

**ATTACHMENT J-5**  
**INCENTIVE FEE PLAN**

**I. INTRODUCTION**

This Incentive Fee Plan reflects the arrangement between the Government and the Contractor regarding incentive fees available under the contract. It explains the applicability and operation of incentive fee clauses contained elsewhere in the contract. This plan addresses only the incentive fees. The contract does not contain any fixed fees or potential award fee.

**II. BACKGROUND**

This contract is a performance-based Cost-Plus-Incentive-Fee (CPIF) contract for Laboratory Services in support of NASA and other resident agencies at John C. Stennis Space Center. Under the contract there are two incentive fee arrangements: *cost* and *performance*.

An incentive fee arrangement will be applied for *cost*, based on *actual cost* as compared to *target cost*. Any overruns or under-runs related to Government-Directed Material/Equipment purchases will be excluded from the computation in determining the cost incentive fee.

An incentive fee arrangement will be applied for *performance*, based on the technical performance requirements stated in the Performance Requirement Summary (PRS) identified in this plan.

The *performance* incentive fee represents a maximum amount available. Conversely, the *cost* incentive fee is a target, which can increase or decrease.

The total fee reduction for cost and performance is limited to 100% of the sum of the Target Cost and Performance Incentive Fee Pools. Performance and cost will be earned annually for the basic and subsequent option years. The Government reserves the right to unilaterally change the frequency of the evaluation periods.

**III. PERFORMANCE MEASUREMENT**

Performance within each PRS will be measured and computed by cognizant NASA technical personnel who will be identified by the Contracting Officer at the start of the contract. There will be quarterly performance measurements. There will not be quarterly cost assessments, since this will not present an accurate analysis of final actual costs versus target costs. However, based on the quarterly computations of performance incentive fee, the Contractor will accrue cost and performance fees accordingly. The designated NASA technical personnel will provide the COTR with the performance incentive fee computations for each PRS whereupon the COTR will compile the results for all PRSs into a weighted percentage of performance incentive fees earned.

Within two (2) weeks following the end of each contract year, the Contractor shall furnish the

Contracting Officer a summary of actual costs versus target costs, segregating unallowable actual costs. The Defense Contract Audit Agency (DCAA) will assist the Contracting Officer in auditing the annual reported actual costs. Upon receipt of the percentage of performance fee earned from the COTR, the Contracting Officer, after audit verification, will determine the cost incentive fee earned. Within two (2) weeks of DCAA's audit verification, the Contracting Officer will issue a contract modification setting forth the incentive fee earned for the contract year, as well as any increases/decreases in contract value due to overruns or under-runs. Payment of incentive fee shall be made in accordance with Section G.3, Payment of Fee.

If the Contractor and Government fail to agree on the determination of final allowable cost and the adjusted cost incentive fee, the Contracting Officer may unilaterally determine the final cost incentive fee, which determination may be subject to the Disputes clause.

#### IV. COST INCENTIVE FEE

The Government and the Contractor agree that:

- A. The Contractor shall not share in under-runs.
- B. For cost overruns, the share formula will be as set forth as follows. There will be no correlation to the performance incentive and cost incentive for cost overruns.

Amount of overrun	Government Share	Contractor Share
0 - 5.00%	100	0
5.01 - 10.00%	75	25
10.01 - 15.00%	50	50
> 15.00%	0	100

## V. PERFORMANCE INCENTIVE FEE

The incentive fee shall be apportioned among all PRSs according to the weights specified in the PRS. The Contractor's performance will be measured by surveillance methods as described in the applicable PRS. The quarterly computations will be summed for the entire contract year. The formula for computing Incentive Fee is as follows:

$$\text{Total Annual Incentive Fee} = [(\text{Performance Incentive Fee Pool}) \times (\text{Overall PRS Rating})] + \text{Target Cost Incentive Fee} + [(x) \times (\text{Target Cost} - \text{Actual Cost})]$$

where  $x$  = the applicable Contractor share ratio (see table in section IV of this Attachment)

and where Overall PRS Rating = The average annual PRS rating. (i.e. The summation of the PRS ratings for each quarter divided by 4.)

The PRS rating for each quarter is derived from the summation of the ratings for each PRS element (i.e. Laboratory Services, Quality /Mission Assurance and Safety). The ratings for each PRS element are derived from a weighted summation of the ratings for each PRS performance standard/sub-element.

In other words, the PRS rating for each quarter (assuming no Class A Mishaps\*) is equal to:

$$[70\% \times (35\%a + 10\%b + 5\%c + 10\%d + 20\%e + 10\%f + 10\%g)] + [20\% \times (60\%h + 20\%i + 20\%j)] + [10\% \times (15\%k + 50\%m + 35\%n)]$$

where 70%, 20% and 10% are the weights for each PRS element and where  $a, b, c$ , etc. are the scores for each of the performance standards.

\* The PRS rating = 0 for any quarter in which a Class A Mishap occurs.

PERFORMANCE REQUIREMENTS SUMMARY

Performance Measures	Performance Standards	Work Requirements	Incentives/Disincentives Coverage = Quarterly Unless Stated Otherwise	Surveillance Method	Weight %
Project Management	<p>a. 100% availability of Measurement, Standards, and Calibration Laboratory Services and Gas and Material Analysis Laboratory Services</p> <p>b. Work performed meets the requirements of the potable and wastewater standards and the SSC permit requirements.</p> <p>c. Work performed meets the NASA Environmental, SSC permits, potable and wastewater standards and regulatory requirements.</p>	<p>Coordinate laboratory maintenance activities with NASA programs and Resident Agencies. Operate in accordance with NPD 8730.1</p> <p>MS Department of Health Certification Proficiency test results and corrective actions in association with Data Requirements (DR) EN05.</p>	<p>Earn 0% incentive if more than one occurrence of non-availability during quarter.</p> <p>Earn 0% incentive for failure to maintain a minimum of 90% of the Analyte List.</p>	<p>Record Review and Inspections</p> <p>Record Review and Inspections</p> <p>Record Review and Inspections</p>	<p>35%</p> <p>10%</p> <p>5%</p>

Performance Measures	Performance Standards	Work Requirements	Incentives/Disincentives Coverage = Quarterly Unless Stated Otherwise	Surveillance Method	Weight %
Quality	d. Maintain ISO 9001 and ISO 14001 compliance	Implement a quality management system	Earn 100% incentive for audit findings that are corrected within 48 hours. Earn 90% of fee for findings if more than 48 hours needed to correct findings. Earn 0% fee if findings delay test schedules	Record Review and Inspections	10%
	e. Environmental DRs shall be accurate and submitted on time.	Availability of documentation ensuring that calibrations are current for equipment. Submission of letter of verification for equipment that identifies the location of actual records and logs that are maintained. Submission of accurate and validated data per the requirements of DR EN01, EN02, EN03, EN04 and EN06	Earn 0% incentive if more than two accurate environmental DRs are submitted late during the performance period	Record Review and Inspections	20%
Use of Resources	f. Cross utilization of laboratories and personnel	Optimize FTE and equipment to maximize cost benefits	0% incentive earned if budget for laboratory operations or SWRs are overrun	Record Review and Inspections	10%
Training and Certification	g. Personnel shall be trained and certified in a timely manner to support laboratory activities	Schedule personnel training to keep current	Earn 0% if less than 95% of personnel are trained/certified.	Record Review and Inspections	10%

Performance Measures	Performance Standards	Work Requirements	Incentives/Disincentives Coverage = Quarterly Unless Stated Otherwise	Surveillance Method	Weight %
<p>Calibrations Up-to-Date</p>	<p>h. Calibrations are completed in accordance with NASA requirements and SSC/Industry Standards and Procedures.</p>	<p>Review calibration status of equipment and instrumentation and recall notices to ensure calibrations are completed by the due date.</p>	<p>Earn 0% incentive fee for failure to maintain a minimum of 95% of calibrations up-to-date during the performance period.</p>	<p>Record Review and Inspections</p>	<p>60%</p>
<p>Mission Assurance/Quality Program Plan and Reports/ Submittals (RA01, RA02, RA03)</p>	<p>i. Conforms to DR and submitted on time.</p>	<p>Plans, Reports and Submittals shall be accurate and submitted on time.</p>	<p>Earn 0% incentive fee if one or more accurate DR's are submitted late during the performance period.</p>	<p>Record Review and Inspections</p>	<p>20%</p>
<p>Deficiency Reporting and Corrective Action Reporting</p>	<p>j. Deficiencies such as Discrepancy and Correction Reports (D&amp;CR's) and Corrective Action Reports (CAR's) are satisfactorily addressed and preventive actions implemented.  Note: CAR's can be ISO or DCMA initiated.</p>	<p>Implementation of corrective actions and preventive actions.</p>	<p>Earn 80% incentive fee if one deficiency is not corrected by the required completion date.  Earn 70% incentive fee if two deficiencies are not corrected by the required completion date.  Earn 0% incentive fee if three deficiencies are not corrected by the required completion date.</p>	<p>Record Review and Inspections</p>	<p>20%</p>

**Safety and Industrial Hygiene – 10%**

Performance Measures	Performance Standards	Work Requirements	Incentives/Disincentives Coverage = Per Quarter Unless Otherwise Stated	Surveillance Method	Weight %
<p><b>Safety &amp; Industrial Hygiene Plan, Reports and Submittals</b></p>	<p>k. Conforms to DR and submitted on time.</p>	<p>Plans, Reports, and Submittals shall be accurate and submitted on time.  NOTE: Shall also include Mishap/Incident Reporting Information System (IRIS) and responding to Close Calls and Incidents.</p>	<p>Earn 0% incentive if one or more accurate DRs are submitted late during the performance period</p>	<p>Record Review</p>	<p>15%</p>
<p><b>Occurrences of Type "A" Mishap</b></p>	<p>l. No Class "A" Mishap attributable to the Contractor</p>	<p>Tracking of Mishaps and Close Calls  Investigation and Reporting  Input to Incident Reporting Information System (IRIS)</p>	<p>Earn no performance incentive fee if one or more Class "A" Mishap occur.*</p>	<p>Record Review and Inspections</p>	<p>-----</p>
<p><b>Occurrences of Type "B" Mishap</b></p>	<p>m. No Class "B" Mishap attributable to the Contractor</p>	<p>Tracking of Mishaps and Close Calls  Investigation and Reporting  Input to Incident Reporting Information System (IRIS)</p>	<p>Earn 100% incentive if no Class "B" Mishap occurs.  If one Class "B" Mishap occurs contractor will receive 60% of incentive.  If two Class "B" Mishaps occur contractor will receive 30% of incentive.</p>	<p>Record Review and Inspections</p>	<p>50%</p>

Performance Measures	Performance Standards	Work Requirements	Incentives/Disincentives Coverage = Per Quarter Unless Otherwise Stated	Surveillance Method	Weight %
<p>Compliance with Federal, State and Local Regulatory Requirements in Relation to Safety and Health (Hazardous Identification)</p>	<p>n. Compliance to regulatory requirements such as OSHA Regulations. Effective audit system designed to identify and correct non-compliances in order to prevent injuries.</p>	<p>Perform audits, inspections, surveillance and reviews to ensure day-to-day compliance to Federal, State, or Local regulatory requirements.             Input to Incident Reporting Information System (IRIS)</p>	<p>Earn 0% incentive if three or more Class "B" Mishaps occur.             Earn 100% incentive if full compliance occurs.             If one non-compliance occurs contractor will receive 80% of incentive.             If two non-compliances occur contractor will receive 40% of incentive.             Earn 0% incentive if three or more non-compliances occur.</p>	<p>Record Review and Inspections</p>	<p>35%</p>

\* Occurrence of a Class A Mishap will result in loss of full Performance Incentive Fee.