



**NNSA Policy Letter: NAP- 4**  
**Date: October 9, 2002**

**TITLE: Corporate Performance Evaluation Process for Management and Operating Contractors**

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

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

III. REQUIREMENTS:

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

- PEPs will be 25-50 pages in length;
- PEPs will contain a total of no more than 25 Performance Objectives (POs) and Performance Based Incentives (PBIs), if applicable. [Note: Not all facilities utilize PBIs];
- PEPs will provide appropriate balance between present requirements and future needs;
- PEPs will provide appropriate weight/fee distribution among PBIs and Performance Objectives based on criticality of the represented scope and its relative cost, benefit and risk;
- PEPs for non-laboratory sites will provide for a "Comprehensive Incentive", as contractually applicable, for work elements basic to the operations of the site where continued satisfactory performance is desired (business; ES&H; Safeguards and Security, etc.) Laboratory sites may provide for a Comprehensive Incentive with the prior approval of the Fee Determining Official (FDO).
- FDO has the discretion to adjust the Field Element Manager's recommended rating or fee as contractually applicable; and
- PBI templates, in use at the Plants before the NNSA reorganization, may be used at the discretion of the Field Element Manager.

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

1. The Planning Phase precedes the execution year (generally a Government fiscal year) and includes:
  - Review and incorporation of lessons learned from the past year
  - Identification of performance metrics consistent with the Planning, Programming, Budgeting and Execution/Evaluation (PPBE/E) process
  - Development, concurrence and approval of PEP for each NNSA M&O contract.
2. The Monitoring Phase takes place during the execution year and includes
  - Monitoring of contractor performance – operational awareness and evaluation of results during the execution year, supported by appropriate documentation
  - Linkage of evaluation activities to the PPBE/E process
  - Periodic reporting of performance results to appropriate NNSA management
3. The Assessment Phase begins after the execution year has ended and should be completed before interest penalties are assessed on late payment of fee, if applicable.
  - Site Offices, with input from program offices, functional offices and non-NNSA offices, as applicable, will validate contractor performance and provide recommended ratings and or recommended earned fee amount to the Management Council and, in turn, NA-1/NA-2 (FDO).
  - After Management Council concurrence, NA-1/NA-2 will determine the final performance rating and earned fee for the contractors.
  - The FDO has the discretion to adjust the recommended rating or earned fee within the available fee pool. The adjustment should generally be within the range of plus or minus 5 percent. The rationale for a management adjustment to an otherwise earned fee amount or rating total outside the range of plus or minus 5 percent will be included in the Field Element Manager's letter to the contractor that transmits the final Performance Evaluation Report (PER).

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

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

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

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

**Performance Target.** The desired condition or target level of achievement for each measure, established at an appropriately detailed level that can be tracked and used for a judgment or decision on performance assessment. The following is an example of a Performance Objective, Measure and Target for a site:

Performance Objective: Provide effective management of facility space.

Performance Measure: Reduction of the site's facility footprint.

Performance Target for FYXX: Reduce facility footprint by 10 percent within budgeted cost and schedule.

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

**Comprehensive Incentive.** The Comprehensive Incentive includes one or more Performance Objectives covering areas where continued satisfactory performance is desired. Performance Measures and Targets are identified in the incentive to help determine contractor performance against the Performance Objectives, but the final determination of results is whether performance was satisfactory. There are no other gradations of performance determination. A contractor could fail to meet an individual Performance Target tied to the Performance Objective, yet still be judged as satisfactory at the Performance Objective level. For satisfactorily performing all Performance Objectives in the Comprehensive Incentive, the Contractor shall earn 100% of the Available Fee assigned to the incentive. For performance at less than a satisfactory level against one or more Performance Objectives in the Comprehensive Incentive, the earned fee shall be adjusted downward at the discretion of the Fee Determination Official.

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

#### IV. RESPONSIBILITIES:

1. **NA-1/NA-2** – As the FDO, determines the final performance rating and earned fee for the contractors based upon recommendations of the Field Element Manager and the Management Council. NA-2 has overall lead for the timely review of PEPs in HQ and the resolution of HQ comments with Field Elements.
2. **NNSA Management Council** – Provides an integration and calibration function among the NNSA field elements. Receives presentation by each Field Element Manager on the final performance evaluation results in the PER. Ensures that final

evaluation results and proposed fee awards are fair and balanced across the complex. Recommends decision to NA-1/NA-2 on each PER and proposed fee award.

3. **Headquarters Point of Contact (HQ PoC), NA-51** – Chairs the Process Ownership Team for the NNSA Contractor Performance Evaluation Process for M&O Contractors and is responsible for coordinating the process and meeting key action dates. Coordination includes communicating with the Program Points of Contact (PPoCs) and the Field Points of Contact (FPoCs) throughout the process, and facilitating feedback between the PPoCs and FPoCs. Facilitates HQ review of PEPs on behalf of NA-2 in less than 10 working days, and assists resolution of comments between HQ and site offices. Obtains and communicates approval of PERs and earned fee awards. Supports appropriate Cognizant Program Secretarial Officers in obtaining NNSA input on non-NNSA M&O contractor performance of NNSA-sponsored work. Consults with NA-63 on all process changes.
4. **Process Ownership Team** – Team chaired by NA-51 with representatives from NNSA program and field offices who advise the Team Chair on the NNSA-corporate process and have the authority to speak for their respective organizations. Develops and recommends periodic process updates to the Team Chair, and facilitates implementation by their respective organizations. Maintains and updates the Workload Reduction Initiative Report on Performance Measures as required.
5. **Program Point of Contact (Program PoC)** – Provides program objectives to HQ PoC in the timeframe established to support PEP development; monitors contractor performance throughout the evaluation period via interaction with field elements and the monitoring process; provides input to assessment processes and PER development.
6. **Field Element Manager** – Owns and oversees the appraisal process from the perspective of the field element; periodically briefs program offices and Management Council on contractor performance via standard report format; issues final PEP; presents PER to Management Council for concurrence and NA-1/NA-2 for approval; and subsequently issues the PER.
7. **Field Point of Contact (Field PoC)** – Oversees and participates in the development of contractor performance objectives, measures, and Targets for determining achievement of PEP objectives; oversees and owns the PEP and PER development process, as directed by the Field Element Manager; focal point for receipt of contractor's Self-Assessment Report; solicits, incorporates, and addresses Program Office input for PEP elements and PER through the HQ PoC; manages Change Control process; monitors contractor performance and provides periodic status reports to HQ managers; advises Field Element Manager as required; and prepares contractor PER and Management Council presentations for the Field Element Manager, as required.
8. **Contracting Officer** – Issues contract modification or, as directed by the Field Element Manager, transmittal letter for the PEP and/or PER letter to contractor.

9. **Non-NNSA Offices** – Provides performance objectives, supporting information, and input on contractor performance when requested by HQ PoC or Field PoCs.

V. **References**

1. NA-51 Contractor Performance Evaluation Process Flow Charts, updated annually.
2. Report of the Workload Reduction Initiative Team on Performance Measures, updated as required.

VI. **POINT OF CONTACT FOR CONTRACTOR PERFORMANCE EVALUATION PROCESS**: Walt Lips, Field Coordination Advisor, Office of Field Operations Support, (202) 586-1806.



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