

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

OFFICE OF FEDERAL PROCUREMENT POLICY

August 8, 1997

MEMORANDUM FOR:

AGENCY SENIOR PROCUREMENT EXECUTIVES  
THE DEPUTY UNDER SECRETARY OF DEFENSE (ACQUISITION REFORM)  
PERFORMANCE-BASED SERVICE CONTRACTING (PBSC) POINTS OF CONTACT

FROM:

Steven Kelman /signed/  
Administrator

SUBJECT: PBSC Checklist

Attached is a copy of the final PBSC Solicitation/Contract/Task Order Review Checklist reflecting the comments we received. You are encouraged to distribute the Checklist to program and contracting officials within your agency, and to utilize it in developing PBSC contracting documents and determining whether an acquisition is performance-based.

Please contact Stanley Kaufman of my staff at (202) 395-6810, if you have any questions regarding the document.

Attachment

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**Performance-Based Service Contracting (PBSC)  
Solicitation/Contract/Task Order Review Checklist**

The following checklist is provided as a guide that may be used to aid in developing a performance-based solicitation, contract or task order, and to assist in determining whether an existing solicitation, contract or task order may be appropriately classified as performance-based. This checklist is not intended to usurp contracting officer discretion or authority regarding how to structure an acquisition. However, the more an acquisition departs from adherence to the checklist, the less likely the agency will achieve the benefits of improved contractor performance and lower price that PBSC can provide.

This checklist contains minimum required elements that must be present for an acquisition to be considered performance-based. To be effective, these elements must be communicated to potential offerors in time to be considered when developing their proposals. It also contains additional PBSC components important to ensuring the Government obtains the benefits of PBSC and "other considerations" that are not performance-based contracting methods per se but that nevertheless so directly affect the success of PBSC that they are included.

This document is but one tool to assist in developing and assessing PBSC, and it is purposefully not detailed or explanatory. For more fundamental discussions of PBSC, see: Federal Acquisition Circular 97-1; Federal Acquisition Regulation Subpart 37.6; and OFPP's Policy Letter 91-2, "Service Contracting" and "A Guide to Best Practices for Performance-Based Service Contracting." The latter two publications are available from the Executive Office of the President's Office of Publications, 202-395-7332 and the Acquisition Reform Network, [www.arnet.gov](http://www.arnet.gov).

### **Minimum Mandatory PBSC Requirements**

1. Performance requirements that define the work in measurable, mission-related terms.
2. Performance standards (i.e., quality, quantity, timeliness) tied to the performance requirements.
3. A Government quality assurance (QA) plan that describes how the contractor's performance will be measured against the performance standards.
4. If the acquisition is either critical to agency mission accomplishment or requires relatively large expenditures of funds, positive and negative incentives tied to the Government QA plan measurements.

### **Additional PBSC Components**

5. An historic workload analysis is performed, or the workload is estimated if historic data is unavailable, to aid in determining the performance requirements and standards, Government QA plan, and incentives.

6. The solicitation and contract/task order convey a logical, easily understood flow among performance requirements, performance standards, Government QA, and performance incentives.
7. Process-oriented requirements (e.g., job descriptions, education requirements, level-of- effort) and reports are eliminated to the maximum feasible extent.
8. Government QA performance evaluators assigned to assess contractor performance are trained in PBSC.
9. Commercial and/or industry-wide performance standards, where available, are relied upon.
10. The marketplace and other stakeholders are provided the opportunity to comment on draft performance requirements and standards, the Government QA plan, and performance incentives.
11. If the size of the requirement justifies the resource expenditures, potential offerors are given the opportunity to learn more about the "as is" operation to facilitate their ability to develop intelligent proposals.
12. The contract/task order is fixed price.
13. The contract/task order is completion type (vs. term type or level-of-effort).
14. Multi-year contracting authority is used where available.
15. Experience and lessons learned from predecessor acquisitions are used to convert recurring requirements to PBSC.

### **Other Considerations**

16. Past performance evaluations are based on the results of contract QA measurements and incentives, and QA plans are consistent with past performance factors.
17. For recurring requirements that have been converted to PBSC, the effects of conversion are measured (e.g., price, performance).
18. The contract/task order is awarded competitively.
19. Best value evaluation/selection methods are used to award the contract/task order.

20. Informal conflict resolution methods are utilized (e.g., alternative dispute resolution, ombudsman, formal partnering agreements).

21. An umbrella-type contract that has demonstrated significant performance problems, cost overruns, or has included an amount of work that is too great or diverse to be effectively managed by either the Government or the contractor, is broken up into multiple contracts.

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