

November 14, 2001

MEMORANDUM FOR ALL CONTRACTING OFFICERS AND NEGOTIATORS

TO: DISTRIBUTION LIST FAC

FROM: M/OP, Mark S. Ward, Director

Contract Information Bulletin 01 - 22

SUBJECT: Agency Performance Plan Goals -- Performance-Based Contracting and On-line Procurement

The purpose of this CIB is to provide information about contracting requirements that became effective at the beginning of FY 02.

One of the first documents issued by Mitchell Daniels, the new Director of OMB, was a February 14th memorandum on Performance Goals and Management Initiatives for the FY 2002 budget. The memorandum covered government-wide reforms that the President is highlighting including two that specifically impact on procurement:

- Making greater use of performance-based contracts; and
- Expanding the application of on-line procurement and other E-Government services and information.

Subsequent guidance from OMB, mandated performance goals for agencies' FY 2002 Performance Plans for performance-based contracts and on-line procurement.

The goal for performance-based contracts is to award contracts over \$25,000 using performance-based techniques for not less than 20% of the eligible service contracting dollars. While this goal may not be difficult to reach, the problem is going to be keeping track of what contracts are performance-based, what their value is, and what the total value of eligible service contracting dollars is. We hope to be able to have appropriate data elements included in the ProDoc document writing system, but it is necessary now to ask all COs to start the year by keeping track manually of the value of the service contracts and performance-based service contracts that they award.

Keeping track of performance-based service contracts is just the administrative function; however, the most important part of this goal is to encourage more widespread use of performance-based contracts. I hope that we are already doing more than 20% of our service contracts using performance-based contracting methods. FAR Subpart 37.6 provides succinct coverage on the requirements for performance-based contracts which boil down to three basic things you need to do in the contract:

- 1) describe requirements in terms of results required;
- 2) use measurable performance standards and quality assurance surveillance plans; and
- 3) specify procedures for reducing the fee when services aren't performed or do not meet contract requirements.

As noted in CIB 01-12, it is not necessary to include performance incentives in order to have a performance-based contract.

Expanding the application of on-line procurement is fairly straightforward. Under the goal established by OMB we are required to post (a) all synopses for acquisitions valued at over \$25,000 for which widespread notice is required and (b) all associated solicitations, unless covered by an exemption in the FAR, on the government-wide point-of-entry website (www.FedBizOpps.gov). Starting on October 1 all announcements that are required to be published in the Commerce Business Daily (CBD) will be sent to the CBD through FedBizOpps.

We will be sending further guidance on recording performance-based contracts. Questions about this CIB may be directed to Kathleen O'Hara, M/OP/OD, (202) 712-4759.