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# CORPORATE PERFORMANCE EVALUATION PROCESS FOR MANAGEMENT AND OPERATING CONTRACTORS

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## NATIONAL NUCLEAR SECURITY ADMINISTRATION The Office of Acquisition and Project Management (APM)

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CONTROLLED DOCUMENT

OFFICE OF PRIMARY INTEREST (OPI):

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## **CORPORATE PERFORMANCE EVALUATION PROCESS FOR MANAGEMENT AND OPERATING CONTRACTORS**

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1. PURPOSE. To establish and implement a uniform, corporate process for evaluation of NNSA Management and Operating (M&O) contractors' performance that results in a documented, consistent, and fair evaluation that is aligned with the Federal Acquisition Regulation (FAR), Department of Energy Acquisition Regulation (DEAR), and related DOE directives and NNSA policies.
2. CANCELLATION. NAP-4B, *Corporate Performance Evaluation Process (CPEP) for M&O Contractors*, dated 06-30-08.
3. APPLICABILITY.
  - a. Federal. Applies to all NNSA Federal organizations.
  - b. Contractor. Does not apply to contractors.
  - c. Equivalencies.
    - (1) For non-NNSA M&O contractors performing work for NNSA, NNSA will follow the Cognizant Program Secretarial Officer's equivalent process, unless NNSA and the non-NNSA office have an agreement regarding contract administration (e.g., NNSA and Environmental Management (EM) for the Savannah River Field Office).
    - (2) In accordance with the responsibilities and authorities assigned by Executive Order 12344, codified at 50 United States Code sections 2406 and 2511, and to ensure consistency through the joint Navy/DOE Naval Nuclear Propulsion Program, the Deputy Administrator for Naval Reactors (Director) will implement and oversee requirements and practices pertaining to this Directive for activities under the Director's cognizance, as deemed appropriate.
  - d. Exemptions.
    - (1) Capital Asset Acquisitions: When Capital Asset Acquisitions over the General Plant Project (GPP) threshold are procured through an M&O contract, they may, as applicable under specific contract terms and conditions, have a separate fee structure and performance evaluation process beginning at Critical Decision (CD)-2 through project completion and will be exempt from the CPEP.
    - (2) Alternate Fee Structures: M&O contracts with alternate fee structures that include the Section H clause "Leadership Performance Evaluation" will follow a separate leadership performance evaluation process beginning at

contract award, or the date this clause is modified into an existing contract, whichever comes first.

4. SUMMARY OF CHANGES.

This revision makes changes to codify the Strategic Performance Evaluation and Measurement Plans and associated process, as well as incorporate process improvements identified through lessons learned. It primarily makes revisions to the roles and responsibilities. The four phases below are unchanged.

5. REQUIREMENTS.

The Corporate Performance Evaluation Process is an integrated process applied consistently by all NNSA organizations. The CPEP and the related Performance Evaluation and Measurement Plans (PEMPs) for each M&O contract must, unless an approved deviation is granted by the Senior Procurement Executive (SPE), follow the format and boundaries as follows:

- a. Field Offices must use consistent PEMP formats and definitions.
  - (1) Formats – These will be provided through the Fee Determining Official (FDO) annual guidance.
  - (2) Definitions:
    - (a) Goal – Level one elements cover broad performance areas and are related to mission accomplishment, operational excellence, or management of a laboratory/plant. Each level one element is usually described by a general overarching statement of the desired performance. Ratings for these elements are determined by aggregating all performance evaluation for level two elements under each level one element. These elements are not site specific.
    - (b) Objective – Level two elements are the performance areas against which a contractor is evaluated by NNSA. These elements outline desired results and more specific performance outcomes than level one elements. These elements are not site specific.
    - (c) Key outcome – Level three elements serve to highlight very specific performance outcomes that require attention from senior laboratory/plant leadership. These outcomes may relate to major program or project milestones or to desired improvements in performance of a level one or two element. These elements must be clearly linked to a level one or two element, are site specific, and updated annually.

- (d) Fee allocation – The amount of incentive (at risk) fee available to be earned by the contractor for results associated with a specific goal.
- (e) Interim Feedback Report (IFR) – A periodic report provided to the contractor during the evaluation period highlighting accomplishments, issues, and areas where performance met requirements/expectations.
- (f) Functional Manager - This is a manager overseeing mission support functions.

b. Boundaries:

- (1) Goals must relate to critical strategic objectives of the NNSA as defined by plans including, but not limited to, the NNSA Strategic Vision; Stockpile Stewardship Management Plan; Prevent, Counter, and Respond Strategic Plan, etc.
- (2) Goals must be written at a strategic level and must focus on outcomes, not processes. Award fee allocated to a specific goal must be reflective of the actual value or importance of the work, as well as both the financial/operational challenges at the site and performance challenges exhibited in previous years.
- (3) PEMP's apply a performance-based approach. The performance-based approach evaluates the contractor's performance through a set of goals. Each goal, and its associated objectives and key outcomes will be measured against authorized work, demonstrated performance, and impact to the NNSA mission.
- (4) The CPEP and the related documents must be consistent with FAR and DEAR requirements, all contract terms and conditions, and related policies.
- (5) It is essential that a baseline of performance expectations be established at the beginning of the evaluation period to equitably measure performance, and that changes to that baseline are carefully managed. Any change to the PEMP requires concurrence by the impacted program office and the NNSA SPE prior to the Field Office Manager (FOM) and Contracting Officer signatures. Performance monitoring and reporting takes place periodically throughout the year. During the evaluation period, interim performance feedback is provided to the M&O contractor, highlighting accomplishments and issues to keep the contractor informed during the evaluation period. This feedback may also highlight areas where performance met requirements/expectations, as appropriate.

- (6) At the end of the evaluation period, when the award fee determination is made, objectives and key outcomes will be assessed in the aggregate to establish an adjectival performance rating for each goal. All goals will be assessed in the aggregate to determine an overall adjectival performance rating for the overall contract. Notwithstanding the overall strategic framework, any significant failure may limit the overall rating and award fee earned.
- (7) The adjectival performance ratings will be determined using the definitions in FAR Subpart 16.401(e)(3) as supplemented by this NAP in Appendix 1. The FDO has full discretion to adjust the FOM's recommended rating and award fee amount.
- (8) The CPEP has four phases as follows:
- (a) The Planning Phase: Must be completed prior to the beginning of the evaluation period and involves the following:
- 1 Review and incorporation of lessons learned from the prior year;
  - 2 Identification of objectives and key outcomes, consistent with the Planning, Programming, Budgeting, and Execution/Evaluation (PPBE) process and associated Work Authorizations/Implementation Plans;
  - 3 Development, review, and FDO approval of PEMP's for each NNSA M&O contract;
  - 4 Determination of the allocation of available fee among goals within the PEMP in accordance with the contract;
  - 5 Issuance of annual implementation guidance that will describe the expectations for the evaluation period, such as schedules, templates, and other items, prepared by the Office of Acquisition and Project Management (APM) and approved by FDO; and
  - 6 Issuance of the PEMP to the M&O contractor.
- (b) The Monitoring Phase: Takes place during the evaluation period and includes periodic feedback to the contractor provided through IFRs. This includes:
- 1 Monitoring of M&O contractor performance by all offices;

- 2 Leveraging of contractor assurance systems, other tools, and other performance data and information by all offices to monitor performance, as appropriate;
  - 3 Interim feedback to the M&O contractor from the Field Office, with input from program/functional offices and non-NNSA offices, as applicable; and
  - 4 Coordination between offices to ensure NNSA speaks with one voice. All offices will strive to reach consensus on contractor performance, demonstrated by concurrence on documents.
- (c) The Assessment Phase: Begins at the end of the evaluation period in accordance with the terms and conditions of the contract and is when the FDO determination is made and the PER is completed. This includes:
- 1 Assessing contractor performance by all offices at the end of the evaluation period and providing recommended ratings or a recommended fee amount to the SPE and ultimately the FDO. Timely and effective evaluation input is critical to a successful Assessment Phase;
  - 2 Coordination between offices to ensure NNSA speaks with one voice. All offices will strive to reach consensus on contractor performance, demonstrated by concurrence on documents;
  - 3 Adjudication by the SPE if concurrence is not reached; and
  - 4 FDO determination of the final performance rating and earned fee.
- (d) The Post-Assessment Phase: Begins after the FDO approves the performance rating, earned fee, and additional contract term (where applicable) for the M&O contractors. Deliverables include:
- 1 Fee determination letter to the contractor;
  - 2 Performance Evaluation Report to the contractor;
  - 3 Contract Modification containing Earned Fee amounts and contract term extensions if applicable to the M&O contractor; and

4 Redacted Performance Evaluation Report to APM and the NNSA FOIA office.

6. RESPONSIBILITIES.

a. Fee Determining Official (FDO).

- (1) Approves annual implementation guidance.
- (2) Approves PEMP for signature. Determines the final performance rating and earned fee/additional contract term (where applicable) for each M&O contract.
- (3) Disposition of unearned fee.
- (4) Approves release of the PER to the M&O contractor.

b. Senior Procurement Executive (SPE) and Head of Contracting Activity (NA-APM-10).

- (1) Responsible for CPEP policy and implementation of the CPEP process.
- (2) Prior to beginning of an evaluation period, prepares annual CPEP guidance for FDO approval.
- (3) Reviews and concurs on final implementation guidance prior to FDO approval.
- (4) Reviews and concurs on PEMP and changes with the CO prior to submission to FDO for approval.
- (5) Reviews and concurs on draft PERs and FDO briefings prior to submission to FDO.
- (6) Obtains and communicates approval of PERs and earned fee to the FOMs.
- (7) Reviews and concurs on draft FDO fee determination letter prior to submission to FDO.
- (8) Attends FDO strategy sessions, award fee determination meeting, and all other CPEP-related meetings, as appropriate.
- (9) Reviews/concurs on contractor performance evaluation information with CO prior to public release.
- (10) Serves as focal point for Management and Budget (MB) and Field Office coordination for the disposition of unearned award fee.



12-22-16

(11) Submits packages to FDO through NNSA Executive Secretariat process.

c. Field Office Manager.

- (1) Oversees the performance evaluation of the M&O contractor.
- (2) Coordinates closely with program and functional managers throughout CPEP implementation.
- (3) Incorporates input from program/functional and other offices as applicable into draft PEMP, IFRs, and PERs striving to reach consensus.
- (4) Presents draft PEMP, and subsequent changes, to APM for program and functional manager formal concurrence prior to submission to FDO for approval.
- (5) Prepares draft cumulative IFR and briefings, incorporating program and functional office inputs for those offices' areas of ownership, and obtains program/functional office concurrences prior to finalization of documents and submission to APM.
- (6) Submits PER and FDO briefing to APM for program and functional offices' formal concurrence prior to submission to FDO.
- (7) Briefs award fee recommendation to FDO.
- (8) In the event the FDO determination results in substantial changes to the approved PER, submits changes to APM for program and functional manager concurrence.
- (9) Coordinates with program/functional offices when issuing IFR and PER to the M&O contractor.

d. Federal Program Manager (PM)/Federal Project Director (FPD)/Functional Manager (FM).

- (1) Identifies which program requirements/technical activities are suitable for performance-based contracting methods (i.e., goals/performance evaluation criteria).
- (2) Reviews Subject Matter Expert (SME) mapping to ensure goals are mapped to baselined scope, cost, and schedule information, and NNSA goals, and priorities as described in Work Authorizations/Implementation Plans and other applicable documents, to ensure effective measurement of contractor performance.

- (3) Participates in development of PEMP goals for the program manager's area of ownership/responsibility in coordination with field office.
- (4) Recommends COR(s) to the Contracting Officer (CO) for area of responsibility.
- (5) Provides performance inputs to the field office contracting officer for incorporation into the draft PEMP, Performance Ratings, IFRs, and PERs for areas of ownership/responsibility and concurs on final PEMP, Performance Ratings and PERs.
- (6) Participates with Field Office in feedback to M&O contractor when IFR and PER are issued, as applicable.

e. Contracting Officer's Representative (COR).

- (1) Serves as the eyes and ears for evaluating contractor performance for both the CO and PM/FPD/FM for assigned program efforts.
- (2) Serves as the communication link between PM/FPD/FM, the CO, and the contractor in accordance with the COR delegation letter from the CO.
- (3) Responsible for validation of work performed, and inspection/acceptance of contract performance to ensure it meets the contract requirements.
- (4) Provides contractor performance evaluation input to the PM/FPD/FM and CO relative to the PEMP and in support of the PER.
- (5) Assists the PM/FPD/FM and CO in PEMP development and coordination of any changes in the PEMP.
- (6) Assists the PM/FPD/FM and CO in IFR and PER development.

f. Contracting Officer (CO).

- (1) The person with the authority to enter into, administer, or terminate contracts and make related determinations and findings, and obligate the government.
- (2) Serves as primary field office focal point for preparation of CPEP documents.
- (3) Issues contract requirements and ensures program requirement descriptions are compliant with performance-based contracting methods.
- (4) Supports implementation of the CPEP process.

- (5) Leads the coordination of all actions on the PEMP, PER, and periodic reports and briefings as necessary.
- (6) Issues contract modifications for all fee-related contractual matters in accordance with the terms and conditions of the contract.
- (7) Signs and issues the PEMP and PER (and changes thereto) and ensures consistency with the terms and conditions of the contract and applicable regulations and statutes.
- (8) Issues PEMP/IFR/PER to M&O contractor.
- (9) Serves as focal point for receipt of contractor's self-assessment report.

g. Subject Matter Experts involved in the CPEP.

- (1) Support the organization in implementation of the CPEP responsibilities. NNSA offices have various positions within their specific office structure that act as SMEs, such as lead performance officer, integrator, etc., depending on the office's organizational structure.
- (2) Participate in the PEMP development process.
- (3) Recommend PEMP objectives and key outcomes to the Federal PM/FM based on NNSA Strategic Goals and Priorities and adjust as needed in coordination with the Field Office.
- (4) Coordinate and obtain concurrence with other SMEs in oversight of contractor performance.
- (5) Monitor contractor performance and provide performance input to the COR or PM/FPD/FM as applicable.
- (6) Discuss resolution of performance issues/ratings and provide periodic status reports to PM/FPD/FM and Field Office Managers.
- (7) Map goals to baselined scope, cost, and schedule information, and NNSA goals and priorities as described in Work Authorizations/Implementation Plans and other applicable documents, to ensure effective measurement of contractor performance.

7. REFERENCES.

- a. FAR 16.4, Incentive Contracts
- b. DEAR 970.1100-1, Performance-Based Contracting

8. CONTACT, Office of Acquisition Management (NA-APM-10), Kim Gallegos, 505-845-4745.

BY ORDER OF THE ADMINISTRATOR:

  
Frank G. Klotz  
Administrator

1. Appendix: Supplemental Definitions for FAR 16.401 (e) (3)

**APPENDIX 1: Supplemental Definitions for FAR 16.401(e) (3)**

		Supplemental Award Fee Rating Definitions For NNSA Performance Evaluation and Measurement Plan (PEMP)
Excellent	91%- 100%	Contractor has exceeded almost all of the objectives and key outcomes under the goals in the PEMP and has met overall cost, schedule, and technical performance requirements of the contract in the aggregate for the evaluation period. <i>This performance level is evidenced by at least one significant accomplishment, or a combination of accomplishments that significantly outweigh very minor issues, if any. No significant issues in performance exist.</i>
Very Good	76%- 90%	Contractor has exceeded many of the objectives and key outcomes under the goals in the PEMP and has met overall cost, schedule, and technical performance requirements of the contract in the aggregate for the evaluation period. <i>This performance level is evidenced by accomplishments that greatly outweigh issues. No significant issues in performance exist.</i>
Good	51%- 75%	Contractor has exceeded some of the objectives and key outcomes under the goals in the PEMP and has met overall cost, schedule, and technical performance requirements of the contract in the aggregate for the evaluation period. <i>This performance level is evidenced by accomplishments that slightly outweigh issues. No significant issues in performance exist.</i>
Satisfactory	No greater than 50%	Contractor has met overall cost, schedule, and technical performance requirements of the contract in the aggregate as defined and measured against the objectives and key outcomes under the goals in the PEMP for the evaluation period. <i>This performance level is evidenced by issues that slightly outweigh accomplishments.</i>
Unsatisfactory	0%	Contractor has failed to meet overall cost, schedule, and technical performance requirements of the contract in the aggregate as defined and measured against the objectives and key outcomes under the goals in the PEMP for the award-fee evaluation period. <i>This performance level is evidenced by issues that significantly outweigh accomplishments, if any.</i>

**Definitions**

**Accomplishment** is an achievement or success in the performance of contract requirements that exceeds standards or expectations. Examples might be performing full contract requirements under budget while meeting or beating schedule baselines or performing additional scope within

the initial cost targets with no negative effect on requirements or other programs, indicating continued performance improvement.

**Issue** is a point in question or a matter that raises concerns regarding successful performance of contract requirements within scope, cost (budget), and schedule baselines or concern of negative effect on requirements or other programs, indicating a decline in performance that needs attention and improvement.