DEFENSE LOGISTICS AGENCY
DEFENSE CONTRACT MANAGEMENT COMMAND
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IN REPLY REFER TO AQOD

JAN 27 1997

MEMORANDUM FOR COMMANDERS, DEFENSE CONTRACT MANAGEMENT DISTRICTS

SUBJECT: DCMC Memorandum No: 97-06, Past Performance Information (PPI) (POLICY)

This is a POLICY memorandum. It expires when its content is included in DLAD 5000.4, Contract Management (One Book). Target Audience: All DCMC personnel involved with PPI collection and distribution (e.g., Administrative Contracting Officers, Industrial Specialists, and Program Integrators).

Our most recent memorandum about PPI (DCMC Memorandum No. 96-29, July 23, 1996) indefinitely postponed a reduction--from $1 million to $100,000--in the threshold for mandatory DCMC PPI reports completion, pending issuance of final DoD Federal Acquisition Regulation Supplement (DFARS) coverage. Since then, the Director of the Office of Federal Procurement Policy on December 18, 1996 issued guidance for the Federal Acquisition Regulation (FAR) PPI collection and use thresholds, temporarily "freezing" those at $1 million also (attachment 1). The Director of Defense Procurement issued a FAR deviation implementing the OFPP guidance for the Department of Defense (DoD) on December 20, 1996 (attachment 2). The FAR deviation is effective immediately upon receipt.

Headquarters is frequently asked by field personnel why DoD doesn't have a standard method for collecting and evaluating PPI in source selections, and why field offices need to "tailor" for each buying office--sometimes for each acquisition--the way they help the buying office collect and evaluate PPI. The answer is that good business practice (and the FAR) requires that PPI collection and use be tailored for each acquisition. The key issue is *relevance.* An offeror's record of performance producing marine boilers, for instance, probably wouldn't be very relevant for evaluating an offer for producing aircraft. However, that same offeror's record of performance producing "state of the art" forgings and castings might be very relevant for evaluating an offer for producing aircraft components, if those components also involve "state of the art" forgings and castings produced from the same or similar materials. No "one size fits all" PPI collection and evaluation system could ever capture all of the information needed to make those kinds of distinctions and come to those kinds of judgments. Any system that tried would be hugely expensive and create an enormous reporting burden, and it would still probably fail to "answer the question." That's why DoD has decided that there will

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not be one DoD-wide PPI collection and evaluation method. There is some thought being given to standardizing PPI collection across DoD buying activities that deal with particular "business areas" (i.e., commodity type product groupings, such as communications electronics, airframes, etc.); but, even where buying activities do agree to standardize, the specific needs of each acquisition will still govern the setting of the actual PPI requirements for that acquisition.

Our buying activities and source selection authority customers are the ones who need to determine what type of PPI they need to collect and use for making best value source selections. DCMC's role is to team with our customers in those efforts. DCMC Contract Administration Offices (CAOs) have been, and will continue to be, valuable contributors to making PPI work effectively in source selections. Our offices can contribute by helping their customers refine the PPI requirements, tailor the PPI requests to the needs of the specific acquisition, and by helping to collect the PPI and evaluate it. Two excellent articles in the November *DCMC Communicator* illustrate how DCMC offices have helped their customers with those issues ("Past Performance Reviews: DCMC Raytheon Shares Lessons Learned," and "Early CAS News: Past Performance Evaluations Based on Oral Presentations From Offerors"). Our offices can also, of course, contribute by sharing the knowledge and insights on contractors' performance and processes that have been gained by working with those contractors in-plant. The bottom line, though, is that DCMC CAOs will always need to be flexible and responsive in supporting their customers' PPI requirements.

Our CAO personnel may be occasionally asked by some buying activity personnel who do not deal with acquisition matters everyday why DCMC doesn't just come up with a rating system for contractors that doesn't require buying activities to tailor their PPI requests and evaluation methods. The answer, as noted above, is that a "one size fits all" method is not consistent with the thinking of senior officials in the Office of the Secretary of Defense or the military departments. We have attached for your information a short background paper on the direction of overall DoD guidance on PPI (attachment 3).

If there are any questions, please contact Mr. Bill Lonstein, Contractor Capability and Proposal Analysis Team (AQOD), (703) 767-3383 or DSN 427-3383.

ROBERT W. DREWES
Major General, USAF
Commander

3 Attachments

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

OFFICE OF FEDERAL
PROCUREMENT POLICY

December 18, 1996

MEMORANDUM FOR AGENCY SENIOR PROCUREMENT EXECUTIVES AND THE DEPUTY UNDER SECRETARY OF DEFENSE (ACQUISITION REFORM)

FROM: Steven Kelman
Administrator SK

SUBJECT: Temporary Suspension of Past Performance Implementation Thresholds

The Federal Acquisition Regulation (FAR) at sections 15.605 and 42.1502 requires the use of past performance information in source selection and the evaluation of current performance on a periodic basis at specified thresholds over the next two years. Currently, FAR requires the use of past performance as a source selection factor in all procurements of $1 million or more and the preparation of past performance evaluations for contracts at or above $500,000. Feedback from agencies indicates that our concerted efforts to increase the use of past performance is motivating contractors to improve their performance and is enabling source selection officials to make better determinations of what constitutes "best value". However, there has been discussion among the agencies on the amount and type of information that should be collected, and on the cost effectiveness of collecting and using past performance data on smaller dollar contracts.

As a result of these discussions, I am temporarily suspending mandatory implementation of the requirement to use past performance information in source selections on contracts below $1 million and the requirement to provide past performance evaluations on contracts of less than $1 million while we work together to revisit the threshold timing and amount, and the type of data to collect in various business areas.

Training and other management efforts to ensure that past performance is effectively and economically used to help achieve best value source selections remains a top priority. I hope this matter remains a priority for your management attention and urge you to actively participate in this important discussion.

ATTACHMENT 1

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

ACQUISITION AND TECHNOLOGY

December 20, 1996

DP(DAR)

In reply refer to
DAR Tracking No: 96-00010

MEMORANDUM FOR DIRECTORS OF DEFENSE AGENCIES
DEPUTY FOR ACQUISITION AND BUSINESS MANAGEMENT, ASN(RD&A)/ABM
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE (CONTRACTING), SAF/AQC
DIRECTOR, PROCUREMENT POLICY, ASA(RD&A)/SARD-PP
DEPUTY DIRECTOR (ACQUISITION), DEFENSE LOGISTICS AGENCY

SUBJECT: Past Performance

Effective immediately, I authorize all military departments and defense agencies to deviate from the requirements of Federal Acquisition Regulation (FAR) 15.605(b)(1)(ii) for evaluation of past performance in competitively negotiated acquisitions with an estimated value of less than $1 million, and of FAR 42.1502(a) for preparation of an evaluation of contractor performance for contracts of less than $1 million.

FAR 15.605(b)(1)(ii) and 42.1502(a) implement Office of Federal Procurement Policy Letter 92-5, Past Performance Information. The Administrator, Office of Federal Procurement Policy, has temporarily suspended mandatory implementation of the requirement to use past performance information in source selections on contracts below $1 million and the requirement to provide past performance evaluations on contracts of less than $1 million. I am, therefore, authorizing this deviation from the requirements in FAR 15.605 for solicitations of less than $1 million, and in 42.1502 for contracts of less than $1 million.

This class deviation will remain in effect until the FAR is revised.

for Roland A. Hasselbach
Eleanor R. Spector
Director, Defense Procurement

cc: DSMC, Ft. Belvoir

ATTACHMENT 6

Background Paper: Past Performance Information (PPI)

Several previous DCMC policy memoranda on PPI have mentioned that DoD FAR Supplement (DFARS) PPI coverage was already drafted, and that the DoD Past Performance Coordinating Council (PPCC), working through the Defense Acquisition Regulatory Council, was planning to issue the final coverage soon. Those plans have changed. Recommendations made by an Arthur D. Little, Inc. (ADL) study for the Office of the Secretary of Defense on PPI "best practices" in Government and industry have strongly influenced the thinking of OFPP and DoD's senior acquisition leaders, and have led to the withdrawal of the proposed DFARS coverage, as well as to the OFPP memorandum and FAR deviation discussed in DCMC Policy Memorandum 97-06.

The principal ADL recommendations are:

a. "Let use drive collection." In other words, collect only the information that will be useful in making best value source selections.

b. "Specific PPI collection requirements should be set by DoD's 'business areas'" (e.g., the airframe community, the communications electronics community, etc.). This flows out of ADL's observation that a "one-size-fits-all" PPI collection and use system might end up collecting information useful for making best value source selection decisions for, say, petroleum products, but not at all useful for rubber products, to use two examples.

c. "PPI for major systems source selections should be collected and evaluated on an 'ad hoc' basis," or, that is, on a case-by-case basis." Major systems acquisitions are generally so important to the national security, and involve such expense, that they warrant special attention and "tailoring" of the information requested and evaluated for source selection decision-making.

Senior DoD acquisition leaders, up to and including the Under Secretary of Defense (Acquisition & Technology), have carefully considered these recommendations and have endorsed them fully. The PPCC is now working on overall, non-mandatory guidance to assist DoD's "business areas" in designing their PPI collection and use systems. The PPCC is planning to publish this document in the March 1997 update to the Defense Acquisition Deskbook (available over the Internet at http://deskbook.osd.mil/deskbook.html). DCMC is represented on the PPCC.

Many ADL recommendations are based on practices already used by DoD buying activities. Many DCMC field offices have, in fact, already participated in Early Contract Administration Services (Early CAS) efforts focused on "ad hoc" PPI collection and evaluation for major systems source selections. Two excellent articles

Attachment 3

in the November issue of the *DCMC Communicator* ("Past Performance Reviews: DCMC Raytheon Shares Lessons Learned," page 10, and "Early CAS News: Past Performance Evaluations Based On Oral Presentations From Offerors," page 32) illustrate two such recent efforts. We expect those types of efforts to continue and to grow in number over time--both as Early CAS efforts and as "everyday" types of efforts.