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**Contractor Past Performance Information (PPI)  
In Source Selection: A comparison Study of Public  
and Private Sector**

**17 March 2005**

by

**CDR Roger D. Lord, SC, USN**  
Graduate School of Business & Public Policy,  
Naval Postgraduate School

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Prepared for: Naval Postgraduate School, Monterey, California 93943



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# Abstract

The Federal Acquisition Regulation (FAR) mandates the use of contractor past performance information (PPI) as an evaluation factor in all source selections involving negotiated procurements above \$1,000,000. Different agencies within Federal Government have lowered the dollar threshold to as little as \$100,000 depending on the type of contract action. Using PPI as a factor in all source selections was a tactic modeled after industry best practices. The Office of Federal Procurement Policy (OFPP) envisioned that industry PPI collected by Federal agencies would eventually be automated, maintained on secure databases, and available to all Government agencies for source-selection purposes. This practice would eventually lead to efficiencies similar to those in the private sector. However, along the way, Government and private sector industry have begun to disagree about how PPI is collected and how PPI is used. Industry prefers a passive system of collecting delivery and quality data during contract performance, while Federal government uses both a passive system (similar to industry) as well as an active system of pulling PPI during contract performance. Industry uses PPI to establish and maintain a preferred vendor list from which to solicit bids, quotes or proposals, while government uses PPI to assess risk and establish vendor responsibility in a full and open competition environment. Contract award cycle-time within the Federal Acquisition process is more than double that of the private sector due to an evaluation process that is cumbersome, time-consuming, and lacking the efficiencies enjoyed by private industry. Government (the DoD in particular) has recently become more curious in regards to industry best practices and how those practices can be implemented in the government, in particular, in the possibility of diminishing the Government Contracting Officer's and the Source Selection team's added burden. This paper will explore through field research the current PPI collection and evaluation process used by the DoD and by those employed in industry. The goal behind such research is, again, industry best practices and improving the DoD's use of PPI as a tool in the acquisition processes.

**Keywords:** Past Performance, Best Value Source Selection





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## About the Author

**Roger D. Lord**, Commander, SC, USN has been the Program Officer (Curriculum Officer) for the Graduate School of Business and Public Policy, Naval Postgraduate School since 2003. A 25-year veteran, CDR Lord enlisted in 1979 as a submarine Sonar Technician, later obtaining a commission in 1988 through Officer Candidate School. His commissioned tours of duty as they relate to Acquisition & Contracts Management include Supply and Contracting Officer, USS Will Rogers, SSBN 659; Construction/Reconstruction Advisor and Supply Management Advisor to the Kuwait Air Force, U.S. Embassy Kuwait following the devastation of Desert Shield/Desert Storm; Stock Control Officer, Services Officer and Contracting Officer Representative, USS Dwight D. Eisenhower, CVN 69; Contingency Contracting Officer, Joint Forces Maritime Component Command (JFMCC) in direct support of operations in Bahrain and Afghanistan during Operation Enduring Freedom; and Chief of the Contracting Office, Fleet and Industrial Supply Center, Norfolk, Norfolk Naval Shipyard. CDR Lord has served as Procuring Contracting Officer for over 50 contract actions negotiating pre-award and post-award contract actions in Bahrain, Kuwait, Australia as well as the US, and has served as a Source Selection Authority (SSA). CDR Lord holds an A.S. in Business Administration from Mohegan Community College, a B.S. in Occupational Education from Southern Illinois University—Carbondale, and a M.S. in Acquisition and Contracting Management from Naval Postgraduate School, Monterey, CA.







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# CHAPTER I: INTRODUCTION

## A. BACKGROUND

The Federal government is in a continuous process to reinvent itself, with the aim of becoming a government that works better and costs less. The US government is the largest acquisition organization in the world, with expenditures of about \$200 billion a year for commercial goods and services. This is one third of the Federal discretionary budget of about \$600 billion. How well the Government's acquisition teams administer in-progress contracts and discussions with vendors about their current performance determines, to a great extent, how well agencies can achieve their mission goals. By increasing attention to contractor performance on in-progress contracts and ensuring past performance data is readily available for source selection teams, agencies and subsequent contracting activities are reaping two benefits: 1) better current performance because of the active dialog between the contractor and the government; and 2) better ability to select high-quality contractors [vendors] because vendors know the assessments will be used in future contract award decisions.<sup>1</sup> One of the key evaluation criteria used by the Federal Government in the source selection process is the measurement of a potential vendor's past performance history, or put differently, the risk of contractor non-performance. OFPP Policy Letter 92-5 "Past Performance Information" began this process in 1992 by requiring that past performance be included as a major factor in Federal source selections. The requirement applies to procurements with an anticipated total contract value greater than \$1 million and relies upon the information collected during contract performance and an end-of-contract report (report card). The collection and use of past performance information is viewed by both government and industry as a burdensome process; however, past performance is a key indicator of risk. Failure to consider a potential vendor's past performance can significantly increase the risk of contract delays or non-compliance.

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<sup>1</sup> Office of Federal Procurement Policy, Office of Management and Budget, Executive Office of the President, *Best Practices for Collecting and Using Current and Past Performance Information*, May 2000, 4.



## B. SCOPE OF STUDY

This research paper will examine the collection and use of Past Performance Information (PPI) from three segments: 1) Government, and in particular Department of Defense (DoD), 2) Defense-focused industry, and 3) Non-Defense focused industry. The scope of this study is strictly a field research effort. It will be limited to data collected during visits to each of the eight sites with emphasis on what is actually happening in the acquisition environment; likewise, it will include recommendations for improvement. Data was collected using the survey/questionnaire shown in Appendix 1. Dollar thresholds for public-sector past-performance collection are shown in Appendix 2, and results from each of the interviews are summarized in Appendix 3-10. The interview data will be the basis for discussion, analysis and recommendations.

## C. DEFINITIONS

The following terms are used frequently throughout this paper. It is, therefore, prudent to gain an understanding of these terms in order to follow the text.

**Best Value: Tradeoff process. FAR Part 15.101-1(c)** This process permits tradeoffs among cost or price and non-cost factors and allows the Government to accept other than the lowest priced proposal. The perceived benefits of the higher priced proposal shall merit the additional cost, and the rationale for tradeoffs must be documented in the file in accordance with 15.406.

**PCO:** Procuring Contracting Officer. A government, procuring official warranted to award government contracts and negotiate terms and conditions with private sector firms.

**Private Sector:** For purposes of this research effort, Private Sector refers to firms who conduct business for profit.

**Public Sector:** For purposes of this research effort, Public Sector refers to all Federal, State, and local government agencies and activities.



**Quote, bid, or proposal:** Refers to an offer from a private sector vendor in response to a solicitation to provide supplies, services, or construction.

**Solicitation:** any request to submit offers or quotations to the government. Also referred to as a Request for Proposal (RFP).

**Vendor:** Used interchangeably with contractor or industry firm from the private sector that provides bids, quotes or proposals for the purpose of receiving government-awarded contracts.

#### D. RESEARCH QUESTIONS

In order to focus on a specific effort, this study will pursue two basic research questions, as follows:

1. What are the principal issues involved in using PPI in the source-selection process?
2. How might an assessment of industry models of past-performance evaluation assist in improving the DoD's use of past performance as an evaluation criterion?



## CHAPTER II. LITERATURE REVIEW

### A. REGULATORY & POLICY GUIDANCE, INCLUDING DoD AND OTHER AGENCIES

Within the Federal Government, there is a body of mandatory and discretionary guidance published by the Office of Federal Procurement Policy, the Office of the Secretary of Defense, and by each of the Services. References reviewed and used heavily in this paper include:

- Federal Acquisition Regulation (FAR)
- Defense Federal Acquisition Regulation Supplement (DFARS)
- Best Practices for Collecting and Using Current and Past Performance Information, Office of Federal Procurement Policy (OFPP), May 2000
- A guide to Collection and Use of Past Performance Information (Version 3), Office of the Under Secretary of Defense for Acquisition, Technology & Logistics (ASN:ATL), May 2003
- Uniform Commercial Code (UCC)

The above references provided the procedures which are utilized across Federal Government to collect, analyze, store, and retrieve contractor past performance for purposes of source selections. All references listed above (with the exception of the UCC) reference the FAR, and essentially say the same thing as that document does. The UCC, on the other hand, guides private industry, yet only addresses the sale of goods.

#### **1. Statutory and Regulatory Guidance**

The 1994 Federal Acquisition Streamlining Acquisition Act (FASA) signaled a “sea change” in Federal acquisition; FASA was signed into law by President Clinton on 13 October 1994 (P.L. 103-355). In FASA, Congress acknowledged it is appropriate and





relevant for the government to consider a [vendor's] past performance in evaluating whether that vendor should receive future work. <sup>2</sup>

## **2. FAR Part 6.101 Policy.**

(a) 10 U.S.C. 2304 and 41 U.S.C. 253 require, with certain limited exceptions (see Subparts 6.2 and 6.3), that contracting officers shall promote and provide for full and open competition in soliciting offers and awarding Government contracts.

(b) Contracting officers shall provide for full and open competition through use of the competitive procedure(s) contained in this subpart that are best suited to the circumstances of the contract action and consistent with the need to fulfill the Government's requirements efficiently (10 U.S.C. 2304 and 41 U.S.C. 253).

## **3. FAR Part 1.102 Statement of guiding principles for the Federal Acquisition System.**

(b) The Federal Acquisition System will satisfy the needs of its customers in terms of cost, quality and timeliness by ... using contractors who have a track record of successful past performance or who demonstrate a current superior ability to perform.

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<sup>2</sup> Ibid., 4.



## CHAPTER III. RESEARCH METHODOLOGY

### A. DESCRIPTION OF THE STUDY

The DoD has structured an elaborate system for the collection and use of contractor past performance information (PPI) in the source-selection phase of an acquisition process. The DoD system was modeled after best commercial practices and was to employ sound business judgment. A comparison, however, of the methods used by the DoD with those used by industry now show striking differences. This study will compare the DoD's and industry's past performance measures with the aim of improving the DoD system to better reflect sound business practices. Various firms within industry will be contacted to determine the difficulties they have experienced with their past performance system and its use in their source-selection process.

The U. S. Navy has adopted, to a large extent, the U. S. Air Force's program known as the Contractor Performance Assessment Review System (CPARS) for PPI data collection and application in the source-selection process. Three of the four government activities interviewed during this research effort were U. S. Navy activities. The fourth activity was the U. S. Army, which also uses CPARS. CPARS will be compared to industry models with a goal of improving the Navy's application of past performance data and improving cycle time for contract awards.

### B. RESEARCH DESIGN

This study was a field research effort. The investigator conducted on-site interviews/surveys at various DoD and industry sites. While at each site, the investigator discussed aspects of each respective acquisition process as it pertains to the collection and evaluation of a vendor's past performance information. The on-site interviews/surveys were conducted with key members of the acquisition process within each activity or firm. These members included but were not limited to one or more of the following:



- Procuring Contracting Officer (PCO)
- Chiefs or Deputy Chiefs of the Contracting Office (CCO)
- Source Selection Authority (SSA)
- Source Selection Evaluation Board (SSEB) team members
- Source Selection Advisory Counsel (SSAC) team members
- Directors of Business Development
- Directors of Purchasing
- Directors of Legal/Contracts

Although not statistically significant, field research does become a data point as to what practices are currently in-force and how they are working. Table 1 provides the research design used in this study.

| Activity   | Interview/<br>Survey results | Analysis &<br>Comparisons |
|--|------------------------------|---------------------------|
| <b>Public Sector:</b>                                  |                              |                           |
| 1) Naval Sea Systems Command                           | ♦                            | ♦                         |
| 2) Naval Air Systems Command                           | ♦                            | ♦                         |
| 3) Fleet & Industrial Supply Center, Norfolk           | ♦                            | ♦                         |
| 4) Tank Automotive Command                             | ♦                            | ♦                         |
| <b>Private Sector (Defense focused)</b>                |                              |                           |
| 1) Industry A – Lockheed Martin, Space Systems Company | ♦                            | ♦                         |
| 2) Industry B – Northrop Grumman Newport News          | ♦                            | ♦                         |
| <b>Private Sector (non-Defense focused)</b>            |                              |                           |
| 3) Industry A - Opal Soft Inc                          | ♦                            | ♦                         |
| 4) Industry B – Maersk Line Limited                    | ♦                            | ♦                         |

Table 1: Past Performance Information—Research Model

As stated previously, the field research for this study was conducted using a prepared Interview/Survey questionnaire. A copy of the Interview/Survey questionnaire



is located in Appendix 1. Appendix 2 contains the dollar thresholds for the use of PPI. When conducting field interviews, the underlying acquisition scenario was assumed:

- Eventual contract value would exceed \$1M (\$100,000 for smaller firms);
- Simplified Acquisition procedures would not be employed;
- The acquisition would use a Best Value-Tradeoff type approach (see definitions);
- The major factors outlined in the solicitation would include Technical/Quality, Past Performance, and Cost/Price.



## CHAPTER IV. RESULTS AND ANALYSIS OF FIELD RESEARCH

Using the research model outlined in Chapter III, the investigator systematically interviewed/surveyed key acquisition team members in each of the three sectors, as follows: 1) Public Sector (DoD), 2) Private Sector (Firms with roughly greater than 50% defense-based contracts), and 3) Private Sector (Firms with roughly less than 50% defense-based contracts). All DoD activities and Industry firms were interviewed/surveyed using the same questionnaire. Using one questionnaire was useful in drawing comparisons and a baseline. Tables 2 through 12 summarize this effort. Following is the narrative results of this field research effort (see Appendix 3-10).

### A. PUBLIC SECTOR: WHAT IS THE DoD DOING?

Four public sector DoD acquisition activities were interviewed/surveyed—three supporting the U. S. Navy, and one supporting the U. S. Army. The purpose of using four public sector DoD activities was to gain a benchmark, or consensus, by which to gauge differences in the way public and private sector perform the acquisition process, and more importantly, how each collects and evaluates past performance information (PPI) as a factor in elimination of an offer from the competitive range prior to contract award, or as a factor in non-selection for contract award. The following is a short description of each activity interviewed.



## 1. Public Sector (DoD) Activity #1: Naval Sea System Command (NAVSEA)

Located at the Navy Yard in Washington, D.C., NAVSEA is responsible for the procurement, maintenance, overhaul, conversion & repair of all ships and submarines in the U. S. Navy inventory. Interview/survey data is found in Appendix 3. New programs include, but are not limited to the following<sup>3</sup>:

|        |                          | FY2003 | FY2004 | FY2005 |
|--------|--------------------------|--------|--------|--------|
| CVN-77 | Aircraft Carrier         | 849.3  | 1516.1 | 978.9  |
| DD(X)  | DD(X) Destroyer          | 916.3  | 1088.9 | 1450.6 |
| DDG-51 | AEGIS Destroyer          | 3012.4 | 3406.5 | 3591.5 |
| LCS    | Littoral Combat Ship     | 35.3   | 166.2  | 352.1  |
| LDP-17 | Amphib Transp Ship Dock  | 594.0  | 1325.5 | 975.6  |
| NSSN   | Virginia Class Submarine | 2335.4 | 2514.3 | 2596.3 |
| RCOH   | CVN Refueling Compl Ovhl | 217.3  | 221.0  | 333.1  |
| SSGN   | SSBN to SSGN Conversion  | 1183.3 | 1227.5 | 658.4  |
| T-AKE  | Aux Dry Cargo Ship       | 386.0  | 722.3  | 768.4  |

Table 2. **Public Sector (DoD) Activity #1 Naval Sea System Command (NAVSEA)**  
(Dollars in Millions)

## 2. Public Sector (DoD) Activity #2: Naval Air Systems Command (NAVAIR)

Located in Patuxet River, MD, NAVAIR supports the planning, acquisition, production, operational support, overhaul, upgrade, repair of all aircraft and aircraft weapon systems for the U.S. Navy. Interview/survey data is found in Appendix 4. Major acquisitions include<sup>4</sup>:

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<sup>3</sup> Defense AT&L, A publication of the Defense Acquisition University: *In the news*, May-June 2004: 68-69

<sup>4</sup> Ibid., 68-69.



|          |                   | <b>FY2003</b> | <b>FY2004</b> | <b>FY2005</b> |
|----------|-------------------|---------------|---------------|---------------|
| E-2C     | Hawkeye           | 393.6         | 570.1         | 845.0         |
| EA-6B    | Prowler           | 368.1         | 370.2         | 199.7         |
| FA-18E/F | Hornet            | 3401.1        | 3217.8        | 3120.4        |
| H-1      | USMC H-1 Upgrades | 232.2         | 399.5         | 332.2         |
| MH-60R   | Helicopter        | 207.1         | 461.7         | 487.9         |
| MH-60S   | Helicopter        | 375.7         | 467.0         | 482.0         |
| T-45TS   | Goshawk           | 218.2         | 336.7         | 253.6         |

Table 3. **Public Sector (DoD) Activity #2: Naval Air Systems Command (NAVAIR)**  
(Dollars in Millions)

### **3. Public Sector (DoD) Activity #3: Fleet and Industrial Supply Center, Norfolk Naval Shipyard Annex (FISC/NNSY Annex)**

Located in Portsmouth, VA, FISC/NNSY Annex is a field contracting activity for the U. S. Navy and was selected for this study due to the unique nature of the activity it supports, and the use of a *passive* contractor past performance collection and evaluation system which *mimics* that of the private sector. Interview/survey data is summarized in Appendix 5. Major projects include:

|         |                      |                                       |
|---------|----------------------|---------------------------------------|
| CVN     | Aircraft Carrier     | Overhaul, Conversion and Repair       |
| LHA/LHD | Amphib Assault Ships | Overhaul, Conversion and Repair       |
| SSN     | Attack Submarine     | Overhaul, Conversion and Repair       |
| SSBN    | FBM Submarine        | Overhaul, Re-fuel, Conversion to SSGN |

Table 4. **Public Sector (DoD) Activity #3: Fleet and Industrial Supply Center, Norfolk Naval Shipyard Annex (FISC/NNSY Annex).**



#### 4. Public Sector (DoD) Activity #3: Tank Automotive Command (TACOM)

Located in Warren, MI, TACOM is responsible for the planning, acquisition, fielding, and support for the majority of the land combat vehicles for the U. S. Army.

Interview/survey data is found in Appendix 6. Major acquisitions include<sup>5</sup>:

|      |                                   | FY2003 | FY2004 | FY2005 |
|------|-----------------------------------|--------|--------|--------|
| FCS  | Future Combat System              | 370.0  | 1638.6 | 3198.1 |
| M1A2 | Abrams Tank Upgrade               | 551.1  | 207.9  | 308.3  |
| M2A3 | Bradley Base Sustainment          | 437.4  | 344.5  | 71.4   |
| IAV  | Interim Armored Vehicle (Stryker) | 930.3  | 1043.4 | 957.0  |

Table 5. Public Sector (DoD) Activity #3: Tank Automotive Command (TACOM)  
(Dollars in Millions)

The above-listed DoD acquisition activities use CPARS as their primary past - performance collection tool. Contracts are awarded in accordance with the Federal Acquisition Regulation (FAR), Defense Federal Acquisition Regulation Supplement (DFARS), applicable policy guidance, and internal acquisition procedures. CPARS will be discussed later in this chapter.

In an effort to automate and share past performance information, the DoD has made available the ability to access PPI in a common database structure.<sup>6</sup> This database will be described later in this chapter. DoD acquisition activities must collect PPI on 1) in progress contract actions and 2) contract actions which have been completed. An analysis of differences between the DoD and its industry counterparts will be conducted in this chapter.

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<sup>5</sup> Ibid., 68-69.

<sup>6</sup> Office of the Under Secretary of Defense, Acquisition, Technology and Logistics, *Policy Letter* DPAP/EB, May 3, 2004, 5.





## B. INDUSTRY (DEFENSE-FOCUSED FIRMS): WHAT IS THE DEFENSE INDUSTRY DOING?

Two private-sector activities were interviewed/surveyed. Both firms support the DoD as their primary customer. Surprisingly, both activities look and operate like their counterparts in the public sector in regards to acquisitions of supplies or services. The acquisition cycles of both firms follow similar paths, from acquisition planning through contract award. So, too, does the collection and use of past performance information. Both firms use a *scorecard* approach, which bares stark similarities to the U. S. Navy's Red, Yellow, and Green (RYG) program for evaluating supplier performance based on quality and delivery. Both RYG and Scorecard will be compared and analyzed in this chapter.

### **Private Sector (Defense-focused) Activity #1: Lockheed Martin Space Systems Company (LM)**

The division of LM interviewed for this research is located in Sunnyvale, CA at the Moffet Field complex. LM Space Systems Company designs, produces and integrates launch vehicles and systems, spacecraft for telecommunications, remote sensing and space science, as well as missile systems for defensive and strategic missions.

Space Systems comprises three joint ventures: *United Space Alliance* manages and conducts space operations work involving the operation and maintenance of multi-purpose space systems, and is the prime contractor for NASA's Space Shuttle program; *Space Imaging* supplies earth information derived from space imagery and aerial photography to commercial and government customers; and *International Launch Services* is the leader in the launch services arena with a solid history of more than 80 years of combined experience and 800+ combined flights on the two premier launch vehicles—Atlas and Proton. LM Space Systems Company is a leading provider of the world's most advanced and secure defense communications, navigation, and meteorological systems serving the U.S. and allies around the globe. Military Space includes products like Milstar, Advanced EHF military communications satellite system, Space Based Infrared Systems (SBIRS) and Global Positioning Systems (GPS).



Since 1955, Space Systems Company has been the Navy's prime strategic missile contractor and missile system manager. The six generations of Fleet Ballistic Missiles include Polaris, Poseidon and the current Trident II D5.<sup>7</sup> Interview/survey data is summarized in Appendix 7.



Picture 1. Trident D-2 SLBM

### **Private Sector (Defense-focused) Activity #2: Northrop Grumman Newport News (NGNN)**

Located in Newport News, VA, NGNN designs, builds, overhauls, and repairs a wide variety of ships for the U.S. Navy and commercial customers. Today, Newport News is the nation's sole designer, builder, and refueler of nuclear-powered aircraft carriers; also, it is one of only two companies capable of designing and building nuclear-powered submarines. The company also provides after-market services for a wide array of naval and commercial vessels, and in November 2001, became a sector of Northrop Grumman Corporation. Summary follows:

- Sole supplier of U.S. Navy aircraft carriers, the world's largest warships.
- Builder of 25 of the Navy attack submarines in use today—and 11 of the nation's 12 active aircraft carriers.
- Home of the Western Hemisphere's largest dry dock and crane.
- Exclusive provider of refueling services for nuclear-powered aircraft carriers.
- Largest industrial employer in Virginia.

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<sup>7</sup> Lockheed Martin Space Systems Company, official website, [www.lockheedmartin.com](http://www.lockheedmartin.com) visited Dec 2004



- Largest non-governmental provider of fleet maintenance services to the Navy.<sup>8</sup>

Interview/survey data is summarized in Appendix 8.



Picture 2. Nimitz-class aircraft carrier

### C. INDUSTRY (NON-DEFENSE-FOCUSED FIRMS): WHAT IS PRIVATE INDUSTRY DOING?

Two additional private sector activities were interviewed/surveyed. Both support the DoD and private industry customers. Both firms exhibit a high correlation to the public sector in their acquisition approach, yet illustrate less correlation in their approach to collection and use of contractor past-performance information. An analysis of these similarities and differences will be conducted later in this chapter.

#### **Private Sector (Non-Defense-Focused) Activity #3: Opalsoft**

Located in San Jose, CA, Opalsoft is a small business (8a firm). OpalSoft is a consultancy and integration firm providing specialized IT services including Software Engineering and Development, System Integration and Technology Consulting.

Services in this area are focused on:

- Product Engineering

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<sup>8</sup> Northrop Grumman Newport News (NGNN), official website: [www.nn.northropgrumman.com](http://www.nn.northropgrumman.com) visited Dec 2004



- Application Development
- Re-Engineering Legacy Applications
- Application Support

Projects range from complex e-business and web development initiatives to enterprise-wide application development to new product introduction. OpalSoft has capabilities for engaging customers at every stage of a software-development life-cycle: Conceptualization, Development, Implementation and Support. OpalSoft provides a flexible model for execution of the “just-for-you” solution tailored to meet specific needs of clients. The Delivery Model provides for execution of projects, either onsite (at client site) or offsite (OpalSoft facilities in San Jose) or a combination of both. It ensures complete transparency of the development effort following predefined objectives, milestones, QA & Testing, acceptance criteria and delivery. It is driven by critical factors such as time-to-market, technologies involved, integration issues, requirement of interactive and iterative process, requirement of client interface etc.<sup>9</sup> Interview/survey data is summarized in Appendix 9.

#### **Private Sector (Non-Defense-Focused) Activity #4: Maersk Line, Ltd.**

Headquartered in Norfolk, Virginia, Maersk Line, Ltd. (MLL), provides maritime services and logistics capabilities. Although MLL is categorized as non-defense focused, their government customer base is solid and growing. MLL specializes in ship owning, vessel life-cycle management services, and integrated defense logistics solutions. Maersk Line, Ltd., has a diverse fleet of vessels, all of which are registered in the United States, and crewed by U.S. Merchant Mariners. Vessels are engaged globally, providing sealift support for the U.S. Military, ocean surveillance, charter and inducement services, liner services, and access to the world's most comprehensive transportation network through Maersk Sealand.

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<sup>9</sup> Opalsoft official website, [www.opalsoft.com](http://www.opalsoft.com) visited Dec 2004



## Commercial

Maersk Line, Limited owns or operates a total of twenty-six US Flag vessels engaged in commercial service. Twenty-three container vessels are deployed in liner service with the parent company, Maersk Sealand, which provides unparalleled access to US Flag service and the world's most comprehensive transportation network. Three additional US Flag vessels operate in worldwide service, and can accommodate diverse cargoes with break-bulk, container and roll-on, roll-off capability. These vessels are currently deployed in the following trades:

- Maersk Arizona (or substitute): US East Coast and US Gulf to the Middle East and West Central Asia
- Maersk Alaska (or substitute): US to the Far East
- Maersk Constellation (or substitute): US East Coast and US Gulf to East and West Africa



Picture 3. Maersk Line Ltd., Container ship

## Military

Maersk Line, Ltd., owns and operates US Flag vessels under exclusive contact with the Military Sealift Command in support of the US Military's sealift requirements. These vessels operate in a pre-positioned capacity; they provide transport and storage for rolling stock, break-bulk, containers and ammunition for the U.S. Army and Marine Corps, as well as ocean surveillance and radar support to the US Navy.<sup>10</sup> Interview/survey data is summarized in Appendix 10.

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<sup>10</sup> Maersk Line, Limited official website, [www.maersklinelimited.com](http://www.maersklinelimited.com) visited Dec 2004

## D. OBSERVATIONS AND ANALYSIS OF FIELD RESEARCH

For the purpose of direct comparisons between each activity/site interviewed, Tables 6-12 have been prepared. Each table correlates to a group of interview questions, as follows:

- Section 1—General
- Section 2—Collection of Past Performance Information
- Section 3—Evaluation of Past Performance Information

### 1. Observations and Analysis: General

**DoD-Related Mission, Interview Question #1.** As indicated in Table 6 (pg. 20), all activities interviewed are defense-focused with the exception of Industry firms three (Opalsoft) and four (Maersk Line, Ltd.). Industry firms three and four both compete for government contracts, yet both have a significant private-sector customer base. This observation will have a significant flow-down affect as additional observations are discussed and analyzed.

**Contracts Branch/Directorate, Interview Question #2.** Largely, the activities interviewed place the procurement departments in the first tier of their respective organizations, preferring to “farm out” their acquisition workforce to different programs, projects or individual acquisitions. Of the remaining activities, both place their contracting/purchasing divisions under the larger Supply Department (this is also the case with FISC, NNSY), or they place their contracting/purchasing divisions under the Senior Vice President for Operations as is the case with NGNN. Both the NNSY Supply Officer and the Senior VP-Operations are in the first tier of their activities. The data suggests that both public sector and private sectors place a high value on the procurement and acquisition functions within their organizations, suggesting the procurement function is an integral part of business operations. The data also suggests that both public and private sectors prefer “centralized management” of procurements to stand alone operations, which support individual projects or teams. Although this may



sound contradictory, procurement departments within both the public and the private sector who “farm out” their acquisition workforce to different projects continue to retain administrative *and* procedural control at all times. For example, a high value acquisition would still have to pass a “centralized” contracts review board (CRB) prior to issuing the solicitation and/or awarding the contract.

The researcher offers one explanation for the tendency to place the acquisition and procurement function in the first or second tier of an organization, with significant management oversight. The tendency towards centralization is tied to the potential for vendor protests, senate and congressional inquiries, and litigation in both public and private sectors. General Accounting Office (GAO) protests and congressional inquiries normally occur prior to contract award or upon news that a contract has been awarded. Protests and inquiries are time consuming, extremely disruptive, and almost always result in schedule delays. Litigation, on the other hand, normally occurs in the post-award between the vendor and the procuring activity. In either case, neither party is typically staffed to handle protests and large-scale litigation without significant disruption to daily operations. Although the public sector prevails in roughly two thirds of the cases decided in a formal litigation process<sup>11</sup> both parties spend extraordinary man-hours in preparation at both the working level and at the management level in preparation for addressing claims and protests. For this reason, management, which many times include on-staff legal counsel, inject themselves into the procurement and acquisition process to head-off potential protests and litigation. It is the activities or firms who decentralize important procurement decisions and disengage legal counsel until late in the process that typically receive unfavorable decisions in the court systems.<sup>12</sup>

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<sup>11</sup> Roger D. Lord, *Analysis of Contract Disputes Resolved by the Armed Services Board of Contract Appeals (ASBCA) between January 1998 and June 1999*: Master's Thesis (Monterey, CA: Naval Postgraduate School, December 1999), 64.

<sup>12</sup> Ibid., 102.



|                              | <b>Research Question</b>  | <b>Govt<br/>Acty 1<br/>NAVAIR</b> | <b>Govt<br/>Acty 2<br/>NAVSEA</b> | <b>Govt<br/>Acty 3<br/>FISC/<br/>NNSY</b> | <b>Govt<br/>Acty 4<br/>TACOM</b> | <b>Industry<br/>Firm 1<br/>LOCK-<br/>HEED</b> | <b>Industry<br/>Firm 2<br/>NORTH-<br/>ROP</b> | <b>Industry<br/>Firm 3<br/>OPAL<br/>SOFT</b> | <b>Industry<br/>Firm 4<br/>MAERSK<br/>LINE</b> |
|------------------------------|---|-----------------------------------|-----------------------------------|---|----------------------------------|---|---|--|--|
| <b>Section 1<br/>General</b> | 1. Mission is primarily DoD Related?  | ♦                                 | ♦                                 | ♦   | ♦                                | ♦   | ♦   |  |  |
|                              | 2. Does the Contracts Branch/ Directorate fit in first tier of your organization? | ♦                                 | ♦                                 |   | ♦                                | ♦   |   | ♦  | ♦  |

Table 6. Summary of Findings—General

## 2. Observations and Analysis: Collection of Past Performance Information

**Types of PPI Data Collected, Interview Question #3.** Surprisingly, Industry's collection of various elements of Past Performance Information (PPI) *mirrors* that of the Public Sector as shown in Table 7. Quality and delivery are the common metrics tracked by both public sectors (Government) and private sector (Industry). Three of the four private-sector firms interviewed during this study used a *Scorecard* method of tracking PPI. Typically the scorecard method is broken down into two factors: 1) quality and 2) delivery. For higher dollar value procurements in both government and industry, cost control and business relations are also tracked. Within Government and Industry, all vendors evaluated under a scorecard system are given periodic feedback as to their performance during the period (e.g. quarter, month, continuous).

Industry favors a centralized supply-receiving area that is co-located with a branch of quality control personnel, thereby capturing both late deliveries and shipping damages, or other obvious quality defects. The only system similar to Industries' Scorecard system is the U. S. Navy's Red, Yellow, Green (RYG) System. RYG and the differences between active and passive PPI collection systems will be explained later in this chapter. Table 7 (next page) summarizes the similarities and differences in government and industry PPI collection.





|                   | <b>&lt;\$100K Commodities,<br/>Small Contracts</b>  | <b>&gt;\$100K Capitol Goods &amp;<br/>Services, Large Contracts</b>  |
|-------------------|---|--|
| <b>Government</b> | <b>Navy Red, Yellow, Green Program</b> <ul style="list-style-type: none"> <li>■ Quality</li> <li>■ Delivery</li> </ul> (Passive PPI collection) | <b>CPARS Program</b> <ul style="list-style-type: none"> <li>■ Business Relations</li> <li>■ Quality</li> <li>■ Delivery</li> <li>■ Cost Control</li> </ul> (Active PPI Collection)   |
| <b>Industry</b>   | <b>Scorecard</b> <ul style="list-style-type: none"> <li>■ Quality</li> <li>■ Delivery</li> </ul> (Passive PPI collection)                       | <b>Scorecard</b> <ul style="list-style-type: none"> <li>■ Quality</li> <li>■ Delivery</li> </ul> <b>Manual Files</b> <ul style="list-style-type: none"> <li>■ Business Relations</li> <li>■ Cost Control</li> </ul> (Passive PPI collection) |

Table 7. Collection of Past Performance Information Metrics

Why are quality and delivery important metrics to track? Within government, and particularly the DoD, the *development of new weapons systems* and *high combat readiness of existing weapon systems* is the terminal objective. In industry, the terminal objective *is increased revenue, higher profit and a reputation based on a high-quality product*. Quality and delivery of required supplies and services are integral components of the supply-chain, which feeds production in either government or industry. Without a reliable flow of supplies and services, production halts, R&D slows and repairs, overhauls, and conversions fall behind schedule. In interviews conducted with industry,<sup>13</sup> a history of vendor past-performance metrics yield at least three major benefits: 1) the vendor is given a “*report card*” by which to effect improvements to their

<sup>13</sup> Lockheed Martin, interview by Roger Lord, August 2004. Northrop Grumman Newport News, interview by Roger Lord, September 2004. Maersk Line Ltd., interview by Roger Lord, September 2004.



quality and delivery processes; 2) the procuring activity has *tangible, quantifiable, and verifiable history of vendor performance* if the vendor chooses to protest a contract award; 3) an *assessment of risk* can be credibly assigned to the vendor prior to making a source selection.

#### **Past Performance Information Data Management, Interview Question #4.**

##### **Government: Active and Passive Approaches**

In July 2002, the Past Performance Information Retrieval System (PPIRS) became the single, authorized application providing past performance reports to the entire Federal acquisition community as a part of the President's e-government Integrated Acquisition Environment (IAE) initiative.<sup>14</sup> PPIRS is a web-enabled, government-wide application, which provides timely and pertinent contractor past-performance information to the Federal acquisition community for use in making source-selection decisions. Confidence in a prospective contractor's ability to satisfactorily perform contract requirements is an important source-selection factor in making best-value decisions in the acquisition of goods and services. PPIRS provides a query capability for authorized users to retrieve report card information on a vendor's past performance. Federal regulations require that report cards be completed annually by customers during the life of a contract. PPIRS functions as the central warehouse for performance assessment reports received from the following Federal performance information collection systems:

PPIRS Active PPI module(s):

- Contractor Performance System (CPS)
- Past Performance Data Base (PPDB)
- Past Performance Information Management System (PPIMS)
- Construction Contractor Appraisal Support System (CCASS)
- *Contractor Performance Assessment Reporting System (CPARS)*

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<sup>14</sup> Under Secretary of Defense, Acquisition, Technology and Logistics, Policy Letter, 5.



- PEDREP (Product Data Reporting and Evaluation Program)

PPIRS Passive PPI module(s):

- *Red/Yellow/Green Program (U. S. Navy)*
- Automated Best Value System (DLA)

Government access is restricted to only those individuals who are working on source selections. Contractors may view only their own data. Contractor access to PPIRS is gained through the Central Contractor Registration (CCR) ([www.ccr.gov](http://www.ccr.gov)) process. A contractor must be registered in CCR and must have created a Marketing Partner Identification Number (MPIN) in the CCR profile to access their PPIRS information. PPIRS is sponsored by the DOD E-Business Office and administered by the Naval Sea Logistics Center Detachment, Portsmouth.

## **CPARS**

Under PPIRS, the government activities interviewed widely use the Contractor Performance Assessment Reporting System (CPARS) as the centralized DoD-wide system for collecting and storing vendor past performance information. CPARS is a web-enabled application that collects and manages the library of automated CPARS. CPARS is for UNCLASSIFIED use only. Classified information is not to be entered into this system. CPARS assesses a contractor's performance and provides a record, both positive and negative, on a given contract during a specific period of time. Each assessment is based on objective facts and supported by program and contract management data, such as cost-performance reports, customer comments, quality reviews, technical-interchange meetings, financial-solvency assessments, construction/production management reviews, contractor-operations reviews, functional-performance evaluations, and earned-contract incentives. *CPARS is considered an active PPI collection system* because typically, the Program Manager, Contracting Officers Representative, or other designated government official will complete the contractor evaluation during contract performance and upon completion. The report is filed in PPIRS.



## **RYG Program**

The government field contracting activity interviewed also uses a passive PPI-retrieval system called the Red/Yellow/Green (RYG) Program, for tracking only vendor quality and delivery. The RYG Program is a closed-loop system with a central receiving location which tracks quality and delivery by both the vendor's Commercial and Government Entity (CAGE) code *and* the requisition number or purchase order number awarded to the vendor. A color code is assigned for both quality and delivery by vendor CAGE Code and by each Federal Supply Classification of the product offered by the vendor. The color code assigned is based on a computer algorithm with little or no human intervention. The RYG Program appears to be the closest correlation to industries' Scorecard method. RYG is classified as *a passive system in that it only observes and records PPI data as it occurs*; yet, the CPARS program may be considered an active PPI collection system in that it requires human intervention to feed its data collection fields.

## **Industry: Scorecard Approach**

As mentioned earlier, the Scorecard method of tracking vendor quality and delivery history is employed by three of the four private firms interviewed in this research. The Scorecard method is not web-enabled; instead, it is information shared on a local-area network (LAN) within the firm, or a wide-area network (WAN) for larger firms with more than one division within the firm. PPI information for a particular vendor can sometimes be accessed by each vendor, or the vendor must wait until a letter is received from the industry firm. PPI for a particular vendor is not information that is shared outside the firm. As stated earlier, both Scorecard and RYG are considered *passive* PPI collection systems in that both Scorecard and RYG monitor and record vendor performance as performance occurs. Recorded vendor performance is more or less automatic, with PPI information fed to organized databases for immediate retrieval. Assigned grades are based on an algorithm scoring system.

Scorecard is most effective and efficient when employed with a "closed loop" supply-chain in which a central receiving area is co-located with a quality control unit. Delivery and Quality Deficiency Reports (QDRs) are attached to the requisition; each



requisition is married to the vendor's Commercial and Government Entity (CAGE) code. Likewise, the RYG program relies on feedback from both the Shipping and Receiving unit and the Quality Control unit of each, and is tied to each vendor.

**Past Performance Information Requirements for Requests for Proposal (RFP), Interview Question #5.** With little exception, government and industry require the same past performance information from potential vendors prior to making an award decision as is shown in Table 8 (pg. 28). This past performance information requirement is made known via a Request for Quote (RFQ) for smaller dollar value, less complex requirements and a Request for Proposal (RFP) for larger dollar value, more complex requirements.

Common required elements of a potential vendor's past performance include: 1) *recent performance* (contract completion date of less than three years), 2) *relevant performance* (similar in scope and complexity) to the anticipated requirement, and 3) *quality of performance*.<sup>15</sup> Both government agencies and industry firms depend on the same kinds of past performance information. The only exception to this finding was the Small Business, 8a firm (Industry Firm 3), which performs little formal subcontracting, or outsourcing to other vendors. This particular firm elects, instead, to perform and maintain a wide range of core competencies in-house and the use of less formal partnering agreements if outsourcing is required to meet delivery deadlines.<sup>16</sup>

All government activities and industry firms interviewed indicated that they retained the right (in their RFP document) to use past performance references outside of those provided by the potential vendor. This practice has the obvious advantage of verifying a vendor's stated past performance, thus gaining a better assessment of risk. In the matter of Smith Corp, B-285358, 21 Aug 2000, GAO found nothing unreasonable

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<sup>15</sup> Office of the Under Secretary of Defense for Acquisition, Technology & Logistics, *A Guide to Collection and Use of Past Performance Information* (Version 3), *Past Performance Information Retrieval System (PPIRS)*, May 2003, 6-11.

<sup>16</sup> Opal Soft, interview, August 2004.



about NASA seeking information about the offeror's performance on other contracts relative [relevant] to the functional areas covered in the requirement.<sup>17</sup>

**Difficulties Encountered in Past Performance Information Collection: Government and Industry, Interview Question # 6.** This section will be discussed later in this chapter.

**Industry sources of PPI, Interview Question #7.** The scorecard method is the past-performance collection and evaluation tool of choice within industry. As stated earlier in this chapter, unlike government who makes PPI available for each vendor across all government agencies<sup>18</sup>, industry protects PPI collected on individual vendors in a wide-area network (WAN) for industry firms with more than one geographic location (due to mergers, acquisitions, and takeovers), and a local-area network (LAN) for those industry firms who are smaller in size or who have centralized their procurement function to a headquarters location. The reasons for a “close-hold” policy for vendor PPI within industry is fairly obvious. First, if widespread dissemination of a vendor's documented PPI history is made known to the general public, it is likely that legal repercussions would follow. All industry firms interviewed routinely password-protect and firewall this type of data<sup>19</sup>. Second, it could be argued that industrial firm scorecard PPI data is proprietary, and gained at expense to the industry firm who collected the data. Finally, if PPI scorecard data has been collected by one potential customer prior to pre-award contract negotiations with the vendor, and the same PPI data is not known to a second potential customer of that same vendor, then the customer with valid factual PPI data is in a much better position to make a valid risk assessment, and perhaps negotiate a lower price than the customer who has not collected vendor PPI data.

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<sup>17</sup> Government Accountability Office (GAO), *Smith Corp*, B-285358, 21 August 2000

<sup>18</sup> Office of Federal Procurement Policy, et al., *Best Practices*, 5.

<sup>19</sup> Lockheed Martin, Northrop Grumman Newport News, Maersk Line, Ltd. Interviews conducted Aug-Sep 2004.



## Summary of Findings: PPI Collection—Section 2

This study has shown thus far that collection of past performance information (PPI) is important to both the Public Sector (government) and the Private Sector (industry) for the same primary reason. That primary reason is *risk mitigation*. Mitigating the risk of contract non-compliance is included in the initial acquisition strategy of any procurement, large or small, for both government and industry. The data from Table 8 suggests that reducing the risk of contract compliance involves collecting quality and delivery history. For larger procurements, cost control and business relations also become important in the risk-mitigation process.

Where government and industry part ways is in the dissemination of the vendor PPI. As stated earlier in this discussion, Government is determined to make vendor PPI retrievable by all government agencies. Access to Government-collected PPI is firewall and password protected, and typically accessed on a need-to-know basis. In industry, the dissemination of PPI is administered in a “close-hold” need-to-know basis. Although PPI is used to estimate the level of risk involved in selecting a particular vendor (similar to government), it is arguable that PPI data held in the private sector is proprietary in nature; thus, the firm with better vendor PPI is the firm with a competitive advantage.

For the reasons described above, government will likely continue to collect and distribute vendor PPI history government-wide while industry will continue to collect vendor PPI history and maintain this data close-hold. At this juncture, the researcher offers no recommendations.



|  | <b>Research Question</b>                        | <b>Govt Acty 1<br/>NAVAIR</b>    | <b>Govt Acty 2<br/>NAVSEA</b>    | <b>Govt Acty 3<br/>FISC/<br/>NNSY</b>                | <b>Govt Acty 4<br/>TACOM</b>                         | <b>Industry Firm 1<br/>LOCK-<br/>HEED</b> | <b>Industry Firm 2<br/>NORTH-<br/>ROP</b> | <b>Industry Firm 3<br/>OPAL<br/>SOFT</b> | <b>Industry Firm 4<br/>MAERSK<br/>LINE</b> |
|--|---|----------------------------------|----------------------------------|--|--|---|---|--|--|
| <b>Section 2<br/>Collection<br/>of Past<br/>Perform.<br/>Information<br/>(PPI)</b> | <b>3. Types of PPI data collected:</b>          |                                  |                                  |  |  |   |   |  |  |
|  | - Bus relations                                 | ♦                                | ♦                                | ♦  | ♦  | ♦   | ♦   | ♦  | ♦  |
|  | - Quality                                       | ♦                                | ♦                                | ♦  | ♦  | ♦   | ♦   | ♦  | ♦  |
|  | - Schedule                                      | ♦                                | ♦                                | ♦  | ♦  | ♦   | ♦   | ♦  | ♦  |
|  | - Cost Control                                  | ♦                                | ♦                                | ♦  | ♦  | ♦   |   | ♦  | ♦  |
|  | - Other   |                                  |                                  |  |  |   |   |  |  |
|  | <b>4. PPI Data management:</b>                  |                                  |                                  |  |  |   |   |  |  |
|  | - Agency-wide database                          | ♦<br>PPIRS<br>CPARS              | ♦<br>PPIRS<br>CPARS              | ♦<br>PPIRS<br>CPARS<br>RYG                           | ♦<br>PPIRS<br>CPARS                                  |   |   |  |  |
|  | - Local database or case by case                |                                  |                                  |  |  | ♦   | ♦   | ♦  | ♦  |
|  | <b>5. PPI required on acty RFP's?</b>           | ♦                                | ♦                                | ♦  | ♦  | ♦   | ♦   |  | ♦  |
|  | - < 3 yr old data required                      | ♦                                | ♦                                | ♦  | ♦  | ♦   | ♦   |  | ♦  |
|  | - Relevant to scope of work                     | ♦                                | ♦                                | ♦  | ♦  | ♦   | ♦   |  | ♦  |
|  | - Quality of performance                        | ♦                                | ♦                                | ♦  | ♦  | ♦   | ♦   |  | ♦  |
|  | - Other than named refs used                    | ♦                                | ♦                                | ♦  | ♦  | ♦   | ♦   | ♦  | ♦  |
|  | <b>6. CPARS:</b><br>- Difficulties encountered? | <b>Yes</b><br>Grade<br>inflation | <b>Yes</b><br>Grade<br>inflation | <b>Yes</b><br>Lack of<br>CPARS<br>Data on<br>vendors | <b>Yes</b><br>Lack of<br>CPARS<br>Data on<br>vendors |   |   |  |  |
|  | <b>7. Industry sources of PPI:</b>              |                                  |                                  |  |  |   |   |  |  |
|  | - Automated (WAN)                               |                                  |                                  |  |  | ♦<br>Scorecard                            | ♦<br>Scorecard                            |  |  |
|  | - Local (LAN)                                   |                                  |                                  |  |  |   |   | ♦<br>Manual                              | ♦<br>Scorecard                             |

Table 8: Summary of Findings—PPI Collection





### 3. Observations and Analysis: Evaluation of Past Performance Information

There are more commonalities than there are differences between how the public sector and the private sector collect and evaluate contractor past performance.

Surprisingly, the entire acquisition cycle of both public and private sector industries show enormous similarities. Perhaps the most interesting section of this research effort was not the collection of past performance information (PPI), but rather the acquisition phase where vendor PPI was evaluated. In this section we will discuss and analyze the commonalities of how government and industry conduct a Best-Value acquisition, and how vendor PPI history affects the outcome. For purpose of creating a baseline, all interviews assumed that the acquisition would exceed \$1M (\$100,000 for smaller companies) and employed a Best Value-trade off type approach acquisition strategy.

#### **Active Members of the Acquisition Team, Interview Question #8**

##### **Government and Industry**

Using the assumptions described above, the investigator asked each activity interviewed to list the typical active members of their respective acquisition teams. As shown in Table 11 (pg. 49), the procurement acquisition team for both government and industry consists of the Acquisition Chief/Director, Procuring Contracting Officer, Technical Evaluation Team, Past Performance Team, Cost/Price Analysis Team, and Engineer/End-user. Interestingly, this is where most of the similarities stop. Following is a discussion and analysis of those members of the acquisition process, which do or do not appear to be major players in routine large-dollar acquisitions.

**Legal counsel.** Interestingly, only one of the four firms interviewed indicated that legal counsel was actively involved in the pre-award of a procurement action. One of the three firms indicated that they used a legal advisor familiar with contract law, and recently added a full-time legal counsel. Nonetheless, the data suggests that the presence of legal counsel in the pre-award planning process is conspicuously absent in industry. The researcher offers a discussion/analysis, as follows: 1) legal counsel is expensive to retain; 2) the risk of a disappointed vendor protesting is almost non-



existent in the private sector; 3) senatorial or congressional inquiries on behalf of disappointed vendors can normally be handled in-house at the CEO/VP level. However, once the contract is awarded, the down side of cost-cutting the legal council begins to catch up with industry. If litigation arises as a result of contract dispute between government and industry, it is government who prevails in two-thirds of the cases decided.<sup>20</sup>

One of the main reasons government prevails in two-thirds of all decided cases is due to the lack of evidence produced by the plaintiff (industry). Typically, if a dispute arises which cannot be disposed of by other means (e.g. Alternative Dispute Resolution (ADR) procedures), the dispute must be decided in either the U.S. Court of Federal Claims, or a Board of Contract Appeals (BCA). Where government gains a significant foothold is in the very fact that all government procurement activities maintain an on-staff legal counsel. This continuous legal coverage many times thwarts a potential legal challenge (e.g. protest, claim, etc.) by making pre-award recommendations to the Procuring Contracting Officer (PCO). Examples of good legal recommendations may include: 1) eliminating a weak vendor proposal from the competitive range instead of surprising the vendor on contract award day, 2) insuring that the government RFP adequately reflects all the factors that the evaluation teams will be considering for award, 3) insuring that the evaluation teams fairly evaluate all vendor proposals against the criteria listed in the solicitation, and 4) previewing contracting officer's final decisions (COFD) for arbitrary and capricious behavior prior to forwarding the COFD to the vendor.

With the huge volume of contracts awarded annually within government, the legal counsel's role as a "second check" prior to release to the open public ultimately pays enormous dividends in the public sector. As an example, GAO denied a protest where the contractor challenged the PCO regarding evaluating factors listed in the solicitation. It was discovered that the PCO had, in fact, considered only those factors listed in the

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<sup>20</sup> Lord, 60.



solicitation. GAO stated, “Agencies are required to evaluate proposals consistent with the RFP’s stated evaluation criteria”, including considerations reasonably and logically encompassed by the stated factors.<sup>21</sup>

Within industry, if a vendor submits a claim (in the form of a COFD) which is later denied, the vendor may elect to litigate. If the vendor elects to litigate, normally a retained attorney is called in. Unfortunately, the attorney enters the claim “in the middle” and has not been in a position to render good legal “steering” advice to the vendor from the on-set. If the industry vendor and retained legal council believe they have a reasonable chance of prevailing in the courtroom, the litigation decision proceeds. Unfortunately for the industry vendor, the government PCO has been receiving pre-award and post-award legal “steering” from the start, whereas the industry vendor has only been receiving post-award legal steering; hence an unfavorable ruling is usually given, due to the vendor’s lack of evidence. Lack of evidence is the number one contractor weakness in cases decided in the Armed Services Board of Contract Appeals.<sup>22</sup>

**Logistics.** Logistics planning is common among government hardware system’s commands where total ownership costs factors in reliability, maintainability, spares, and support equipment. Logistics planning is not a large consideration within field contracting commands where support of these fielded systems take place. Industry appears to use logistics planners less than the government does. In interviews conducted with industry, the explanation lies in the fact that the engineer/end-user (sometimes called the system’s integrator) takes on this responsibility as part of system-integration duties.<sup>23</sup>

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<sup>21</sup> Government Accountability Office (GAO), *Matter of Gray Personnel Services, Inc.*, B-285002, 26 June 2000.

<sup>22</sup> Lord, 101-102.

<sup>23</sup> Lockheed Martin, Opalsoft, Northrop Grumman Newport News, Maersk Line Ltd., interviews conducted Aug – Sep 2004.



**Comptroller.** Sporadic use of the comptroller in the pre-award planning in both government and industry acquisition planning suggests that once funding has been identified, comptrollers play a “hands-off” role in the contract pre-award phase. Comptrollers typically come into play again in the pre-award phase when incoming bids, quotes, or proposals begin showing a trend of higher than anticipated pricing, expanding scope of work, incremental developments in technology etc. The downside to hands-off comptroller involvement can manifest itself in the erosion of available funding in favor of higher priority acquisitions, unexpected claims, or other unplanned funding obligations. However, the data suggests that these are the risks that both public and private sector are willing to accept.

**Small Business Representative.** Within government acquisition, small business (SB) guidelines and goals continue to play a huge role in how contracts are awarded. Per the Federal Acquisition Regulation, all procurements with an anticipated value between \$2,500 and \$100,000 are mandated as small business set-asides.<sup>24</sup> These procurements remain set-aside unless the contracting officer determines there is not a reasonable expectation of obtaining offers from two or more responsible small business firms. Presented another way, unless the government PCO has determined through adequate market research that a small business entity cannot be found, the PCO must award the contract to that small business. For contract awards with an anticipated value greater than \$100,000, the Small and Disadvantaged Business Unit (SADBU) representative may mandate a percentage of the contract value to different small business segments (e.g. Small Business; SB, Veteran Owned; SB, Woman-Owned; HUBZone, etc.).

Within industry, private sector companies who receive government contract awards must also prove that they adhere to the SB subcontracting goals mandated in the government contract. Annual SB statistics are tracked and reported. Adherence to SB subcontracting goals is a sub-factor monitored by government.

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<sup>24</sup> Federal Acquisition Regulation (FAR) Part 6.203 and FAR Part 19.502-2(a)



**QA/QC.** The use of a QA/QC rep during the pre-award of an acquisition phase is also sporadic when factored across government and industry. When a QA/QC representative is used in the pre-award, it is industry that makes this employment, large industry in particular. This industry function makes obvious sense. For example, the end-product for the two defense-focused industry firms interviewed is D-2 Trident missiles and nuclear-powered aircraft carriers. In order to remain competitive, both industry firms must maintain a “cradle-to-grave” quality-control focus.

### **Past Performance Data as a factor in Source Selection, Interview Question #9**

When government and industry forward a Request for Proposal (RFP) to interested offerors, the RFP is typically composed of a very structured format, broken down into sections. A Government RFP is structured, as follows:

Section A—Solicitation/Contract form

Section B—Supplies or Services and Prices/Costs

#### **Section C—Description/Specs/Work Statement**

Section D—Packaging and Marking

Section E—Inspection and Acceptance

Section F—Deliveries or Performance

Section G—Contract Administrative Data

Section H—Special Contract Requirements

Section I—Contract Clauses

Section J—List of Attachments

Section K—Representations, Certifications and Other Statements of Offerors

#### **Section L—Instructions, Conditions, and Notices to Offerors**



## Section M—Evaluation Factors for Award

Of particular interest to the potential offeror is the weighting of the individual evaluation factors. The PCO (buyer) is responsible for constructing an RFP that adequately informs potential offerors (seller) of what the buyer needs (Section C), how to prepare the proposal with the required data, format and content (Section L), and the guidelines as to how each factor of the proposal will be evaluated (Section M).

| FACTOR               | WEIGHTING |
|----------------------|-----------|
| Technical Approach   | 50%       |
| Sub-Factor 30%       |           |
| Sub-Factor 15%       |           |
| Sub-Factor 5%        |           |
| Past Performance     | 25%       |
| Corporate Experience | 15%       |
| Cost/Price           | 10%       |

Figure 1: Typical Section M—Factor weighting instructions

The factors section of Figure 1 is an example of the different parts of each vendor's proposal. Evaluation factors are typically weighted with the most important factor receiving a higher weight. The evaluation factors and significant sub-factors that apply to an acquisition, as well as those factors' relative importance, are within the broad discretion of agency acquisition officials. Although it is not likely that the RFP (which is forwarded to interested vendors) will disclose the detail shown in Figure 1, the RFP will state, at a minimum, whether all evaluation factors (other than cost or price) when combined are: 1) Significantly more important than cost or price, 2) Approximately equal to cost or price, or 3) Significantly less important than cost or price. It is, however, likely that the Source Selection Plan (SSP) will contain this level of detail. The SSP is essentially a roadmap or guideline established by the PCO to evaluate each vendor's proposal against the minimum requirements set forth in the RFP.

As shown in item nine of Table 11 (p. 49), *with the exception of the SB firm, neither industry nor government normally gave the past performance factor the highest weight when comparing vendors in the competitive range. Technical capability was*



*universally the factor with the highest weighting or importance.* Therefore, one might logically conclude that if the researcher were allowed to look across government and industry, each would have an RFP with a Section M—Proposal Evaluation Criteria that looked similar to Figure 1. The one industry member who uses a total-value concept would place an equal individual weight on each factor considered; however, it is not likely that even such an industry firm would give past performance the highest weighting if its respective acquisition plan shifted to a Best-Value procurement.<sup>25</sup> Put another way, the data suggests that within both public and private sectors the past performance factor when placed in a full and open competition environment will receive less weight than technical capability, but a higher weight than cost/price. However, within industry, which typically does not operate in a full and open competition environment, it is normally a supplier's past performance which places that supplier in the competitive range along with other preferred suppliers instead of conducting an arduous responsibility determination which is mandated within the public sector.

In summary, a vendor with a superior technical approach still has a reasonable chance at contract award, but it is a thorough analysis of past performance which distinguishes between good proposal writers and good performers.<sup>26</sup>

### ***Does Private Sector Secretly Place Its Highest Priority on Vendor Past Performance?***

As suggested earlier, not all eligible vendors are invited to compete for private sector contracting opportunities. Although private sector solicits proposals similar to the public sector in the form of RFPs, private sector only forwards RFP's to approved "A Team" vendors, sometimes called preferred vendors. This practice invites the argument that private sector really gives past performance the highest weight in a best-value or total-value source selection. Further, those vendors' superior past performance is what keeps the private sector PCO (buyer) coming back to the "A Team" vendors with

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<sup>25</sup> Northrop Grumman Newport News interview, Sep 2004.

<sup>26</sup> Eric Stump, *PPI: Analysis of Opinions from the Court of Federal Claims and GAO*, Master's Thesis (Monterey, CA: Naval Post-Graduate School, Dec 2001), 18.



opportunities to provide quotes, bids, or proposals. This observation will be explored in greater detail in interview question #11 below.

**Has PPI Ever Been the Primary Factor in Non-Selection or Elimination from the Competitive Range, Interview Question #10.**

Most government and industry procuring officials give technical approach a higher weight than past performance in Best-Value source selections. Yet, one government activity and two industry activities have successfully eliminated a potential vendor from contract award based solely on a history of vendor past performance. In all such cases, the activity interviewee explained that overwhelming evidence was on record to back up their respective actions. However, non-award of a contract to a vendor remaining in the competitive range based on PPI alone is almost non-existent; therefore, further discussion is not warranted.

**Does Your Activity or Firm Maintain a List of Favorite Go-To “A Team” Vendors, in lieu of Full and Open Competition, Interview Question #11.**

The most interesting finding discovered by the researcher involved the difference between full and open competition mandated in the public sector and competition encouraged in the private sector.

Although there are more similarities between public and private sector acquisitions than differences, the researcher has uncovered two fundamental differences which stand out as glaring departures in the typical >\$1,000,000 acquisition system. These differences include 1) Privilege v. Right to bid, and 2) Use of full and open competition.





## 1. Right v. Privilege to Bid

The public sector is mandated by the Federal Acquisition Regulation (FAR) to seek full & open competition.<sup>27</sup> It is the right of every vendor to submit a quote, bid or proposal for equal consideration, regardless of past performance history. This right is extended to all vendors who have not been suspended or debarred in accordance with FAR Part 9 – Contractor Qualifications. Conversely, the private sector encourages competition too; however, among their *approved* vendors. As shown in Table 12 (p. 50), question 11, all private sector firms have approved vendors. It is, therefore, a defacto privilege for a vendor to offer a quote, bid, or proposal within the private sector.

|  | Public Sector   | Private Sector   |
|--|---|--|
| Opportunity to offer a bid, quote, or proposal | Right   | Privilege  |
| Regulatory Guidance                            | FAR Part 6 -<br>Competition Reqs<br>Mandates<br>competition | UCC Article 2 – Sale<br>of Goods is silent <sup>28</sup> |

Table 9: Opportunity to Bid

### Public-Sector Process

In the *Public Sector*, a vendor has the *right* to provide a bid, quote, or proposal in response to needs of the Federal, State, and Local government.<sup>29</sup> Typically this requirement is made known first (if the anticipated dollar value is expected to exceed \$25,000) in the form of a synopsis. A synopsis is a brief description of the government

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<sup>27</sup> Federal Acquisition Regulation (FAR) 19.201(a) states: “It is the policy of the Government to provide maximum practical opportunities in its acquisitions to small business, veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small disadvantaged business, and women-owned small business concerns....”

<sup>28</sup> Uniform Commercial Code (UCC). Copyright 1978, 1987, 1988, 1990, 1991, 1992, 1994, 1995, 1998, 2001 by The American Law Institute and the National Conference of Commissioners on Uniform State Laws: contains no statute or requirement mandating full and open competition.

<sup>29</sup> Competition in Contracting Act of 1984 (CICA) Public Law 98-369, sec. 2701, established “full and open” as a requirement in public sector procurements unless certain conditions exist.



requirement. This abbreviated requirement description is made known worldwide on a U. S. Government website known as Federal Business Opportunities (FEDBIZOPPS), formerly known as Commerce Business Daily (CBD). ANY vendor may browse this Government website in search of opportunities within their capabilities. If interested in bidding, the potential vendor will then contact the Procuring Contracting Officer (PCO) in order to request a solicitation (RFP). The potential vendor may then elect to forward a bid, quote, or proposal. The PCO is obligated to review for *equal consideration* all *timely* bids, quotes or proposals for contract award (unless that vendor has been suspended or debarred as outlined in FAR Part 9). Depending on the value and complexity of the purchase, the PCO may then elect to make contract award. If the vendor is unknown or the proposal is complex or the anticipated contract value is too large to award without prior approval, the PCO will elect to assign a more formal Technical Evaluation Board (TEB) to review the vendors' proposals in order to make a *responsibility determination*.<sup>30</sup> The TEB and PCO will review each vendor's technical approach. The PCO will also conduct a past-performance analysis on previous relevant contract awards. The PCO and Cost Analyst will also review the vendors' cost proposals as separate analyses.

***The Issue: Disappointed Offerors May Elect to Protest***

All procurements will require full & open competition procedures (unless officially sanctioned by the PCO in the form of a Justification & Authorization<sup>31</sup> document), thereby giving all vendors a right to participate. If the PCO fails to consider all bids, quotes or proposals equally, the disappointed vendor(s) have the *avenue to protest* the contract award. The disappointed vendor may then file its protest directly to the General Accounting Office (GAO). The GAO has 100 calendar days to render a decision. If GAO denies the protest, the contract award remains in effect. If GAO

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<sup>30</sup> For purposes of simplicity, this paper does not refer to system acquisitions requiring a more formal Source Selection Evaluation Board (SSEB) and a Source Selection Advisory Counsel (SSAC).

<sup>31</sup> Federal Acquisition Regulation (FAR) Part 6 – Competition Requirements



determines that the PCO violated the Competition in Contracting Act (CICA) or a FAR Part, it may elect to recommend one of the following:

- Refrain from exercising options under the contract,
- Terminate the contract,
- Re-compete the contract,
- Issue a new solicitation,
- Award a contract consistent with statute and regulation, or
- Such other recommendations that GAO determines necessary to promote compliance.

Evidence of difficulties here may be seen in trends involving GAO protests of recent contract awards. Figure 2 depicts data on protests, with emphasis on protests involving past performance as an evaluation criteria, for fiscal years (FY) 1997 – 1999 and for the first three quarters of FY2000.

|                                     | FY1997 | FY1998 | FY1999 | FY2000<br>(Oct – Jun) |
|-------------------------------------|--------|--------|--------|-----------------------|
| <b>Merit Protests</b>               | 501    | 406    | 347    | 161                   |
| Protests Sustained                  | 61     | 63     | 74     | 44                    |
| (Sustainment Rate as %)             | (12%)  | (16%)  | (21%)  | (27%)                 |
| <b>Past Performance Protests</b>    | 40     | 43     | 62     | 46                    |
| Protests Sustained                  | 6      | 13     | 15     | 13                    |
| (Sustainment Rate as %)             | (15%)  | (30%)  | (24%)  | (28%)                 |
| Past Performance Protests as %      |        |        |        |                       |
| of Merit Protests                   | 8%     | 11%    | 18%    | 29%                   |
| Sustained Past Performance Protests |        |        |        |                       |
| as % Sustained Protests             | 10%    | 21%    | 20%    | 30%                   |

Figure 2. Summary of Recent GAO Protests



The data show that, while the number of merit protests (those not dismissed due to procedural or substantive defects) has been declining over the past four years, the number of past performance-related protests has been increasing. In 1997 past performance protests constituted only 8% of all merit protests, and as of June 2000 that percentage has grown to 29%. An upward trend is also evident with the percentage of past performance protests as a percentage of sustained protest. In 1997 sustained past performance protests accounted for only 10% of the overall sustained protests, and by June of 2000 that percentage had risen to 30%. <sup>32</sup>

Interestingly, as government has moved to adopt industry best practices for source selections based on vendor past performance, industry has responded with increased protests. This discovery that industry suspects unfair source selection practices only reinforces the need for government to maintain a robust PPI collection system for retrieving current and relevant vendor performance history and that government exercise due diligence in their responsibilities as source selection officials to apply evaluation criteria consistently across all vendor bids, quotes or proposals in accordance with evaluation criteria set forth in each solicitation. This also emphasizes the notion that government is indeed different than industry,<sup>33</sup> further that the privilege to bid (private sector) versus the right to bid (public sector) does not lend to a smooth and seamless adoption of industry best practices under current public laws, statutes, and regulations. Again, this reinforces the argument(s) to collect and evaluate vendor PPI in a manner that is ethical, verifiable, and absent any perception of impropriety. It should also be noted that the U. S. Court of Federal Claims also has jurisdiction over both pre- and post-award protests per the Administrative Dispute Resolution Act of 1996. In short, the government PCO is required to give equal consideration to all incoming bids, quotes or proposals until such time that a determination is made and

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<sup>32</sup> Keith Snider and Mark Walkner. *Best Practices and Protests: Toward Effective Use Of Past Performance As a Criterion in Source Selections*. Journal of Public Procurement, Vol 1, Issue 1. (PrAcademics Press, 2001), 99 - 101

<sup>33</sup> Ibid., 100.



documented in the contract file that the vendors bid, quote, or proposal is determined to be non-responsive to the solicitation and/or the vendor is determined to be non-responsive.

### **Private-Sector Process**

The private sector is guided by the Uniform Commercial Code (UCC) in routine business practices; yet UCC Article 2, “Sale of Goods,” is silent regarding competition when soliciting bid, quotes, or proposals. What is decidedly different is that *the private sector is not mandated to seek full & open competition*. Disappointed vendors have no legal recourse with GAO or the U. S. Court of Federal Claims if they are not asked by a private sector firm to provide a bid, quote, or proposal, or if their bid, quote or proposal was not selected for contract award. The only viable alternative for the disappointed vendor is to call their respective Congressman or Senator. The research data suggests that congressional inquiries are more likely to be directed to larger firms in the private sector than smaller firms. Research interviews conducted as part of this study indicate that answering congressional and senatorial inquiries is taken seriously and handled professionally within the private sector, yet they do not have the disruptive nature that a GAO Protest has in the public sector. Hence, it is not likely that a congressional inquest will delay a contract award or halt contract performance in the private sector.<sup>34</sup>

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<sup>34</sup> Northrop Grumman, Lockheed Martin interviews conducted Aug & Sep 2004.



| <b>Requirement Identified</b>                                | <b>Market Research Responsibility Determination</b>   | <b>Competitive Range Determination</b>  | <b>Best Value Contract Award</b> |
|--|---|---|----------------------------------|
| <b>Government</b>  | <ul style="list-style-type: none"> <li>• Synopsis world-wide</li> <li>• Pre-Solicitation Conference</li> <li>• Pre-Award Survey</li> <li>• Site visits</li> </ul> | <ul style="list-style-type: none"> <li>• Tech Approach</li> <li>• Past Perf. Eval</li> <li>• Cost Analysis</li> </ul> | Contract Award                   |
| <b>Industry</b><br>(With preferred vendor support)           | →   | <ul style="list-style-type: none"> <li>• Tech Approach</li> <li>• Past Perf.</li> <li>• Eval Cost Analysis</li> </ul> | Contract Award                   |
| <b>Industry</b><br>(Mature vendor relations, Lean, JIT etc.) | →   | →   | Contract Award                   |

Table 10. Responsibility Determination Comparison: Public v. Private Sector

## 2. Full and Open Competition: a Socioeconomic Process

The other striking difference between public sector and private sector procurement processes deals with full and open competition. Government acquisition is a socio-economic process. Its number-one priority is supporting socioeconomic goals mandated by public law. After priority number one is met, priority number two is the acquisition of the right supplies, services, construction, R&D, etc. at the right time and at the right price.

### Government

Public sector is mandated to compete all requirements using full and open competition procedures whenever feasible.<sup>35</sup> What is less obvious to an observer is the burden of proof placed on the PCO to prove competition does or does not exist OR that

<sup>35</sup> Federal Acquisition Regulation (FAR) Part 6.101 - Full and Open Competition Policy



it is in the best interest of the government not to compete the requirement.<sup>36</sup> This public-sector process of bypassing the full and open competition requirement is exacting and time consuming. Yet, industry, as discussed previously, has no competition requirement.

Within Government, unless exceptions to full and open competition are approved, government is obligated to proceed with market research and a worldwide search (synopsis) in order to determine if competition exists (as shown in Table 10). Once this step is performed, an RFP is forwarded to interested vendors. The vendor returns to the PCO a timely quote, bid, or proposal. If a vendor is unknown, the PCO may elect to perform a pre-award survey to *determine vendor responsibility*. A pre-award survey is normally required only when the information on hand regarding a particular vendor is not sufficient to make a determination regarding responsibility. Typical pre-award survey areas may include a detailed analysis of the firm's: 1) technical capabilities, 2) production processes, 3) quality-control procedures, 4) financial health of the vendor, and 5) accounting practices. Additional procedures for "bringing on" new vendors may include a pre-solicitation conference (if the requirement is new to both government and industry), site visits (if the requirement is new to a group of vendors), and other methods of determining vendor responsibility. Making a responsibility determination on a new vendor is costly, time consuming and extends the procurement action lead time (PALT) of a requirement by weeks, months or perhaps years.

### **Industry**

Similar to government, once a requirement and funding is identified by an industry, a solicitation is forwarded to interested vendors; yet, unlike government, the new requirement normally is forwarded to a pre-approved vendor list, or as some industry counterparts call it: an "A Team." A world-wide search for new vendors is not

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<sup>36</sup> Federal Acquisition Regulation (FAR) Part 6.302: 1 through 7



performed unless it makes sense to do so.<sup>37</sup> Full and open competition is not normally used. This unique list of vendors includes only the vendors who will normally receive an RFP from an industry procurement department. The “A Team” vendor has a proven track record of high quality and on-time deliveries based on months, years, or decades of reliable performance. Hence, the procedures for making a *responsibility determination are eliminated in the private sector*. The data reveals that all private industry firms maintain a list of reliable “A Team” vendors in one form or another.<sup>38</sup> For more information, see also Table 12 question 11. The efficiency gained by using an approved, reliable vendor list is exponential, as shown in Figure 3. Depending on the nature and urgency of the requirement, industry may elect to either review bids, quotes, or proposals from its “A Team” vendors or proceed directly to contract award. This decision to go directly to contract award is strictly the prerogative of the industry procurement official. Again, purchase agreements, partnerships, or strategic alliances between industry and their “A Team” vendors may last months, years, or decades and beyond.

Perhaps the government contract arrangements closest to these long-term private-sector relationships are Indefinite Delivery Type Contracts and Performance-Based Contract vehicles; although these are both typically re-competed after only five years. Although government is headed in the right direction towards improved efficiency, the typical Indefinite Delivery or Performance-Based Contract vehicle has a relatively short life-span and requires that all like-requirements go only to that particular contract awardee.

In the government model, a typical requirement, based on the researcher’s experience, could realistically reach a 210-day PALT, as shown in Figure 3.

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<sup>37</sup> Northrop Grumman, interview Sep 2004.

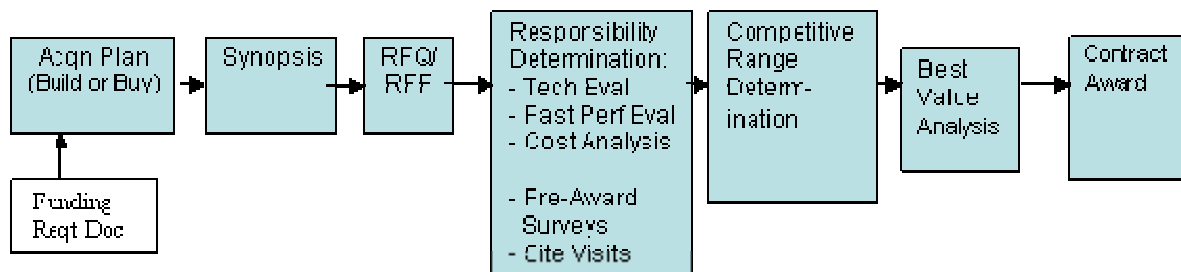
<sup>38</sup> Lockheed Martin, Opalsoft, Northrop Grumman Newport News, Maersk Line Ltd., interviews Aug – Sep 2004.



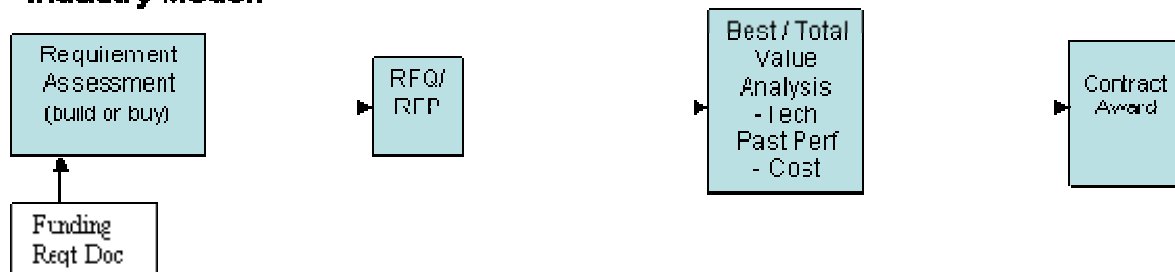


In the industry procurement model, the following steps or blocks are effectively eliminated: 1) Synopsis, 2) Responsibility Determination, and 3) a separate Best-Value Analysis which is combined into one heading under Total Value or Best Value. The researcher has estimated a PALT from a similar procurement action (based on private sector interviews) under similar urgency conditions to reach contract award in 75 days, or about one third of the time of the government model, as shown in Figure 3 below:

### Government Model:



### Industry Model:



### Government timeline:

30 days    15 days    45 days    60 days    30 days    30 days    =    210 days

### Industry timeline:

15 days                      30 days                      30 days                      =    75 days

Figure 3: Government v. Industry Procurement Action Lead Time (PALT) Comparison

It should be noted that industry, similar to government, must occasionally follow the full acquisition process when a new requirement justifies the search for a new supplier(s). The search for new suppliers is seen as rare by industry acquisition



specialists and only executed when it makes sense to do so.<sup>39</sup> If government is to continue evolving and incorporating industry best practices, improving PALT by eliminating burdensome acquisition processes is a viable area for consideration. These recommendations will be explored in the following chapter.

**RFQ/RFP Evaluation Factors, Interview Question #12.** The common factors evaluated by both government and industry, as shown in Table 12 (pg.50), within the confines of past performance are: 1) Relevancy (how similar is referenced work to the scope of work outlined in the requirement?); 2) Currency (was work performed with a completion within the past three years?); 3) Quality (how well did the vendor perform as stated on evaluations, i.e. CPARS?).

In other words, when a vendor is asked to provide past-performance history in response to Section L—Proposal Requirements of the RFP, the common factors considered by government or industry past-performance evaluation boards are those stated above. Vendor experience and other factors are considered but not consistently enough to provide comment.

### **Research of Named References**

Once past-performance references were identified in the potential vendor's proposal, the past-performance evaluation teams (both government and industry) favored calling (performing telephone interviews with) those firms who were referenced. Questionnaires from the requiring activity to each prospective vendor were also used; these were used primarily by government procurement officials and less so by procurement officials within industry.

### **Research of Other-Than-Named References**

The government appears to be more aggressive, as shown in Table 12, item 12, than industry in regards to conducting past-performance checks using sources other

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<sup>39</sup> Lockheed Martin, Opalsoft, Northrop Grumman Newport News, Maersk Line Ltd., interviews conducted Aug – Sep 2004.



than those listed in the past-performance section of a vendor's proposal. The use of 1) other end users, 2) other customers, 3) passive PPI (i.e. QDRs), and 4) pre-award surveys are more common in the public sector than in the private, and are all within the governments' rights.<sup>40</sup>

Two problems have been discovered during these research efforts which necessitate government procurement officials to search for past-performance information outside of what is offered by the vendor in his/her proposal:

***Lack of PPI Data in Government Agency Databases:***

Based on the researcher's experience, and verified by research interviews, PPI located in the PPIRS/CPARS database is not always available on all vendors.<sup>41</sup> Either due to the neglect of the procurement activity to make timely CPARS assessments, or the contract value which may not warrant CPARS surveillance, PPI data is simply not available much of the time. This problem is more pronounced in field contracting activities where there are multiple vendors and the contract values are typically lower than contract values at larger system commands. Missing PPI is less of an issue in hardware system commands where the number of vendors capable of producing major weapon systems is limited to a handful of well-known vendors.

***CPARS Grade Inflation:***

So why do the larger hardware system commands also reach out for PPI outside the data found in PPIRS/CPARS and past-performance history offered by the potential vendor in his/her proposal? Surprisingly, the answer lies in the fact the Program Managers of major systems routinely inflate grades given to vendors on mid-term CPARS evaluations. The driver behind inflated CPARS interim reports lies in perceived program risk, and the potential for a reduction in funding. The function of the Program Manager is to field a weapons system: 1) on time, 2) under budget, and 3) according to

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<sup>40</sup> U. S. Court of Federal Claims, *Smith Corporation*, B-285358, 21 August 2000.

<sup>41</sup> Lockheed Martin, Opalsoft, Northrop Grumman Newport News, Maersk Line Ltd., interviews Aug – Sep 2004.



Key Performance Parameters (KPPs). If there is a perception that a program (weapons system) is in jeopardy or at risk of non-performance perhaps brought about by attention gained in giving a “bad CPARS interim report,” congress may, and has indeed been known to, “pull funds” on weapons system programs, thereby killing the program. Program Managers are trained to protect their program, and in doing so, the jobs it provides; therefore, a grade-inflation problem persists; and, government procurement officials will continue to state their intention to seek PPI outside of agencies’ database(s).



|   | <b>Research Question</b>  | <b>Govt Acty 1<br/>NAVAIR</b> | <b>Govt Acty 2<br/>NAVSEA</b> | <b>Govt Acty 3<br/>FISC/<br/>NNSY</b> | <b>Govt Acty 4<br/>TACOM</b> | <b>Industry Firm 1<br/>LOCK-<br/>HEED</b> | <b>Industry Firm 2<br/>NORTH-<br/>ROP</b> | <b>Industry Firm 3<br/>OPAL<br/>SOFT</b> | <b>Industry Firm 4<br/>MAERSK<br/>LINE</b> |
|---|---|-------------------------------|-------------------------------|---------------------------------------|------------------------------|---|---|--|--|
| <b>Section 3a<br/>Evaluation<br/>of Past<br/>Performance<br/>Data</b> | <b>8. <u>Active</u> mbrs of<br/>your Acqn Team:</b>   |                               |                               |                                       |                              |   |   |  |  |
|   | - Acqn Chief /Director  | ♦                             | ♦                             | ♦                                     | ♦                            | ♦   | ♦   | ♦  | ♦  |
|   | - PCO   | ♦                             | ♦                             | ♦                                     | ♦                            | ♦   | ♦   | ♦  | ♦  |
|   | - Legal counsel   | ♦                             | ♦                             | ♦                                     | ♦                            |   | ♦   |  |  |
|   | - Technical Evaluation Tm   | ♦                             | ♦                             | ♦                                     | ♦                            | ♦   | ♦   | ♦  | ♦  |
|   | - Past Performance Tm   | ♦                             | ♦                             | ♦                                     | ♦                            | ♦   | ♦   | ♦  | ♦  |
|   | - Cost/Price Analysis Tm  | ♦                             | ♦                             | ♦                                     | ♦                            | ♦   | ♦   | ♦  | ♦  |
|   | - Engineer/ End-user  | ♦                             | ♦                             | ♦                                     | ♦                            | ♦   | ♦   | ♦  | ♦  |
|   | - Logistics   | ♦                             | ♦                             |                                       | ♦                            |   |   | ♦  |  |
|   | - Comptroller   |                               | ♦                             |                                       | ♦                            |   |   | ♦  |  |
|   | - Sm Bus Rep  | ♦                             | ♦                             | ♦                                     | ♦                            |   | ♦   |  | ♦  |
|   | - QA/QC   |                               |                               |                                       |                              | ♦   | ♦   |  |  |
|   | <b>9. <u>PPI</u> Data as a<br/>factor in source<br/>selection:</b>  |                               |                               |                                       |                              |   |   |  |  |
|   | - Ranking<br>Past Perf.<br>Highest weight = 4<br>lowest = 1   | 4<br><b>3</b><br>2<br>1       | 4<br>3<br><b>2</b><br>1       | 4<br><b>3</b><br>2<br>1               | 4<br>3<br><b>2</b><br>1      | 4<br>3<br><b>2</b><br>1                   | 4<br>3<br>2<br>1<br>Total<br>Value        | <b>4</b><br>3<br>2<br>1                  | 4<br>3<br><b>2</b><br>1                    |
|   | <b>10. Has PPI ever<br/>been the primary<br/>factor in non-<br/>selection or<br/>elimin. from<br/>competitive rg?</b> | Yes<br>(rarely)               | No                            | No                                    | No                           | No  | Yes                                       | Yes                                      | No   |
|   | - Legally challenged by Ktr?  | No                            | N/A                           | N/A                                   | N/A                          | N/A                                       | No  | No                                       | N/A  |
|   | - Sustained in favor of Ktr?  | N/A                           | N/A                           | N/A                                   | N/A                          | N/A                                       | N/A                                       | N/A                                      | N/A  |

Table 11. Section 3a: Summary of Findings—PPI Evaluation



|   | <b>Research Question</b>  | <b>Govt<br/>Acty 1<br/>NAVAIR</b> | <b>Govt<br/>Acty 2<br/>NAVSEA</b> | <b>Govt<br/>Acty 3<br/>FISC/<br/>NNSY</b> | <b>Govt<br/>Acty 4<br/>TACOM</b> | <b>Industry<br/>Firm 1<br/>LOCK-<br/>HEED</b> | <b>Industry<br/>Firm 2<br/>NORTH-<br/>ROP</b> | <b>Industry<br/>Firm 3<br/>OPAL<br/>SOFT</b> | <b>Industry<br/>Firm 4<br/>MAERSK<br/>LINE</b> |
|---|---|-----------------------------------|-----------------------------------|---|----------------------------------|---|---|--|--|
| <b>Section 3b<br/>Evaluation of<br/>Past<br/>Performance<br/>data</b> | <b>11. List of favorite go-to firms in lieu of competition?</b> |                                   |                                   |   |                                  | ♦   | ♦   | ♦  | ♦  |
|   | <b>12. RFP/bid evaluation factors:</b>                          |                                   |                                   |   |                                  |   |   |  |  |
|   | - Relevancy   | ♦                                 | ♦                                 | ♦   | ♦                                | ♦   | ♦   | ♦  | ♦  |
|   | - Currency < 3yrs   | ♦                                 | ♦                                 | ♦   | ♦                                | ♦   | ♦   | ♦  | ♦  |
|   | - Quality   | ♦                                 | ♦                                 | ♦   | ♦                                | ♦   | ♦   | ♦  | ♦  |
|   | - Experience  | ♦                                 |                                   | ♦   |                                  | ♦   |   | ♦  |  |
|   | - Other factors   | ♦                                 |                                   | ♦   |                                  |   |   |  |  |
|   | a. Research of <u>named</u> references:                         |                                   |                                   |   |                                  |   |   |  |  |
|   | - Telephone   |                                   | ♦                                 | ♦   | ♦                                | ♦   | ♦   | ♦  | ♦  |
|   | Questionnaires  | ♦                                 | ♦                                 | ♦   | ♦                                |   | ♦   |  |  |
|   | b. Research of <u>other-than-named</u> references:              |                                   |                                   |   |                                  |   |   |  |  |
|   | - End-Users   | ♦                                 | ♦                                 | ♦   | ♦                                | ♦   | ♦   |  |  |
|   | - Other Customers   | ♦                                 | ♦                                 | ♦   | ♦                                |   | ♦   |  |  |
|   | - Passive PPI (i.e. QDRs)                                       | ♦                                 | ♦                                 | ♦   | ♦                                | ♦   |   | ♦  | ♦  |
|   | - Pre-award surveys   | ♦                                 | ♦                                 | ♦   | ♦                                | ♦   | ♦   |  | ♦  |

Table 12. Section 3b: Summary of Findings—PPI Evaluation

## Summary of Findings

As stated in the preceding paragraphs, the differences between the way Public Sector (government) and Private Sector (industry) evaluate vendor bids, quotes, and proposals and make contract awards is many times blurred. Both government and industry use a similar acquisition team, although government contracting activities more aggressively use legal counsel in the pre-award phase; both government and industry



tend to place the level of importance of PPI somewhere between technical capability and cost/price; and both appear to evaluate potential vendor's PPI in much the same manner. Where government and industry differ is in the level of vendor participation. Government is mandated to entertain full and open competition, including unknown vendors, and to treat all equally. Industry, on the other hand, needs only solicit quotes, bids or proposals from their approved vendor list (preferred vendor), thereby effectively eliminating the need for a lengthy responsibility (capability) determination.

Therefore, vendors have a *right* to provide a bid, quote, or proposal in response to a government RFP, whereas it is a *privilege* to be invited to provide a bid, quote, or proposal in response to an industry RFP. Government procurement officials are under the scrutiny of the public, vendor rights (protests or claims), the General Accounting Office (GAO) and the U. S. Court of Federal Claims. Industry is also under the scrutiny of the public, yet to a lesser degree, and vendor recourse to an unfavorable Industry procurement decision is primarily via Congressional or Senatorial inquiries. Therefore, *one could argue that industry actually places vendor past performance above technical capability/quality or cost.* If industry keeps reliable history on their vendors, it is effectively using past performance as its most important, or highest-weighted, source-selection criteria.

Finally, both government and industry tend to evaluate vendor past-performance history using the same basic criteria: 1) relevancy, 2) currency, and 3) quality of performance. Government procurement officials tend to search out PPI sources outside of vendor-offered PPI references and internal PPI databases due to: 1) missing vendor PPI data in government-wide PPI databases, and 2) PPI grade inflation on interim vendor performance reports. The data also suggest that PPI grade inflation appears to be centrally linked to vendors for major weapon systems where congressional scrutiny is prevalent.



## E. ANALYSIS OF RESEARCH QUESTIONS

The two basic research questions under study were as follows:

### **1. What are the principal issues involved in using PPI in the source-selection process?**

The principle issues uncovered in using past-performance information (PPI) in the source-selection process are as follows:

a. A robust PPI infrastructure is required to justify source selections to other than the lowest-priced technically acceptable (LPTA) offeror. Past performance history is a significant source-selection factor in awarding contracts to other than the lowest-priced offeror in both government and industry.

GOVERNMENT. Within government, a robust, web-enabled PPI infrastructure accessible across all government agencies is essential. If Government procurement officials are to successfully carry out the procurement policy objectives of achieving pre-determined socioeconomic goals<sup>42</sup> and successfully executing best-value procurements to other than the LPTA offeror, relevant, current, and quality PPI vendor history must be readily accessible. The evaluation and analysis of verifiable and quantifiable data in both the technical capability and past-performance history source-selection factors must be documented in the contract file in order to avoid sustainable protests by disappointed offerors.

INDUSTRY. The research data suggests that industry, too, uses PPI as a factor in source selections. Yet, industry's emphasis on vendor past performance takes a somewhat different role. In "Raytheon's Case for Action" the CEO of the organization recognized the pivotal role of supply chain management. He also noted the fact that poor supplier performance was impacting key programs; likewise, new suppliers were being added without justification when existing suppliers had the capability and capacity

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<sup>42</sup> Federal Acquisition Regulation (FAR) Part 1.102 - Statement of guiding principles for the Federal Acquisition System.





to meet requirements.<sup>43</sup> Raytheon's analysis revealed that significant benefits were obtainable through leveraging effective supplier management, proactive supplier development, and by strategically focusing their resources on fewer suppliers. The case to be made is that industry uses PPI first to eliminate poor suppliers entirely and secondly to form short-term contracts or longer-term alliances with those suppliers who remain.

b. PPI is generally used as a risk assessment and to separate the good proposal writers from the good vendors. This observation is geared more toward government than towards industry. When two or more vendors are compared, all of whom already have acceptable technical proposals, only then does past performance appear to become a significant factor in the source-selection process. Up to this point, the question has been whether the vendor understands the scope of work, has answered the solicitation with a proposal which will satisfy the activity's or firm's minimum requirement(s), and has the best price relative to the value of the proposed product. Only now does the question shift to a vendor's quality and delivery history. Will the prospective vendor deliver a quality product on time? This is where the vendor with the best PPI track record (in a Best-Value source selection) wins the contract award; yet, it will only win the contract award if its respective technical proposal is at least acceptable.

c. PPI is typically never used as a stand-alone factor for non-contract award in a full and open competition environment (Govt) or when using a preferred vendor list (Industry). Surprisingly, the PPI source-selection factor is never the highest-weighted factor in source selections within government, and is seldom used as the highest-weighted factor within industry amongst its A-Team vendors. In the rare case where PPI was successfully used as the sole discriminator for non-award, the industry procurement officials were able to respond to senatorial inquiries with convincing, quantifiable PPI history to back up their decisions.

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<sup>43</sup> Shirley Patterson, "Supply Base Optimization and Integrated Supply Chain Management" *Contract Management* volume 45, issue 1 (January 2005): 25.



d. PPI can only be defensible if made quantifiable. As stated above, PPI history is only useful and defensible if made quantifiable. For this reason, grades (either numerical, adjectival, or colorful) have become an integral part of PPIRS (government) and Scorecard (industry).

e. An active (or passive) PPI collection system continues to be burdensome, yet useful. Within both government and industry, the use of vendor past-performance information (PPI) history in the source-selection process involves significant government or industry resources. The use of these resources, or more specifically the use of human capital, is required to collect and maintain reliable PPI databases. This process is burdensome, regardless as to whether it is a web-enabled, globally accessible program or a locally maintained manual process. With this said, when government/industry *can* produce a quantifiable history of vendor PPI (e.g. number of late deliveries, percentage of quality rejects over a period of time), an adjectival grade of high risk, medium risk, or low risk will be easier to obtain *and* defend.

## **2. How might an assessment of industry models of past-performance evaluation assist in improving the DoD's use of past performance as an evaluation criterion?**

Although government activities fell in line with one another regarding acquisition processes and procedures, industries varied somewhat in their acquisition process methodology and their methodology for collecting and evaluating vendor past performance. Therefore, the following tables represent an aggregate list of findings and do not reflect any one particular government activity or industry firm.



| <b>PPI Collection:</b>          | <b>Government Model</b>   | <b>Industry Model</b>   |
|---------------------------------|---|---|
|                                 |   |   |
| <b>PPI Collection Sys.</b>      | PPIRS/CPARS (Active)  | SCORECARD (Passive)   |
|                                 | - Quality   | - Quality   |
|                                 | - Delivery  | - Delivery  |
|                                 | - Cost Control  | Manual sys for tracking Cost  |
|                                 | - Business Relations  | Manual System for tracking Business relations                                   |
|                                 | PPIRS/RYG (Passive)   |   |
|                                 | - Quality   |   |
|                                 | - Delivery  |   |
| <b>Class of Collection Sys.</b> | Active  | Passive   |
|                                 | Prgm Mgrs actively engaged in grading interim and final vendor performance      | Vendor performance is monitored by a shipping/receiving system and QC personnel |
|                                 | Passive   |   |
|                                 | Vendor performance is monitored by a shipping/receiving system and QC personnel |   |

Table 13. Summary of Government v. Industry PPI Collection Systems



| <b>PPI Evaluation:</b>                            | <b>Government Model</b>  | <b>Industry Model</b>  |
|---|--|--|
| <b>Key Elements Evaluated</b>                     | Quality  | Quality  |
|   | Delivery   | Delivery   |
|   | Cost Control   | Cost Control (manual)  |
|   | Business Relations   | Business Relations (manual)  |
| <b>Priorities</b>                                 | 1) Socio-economic objectives,<br>2) Cost, Schedule, Performance  | 1) Profit & shareholder interests, 2) Reputation based on quality  |
| <b>Competition</b>                                | - Full and Open competition (FAR Part 6 and CICA of 1984)  | - No competition requirement (UCC Article 2 is silent)   |
| <b>Invitation to provide bid, quote, proposal</b> | Right  | Privilege  |
| <b>Most important source selection factor</b>     | Technical Capability   | Past Performance/Use of pre-approved vendors   |
| <b>Best value source selection</b>                | <p>Responsibility Determination:</p> <ol style="list-style-type: none"> <li>1. Technical Capability</li> <li>2. Past Performance</li> <li>3. Cost/Price</li> </ol> <p>After a lengthy evaluation of proposals, only the offerors whose proposals are considered <u>responsive</u> to the solicitation and determined to be <u>responsible</u> (capable) are kept in the <u>competitive range</u>.</p> <p>These vendors are then evaluated, similar to industry according to:</p> <ol style="list-style-type: none"> <li>1. Technical Capability</li> <li>2. Past Performance</li> <li>3. Cost/Price</li> </ol> | <p>Responsibility is generally <u>pre-determined</u></p> <p>- only the best performing vendors are given opportunity to provide bids, quotes, or proposals.</p> <p>These vendors are then evaluated, similar to government according to:</p> <ol style="list-style-type: none"> <li>1. Technical Capability</li> <li>2. Past Performance</li> <li>3. Cost/Price</li> </ol> |

Table 14 . Summary of Government v. Industry PPI Evaluation Methodology



Although the entire acquisition process is similar between government and industry, the methodology by which each group selects who will compete is decidedly different. As shown in Tables 13 and 14, one of the key differences between government and industry lies in the determination of responsibility.

INDUSTRY. As explained earlier, industry has effectively eliminated this step by choosing to compete only among those vendors who they know to be responsible (capable) of performance if given the opportunity. Industry also knows, based on past experience with a particular vendor, that the vendor's incoming bid, quote, or proposal will be responsive (timely and with a solid understanding of the requirement).

It's vital to note, however, that Industry firms who receive government contracts are subject to flow-down clauses in the administration of subcontractors. For example, the PCO may require industry to allocate a portion or percentage of the contract value to Small Businesses. Subsequent to this requirement, the industry firm's subcontract manager must seek out qualified SB vendors, under the scrutiny of the government's Contract Administration Office. Additionally, the industry firm may be required to maintain an approved purchasing system for the administration of contract performance, an approved accounting system, etc. Although SB requirements may alter the way industry awards and administers subcontracts of government awards, the majority of subcontracting appears to be performed at the prerogative of the industry procurement official.<sup>44</sup> The fact remains, however, that the effect of flow-down clauses is a factor in how industry administers subcontracts; yet, the process in full is outside the scope of this study.

GOVERNMENT. Government, on the other hand, must laboriously proceed with a lengthy evaluation of all bids, quotes or proposals in order make a responsive and responsibility determination. If government receives a cumbersome number of proposals, all must be evaluated equally; however, the Procuring Contracting Officer

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<sup>44</sup> Lockheed Martin, Opalsoft, Northrop Grumman Newport News, Maersk Line Ltd., interviews conducted Aug – Sep 2004.



(PCO) has the option of eliminating those proposals which, in his/her determination, have little chance of winning contract awards. This process eliminates vendors from the competitive range and from further consideration for contract award.<sup>45</sup> All disappointed offerors have the right to a pre-award debrief, and have the right to protest or file claims.

Therefore, if government wishes to improve its procedures for awarding contracts, it need look no farther than the process illustrated in Figure 2 – Government v. Industry Procurement Action Lead Time Comparison; the industry models depicted in Table 13 – Summary of Government v. Industry PPI Collection Systems; and Table 14 - Summary of Government v. Industry PPI Evaluation Methodology.

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<sup>45</sup> Federal Acquisition Regulation (FAR) Part 15.306(c)



# CHAPTER VI. RECOMMENDATIONS AND CONCLUSIONS

## A. RECOMMENDATIONS

Based on interviews with government and industry acquisition professionals in the field and data collected from those interviews, the researcher makes the following recommendations:

**1. Government should continue building and improving on the existing government PPI collection system.** Although the Government acquisition process remains vulnerable to vendor protests and claims, having a robust government-wide PPI database populated with current and relevant vendor past performance history, although burdensome, is worth maintaining. Rationale: Technical capability/quality is normally the highest-weighted factor in a best-value source-selection acquisition. Vendor past performance typically also carries considerable weight. If the PCO elects to eliminate a vendor, or group of vendors, from the competitive (prior to contract award), the disappointed vendor(s) may elect to file a protest(s). If those vendors eliminated had strong or comparable technical/quality proposals, yet all had histories of poor quality and delivery, the PCO will prevail and the contract requirement will continue to move forward. If past performance was not considered, it is feasible that a vendor could write a good proposal (perhaps “parroting” the requirement) and provide a cost or price which is artificially low, thereby winning the contract award, only to be terminated for default (T4D) due to substandard contract performance. Retaining past performance as a major factor in source selection is the only viable means for preventing this type of occurrence.

FAR Part 15 has given the Government PCO the authority to eliminate non-responsive and non-responsible offerors from the competitive range or from final contract award. However *a robust PPI system must be in place in order to back up the PCO when challenged*. For this reason, government must continue to move forward in its objective to provide a reliable PPI collection and evaluation system.



**2. Industry should continue with a scorecard PPI system.** Industry has the capability of conducting responsibility (capability) determinations on new vendors, eliminating non-responsible vendors from further consideration, and selecting a vendor based on a best value-trade off approach; yet, industry simply does not conduct full-scale best-value source-selections often enough to warrant an elaborate PPI collection system. Industry does not have a CICA (full and open competition) requirement, nor does it have socioeconomic goals to achieve. The researcher concludes that industry should maintain a system of documenting vendor past performance—yet more for the purpose for imposing process improvements amongst its critical path vendors than in determining awards. The threat of senatorial or congressional inquiries for arbitrarily awarding contract requirements to “A Team” vendors is not great enough to warrant an elaborate PPI system.

**3. Competition in Contracting Act (CICA) of 1984 is in need of revision.** Industry has a decided advantage in Procurement Action Lead Time (PALT) when compared to government. Although PALT is a somewhat dated measure of procurement efficiency, it does bring to light an obvious mismatch between the public and private sectors. If government is willing to accept a 210 PALT when industry is awarding the same contract requirement in 75 days, then change is not needed. However, if government is serious about positive change, CICA and government socioeconomic policies must be revisited. Major reasons for industry’s decided advantage are the following issues: 1) the right to provide a quote, bid, or proposal, 2) government’s mandate to use full and open competition whenever possible, and 3) socioeconomic policy. In industry, as discussed earlier, vendors are privileged to be invited to submit a quote, bid, or proposal. This privilege is only extended to industry’s “A Team” vendors.

#### **Areas for Further Research:**

- A study of the impact of “shifting” the burden of attaining small business (SB) set-aside socioeconomic policy goals from government to the prime contractors — and perhaps raising SB goals to 50% of the contract value.





- A study of the impact of raising the threshold for full and open competition from \$2,500 to \$50,000.

In summary, the notion is to study the feasibility of shifting from a “right to bid” to a “privilege to bid” model and to shift the requirement of government to maintain socioeconomic policy to that of industry

Rational. Government PCO’s need the tools to allow them to move quickly but responsibly in order to keep up with rapidly changing requirements in a rapidly changing world. Program Managers and end-users need to be able to rely on a highly responsive, yet highly ethical procurement system.

Discussion. Again, the question raised is that of efficiency. Is 210 days to award a contract requirement good enough when 75 days is possible? Will the process to safeguard this radical acquisition process in order to achieve efficiency be too cumbersome? How would government counter the risk of abuse? Is a new culture, a new group of people, a new group of business skills required to conduct these tradeoffs? What is the limit of acceptability of risk we in government are willing to assume? Would the SB world revolt if it lost its set-aside threshold of \$2,500 - \$100,000 in favor of more aggressive SB subcontracting goals placed on prime contractors? Again, these areas require continued research.

**4. Continued compliance with established policies in reporting past-performance history is required.** As discussed briefly above, one of the main difficulties of using past performance information from a government database is the lack of data about individual vendors. This problem appears to be most pronounced in field activities, and to a much lesser degree, in larger systems commands where the number of prime contractors are fewer in number.

Discussion. Searching the PPIRS database for history on a particular vendor only to find information which is sketchy, missing and perhaps inflated drives the Technical Evaluation Board or the Source Selection Evaluation Board to seek PPI from alternate sources including telephone interviews and written questionnaires. This process is laborious and slows the evaluation process; therefore, each government



contracting activity must remain diligent in maintaining the government-wide PPI database. Although PPIRS is not a prefect system, government procurement personnel must work with the tools given and ensure information forwarded is timely and accurate.

## B. CONCLUSIONS

Throughout this field study, the researcher has noted observations in both government and industry regarding how each collects and evaluates PPI for the purpose of making a valid assessment of risk. Following is a summary of these conclusions:

- Industry is probably where it needs to be regarding collection and use of vendor past-performance history. A passive “somewhat hand-off” PPI collection system centered around a closed-loop purchasing-shipping-receiving-QC system is probably sufficient given industry’s volume of procurement activity and current lack of competition or socioeconomic requirements. Also, the level of PPI infrastructure should be tailored to the relative size of the industry firm.
- Government’s PPI collection system is much larger, more robust, and exceedingly more man-power intensive than industry’s. This “robust” system is required if government is to successfully award to other than the lowest priced technically acceptable offeror and in turn successfully defend such actions when challenged by vendor protests. Although government is always on the path to re-invent itself, it is not likely that it will come much closer to adopting industry PPI procedures than where it currently stands.
- Opportunity for improvements: Acquisition cycle-time or PALT. Being afforded the opportunity to converse directly with industry acquisition professionals at their own respective sites yielded one major lasting impression on the researcher. That lasting impression centers around the *speed and efficiency in which industry operates in the acquisition-planning, proposal-evaluation, source-selection, and contract-award processes*. It is obvious that industry has the competitive advantage in acquisition cycle-time. The only way to address this shortcoming of the governmental process is to address government-mandated competition requirements and socioeconomic goals.

As the world situation continues to change, the way we fight wars must subsequently change. Key to that effort is acquisition. Government must take bold



steps to evolve the acquisition process into an agile, efficient, streamlined process if it is to remain responsive to both the war fighter and the taxpayer.



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# Appendix 1: FIELD INTERVIEW/SURVEY—Past Performance Information (PPI)

Activity: \_\_\_\_\_ Date: \_\_\_\_\_

POC: \_\_\_\_\_

*This study will compare DoD and industry past performance measures with the goal of improving the DoD system, to better reflect sound business practices.*

Sponsor: Program Executive Officer—Ships

Researcher: CDR Roger Lord, SC, USN, CPCM, Graduate School of Business & Public Policy, Naval Postgraduate School, Monterey, CA

## SECTION 1—GENERAL

1. In your words, describe your organization's mission:

Notes:

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2. In your words, describe where your contracting and acquisition group fits in your organization:

Notes:

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Primarily Large Contracts? \_\_\_\_\_ Volume/year \_\_\_\_\_

Primarily Small Contracts? \_\_\_\_\_ Volume/year \_\_\_\_\_

## **SECTION 2—PAST PERFORMANCE INFORMATION—COLLECTION**

**3. Is contractor/firm PPI collected from each contract? What kinds of PPI data do you collect prior to source selection (from an active contract-in-progress)?**

Notes:

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- a. Business relations: \_\_\_\_\_
- b. Quality: \_\_\_\_\_
- c. Schedule: \_\_\_\_\_
- d. Cost control: \_\_\_\_\_

Notes:

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- e. Frequency of evaluations: \_\_\_\_\_ (e.g. annually, end of contract, significant event/milestone)?
- f. Dollar thresholds: \_\_\_\_\_ (e.g. all procurements over \$25,000)?

Notes:

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### **4. PPI data management:**

- a. How is PPI data collected/accumulated? \_\_\_\_\_
- b. How is PPI data managed and available (distribution): \_\_\_\_\_



## 5. RFP preparation – PPI data collection:

- a. Is PPI data requested in each RFP? \_\_\_\_\_
- Relevancy (similar in scope): \_\_\_\_\_
  - Currency (<3 yrs): \_\_\_\_\_
  - Quality (good performance): \_\_\_\_\_
  - Experience (# of years in the ind): \_\_\_\_\_
  - Other factors: \_\_\_\_\_
- b. Do you stipulate intention to conduct research of named references?
- Telephone interviews: \_\_\_\_\_
  - Questionnaires: \_\_\_\_\_
- c. Do you stipulate intention to use other than named references?
- End users: \_\_\_\_\_
  - Other customers: \_\_\_\_\_
  - Passive PPI (i.e. QDRs): \_\_\_\_\_
  - Site visits: \_\_\_\_\_
  - Pre-award surveys: \_\_\_\_\_

Notes:

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## 6. Discuss your experience with CPARS as a source of PPI:

Notes:

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- a. Difficulties encountered: \_\_\_\_\_
- \_\_\_\_\_
- b. Methods for improvement: \_\_\_\_\_
- \_\_\_\_\_



**7. If not CPARS, what sources (or industry model) do you use to gather and maintain PPI on a contractor (or firm)?**

Notes:

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- a. Is your system streamlined (user friendly)? \_\_\_\_\_
- b. Automated? \_\_\_\_\_
- c. Web-based? \_\_\_\_\_
- d. Kept current? \_\_\_\_\_
- e. Recorded for each contract at least annually, interim, and final? \_\_\_\_\_
- f. Contractor given opportunity to comment on PPI appraisals? \_\_\_\_\_
- g. Performance assessments discussed during initial post award conference? \_\_\_\_\_

Notes:

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**SECTION 3: PAST PERFORMANCE INFORMATION—EVALUATION (INITIAL PROCUREMENT)**

**8. Who typically comprises your acquisition team for an initial procurement of estimated amount: (e.g. \$1M or more, \$100K for smaller firms)?**

- a. Procuring Contracting Officer: \_\_\_\_\_
- b. Legal counsel: \_\_\_\_\_
- c. Technical Evaluation Board: \_\_\_\_\_
- d. Past Performance Board: \_\_\_\_\_
  - Separate (Contracting AND Program Office reps)
  - Notes: \_\_\_\_\_
- e. Cost/Price Analyst: \_\_\_\_\_
- f. End User: \_\_\_\_\_







**10. Has Past Performance of a contractor (or firm) ever been the deciding factor for elimination from the competitive range or non-selection for contract award?**

- 
- a. Has legal recourse/challenges been experienced IRT use of PPI as a basis for non-selection?

Notes:

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- b. If so, did your organization provide satisfactory justification for its decision not to select a contractor (or firm)?

Notes:

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**11. Does your organization have an established list of favorite “go-to” contractors (or firms)?** \_\_\_\_\_

- a. How does a contractor (or firm) get on the list (i.e. bound by law)?
- b. How does a contractor (or firm) stay on the list?
- c. How does a contractor (or firm) get removed from the list (i.e. suspend or debar, defacto debarment)?
- d. Can a contractor (or firm) continue making offers (bids/proposals) after being removed from the go-to list OR are they out forever?

Notes:



- e. Does your activity or firm use PPI data as:
- i. Comparative (relevant, current, quality)  
OR only as
  - ii. Pass/Fail (i.e. on Suspension, debarment)

Notes:

## 12. RFP evaluation factors—PPI data evaluation:

- a. Is PPI data requested in RFP evaluated according to the following:
- Relevancy (similar in scope): \_\_\_\_\_
  - Currency (<3 yrs): \_\_\_\_\_
  - Quality (good performance): \_\_\_\_\_
  - Experience (# of years in the ind): \_\_\_\_\_
  - Other factors: \_\_\_\_\_
- b. Methods used to conduct research of named references?
- Telephone interviews: \_\_\_\_\_
  - Questionnaires: \_\_\_\_\_
- c. Actual use of other than named references?
- End users: \_\_\_\_\_
  - Other customers: \_\_\_\_\_
  - Passive PPI (i.e. QDRs): \_\_\_\_\_
  - Site visits: \_\_\_\_\_
  - Pre-award surveys: \_\_\_\_\_

Notes:



## Appendix 2: PAST PERFORMANCE DOLLAR THRESHOLDS

Past performance must be included as an evaluation factor in government procurements for specific procurements with specific anticipated contract values, as follows:

|                                 |  |
|---------------------------------|--|
| <b>- Systems</b>                | > \$5,000,000<br><br>(including new development and major modifications) |
| <b>- Services</b>               | > \$1,000,000  |
| <b>- Operation Support</b>      | > \$5,000,000  |
| <b>- Fuels</b>                  | > \$100,000  |
| <b>- Healthcare</b>             | > \$100,000  |
| <b>- Information Technology</b> | >\$ 1,000,000  |
| <b>- Construction</b>           | > \$500,000  |
| <b>- Architect-Engineering</b>  | > \$25,000   |
| <b>- Science and Technology</b> | As required  |



## APPENDIX 3: PUBLIC SECTOR (DoD) ACTIVITY #1: Naval Sea System Command (SEA-02)

### Section I—GENERAL

1. Organization Mission. **The primary mission of NAVSEA-02 (Contracts Directorate) is direct contract support for the procurement of U.S. Navy ships, submarines, and their associated systems.**
2. Contract organization fit within the organization. **Within Naval Sea Systems Command (NAVSEA), the contracting activity is coded as a directorate and fits as a 1st tier department on equal footing with other directorates (e.g. Comptroller, Engineering, Logistics/Maintenance etc). The Contracting Directorate exercises a high degree of autonomy. Each Procuring Contracting Officer (PCO) and Contract Negotiator is “detailed out” to support major programs within NAVSEA (e.g. DD(X), CVN-21, LCS, CG(X) etc.)**

### Section II—PPI COLLECTION

3. Is PPI collected on each contractor/firm prior to each contract? **Yes, on all requirements requiring formal contract procedures (i.e. non-commercial requirements anticipated at greater than \$100,000, or commercial items with an anticipated dollar value >\$5M), the following PPI data is evaluated using CPARS, and other sources:**

- Business Relations: **Yes**
- Quality: **Yes**
- Schedule: **Yes**
- Cost Control: **Yes**



4. PPI data management. **PPI data is collected from contract actions exceeding the thresholds listed in Appendix 2, Past Performance Information Thresholds. Feedback to the contractor via CPARS is the responsibility of the Program Manager.**

- How is PPI data collected: **CPARS is the primary mechanism for collecting PPI data.**

- How is PPI data managed and available: **Automated PPIRS database via password security.**

5. Request for Proposal (RFP) preparation.

a. Is PPI data requested in each RFP? **Yes, the RFP is more specific and spells out the factors and range of data that will be considered.**

- Relevancy (similar in scope): **Yes**
- Currency (<3 yrs): **Yes**
- Quality (good performance): **Yes**
- Experience (# of years in the ind): **Yes**
- Other factors: **Yes**

b. Do you stipulate intention to conduct research of named references?  
**Yes**

- Telephone interviews: **Yes**
- Questionnaires: **Yes**

b. Do you stipulate intention to use other than named references?

- End users: **Yes**
- Other customers: **Yes**
- Passive PPI (i.e. QDRs): **Yes**
- Site visits: **N/A**
- Pre-award surveys: **No**



PCO DD(X) comments: **CPARS quality. If a potential contractor's CPARS scores do not match scores of other CPARS raters, telephone calls are made by the reviewer to seek out the problem and determine whether this discrepancy is a serious problem before proceeding.**

6. Discuss your experience with CPARS as a source of PPI:

- a. Comments: **CPARS data is only good if it reflects actual performance. PM's are sometimes hesitant to give the contractor lower ratings due to program risks (potential budget cuts). A budget cut may be brought on by perceived risk in the PM's program difficulties encountered.**
- b. Methods for improvement: **PCO DD(X) comments. Checking the history of Award Fees for a potential contractor would shed considerable light on a particular contractor's actual performance.**

7. If not CPARS, what sources (or industry model) do you use to gather and maintain PPI on a contractor or firm? **N/A—CPARS used**

### SECTION 3: PAST PERFORMANCE INFORMATION—EVALUATION (INITIAL PROCUREMENT)

8. Who typically comprises your acquisition team for an initial procurement of estimated amount (e.g. \$1M or more)?

- a. Procuring Contracting Officer:   X
- b. Legal counsel:   X
- c. Technical Evaluation Board:   X
- d. Past Performance Board:   X    
    Separate (Contracting AND Program Office reps)
- e. Cost/Price Analyst:   X
- f. End User/Engineering Rep:   X
- g. Logistics Rep:   X
- h. Comptroller/Budget:   X
- i. Small Business Rep:   X
- j. Quality Assurance Rep:

9. Is PPI a factor (or sub-factor) in your initial procurements? **YES**



- a. Resident in your Request for Proposal (RFP)? Yes **X** No \_\_\_\_
- b. If yes, what is the relative weight compared to other source selection factors?

☐ 4. ☐ 3. **X** 2. ☐ 1.

Highest Weight

Lowest Weight

- c. In a Best Value-tradeoff approach, how do you typically rank past performance relative to other factors?

1) Technical Capability (Most important)\_\_\_

2) Other factors

**3) Past Performance**

4) Cost/Price (Least important)

**PCO DD(X) comments: See Sections L and M of sample RFP**

10. Has Past Performance of a contractor or firm ever been the deciding factor for elimination from the competitive range or non-selection for contract award? **NO**

a. Have legal recourse/challenges been experienced IRT use of PPI as a basis for non-selection? **N/A**

b. If so, did your organization provide satisfactory justification for its decision not to select a contractor or firm? **N/A**

11. Does your organization have an established list of favorite “go-to” contractors or firms? **There is a list of contractors eligible to become “prime contractors” in the shipbuilding industry; however, the list of small. As little as six firms are “capable” of designing, integration, and building U.S. Navy ships today.**

**If firm is suspended or debarred, no bids or proposals will be entertained.**





- a. How does a contractor or firm get on the list? **Become capable.**
- b. How does a contractor or firm stay on the list? **Stay capable.**
- c. How does a contractor or firm get removed from the list ? **If suspended or debarred.**
- d. Can a contractor or firm continue making offers (bids/proposals) after being removed from the go-to list OR are they out forever? If suspended or debarred, the contractor is ineligible to receive a contract award.

Notes:

**Can continue to forward bid, quotes, or proposals unless suspended or debarred.**

Does your firm use PPI data as:

**ii. Comparative (relevant, current, quality)**

**OR only as**

**iii. Pass/Fail (i.e. on Suspension, debarment)**

**PCO/SSA comments. In formal contract procedures (greater than \$100,000, or commercial procurements currently greater than \$5,000,000) a two-step process occurs. First, the firm must not be on the Suspended or Debarred list; second, the firm's relevant performance, currency, and quality is reviewed.**

12. RFP evaluation factors—PPI data evaluation:

- a. PPI data requested in RFP? **YES**
- Relevancy (similar in scope): **YES**
- Currency (<3 yrs): **YES**
- Quality (good performance): **YES**
- Experience (# of years in the ind): **YES**
- Other factors:



b. Stipulate intention to conduct research of named references?

- Telephone interviews: **YES**

- Questionnaires: **YES**

c. Stipulate intention to use other than named references?

- End users: **YES**

- Other customers: **YES**

- Passive PPI (i.e. QDRs): **YES**

- Site visits: **N/A**

- Pre-award surveys: **YES**

PCO/DD(X) comments. **Stipulating in Section L the intention to seek out past performance history outside the normal channels of CPARS, RYG, or any other government database is prudent and gives ALL offerors “fair warning.” This stipulation has benefits in the face of a protest where past performance is used as the basis for elimination from the competitive range or caused the firm not to receive the contract award.**



## APPENDIX 4: PUBLIC SECTOR (DoD) ACTIVITY #2: Naval Air Systems Command (AIR-2.0 & 4.10E)

### Section I—GENERAL

1. Organization Mission. The primary mission of NAVAIR-2.0 (Contracts Directorate) is direct contract support for the procurement of U.S. Navy Tactical Aircraft, Non Tactical Aircraft, and Aircraft Weapons Systems. NAVAIR 4.10E comprises a standing Source Selection Evaluation Board (SSEB) for NAVAIR.

2. Contract organization fit within the organization. Within the Naval Air Systems Command (NAVAIR), the contracting activity is coded as a directorate and fits as a 1st tier department on equal footing with other directorates (e.g. Comptroller, Engineering, Logistics/Maintenance etc). The Contracting Directorate exercises a high degree of autonomy. Each Procuring Contracting Officer (PCO) and Contract Negotiator is detailed-out to support major programs within NAVAIR (e.g. F-35 (JSF), FA-18E/F, MMA etc.). NAVAIR has taken the lead in the source-selection process. The majority of comments in Section II below are derived from a field interview conducted with a Chairman of many of the recent Source Selection Evaluation Boards (SSEB), located in AIR 4.10E.

### Section II—PPI COLLECTION

3. Is PPI collected on each contractor/firm prior to each contract?  
**Yes, on all requirements requiring formal contract procedures. The following PPI data is collected using CPARS.**

- Business Relations: **Yes**
- Quality: **Yes**
- Schedule: **Yes**
- Cost Control: **Yes**

4. PPI data management.  
- How is PPI data collected: **PPI data is collected from all eligible contract actions. Data is credited to the contractor by Commercial and Government Entity (CAGE) code, thereby giving credit to the branch, division (or cost center) which performed the majority of work. Feedback to the contractor via CPARS is the responsibility of the Program Manager. The contractor has 30 days to respond. Disputes are handled at a level above the PM.**

- How is PPI data managed and available: **Automated PPIRS/CPARS database visible only to government officials with a need to know.**

6. Request for Proposal (RFP) preparation.



a. Is PPI data requested in each RFP? **Yes, the RFP is more specific and spells out the factors and range of data that will be considered.**

- Relevancy (similar in scope): **Yes**
- Currency (<3 yrs): **Yes (if contract is still open)**
- Quality (good performance): **Yes**
- Experience (# of years in the ind): **Yes (treated as a separate eval factor)**
- Other factors:

b. Do you stipulate intention to conduct research of named references?

**Yes**

- Telephone interviews: **No**
- Questionnaires: **Yes (has prime contractor send out questionnaires, coded back to NAVAIR)**

c. Do you stipulate intention to use other than named references?

- End users: **Yes (other PCOs or ACOs)**
- Other customers: **Yes**
- Passive PPI (i.e. QDRs): **No**
- Site visits: **N/A**
- Pre-award surveys: **Yes (if vendor unknown & it makes sense)**

SSEB Chairman comments: **CPARS quality. If a potential contractor's CPARS scores do not match scores of other CPARS raters, telephone calls are made to the reviewer to seek out the problem and a determination is made as to whether it is a serious problem before proceeding.**

6. Discuss your experience with CPARS as a source of PPI:

a. Difficulties encountered. **SSEB Chairman comments: 1) CPARS data is only good if it reflects actual performance. 2) PM's are sometimes hesitant to give the contractor lower ratings due to potential budget cuts. A budget cut may be brought on by perceived risk in the PM's program if contractor difficulties are encountered. 3) Quality of CPARS data is not always consistent (e.g. grades not matching write-ups. CPARS data is usually better (more consistent) from ACAT I or II program vendors than from field contracting activity vendors.**

b. Methods for improvement: **SSEB Chairman comments: 1) Group training on source selection process including reading/interpreting CPARS data. 2) Recommend PM prepare CPARS response, PEO signs off on each CPARS input.**

7. If not CPARS, what sources (or industry model) do you use to gather and maintain PPI on a contractor or firm? **N/A—CPARS used**



### SECTION 3: PAST PERFORMANCE INFORMATION—EVALUATION (INITIAL PROCUREMENT)

8. Who typically comprises your acquisition team for an initial procurement of estimated amount (e.g. \$1M or more)?

- a. Procuring Contracting Officer:   X
- b. Legal counsel:   X
- c. Technical Evaluation Board:   X   (SSEB)
- d. Past Performance Board:   X   (SSEB)  
Separate (Contracting AND Program Office reps)
- e. Cost/Price Analyst:   X   (SSEB)
- f. End User/Engineering Rep:   X   (interprets requirements,  
interprets laws of physics, aerodynamics, etc)
- g. Logistics Rep:   X
- h. Comptroller/Budget:
- i. Small Business Rep:   X
- j. Quality Assurance Rep:        (no, measured in past  
performance)

9. Is PPI a factor (or sub-factor) in your initial procurements? **YES**

- a. Resident in your Request for Proposal (RFP)? Yes   X   No
- b. If yes, what is the relative weight compared to other source selection factors?  

☐ 4. Highest Weight

**X 3.-----X 2.**

☐ 1. Lowest Weight
- c. In a Best Value-tradeoff approach, how do you typically rank past performance relative to other factors?
  - 1) Technical Capability (Most important)
  - 2) Past Performance equals Cost/price**
  - 3) Other factors (Experience) (Least important)

10. Has Past Performance of a contractor or firm ever been the deciding factor for elimination from the competitive range or non-selection for contract award? **Yes (but rarely)**

- a. Have legal recourse / challenges been experienced IRT use of PPI as a basis for non-selection? **No**
- b. If so, did your organization provide satisfactory justification for its decision not to select a contractor or firm? **N/A**

11. Does your organization have an established list of favorite “go-to” contractors or firms? **There is a list of contractors eligible to become “prime contractors” in the aircraft building industry. The list of contractors are**



**“capabilities driven”; therefore, the list is small. If a firm is suspended or debarred, no bids or proposals will be entertained.**

a. How does a contractor or firm get on the list? **Become capable.**

b. How does a contractor or firm stay on the list? **Stay capable.**

c. How does a contractor or firm get removed from the list ? **If suspended or debarred.**

d. Can a contractor or firm continue making offers (bids/proposals) after being removed from the go-to list OR are they out forever? **If suspended or debarred, the contractor is ineligible to receive a contract award.**

k. Does your firm use PPI data as:

i. Comparative (relevant, current, quality) **Yes**

a. OR only as

ii. Pass/Fail (i.e. on Suspension, debarment) **Yes**

12. RFP evaluation factors—PPI data evaluation:

a. PPI data requested in RFP? **YES**

- Relevancy (similar in scope): **YES**

- Currency (<3 yrs): **YES**

- Quality (good performance): **YES**

- Experience (# of years in the ind): **YES**

- Other factors: \_\_\_\_\_

b. Stipulate intention to conduct research of named references?

- Telephone interviews: **No**

- Questionnaires: **YES**

c. Stipulate intention to use other than named references?

- End users: **YES**

- Other customers: **YES**

- Passive PPI (i.e. QDRs): **YES**

- Site visits: \_\_\_\_\_

- Pre-award surveys: **YES**



## APPENDIX 5: PUBLIC SECTOR (DoD) ACTIVITY #3: Fleet and Industrial Supply Center, Norfolk Naval Shipyard Annex

### Section I—GENERAL

1. Organization Mission. Direct contract support for the overhaul, conversion, and repair of U.S. Navy ships and submarines. Types of ships include aircraft carriers (CVN class), amphibious assault ships (LHA/LHD class), submarines (SSN class), and a new initiative, the conversion of Trident Class submarines from ballistic missile capable (SSBN class) to guided missile capable (SSGN class).

2. Contract organization fit within the organization. Within the Norfolk Naval Shipyard (NNSY) organization, the Contracting Division fits in the 2<sup>nd</sup> tier as a division under Supply Department. The Supply Department is on equal footing with other shipyard departments (e.g. Engineering & Planning, Operations & Scheduling, Cranes, Business Office etc). The Contracting Division, however, exercises a high degree of autonomy. Specifically, each Procuring Contracting Officer (PCO) chooses the type of contract vehicle (e.g. Firm Fixed Price (FFP), Indefinite Delivery Type Contract (IDTC), etc.) and decides whether the requirement can be purchased under standard procedures or in a more streamlined commercial procedure. Depending on urgency and dollar threshold, the contract action may require approval from a Contract Review Board (CRB) consisting of the Chief of the Contracting Office (CCO), legal counsel, and level above PCO. No outside influence above the Contract Divisional level is exerted regarding the type of contract vehicle. Approximately 3,000 contract actions are awarded annually.

### Section II—PPI COLLECTION

3. Is PPI collected on each contractor/firm prior to each contract? Yes, on all requirements requiring formal contract procedures (i.e. non-commercial requirements anticipated at greater than \$100,000, or commercial items with an anticipated dollar value >\$5M), the following PPI data is evaluated using CPARS maintained in the PEDREP database as well as other sources:

- Business Relations: Yes
- Quality: Yes
- Schedule: Yes
- Cost Control: Yes

For contracts or purchase orders less than the above thresholds, NNSY Contracts division uses a passive PPI collection system: the U.S. Navy's



**Red, Yellow, Green (RYG) Program maintained in the PEDREP database, in order to evaluate the following:**

- Business Relations: \_\_\_\_\_
- Quality: **Yes**
- Schedule: **Yes**
- Cost Control: \_\_\_\_\_

4. PPI data management. PPI data is collected from contract actions exceeding the thresholds listed in Appendix 2 Past Performance Information Thresholds.

- a. How is PPI data collected: **CPARS and RYG Program**
- b. How is PPI data managed and available: **Automated database via password security.**

5. Request for Proposal (RFP) preparation.

a. Is PPI data requested in each RFP? **Yes, the RFP is more specific and spells out the factors and range of data that will be considered.**

- Relevancy (similar in scope): **Yes**
- Currency (<3 yrs): **Yes**
- Quality (good performance): **Yes**
- Experience (# of years in the ind): **Yes**
- Other factors: **Yes**

b. Do you stipulate intention to conduct research of named references? **Yes**

- Telephone interviews: **Yes**
- Questionnaires: **Yes**

c. Do you stipulate intention to use other than named references?

- End users: **Yes**
- Other customers: **Yes**
- Passive PPI (i.e. QDRs): **Yes**
- Site visits: **Yes**
- Pre-award surveys: **Yes (if vendor is unknown)**

PCO/SSA Comments: **The Norfolk Naval Shipyard contracting division aggressively seeks out the history of a potential contractor or firm for contract awards exceeding \$100,000. For contract awards less than \$100,000, the contracting group depends highly on delivery and quality history obtained in the U. S. Navy's Red, Yellow, Green program.**

6. Discuss your experience with CPARS as a source of PPI:

**The use of CPARS as a method of gathering past performance history is cumbersome and lends to becoming more subjective than it probably should.**

a. Difficulties encountered:

PCO/SSA comments: **1). CPARS is too subjective. Although currency (how recent the contract was performed) is apparent, relevancy (does the work performed correlate to requirements in the statement of work) remains the judgment of the**





past performance source-selection team. Once currency and relevancy is established (presumably in a hierarchy of most relevant to least relevant), a determination must be made as to quality of the supply or service. Quality is typically an adjective grade backed up by a narrative. It is the culmination of adjective grades and narrative comments on quality, cost control, schedule, and business relations which can become “hair-splitting” or otherwise highly subjective. 2) CPARS data is “hit and miss” on contractors whose contract performance requires CPARS surveillance. Contracting activity must depend on other sources of PPI in order to piece together a contractor’s history.

c. Methods for improvement:

PCO/SSA comments: **The subjectivity of CPARS data is probably not fixable; however, a wider use of CPARS or another automated form of maintaining contractor PPI should be mandated. Perhaps past performance fields should be added to the DD Form 350. Although including PPI on the DD Form 350 would not solve the interim CPARS reporting (for contracts with periods of performance greater than one annual cycle), it would, however, improve the consistency of reporting contractor performance.**

7. If not CPARS, what sources (or industry model) do you use to gather and maintain PPI on a contractor or firm? **N/A—CPARS/RYG used**

### SECTION 3: PAST PERFORMANCE INFORMATION—EVALUATION (INITIAL PROCUREMENT)

8. Who typically comprises your acquisition team for an initial procurement of estimated amount (e.g. \$1M or more)?

- |  |               |
|--|---------------|
| a. Procuring Contracting Officer:                | <u>  X  </u>  |
| b. Legal counsel:                                | <u>  X  </u>  |
| c. Technical Evaluation Board:                   | <u>  X  </u>  |
| d. Past Performance Board:                       | <u>  X  </u>  |
| - Separate (Contracting AND Program Office reps) |               |
| e. Cost/Price Analyst:                           | <u>  X  </u>  |
| f. End User:                                     | <u>  X  </u>  |
| g. Engineering Rep:                              | <u>  X  </u>  |
| h. Logistics Rep:                                | <u>      </u> |
| i. Comptroller/Budget:                           | <u>      </u> |
| j. Small Business Rep:                           | <u>  X  </u>  |
| k. Quality Assurance Rep:                        | <u>      </u> |

9. Is PPI a factor (or sub-factor) in your initial procurements? **YES**

a. Resident in your Request for Proposal (RFP)? Yes   X   No     



- ☐ 4. Highest Weight      ☒ 3.      ☐ 2.      ☐ 1. Lowest Weight

- 1) Technical Capability (Most important)
- 2) **Past Performance**
- 3) Other factors
- 4) Cost/Price (Least important)

10. Has Past Performance of a contractor or firm ever been the deciding factor for elimination from the competitive range or non-selection for contract award?  
**NO**

11. Does your organization have an established list of favorite “go-to” contractors or firms? **There is no “go-to” list for procurements greater than \$2,500. All procurements greater than \$2,500 must be competed. Procurements valued at \$2,500 - \$100,000 are set-aside for small business firms. Firms must obtain official business status by obtaining a Dunn & Bradstreet number. If a bid or proposal is received from a new or unknown firm, the PCO may elect to deploy a pre-award survey team to the firm’s site to make a responsibility determination. This responsibility determination may require the survey team to audit: 1) the firms financial condition, 2) accounting practices, 3) manufacturing capabilities, 4) quality assurance, or any other element of concern. If the firm is suspended or debarred, no bids or proposals will be entertained.**

-

- f. How does a contractor or firm get removed from the list? If suspended or debarred **N/A**
- g. Can a contractor or firm continue making offers (bids/proposals) after being removed from the go-to list OR are they out forever? **N/A**
- h. Does your firm use PPI data as:
  - i. Comparative (relevant, current, quality)  
OR only as
  - ii. Pass/Fail (i.e. on Suspension, debarment)

PCO/SSA comments: **In formal contract procedures (greater than \$100,000 or commercial procurements currently greater than \$5,000,000), a two-step process occurred. First, the firm must not be on the suspended or debarred list; second, the firm's relevant performance, currency, and quality is considered.**

12. RFP evaluation factors—PPI data evaluation:

- a. PPI data requested in RFP? **YES**
  - Relevancy (similar in scope): **YES**
  - Currency (<3 yrs): **YES**
  - Quality (good performance): **YES**
  - Experience (# of years in the ind): **YES**
  - Other factors: \_\_\_\_\_
- b. Stipulate intention to conduct research of named references?
  - Telephone interviews: **YES**
  - Questionnaires: **YES**
- c. Stipulate intention to use other than named references?
  - End users: **YES**
  - Other customers: **YES**
  - Passive PPI (i.e. QDRs): **YES**
  - Site visits: \_\_\_\_\_
  - Pre-award surveys: **YES**

PCO/SSA comments. **The intention to seek out past performance history outside the normal channels of CPARS, RYG, or any other government database is prudent and gives ALL offerors “fair warning.” This stipulation has the obvious benefits in the face of a protest where past performance is used as the basis for elimination from the competitive range or caused the firm not to receive the contract award.**



## APPENDIX 6: PUBLIC SECTOR (DoD) ACTIVITY #4: Tank Automotive Command (TACOM)

### Section I—GENERAL

1. **Organization Mission.** **Located in Warren, MI, TACOM is responsible for the planning, acquisition, fielding, and support for the majority of the land combat vehicles for the U. S. Army.**

2. Contract organization fit within the organization. **Within TACOM, the contracting organization fits in the organization as a directorate and fits as a 1st tier department on equal footing with other directorates (e.g. Comptroller, Engineering, Logistics/Maintenance etc). The Contracting Directorate exercises a high degree of autonomy. Each Procuring Contracting Officer (PCO) and Contract Negotiator is detailed-out to support major programs within TACOM.**

### Section II—PPI COLLECTION

3. Is PPI collected on each contractor/firm prior to each contract? **Yes, on all requirements**

- |                        |            |
|------------------------|------------|
| a. Business Relations: | <b>Yes</b> |
| b. Quality:            | <b>Yes</b> |
| c. Schedule:           | <b>Yes</b> |
| d. Cost Control:       | <b>Yes</b> |

TACOM comments: **With adverse ratings, TACOM notifies the vendor if it plans on degrading a particular rating, and engages in discussions.**

4. PPI data management.

- |   |                    |
|---|--------------------|
| a. How is PPI data collected:             | <b>PPIRS/CPARS</b> |
| b. How is PPI data managed and available: | <b>PPIRS/CPARS</b> |

5. Request for Proposal (RFP) preparation.

a. Is PPI data requested in each RFP? **Yes, the RFP is more specific and spells out the factors and range of data that will be considered.**

- |                                       |  |
|---------------------------------------|--|
| - Relevancy (similar in scope):       | <b>Yes</b>                                   |
| - Currency (<3 yrs):                  | <b>Yes (&lt;= 3 years)</b>                   |
| - Quality (good performance):         | <b>Yes (strength of performance)</b>         |
| - Experience (# of years in the ind): | <b>Yes (in addition to past performance.</b> |
| - Other factors:                      | <b>No</b>                                    |

b. Do you stipulate intention to conduct research of named references? **Yes. RFPs make general statements that government can gather past performance data from any source available in order to make a responsibility determination.**



- Telephone interviews: **Yes**
- Questionnaires: **Yes**
- c. Do you stipulate intention to use other than named references?
  - End users: **Yes**
  - Other customers: **Yes**
  - Passive PPI (i.e. QDRs): **Yes**
  - Site visits: **N/A**
  - Pre-award surveys: **Yes**

**6. Discuss your experience with CPARS as a source of PPI: TACOM uses PPIRS/CPARS**

a. Difficulties encountered: **1) Not many contracts in PPIRS. TACOM must hold discussions/exchanges with offerors in order to make an accurate risk assessment. 2) Grade inflation. Program Manager increases the risk of program cancellation if low grades are given a contractor on interim reports. 3) Small company break-offs. If a company breaks off from a larger company, it is difficult to drag PPI with them.**

b. Methods for improvement:

7. If not CPARS, what sources (or industry model) do you use to gather and maintain PPI on a contractor or firm? **N/A**

**SECTION 3: PAST PERFORMANCE INFORMATION—EVALUATION (INITIAL PROCUREMENT)**

8. Who typically comprises your acquisition team for an initial procurement of estimated amount (e.g. \$1M or more)?

- a. Procuring Contracting Officer:   X
- b. Legal counsel:   X
- c. Technical Evaluation Board:   X   (Part of SSEB)
- d. Past Performance Board:   X   (Part of SSEB)
- e. Cost/Price Analyst:   X   (Part of SSEB)
- f. End User/Engineering Rep:   X   (more so on larger procurements)
- g. Logistics Rep:   X   (concerned about ease of maintenance)
- h. Comptroller/Budget:
- i. Small Business Rep:   X
- j. Quality Assurance Rep:



9. Is PPI a factor (or sub-factor) in your initial procurements? **YES**
- a. Resident in your Request for Proposal (RFP)? Yes **X** No \_\_\_\_
- b. If yes, what is the relative weight compared to other source selection factors?
- |                             |                             |                               |                             |
|-----------------------------|-----------------------------|-------------------------------|-----------------------------|
| <input type="checkbox"/> 4. | <input type="checkbox"/> 3. | <b>X 2.</b>                   | <input type="checkbox"/> 1. |
| Technical                   | Past Performance = Price    |                               |                             |
|                             |                             | <b>Notional 25% weighting</b> |                             |
| Highest Weight              |                             |                               | Lowest Weight               |
- c. In a Best Value-tradeoff approach, how do you typically rank past performance relative to other factors?

**1) Technical Capability (most important)**  
**2) Cost/Price AND Past Performance**

Notes: **Past performance is usually not the swing, or determining factor in a source selection.**

10. Has Past Performance of a contractor or firm ever been the deciding factor for elimination from the competitive range or non-selection for contract award? **NO**

- a. Have legal recourse/challenges been experienced IRT use of PPI as a basis for non-selection? **NO, usually not the swing vote**
- a. If so, did your organization provide satisfactory justification for its decision not to select a contractor or firm? **N/A**

11. Does your organization have an established list of favorite “go-to” contractors or firms? **No.**

- a. How does a contractor or firm get on the list? **N/A**
- b. How does a contractor or firm stay on the list? **N/A**
- c. How does a contractor or firm get removed from the list? **N/A**
- d. Can a contractor or firm continue making offers (bids/proposals) after being removed from the go-to list OR are they out forever? **N/A**
- e. Does your firm use PPI data as:
- Comparative (relevant, current, quality) YES
- OR only as
- Pass/Fail (i.e. on Suspension, debarment) YES

12. RFP evaluation factors—PPI data evaluation:

- a. PPI data requested in RFP? **No official RFP used, however, data required for hiring (outsourcing) a requirement is similar.**
- |                                       |            |
|---------------------------------------|------------|
| - Relevancy (similar in scope):       | <b>YES</b> |
| - Currency (<3 yrs):                  | <b>YES</b> |
| - Quality (good performance):         | <b>YES</b> |
| - Experience (# of years in the ind): | <b>No</b>  |



- Other factors: **No**
- b. Stipulate intention to conduct research of named references?
  - Telephone interviews: **YES (particularly if there is adverse past performance history)**
  - Questionnaires: **YES (tailored to the procurement)**
- c. Stipulate intention to use other than named references?
  - End users: **YES**
  - Other customers: **YES**
  - Passive PPI (i.e. QDRs): **YES**
  - Site visits: **N/A**
  - Pre-award surveys: **YES (used as a responsibility determination)**

TACOM comments: **Preparing report cards: 1) Past performance data input is an enormous burden for the Army (thousands of requirements under contract). Recommend raising the dollar threshold to \$5M or above.**

**2) Simplify CPARS—too elaborate for the Army. Probably won't be able to leave contractor [vendor] out of the input [process].**



# APPENDIX 7: Private Sector (Defense-focused)

## Activity #1: Lockheed Martin Space Systems Company

### Section I—GENERAL

**1. Organization Mission. At Lockheed Martin Space Systems Company located in Sunnyvale, CA, the product lines are: 1) Space Based Reconnaissance Satellites (SBRS) for the U. S. Air Force, and 2) Fleet Ballistic Missile (FBM) for the U.S. Navy's Trident class ballistic missile submarines (SSBN). This facility also produces satellites for the National Reconnaissance Office (NRO).**

**2. Contract organization fit within the organization. Within the Lockheed Martin organization at this facility, the contracting organization fits in a Staff position reporting directly to the VP of Strategic Missile Programs.**

### Section II—PPI COLLECTION

**3. Is PPI collected on each contractor/firm prior to each contract? Yes, on all requirements**

- |                        |            |
|------------------------|------------|
| a. Business Relations: | <b>Yes</b> |
| b. Quality:            | <b>Yes</b> |
| c. Schedule:           | <b>Yes</b> |
| d. Cost Control:       | <b>Yes</b> |

Manager, Strategic Missile Procurement comments: **The performance data is typically reviewed quarterly in the form of Program Management Reviews (PMR) with the subcontractor.**

For routine purchases:

- |                        |            |
|------------------------|------------|
| a. Business Relations: | No         |
| b. Quality:            | <b>Yes</b> |
| c. Schedule:           | <b>Yes</b> |
| d. Cost Control:       | No         |

Manager, Strategic Missile Procurement comments: **Quality and schedule data is gathered on ALL procurements, regardless of dollar value.**

**4. PPI data management.**

- |   |   |
|---|---|
| a. How is PPI data collected:             | <b>Supplier Report Card (Scorecard)</b>   |
| b. How is PPI data managed and available: | <b>Automated database via password security. Delivery and quality is tracked on ALL incoming material</b> |





from subcontractors. Deliveries are bar-code scanned at the receiving area. Late deliveries are noted. Adjustments can be made if agreed between prime and sub. Quality is tracked via Quality Deficiency Reporting (QDR). QDRs are assigned to each subcontractor. QDRs and late deliveries deduct from the contractor's overall score based on a 100-point system. A printout of vendor history is available on demand. Suppliers are given opportunity to rebut findings.

5. Request for Proposal (RFP) preparation.

a. Is PPI data requested in each RFP? **Yes, the RFP is more specific and spells out the factors and range of data that will be considered.**

- Relevancy (similar in scope): **Yes**
- Currency (<3 yrs): **Yes (<= 3 years)**
- Quality (good performance): **Yes**
- Experience (# of years in the ind): **Yes**
- Other factors: **Yes (check Dunn & Bradstreet)**

b. Do you stipulate intention to conduct research of named references? **Yes**

- Telephone interviews: **Yes**
- Questionnaires: **No**

c. Do you stipulate intention to use other than named references?

- End users: **Yes (sister divisions)**
- Other customers: **Yes**
- Passive PPI (i.e. QDRs): **Yes**
- Site visits: **N/A**
- Pre-award surveys: **Yes (see comments)**

Manager, Strategic Missile Procurement Comments: **If nothing is known about a company, a team is sent out to that company consisting of: 1) engineering, 2) quality assurance, 3) contracting rep, and 4) a costing specialist.**

Researcher comments: **The Supplier Report Card appears to have same characteristics of the U. S. Navy's Red, Yellow and Green program.**

6. Discuss your experience with CPARS as a source of PPI: **N/A**

7. If not CPARS, what sources (or industry model) do you use to gather and maintain PPI on a contractor or firm?

a. Is your system streamlined (user friendly)? **YES, Supplier Report Card**

b. Automated? **YES**

c. Web-based? **NO**

d. Kept current? **YES. Closed-loop system between Contracts/Purchasing and Receiving and Quality Control.**

e. Recorded for each contract at least annually, interim, and final? **YES, All procurements.**

f. Contractor given opportunity to comment on PPI appraisals? **YES**

g. Performance assessments discussed during initial post award conference? **NO, quarterly letter tells each contractor what their score is. Also comes with graphs.**





- c. How does a contractor or firm get removed from the list ? **Poor performance**
- d. Can a contractor or firm continue making offers (bids/proposals) after being removed from the go-to list OR are they out forever? **The offending contractor or firm would not get an RFP.**
- e. Does your firm use PPI data as:
  - i. Comparative (relevant, current, quality)  
OR only as
  - ii. Pass/Fail (i.e. on Suspension, debarment) N/A

Procurement Manager comments. **Look at report card data early in the process.**

12. RFP evaluation factors—PPI data evaluation:

- a. PPI data requested in RFP? **YES**
  - Relevancy (similar in scope): **YES**
  - Currency (<3 yrs): **YES (3-5 yrs)**
  - Quality (good performance): **YES**
  - Experience (# of years in the ind): **YES**
  - Other factors: **No**
- b. Stipulate intention to conduct research of named references?
  - b. Telephone interviews: **YES**
  - c. Questionnaires: **No**
- c. Stipulate intention to use other than named references?
  - d. End users: **YES (sister divisions)**
  - e. Other customers: **No**
  - f. Passive PPI (i.e. QDRs): **YES**
  - g. Site visits: **N/A**
  - h. Pre-award surveys: **YES**

Manager, Strategic Missile Procurement comments: **1) Protests. Lockheed Martin (LM), as a private-sector entity, does not have the same level of protest risk from disappointed bidders as contracting activities in the Public (Government) Sector. However, a disappointed bidder has the option of calling his/her congressman or senator. LM devotes much time and resources to answering congressionals and defending contracting awards. 2) Oversight. As a government contractor, LM also devotes resources to audits from Defense Contract Audit Agency (DCAA) and surveillance from Defense Contract Management Agency (DCMA).**



## APPENDIX 8: Private Sector (Defense-focused)

### Activity #2: Northrop Grumman, Newport News

#### SECTION I—GENERAL

1. Organization Mission. At Northrop Grumman, Newport News, located in Newport News, VA, the product lines are: 1) U.S. Navy shipbuilding, conversion and overhauls, and 2) Commercial ship repairs and dry-docking. The vast majority of work performed is for the U.S. Navy (over 90%).

2. Contract organization fit within the organization. Within the Northrop Grumman organization at this facility, the contracting organization fits in the 2<sup>nd</sup> tier position under the Executive VP, Supply Chain Management, reporting directly to the Senior VP of Operations.

#### SECTION II—PPI COLLECTION

3. Is PPI collected on each contractor/firm prior to each contract? **Yes, using Scorecard methodology, for all material requirements (service suppliers do not receive a scorecard at this time).**

- |                        |   |
|------------------------|---|
| a. Business Relations: | <b>Yes (responsiveness to implement corrective actions)</b> |
| b. Quality:            | <b>Yes</b>  |
| c. Schedule:           | <b>Yes</b>  |
| d. Cost Control:       | <b>Yes</b>  |

Manager, Submarine & Carrier Procurement & Project Engineer, Strategic Sourcing comments: **The performance data is reviewed as often as quarterly or semiannually in the form of a score card (100pt scale) and letter sent electronically or via the postal system.**

4. PPI data management.

a. How is PPI data collected: **Supplier Report Card. An approximate total of 2400 suppliers do business with Northrop Grumman Newport News. Currently the top ~ 400 + suppliers are tracked via scorecards due to annual volume of orders.**

b. How is PPI data managed and available: **Same as Lockheed, an automated intranet database with password security. Delivery and quality are tracked on ALL incoming material from subcontractors. Deliveries are bar-code scanned at the receiving area. Late deliveries are noted. Adjustments can be made if agreed between prime and sub. Quality is tracked via Quality Deficiency Reporting (QDR)-type system. QDRs and late deliveries deduct from the contractor's overall score based on a 100-point scorecard system. A printout of vendor history is**



**available on demand. Suppliers are quick to rebut findings. Program is similar to the Navy's Red, Yellow, Green system in that it uses a closed-loop supply-chain system with QC inspectors co-located at receiving points.**

5. Request for Proposal (RFP) preparation.

- a. Is PPI data requested in each RFP? **Yes**
  - Relevancy (similar in scope): **Yes**
  - Currency (<3 yrs): **Yes (<= 3 years)**
  - Quality (good performance): **Yes**
  - Experience (# of years in the ind): **Not really, only if SB startup**
  - Other factors: **Yes (check stability of firm)**
- c. Do you stipulate intention to conduct research of named references? **Yes**
  - Telephone interviews: **Yes**
  - Questionnaires: **Yes (2 page questionnaire, EOE, safety, quality etc.)**
- c. Do you stipulate intention to use other than named references?
  - End users: **Yes (sister sector, business partners)**
  - Other customers: **Yes (EB etc.)**
  - Passive PPI (i.e. QDRs): **Yes**
  - Site visits: **N/A**
  - Pre-award surveys: **Yes (see comments)**

Manager, Submarine & Carrier Procurement & Project Engineer, Strategic Sourcing  
 comments: **Pre-award surveys are used if little is known about a supplier and the award is expected to exceed \$100K, or a long-term relationship will exist.**

6. Discuss your experience with CPARS as a source of PPI: **N/A**

7. If not CPARS, what sources (or industry model) do you use to gather and maintain PPI on a contractor or firm?

- a. Is your system streamlined (user friendly)? **YES, Supplier Report Card**
- b. Automated? **YES**
- c. Web-based? **NO (Intranet only) shared with sister locations and industry partners only.**
- d. Kept current? **YES, closed-loop system.**
- e. Recorded for each contract at least annually, interim, and final? **YES, All procurements.**
- f. Contractor given opportunity to comment on PPI appraisals? **YES**
- g. Performance assessments discussed during initial post award conference? **NO, quarterly letter tells each contractor what their score is.**  
**Buyer/Supplier post award discussions are entertained if requested but not common practice.**



8. Who typically comprises your acquisition team for an initial procurement of estimated amount (e.g. \$1M or more)?

9. Is PPI a factor (or sub-factor) in your initial procurements? YES for procurements valued at or above \$25K

- Total Value concept:** all equally weighted (proposals must first be technically acceptable). Every procurement, however, can take on a different ranking of factors.

### Lowest Weight

- 1) Technical Capability (Most important)
- 2) Cost/Price
- 3) Past Performance
- 4) Other factors (Least important)

10. Has Past Performance of a contractor or firm ever been the deciding factor for elimination from the competitive range or non-selection for contract award? **YES, due to delivery. Supplier developed a history of poor delivery performance.**



- a. Have legal recourse/challenges been experienced IRT use of PPI as a basis for non-selection? **Yes. (Congressional, both)**
  - i. **Supplier contacted the office of Senator Simons. 1993.**
  - ii. **Supplier contacted the office of Senator Warner. Year not available.**

b. If so, did your organization provide satisfactory justification for its decision not to select a contractor or firm? **Yes. Senators typically call in order to “inquire” as to what has happened. In both inquires, NG pulled together the facts via top management, presented findings, and the issues were resolved.**

11. Does your organization have an established list of favorite “go-to” contractors or firms? **Yes. It is standard practice to go to contractors with good scorecard performance. NG, being private sector is not obligated to practice “full and open” competition. Competition is sought through the use of best value (Total Value) criteria.**

a. How does a contractor or firm get on the list? **Usually must be a SB startup AND NG is looking to expand their vendor base in an area of the SB’s specialty or technical expertise/superiority designed into product.**

b. How does a contractor or firm stay on the list? **Good score, continuous performance AND evidence of added value (i.e. 3PL implementation, just-in-time (JIT) processes etc.)**

c. How does a contractor or firm get removed from the list ? **Poor Scorecard performance and lack of value-added services.**

d. Can a contractor or firm continue making offers (bids/proposals) after being removed from the go-to list OR are they out forever? **Out forever unless NG needs to expand vendor base AND/OR the offending contractor or firm can demonstrate positive changes within their organization. Contractor must demonstrate something has changed substantially to be reconsidered.**

e. Does your firm use PPI data as:

i. Comparative (relevant, current, quality)

OR only as

ii. Pass/Fail (i.e. on Suspension, debarment) **BOTH.**

12. RFP evaluation factors—PPI data evaluation:

- |  |  |
|--|--|
| a. PPI data requested in RFP?          | <b><u>YES</u></b>                                |
| - Relevancy (similar in scope):        | <b><u>YES</u></b>                                |
| - Currency (<3 yrs):                   | <b><u>YES</u></b>                                |
| - Quality (good performance):          | <b><u>YES</u></b>                                |
| - Experience (# of years in the ind.): | <b><u>YES (unless supplier is a startup)</u></b> |
| - Other factors:                       | <b><u>No</u></b>                                 |



- b. Stipulate intention to conduct research of named references?
- Telephone interviews: **YES**
  - Questionnaires: **YES**
- c. Stipulate intention to use other than named references?
- End users: **YES (sister divisions: Avondale/Ingalls, General Dynamics etc.)**
  - Other customers: **YES**
  - Passive PPI (i.e. QDRs): **YES (based on Scorecard)**
  - Site visits: **N/A**
  - Pre-award surveys: **YES (if new supplier)**





## APPENDIX 9: PRIVATE SECTOR (NON-DEFENSE-FOCUSED) ACTIVITY #1: Opalsoft

### Section I—GENERAL

1. Organization Mission. At Opal Soft located in San Jose, CA, the product lines are: 1) Computer Design and Development software, and 2) System Integration & Enterprise Resource Planning. Opal Soft is registered as a small disadvantaged business and is currently in the 8A program. Opal Soft was also awarded a GSA schedule for IT professional services.

2. Contract organization fit within the organization. Within Opal Soft, the contracting organization fits in the Staff position as Director, Business Development and reports directly to the president of Opal Soft.

### Section II—PPI COLLECTION

3. Is PPI collected on each contractor/firm prior to each contract? **Yes, on all requirements.**

- |                        |            |
|------------------------|------------|
| a. Business Relations: | <b>Yes</b> |
| b. Quality:            | <b>Yes</b> |
| c. Schedule:           | <b>Yes</b> |
| d. Cost Control:       | <b>Yes</b> |

Director, Business Development comments: **The performance data is reviewed as often a quarterly in the form of a Program Management Review (PMR) with the subcontractor.**

Routine purchases:

- |                        |            |
|------------------------|------------|
| a. Business Relations: | <b>No</b>  |
| b. Quality:            | <b>Yes</b> |
| c. Schedule:           | <b>Yes</b> |
| d. Cost Control:       | <b>No</b>  |

4. PPI data management.

- a. How is PPI data collected: **Manual system, kept in supplier's file.**  
b. How is PPI data managed and available: **Kept in supplier's file. Not automated.**

5. Request for Proposal (RFP) preparation.

- a. Is PPI data requested in each RFP? **No. Typically outsourcing of services or procurement of hardware is less formal.**  
- Relevancy (similar in scope): **N/A**



- Currency (<3 yrs): **N/A**
- Quality (good performance): **N/A**
- Experience (# of years in the ind): **N/A**
- Other factors: **Yes (check Dun & Bradstreet)**
- b. Do you stipulate intention to conduct research of named references? **Yes**
  - Telephone interviews: **Yes (word of mouth, networking at trade shows & conventions)**
  - Questionnaires: **No**
- c. Do you stipulate intention to use other than named references?
  - End users: **Yes (Technology partners)**
  - Other customers: **No**
  - Passive PPI (i.e. QDRs): **No**
  - Site visits: **N/A**
  - Pre-award surveys: **Yes (see comments)**

Director, Business Development comments: **On occasion, Opal Soft will outsource a hardware requirement in order to meet a scheduled event but primarily performs all contract requirements in-house with very few exceptions.**

6. Discuss your experience with CPARS as a source of PPI: **N/A**
7. If not CPARS, what sources (or industry model) do you use to gather and maintain PPI on a contractor or firm?
- a. Is your system streamlined (user friendly)? **NO, system is manual and is documented in each vendor's contract file.**
  - b. Automated? **NO**
  - c. Web-based? **NO**
  - d. Kept current? **YES, manual system.**
  - e. Recorded for each contract at least annually, interim, and final? **NO, only good or bad past performance is documented (e.g. legal issues, late payments etc.)**
  - f. Contractor given opportunity to comment on PPI appraisals? **YES**
  - g. Performance assessments discussed during initial post award conference? **NO**

### SECTION 3: PAST PERFORMANCE INFORMATION—EVALUATION (INITIAL PROCUREMENT)

#### **8. Who typically comprises your acquisition team for an initial procurement of estimated amount (e.g. \$1M or more)?**

- a. Procuring Contracting Officer: **\_\_X\_\_**
- c. Legal counsel: **\_\_\_\_\_ (no review, legal counsel held on retainer)**
- d. Technical Evaluation Board: **\_\_X\_\_ (domain expert)**



- 1) **Past Performance** (Most important)
- 2) Technical Capability
- 3) Cost/Price
- 4) Other factors (Least important)

Director, Business Development comments: **Opal has succeeded in using past performance as a primary reason for non-selection. It has not been challenged, potentially (management believes) because Opal is not a large company. Opal, as a subcontractor, placing a bid with a prime contractor has determined that further outsourcing to a capable, but unreliable, vendor is too risky for critical path supplies or services.**

11. Does your organization have an established list of favorite “go-to” contractors or firms? **YES**
- How does a contractor or firm get on the list? **By reference. Vendors make contact (network) at GSA conventions, SB monthly meetings etc.**
  - How does a contractor or firm stay on the list? **Good & reliable performance**
  - How does a contractor or firm get removed from the list? **Poor performance**



d. Can a contractor or firm continue making offers (bids/proposals) after being removed from the go-to list OR are they out forever? **No, they are more or less out forever.**

- e. Does your firm use PPI data as:
- i. Comparative (relevant, current, quality) use of resumes
    - a. OR only as
  - ii. Pass/Fail (i.e. on Suspension, debarment) **N/A**

12. RFP evaluation factors—PPI data evaluation:

- |   |   |
|---|---|
| a. PPI data requested in RFP?                                   | <b>No official RFP used; however, data required for hiring (outsourcing) a requirement is similar</b> |
| - Relevancy (similar in scope):                                 | <b>YES</b>  |
| - Currency (<3 yrs):  | <b>YES</b>  |
| - Quality (good performance):                                   | <b>YES</b>  |
| - Experience (# of years in the ind)                            | <b>YES (if they survived the .COM bust, then they may have something to offer)</b>                    |
| - Other factors:  | <b>No</b>   |
| b. Stipulate intention to conduct research of named references? |   |
| - Telephone interviews:   | <b>YES</b>  |
| - Questionnaires:   | <b>No</b>   |
| c. Stipulate intention to use other than named references?      |   |
| - End users:  | <b>No</b>   |
| - Other customers:  | <b>No</b>   |
| - Passive PPI (i.e. QDRs):                                      | <b>YES</b>  |
| - Site visits:  | <b>N/A</b>  |
| - Pre-award surveys:  | <b>No</b>   |



## APPENDIX 10: PRIVATE SECTOR (NON-DEFENSE-FOCUSED) ACTIVITY #2: Maersk Line, Limited

### Section I—GENERAL

1. **Organization Mission.** **At Maersk Line, Limited (MLL), located in Norfolk, VA, the product line is the delivery of global ship owning & management service, transportation, and logistic solutions information technology development, and implementation services to our U. S. government and commercial customers. MLL owns or operates 50 US Flag vessels.**

2. Contract organization fit within the organization. **Within MLL, the contracting organization fits in the organization as a branch in the 2<sup>nd</sup> tier under Legal Affairs & Contracting department. MLL is led by a Chief Executive Officer.**

### Section II—PPI COLLECTION

3. Is PPI collected on each contractor/firm prior to each contract? **Yes, on all requirements**

- |                        |  |
|------------------------|--|
| a. Business Relations: | <b>Yes</b>                                 |
| b. Quality:            | <b>Yes</b>                                 |
| c. Schedule:           | <b>Yes (on-time delivery is paramount)</b> |
| d. Cost Control:       | <b>Yes</b>                                 |

Routine purchases:

- |                        |            |
|------------------------|------------|
| a. Business Relations: | <b>No</b>  |
| b. Quality:            | <b>Yes</b> |
| c. Schedule:           | <b>Yes</b> |
| d. Cost Control:       | <b>No</b>  |

4. PPI data management.

a. How is PPI data collected: **Intranet (Peoplesoft) for accounting, finance, purchasing + manual supplier files kept by the port engineer along with any quality deficiency reports (QDRs)**

b. How is PPI data managed and available: **Kept in supplier's file. Partially automated.**

5. Request for Proposal (RFP) preparation.

a. Is PPI data requested in each RFP? **Yes, the RFP is more specific and spells out the factors and range of data that will be considered.**

- |                                 |                            |
|---------------------------------|----------------------------|
| - Relevancy (similar in scope): | <b>Yes</b>                 |
| - Currency (<3 yrs):            | <b>Yes (&lt;= 3 years)</b> |



- Quality (good performance): **Yes**
- Experience (# of years in the ind): **No**
- Other factors: **No**
- b. Do you stipulate intention to conduct research of named references? **Yes**
  - Telephone interviews: **No**
  - Questionnaires: **Yes**
- c. Do you stipulate intention to use other than named references?
  - End users: **Yes (via other agency agreements)**
  - Other customers: **Yes (Husbanding Agents)**
  - Passive PPI (i.e. QDRs): **Yes**
  - Site visits: **N/A**
  - Pre-award surveys: **Yes (See comments)**

Director of Contracts and Contract Administrator comments: **On occasion MLL may send a team (e.g. Port Engineer, Contracts Rep etc.) to the site in order to verify or clarify ambiguous statements made in an offeror's bid or proposal.**

6. Discuss your experience with CPARS as a source of PPI: **N/A**
7. If not CPARS, what sources (or industry model) do you use to gather and maintain PPI on a contractor or firm? **Manual system**
- a. Is your system streamlined (user friendly)? **Partially automated. Intranet (Peoplesoft) for accounting, finance, purchasing + manual supplier files kept by the port engineer along with any quality deficiency reports (QDRs).**
  - b. Automated? **Partially automated.**
  - c. Web-based? **NO**
  - d. Kept current? **YES, automated +manual system.**
  - e. Recorded for each contract at least annually, interim, and final?  
**NO, only good or bad past performance is documented (e.g. legal issues, late payments, etc.)**
  - f. Contractor given opportunity to comment on PPI appraisals?  
**YES, informal process (during production meetings)**
  - g. Performance assessments discussed during initial post award conference?  
**Purchasing: No. Large Contracts: Yes. Performance assessments are more or less informal in the forum of production meetings via MLL's Port Engineer and the sub-contractor.**



### SECTION 3: PAST PERFORMANCE INFORMATION—EVALUATION (INITIAL PROCUREMENT)

8. Who typically comprises your acquisition team for an initial procurement of estimated amount (e.g. \$1M or more)?

- a. Procuring Contracting Officer:   X   (Director of Contracts + Contracts Administrator)
- b. Legal counsel:            (Recently hired Legal Counsel)
- c. Technical Evaluation Board:   X   (picks ~ five people)
- d. Past Performance Board:   X
- e. Cost/Price Analyst:   X
- f. End User/Engineering Rep:   X   (Port Engineer)
- g. Logistics Rep:   X
- h. Comptroller/Budget:
- i. Small Business Rep:   X
- j. Quality Assurance Rep:

9. Is PPI a factor (or sub-factor) in your initial procurements? **YES**

- a. Resident in your Request for Proposal (RFP)? Yes   X   No
- b. If yes, what is the relative weight compared to other source selection factors?

|                |                               |               |      |
|----------------|-------------------------------|---------------|------|
| □ 4.           | 3. <b>X</b> -----             | X 2.          | □ 1. |
| Technical      | Past Performance = Price      |               |      |
|                | <b>Notional 25% weighting</b> |               |      |
| Highest Weight |                               | Lowest Weight |      |

- c. In a Best Value-tradeoff approach, how do you typically rank past performance relative to other factors?

**1) Technical Capability (most important)**  
**2) Cost/Price AND Past Performance**

10. Has Past Performance of a contractor or firm ever been the deciding factor for elimination from the competitive range or non-selection for contract award? **NO**

- a. Have legal recourse/challenges been experienced IRT use of PPI as a basis for non-selection? **NO**
- b. If so, did your organization provide satisfactory justification for its decision not to select a contractor or firm? **N/A**



11. Does your organization have an established list of favorite “go-to” contractors or firms? **YES, 1) for dry-docking, the east (or west) coast dry-docks and their dry-dock capabilities are already well known, 2) for equipment & spares, MLL has an approved vendor database.**

a. How does a contractor or firm get on the list? **Vendor completes a business classification profile form, forwards their line cards to MLL buyers.**

b. How does a contractor or firm stay on the list? **Good & reliable performance.**

c. How does a contractor or firm get removed from the list? **Poor performance. Vendor is flagged in Peoplesoft and put on suspension.**

d. Can a contractor or firm continue making offers (bids/proposals) after being removed from the go-to list OR are they out forever? **No, they are more or less out unless the respective vendor can prove that improvements have been made.**

e. Does your firm use PPI data as:

Comparative (relevant, current, quality) **YES**

OR only as

Pass/Fail (i.e. on Suspension, debarment) **YES, check of government suspended/debarred list (flagged in “favorites”)**

12. RFP evaluation factors—PPI data evaluation:

a. PPI data requested in RFP? **No official RFP used, however, data required for hiring (outsourcing) a requirement is similar.**

- Relevancy (similar in scope): **YES**
- Currency (<3 yrs): **YES**
- Quality (good performance): **YES**
- Experience (# of years in the ind): **YES**
- Other factors: **No**

b. Stipulate intention to conduct research of named references?

- Telephone interviews: **No**
- Questionnaires: **YES**

c. Stipulate intention to use other than named references?

- End users: **YES**
- Other customers: **YES**
- Passive PPI (i.e. QDRs): **YES**
- Site visits: **N/A**
- Pre-award surveys: **YES**





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GRADUATE SCHOOL OF BUSINESS & PUBLIC POLICY  
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555 DYER ROAD, INGERSOLL HALL  
MONTEREY, CALIFORNIA 93943

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