Award-Fee Plan & Performance Evaluation Measurement Plan Guide

Version 1.0

U.S. DEPARTMENT of ENERGY

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[References: FAR 16, 32, & 46; DEAR 915.404-4-4900 & 916.405-2, Acquisition Playbook, Sections AP16.101, Review and Approval of Contract and Financial Assistance Actions Guide]

1.0 Discussion

The purpose of this chapter is to provide guidance in utilizing incentive contracts to motivate exceptional contractor performance, while aligning the incentives used with DOE and taxpayer interests and balancing cost, schedule and technical performance. DOE has many contracts with a combination of fee structures within the contract. For example, the contract may have elements of both incentive fee (objective, formula-based fee) and award fee (subjective evaluation of fee). In accordance with FAR 16.402-2(a)), award fee contracts must be supported by an award-fee plan.

At DOE, the award-fee plan (AFP) is part of the Performance Evaluation Management Plan (PEMP) (referred to as “the Plan” in this chapter). Contracts with only predetermined, formula- type incentives that are defined in the contract (e.g., Cost Plus Incentive Fee contract) at the time of award do not have an incentive plan. This chapter addresses both award-fee incentives and Performance Based Incentives (PBIs).

This chapter provides further guidance to the acquisition regulations and policies contained in the references above and should be considered in the context of those references.

This chapter does not apply to Management and Operating contracts. This chapter applies to award fee contracts and contracts with award fee and PBIs.

1.1 Content of the Plan.

A template with sample language for the Plan is provided in Attachment 2. This Attachment also explains the purpose and intent of each component of the Plan. Each contracting activity has the latitude to revise the format of the template to meet site

specific or contract specific needs. Where a component of the Plan is required in order to achieve approval, the word “shall” is used.

1.2 Fee Methodology Documentation.

A description of fee methodology supporting the subjective and objective criteria shall be submitted with the Plan. This is a companion documentation that is not within the Plan, but is a separate document for DOE internal use only. In documenting the fee methodology, the following factors should be included:

- The relative importance of the award fee (subjective) criterion and/or performance based incentives (PBI) relative to the government’s objectives and relative to other award fee criteria or PBIs;
- The contractor’s risk of unsuccessful performance and impact of unsuccessful performance to the government, and
- The contractor input (i.e., the estimated cost of performance) for the criterion or PBI.

The allocation of available fee to the various criteria for each performance period should align with the government's objectives for that performance period. In other words, this should not be a simple reiteration of the allocation for previous performance periods, without considering the government's objectives for the evaluation period or the effectiveness of the previous allocation at motivating the contractor to exceptional performance.

1.3 Fee Structure.

The fee structure is one of the most critical elements of the plan and therefore, the Plan ***shall*** include the description of the fee structure in the Plan. An effective fee structure will place the government and our contractors in a win-win situation - the contractor earns maximum fee when the government gets the maximum benefit. Conversely, an ineffective fee structure may place the government and our contractors in an adversarial position. In a worst- case situation, the contractor earns maximum fee at the detriment of the government's desired outcome.

Significant effort should be placed on establishing the incentive fee for the PBIs and the relative worth/weight of each one. If the contract is primarily a production contract, then one or more of the PBIs will be associated with production goals. The other PBIs may vary over the course of the contract and will be selected based on the overall importance/value to the project. The weights of subjective and objective criteria will depend on the contract objective, project condition, and any other performance and mission objectives.

1.3.1 Establishing Total Fee for the Contract. The total fee for the contract may include:

- Base Amount, if any;
- Fee Pool for Award-fee Incentives; and
- Fee Pool for PBIs

Establishing the total fee available for the base amount and for all of the incentives in the contract is critical and must be accomplished utilizing a structured approach in accordance with law, regulation, and DOE policy.

For award-fee contracts, both FAR and DEAR use the terms base amount and award amount/award-fee pool. For a contact that includes both award-fee incentives and PBI incentives, it is possible the total available fee would comprise a base amount, an amount for award-fee incentives, and PBI incentives.

The amount of the award fee available (award fee pool) is fixed at inception of the contract and the award fee criteria must be structured to provide the contractor the proper motivation for excellence in such areas as quality, timeliness, technical ingenuity, and cost- effective management. To be realistic, any standard to measure performance when using award-fee incentives should reflect the nature and difficulty of the work involved (FAR 16.401).

DEAR 915.404-4900-applies to cost-plus-award-fee contracts and contains the DOE approach for determining the base fee and the award-fee pool. The maximum fee permitted for cost-plus- award-fee contracts shall also be the maximum fee permitted for contracts that contain both award-fee incentives and PBIs.

1.3.2 Performance Based Incentive Fee. PBIs are often preferred over award- fee incentives. PBIs are objective incentives (e.g., production rates, physical completion/ demolition of a building, fill 'x' number of canisters by 'z' date) driven by milestones with clear measurable completion criteria.

1.3.3 Award Fee. Award-fee contracts are appropriate when predetermined, formula-type incentives (e.g., CPIF) or Firm Fixed Price contracts are not appropriate. Keep in mind that any reasonable assessment of effectiveness when using award-fee incentives requires a judgmental evaluation process that addresses both performance levels and the conditions under which those levels were achieved. The major advantage of the use of award fee from other types of incentives is the government gives the contractor a detailed evaluation of performance, pointing out strengths, deficiencies and weaknesses. Unfortunately, this advantage is often overshadowed due to the substantial administrative costs incurred through the continual evaluations and processing of award fee decisions. From the contractor' point of view, the award fee is typically advantageous in that it usually yields higher fees than other incentives.

1.4 Evaluation Criteria.

The Plan ***shall*** include the evaluation criteria. It is not always possible to exactly align the evaluation criteria in the Plan with the evaluation criteria in the Contractor Performance Assessment Reporting System (CPARS). However, when designing the Plan evaluation criteria, consider CPARS evaluation criteria to ensure the fee determinations are consistent with the CPARS evaluation.

The best practice is to tailor the Plan to fit the goals and objectives of the statement of work, the contractor's internal systems, and the business arrangements within the contract. Since the government may well have different desired outcomes for individual phases of a contract or project, evaluation criteria may change among the performance periods.

Note: the FAR permits the contracting officer to make unilateral modifications of the award fee plan, if the modifications are made in a specified amount of time in advance of the related evaluation period. (See Section 2.7 *Issuance and Changes to the Plan*) Therefore, the criteria should:

- Focus on DOE receiving exceptional contractor performance;
- Focus on desired outcomes that are critical to the contract objectives in terms of cost, schedule, technical, quality and/or quantity;
- Avoid incentivizing rote tasks (e.g., implementing a safety program, managing records)
- Avoid incentivizing interim results (e.g., do not incentivize ancillary accomplishments, delivery of reports) that do not have clear impact to the end objective and may result in inefficient practices (i.e., "cherry-picking" of fee- bearing work);
- Avoid incentivizing base requirements (e.g., Integrated Baseline Review) unless the Plan includes measures of success for such events;
- Balance cost, schedule, and technical performances appropriately;
- Limit to a few significant areas where the government wants to

emphasize/incentivize performance (too many criteria may dilute the importance of the end result);

- Specify unambiguously requirements the contractor must meet to earn fee for the incentive; and
- Consider the unique aspects of the contract, risk, and the likelihood of changing conditions

Overtime: Using overtime for the primary purpose of achieving PBIs is discouraged. A contracting officer may determine not to approve contractor overtime requests for work that is clearly tied to PBIs except to lower overall cost to the government. A contractor's use of OT for PBIs may be indicative of poor cost or schedule control. If overtime payment is approved for work associated with PBIs, a contracting officer must have clear justification for approving the OT. The justification should demonstrate how the overtime payment for PBIs benefits the government when there is already fee established for the work based on the importance of the PBIs. The benefits can be expressed in terms of reduced fee for allowing OT, direct cost savings it will generate in future work, etc.

1.4.1 Results Oriented Evaluation Criteria. Objective Evaluation Criteria or PBIs are clearly defined scope that can be objectively measured, observed, physically completed or tested. PBIs are the least administratively burdensome type of performance evaluation criteria, and, should, provide the best indicator of overall success. These criteria can be applicable to cost, schedule, technical or other contract performance requirements or objectives. Delivery incentives - should be considered when improvement from a required delivery schedule is a significant and meaningful government objective. It is important to determine the government's primary objectives in a given contract (e.g., earliest possible delivery or earliest quantity production). Incentive arrangements on delivery should specify the application of the reward-consequence structure in the event of government-caused delays or other delays beyond the control, and without the fault or negligence, of the contractor or subcontractor. (FAR 16.403-3(a)

Subjective Evaluation Criteria normally include broad criteria in areas such as technical, project management and cost control, supplemented by a limited number of sub-criteria describing significant evaluation elements over which the contractor has effective management control.
Prior experience and lessons learned can be helpful in identifying those key problem or improvement areas that should be subject to fee evaluations. They are neither feasible nor effective to devise pre-determined objective criteria applicable to cost, schedule, technical or other contract performance requirements or objectives. Subjective criteria require a judgmental evaluation process, thus providing the government the flexibility to evaluate both actual performance and the conditions under which it was achieved.

1.4.2 Performance Measurement Standards. Performance measurement standards (e.g., quality levels of services) supplements the evaluation criteria. Clear and concise performance measurement standards (what and how the particular criterion will be measured) supplement the evaluation criteria and help clarify and identify when performance is achieved. The evaluator's professional opinion must be as informed as possible, and well documented.

Objective performance measurement standards are based on well-defined parameters for measuring performance. They may include inspection reports, test results, and physical evidences.

Subjective performance measurement standards may rely on an evaluator's professional opinions of performance quality and the conditions under which it was achieved. The evaluator's professional opinion must be as informed as possible. Subjective performance measurement standards have a cause and effect relationship among the criterion and its standards, the evaluator's observations, and a distinct reduction or improvement in quality. Subjective performance measurement standards tend to stay relatively stable (with some fine tuning) in each evaluation period once they are developed, unless there is a significant change in the contract that might affect the criteria, or if the standards prove to be ineffective.

1.4.3 <u>Cost Control Criteria.</u> All incentive-type contracts (including contracts with award fee only, contracts with only predetermined formula-type incentives, or contracts with both types of incentives) shall contain a cost incentive or constraint (see FAR 16.403). Therefore, cost control will always be included as an evaluation criterion, if there isn't a separate cost incentive in the contract.

A cost control criterion is an important component of the Plan, therefore the cost control criterion ***shall*** be included in the Plan. The contractor's ability to control, adjust and accurately project contract costs is of key importance. Since the government employs the use of contractor cost and schedule performance to determine fee earned, it is critical the Plan establishes the initial condition that the data from which the collected cost information is reliable and accurate.

Emphasis or weight of the cost control criterion depends on the nature of the work (e.g., D&D, production, construction, commissioning, facility maintenance, site operations, Research and Development) and the requirements in a contract. For example, overall cost control of a contract may be important on the totality of site operations work rather than cost control on a specific activity (e.g., providing utilities, providing waste water treatment operations) of the site operations.

When establishing the cost control criterion, consideration should be given to cost control that may be inherent in other criteria. For example, a production contractor may produce more production units than expected within the estimated cost, thereby reducing the per-unit cost or saving the government significant money in the long run. Likewise, a construction contractor may make more progress than expected within the performance period cost estimate, thereby expediting completion and saving cost down the road. Cost control criterion must be able to clearly measure the savings achieved and provide the evidence that the savings were applied to achieve other work to benefit the government. Additionally, consider the effect (e.g., unintended consequences) of cost savings in terms of cost control beyond the instant contract. For example, sites that have multiple contracts, cost savings initiatives under one contract may have an impact on other contract(s) which may cost the government more money in the long run. In other words, cutting corners on cost could have negative consequences.

To be able to effectively measure cost control, the criterion must be able to:

- Measure and demonstrate cost savings (note: cost cutting measure originating from funding constraints will not be considered as cost control or cost savings initiatives);
- Measure contractor cost performance (overruns or underruns) for the evaluation period; and
- Measure contractor cost performance (overruns or underruns) against a total estimated contract cost.

As with schedule criterion, the cost control criterion should be structured to discourage the contractor from “cherry picking” the work, i.e. doing the easiest portion of the work first to obtain large fee payments for cost underruns early, only to have even larger offsetting overruns later in the contract performance. Further, achievement of an individual PBI should not be at the expense of quality of the work associated with the PBI or so as to adversely impact other work at the site.

While a certified Earn Value Management System (EVMS) is an indication that the project performance information is collected and managed from a compliant EVMS Description, it does not provide a comprehensive contract performance measure. Therefore, reliance on the Cost Performance Index (CPI) without other supplemental methods and tools (i.e., physical evidence/demonstration, inspection) for the purpose of cost control evaluation criterion must be avoided. Use of such metrics may result in overstating of performance or other improper actions that could undermine the objective of evaluation of the contractor’s performance. The supplemental methods and tools may include a healthy assessment program; a comparison of daily field schedules against baseline milestone schedules; an evaluation of monthly burn rates, projected costs, Estimate at Completion (EAC), and variance reporting.

Additionally, when an EVMS is required, the EVMS Compliance Score (hereafter referred to as ‘Score’) could be used. This Score represents the reliability of EVMS data and the controls

based on the implementation and completeness of compliant EVMS practices. It should be incorporated into the Plan to motivate the contractor’s management and performance during the evaluation period. Through the use of standard algorithms and automated assessments, the Score objectively interprets the reliability of the contractor’s EVMS compliance with EIA-748 requirements. The goal should be that the contractor emphasizes the importance of an EIA-748 complaint EVMS as part of a viable project management methodology to plan and control work. The Score’s numerical result confirms whether or not the project is following the documented EVMS Description and associated processes to manage and minimize project risks, and accurately forecast completion dates and costs.

The goal should be to motivate effective cost control with EVMS, and the evaluation criteria should be based on the degree of cost control actually obtained. To this end, the Plan must include the initial condition under which the contractor can begin invoicing fees (See Section 1.10 Payment of Fee).

1.4.4 Schedule Control Criteria. Schedule control criterion is an important component of the Plan and therefore the schedule control criterion ***shall*** be included in the Plan. The contractor’s ability to control, adjust, and manage schedule is of key importance. Since the government employs the use of contractor cost and schedule performance to determine fee earned, it is critical the Plan establishes the initial condition that the EVMS data from which the collected schedule information is reliable and accurate.

Schedule-driven milestones must be carefully established with the contract outcome in mind especially when early delivery may or may not benefit the contract objectives. In the case where an early delivery may not benefit the government immediately, delivering the services/products early may release the resources to apply to another area. In such a case, the criterion must clearly demonstrate what other products/services will be performed as a result of early delivery.

As with cost control criterion, the schedule criterion should be structured to discourage the contractor from “cherry picking” the work, i.e., doing the easiest portion of the work first to obtain large fee payments for being ahead of schedule early, only to have even longer delays later in the contract performance. Further, achievement of an individual PBI should not be at the expense of quality of the work associated with the PBI or so as to adversely impact other work at the site.

Reliance on the Schedule Performance Index (SPI) without other supplemental methods and tools (i.e., physical evidence/demonstration, inspection) for the purpose of schedule control evaluation criterion must be avoided. Other approaches for schedule control criterion could include achievement of interim milestones (physical completion of work), or comparison of completed work to performance metrics. The goal should be to motivate effective schedule management with EVMS, but the evaluation of schedule control should be based on the degree to which schedule improvement is actually obtained.

1.5 Fee Processes.

While the fee structure is critical to ensuring alignment between the contractor’s incentive and the government’s objectives, the fee processes are also critical in ensuring a fair assessment of the contractor against the fee structure. Therefore, the plan ***shall*** include a description of how the contractor’s performance will be measured against the evaluation criteria.

1.5.1 Evaluation Methods Documentation. In support of documenting the contractor’s performance, the description of how the contractor's performance will be measured against the evaluation criteria must be included in the Plan.

The amount of fee the contractor may earn shall be commensurate with the contractor’s performance measured against contract requirements and acquisition objectives in accordance with the criteria stated in the Plan. Therefore, evaluation methods shall be documented to support the amount of fee the contractor may earn.

A well thought out fee structure, and a well prepared evaluation method simplifies the development of the performance evaluation documentation.

Notes on Performance Evaluation Documentation: It is critical that the evaluators (e.g., PTM, Award Fee Boards) provide a good description (i.e., analysis) to support the recommendation to the FDO. Factual information is necessary, however it is equally important to present what effect the factual information has on the contract. A good relevant analysis of contractor performance, which will be carried into the CPARS, will provide clear and distinguishable information for the Source Evaluation Board (SEB) on future acquisition efforts.

1.6 Provisional Payment of Fee.

If a contract provides for provisional payment of fee for an incentive, the contract must stipulate the requirements the contractor must meet before the government is obligated to pay fee, provisionally, to the contractor for that incentive and for the contractor to have any right to retain the provisionally paid fee. See AL 2014-02, Provisional Payment of Fee, for detailed guidance.

1.7 Issuance and Changes to the Plan.

The processes of issuing and changing the Plan ***shall*** be included in the Plan. While collaborative efforts with the contractor is encouraged during development of the Plan, the determination and the methodology for determining the award fee are unilateral decisions and made solely at the discretion of the government (FAR 16.404-2(b). The contractor's input should focus on ensuring that clear definitions of the PBI completion criteria are understood and determining the difficulty the contractor will encounter while endeavoring to accomplish the work scope so that the key barriers to success can be understood and weighed by the government. Collaborative efforts with the contractor should not be viewed as implying that the Plan must be issued as a bilateral contract modification.

The Plan shall describe the procedures to follow when changes are needed to the Plan after the evaluation period is in effect. If changes are required after the evaluation period has begun, use the following sample language as a guide: "*The PEMP shall be provided to the contractor [insert number of days] calendar days prior to the beginning of the first and each successive evaluation period. If there is not sufficient time for the PEMP to be provided to the contractor in the required number of days in advance of the beginning of the evaluation period, the contractor shall not be evaluated on its performance until [insert number of days, same as above] calendar days after the PEMP is received by the contractor. The PEMP may be revised unilaterally at any time during the evaluation period; but the revised PEMP, or revised portion thereof, shall not be effective until [insert number of days, same as above] calendar days after the contractor receives the revised PEMP".*

1.8 Evaluation Periods.

The Plan for the current evaluation period ***shall*** include only the award and incentive fee criteria that apply to the current evaluation period. In some instances, a PBI may take a little longer than one evaluation period to complete or a milestone that is a little past the current evaluation period. In such instance, PBIs may be approved to extend beyond one evaluation period, when appropriate, to incentivize the completion of long- term objectives. However, the award fee determination is based on the subjective criteria achieved within that particular evaluation period under which the annual Plan is approved.

Generally, the Plan's period is no longer than one year, but should rarely be less than six months. Too short of an evaluation period can prove administratively burdensome and lead to hasty evaluations. Too long of an evaluation period can jeopardize valuable feedback to the contractor regarding their performance. There should always be a continuous on-going two-way conversation with the contractor about its performance no matter what the length of the evaluation period.

Evaluation periods for contracts with PBIs should be structured to balance the period of performance, and fee pool to provide the contractor with the appropriate focus. A one-year period is appropriate for many incentives, especially when using near-term incentives in combination with contract length or completion incentives. Alternatively, when a PBI has an estimated completion time of more than one year, it may be appropriate to set the performance period for that PBI at completion, i.e., the applicable fee would be carried across more than one year.

1.9 Fee Allocation.

If the risks and types of work are similar throughout the various evaluation periods, typically, the available award fee for the entire contract is allocated equally over the evaluation periods. For available incentive fee, fee allocations may be tied to accomplishment of milestones.

1.9.1 Unequal Allocation of Fee. Fee amounts should be allocated based upon the criticality of the key performance events (events on the critical path) and provide greater weight to performance events that occur toward the end of an evaluation period. For example, a consideration could be given to a contract which has a short initial evaluation period so the contractor can become familiar with the work. The initial evaluation period may have a smaller allocation while the remaining available fee is divided equally among the remaining evaluation periods. Conversely, if the contract effort requires the contractor to become familiar with the work quickly, the initial evaluation period may have a greater allocation.

1.9.2 Reallocation of Fee. Reallocation of fee under a cost reimbursable incentive fee structure is the process by which the government moves a portion of the available fee from one evaluation period to another due to such things as government-caused delays, special emphasis areas, changes to the Performance Work Statement (PWS) or Statement of Objectives (SOO), etc. This differs from unearned fee, where the contractor's performance has led to an award determination that is less than the award fee pool for that performance period. Unearned award fee cannot be rolled over to any subsequent evaluation period. (FAR 16.402-2(d)

1.10 Payment of Fee.

Fee shall be paid only when the Contracting Officer determines the terms and conditions of the contract have been met. The Plan may establish terms and conditions under which the fee will not be paid. For example, the approval of an EVMS and the integrity and quality of the Integrated Master Schedule (IMS), and the Integrated Performance Management Baseline (IPMB) (with strict configuration control) are critical to having accurate and reliable performance data to determine contractors' performance. Contract requirement for Project Controls, Project Management, and Integrated Baseline must be enforced. Therefore, the Plan may include overriding terms and conditions which states that no fee will be paid until approval of EVMS and a reliable and high quality IMS and IPMB are accepted by DOE.

2.0 Attachments

ACRONYMS AND DEFINITIONS

Award-Fee Board (AFB) – The team of individuals identified in the award-fee plan who have been designated to assist the Fee-Determining Official in making award- fee determinations. (FAR 16.001)

Award-fee amount – The amount of award fee earned shall be commensurate with the contractor's overall cost, schedule, and technical performance as measured against contract requirements in accordance with the criteria stated in the award-fee plan. (FAR 16.402-2(b)

Award-Fee Plan – Plan that establishes the procedures for evaluating award fee which identifies the evaluation criteria and how they are linked to acquisition objectives which shall be defined in terms of contract cost, schedule, and technical performance. The plan also describes how the contractor's performance will be measured against the award-fee evaluation criteria using the adjectival rating and associated description as well as the award-fee pool earned percentages shown in Table 16-1. (FAR 16.402-2(c)(4)

Award-fee pool amount – For the contract, the amount of available award fee that can be allocated across all of the contract's evaluation periods; for an evaluation period, the amount of the contract's available award fee that is allocated to the period.

Contractor Performance Assessment Reporting System (CPARS) – CPARS is web-enabled applications that are used to document Contractor and grantee performance information that is required by Federal Regulations. FAR Part 42 identifies requirements for documenting contractor performance evaluations for systems, non-systems, architect-engineer, and construction acquisitions.

Earned value management system (EVMS) – A project management tool that effectively integrates the project scope of work with cost, schedule and performance elements for optimum project planning and control. (FAR 2.101 (ANSI/EIA-748 Earned Value Management System Guidelines)

Evaluation period(s) – Stated intervals during the contract period of performance after which the contractor will be informed of the quality of its performance and the areas in which improvement is expected (e.g., six months, nine months, twelve months, or at specific milestones), and the corresponding amount of fee which will be paid (which may be provisional).

Fee-Determining Official (FDO) – The designated Agency official(s) who reviews the recommendations of the Award-Fee Board in determining the amount of award fee to be earned by the contractor for each evaluation period. (FAR 16.001)

Integrated Master Schedule (IMS) – A time-based schedule containing the networked, detailed tasks necessary to ensure successful program/contract execution.

Integrated Performance Management Baseline (IPMB) – A time–phased schedule of all the work to be performed, the budgeted cost for this work, and the organizational elements that produce the deliverables from this work.

Performance Based Incentive (PBI) – Objective incentive in the Plan that is based on delivery of product or services which has clear completion and acceptance criteria.

Performance Evaluation Board (PEB) – The team of individuals identified in the PEMP who have been designated to assist the contracting officer and COR in determining the acceptance of completion of PBIs. The same team may also serve as AFB.

Performance Evaluation and Management Plan (PEMP) – Department of Energy's Performance Evaluation Plan that has both subjective (award fee element) and objective evaluation criteria (e.g., PBIs).

Provisional Fee – Fee that is paid to the contractor for interim performance for which repayment to the government may be required for reasons stated in the contract, which may include poor cumulative contract performance determined at a later date. AL 2014-02, Provisional Payment of Fee

AFP/PEMP TEMPLATE

(Remember, this plan should be tailored to your particular acquisition or contract. This template only provides the minimum of what must be contained within an award-fee plan, therefore more detail information may be required to suit each contract or acquisition.)

(*Fill-in information shown in italics*.)

PERFORMANCE EVALUATION MEASUREMENT PLAN

for

(TITLE OF CONTRACT) (CONTRACT NUMBER)

(EVALUATION PERIOD)

APPROVED:

____
Name of Fee Determining Official
(Title)

TABLE OF CONTENTS

1. INTRODUCTION

This *(state type of fee(s))* plan (referred to as the "Plan" from this point forward) is the basis for the *(title of the contract)* evaluation of the contractor's performance and for presenting an assessment of that performance to the Fee Determining Official (FDO). It describes specific criteria and procedures used to assess the contractor's performance and to determine the amount of fee earned. Actual award fee determinations and the methodology for determining fee are unilateral decisions made solely at the discretion of the government.

The fee earned and payable will be determined by the FDO based upon review of the contractor's performance against the criteria set forth in this Plan.

2. ORGANIZATION

The award fee organization consists of: the FDO; an Award Fee Board (AFB) which consists of a chairperson, the contracting officer, a recorder, other functional area participants (e.g., Project Technical Monitors), and advisor members; and the Contracting Officer Representative (COR). The Performance Evaluation and Management Plan (PEMP) Organization is described in Appendix C.

3. ROLES AND RESPONSIBILITIES [*May add additional individual/group, if required*]

a. Fee Determining Official. The individual who makes the final determination of the amount of fee to be awarded to the contractor. The FDO establishes the AFB. The FDO approves the award fee plan and any significant changes. The FDO reviews the recommendation(s) of the AFB, considers all pertinent data, determines the earned award fee amount for each evaluation period, and notifies the contracting officer in writing of the final fee determination.

b. Award Fee Board. Also known as Performance Evaluation Board. AFB members review Project Technical Monitors' (PTMs) evaluation(s) of the contractor's performance, consider all information from pertinent sources, prepare interim performance reports, and arrive at an earned fee recommendation to be presented to the FDO.

c. The AFB Chair. The AFB Chair may add, remove or replace additional PTMs throughout the contract period of performance, as appropriate.

d. The AFB Recorder. The AFB Recorder will coordinate administrative actions required by the PTM(s), COR(s), the AFB, and the FDO. Administrative actions include receiving, processing, and distributing performance evaluation inputs, scheduling and assisting with internal milestones, i.e., AFB briefings, and other actions as required for the smooth operation of the award fee process.

e. Project Technical Monitor(PTM). The individual(s), including the COR(s), assigned to monitor and evaluate the contractor's performance on a continuing basis. The PTM's evaluation is the primary point of reference in determining the recommended award fee, and/or acceptance of completion of PBIs, especially the technical support area of performance. The PTM is responsible for providing their input, as requested, to the AFB. The PTM is an advisor to the AFB.

f. Contracting Officer. The individual authorized to commit and obligate the government through the life of the contract. The contracting officer is an advisor to the AFB. The contracting officer is the liaison between contractor and government personnel and shall ensure the incentive process is properly administered in accordance with agency regulations and the terms of the contract. The contracting officer shall also modify the contract in regards to any contractual issues that may arise during the term of the contract.

g. COR. The COR maintains written records of the contractor's performance in their assigned evaluation area(s) so that a fair and accurate evaluation is obtained. The COR prepares interim and end-of-period evaluation reports as directed by the AFB.

4. FEE STRUCTURE

NOTE:
Describe the contract fee structure and elements, including subjective fee and objective fee percentages.
Each plan shall include a description of the fee structure. The fee structure is the mechanism by which the government provides incentives to our contractors to ensure that the government's objectives are obtained. A more detailed discussion of the fee structure is provided in Section 2.3 of this Guide.

a. The subjective criteria is divided into the following general categories of performance: *[Insert subjective criteria]*. Each criterion will be evaluated separately, and will receive a grade ranging from Unsatisfactory to Excellent consistent with the FAR 16.402-2
b. The objective criteria, Performance Based Incentive (PBI) section, establishes criteria to incentivize the contractor to achieve. Using overtime (OT) for the primary purpose of achieving PBIs is discouraged. The contracting officer may determine not to approve contractor OT requests for work that is clearly tied to PBIs. The contractor's use of OT for PBIs may be indicative of poor cost or schedule control. If OT payment is approved for work associated with PBIs, the contracting officer must have clear justification for approving the OT. The justification should demonstrate how the OT payment for PBIs benefits the government when there is already fee established for the work based on the importance of the PBIs. The benefits can be expressed in terms of reduced fee for allowing OT, direct cost savings it will generate in future work, etc. *[Insert the contract objectives and reference the location where the PBIs are in the Plan]*. The PBI fees are provisional until the final contract cost determined. *[this sentence is only applicable if the contract has a provisional payment of fee clause]*.

c. Cost and Schedule control applicable to the PBI fee will be measured against the *[Describe in detail how the cost and schedule control will be measured. For example, describe how the EVM data is verified that assures the EVM data being* *used to determine cost and schedule control criteria are accurate. Alternatively, describe how the amount of fee awarded will be impacted by completing the work before or after the target completion date with no increase in cost or reduction in quality.]*.

d. Unearned fee will NOT be rolled over into any future evaluation periods or any other performance objectives.

5. FEE PROCESSES

NOTE: *Detail the process used for your acquisition or contract. Each plan shall include a description of the fee processes. The fee processes is the mechanism by which the government provides payment of the fee to our contractors. While the fee structure is critical to providing the incentive to the contractors, the fee processes provide the mechanism for the contractors to collect fee, and are an integral part of ensuring that the government's objectives are obtained. A more detailed discussion of the fee processes is provided in Section 2.5 of this Guide.*

a. Available Fee Amount. The available fee for each evaluation period is shown in [*Insert location, e.g., Appendix A, Fee Allocation by Evaluation Periods*]. The fee earned will be paid based on the contractor's performance during each evaluation period.

b. Evaluation Criteria. Evaluation criteria will be established for each performance evaluation period. See section 2.4 Evaluation Criteria. If the contracting officer does not give specific notice in writing to the contractor of any change to the evaluation criteria prior to the start of a new evaluation period, then the same criteria listed for the preceding period will be used in the subsequent award fee evaluation period. Any changes to evaluation criteria during the performance period will be made in accordance with Section 6.0.

c. Interim Evaluation Process. The AFB Recorder notifies each AFB member and PTM and COR *[Insert number of days]* calendar days before the midpoint of the evaluation period. PTMs/CORs submit their evaluation reports to the AFB *[insert number of days]* calendar days after this notification. The AFB determines the interim evaluation results and notifies the contractor of the strength and weaknesses for the current evaluation period. The contracting officer may also issue letters at any other time when it is deemed necessary to highlight areas of government concern.

d. End-of-Period Evaluations. The AFB Recorder notifies each AFB member and PTM and COR *[insert number of days]* calendar days before the end of the evaluation period. PTMs/CORs submit their evaluation reports to the AFB *[insert number of days*] calendar days after the end of the evaluation period. The AFB prepares its evaluation report and recommendation of earned fee. The AFB briefs the evaluation report and recommendation to the FDO. At this time, the AFB may also recommend any significant changes to the fee plan for FDO approval. The FDO determines the overall grade and earned fee amount for the evaluation period within *[insert number of days]* calendar days after each evaluation period. The FDO letter informs the contractor of the earned fee amount. The contracting officer issues a contract modification within *[insert number of days]* calendar days after the FDO's decision is made authorizing payment of the earned award fee amount.

e. Contractor's Self-Assessment. When the contractor chooses to submit a self-evaluation, it must be submitted to the contracting officer within *[insert number]* working days prior to the ending of the current evaluation period being reviewed. This written assessment of the contractor's performance throughout the evaluation period may also contain any information that may be reasonably expected to assist the AFB in evaluating the contractor's performance. The contractor's self-assessment may not exceed *[insert number of pages]* pages.

6. ISSUANCE AND CHANGES TO THE PLAN

> ***NOTE:***
> *Each plan shall include the process for making changes to the fee plan during the period of performance. (See Section 2.7 of this Guide)*

All significant changes are approved by the FDO and/or contracting officer; the AFB Chairperson approves other changes. Examples of significant changes include changing evaluation criteria, adjusting weights to redirect contractor's emphasis to areas needing improvement, and revising the distribution of the fee dollars.

Determination and the methodology for determining the award fee are unilateral decisions made solely at the discretion of the government in accordance with [*Insert "H.2060 Base and Award Fee" or "H.2060 Alternate I Base and Award Fee" whichever is applicable]. If this clause is not in the contract, use the following language*: "*Determination and the methodology for determining the award fee are unilateral decisions made solely at the discretion of the government. This Plan shall be issued unilaterally by the Contracting Officer for each evaluation period that establishes the criteria and procedures for evaluating the Contractor's performance for the purpose of determining any award-fee earned. This Plan shall be provided to the Contractor [insert number of days] calendar days prior to the beginning of the first and each successive evaluation period. If there is not sufficient time for the Performance Evaluation Management Plan (PEMP) to be provided to the Contractor in the required number of days in advance of the beginning of the evaluation period, the Contractor shall not be evaluated on its performance until [insert number of days, same as above] calendar days after the PEMP is received by the Contractor. The PEMP may be revised unilaterally at any time during the evaluation period; but the revised PEMP, or revised portion thereof, shall not be effective until [insert number of days, same as above] calendar days after the Contractor receives the revised PEMP."*

7. CONTRACT TERMINATION

If the contract is terminated for the convenience of the government after the start of a fee evaluation period, the fee deemed earned for that period shall be determined by the FDO using the normal fee evaluation process. After termination for convenience, the remaining fee amounts allocated to all subsequent fee evaluation periods cannot be earned by the contractor and, therefore, shall not be paid.

APPENDIX A: FEE ALLOCATION BY EVALUATION PERIODS

The fee earned by the contractor will be determined at the completion of evaluation periods shown below. The percentage and dollars shown corresponding to each period is the maximum available fee amount that can be earned during that particular period.

Evaluation Period *	From	To	Available Fee
[Evaluation Period 1]	*[Insert start date]*	*[Insert end date]*	*[Insert Amount]*
[Evaluation Period 2]	*[Insert start date]*	*[Insert end date]*	*[Insert Amount]*
[Evaluation Period 3]	*[Insert start date]*	*[Insert end date]*	*[Insert Amount]*
[Evaluation Period 4]	*[Insert start date]*	*[Insert end date]*	*[Insert Amount]*
[Evaluation Period 5]	*[Insert start date]*	*[Insert end date]*	*[Insert Amount]*
Total Available Fee			*[Insert Amount]*

(If you have milestones or PBIs, include expected milestone/PBI completion dates for applicable evaluation period. Use a table similar to the one below.)

Evaluation Period *	Milestones Titles	Completion Date	Available Fee
[Evaluation Period]	*[Insert Title]*	*[Insert completion date]*	*[Insert Amount]*
	[Insert Title]	*[Insert completion date]*	*[Insert Amount]*
	[Insert Title]	*[Insert completion date]*	*[Insert Amount]*
	[Insert Title]	*[Insert completion date]*	*[Insert Amount]*
	[Insert Title]	*[Insert completion date]*	*[Insert Amount]*
[Total Available Fee for Evaluation Period]			*[Insert Amount]*

* The government may unilaterally revise the distribution of the remaining fee dollars among subsequent periods.

APPENDIX B: EVALUATION CRITERIA

[List and describe the Subjective Criteria, Performance Standards (i.e., quality level of services), and the Weights and Fee Amount. Describe the Surveillance methods for each criterion (how and what the criteria will be measured). Describe if there are any overriding conditions to meet the criteria.]

[List and describe the Objective Criteria, Performance Standards (quality level of services), and the weights and Fee Amount. Describe performance standards/quality level of services (e.g., limiting conditions or other parameters under which the criteria will be measured: such as plant condition, cost, schedule, deliverables including quality level and acceptance level, field verifications, overall quality, etc.) that meet the completion criteria. Describe if there are any overriding conditions to meet the criteria (e.g., safety, security, professional conduct, accuracy of reported information, compliance with CHRM clauses, etc.)]

Note: Using overtime for the primary purpose of achieving PBIs is discouraged. Contracting Officer may determine not to approve contractor overtime requests for work that is clearly tied to PBIs. *Refer to ATTACHMENT 3 Evaluation Criteria for examples.*

APPENDIX C: PEMP ORGANIZATION

(Note: This Attachment may not be shared with the contractor since this information does not impact the contractor's evaluation results: sharing this information may create undue influence on the contractor's performance evaluation)

PEMP ORGANIZATION *[No names should be included]*

Members:

Fee Determining Official: *(Position Title)*

Award Fee Review Board Chairperson: *(Position Title)*

Award Fee Review Board Members [List the Position Titles below]:

Performance Monitors [List the Subject Matter Experts (SME) Areas below]:
(Select your monitors based on the needs of your acquisition/contract)

SME/Area of Evaluation:

ATTACHMENT 3: EXAMPLES OF EVALUATION CRITERIA

[These are performance measurement standards that supplement the Adjectival Rating assigned per FAR 16.402-2(c)(4) to determine the fee.]

QUALITY

QUALITY #1	Quality of Products and Services.
EXCELLENT	**Meets all of the VERY GOOD requirements plus:** The contractor fully understands the needs of the customer. The contractor takes proactive steps to ensure high quality that exceeds contractual requirements with proven benefit to the government by advancing the customer's objective
VERY GOOD	**Meets all of the GOOD requirements plus:** The contractor proactively works with DOE to ensure the customer's expectations are clearly understood. Quality meets contractual requirements and exceeds many contractual requirements to the government's benefit.
GOOD	**Meets all of the SATISFACTORY requirements plus:** Quality meets contractual requirements and exceeds some contractual requirements, to the government's benefit.
SATISFACTORY	Quality meets contractual requirements. The contractor's performance contained some minor problems for which corrective actions taken by the contractor appear or were satisfactory.
UNSATISFACTORY	Quality does not meet contractual requirements. The contractor's performance reflects a serious problem for which the contractor has not yet identified effective corrective actions. The contractor's proposed corrective actions appear only marginally effective or were not fully implemented.

QUALITY #2	Implementation of Contractor Assurance System (CAS).
EXCELLENT	**Meets all of the VERY GOOD requirements plus:** The contractor communicates issues and performance trends or analysis results to senior management. The contractor makes informed decisions and corrects negative performance/compliance trends before they become significant issues.

VERY GOOD	**Meets all of the GOOD requirements plus:** The contractor categorizes the significance of findings based on risk and priority and other appropriate factors that enables contractor management to ensure that problems are evaluated and corrected on a timely basis. For issues categorized as higher significance findings, the contractor conducts a thorough analysis of the underlying causal factors; implements timely corrective actions that will address the cause(s) of the findings and prevent recurrence; conducts an effectiveness review using trained and qualified personnel to validate the effectiveness of the corrective action/plan implementation and results in preventing recurrences; and documents the analysis process and results.
GOOD	**Meets all of the SATISFACTORY requirements plus:** The contractor conducts periodic review of its corrective actions to ensure the corrective actions have been effective in preventing recurrence. If deficiencies are identified, the contractor develops revised corrective actions.
SATISFACTORY	The contractor maintains a Contractor Assurance System (CAS) to self- identify deficiencies and implements corrective actions that prevent recurrence.
UNSATISFACTORY	The contractor fails to meet criteria for satisfactory performance.

SCHEDULE AND COST CONTROL

SCHEDULE/COST #1	EVM is effectively integrated and used for program management.
EXCELLENT	**Meets all the VERY GOOD requirements plus:** The contractor exercises proactive, innovative use of EVM. The contractor plans and implements continual process improvement in using EVM.
VERY GOOD	**Meets all of the GOOD requirements plus:** The contractor develops and sustains effective communication of performance status on a continual basis with the government.
GOOD	**Meets all the SATISFACTORY requirements plus:** The contractor effectively integrates earned value performance into program management reviews and uses earned value performance as a primary tool for program control and decision-making.
SATISFACTORY	The contractor uses earned value performance data to make program decisions as appropriate.
UNSATISFACTORY	The contractor fails to meet criteria for satisfactory performance.

MANAGEMENT

MANAGEMENT #1	Adequacy of proposals submitted during award fee period.
EXCELLENT	**Meets all of the VERY GOOD requirements plus:** Change proposals are stand-alone and require no iteration for government understanding. The contractor communicates during the proposal preparation phase and effectively resolves issues before submission.
VERY GOOD	**Meets all of the GOOD requirements plus:** Proposal data is traceable and provides visibility to the government to support a detailed technical review and thorough cost analysis. Only minor clarification is required. Potential cost savings are considered and reported in the proposal.
GOOD	**Meets all of the SATISFACTORY requirements plus:** The contractor provides detailed analysis for subcontractor and material costs.
SATISFACTORY	Proposal data, including subcontractor data, is logically organized and provides adequate visibility to the government to support technical review and cost analysis. A basis of estimate is documented for each element. When insufficient detail is provided, the contractor provides it to the government on request. Proposal is submitted by mutually agreed to due date(s).
UNSATISFACTORY	The contractor fails to meet criteria for satisfactory performance.

MANAGEMENT #2	Management of Contract Deliverables.
EXCELLENT	**Meets all of the VERY GOOD requirements plus:** The contractor fully understands the needs of the customer. High quality deliverables are provided that exceed customer expectations, both in terms of quality and timeliness.
VERY GOOD	**Meets all of the GOOD requirements plus:** The contractor proactively works with DOE to ensure the customer's expectation are clearly understood. The contractor provides draft documents in advance of final deliverable to ensure the final product will meet or exceed customer expectations.
GOOD	**Meets all of the SATISFACTORY requirements plus:** Deliverables are of high quality and do not require rework.
SATISFACTORY	The contractor delivers contract deliverables on time.
UNSATISFACTORY	The contractor fails to meet criteria for satisfactory performance.

MANAGEMENT #3	Management of Subcontracts.
EXCELLENT	**Meets all of the VERY GOOD requirements plus:** The Contractor works proactively with subcontractors to fully communicate the needs of the customer. Subcontractor performance exceed customer expectations, both in terms of quality and timeliness.
VERY GOOD	**Meets all of the GOOD requirements plus:** The contractor ensures early identification of potential subcontract problems and the timely application of corporate resources to preclude subcontract problems from impacting overall contractor performance.
GOOD	**Meets all of the SATISFACTORY requirements plus:** Subcontractors are managed as an integral part of the contractor's team. Payments to subcontractors are prompt. The contractor assesses subcontractor to ensure compliance with labor and safety standards.
SATISFACTORY	Subcontractors are managed to ensure adequate performance of work, and do not impact overall contract performance. Payments to subcontractors are made on time.
UNSATISFACTORY	Contractor fails to meet criteria for satisfactory performance.

ENVIRONMENT, SAFETY AND HEALTH and QUALITY ASSURANCE

ESH&Q #1	Implementation of Integrated Safety Management System (ISMS)
EXCELLENT	**Meets all of the VERY GOOD requirements plus:** The contractor consistently challenges itself to improve safety performance. POMCs are strengthened every year as the contractor strives to improve ISM performance.
VERY GOOD	**Meets all of the GOOD requirements plus:** POMCs are developed as leading indicators. The contractor effectively uses POMC as forward-looking indicators to measure the health of the site's safety culture and proactively address potential safety, health, quality and environmental issue.
GOOD	**Meets all of the SATISFACTORY requirements plus:** The contractor develops effective POMCs which are used to verify the effective implementation of the ISMS. Corrective actions are implemented to address deficiencies in achieving POMCs.
SATISFACTORY	The contractor implements an Integrated Safety Management System (ISMS). The contractor has processes in place to maintain the approved ISMS Description. Performance Objectives, Measures and Commitments (POMCs) are developed with emphasis on Safety, Health, Quality, and Environmental Compliance and are submitted annual to DOE.

UNSATISFACTORY	The contractor fails to meet criteria for satisfactory performance.

ESH&Q #2	Regulatory management and environmental protection
EXCELLENT	**Meets all of the VERY GOOD requirements plus:** The contractor fully understands the needs of the customer and the regulators. Regulatory deliverables are provided that exceed customer expectations, both in terms of quality and timeliness. The contractor consistently challenges itself to improve environmental protection.
VERY GOOD	**Meets all of the GOOD requirements plus:** The contractor fosters positive relationships with the regulatory community through regular and proactive communications.
GOOD	**Meets all of the SATISFACTORY requirements plus:** The contractor understands the intent of the regulations and develops/ manages the regulatory program with a focus on the long-term benefit to the government.
SATISFACTORY	No Notice of Violations (NOVs) for actions within the control of the contractor. Routine regulatory required reports scheduled during this period are developed and submitted on time and are of good quality.
UNSATISFACTORY	The contractor fails to meet criteria for satisfactory performance.