



TITLE: Corporate Performance Evaluation Process for M&O Contractors

- I. **OBJECTIVE:** To establish and implement a uniform, corporate process for evaluation of National Nuclear Security Administration (NNSA) Management and Operating (M&O) contractors' performance that promotes effective and efficient accomplishment of the NNSA mission while balancing safety and production effectively. This process results in documented, consistent and fair evaluation of M&O contractor performance.
- II. **APPLICABILITY:** This process applies to all NNSA organizations and elements excluding NA-30.
- III. **REQUIREMENTS:**

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

- PEPs shall contain Performance Objectives (POs) and Performance Based Incentives (PBIs), if applicable;
- PEPs shall provide both Essential and Stretch goals whereas fee for stretch can only be earned if performance on essential goals meets certain expectations;
- PEPs shall provide appropriate weight/fee distribution among Performance Objectives and PBIs based on criticality of the represented scope and its relative cost, benefit and risk; and,
- Fee Determining Official (FDO) has the discretion to adjust the Site Office Manager's recommended rating or fee.

The FDO will review and approve, unless otherwise specified in the contract, the fee rate, the amount of available fee for each period of performance, the award term incentives and the performance targets in the PEP based on the recommendation of the Site Office Managers and Management Council.

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

1. The Planning Phase precedes the execution year (generally a Government fiscal year) and includes:
 - Review and incorporation of lessons learned from the prior year;

- Identification of performance measures consistent with the Planning, Programming, Budgeting and Execution/Evaluation (PPBE/E) process and associated Program Implementation Planning (PIP) process;
 - Development, review and approval of PEPs for each NNSA M&O contract by the FDO; and,
 - Determination of the amount of fee to be available and allocated within the PEP for the period of performance.
2. The Monitoring Phase takes place during the execution year and includes:
- Monitoring of contractor performance – operational awareness and evaluation of results achieved and safely performed during the execution year, supported by appropriate documentation;
 - Linkage of evaluation activities to the PPBE/E, including the Quarterly Program Review processes, PIPs and Work Authorizations for Approved Funding Programs (AFP); and,
 - Periodic reporting of performance results to appropriate NNSA Program Officials.
3. The Assessment Phase begins after the execution year has ended and shall be completed before interest penalties are assessed on late payment of fee, if applicable.
- Site Offices, with input from program offices, functional offices and non-NNSA offices, as applicable, shall validate contractor performance at the end of the performance period and provide recommended ratings and/or a recommended fee amount to the Management Council and ultimately the FDO (NNSA Administrator). Timely and effective Headquarters input is critical to a successful Assessment Phase;
 - The FDO will determine the final performance rating and earned fee for the contractors; and,
 - The FDO has the discretion to adjust the recommended rating or earned fee within the available fee pool. The adjustment should generally be within the range of plus or minus 10 percent. If the adjustment is more than plus or minus 10 percent, the Site Office Manager's letter to the contractor that transmits the final Performance Evaluation Report (PER) will provide a rationale for the adjustment.
4. Post Assessment Phase: Site Office Managers shall be aware that a “fully releasable” PEP and Performance Evaluation Report suitable for public posting may be requested for Public Affairs and/or Congressional purposes. At a minimum, the following documents should be readily available:
- Summary of available and earned fee;
 - One page narrative summary on contractor performance;
 - Performance Evaluation Report; and,
 - Redacted Performance Evaluation Report.

NNSA sites shall use consistent format and definitions for describing the desired performance for its M&O contractors in the PEP. PEPs shall be organized into the following sections: Introduction, Mission, Operations, Business/Management and Multi-Site. PEPs shall use the following definitions:

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

Common = performance objectives that are common to all or several sites and the reward is based on individual site performance.

Site Specific = performance objective that is unique or specific to a particular site and the reward is based on individual site performance.

Multi-Site = performance objectives that apply to multiple sites and the reward is based on multi-site performance with a collective outcome that involves the earning of the associated fee at risk based on the achievement of the collective outcome. If the outcome is not achieved, none of the participating sites can earn the associated fee at risk.

Performance Measure: Term used to describe a particular value or characteristic designated to measure input, output, outcome, efficiency, or effectiveness. Performance Measures are composed of a number and a unit of measure. The number provides the magnitude (how much) and the unit is what gives the number its meaning (what). Performance can be measured by: Time, Error rates, Compliance, Cost, number of outputs per input, Standardized tests, Length, footage, etc. (e.g. Average percentage reduction of the facility “footprint” when compared to last year’s).

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

Performance Objective: Provide effective management of facility space.

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

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

Award Fee/Incentive Fee Amount: The amount of fee from the available fee pool earned by the contractor based on the evaluation of the contractor’s performance during a specific contract period. Award Fees are earned based on qualitative/subjective performance results. Incentive Fees are earned based on quantitative/objective performance results such as technical performance, schedule or cost.

Essential Performance. The minimum essential performance requirements for the contractor to accomplish the basic mission in three general performance groups (Mission, Operations, and Business/Management) that will be assessed on an annual

basis. Accomplishment of the basic mission will generally result in the contractor earning the associated fee stipulated in the PEP for the performance period. The work under the essential incentive has priority. (e.g. Level 1 and level 2 milestones contained in the FYXX Program Implementation Plans (PIPs).

Stretch Performance. The performance measures beyond the minimum essential performance requirements that present incentivized opportunities for the contractor to meet challenging stretch goals and objectives that may earn performance award/incentive fees. This type of work generally has a lower priority than essential work incentive. (e.g. The work above and beyond that of level 1 and level 2 milestones in the PIPs).

Minimum Performance Threshold. Regardless of performance in stretch, to be eligible to earn any stretch pool of fee at risk, a minimum level of performance on the essential scope must be accomplished. This threshold will be established by the FDO on an annual basis when the PEP Guidance is issued. This helps to ensure that a high level of performance on essential work is expected and given priority and not neglected.

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

IV. RESPONSIBILITIES:

1. **Administrator (NA-1)** – As the FDO, and based upon recommendations of the Site Office Manager and the Management Council:
 - Determines the fee rate or amount of available fee for each M&O contractor and other NNSA prime contractors designated by the NNSA Senior Procurement Executive and if applicable, the earned Award Term;
 - Determines the final performance rating and earned fee for each M&O contractor and other NNSA prime contractors designated by the NNSA Senior Procurement Executive; and,
 - Determines any unilateral reduction in fee during a performance evaluation period under the Conditional Payment of Fee, Profit, or Incentives clause of the contract.
2. **Principal Deputy Administrator (NA-2)** – Ensures timely review of PEPs in Headquarters performs and the resolution of Headquarters comments with the Site Offices. It also takes action as required to ensure timely and effective Program Official's input to the Site Offices for the Assessment Phase.
3. **Senior Procurement Executive (NA-63)** – Designates non-M&O contracts to which the Administrator will serve as the FDO.
4. **NNSA Management Council** – Comprised of the HQ principals to the NNSA Administrator. Provides integration and calibration function among the NNSA Site

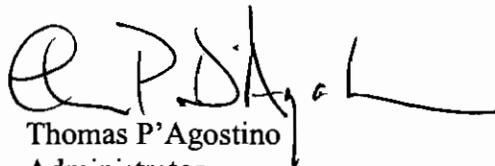
Offices. Receives presentation by each Site Office Manager on the proposed total available fee before the beginning of the annual evaluation period, and final performance evaluation results, proposed fee award, and if applicable, earned Award Term in the PER. Ensures that total available fees, final evaluation results and proposed fee awards and/or Award Term, if applicable, are fair and balanced across the complex. Recommends decision to FDO on each PER for proposed Award Fee and Award Term earned, (if any) at the end of the evaluation period.

5. **Contracting Officer's Representative and Program/Functional Point of Contact (PPoC)** – Participates in developing program (e.g., weapons program, nonproliferation program, Facilities Infrastructure Recapitalization Program, Security)/functional (e.g., Chief Information Officer, Chief Financial Officer, Acquisition and Supply Management, Environment Safety & Health Adviser) objectives with the Headquarters PoC in the timeframe established to support PEP development; monitors contractor performance throughout the evaluation period via interaction with Site Offices and the monitoring process; provides timely input with appropriate detail to support Site Office assessment processes and PER development.
6. **Headquarters Point of Contact (HQ PoC), NA-63** – Chairs the Process Ownership Team for the NNSA Contractor Performance Evaluation Process for M&O contractors and is responsible for coordinating the process, along with the Site Performance and Quality Assurance Division (NA-172.3) and meeting key action dates. Coordination includes communicating with the PPoCs and the Field Points of Contact (FPoCs) throughout the process, and facilitating feedback between the PPoCs and FPoCs. Facilitates Headquarters review of PEPs on behalf of NA-2 and assists resolution of comments between Headquarters and Site Offices. Obtains and communicates approval of PERs and earned fee awards. Supports appropriate Cognizant Program Secretarial Officers in obtaining NNSA input on non-NNSA M&O contractor performance of NNSA-sponsored work.
7. **Process Ownership Team** – Team chaired by NA-63 with representatives from NNSA functional program offices (NA-10, NA-20, NA-40, NA-50, and NA-70) and Site Offices who advise the Team Chair on the NNSA-corporate process and have the authority to speak for their respective organizations. Develops and recommends periodic process updates to the Team Chair, and facilitates implementation by their respective organizations.
8. **Site Office Manager** – Owns and oversees the performance evaluation process from the Site Office perspective; periodically briefs program offices and Management Council on contractor performance via standard report format; recommends an available fee rate or pool to the Management Council and FDO based on the draft PEP; issues final PEP; presents PER to Management Council for review and to NA-1 for approval of the rating and fee; issues the PER; and, briefs the contractor's Board of Directors on the evaluation results following the FDO's decision. Ensures appropriate ES&H standards are effectively integrated into mission deliverables.
9. **Field Point of Contact (Field PoC)** – Oversees and participates in the development of contractor Performance Objectives, Measures, and Targets for determining achievement

of PEP objectives; oversees the PEP and PER development process, as directed by the Site Office Manager; serves as focal point for receipt of contractor's Self-Assessment Report; solicits, incorporates, and addresses PPOC input for PEP elements and PER through the Headquarters PoC; manages Change Control process; monitors contractor performance and provides periodic status reports to Headquarters managers; advises Site Office Manager as required; and prepares contractor PER and Management Council presentations for the Site Office Manager, as required.

10. **Contracting Officer** – Issues contract modification or, as directed by the Site Office Manager, transmittal letter for the PEP and/or PER letter to contractor. Leads PEP and fee negotiations with the contractor in accordance with the NNSA Fee Policy.
11. **Non-NNSA Offices** or Work for Others sponsors – Provide performance objectives, supporting information and input on contractor performance when requested by Headquarters PoC or Field PoCs.

V. REFERENCES: NNSA Policy Letter BOP-003.0501, "Deviation to DEAR 970.1504 Contract Pricing, and associated 970.5215 clauses."

A handwritten signature in black ink, appearing to read 'T. P. Agostino', with a long horizontal flourish extending to the right.

Thomas P. Agostino
Administrator
National Nuclear Security Administration