as a powerful tool that improves organizational and individual behavior. Our staff consists of trained experts in the project life cycle of capital planning, requirements definition, acquisition planning, contract formation, and project management. The best practices recommended in this report convey the essence of Acquisition Solutions' identity, "Our Business is Good Government," and will allow DOC acquisition professionals to become "Business Brokers for Program Success."

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**7. APPENDIX A: DEPARTMENT OF COMMERCE MEMORANDUM**

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

January 12, 2004

Memorandum for: Heads of Contracting Offices (HCO)  
*/signed by Christine Makris for Michael Sade/*

From: Michael S. Sade  
Director for Office of Acquisition Management  
and Procurement Executive

Subject: Facilitated Advancement of Performance Based Service Acquisition  
(PBSA)

It has been a long standing policy of the U.S. Government to utilize performance based approaches for acquiring services; however, this proven methodology has yet to be fully implemented within the Department of Commerce (DOC). Performance based service acquisitions offer many benefits including significant gains in contract quality, cost savings, contractor responsiveness, and customer satisfaction. Continuing resource constraints as well discussions about doing things differently held during the HCO conference in November 2003 provide even greater support for leveraging the benefits of PBSA. As you may recall, the HCO conference emphasized developing a strategy for becoming a performance based community and served as a forum where participants engaged in a collaborative visioning and planning process to define the organizational path ahead.

In September 2003, the Office of Acquisition Management (OAM) sought contractor assistance to provide acquisition assessment, facilitation and support services. This effort resulted in Acquisition Solutions Inc. (Acquisition Solutions) competitively winning the contract opportunity. The primary objective of this contract is to institute a results oriented performance based acquisition culture within DOC. This will involve reviewing DOC's implementation of PBSA, formulating recommendations for program improvement, promoting PBSA principles through training, seminars, workshops, assistance to acquisition teams, and dissemination of best practices.

DOC is committed to awarding no less than 50% of eligible service contracting dollars over \$25,000 using performance based techniques by September 30, 2004. In order to reach this goal, set forth in Office of Management and Budget (OMB) Memorandums [M-01-11](#) and [M-01-15](#), OAM will require your support to promote and expand the use of PBSA throughout the

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Department. In the upcoming weeks, January 12 – March 1, 2004, representatives from Acquisition Solutions will be contacting various Heads of the Contracting Offices (HCOs) to discuss aspects of implementation of PBSA within their respective offices. As Acquisition Solutions begins to identify and review a total of ten (10) current and new contracts that are not performance based in order to assess, improve and/or facilitate their potential transition to a performance based contract, HCOs are requested to provide logistical assistance to Acquisition Solutions, such as providing program and customer points of contact and locating contracting officers or specialists and contract files.

In the very near future, OAM will require your support to gather organizational, training, and policy information that will be needed for the PBSA assessment. Additional information regarding this data call will be forthcoming. As you look forward to the new year, we encourage you to embrace PBSA by taking advantage of every opportunity to incorporate performance based techniques into your acquisitions.

cc: Acquisition Council

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**8. APPENDIX B: PBSA ASSESSMENT PROTOCOL**

**REQUISITION/CONTRACT DATA**

Contract/BPA No	
Task/delivery order No	
Initial Award Value	
Current Contract Value	
Customer Agency	
PR Funding (Full/Incremental) and Amount	
Date of Award	
Contractor	
Period of Performance/Contract Term (including options)	
Contracting Officer/Tel.	
Item/Project:	
Contract Type (FFP, T&M, LH, CR, IDIQ, Incentive, hybrid) <u>T&amp;M</u>	
Procurement Office/address	

Type		Source	
	Supply		GWAC/MAC
	Service		FSS
	Construction		Agency IDIQ Contact
	A&E		Open Market
	IT		

**Commercial - FAR Part 12:**

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
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**Procurement Method:**

IFB	<input type="checkbox"/>	RFQ	<input type="checkbox"/>	RFP	<input type="checkbox"/>	Sole Source	<input type="checkbox"/>
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**CONTRACTING APPROACH/INNOVATIVE TECHNIQUES USED:**

<input type="checkbox"/>	Performance-Based Acquisition (PBA)
<input type="checkbox"/>	Share-in-Savings/Cost Sharing
<input type="checkbox"/>	Performance Incentives (Award Fee, Award Term)
<input type="checkbox"/>	Best Value Selection
<input type="checkbox"/>	Other:
<input type="checkbox"/>	None

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**INTERVIEW DATA**

Name	
Job Classification	
Series/Grade	
Organization	
Years at Commerce	
Years in present position	
Education level (major/minor)	
Certifications	
Training (particularly PBSA)	
Briefly describe your duties.	
Experience (diversified/specialized)	

Brief description of the service/program being reviewed:
At what point in the acquisition process did you get involved?
Was an Integrated Solutions Team used for acquisition strategy? If so, how were roles and responsibilities of team members delineated? If not, how could the acquisition have been positively impacted by using a team approach?
Was market research conducted? <ul style="list-style-type: none"> <li>▪ Was an Integrated Solutions Team used?</li> <li>▪ What resources were used to conduct market research?</li> <li>▪ Were public-sector solutions as well as private-sectors examined?</li> <li>▪ Were one-on-one meetings with industry and/or other agencies held before structuring the acquisition?</li> </ul>
Are you familiar with the OMB mandate to award performance-based acquisitions for 50% of your agency's procurement actions by FY 2005? Do you know how Commerce did for FY 2003? What plans do you have for implementation?
Have you had the opportunity to participate in a performance-based acquisition (PBA)? If so, briefly describe the acquisition.
Was there a link between the PBSA requirement and the agency's mission and performance objectives?
Was a Statement of Objectives used? If not, how was the acquisition described (i.e., SOW, Performance Work Statement)?
If a SOO was not used, could the following elements have been developed for this requirement? Purpose, Scope, Period and Place of Performance, Background, Program Objectives and Constraints?

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<p>Was “due diligence” conducted? If not, were any site visits allowed for industry, contractor meetings held with agency personnel, any open or one-on-one exchanges of information between the government and contractors?</p>
<p>During the acquisition strategy phase, were any of these methods considered:</p> <ul style="list-style-type: none"> <li>(1) FSS MSS</li> <li>(2) GWACs and MACs</li> <li>(3) FAR 15 advisory multi-step process</li> </ul>
<p>How were evaluation and selection conducted?</p> <ul style="list-style-type: none"> <li>(1) Were source selection and evaluation plans developed?</li> <li>(2) Was an evaluation team used?</li> <li>(3) Was a best-value selection made?</li> <li>(4) Was past performance a major evaluation criterion?</li> </ul>
<p>Would a SOO-Based Evaluation have been appropriate? Could the following factors have been considered:</p> <ul style="list-style-type: none"> <li>(1) Quality assurance plans</li> <li>(2) Past performance and experience</li> <li>(3) Commercial quality standards and awards</li> <li>(4) Oral presentations</li> <li>(5) Best value selection</li> </ul>
<p>After contract award, were industry partnerships established? If so, do they:</p> <ul style="list-style-type: none"> <li>(1) Encompass shared responsibilities, concerns and rewards?</li> <li>(2) Promote an environment which fosters creativity and new approaches and solutions to achieving agency objectives throughout contract performance?</li> <li>(3) Allow for measured outcomes or results achieved which are reported as part of the agency’s overall performance?</li> <li>(4) Other incentives to both contractor and Government teams?</li> </ul>
<p>If you have not had the opportunity to participate in a PBA, have any of your requirements been candidates for PBA? (Cover the elements reflected in Paragraph 6 above.)</p>
<p>What barriers existed which precluded PBA consideration? What steps did you take to educate the program representative on the PBA mandate?</p>
<p>Do you have existing contracts or new requirements that you believe could be candidates for PBA? If so, describe the acquisition. What obstacles do you perceive in pursuing PBA?</p>
<p>Relative to candidates for transformation to PBA or new requirements which may be candidates, can the following high level questions be answered:</p> <ul style="list-style-type: none"> <li>▪ What is the problem the agency needs to solve?</li> <li>▪ What results are needed?</li> <li>▪ Will the results meet the agency’s mission and organizational objectives?</li> </ul>



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## 9. APPENDIX C: PBSA ASSESSMENT DATA CALL

### ➤ Organization and Management

1. Organization chart(s) showing all contracting activities' organizational placement in the agency, each subordinate organization with the contracts activities to the branch or section level and primary types of actions/contracts handled by each branch/section.
2. Organization chart(s) identifying all major customers served by contracting activities, showing their organizational placement in the agency, annual acquisition budget, and number of acquisition actions conducted in the past year.
3. Names, titles, phone numbers and e-mail addresses of procurement staff and customer staff suggested for interviews (include contracting officer and program manager for contracts selected for review).
4. Copy of your agency's strategic plan; copies of deployed strategic/operational plans down through the organization identifying how the contracting organizational planning connects to higher level plan; and copy of recent annual financial report.
5. Copy of your agency's balanced scorecard or other metrics mandated for use agency-wide and flow down to contracting organization's performance metrics.

### ➤ Staff Training and Development

1. Sample of performance evaluation criteria for contact specialists, contracting officers, branch and section heads.
2. List of contract specialists, contracting officers, branch/section heads, including grade level, job series, title, education, certification level, warrant authority, and accomplished training (class title and hours) in past 3 years.
3. Description of your agency's contacting training program, professional acquisition certification program, and annual budget for training.
4. Individual training develop plans for all 1102 contracting personnel
5. COR training accomplished, including PBSA training, either by individual or total number of CORs trained from each customer organization.

### ➤ Acquisition Procedures and Review

1. Description of the review/approval requirements above the contracting officers (e.g., dollar value, lower level warrant, etc.) including internal and external management controls, business clearance, and legal review procedures.
2. Internal acquisition regulations, policies, processes, procedures, guides, performance measures, and any action plans. Include policies, memoranda, and goals associated with implementation of PBSA.
3. Policy and practice on how your agency administers its contracts.

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4. Reviews conducted within the past three years, including internal control reviews, procurement reviews, IG audits, and GAO reports that reflect on the adequacy and efficiency of the government's contracting operations.

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**10. APPENDIX D: PBSA DIAGNOSTIC TOOL<sup>18</sup>**

**PERFORMANCE-BASED SERVICE ACQUISITION DIAGNOSTIC TOOL**

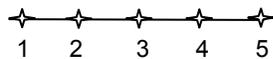
How well does your organization's performance compare to these six principles of an effective performance-based service acquisition program?

Grading Scale:

1-Strongly Disagree 2-Somewhat Disagree 3-Neutral 4-Somewhat Agree 5-Strongly Agree

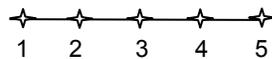
1. Leading, Aligning, and Focusing the Organization

We communicate to industry and our contracting/program officials the PBSA purpose, benefits, and Departmental goals.



2. Managing Human Capital and Talent

We aggressively retain high-performers and recruit candidates who can manage by performance.

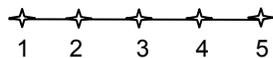


3. Integrating the Enterprise: Inside-Out

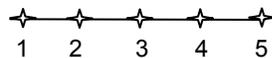
We effectively assemble and manage cross-functional teams to conduct acquisition planning.



We use acquisition staff metrics to conduct a trend analysis and realign resources as mission requirements change.



We adequately train and mentor contracting and program officials to enable effective PBSA formation and administration.



We provide industry the opportunity to understand government requirements through site visits and interviews to ensure they have the knowledge to propose their best solution for the best value.



Category Score: \_\_\_/10

Category Score: \_\_\_/10

Category Score: \_\_\_/10

4. Measuring and Managing Performance

5. Managing Knowledge and Information

6. Improving Acquisition Policies and Processes

<sup>18</sup> Acquisition Solution's proprietary methodology.

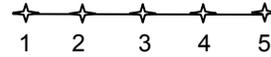
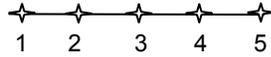
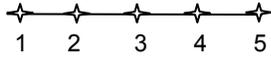
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Contract performance measures map to Departmental and business unit strategy, goals, and objectives.

We collect and disseminate PBSA best practices; we do not relearn lessons or invent tools twice.

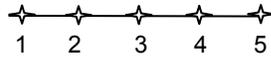
Our policies encourage establishing partnerships and managing by performance rather than arms-length contractual relationships and contract performance monitoring.



Government and contractor teams have shared measures, goals, and incentives.

We mine suppliers for innovation and leverage the knowledge and skills they bring to the enterprise.

We make interim adjustments to contract incentive plans to reflect shifts in scope and as actual results deviate from project goals.



Category Score: \_\_\_/10

Category Score: \_\_\_/10

Category Score: \_\_\_/10

Grading Results:

50 – 60: Processes enable organization to implement PBSA

35 – 49: Good progress with improvement opportunity

1 – 34: Process significantly misaligned

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**11. APPENDIX E: PBSA FINDINGS MATRICES**

<b>Census PBSA Findings Matrix</b>		
<b>Organization</b>	Acquisition Division  Room G-314, Bldg 3 4700 Silver Hill Road Suitland, MD 20230	Acquisition Division  Room G-312, Bldg 3 4700 Silver Hill Road Suitland, MD 20230
<b>2003 PBSA \$ Percentage</b>	20.40%	20.40%
<b>Project Description</b>	Xerox Maintenance and Repair	Master Address File Topologically Integrated Geographic Encoding and Referencing (MAF/TIGER) System Redesign Project
Reference Number	RFP 52-SOBC-4-00011	Contract 50-YABC-2-66039, TO 0001
Contract type/competition	FFP Service; 8(a) set-aside	T&M Service; Agency ID/IQ
Estimated total value	Unknown	\$3.7 Million
Period of performance	One year base, two 1-year options	21 months, 3/03 through 12/04
<b>Interviewees</b>	Eugene Hellams, COR Don Moses, Contract Specialist Jacqueline Brown, President, PPI Inc.	Ann Dimler, Program Manager David Gauldi, Task Order COR Donna Souders, Contract Specialist
<b>Findings</b>		
Organization/Management	Deployed strategic/operational plans unavailable. No demonstrated connection between Department mission and procurement.	Interviewees believe the task orders can be linked to the organizational mission. "Acquisition has all the money."
Training and Development	Census Acquisition Division has a well-developed 2004 training plan with over \$24k budgeted - no PBSA training planned.	None of the core team members have had detailed, recent PBSA training.
Acquisition Procedures	Contracting (Procurement) Review and Approval Requirements, DAO 208-5, as amended Mar '88 provides detailed guidance for all bureaus.	Management of Contracted Services, DAO 208-10, dated Jan '85 has an objective to ensure adequate procedures are in place to monitor contracted services, to evaluate their cost-effectiveness, to hold contractors accountable for results, and to ensure the Department gets what it is paying for.

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<b>Census PBSA Findings Matrix</b>		
Integrated Teaming	Excellent teaming, both internally and with contractors.	Tends to conduct planning without participation of contracting officials because resources are spread so thin. Current trend is more contracting involvement.
Market Research	Conducted by contracting officials.	Technical folks rely on knowledge of the industry and academia for determining state of the art. Organized a vendor day to allow ID/IQ contractors to market their services to Census customers.
Performance Objectives	Some performance-oriented metrics already developed.	No finding.
Due Diligence	Contractor is concerned that due diligence will enable some competitors to obtain an unfair advantage.	Not used.
Source Selection	Uses best value source selection procedures.	Highly competitive TO award, used best value source selection and chose the highest technically rated proposal.
Performance Partnerships	Contractor is aware of PBSA initiative; has researched practices, submitted proposals, and manages performance on other PBSA contracts.	Government contractor teams work side-by-side and their performance is interdependent.
<b>PBSA Strengths</b>	Success with repair and maintenance can be easily measured. Commercial service is common and should make a quality assurance plan easy to develop. Core team was willing to embrace PBSA implementation.	Industry has research and development investment necessary to provide expertise for redesign and system modernization.
<b>PBSA Barriers</b>	Contractor is concerned that disincentives will reduce already low profit margin. Believes measures are unrealistic, unsubstantiated, and unattainable.	Congressionally mandated mission of reporting geographic references makes control over performance very political. Unlikely that a contractor can be given free reign or determined to be independent and unbiased.

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Census PBSA Findings Matrix		
<b>Recommendations</b>	<p>1. Ensure all employees understand their role in meeting strategic objectives. Deploy strategic objectives down to lowest organizational tier. Tailor applicable objectives to employee performance criteria. Encourage contractors to align personnel and corporate goals to agency objectives.</p> <p>2. Redirect some training budget to PBSA training for contracting and program officials.</p> <p>3. Educate contracting, program, legal, and industry officials on the distinction between "discussions" and "exchanges with industry before receipt of proposals" (FAR 15.201).</p>	<p>1. Revise/update Department Administrative Orders to include PBSA initiatives.</p> <p>2. Separate roles/responsibilities of government and contractor teams. Establish shared goals and objectives, measure performance through contract quality assurance surveillance plan and employee performance evaluations. Allow experienced IT contractor to determine best way to approach non-political, technical aspects of system redesign.</p>

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NOAA PBSA Findings Matrix		
Organization	NOAA WASC	NOAA NESDIS
	Acquisition Management Division 7600 Sandpoint Way, NE Seattle WA 98115-6349	Acquisition Management Division 1335 E. West Highway Silver Spring, MD 20910
<b>2003 PBSA \$ Percentage</b>	16.70%	15.10%
<b>Project Description</b>	Vessel Charter and Crew for Research and Debris Removal	NSOF Relocation
Reference Number	RFP AB133F-04-RP-0034	RFP TBD
Contract type/competition	Supply, FFP, Full and Open	Service, CPFF, Full and Open
Estimated total value	\$5.2 Million	\$5 Million
Period of performance	One year base, three one-year options	Two year base
Award Date	Anticipated before 6/25/04	July 1, 2004
Interviewees	Michael Noah, DD/Pac.Island.Fisheries Heidi Sickles, Contracting Div. Chief Ed Rockenstire, Contracting Br. Chief Stephanie Kyles, Contract Specialist Gary Stauffer, Supv, Alaskan Fisheries	Helen Hurcombe, AGO Director Linda Shariati, Contracting Officer Paul Pegnato, NSOF Project Manager George Haynes, Mitretek Principal Raymond Corbo, Mitretek Snr Principal Robin Schwarzen, Mitretek Project Lead John Thompson, AGO Procure. Analyst
Findings		
Organization/Management	The Acquisition Management Division reports to the Deputy Director and Director of WASC. The acquisition community is responsible for persuading their customers that they need to use PBSA. Reorganization is being planned.	Ms. Hurcombe controls the contracting functions in the Silver Spring office, but has no oversight of the field offices. Her limited span of control and geographic distance allows NOAA PBSA initiatives to be conducted without uniformity.
Training and Development	Data call and interviews confirmed that Program officials/CORS have little PBSA. Very small training budget for contracting staff. Data call reports 13 acquisition personnel have had PBSA training in FY04.	Traditionally low staff attrition rate contributes to a change-resistant culture. Training budget is insufficient to retrain contracting personnel.
Acquisition Procedures	WASC has local standard operating procedures in hard copy format that supplement the CAM/FAR. The available research funding is defined in the annual appropriations bill. The	NESDIS relies on the CAM/FAR for guidance. NOAA Acquisition Instruction 04-01 addresses contract review and approval procedures.

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NOAA PBSA Findings Matrix		
	short season and uncertainty of funds availability limits acquisition planning time.	
Integrated Teaming	Teaming exists between the technical and acquisition offices.	NOAA generally does not use ISTs and true acquisition planning is uncommon. Contracting staff receive little communication about program acquisition plans.
Market Research	Relies on a legal opinion issued in 1983 for classification of this project as a supply. Sources of supply were identified by using lists of past offerors on similar contracts, and through constant interaction with industry.	The program office generally relies on their personal information of the project and identifies the source of supply for the contracting officers. The program office prefers no contract specialists be involved in their requirements definition or source selection efforts.
Performance Objectives	Performance objectives were not stated in the form of a statement of objectives. A detailed statement of work was included in the solicitation.	Mitretek developed a detailed, 90-page statement of work that included the same elements recommended for a SOO: Purpose, Scope, Period and Place of Performance, Background, Program Objectives and Constraints.
Due Diligence	Process was not included in the acquisition. One-on-one information exchanges are discouraged.	Process will not be included in the acquisition.
Source Selection	Source selection procedures were established and include a Source Selection Evaluation Board. Best value evaluation criteria will be used.	Source selection plan not yet developed.
Performance Partnerships	Partnership agreements are sometimes formally negotiated, but not planned for this project. Monetary incentives for achieving shared goals are not available at WASC.	None anticipated.
PBSA Strengths	Services that lend themselves to measurement and incentive plan: quality of crew service, provision of meals, availability of refrigeration/preservation of research collections. Considered to be a hybrid service/lease contract that could be improved by PBSA.	Services that lend themselves to measurement and incentive plan: relocation safety, timeliness, equipment condition, management control and schedule.
PBSA Barriers	Weather uncertainties make	Team approach to acquisition strategy

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NOAA PBSA Findings Matrix		
	<p>performance measurement difficult; vessel charter akin to a lease which is generally exempt from PBSA measurement; requirement classified as a supply.</p>	<p>not used. Short lead time from development of SOW to required start date diminishes opportunity for transformation. SETA contractor has little experience with PBSA and developed a 90-page SOW instead of a SOO. PM has had no PBSA training and has not accepted value of process.</p>
	<p>Proposed reorganization might make the team-building and communication process more difficult to effectively implement PBSA techniques. Understaffing and the unique budget process may impede achievement of agency PBSA objectives.</p>	<p>NOAA has suffered from tight budgets for so long that morale is deleteriously affected. Low morale may a) reduce commitment to an IST; b) inhibit a desire to participate in PBSA; and c) impede cooperation with other stakeholders. The program managers typically avoid changes they perceive to add no value, and avoid any acquisition initiative that competes for their program budget resources.</p>
Recommendations	<ol style="list-style-type: none"> <li>1. Resolve budget cycle issues to the degree that encourages stakeholders to commit time and resources to market research, SOO development, due diligence, and the rest of the appropriate steps of a PBSA.</li> <li>2. Make budget available for training acquisition stakeholders in PBSA. Ensure funds available for PBSA training nominees to travel to DC area in July 04.</li> <li>3. Educate contracting, program, legal, and industry officials on the distinction between "discussions" and "exchanges with industry before receipt of proposals" (FAR 15.201).</li> </ol>	<ol style="list-style-type: none"> <li>1. Communicate that the success of compliance with the OMB PBSA mandate is a team responsibility. Convey purpose for mandate and describe benefits of PBSA.</li> <li>2. Include a PBSA goal in program manager and contracting officer performance evaluations.</li> <li>3. Include PBSA experience as an evaluation criterion in source selection of CAAS contractors.</li> </ol>

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OSEC PBSA Findings Matrix		
<b>Organization</b>	Acquisition Services  Office of Acquisition Management 1401 Constitution Avenue, N.W. Washington, DC 20230	Acquisition Services  Office of Acquisition Management 1401 Constitution Avenue, N.W. Washington, DC 20230
<b>2003 PBSA Percentage</b>	63.10%	63.10%
<b>Project Description</b>	Clinical health services at 3 DOC sites	HCHB Elevator Maintenance and Repair
Reference Number	Contract 50-SAA-0-00011	RFP TBD
Contract type/competition	FFP Service, Small business Set-aside	FFP PBSA Serv., Small Bus Set-aside*
Estimated total value	\$2.44 Million	\$1.5 Million
Period of performance	Base year and four one-year options (Apr '00 to Sep '04)	Base year and four one-year options
<b>Interviewees</b>	Greg Shomo, Executive Vice President of Operations, AspenMed Services  Lottie Plater, Contracting Officer Richard Hartman, COR Tiffany Hixson, Director, Commerce Acquisition Solutions Division	Jacquelyn Johnson, ASI Support Contractor, o/b/o Deborah Locke, Contracting Officer  Joseph Prebble, COR
<b>Findings</b>		
Organization/Management	CORs generally perform contract management as a collateral duty; do not have time to learn new "acquisition" initiatives. Contract and program manager new to program.	In a fast-paced operational environment, there's no time to slow down to educate customers and industry on PBSA. Contract responsibility has passed through the hands of multiple contracting officers.
Training and Development	All contracting officials are already trained on PBSA or the training is scheduled in the FY04 training plan.	PBSA examples and templates are confusing. Too difficult to transform.
Acquisition Procedures	No finding.	SOW-SOO transformation has taken more than 18 months.
Integrated Teaming	Makes every effort to include all stakeholders in the acquisition planning process.	No formal IST; CO and COR developed SOO and coordinated with senior management.

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<b>OSEC PBSA Findings Matrix</b>		
Market Research	Will begin acquisition planning well in advance of expiration date to determine if a competitive PBSA should be pursued or a MOU with Dept of HHS, Federal Occupation Health.	Team conducted detailed research. Looked at FSS schedules.
Performance Objectives	Perception that disincentives tied to performance are unnecessary. Belief that past performance evaluations, and the possibility of a contract termination are incentive enough to encourage quality performance.	Performance objectives and incentive plan developed and included in the solicitation. Contractors will only propose the value of the performance incentives.
Due Diligence	Thinks due diligence is helpful, but OGC is concerned that it will expose the Department to protests.	Using due diligence pre-proposal, but not a two-step solicitation process.
Source Selection	Contractor doubts that other medical providers would be sophisticated enough to prepare a performance-based proposal well enough to unseat an incumbent contractor.	Concerned that requirement for contractor to develop SOW and QAP will limit competition. No evaluation team identified, no evaluation plan developed.
Performance Partnerships	Neither saw the need for the service provider to develop industry partnerships, but understood the need for shared goals between the contractor and government team.	No finding.
<b>PBSA Strengths</b>	Standard for quality of medical care can be readily developed. COR suggested using customer satisfaction surveys, quality reviews, industry standards of care, worker compensation contravention success rates, timeliness, and good personal interactions.	COR, CO, and acquisition support contractor are all PBSA trained. Elevator performance measures defined by industry research.

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OSEC PBSA Findings Matrix		
<b>PBSA Barriers</b>	<p>PBSA success perceived as a responsibility of the contracting community. Program officials must buy-in before it can be successful. Contractor is concerned that emergency medical events could deleteriously impact the success of routine service levels. COR's lack of familiarity with PBSA process.</p>	<p>Building management concerned that using an abbreviated SOO will result in the loss of several key tasks and requirements.</p>
<b>Recommendations</b>	<p>1. Deploy a robust communication plan to ensure program officials understand: the OMB mandate is a big "A" acquisition initiative; the benefits of linking performance directly to incentives; purpose of pre-proposal due diligence and distinction from discussions; how shared objectives ameliorate the risk of external influences on attaining performance standards.</p> <p>2. Include a PBSA analysis in acquisition plans and reject implementation if risk is determined to be high. Consider impact of PBSA process on service industry competition, proposal development capacity/capability, likelihood of performance improvement, commercial availability of performance metrics, reasonable pricing, etc.</p>	<p>1. Conduct a contracting and COR staffing analysis to ensure adequate resources. Ensure human capital plan addresses underlying causes for attrition.</p> <p>2. Allocate budget to recognize government/contractor teams for exceptional program success and cooperation.</p> <p>3. Hire or develop an existing staff member in both the contracting and program office to act as OSEC PBSA transformation facilitators.</p>

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NIST PBSA Findings Matrix		
<b>Organization</b>	Non-IT Svcs, Construction and A/E  Office of Contracts 100 Bureau Drive Gaithersburg, MD 20899	Non-IT Svcs, Construction and A/E  Office of Contracts 100 Bureau Drive Gaithersburg, MD 20899
<b>2003 PBSA \$ Percentage</b>	18.40%	18.40%
<b>Project Description</b>	Advanced Measurement Lab Relocation	Malcolm Baldrige National Quality Award (MBNQA) Administration
Reference Number	Contract SB1341-03-C-0031	RFP TBD
Contract type/competition	FFP Construction, Small Business set-aside	Hybrid FFP/CPFF Service, Full and Open
Estimated total value	\$4.5 Million	\$15 Million
Period of performance	13 months after NTP (Jul '03 - Aug '04)	One year base and four one-year options (Beginning Jul '04)
<b>Interviewees</b>	Paul Cataldo, Contract Specialist Michael Szwed, Contracting Officer Todd Snouffer, Deputy Project Manager Phyllis Bower, Director, Office of Contracts	Romena Moy, Contract Specialist Michael Szwed, Contracting Officer  Rachel Kinney, COR
<b>Findings</b>		
Organization/Management	CORs uninterested in PBSA initiative and training. Contracting staff spread too thin to spend much time on acquisition planning, market research, or due diligence. Office of Contract's (OC's) organizational placement provides little leverage to persuade program officials to cooperate with PBSA initiatives. OC is often not consulted on program and budget planning process.	Contracting is an overhead function: the programs fund their expense, so contracting officials take direction from the program officials. One of the contracting officers has been designated as a PBSA specialist and supports transformation efforts.
Training and Development	Most NIST CORs are not PBSA-trained or aware of OMB's PBSA mandate. Available PBSA training perceived to be of poor quality. Wants samples and templates, not theory. Core acquisition courses given funding priority because of limited training budget.	COR not PBSA-trained, but had an overview module as part of COR training. Acquisition training budget has remained unchanged from FY02-04. On-site pilot delivery of Writing Performance-Based Work Statements course in Mar '04 attended by 30

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NIST PBSA Findings Matrix		
		contracting and program officials.
Acquisition Procedures	Interviewee paraphrased a senior NIST executive, said that acquisition rules and regulations apply to DoD organizations, not to NIST's R&D scientific mission.	In FY03, the Office of Contracts executed 4,200 contract actions to 2,000 unique vendors.
Integrated Teaming	Little or no teaming exists at NIST. Generally, programs officials "throw it over the fence" and expect "cook-to-order service in a fast food world." On this project however, excellent long-term involvement and coordination of the core acquisition team in program planning and execution.	No IST used.
Market Research	Program officials prefer to work with the "usual suspects" and prefer sole source awards.	COR is familiar with the industry so market research unnecessary. Very few service providers have the MBNQA experience and meet the Congressionally-mandated requirement to be a non-profit concern.
Performance Objectives	Tight government oversight, direction, and control are necessary to ensure safety of \$300 Million sophisticated lab equipment. SOW leaves as many aspects of performance as possible to the contractor's discretion, particularly in area of moving and rigging.	SOW includes performance-oriented task requirements; however, not linked to incentives. Contractor's performance is evaluated on timeliness, outreach, financial, and administrative standards, and will provide a quality assurance plan for all major tasks. Despite these PBSA elements, perception is that a SOO would not be appropriate.
Due Diligence	A/E firm developed the detailed SOW and site drawings. Due diligence thought to be unnecessary.	Not sure it would be helpful in the acquisition process, given the competitive environment.

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NIST PBSA Findings Matrix		
<b>Source Selection</b>	Past performance was the most important evaluation criteria. Project manager chaired the evaluation committee.	Source selection plan and acquisition strategy approved by DOC review board. Past performance will be a major evaluation criteria and selection will be based on best value proposal. COR is the chair of the evaluation team.
<b>Performance Partnerships</b>	No finding.	NIST team establishes a close partnership with the contractor. Conducts monthly evaluations of each other's performance and addresses deficiencies accordingly.
<b>PBSA Strengths</b>	Relocation service providers capable of responding to a SOO using A/E-developed drawings and performance constraints. If the most critical performance objectives, timeliness and security, were properly incentivized and monitored, schedule efficiencies and improved quality would have been likely result.	Most elements of PBSA exist. SOW can be easily transformed to a SOO without losing any of the mandatory performance constraints. Purpose and mission of MBNQA program compliments PBSA initiative.
<b>PBSA Barriers</b>	Relocation service providers ill-equipped to develop extensive SOW based only on a SOO. Tech data, constraints and detailed drawings must be developed by a specialized A/E firm.	Lack of PBSA training.
<b>Recommendations</b>	<ol style="list-style-type: none"> <li>1. Ensure program commitment to OMB PBSA mandate.</li> <li>2. Conduct a contracting and COR staffing analysis to ensure adequate resources. Ensure human capital plan addresses underlying causes for attrition.</li> <li>3. Customize ASI's PBSA 7-step course offering to include exercises to transform DOC SOWs to SOOs. Document course activities and publicize results.</li> </ol>	<ol style="list-style-type: none"> <li>1. Train members of the program offices to be PBSA specialists who can help technical staff transform SOWs to SOOs.</li> <li>2. Conduct a strategic analysis of enterprise transactions and streamlining reforms; e.g., spend management analysis to consolidate requirements and reduce workload.</li> <li>3. Audit FPDS PBSA reporting for accuracy; i.e., lack of PBSA training and experience may result in faulty reporting and inaccurate data.</li> </ol>

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**NIST PBSA Findings Matrix**

4. Communicate that the success of compliance with the OMB PBSA mandate is a team responsibility and that no organization is exempt. Convey purpose for mandate and describe benefits of PBSA.

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PTO PBSA Findings Matrix		
<b>Organization</b>	IT Acquisition Division	Systems and Services Acquisition Division
	Office of Procurement 2011 Crystal Drive, CP1, Rm 810 Arlington, VA 22202	Office of Procurement 2011 Crystal Drive, CP1, Rm 810 Arlington, VA 22202
<b>2003 PBSA \$ Percentage</b>	64.40%	64.40%
<b>Project Description</b>	IT Product Assurance Recompete	Patent Data Capture Services
Reference Number	RFP 52PAPT0401006	Contract 50PAPT800007, Task Order 46PAPT303010
Contract type/competition	CPFF-LOE Service, Full and Open	FFP ID/IQ Service, Full and Open
Estimated total value	\$39 Million	\$400 Million
Period of performance	One year base, four one-year options (May '04 - April '09)	FY98 - 04
<b>Interviewees</b>	Carla Bowman, COR Sue Messina, Contracting Officer Joan Hanicak, Management and Program Analyst Mike Anastasio, Director, Office of Procurement (D/OP)	Page Etzal, Contracting Officer Mike Bleutge, COR Doug Schwartz, Alternate COR  Paul Hyde, Reed Technical Information Systems, Vice President, Finance  Kate Kudrewicz, Contracting Officer
<b>Findings</b>		
Organization/Management	Acquisition employees' performance evaluations include an objective to meet PTO strategic goals through effective and advanced planning in partnership with program officers.	Workforce attrition is a challenge to maintaining high-performing acquisition teams.
Training and Development	Many of the contracting staff's individual development plans include PBSA training as a developmental activity. CO and COR on this project are PBSA trained, COR used performance-based contract management techniques on current ITPA contract.	Not all certified CORs have had PBSA training; CORs on this project have only had a PBSA overview in other contract-related course. Contractor is unaware of OMB PBSA mandate.

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PTO PBSA Findings Matrix		
Acquisition Procedures	PTO transformed 1996 Acquisition CONOPS pilot into Reengineered Mission Acquisition Process. PTO exempted from FAR in March 2000, adopted unique Acquisition Guidelines in March 2003.	Acquisition Review process for contracts over \$5M ensures acquisitions appropriately support the PTO's strategic plan.
Integrated Teaming	Multi-functional teams focus on executing specific mission objectives that implement PTO and line office strategic plans. No formal IST on this project, but RFP was coordinated with all stakeholders.	Multi-functional team developed requirements and objectives.
Market Research	COR not involved in market research. CO issued a sources sought announcement in the Fed Biz Ops.	One-on-one meetings are not a common method of market research. Attempts have devolved into capability briefings.
Performance Objectives	Successful contractor proposed performance objectives in alternate PBSA proposal.	Contractor and government team share responsibilities but not rewards or incentives. Despite absence of incentives, government believes RTIS is constantly improving and increasing productivity.
Due Diligence	Not used.	No finding.
Source Selection	Two-step acquisition process used and publicized in Fed Biz Opps. Best value source selection.	Intends to recompetete project as a non-PBSA supply. Incumbent contract has performed this service for PTO for 33 years.
Performance Partnerships	ITPA performance impacts other mission partners because the function is an integral part of the enterprise architecture.	Contractor and government team consider contract performance directly linked to PTO mission.
<b>PBSA Strengths</b>	Competitors were given the option to submit a FFP PBSA as an alternate to the CPFF solicited. CO intends to implement successful contractor's PBSA proposal in option year one.	Contract has every element of PBSA, except the quality assurance surveillance plan is not tied to incentives. PBSA potential to enhance performance of approximately 1600 contractor FTEs.

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PTO PBSA Findings Matrix		
<b>PBSA Barriers</b>	<p>Program office did not support the PBSA concept as the primary acquisition strategy. Current ITPA service contract was converted from PBSA to CPFF because performance management proved unsatisfactory. Coordinating on-site ITPA service with other elements of the enterprise system encourages intense government direction and control over performance.</p>	<p>Accurate performance measurement is difficult because Government and contractor performance is interdependent. The patent conversion process is dynamic and involves many changes and error insertion points.</p>
<b>Recommendations</b>	<ol style="list-style-type: none"> <li>1. Include a teaming and cooperation performance evaluation criteria in the ITPA contractor's incentive plan. Negotiate similar criteria in contracts that impact other elements of the enterprise system.</li> <li>2. Educate core acquisition team on performance-based contract management.</li> </ol>	<ol style="list-style-type: none"> <li>1. Conduct a contracting and COR staffing analysis to ensure adequate resources. Ensure human capital plan addresses underlying causes for attrition.</li> <li>2. Emphasize market research in acquisition planning.</li> <li>3. Contracting officers who execute service contracts should require that their COR's have PBSA training before appointment IAW CAM 1301.67, COR Certification Program.</li> </ol>

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