

CHANGE REQUEST COVER SHEET

Change Request Number: 10-06

Date Received: 9/25/2009

Title: Past Performance Information Retrieval System (PPIRS) Database Implementation

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Policy OR Guidance: Guidance

Section/Text Location Affected: T3.2.2(A)(3)

Summary of Change: Implementation of Past Performance Information Retrieval System (PPIRS) as Past Performance data base

Reason for Change: AMS guidance consistency with OMB Memorandum of 7/29/09 establishing PPIRS as the single, government-wide repository for contractor performance information.

Development, Review, and/or Concurrence: Acquisition Policy Division; Legal; and Contracting organizations at FAA HQ, Centers, and Regions (ARC).

Target Audience: Contracting workforce and Program offices

Potential Links within FAST for the Change: None

Briefing Planned: No

ASAG Responsibilities: None

Potential Links within FAST for the Change: None

Links for New/Modified Forms (or) Documents (LINK 1) [null](#)

Links for New/Modified Forms (or) Documents (LINK 2) [null](#)

Links for New/Modified Forms (or) Documents (LINK 3) [null](#)

SECTIONS EDITED:

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T3.2.2 - Source Selection

Source Selection

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T3.10.1 Contract Administration

Contract Administration

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SECTIONS EDITED:

Section 3 : Past Performance

Old Content: Procurement Guidance:

T3.2.2 - Source Selection

Source Selection

Section 3 : Past Performance

a. *General.* Past performance can be one indicator of a prospective contractor's future performance. To help ensure that the best performing contractors are providing products and services to FAA, past performance should be evaluated during source selection whenever appropriate.

b. *Instructions for Using Past Performance in a Screening Information Request (SIR).*

(1) *General Considerations.* Factors chosen for evaluation should be reasonable, logical, coherent, and directly related to requirements in the statement of work (SOW). Key to successful use of past performance in the screening process is a clear relationship between the SOW, instructions to offerors, and evaluation criteria. Past performance information that is not important to the current acquisition should not be included. For instance, there would be no point in considering poor subcontract management if there were no subcontract management needed on the contract. Alternatively, if there were a significant amount of software development, it would be important to know the offeror's record with estimating lines of code, providing software builds on time with few errors, and accomplishing the effort within the estimated cost.

(2) *Responsibility Determination.* When appropriate, the SIR should state that past performance would be used to evaluate the responsibility of the contractor, and as an evaluation factor. A contractor with a record of unsatisfactory past performance should be screened out of the selection process as part of the responsibility determination. If a contractor's past performance record passes the responsibility determination, then the past record should be compared to the other responsible offerors to determine the offeror that provides the best value to the Government.

(3) *Past performance as a Separate Non-Cost/Price Factor.* It is best to include past performance as a stand-alone factor, as opposed to integrating it with other non-cost/price

factors. Making it distinct and identifiable will reduce the chances of its impact being lost within other factors and should make evaluation easier. The relative importance of past performance compared to price or cost and any other evaluation factors is left to the broad discretion of the procurement team (CO, legal counsel, program official and other supporting staff) as is the source and type of past performance information to be included in the evaluation.

(4) *How to Weigh Past Performance.* Past performance should be ranked to ensure that it is meaningfully considered. To be meaningful in the screening process (and to ensure that offerors are aware that actual contract performance will be a significant factor in future awards), past performance normally should be at least equal in significance to any other non-cost evaluation factor. Generally, if a numeric weighting system is used, past performance should be rated at 25 percent or more. For example, if there were five non-cost evaluation factors including past performance, then any of the following examples of weightings or relative importance would suffice:

- Past performance at 25 percent with the other four factors rated at 18.75 percent each ($75/4=18.75$)
- Past performance at 25 percent, technical excellence at 25 percent, management at 20 percent, the other two factors at 15 percent each
- All five factors rated at 20 percent
- Technical approach rated at 30 percent, past performance rated at 30 percent (to equal the highest rated other non-cost factor), management at 20 percent and the other two factors rated at 10 percent each
- Technical capability and past performance are considered equal in importance followed by test and evaluation, logistics management, and subcontract management in descending order of importance

(5) *Non-Relevant Contract Experience/New Contractors.* ***The SIR should state whether new contractors, or contractors with non-relevant contract experience will be considered, or rated negatively.*** For example, if the offeror has a performance history on non-relevant contracts, i.e., prior Government or commercial performance record, but not specifically on the type of work solicited, this information might be used to demonstrate management potential. New contractors may have key management or technical or scientific personnel proposed for the contract that have some relevant experience. An evaluation of the performance of the proposed key personnel on relevant contracts can be used, as appropriate, as part or all of the past performance evaluation. In addition, teaming relationships and subcontractors can enhance the capability of potential offerors to perform, depending on the relationships that exist within the teaming process.

(6) *Time-frame, Size, Scope, Complexity.* The SIR should ask the contractor for references for ongoing or contracts completed within a specified period of time. A period of three to five years is considered reasonable, depending on the particular circumstances. For small dollar contracts where there are many actions and contractors that provide the products or services, a shorter period may be appropriate. Offerors may attempt to "cherry pick" references to provide selected information on past history. To minimize

this, the procurement team should attempt to gather past performance history from sources other than those provided by the offeror. Such sources might include the National Institutes of Health (NIH) Contractor Performance System (CPS) database for on-going efforts, other agency contracting personnel, and listings of contract awards posted on the FAA Contract Opportunities. All on-going or completed contracts performed during the identified period, or the last "X" contracts performed by the entity within the identified period should be sought. Instructions to offerors should ask only for a list of the previous contracts and contact points and for a description of any quality awards earned by the offeror. It is not necessary to burden the process by asking that the offeror prepare a description of its past performance history in the proposal. The procurement team should request references for contracts that are similar in size, scope and complexity to the statement of work in the SIR. Each of these terms should be defined in the SIR to alert the offeror to the type of data that is required.

(7) *Discriminators/Sub-factors.*

(a) Attention should be paid to what discriminates a "good" performer from a "poor" performer for the type of work that will be performed on the specific acquisition. Past performance sub-factors should be shaped by those discriminators, be limited in number, and should be tailored to the key performance criteria in the SOW. For certain prime contracts, the ability to manage subcontracts, or software development capability may be important discriminators. The following are some other examples of sub-factors that may be used to evaluate past performance: quality, timeliness, cost control, business practices, customer satisfaction, key personnel, and/or quality awards and recognition.

(b) The sub-factors in the SIR should reflect the questions to be used in interviewing references or reviewing any written evaluations provided by the references. For example, sub-factors with corresponding questions under business practices could include:

- *Management Responsiveness* - Is the offeror cooperative, business-like and concerned with the interests of the customer?
- *Contract Change Proposals* - What is the contractor's history on contract change proposals? This includes, changes that lower the overall cost or improve performance - timely and accurate proposals for equitable adjustments - changes that have been withdrawn or dismissed as invalid.

(8) *Relative Importance.* The SIR should state whether all sub-factors are relatively equal, or whether certain sub-factors are more important than others. For example, on a contract where most of the work is done for end users and it is difficult for the contract administration team to observe the contractor's performance in a cost-effective manner, significant weight might be placed on customer (end user) satisfaction ratings from the references.

(9) *Major Subcontractors.* If major subcontractors are likely to perform critical aspects of the contract, the procurement team should evaluate past performance of these

subcontractors to determine the overall likelihood of success of the prime contractor. The SIR should state how such information will be evaluated.

(10) *Affiliates, Divisions, etc.* For large organizations with many divisions, consider the past performance of the affiliate, division, etc., that will perform the actual work. In making such decisions, , the procurement team must consider the degree of control that a parent organization will exert over the affiliate. If a parent organization has an excellent or poor performance record and the affiliate is going to be closely controlled and managed by the parent, then the procurement team should consider the parent organization's performance record in making the performance evaluation.

(11) *Number of References.* It is important to ask for at least two references for each contract (program/technical and contracts) to assure that all aspects of the offeror's performance will be discussed. The name of the organization providing the report should be released to the offeror; however, the names of individuals should generally not be released without the individual's consent.

(12) *Use of Other Sources.* The instruction to the offerors should include a statement that the Government may use past performance information obtained from other than the sources identified by the offeror, and that the information obtained may be used for both the responsibility determination and the best value decision. For each non-Federal reference, the SIR should include an authorization to release information.

(13) *Inclusion of Survey Form.* The survey form need not be included as an attachment in the SIR. However, if the procurement team elects to release the questionnaire, the SIR should note that the questions to be asked would not be limited to those on the questionnaire.

(14) *Sample SIR Provisions.* Appendix 1 contains examples of SIR provisions and an example client authorization letter. The example is not the only way to include past performance in the SIR. Each SIR must contain instructions and evaluation information that best reflects the individual acquisition.

c. *Evaluating Past Performance.*

(1) *Applicability.* Past performance is one measurement of an offeror's ability to perform.

(2) *Relation to SIR.* Instances of performance, both good and poor, should be noted and related to the SIR requirements. If problems were identified on a prior contract, the role the sponsor may have played in that result should be taken into account. Evaluations should consider the number and severity of problems, the demonstrated effectiveness of corrective actions taken (not just planned or promised), and the overall work record.

(3) *Disclosure of Negative Information.* If the procurement team receives negative information that will have a significant impact on the likelihood of award to an offeror,

then the procurement team should disclose the information and provide an opportunity to respond. This is true even if the SIR states that award may be made on initial offers. The SIR should include the appropriate provisions notifying the offerors that FAA retains this option.

(4) *Current Versus Older Performance.* The age of the performance being evaluated may be weighted so that performance on older contracts receives less weight than performance on more recent contracts. More weight may be given to those evaluations on prior FAA or Federal contracts as opposed to contracts with state/local governments or private parties or to prior contracts of a similar nature to the SIR.

(5) *Method of Scoring.* The final past performance rating may be reflected by a color, a number, adjectival, or a combination of these methods, depending upon what system is being used overall to indicate the relative ranking of the offerors. A past performance rating is not a precise mechanical or scientific process and must include sound business judgment. Therefore, the documentation of the final rating should include a logical description of the underlying reasons for the conclusions reached.

(6) *Evaluating Disputed/Negative Information.* When the procurement team receives negative information, or information that is disputed, they should carefully consider the offeror's response and determine what weight to apply, based on the facts obtained from the questionnaire, interview, or other sources. The file should be documented to explain why the procurement team assigned a particular rating. This is especially important in situations involving unresolved disputes.

d. *Obtaining Information on an Offeror's Past Performance.*

(1) *Applicability.* There are various methods of obtaining information on a contractor's past performance.

(2) *Reference Checks.* The most commonly used method of obtaining past performance is to conduct reference checks from a variety of sources, including previous FAA program and contracting personnel, other Federal agencies, state and local governments, and commercial contractors.

(3) *Other Sources.* Dun & Bradstreet can obtain information on past performance on specific contractors for the FAA (Dun & Bradstreet charges for this information). In lieu of FAA paying for the report, the SIR may require offerors to provide a copy of a recent past performance report prepared by Dun & Bradstreet. In this case, the offerors would see the report and have an opportunity to resolve any disputed data before the report is submitted to FAA. Using this process could save time and money, but should not be relied on as the only source of data. Quality certifications and awards can also serve as a useful source of past performance information.

(4) *Timetable.* The process of collecting information should begin as soon as the proposal evaluation begins. Collecting information can be time consuming. Researchers

must locate and question sources of information, either in person, by telephone or in writing. Obtaining this information as early as possible in the evaluation process gives the procurement team invaluable information in determining the viability of the individual offerors. If the information shows a history of poor performance, the procurement team can eliminate the proposal from the competition as non-responsible. It may be best to establish a team devoted entirely to this task during the screening, especially if FAA anticipates receiving a large number of proposals.

(5) *Questionnaire or Survey Form.* The first step in obtaining information from sources is to develop a questionnaire, or survey form, that reflects the evaluation rating system that will be used to assess the offerors strengths and weaknesses for the contract being considered. Questions should be worded so that interviewees understand precisely what they are being asked to describe. To maintain accurate records and facilitate verification, the questionnaire (survey) record form should include: Interviewer's name, company name, reference's name (to be held in confidence), full mailing address and telephone number, date and time of the call, and description of the contract effort discussed. Examples of questionnaires suitable for a contract requiring system development and production are provided in Appendix 4. A sample Business Management Past Performance Questionnaire is included in Appendix 3A.

(6) *Information Collection.* Once the questionnaire is prepared, the procurement team should contact references. For all interviews, the questions should be stated to the interviewees exactly as on the questionnaire. There are various ways to collect the information: Face-to-face interviews, mailing the questionnaires, telephone interviewse, electronic mail (ensuring security measures are taken), or some combination of these.

(7) *Number of references.* At least two references should be contacted on each previous contract effort. This should be specified in the instruction to offerors. Additional references may often be identified during the interviews. It is also important to survey reasonably large numbers of references in order to look for patterns in their description of performance - individual ratings may be personal and biased. Numerous ratings can show patterns and are therefore much more likely to be a valid indicator.

(8) *Setting Up Interviews.* Being well organized and efficient is important when conducting the interview so as not to waste the interviewee's time. It is helpful to call the reference to make an appointment to conduct an interview, rather than telephoning the references unannounced, thereby catching them unprepared or with little time to respond. If possible, the questionnaire should be mailed or faxed to the reference in advance of the appointment. Interviewers should take copious notes on the questionnaire to ensure that all information is captured. Tape recording is a good means for capturing all of the conversation, however, tape recording the conversation may cause the interviewee discomfort and reduce the amount of information provided. If tape recording is used during the interview, ensure the interviewee is aware of and agrees to the use of recording devices.

(9) *Conducting Interviews.* Evaluators should look for patterns of either favorable or unfavorable overall performance, rather than focusing on individual successes or failures. It is important to look for actions that demonstrate high performance and not just unfavorable performance. This will help to get away from the old responsibility determination mode of just looking at performance problems. There appears to be a tendency for references to give an upward bias to ratings. The interviewer should ask enough questions to discriminate between "good" and "excellent." Evaluators should request any existing documentation in support of excellent or negative findings (i.e., correspondence, modifications, determinations, etc.). Investigating negative findings in-depth prior to presenting them to offerors, in discussions if held, will alleviate unnecessary delays. Prior to concluding the interview, the evaluator should ask the reference for a summary opinion, e.g., how would the interviewee rate the contractor's overall performance and would the interviewee like to do business with the contractor again?

(10) *Concluding Telephone and Face-to-Face Interviews.* Immediately following a telephone or face-to-face interview, the interviewer should prepare a narrative summary of the conversation (this can be the questionnaire as filled in by the interviewer) and send it to the reference for verification, preferably by certified mail return-receipt requested, fax, or electronic mail. The narrative should state explicitly that if the reference does not object to its content within the time specified, it would be accepted as correct. If the reference indicates that the narrative is incorrect, then a corrected narrative should be sent for verification. If a reference will not agree to the record and satisfactory corrections cannot be agreed upon, the record cannot be relied upon and should not be included in the offeror's rating. Another source may provide the same information, however.

(11) *Mailing Questionnaires.* If mailing questionnaires is the chosen method for collecting past performance information, mail the questionnaires to the references, provide a time-frame for return of responses, and wait for the responses. If mailed questionnaires are not received in a timely manner, follow-up telephone interviews are suggested (following guidance above if telephone interview occurs).

e. *Past Performance Data Base for Ongoing Efforts.*

(1) *NIH Contractor Performance System (CPS).* Headquarters Procurement Information and Services Team (AJA-432) is FAA's liaison to National Institute of Health's CPS. The CPS contains performance information on current and previous federal contractors. In general, evaluations should be completed for complex procurements and any procurements identified by the procurement team. These records are for the use of procurement team in screening offerors and assessing the probability of success based upon the offeror's past record as an FAA contractor. Upon request, FAA may also supply past performance information to personnel of other government agencies that are evaluating offerors who have performed on FAA contracts (see Release of Information).

(2) *Sample Contractor Performance Report.* Appendix 3B is a sample Contractor Past Performance Questionnaire. The description of the sub-factor may also be helpful in

preparing questionnaires for verifying source selection information. This form is not intended to represent the only method for evaluating a contractor's performance on an FAA contract. Procurement teams that believe other mechanisms would permit more cost-effective evaluation of contractor performance are encouraged to pursue them.

(3) *Creation and Disposition of Records.* Evaluations should be prepared at the completion of contract performance and annually by the anniversary date of the contract, and, if appropriate, after a significant event on a contract or a change in program management or CO. Evaluations should generally be prepared by the procurement team. The evaluations should be shared with the contractor, and the contractor should be permitted to provide written comments. Procurement teams should review and resolve contractor's comments, if requested, by the contractor. Copies of the evaluation, the contractor's response, and review comments, if any, should be marked as "source selection information" and retained in the contract file. A summary of evaluation information should be entered into the CPS for future reference. As use of the CPS becomes common throughout FAA, SIRs will need only to ask offerors to provide a list, in the proposal, of past contracts that they have performed that were similar to the potential contract. The need for a section in the proposal on the offeror's past performance may not be necessary. Evaluation files from CPS Government references will provide much, if not all, of the information necessary to evaluate the offeror on past performance. The need for procurement team to conduct extensive interviews with the contract administrators, or conduct other investigations to verify a offeror's past performance should be greatly reduced. Because the contractor will have been offered the opportunity to comment on the ratings, as they were prepared, further comment in the proposal or during discussions, if held, will usually not be necessary.

f. *Completion of the Performance Evaluation.*

(1) *Responsibility.* The development of the performance evaluation is the responsibility of the procurement team. Where the contract provides products or services to end users (persons outside the requiring technical organization), the contract's administrator is responsible for conducting surveys of these customers and including a summary of the end user ratings in the performance evaluation. This is referred to as the Report Card System on past performance.

(2) *When to Perform Surveys.* End user surveys would apply to computer services contracts, major systems maintenance contracts where work is done in the field, routine services contracts such as janitorial or food service, as well as contracts where products are delivered directly to various sites or where performance cannot be measured until the product is used. Evaluations are required at the time the work under the contract is completed, or work is terminated for convenience or default, or when a decision is made by the procurement team not to extend the terms of the contract based upon performance issues. Performance evaluations should be conducted during the contract period of performance in order to provide useful feedback to contractors on their performance and to provide them the opportunity to correct problems before contract completion. The contract file should reflect efforts on the part of the government to provide the contractor

with the results of these evaluations. An honest discussion of any contractor problem areas is important to the government which is seeking quality service and equally, if not more so, to the contractor.

g. *Rating Areas.*

(1) The sample Contractor Past Performance questionnaire in Appendix 3B may be used by the procurement team for evaluating contractors performing on FAA contracts. The description of the sub-factors may also be helpful in developing questionnaires to evaluate past performance during the source selection process. The following areas are some examples of areas to be rated for past performance: Quality, timeliness, cost control, business practices, customer satisfaction, key personnel, and awards and recognition.

(2) As pointed out earlier, these are the basic indicators of past performance, but other factors such as management of subcontractors or software development capability may be important discriminators for certain contracts.

(3) *Quality, Timeliness, and Cost Control.* Three of the areas, quality, timeliness and cost control, can be rated objectively by members of the procurement team. The ratings should reflect how well the contractor complied with the specific contract performance standards for each area. How well the contractor holds up its end of the bargain can, and should, be an essential consideration for future business consideration. The comments should be concise, but provide answers to questions about the performance that would be asked by an evaluator. Here are a few examples:

- The contractor-provided software met all contract performance requirements for ease of use and output. The financial system package actually exceeded expectations in its speed and accuracy.
- The contractor met all contract milestones for development and field installation of the systems. Some internal contractor management milestones were missed, but timely identification of problems and corrective actions kept the program on schedule.
- The contractor's cost management was excellent and resulted in a 2 percent under-run from target cost.

(4) *Business Practices.* Business practices should be evaluated to measure the contractor's customer relations efforts as well as how well the contractor worked with the CO and technical representative(s). It is important to note that when dealing with FAA, there is more than one customer. Accordingly, this rating area evaluates the business practices between the contractor and the contract administration team. This rating should be developed by the procurement team. Questions to ask might be as follows:

- How cooperative was the contractor in working with the government to solve problems?
- Were contractor-recommended solutions effective?

- Was the contractor responsive to the administrative issues of the contract?
- Did the contractor exhibit a propensity to submit unnecessary contract change proposals with cost or price increases?

(5) *Customer Satisfaction.* Customer satisfaction measures the interface with the ultimate end user of the product or service, e.g., the personal computer user who needs assistance under a computer services contract, or the person who uses a supply item to complete their work. A contract cannot be considered a success unless the end user is satisfied. After all, support of the end user is the reason for every contract. Accordingly, effort should be made to ascertain whether each customer was satisfied, for satisfaction by one does not necessarily mean satisfaction by all. The best way to measure contractor performance at the end-user level is the customer satisfaction survey. The quality assurance plan prepared to administer a contract should contain the procedures for receiving customer feedback on contractor performance. This can be done through telephone calls by the Contracting Officer Technical Representative (COTR), use of written survey forms; complaint boxes in strategic locations, or other means of measuring end user satisfaction. If it is not cost effective to survey all end users, then a random sample should be selected for the survey. If the procurement team does not have resources, they may be conducted through contracted services. End-users may be unfamiliar with the contract requirements and may hold contractors to an unrealistic standard. The CO should evaluate the end users comments to determine if the contractor reasonably tried to meet their demands within the contract requirements. If the contractor met or exceeded contract requirements in an attempt to please the end users, this should be noted on the evaluation form, even if the end users were not totally satisfied with the service. In this case, it may well be that the service for which FAA has contracted is not the service desired or needed by the customer. An evaluation of the contract requirements should be undertaken with input from the end users. However, procurement teams are reminded that FAA does not have any right to require, explicitly or implicitly, or expect benefits not agreed to in the contract. It does mean, however, that "service with a smile" is more than a slogan. A proven rating system for end user satisfaction measures the percentage of end users that rate the product or service satisfactory or better. It should be recognized that no product or service could satisfy everyone. Therefore, an excellent rating may be 95 percent of end users were satisfied with the service.

(6) *Key Personnel.* Identifying how long key personnel stayed on the contract and how well they managed their portion of the contract can be of great benefit to source selection officials. This information is critical when a newly formed company is bidding on a contract and its past performance history is based on the past performance of the key personnel. Key personnel past performance looks at the track record of the principal individuals selected to manage and perform other key aspects of the work on the contract. When firms in the commercial world make decisions about which contractor, consultant, or firm to deal with, they place heavy emphasis on (1) the past performance of the company as a whole and (2) how well the firm's employees have performed. Often, a company will choose to work with the same contractor based solely on the past performance of its employees. Similarly, the past performance of the key management personnel to be assigned to a contract should be looked at, as an indicator of how well the

contract will be performed. For new companies entering the marketplace, without relevant company experience, it will be the quality of the past performance of their key management personnel that will indicate the risk of good performance and become the basis of the past performance evaluation.

(7) *Quality Awards and Certifications.* The private sector is increasingly establishing partnerships with suppliers and customers to ensure continuous improvement in the quality of the end products and services. High quality suppliers may be recognized by different awards and certifications, such as the Deming Quality Award, Baldrige Award, President's Quality Award, agency-specific awards, or International Standards Organization (ISO)certification. In seeking past performance information, procurement teams may ask offerors about any quality certifications or awards. How quality certifications are evaluated is at the discretion of the procurement team. A sample evaluation plan for evaluating this sub-factor is provided below.

Note: This is for illustrative purposes only and is not intended to indicate a preferred rating system:

- Excellent (10 percent of total rating or 40 percent of past performance rating): Receipt of a world-class quality award or certification (e.g., Malcolm Baldrige Quality Award) covering the entire organization proposing on the project. The award or certification has been received or renewed within the last three years, or the proposal presents convincing evidence that it still applies.
- Good (6 percent of total rating or 24 percent of past performance rating): Receipt of a widely respected quality award or certification (e.g., the automobile industry's QS 9000, Sematech's SSQA, or ANSI/EIA-559).
- Adequate (2 percent of total rating or 8 percent of past performance rating): Receipt of a quality award or certification with a weak relation to future quality (e.g., ISO 9002 registration).

h. *Contractor Response and Review.*

(1) While the ultimate conclusion on the performance evaluation is a decision of the procurement team, the contractor should be permitted to comment on the evaluation. Upon completion of any evaluation by the procurement team and submission to the CPS, registered contractors will receive an electronic notice. Contractors must be CPS registered prior to receiving electronic evaluations. The contractor should be given a reasonable time to respond to the report. The required turnaround time for contractor response may not be less than thirty days. If the contractor fails to provide a response by the established deadline, the procurement team's comments can stand alone.

(2) If the contractor submits a rebuttal statement for any or all of the ratings and an agreement on the ratings cannot be reached by the contractor and the CO, the disagreement should be resolved by the entire procurement team. The procurement team's decision resulting from the review must be in writing and done in a timely manner. The contractor's statement and procurement team's review must be attached to the

performance evaluation report and must be provided to other parties requesting a reference check.

(3) The completed evaluations are to be filed in the contract file and the CPS. The evaluations will be retained in the CPS for not more than three years after completion of contract performance.

(4) When another agency asks for a reference, the responsible CO should provide all evaluations, extracted from the database, for the period desired by the requesting organization.

i. *Release of Information.* Contractor evaluations should be used by FAA and other agencies to support future award decisions. Solicitations for requirements expected to result in an FAA past performance evaluation should require the contractor to identify the FAA resultant contract on any Government contract solicitation that requests past performance information, that is issued during performance or up to three years after performance, and is for similar items/services. The completed evaluation must be released to other FAA evaluators, other Government personnel authorized to receive such reports, and the contractor whose performance is being evaluated only. Improper disclosure of such information could harm both the commercial interest of the FAA, and to the competitive position of the contractor being evaluated, as well as, impede the efficiency of FAA operations.

New Content: Procurement Guidance:

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(4) *How to Weigh Past Performance.* Past performance should be ranked to ensure it is meaningfully considered. To be meaningful in the screening process (and to ensure offerors are aware that actual contract performance will be a significant factor in future awards), past performance normally should be at least equal in significance to any other non-cost evaluation factor. Generally, if a numeric weighting system is used, past performance should be rated at 25 percent or more. For example, if there were five non-cost evaluation factors including past performance, then any of the following examples of weightings or relative importance would suffice:

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used, as appropriate, as part or all of the past performance evaluation. In addition, teaming relationships and subcontractors can enhance the capability of potential offerors to perform, depending on the relationships that exist within the teaming process.

(6) *Time-frame, Size, Scope, Complexity.* The SIR should ask the contractor for references for ongoing or contracts completed within a specified period of time. A period of three to five years is considered reasonable, depending on the particular circumstances. For small dollar contracts where there are many actions and contractors that provide the products or services, a shorter period may be appropriate. Offerors may attempt to "cherry pick" references to provide selected information on past history. To minimize this, the procurement team should attempt to gather past performance history from sources other than those provided by the offeror. Such sources might include the Past Performance Information Retrieval System (PPIRS) database for on-going efforts, other agency contracting personnel, and listings of contract awards posted on the FAA Contract Opportunities. All on-going or completed contracts performed during the identified period, or the last "X" contracts performed by the entity within the identified period should be sought. Instructions to offerors should ask only for a list of the previous contracts and contact points and for a description of any quality awards earned by the offeror. It is not necessary to burden the process by asking that the offeror prepare a description of its past performance history in the proposal. The procurement team should request references for contracts that are similar in size, scope and complexity to the statement of work in the SIR. Each of these terms should be defined in the SIR to alert the offeror to the type of data that is required.

(7) *Discriminators/Sub-factors.*

(a) Attention should be paid to what discriminates a "good" performer from a "poor" performer for the type of work that will be performed on the specific acquisition. Past performance sub-factors should be shaped by those discriminators, be limited in number, and should be tailored to the key performance criteria in the SOW. For certain prime contracts, the ability to manage subcontracts, or software development capability may be important discriminators. The following are some other examples of sub-factors that may be used to evaluate past performance: quality, timeliness, cost control, business practices, customer satisfaction, key personnel, and/or quality awards and recognition.

(b) The sub-factors in the SIR should reflect the questions to be used in interviewing references or reviewing any written evaluations provided by the references. For example, sub-factors with corresponding questions under business practices could include:

- *Management Responsiveness* - Is the offeror cooperative, business-like and concerned with the interests of the customer?
- *Contract Change Proposals* - What is the contractor's history on contract change proposals? This includes, changes that lower the overall cost or improve performance - timely and accurate proposals for equitable adjustments - changes that have been withdrawn or dismissed as invalid.

(8) *Relative Importance.* The SIR should state whether all sub-factors are relatively equal, or whether certain sub-factors are more important than others. For example, on a contract where most of the work is done for end users and it is difficult for the contract administration team to observe the contractor's performance in a cost-effective manner, significant weight might be placed on customer (end user) satisfaction ratings from the references.

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(10) *Affiliates, Divisions, etc.* For large organizations with many divisions, consider the past performance of the affiliate, division, etc., that will perform the actual work. In making such decisions, the procurement team must consider the degree of control that a parent organization will exert over the affiliate. If a parent organization has an excellent or poor performance record and the affiliate is going to be closely controlled and managed by the parent, then the procurement team should consider the parent organization's performance record in making the performance evaluation.

(11) *Number of References.* It is important to ask for at least two references for each contract (program/technical and contracts) to assure that all aspects of the offeror's performance will be discussed. The name of the organization providing the report should be released to the offeror; however, the names of individuals should generally not be released without the individual's consent.

(12) *Use of Other Sources.* The instruction to the offerors should include a statement that the Government may use past performance information obtained from other than the sources identified by the offeror, and that the information obtained may be used for both the responsibility determination and the best value decision. For each non-Federal reference, the SIR should include an authorization to release information.

(13) *Inclusion of Survey Form.* The survey form need not be included as an attachment in the SIR. However, if the procurement team elects to release the questionnaire, the SIR should note that the questions to be asked would not be limited to those on the questionnaire.

(14) *Sample SIR Provisions.* Appendix 1 contains examples of SIR provisions and an example client authorization letter. The example is not the only way to include past performance in the SIR. Each SIR must contain instructions and evaluation information that best reflects the individual acquisition.

c. Evaluating Past Performance.

(1) *Applicability.* Past performance is one measurement of an offeror's ability to perform.

(2) *Relation to SIR.* Instances of performance, both good and poor, should be noted and related to the SIR requirements. If problems were identified on a prior contract, the role the sponsor may have played in that result should be taken into account. Evaluations should consider the number and severity of problems, the demonstrated effectiveness of corrective actions taken (not just planned or promised), and the overall work record.

(3) *Disclosure of Negative Information.* If the procurement team receives negative information that will have a significant impact on the likelihood of award to an offeror, then the procurement team should disclose the information and provide an opportunity to respond. This is true even if the SIR states that award may be made on initial offers. The SIR should include the appropriate provisions notifying the offerors that FAA retains this option.

(4) *Current Versus Older Performance.* The age of the performance being evaluated may be weighted so that performance on older contracts receives less weight than performance on more recent contracts. More weight may be given to those evaluations on prior FAA or Federal contracts as opposed to contracts with state/local governments or private parties or to prior contracts of a similar nature to the SIR.

(5) *Method of Scoring.* The final past performance rating may be reflected by a color, a number, adjectival, or a combination of these methods, depending upon what system is being used overall to indicate the relative ranking of the offerors. A past performance rating is not a precise mechanical or scientific process and must include sound business judgment. Therefore, the documentation of the final rating should include a logical description of the underlying reasons for the conclusions reached.

(6) *Evaluating Disputed/Negative Information.* When the procurement team receives negative information, or information that is disputed, they should carefully consider the offeror's response and determine what weight to apply, based on the facts obtained from the questionnaire, interview, or other sources. The file should be documented to explain why the procurement team assigned a particular rating. This is especially important in situations involving unresolved disputes.

d. *Obtaining Information on an Offeror's Past Performance.*

(1) *Applicability.* There are various methods of obtaining information on a contractor's past performance.

(2) *Reference Checks.* The most commonly used method of obtaining past performance is to conduct reference checks from a variety of sources, including previous FAA program and contracting personnel, other Federal agencies, state and local governments, and commercial contractors.

(3) *Other Sources.* Dun & Bradstreet can obtain information on past performance on specific contractors for the FAA (Dun & Bradstreet charges for this information). In lieu of FAA paying for the report, the SIR may require offerors to provide a copy of a recent

past performance report prepared by Dun & Bradstreet. In this case, the offerors would see the report and have an opportunity to resolve any disputed data before the report is submitted to FAA. Using this process could save time and money, but should not be relied on as the only source of data. Quality certifications and awards can also serve as a useful source of past performance information.

(4) *Timetable.* The process of collecting information should begin as soon as the proposal evaluation begins. Collecting information can be time consuming. Researchers must locate and question sources of information, either in person, by telephone or in writing. Obtaining this information as early as possible in the evaluation process gives the procurement team invaluable information in determining the viability of the individual offerors. If the information shows a history of poor performance, the procurement team can eliminate the proposal from the competition as non-responsible. It may be best to establish a team devoted entirely to this task during the screening, especially if FAA anticipates receiving a large number of proposals.

(5) *Questionnaire or Survey Form.* The first step in obtaining information from sources is to develop a questionnaire, or survey form, that reflects the evaluation rating system that will be used to assess the offerors strengths and weaknesses for the contract being considered. Questions should be worded so that interviewees understand precisely what they are being asked to describe. To maintain accurate records and facilitate verification, the questionnaire (survey) record form should include: Interviewer's name, company name, reference's name (to be held in confidence), full mailing address and telephone number, date and time of the call, and description of the contract effort discussed. Examples of questionnaires suitable for a contract requiring system development and production are provided in Appendix 4. A sample Business Management Past Performance Questionnaire is included in Appendix 3A.

(6) *Information Collection.* Once the questionnaire is prepared, the procurement team should contact references. For all interviews, the questions should be stated to the interviewees exactly as on the questionnaire. There are various ways to collect the information: Face-to-face interviews, mailing the questionnaires, telephone interviews, electronic mail (ensuring security measures are taken), or some combination of these.

(7) *Number of references.* At least two references should be contacted on each previous contract effort. This should be specified in the instruction to offerors. Additional references may often be identified during the interviews. It is also important to survey reasonably large numbers of references in order to look for patterns in their description of performance - individual ratings may be personal and biased. Numerous ratings can show patterns and are therefore much more likely to be a valid indicator.

(8) *Setting Up Interviews.* Being well organized and efficient is important when conducting the interview so as not to waste the interviewee's time. It is helpful to call the reference to make an appointment to conduct an interview, rather than telephoning the references unannounced, thereby catching them unprepared or with little time to respond. If possible, the questionnaire should be mailed or faxed to the reference in

advance of the appointment. Interviewers should take copious notes on the questionnaire to ensure that all information is captured. Tape recording is a good means for capturing all of the conversation, however, tape recording the conversation may cause the interviewee discomfort and reduce the amount of information provided. If tape recording is used during the interview, ensure the interviewee is aware of and agrees to the use of recording devices.

(9) *Conducting Interviews.* Evaluators should look for patterns of either favorable or unfavorable overall performance, rather than focusing on individual successes or failures. It is important to look for actions that demonstrate high performance and not just unfavorable performance. This will help to get away from the old responsibility determination mode of just looking at performance problems. There appears to be a tendency for references to give an upward bias to ratings. The interviewer should ask enough questions to discriminate between "good" and "excellent." Evaluators should request any existing documentation in support of excellent or negative findings (i.e., correspondence, modifications, determinations, etc.). Investigating negative findings in-depth prior to presenting them to offerors, in discussions if held, will alleviate unnecessary delays. Prior to concluding the interview, the evaluator should ask the reference for a summary opinion, e.g., how would the interviewee rate the contractor's overall performance and would the interviewee like to do business with the contractor again?

(10) *Concluding Telephone and Face-to-Face Interviews.* Immediately following a telephone or face-to-face interview, the interviewer should prepare a narrative summary of the conversation (this can be the questionnaire as filled in by the interviewer) and send it to the reference for verification, preferably by certified mail return-receipt requested, fax, or electronic mail. The narrative should state explicitly that if the reference does not object to its content within the time specified, it would be accepted as correct. If the reference indicates that the narrative is incorrect, then a corrected narrative should be sent for verification. If a reference will not agree to the record and satisfactory corrections cannot be agreed upon, the record cannot be relied upon and should not be included in the offeror's rating. Another source may provide the same information, however.

(11) *Mailing Questionnaires.* If mailing questionnaires is the chosen method for collecting past performance information, mail the questionnaires to the references, provide a time-frame for return of responses, and wait for the responses. If mailed questionnaires are not received in a timely manner, follow-up telephone interviews are suggested (following guidance above if telephone interview occurs).

e. *Past Performance Database.*

(1) *Past Performance Information Retrieval System (PPIRS).* The Past Performance Information Retrieval System (PPIRS) is the single, Government-wide repository for contractor performance information, and contains performance information on current and previous Federal contractors. The procurement team uses PPIRS evaluations to screen offerors and assess the probability of success based on an offeror's

past record as a contractor. Upon request, FAA may also supply past performance evaluation information to personnel of other Government agencies evaluating offerors who have performed on FAA contracts (see "Release of Information" subsection below). Headquarters Procurement Information and Services Team (AJA-A12) is FAA's liaison to PPIRS.

(2) *Thresholds.* The CO, in consultation with the cognizant program office and/or COTR, must complete PPIRS evaluations for all nonconstruction procurements over \$500,000 (including GSA schedule orders and orders placed under any other contract awarded by another Government agency) and all construction procurements over \$1,000,000. Excluded from PPIRS evaluations is any procurement awarded under the Javits-Wagner-O'Day Act (JWOD).

(3) *Evaluation Report Forms.* The National Institute of Health's (NIH) Contractor Performance System (CPS) is the "feeder" system for transmitting evaluations to PPIRS. Because the CPS is the "feeder" system for PPIRS, the evaluation forms on the CPS web site at <http://cps.od.nih.gov/> must be used for all PPIRS evaluations. The three types of evaluation forms are: Standard Evaluation Form, A&E Evaluation Form, and Construction Evaluation Form.

(4) *Creation and Disposition of Records.* PPIRS evaluations must be prepared at the completion of contract performance and annually by the anniversary date of contract award, and, if appropriate, after a significant event on a contract or a change in program management or CO. The procurement team should generally prepare the evaluation. The evaluations should be shared with the contractor and the contractor permitted to provide written comments. Procurement teams should review and resolve contractor's comments, if requested, by the contractor. Copies of the evaluation, the contractor's response, and review comments, if any, must be marked as "source selection information" and retained in the contract file. A summary of evaluation information must be entered into the PPIRS for future reference. As use of the PPIRS becomes common throughout FAA, SIRs will need only ask offerors to provide, in the proposal, a list of past contracts they have performed that were similar to the potential contract. The need for a section in the proposal on the offeror's past performance may not be necessary. Evaluation files from PPIRS Government references will provide much, if not all, of the information necessary to evaluate the offeror on past performance. The need for procurement team to conduct extensive interviews with the contract administrators, or conduct other investigations to verify a offeror's past performance should be greatly reduced. Because the contractor will have been offered the opportunity to comment on the ratings as they were prepared, further comment in the proposal or during discussions, if held, will usually not be necessary.

f. *Completion of the Performance Evaluation.*

(1) *Responsibility.* The development of the performance evaluation is the responsibility of the procurement team. Where the contract provides products or services to end users (persons outside the requiring technical organization), the CO and/or COTR

are responsible for conducting surveys of these customers and including a summary of the end user ratings in the performance evaluation. This is referred to as the Report Card System on past performance.

(2) *When to Perform Surveys.* End user surveys would apply to computer services contracts, major systems maintenance contracts where work is done in the field, routine services contracts such as janitorial or food service, as well as contracts where products are delivered directly to various sites or where performance cannot be measured until the product is used. Evaluations are required at the time the work under the contract is completed, or work is terminated for convenience or default, or when a decision is made by the procurement team not to extend the terms of the contract based upon performance issues. Performance evaluations should be conducted during the contract period of performance in order to provide useful feedback to contractors on their performance and to provide them the opportunity to correct problems before contract completion. The contract file should reflect efforts on the part of the government to provide the contractor with the results of these evaluations. An honest discussion of any contractor problem areas is important to the Government which is seeking quality service and equally, if not more so, to the contractor.

g. *Rating Areas.*

(1) This section provides general guidance on the basic indicators of past performance indicated in the CPS Evaluation Forms used to enter contractor performance information into PPIRS, but other factors such as management of subcontractors or software development capability may be important discriminators for certain contracts where appropriate consistent with the applicable Evaluation Form.

(2) *Quality, Timeliness, and Cost Control.* Three of the areas, quality, timeliness and cost control, can be rated objectively by members of the procurement team. The ratings should reflect how well the contractor complied with the specific contract performance standards for each area. How well the contractor holds up its end of the bargain can, and should, be an essential consideration for future business consideration. The comments should be concise, but provide answers to questions about the performance that would be asked by an evaluator. Here are a few examples:

- The contractor-provided software met all contract performance requirements for ease of use and output. The financial system package actually exceeded expectations in its speed and accuracy.
- The contractor met all contract milestones for development and field installation of the systems. Some internal contractor management milestones were missed, but timely identification of problems and corrective actions kept the program on schedule.
- The contractor's cost management was excellent and resulted in a 2 percent under-run from target cost.

(3) *Business Practices/Relations*. Business practices/relations should be evaluated to measure the contractor's customer relations efforts as well as how well the contractor worked with the CO and technical representative(s). It is important to note that when dealing with FAA, there is more than one customer. Accordingly, this rating area evaluates the business practices between the contractor and the contract administration team. This rating should be developed by the procurement team. Questions to ask might be as follows:

- How cooperative was the contractor in working with the government to solve problems?
- Were contractor-recommended solutions effective?
- Was the contractor responsive to the administrative issues of the contract?
- Did the contractor exhibit a propensity to submit unnecessary contract change proposals with cost or price increases?

(4) *Customer Satisfaction*. Customer satisfaction measures the interface with the ultimate end user of the product or service, e.g., the personal computer user who needs assistance under a computer services contract, or the person who uses a supply item to complete their work. A contract cannot be considered a success unless the end user is satisfied. After all, support of the end user is the reason for every contract. Accordingly, effort should be made to ascertain whether each customer was satisfied, for satisfaction by one does not necessarily mean satisfaction by all. The best way to measure contractor performance at the end-user level is the customer satisfaction survey. The quality assurance plan prepared to administer a contract should contain the procedures for receiving customer feedback on contractor performance. This can be done through telephone calls by the COTR, use of written survey forms; complaint boxes in strategic locations, or other means of measuring end user satisfaction. If it is not cost effective to survey all end users, then a random sample should be selected for the survey. If the procurement team does not have resources, they may be conducted through contracted services. End-users may be unfamiliar with the contract requirements and may hold contractors to an unrealistic standard. The CO should evaluate the end users comments to determine if the contractor reasonably tried to meet their demands within the contract requirements. If the contractor met or exceeded contract requirements in an attempt to please the end users, this should be noted on the evaluation form, even if the end users were not totally satisfied with the service. In this case, it may well be that the service for which FAA has contracted is not the service desired or needed by the customer. An evaluation of the contract requirements should be undertaken with input from the end users. However, procurement teams are reminded that FAA does not have any right to require, explicitly or implicitly, or expect benefits not agreed to in the contract. It does mean, however, that "service with a smile" is more than a slogan. A proven rating system for end user satisfaction measures the percentage of end users that rate the product or service satisfactory or better. It should be recognized that no product or service could satisfy everyone. Therefore, an excellent rating may be 95 percent of end users were satisfied with the service.

(5) *Key Personnel*. Identifying how long key personnel stayed on the contract and how well they managed their portion of the contract can be of great benefit to source selection officials. This information is critical when a newly formed company is competing on a contract and its past performance history is based on the past performance of the key personnel. Key personnel past performance looks at the track record of the principal individuals selected to manage and perform other key aspects of the work on the contract. When firms in the commercial world make decisions about which contractor, consultant, or firm to deal with, they place heavy emphasis on (1) the past performance of the company as a whole, and (2) how well the firm's employees have performed. Often, a company will choose to work with the same contractor based solely on the past performance of its employees. Similarly, the past performance of the key management personnel to be assigned to a contract should be looked at, as an indicator of how well the contract will be performed. For new companies entering the marketplace, without relevant company experience, it will be the quality of the past performance of their key management personnel that will indicate the risk of good performance and become the basis of the past performance evaluation.

(6) *Quality Awards and Certifications*. The private sector is increasingly establishing partnerships with suppliers and customers to ensure continuous improvement in the quality of the end products and services. High quality suppliers may be recognized by different awards and certifications, such as the Deming Quality Award, Baldrige Award, President's Quality Award, agency-specific awards, or International Standards Organization (ISO) certification. In seeking past performance information, procurement teams may ask offerors about any quality certifications or awards. How quality certifications are evaluated is at the discretion of the procurement team, consistent with the applicable Evaluation Form.

(7) *Subcontracting Goals*. For contracts including a Small, Small Disadvantaged, Women-owned, and Service-Disabled Veteran Owned Subcontracting Plan, the contractor's achievement of Plan goals will be considered as part of performance evaluations.

h. *Contractor Response and Review*.

(1) While the ultimate conclusion on the performance evaluation is a decision of the procurement team, the contractor should be permitted to comment on the evaluation. Upon completion of any evaluation by the procurement team and submission to the PPIRS, registered contractors will receive an electronic notice. Contractors must be PPIRS-registered prior to receiving electronic evaluations. The contractor should be given a reasonable time to respond to the report. The required turnaround time for contractor response may not be less than 30 days. If the contractor fails to provide a response by the established deadline, the procurement team's comments can stand alone.

(2) If the contractor submits a rebuttal statement for any or all of the ratings and the contractor and CO cannot reach an agreement on the ratings, then the disagreement

should be resolved by the entire procurement team. The procurement team's decision resulting from the review must be in writing and done in a timely manner. The contractor's statement and procurement team's review must be attached to the performance evaluation report and must be provided to other parties requesting a reference check.

(3) The completed evaluations are to be filed in the contract file and the PPIRS. The evaluations will be retained in the PPIRS for not more than three years after completion of contract performance. Evaluations for construction and architect-engineer contracts will be retained in the PPIRS not more than six years past the date of the evaluation.

(4) When another agency asks for a reference, the responsible CO should provide all evaluations, extracted from the database, for the period desired by the requesting organization.

i. *Release of Information.* The FAA and other agencies should use contractor evaluations to support future award decisions. Solicitations for requirements expected to result in an FAA past performance evaluation should require the contractor to identify the FAA resultant contract on any Government contract solicitation that requests past performance information, that is issued during performance or up to three years after performance, and is for similar items/services. The completed evaluation must be released to other FAA evaluators, other Government personnel authorized to receive such reports, and the contractor whose performance is being evaluated only. Improper disclosure of such information could harm both the commercial interest of FAA and the competitive position of the contractor being evaluated, as well as impede the efficiency of FAA operations.

Red Line Content: Procurement Guidance:

T3.2.2 - Source Selection

Source Selection

Section 3 : Past Performance

a. *General.* -- Past performance can be one indicator of a prospective contractor's future performance. -- To help ensure that the best performing contractors are providing products and services to **the** FAA, past performance should be evaluated during source- selection whenever appropriate.

b. *Instructions for Using Past Performance in a Screening Information Request (SIR).*

(1) *General Considerations.* -- Factors chosen for evaluation should **be** reasonable, logical, coherent, and directly related to requirements in the statement of work (SOW). **The Keykey** to successful use of past performance in the screening process is a clear relationship between the SOW, instructions to offerors, and evaluation criteria. -- Past performance information that is not important to the current acquisition should not be included. For instance, there would be no point in considering poor subcontract management if there were no subcontract management needed on the contract. -- Alternatively, if there were a significant amount of software development, it

would be important to know the offeror's record with estimating lines of code, providing software builds on time with few errors, and accomplishing the effort within the estimated cost.

(2) *Responsibility Determination.* When appropriate, the SIR should state ~~that~~ past performance would be used to evaluate the responsibility of the contractor, and as an evaluation factor. A contractor with a record of unsatisfactory past performance should be screened out of the selection process as part of the responsibility determination. If a contractor's past performance record passes the responsibility determination, then the past record should be compared to the other responsible offerors to determine the offeror that provides the best value to the Government.

(3) *Past ~~performance~~ Performance as a Separate Non-Cost/Price Factor.* -- It is best to include past performance as a stand-alone factor, as opposed to integrating it with other non-cost/price factors. Making it distinct and identifiable will reduce the chances of its impact being lost within other factors and should make evaluation easier. The relative importance of past performance compared to price or cost and any other evaluation factors is left to the broad discretion of the procurement team (CO, legal counsel, program official and other supporting staff) as is the source and type of past performance information to be included in the evaluation.

(4) *How to Weigh Past Performance.* Past performance should be ranked to ensure ~~that~~ it is meaningfully considered. To be meaningful in the screening process (and to ensure ~~that~~ offerors are aware that actual contract performance will be a significant factor in future awards), -- past performance normally should be at least equal in significance to any other non-cost evaluation factor. Generally, if a numeric weighting system is used, past performance should be rated at 25 percent or more. For example, if there were five non-cost evaluation factors including past performance, then any of the following examples of weightings or relative importance would suffice:

- Past performance at 25 percent with the other four factors rated at 18.75 percent each ($75/4=18.75$)
- Past performance at 25 percent, technical excellence at 25 percent, management at 20 percent, the other two factors at 15 percent each
- All five factors rated at 20 percent
- Technical approach rated at 30 percent, past performance rated at 30 percent (to equal the highest rated other non-cost factor), management at 20 percent and the other two factors rated at 10 percent each
- Technical capability and past performance are considered equal in importance followed by test and evaluation, logistics management, and subcontract management in descending order of importance

(5) *Non-Relevant Contract Experience/New Contractors.* -- **The SIR should state whether new contractors, or contractors with non-relevant contract experience will be considered, or rated negatively.** For example, if the offeror has a performance history on non-relevant contracts, i.e., prior Government or commercial performance record, but not

specifically on the type of work solicited, this information might be used to demonstrate management potential. New contractors may have key management or technical or scientific personnel proposed for the contract that have some relevant experience. An evaluation of the performance of the proposed key personnel on relevant contracts can be used, as appropriate, as part or all of the past performance evaluation. In addition, teaming relationships and subcontractors can enhance the capability of potential offerors to perform, depending on the relationships that exist within the teaming process.

(6) *Time-frame, Size, Scope, Complexity.* The SIR should ask the contractor for references for ongoing or contracts completed within a specified period of time. A period of three to five years is considered reasonable, depending on the particular circumstances. For small dollar contracts where there are many actions and contractors that provide the products or services, a shorter period may be appropriate. Offerors may attempt to "cherry pick" references to provide selected information on past history. To minimize this, the procurement team should attempt to gather past performance history from sources other than those provided by the offeror. Such sources might include the [National Institutes of Health Past \(NIH\) Performance Contractor Performance Information Retrieval System \(CPSPIRS\)](#) database for on-going efforts, other agency contracting personnel, and listings of contract awards posted on the FAA Contract Opportunities. All on-going or completed contracts performed during the identified period, or the last "X" contracts performed by the entity within the identified period should be sought. Instructions to offerors should ask only for a list of the previous contracts and contact points and for a description of any quality awards earned by the offeror. It is not necessary to burden the process by asking that the offeror prepare a description of its past performance history in the proposal. The procurement team should request references for contracts that are similar in size, scope and complexity to the statement of work in the SIR. Each of these terms should be defined in the SIR to alert the offeror to the type of data that is required.

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(1) *Applicability.* Past performance is one measurement of an offeror's ability to perform.

(2) *Relation to SIR.* Instances of performance, both good and poor, should be noted and related to the SIR requirements. If problems were identified on a prior contract, the role the sponsor may have played in that result should be taken into account. Evaluations should consider the number and severity of problems, the demonstrated effectiveness of corrective actions taken (not just planned or promised), and the overall work record.

(3) *Disclosure of Negative Information.* If the procurement team receives negative information that will have a significant impact on the likelihood of award to an offeror, then the procurement team should disclose the information and provide an opportunity to respond. This is true even if the SIR states that award may be made on initial offers. The SIR should include the appropriate provisions notifying the offerors that FAA retains this option.

(4) *Current Versus Older Performance.* The age of the performance being evaluated may be weighted so that performance on older contracts receives less weight than performance on more recent contracts. More weight may be given to those evaluations on prior FAA or Federal contracts as opposed to contracts with state/local governments or private parties or to prior contracts of a similar nature to the SIR.

(5) *Method of Scoring.* The final past performance rating may be reflected by a color, a number, adjectival, or a combination of these methods, depending upon what system is being used overall to indicate the relative ranking of the offerors. A past performance rating is not a precise mechanical or scientific process and must include sound business judgment. Therefore, the documentation of the final rating should include a logical description of the underlying reasons for the conclusions reached.

(6) *Evaluating Disputed/Negative Information.* When the procurement team receives negative information, or information that is disputed, they should carefully consider the offeror's response and determine what weight to apply, based on the facts obtained from the questionnaire, interview, or other sources. The file should be documented to explain why the procurement team assigned a particular rating. This is especially important in situations involving unresolved disputes.

d. *Obtaining Information on an Offeror's Past Performance.*

(1) *Applicability.* There are various methods of obtaining information on a contractor's past performance.

(2) *Reference Checks.* The most commonly used method of obtaining past performance is to conduct reference checks from a variety of sources, including previous FAA

program and contracting personnel, other Federal agencies, state and local governments, and commercial contractors.

(3) *Other Sources.* -- Dun & Bradstreet can obtain information on past performance on specific contractors for the FAA (Dun & Bradstreet charges for this information). In lieu of FAA paying for the report, the SIR may require offerors to provide a copy of a recent past performance report prepared by Dun & Bradstreet. In this case, the offerors would see the report and have an opportunity to resolve any disputed data before the report is submitted to FAA. Using this process could save time and money, but should not be relied on as the only source of data. Quality certifications and awards can also serve as a useful source of past performance information.

(4) *Timetable.* -- The process of collecting information should begin as soon as the proposal evaluation begins. Collecting information can be time consuming. Researchers must locate and question sources of information, either in person, by telephone or in writing. Obtaining this information as early as possible in the evaluation process gives the procurement team invaluable information in determining the viability of the individual offerors. If the information shows a history of poor performance, the procurement team can eliminate the proposal from the competition as non-responsible. It may be best to establish a team devoted entirely to this task during the screening, especially if FAA anticipates receiving a large number of proposals.

(5) *Questionnaire or Survey Form.* -- The first step in obtaining information from sources is to develop a questionnaire, or survey form, that reflects the evaluation rating system that will be used to assess the offerors strengths and weaknesses for the contract being considered. Questions should be worded so that interviewees understand precisely what they are being asked to describe. To maintain accurate records and facilitate verification, the questionnaire (survey) record form should include: -- Interviewer's name, company name, reference's name (to be held in confidence), full mailing address and telephone number, date and time of the call, and description of the contract effort discussed. Examples of questionnaires suitable for a contract requiring system development and production are provided in Appendix 4. A sample Business Management Past Performance Questionnaire is included in Appendix 3A.

(6) *Information Collection.* -- Once the questionnaire is prepared, the procurement team should contact references. For all interviews, the questions should be stated to the interviewees exactly as on the questionnaire. There are various ways to collect the information: Face-to-face interviews, mailing the questionnaires, telephone [interviews](#), electronic mail (ensuring security measures are taken), or some combination of these.

(7) *Number of references.* -- At least two references should be contacted on each previous contract effort. This should be specified in the instruction to offerors. Additional references may often be identified during the interviews. It is also important to survey reasonably large numbers of references in order to look for patterns in their description of

performance - individual ratings may be personal and biased. Numerous ratings can show patterns and are therefore much more likely to be a valid indicator.

(8) *Setting Up Interviews.* - Being well organized and efficient is important when conducting the interview so as not to waste the interviewee's time. It is helpful to call the reference to make an appointment to conduct an interview, rather than telephoning the references unannounced, thereby catching them unprepared or with little time to respond. If possible, the questionnaire should be mailed or faxed to the reference in advance of the appointment. Interviewers should take copious notes on the questionnaire to ensure that all information is captured. Tape recording is a good means for capturing all of the conversation, however, tape recording the conversation may cause the interviewee discomfort and reduce the amount of information provided. If tape recording is used during the interview, ensure the interviewee is aware of and agrees to the use of recording devices.

(9) *Conducting Interviews.* - Evaluators should look for patterns of either favorable or unfavorable overall performance, rather than focusing on individual successes or failures. It is important to look for actions that demonstrate high performance and not just unfavorable performance. This will help to get away from the old responsibility determination mode of just looking at performance problems. There appears to be a tendency for references to give an upward bias to ratings. The interviewer should ask enough questions to discriminate between "good" and "excellent." Evaluators should request any existing documentation in support of excellent or negative findings (i.e., correspondence, modifications, determinations, etc.). Investigating negative findings in-depth prior to presenting them to offerors, in discussions if held, will alleviate unnecessary delays. Prior to concluding the interview, the evaluator should ask the reference for a summary opinion, e.g., how would the interviewee rate the contractor's overall performance and would the interviewee like to do business with the contractor again?

(10) *Concluding Telephone and Face-to-Face Interviews.* - Immediately following a telephone or face-to-face interview, the interviewer should prepare a narrative summary of the conversation (this can be the questionnaire as filled in by the interviewer) and send it to the reference for verification, preferably by certified mail return-receipt requested, fax, or electronic mail. The narrative should state explicitly that if the reference does not object to its content within the time specified, it would be accepted as correct. If the reference indicates that the narrative is incorrect, then a corrected narrative should be sent for verification. If a reference will not agree to the record and satisfactory corrections cannot be agreed upon, the record cannot be relied upon and should not be included in the offeror's rating. Another source may provide the same information, however.

(11) *Mailing Questionnaires.* - If mailing questionnaires is the chosen method for collecting past performance information, mail the questionnaires to the references, provide a time-frame for return of responses, and wait for the responses. If mailed questionnaires are not received in a timely manner, follow-up telephone interviews are suggested (following guidance above if telephone interview occurs).

e. Past Performance Data Base for Ongoing Efforts Database.

(1) NIH Contractor Past Performance Information Retrieval System (CPS PPIRS). Headquarters The Past Procurement Performance Information and Services Retrieval Team System (AJA-432 PPIRS) is FAA's the liaison single, to Government-wide National Institute of repository for contractor Health performance information, and #8217160;s CPS. The CPS contains performance information on current and previous federal Federal contractors. In general, evaluations should be completed for complex procurements and any procurements identified by the procurement team. These records are for the use of The procurement team in uses PPIRS screening evaluations to screen offerors and assessing assess the probability of success based upon the on an offeror's past record as an FAA a contractor. Upon request, FAA may also supply past performance evaluation information to personnel of other government Government agencies that are evaluating offerors who have performed on FAA contracts (see "Release of Information" subsection below). Headquarters Procurement Information and Services Team (AJA-A12) is FAA's liaison to PPIRS.

(2) Sample Contractor Thresholds. Performance The Report CO, in consultation with the cognizant program office and/or COTR, must complete PPIRS Appendix 3B evaluations for is all nonconstruction a procurements over sample \$500,000 Contractor (including Past Performance GSA schedule Questionnaire orders The description of the and orders placed under sub-factor any may also be helpful in preparing other contract awarded by another Government questionnaires agency) for and verifying all construction source selection procurements over information \$1,000,000. This Excluded form from PPIRS evaluations is any not intended procurement awarded to under the Javits-Wagner-O'Day Act (JWOD).

(3) Evaluation Report Forms. The National Institute of Health's (NIH) Contractor Performance System (CPS) represent is the only "feeder" method system for evaluating transmitting a evaluations contractor to PPIRS. #8217160;s Because performance the CPS is the "feeder" system for PPIRS, the evaluation forms on an FAA the CPS contract web Procurement teams site at that http://cps.od.nih.gov/ believe other mechanisms would permit more must be used for all PPIRS cost-effective evaluations. evaluation The three types of contractor performance evaluation forms are: encouraged Standard to Evaluation Form, A&E pursue Evaluation them Form, and Construction Evaluation Form.

(34) Creation and Disposition of Records. Evaluations PPIRS should evaluations must be prepared at the completion of contract performance and annually by the anniversary date of the contract award, and, if appropriate, after a significant event on a contract or a change in program management or CO. Evaluations should generally be prepared by the procurement team The procurement team should generally prepare the evaluation. The evaluations should be shared with the contractor; and the contractor should be permitted to provide written comments. Procurement teams should review and resolve contractor's comments, if requested, by the contractor. Copies of the evaluation, the contractor's response, and review comments, if any, should must be marked as

"source selection information" and retained in the contract file. A summary of evaluation information ~~should~~ must be entered into the ~~CPS PPIRS~~ for future reference. As use of the ~~CPS PPIRS~~ becomes common throughout FAA, SIRs will need only ~~to~~ ask offerors to provide ~~a list~~, in the proposal, a list of past contracts ~~that~~ they have performed that were similar to the potential contract. The need for a section in the proposal on the offeror's past performance may not be necessary. Evaluation files from ~~CPS PPIRS~~ Government references will provide much, if not all, of the information necessary to evaluate the offeror on past performance. The need for procurement team to conduct extensive interviews with the contract administrators, or conduct other investigations to verify a offeror's past performance should be greatly reduced. Because the contractor will have been offered the opportunity to comment on the ratings, as they were prepared, further comment in the proposal or during discussions, if held, will usually not be necessary.

f. *Completion of the Performance Evaluation.*

(1) *Responsibility.* The development of the performance evaluation is the responsibility of the procurement team. Where the contract provides products or services to end users (persons outside the requiring technical organization), the ~~contract~~ #8217160; sCO administrator and/or isCOTR are responsible for conducting surveys of these customers and including a summary of the end user ratings in the performance evaluation. This is referred to as the Report Card System on past performance.

(2) *When to Perform Surveys.* -- End user surveys would apply to computer services contracts, major systems maintenance contracts where work is done in the field, routine services contracts such as janitorial or food service, as well as contracts where products are delivered directly to various sites or where performance cannot be measured until the product is used. Evaluations are required at the time the work under the contract is completed, or work is terminated for convenience or default, or when a decision is made by the procurement team not to extend the terms of the contract based upon performance issues. Performance evaluations should be conducted during the contract period of performance in order to provide useful feedback to contractors on their performance and to provide them the opportunity to correct problems before contract completion. The contract file should reflect efforts on the part of the government to provide the contractor with the results of these evaluations. An honest discussion of any contractor problem areas is important to the ~~government~~ Government which is seeking quality service and equally, if not more so, to the contractor.

g. *Rating Areas.*

(1) ~~The sample Contractor Past Performance questionnaire in Appendix 3B may be used by the procurement team~~ This for evaluating contractors performing section provides general guidance on FAA contracts. ~~The description of the sub factors may also be helpful in developing questionnaires~~ basic to evaluate indicators of past performance during the source selection process. ~~The following~~ indicated areas are some examples of areas in the CPS Evaluation Forms used to be rated for enter past contractor

performance: ~~Quality, timeliness, cost control, business practices, customer satisfaction,~~ information key personnel into PPIRS, and awards and recognition. (2) ~~As pointed out earlier, these are the basic indicators of past performance,~~ but other factors such as management of subcontractors or software development capability may be important discriminators for certain contracts where appropriate consistent with the applicable Evaluation Form.

(32) *Quality, Timeliness, and Cost Control.* Three of the areas, quality, timeliness and cost control, can be rated objectively by members of the procurement team. The ratings should reflect how well the contractor complied with the specific contract performance standards for each area. How well the contractor holds up its end of the bargain can, and should, be an essential consideration for future business consideration. The comments should be concise, but provide answers to questions about the performance that would be asked by an evaluator. Here are a few examples:

- The contractor-provided software met all contract performance requirements for ease of use and output. The financial system package actually exceeded expectations in its speed and accuracy.
- The contractor met all contract milestones for development and field installation of the systems. Some internal contractor management milestones were missed, but timely identification of problems and corrective actions kept the program on schedule.
- The contractor's cost management was excellent and resulted in a 2 percent under-run from target cost.

(43) *Business Practices/Relations.* Business practices/relations should be evaluated to measure the contractor's customer relations efforts as well as how well the contractor worked with the CO and technical representative(s). It is important to note that when dealing with FAA, there is more than one customer. Accordingly, this rating area evaluates the business practices between the contractor and the contract administration team. This rating should be developed by ~~the procurement~~ the procurement team. Questions to ask might be as follows:

- How cooperative was the contractor in working with the government to solve problems?
- Were contractor-recommended solutions effective?
- Was the contractor responsive to the administrative issues of the contract?
- Did the contractor exhibit a propensity to submit unnecessary contract change proposals with cost or price increases?

(54) *Customer Satisfaction.* Customer satisfaction measures the interface with the ultimate end user of the product or service, e.g., the personal computer user who needs assistance under a computer services contract, or the person who uses a supply item to complete their work. A contract cannot be considered a success unless the end user is satisfied. After all, support of the end user is the reason for every contract. Accordingly, effort should be made to ascertain whether each customer was satisfied, for satisfaction

by one does not necessarily mean satisfaction by all. The best way to measure contractor performance at the end-user level is the customer satisfaction survey. The quality assurance plan prepared to administer a contract should contain the procedures for receiving customer feedback on contractor performance. This can be done through telephone calls by the ~~Contracting Officer Technical Representative (COTR)~~, use of written survey forms; complaint boxes in strategic locations, or other means of measuring end user satisfaction. If it is not cost effective to survey all end users, then a random sample should be selected for the survey. If the procurement team does not have resources, they may be conducted through contracted services. End-users may be unfamiliar with the contract requirements and may hold contractors to an unrealistic standard. The CO should evaluate the end users comments to determine if the contractor reasonably tried to meet their demands within the contract requirements. If the contractor met or exceeded contract requirements in an attempt to please the end users, this should be noted on the evaluation form, even if the end users were not totally satisfied with the service. In this case, it may well be that the service for which FAA has contracted is not the service desired or needed by the customer. An evaluation of the contract requirements should be undertaken with input from the end users. However, procurement teams are reminded that FAA does not have any right to require, explicitly or implicitly, or expect benefits not agreed to in the contract. It does mean, however, that "service with a smile" is more than a slogan. A proven rating system for end user satisfaction measures the percentage of end users that rate the product or service satisfactory or better. It should be recognized that no product or service could satisfy everyone. Therefore, an excellent rating may be 95 percent of end users were satisfied with the service.

(6.5) *Key Personnel.* Identifying how long key personnel stayed on the contract and how well they managed their portion of the contract can be of great benefit to source selection officials. This information is critical when a newly formed company is ~~bidding~~ competing on a contract and its past performance history is based on the past performance of the key personnel. Key personnel past performance looks at the track record of the principal individuals selected to manage and perform other key aspects of the work on the contract. When firms in the commercial world make decisions about which contractor, consultant, or firm to deal with, they place heavy emphasis on (1) the past performance of the company as a whole, and (2) how well the firm's employees have performed. Often, a company will choose to work with the same contractor based solely on the past performance of its employees. Similarly, the past performance of the key management personnel to be assigned to a contract should be looked at, as an indicator of how well the contract will be performed. For new companies entering the marketplace, without relevant company experience, it will be the quality of the past performance of their key management personnel that will indicate the risk of good performance and become the basis of the past performance evaluation.

(7.6) *Quality Awards and Certifications.* The private sector is increasingly establishing partnerships with suppliers and customers to ensure continuous improvement in the quality of the end products and services. High quality suppliers may be recognized by different awards and certifications, such as the Deming Quality Award, Baldrige Award, President's Quality Award, agency-specific awards, or International Standards

Organization (ISO-) certification. In seeking past performance information, procurement teams may ask offerors about any quality certifications or awards. How quality certifications are evaluated is at the discretion of the procurement team. ~~A sample evaluation plan for evaluating this~~ consistent with sub-factor ~~the~~ is provided below applicable Evaluation Form.

Note: This is for illustrative purposes only and is not intended to indicate a preferred rating system: Excellent (107) percent of total rating or Subcontracting 40 Goals. percent of past performance rating): For Receipt of contracts including a world-class quality award or certification (e.g. Small, Malcolm Baldrige Quality Award) covering the entire organization proposing on the project. The award or certification has been received or renewed within the last three Small years Disadvantaged, or the proposal presents convincing evidence that it still applies. Good (6 percent of total rating or 24 percent of past performance rating: Receipt of a widely Women-owned, respected and quality Service-Disabled award or certification Veteran Owned Subcontracting (e.g. Plan, the automobile industry's QS 9000, Sematech contractor's SSQA, or ANSI/EIA-559): Adequate (2 percent achievement of total rating or Plan 8 percent goals of past performance will be considered rating): as Receipt part of a quality award or certification with a weak relation to future quality (e.g., ISO 9002 performance registration) evaluations.

h. *Contractor Response and Review.*

(1) While the ultimate conclusion on the performance evaluation is a decision of the procurement team, the contractor should be permitted to comment on the evaluation. Upon completion of any evaluation by the procurement team and submission to the CPS PPIRS, registered contractors will receive an electronic notice. Contractors must be CPS PPIRS-registered prior to receiving electronic evaluations. The contractor should be given a reasonable time to respond to the report. The required turnaround time for contractor response may not be less than ~~thirty~~ 30 days. If the contractor fails to provide a response by the established deadline, the procurement team's comments can stand alone.

(2) If the contractor submits a rebuttal statement for any or all of the ratings and ~~an~~ agreement on the ratings cannot contractor be and CO reached by the contractor and cannot reach an agreement on the ~~CO~~ ratings, then the disagreement should be resolved by the entire procurement team. The procurement team's decision resulting from the review must be in writing and done in a timely manner. The contractor's statement and procurement team's review must be attached to the performance evaluation report and must be provided to other parties requesting a reference check.

(3) The completed evaluations are to be filed in the contract file and the CPS PPIRS. The evaluations will be retained in the CPS PPIRS for not more than three years after completion of contract performance. Evaluations for construction and architect-engineer contracts will be retained in the PPIRS not more than six years past the date of the evaluation.

(4) When another agency asks for a reference, the responsible CO should provide all evaluations, extracted from the database, for the period desired by the requesting organization.

i. *Release of Information.* ~~Contractor evaluations should be used by~~ The FAA and other agencies should use contractor evaluations to support future award decisions. Solicitations for requirements expected to result in an FAA past performance evaluation should require the contractor to identify the FAA resultant contract on any Government contract solicitation that requests past performance information, that is issued during performance or up to three years after performance, and is for similar items/services. The completed evaluation must be released to other FAA evaluators, other Government personnel authorized to receive such reports, and the contractor whose performance is being evaluated only. Improper disclosure of such information could harm both the commercial interest of ~~the~~ FAA, and ~~to~~ the competitive position of the contractor being evaluated, as well as; impede the efficiency of FAA operations.

Section 11 : Contract Closeout

Old Content: Procurement Guidance:

T3.10.1 Contract Administration

Contract Administration

Section 11 : Contract Closeout

a. *Background.* Closeout of contract files occurs at the end of the contract administration process. The CO should assure file integrity throughout the life of the contract. Maintaining an accurate record of contract modifications and obligations facilitates contract closeout, and also minimizes costs associated with administration and closeout processes. Timely closeout deobligates excess funds and returns the excess funds for possible use elsewhere. The time frame for closing a contract is based on both the type of contract and date of physical completion.

b. *Definitions.*

(1) A contract is considered to be physically complete when:

- (a) The contractor has completed the required deliveries and the Government has inspected and accepted the supplies;
- (b) The contractor has performed all services and the Government has accepted the services;
- (c) All option provisions, if any, have expired;
- (d) The Government has given the contractor a notice of complete contract termination.

(2) A purchase order, or delivery order against a Federal Supply Schedule contract, is considered to be physically complete when:

- (a) Property or services have been received within the terms of the contract;
- (b) Final payment has been made to the contractor; and
- (c) A purchase order/delivery order Receiving Report signed by the recipient of the goods or services.

c. *Time Frames.* Closeout of contract files should occur during the time frames identified below, as evidenced by completion of the "Contract Closeout Checklist" or the closeout section of the "Purchase Order/GSA/FSS Order File Checklist" (See Procurement Form Templates in FAST).

- (1) Files for contracts using commercial and simplified purchase procedures should be considered closed when the CO receives evidence of receipt of supplies and final payment.
- (2) Contract files for firm-fixed-price contracts, other than those using commercial and simplified purchase procedures, should be closed within 6 months after the date on which the CO receives evidence of physical completion (for example, signed receipt or delivered product).
- (3) Contract files for contracts requiring settlement of indirect cost rates should be closed within 36 months of the month in which the CO receives evidence of physical completion.
- (4) Contract files for all other contracts should be closed within 20 months of the month in which the CO receives evidence of physical completion.

d. *Preparation for Closeout.* To prepare for contract closeout, 60 days prior to either final delivery or estimated contract or interagency agreement completion date, the CO should perform a comprehensive review of the contract or interagency agreement to determine whether any documentation is missing and whether any step in the closeout process can be initiated before physical completion. If documents are missing, the CO should attempt to obtain them and insert them into the file. To determine whether steps in the closeout process can begin before the contract or interagency agreement is physically complete, the CO should review the "Contract Closeout Checklist." Following are examples of actions the CO may be able to take before the contract is physically complete:

- (1) Ensure that the contractor has a current list of contractor employees holding FAA security badges and verify that the list corresponds to the FAA Servicing Security Element's list.
- (2) Ensure that all information in Prism is current and correct.

(3) Reconcile the contract's funding status and invoice payment log with Accounts Payable. Identify final invoices. (Contracts and Interagency Agreements).

(4) If the contract includes a "Patent Rights" clause, check to see whether final patent or royalty reports have been received.

(5) If the contract includes "Government Property" clauses or contractor-acquired property, ensure that the property administrator or Contracting Officer's Technical Representative provides disposition instructions to the Contractor. (Contracts and Interagency Agreement).

e. Closeout Procedures. When the contract or interagency agreement is physically complete, the CO is responsible for initiating contract closeout. The contract file should not be closed if the contract is in litigation or under appeal. When closing both fixed-price and cost-type contracts, the CO must verify that the documents and activities included in the "Contract Closeout Checklist" have been received or are complete. After completion of the "Contract Closeout Checklist" and notification of final payment from Accounts Payable, the CO must complete and sign a "Contract File Completion Statement" (Appendix 11). For purchase orders (PO) or GSA Federal Supply Schedule (FSS) orders, the CO will use the closeout portion of the "Purchase Order/GSA/FSS Order File Checklist" in place of the "Contract Closeout Checklist" and "Contract File Completion Statement." To facilitate receipt of required closeout documentation, the CO will need to take some or all of the following actions:

(1) Reconcile the contract's funding status and invoice payment log with Accounts Payable. To accomplish this, contact the Finance Office and obtain reports documenting the obligations and expenditures under the contract.

(2) Send a memorandum to the program official to confirm contract completion.

(3) Send a memorandum to the COTR requesting termination of all contractor personnel accounts on contract-specific FAA systems (See Appendix 12 for memorandum). The COTR should return the signed memo to the CO within 30 days.

(4) For all cost-type contracts not closed with Quick Closeout procedures, the CO must request Headquarters Contracting Oversight staff (AJA-45) initiate a DCAA audit.

(5) Send a memorandum to the Property Administrator requesting completion and transfer of the Government Property section of the contract file. (Note: the CO must sign the property report submitted by the Property Administrator).

(6) Send a letter to the contractor indicating that the contract is complete and requesting required documents. Required documents might include:

- (a) Final voucher.
- (b) Confirmation of settlement of subcontracts.
- (c) Government Furnished Property (GFP) and Contractor Acquired Property (CAP) inventory.
- (d) Report of inventions and subcontracts, if applicable (AMS Clause 3.5-12).
- (e) Patent and royalty reports.
- (f) Contractor's release.
- (g) Contractor's assignment of refunds, rebates, credits, and other amounts.
- (h) List of contractor personnel holding FAA badges, indicating the badge numbers and when they were returned to the FAA Servicing Security Element.

(7) Review and approval of the final voucher should include:

- (a) Verification that all contractual requirements have been satisfied.
- (b) Completion of any fee adjustments.
- (c) Verification that contractual funding limitations have not been exceeded.
- (d) Identification of any offsets applied.
- (e) Verification of accuracy of Contractor Release and Assignment.
- (f) Verification that all previous Contractor vouchers have been paid.
- (g) Approval for payment with signature and date.
- (h) Deobligation modification processed and distributed for any funds determined to be in excess.

f. *Quick-closeout Procedures.* In some circumstances, the CO may determine that a contract is a candidate for quick closeout. Quick closeout allows the CO to negotiate the settlement of indirect

costs without a DCAA audit and in advance of the determination of final indirect cost rates. The procedures for quick closeout are the same as for regular closeout except that a DCAA audit is not requested. The determinations of final indirect costs under quick closeout procedures are final for the contracts it covers and no adjustments are made to other contracts for over or under recoveries of costs allocated or allocable to the contracts covered by the advance agreement. Additionally, indirect cost rates used in the quick closeout of a contract are not considered a binding precedent when establishing the final indirect cost rates for other contracts.

(1) To determine whether a contract is a candidate for quick closeout, the contract must meet the following criteria:

- (a) The contract is physically complete;
- (b) The amount of unsettled indirect costs is relatively insignificant (not more than \$500,000 and the cumulative unsettled indirect costs to be allocated to one or more contracts in a single fiscal year do not exceed 15% of the estimated, total unsettled indirect costs allocable to cost-type contracts for that fiscal year); and
- (c) Agreement can be reached on a reasonable estimate of allocable dollars.

(2) After the CO has made a decision that the use of quick closeout procedures is appropriate, the CO must:

- (a) Ensure adequate rationale for the decision is included in the file;
- (b) Require the contractor to submit a final voucher and a summary of all costs by cost element and fiscal year for the contract(s) in question, as well as a copy of the contractor's final indirect cost rate proposal for each fiscal year quick closeout is involved;
- (c) Notify the cognizant audit activity, either verbally or in writing, identify the contract(s), and request:
 - (i) The contractor's indirect cost history covering a sufficient number of fiscal years to see the trend of claimed, audit questioned, and disallowed costs; and
 - (ii) Any other information that could impact the decision to use quick-closeout procedures. Indirect cost histories should be requested from the contractor only when the cognizant audit activity is unable to provide the information;

(d) Review the contract(s) for indirect cost rate ceilings and any other contract limitations, as well as the rate history information;

(e) Establish final indirect cost rates using one of the following rates:

(i) The contract's ceiling indirect cost rates, if applicable, and if less than paragraphs (e)(ii) through (vi) of this section;

(ii) The contractor's claimed actual rates adjusted based on the contractor's indirect cost history, if less than paragraphs (e)(iii) through (vi) of this section;

(iii) Recommended rates from the cognizant audit agency, the local pricing office, another installation pricing office, or other recognized knowledgeable source;

(iv) The contractor's negotiated billing rates, if less than paragraphs (e)(v) or (vi) of this section;

(v) The previous year's final rates;

(vi) Final rates for another fiscal year closest to the period for which quick-closeout rates are being established;

(f) If an agreement is reached with the contractor, obtain a release of all claims and other applicable closing documents.

g. Contract File Documentation. Official closeout documentation for contracts and interagency agreements, the signed "Contract File Completion Statement," and the completed "Contract Closeout Checklist" should be filed in the official contract file behind a marked tab. For POs or GSA FSS orders, the documentation should be filed in the official file and noted on the "Purchase Order/GSA/FSS Order File Checklist."

h. Paying Office. The paying office must furnish the CO written documentation of the final payment including the voucher number, date, invoice number and date, and name and signature of technician processing the payment. The paying office should close their contract files upon issuance of the final payment voucher.

New Content: Procurement Guidance:

T3.10.1 Contract Administration

Contract Administration

Section 11 : Contract Closeout

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b. *Definitions.*

(1) A contract is considered to be physically complete when:

- (a) The contractor has completed the required deliveries and the Government has inspected and accepted the supplies;
- (b) The contractor has performed all services and the Government has accepted the services;
- (c) All option provisions, if any, have expired; and
- (d) The Government has given the contractor a notice of complete contract termination.

(2) A purchase order, or delivery order against a Federal Supply Schedule contract, is considered to be physically complete when:

- (a) Property or services have been received within the terms of the contract;
- (b) Final payment has been made to the contractor; and
- (c) A purchase order/delivery order Receiving Report signed by the recipient of the goods or services.

c. *Time Frames.* Closeout of contract files should occur during the time frames identified below, as evidenced by completion of the "Contract Closeout Checklist" or the closeout section of the "Purchase Order/GSA/FSS Order File Checklist" (See Procurement Form Templates in FAST).

- (1) Files for contracts using commercial and simplified purchase procedures should be considered closed when the CO receives evidence of receipt of supplies and final payment.

(2) Contract files for firm-fixed-price contracts, other than those using commercial and simplified purchase procedures, should be closed within 6 months after the date on which the CO receives evidence of physical completion (for example, signed receipt or delivered product).

(3) Contract files for contracts requiring settlement of indirect cost rates should be closed within 36 months of the month in which the CO receives evidence of physical completion.

(4) Contract files for all other contracts should be closed within 20 months of the month in which the CO receives evidence of physical completion.

d. *Preparation for Closeout.* To prepare for contract closeout, 60 days prior to either final delivery or estimated contract or interagency agreement completion date, the CO should perform a comprehensive review of the contract or interagency agreement to determine whether any documentation is missing and whether any step in the closeout process can be initiated before physical completion. If documents are missing, the CO should attempt to obtain them and insert them into the file. To determine whether steps in the closeout process can begin before the contract or interagency agreement is physically complete, the CO should review the "Contract Closeout Checklist." Following are examples of actions the CO may be able to take before the contract is physically complete:

(1) Ensure that the contractor has a current list of contractor employees holding FAA security badges and verify that the list corresponds to the FAA Servicing Security Element's list.

(2) Ensure that all information in Prism is current and correct.

(3) Reconcile the contract's funding status and invoice payment log with Accounts Payable. Identify final invoices. (Contracts and Interagency Agreements).

(4) If the contract includes a "Patent Rights" clause, check to see whether final patent or royalty reports have been received.

(5) If the contract includes "Government Property" clauses or contractor-acquired property, ensure that the property administrator or Contracting Officer's Technical Representative provides disposition instructions to the Contractor. (Contracts and Interagency Agreement).

e. *Closeout Procedures.* When the contract or interagency agreement is physically complete, the CO is responsible for initiating contract closeout. The contract file should not be closed if the contract is in litigation or under appeal. When closing both fixed-price and cost-type contracts, the CO must verify that the documents and activities included in the "Contract Closeout Checklist" have been received or are complete. After completion of the "Contract Closeout Checklist" and notification of final payment from Accounts Payable, the CO must complete and

sign a "Contract File Completion Statement" (Appendix 11). For purchase orders (PO) or GSA Federal Supply Schedule (FSS) orders, the CO will use the closeout portion of the "Purchase Order/GSA/FSS Order File Checklist" in place of the "Contract Closeout Checklist" and "Contract File Completion Statement." To facilitate receipt of required closeout documentation, the CO will need to take some or all of the following actions:

- (1) Reconcile the contract's funding status and invoice payment log with Accounts Payable. To accomplish this, contact the Finance Office and obtain reports documenting the obligations and expenditures under the contract.
- (2) Send a memorandum to the program official to confirm contract completion.
- (3) Send a memorandum to the COTR requesting termination of all contractor personnel accounts on contract-specific FAA systems (See Appendix 12 for memorandum). The COTR should return the signed memo to the CO within 30 days.
- (4) For all cost-type contracts not closed with Quick Closeout procedures, the CO must request Headquarters Contracting Oversight staff (AJA-45) initiate a DCAA audit.
- (5) Send a memorandum to the Property Administrator requesting completion and transfer of the Government Property section of the contract file. (Note: the CO must sign the property report submitted by the Property Administrator).
- (6) Send a letter to the contractor indicating that the contract is complete and requesting required documents. Required documents might include:
 - (a) Final voucher.
 - (b) Confirmation of settlement of subcontracts.
 - (c) Government Furnished Property (GFP) and Contractor Acquired Property (CAP) inventory.
 - (d) Report of inventions and subcontracts, if applicable (AMS Clause 3.5-12).
 - (e) Patent and royalty reports.
 - (f) Contractor's release.
 - (g) Contractor's assignment of refunds, rebates, credits, and other amounts.

(h) List of contractor personnel holding FAA badges, indicating the badge numbers and when they were returned to the FAA Servicing Security Element.

(7) Review and approval of the final voucher should include:

(a) Verification that all contractual requirements have been satisfied.

(b) Completion of any fee adjustments.

(c) Verification that contractual funding limitations have not been exceeded.

(d) Identification of any offsets applied.

(e) Verification of accuracy of Contractor Release and Assignment.

(f) Verification that all previous Contractor vouchers have been paid.

(g) Approval for payment with signature and date.

(h) Deobligation modification processed and distributed for any funds determined to be in excess.

(8) Completion and submittal of the Past Performance Information Retrieval System (PPIRS) evaluation for the contract.

f. *Quick-closeout Procedures.* In some circumstances, the CO may determine that a contract is a candidate for quick closeout. Quick closeout allows the CO to negotiate the settlement of indirect costs without a DCAA audit and in advance of the determination of final indirect cost rates. The procedures for quick closeout are the same as for regular closeout except that a DCAA audit is not requested. The determinations of final indirect costs under quick closeout procedures are final for the contracts it covers and no adjustments are made to other contracts for over or under recoveries of costs allocated or allocable to the contracts covered by the advance agreement. Additionally, indirect cost rates used in the quick closeout of a contract are not considered a binding precedent when establishing the final indirect cost rates for other contracts.

(1) To determine whether a contract is a candidate for quick closeout, the contract must meet the following criteria:

(a) The contract is physically complete;

(b) The amount of unsettled indirect costs is relatively insignificant (not more than \$500,000 and the cumulative unsettled indirect costs to be allocated to one or more contracts in a single fiscal year do not exceed 15% of the estimated, total unsettled indirect costs allocable to cost-type contracts for that fiscal year); and

(c) Agreement can be reached on a reasonable estimate of allocable dollars.

(2) After the CO has made a decision that the use of quick closeout procedures is appropriate, the CO must:

(a) Ensure adequate rationale for the decision is included in the file;

(b) Require the contractor to submit a final voucher and a summary of all costs by cost element and fiscal year for the contract(s) in question, as well as a copy of the contractor's final indirect cost rate proposal for each fiscal year quick closeout is involved;

(c) Notify the cognizant audit activity, either verbally or in writing, identify the contract(s), and request:

(i) The contractor's indirect cost history covering a sufficient number of fiscal years to see the trend of claimed, audit questioned, and disallowed costs; and

(ii) Any other information that could impact the decision to use quick-closeout procedures. Indirect cost histories should be requested from the contractor only when the cognizant audit activity is unable to provide the information;

(d) Review the contract(s) for indirect cost rate ceilings and any other contract limitations, as well as the rate history information;

(e) Establish final indirect cost rates using one of the following rates:

(i) The contract's ceiling indirect cost rates, if applicable, and if less than paragraphs (e)(ii) through (vi) of this section;

(ii) The contractor's claimed actual rates adjusted based on the contractor's indirect cost history, if

less than paragraphs (e)(iii) through (vi) of this section;

(iii) Recommended rates from the cognizant audit agency, the local pricing office, another installation pricing office, or other recognized knowledgeable source;

(iv) The contractor's negotiated billing rates, if less than paragraphs (e)(v) or (vi) of this section;

(v) The previous year's final rates;

(vi) Final rates for another fiscal year closest to the period for which quick-closeout rates are being established;

(f) If an agreement is reached with the contractor, obtain a release of all claims and other applicable closing documents.

g. *Contract File Documentation.* Official closeout documentation for contracts and interagency agreements, the signed "Contract File Completion Statement," and the completed "Contract Closeout Checklist" should be filed in the official contract file behind a marked tab. For POs or GSA FSS orders, the documentation should be filed in the official file and noted on the "Purchase Order/GSA/FSS Order File Checklist."

h. *Paying Office.* The paying office must furnish the CO written documentation of the final payment including the voucher number, date, invoice number and date, and name and signature of technician processing the payment. The paying office should close their contract files upon issuance of the final payment voucher.

Red Line Content: Procurement Guidance:

T3.10.1 Contract Administration

Contract Administration

Section 11 : Contract Closeout

a. *Background.* Closeout of contract files occurs at the end of the contract administration process. The CO should assure file integrity throughout the life of the contract. Maintaining an accurate record of contract modifications and obligations facilitates contract closeout, and also minimizes costs associated with administration and closeout processes. Timely closeout deobligates excess funds and returns the excess funds for possible use elsewhere. The time frame for closing a contract is based on both the type of contract and date of physical completion.

b. *Definitions.*

(1) A contract is considered to be physically complete when:

- (a) The contractor has completed the required deliveries and the Government has inspected and accepted the supplies;
- (b) The contractor has performed all services and the Government has accepted the services;
- (c) All option provisions, if any, have expired; *and*
- (d) The Government has given the contractor a notice of complete contract termination.

(2) A purchase order, or delivery order against a Federal Supply Schedule contract, is considered to be physically complete when:

- (a) Property or services have been received within the terms of the contract;
- (b) Final payment has been made to the contractor; and
- (c) A purchase order/delivery order Receiving Report signed by the recipient of the goods or services.

c. *Time Frames.* Closeout of contract files should occur during the time frames identified below, as evidenced by completion of the "Contract Closeout Checklist" or the closeout section of the "Purchase Order/GSA/FSS Order File Checklist" (See Procurement Form Templates in FAST).

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