National Aeronautics and
Space Administration
Washington, DC 20546

Procurement Class Deviation

PCD 10-17
November 15, 2010

CLASS DEVIATION TO NFS 1816.405-274:
AWARD FEE EVALUATION FACTORS ARE NOT DIRECTLY TIED TO EARNED VALUE MANAGEMENT METRICS

PURPOSE: To provide a class deviation to NFS 1816.405-274(e), Award fee evaluation factors, that prohibits the use of Earned Value Management (EVM) metrics as criteria for evaluating the cost control factor.

BACKGROUND: The NFS 1816.405-274, Award fee evaluation factors, places emphasis on cost control and states that it should be balanced against other performance requirement objectives. NASA has many programs using EVM. Depending on the maturity and stage of the contractor's EVM system, their EVM data may be subjective and limited in certain areas. Use of such data in evaluating cost control could unfairly penalize the contractor on the amount of award fee that could be earned. Conversely, directly linking EVM metrics to the award fee could unfairly reward the contractor because the contractor could adjust their EVM data which would change the EVM metrics to a favorable range, resulting in a maximum award fee earned by the contractor. Therefore, to ensure award fee evaluation criteria factors are properly tied to performance objectives as explained in NFS 1816.405-274, this class deviation is issued with the guidance below.

GUIDANCE: Contracting officers must ensure that the emphasis on cost control is balanced against other performance requirement objectives and that the cost control evaluation factor is not tied directly to any EVM metrics such as the cost performance index (CPI), schedule performance index (SPI), cost variance (CV), or schedule variance (SV). Therefore, NFS 1816.405-274(e) is changed to read as follows:

" Emphasis on cost control should be balanced against other performance requirement objectives and shall not be directly tied to earned value metrics such as the cost performance index (CPI), schedule performance index (SPI), cost variance (CV), or schedule variance (SV) . The contractor should not be incentivized to pursue cost control to the point that overall performance is significantly degraded. For example, incentivizing an underrun that results in direct negative impacts on technical performance, safety, or other critical contract objectives is both undesirable and counterproductive. Therefore, evaluation of cost control shall conform to the following guidelines:”

For existing contracts where EVM metrics are used to evaluate the cost control factor, contracting officers shall revise the award fee plan at the next six month interval to eliminate the direct link to earned value metrics and to instead reflect what is important and critical to the Government at that point in the contract.
The revised evaluation criteria should be consistent with NFS 1816.405-274 and guidance in the NASA Award Fee Contracting Guide available at: http://www.hq.nasa.gov/office/procurement/regs/afguidee.html

REFERENCES: Enclosure, NFS 1816.405-274 Award fee evaluation factors

EFFECTIVE DATE: This PIC is effective as dated and shall remain in effect until the proposed change to the NFS is published as a final rule.

HEADQUARTERS CONTACT: Michael L. Powers, Office of Procurement, Contract Management Division, (202)358-2346, email: michael.l.powers@nasa.gov.

/s/
William P. McNally
Assistant Administrator for Procurement

Enclosure

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ENCLOSURE

1816.405-274 Award fee evaluation factors.

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(d) In rare circumstances, contract costs may increase for reasons outside the contractor's control and for which the contractor is not entitled to an equitable adjustment. One example is a weather-related launch delay on a launch support contract. The Government shall take such situations into consideration when evaluating contractor cost control.
(e) Emphasis on cost control should be balanced against other performance requirement objectives and shall not be tied to earned value metrics such as the cost performance index (CPI), schedule performance index (SPI), cost variance (CV), or schedule variance (SV). The contractor should not be incentivized to pursue cost control to the point that overall performance is significantly degraded. For example, incentivizing an underrun that results in direct negative impacts on technical performance, safety, or other critical contract objectives is both undesirable and counterproductive. Therefore, evaluation of cost control shall conform to the following guidelines:

(1) Normally, the contractor should be given an unsatisfactory rating for cost control when there is a significant overrun within its control. However, the contractor may receive a satisfactory or higher rating for cost control if the overrun is insignificant. Award fee ratings should decrease sharply as the size of the overrun increases. In any evaluation of contractor overrun performance, the Government shall consider the reasons for the overrun and assess the extent and effectiveness of the contractor's efforts to control or mitigate the overrun.

(2) The contractor should normally be rewarded for an underrun within its control, up to the maximum award fee rating allocated for cost control, provided the adjectival rating for all other award fee evaluation factors is very good or higher (see FAR 16.401(e)(iv).

(3) The contractor should be rewarded for meeting the estimated cost of the contract, but not to the maximum rating allocated for cost control, to the degree that the contractor has prudently managed costs while meeting contract requirements. No award shall be given in this circumstance unless the average adjectival rating for all other award fee evaluation factors is satisfactory or higher.

(f) When an AF arrangement is used in conjunction with another contract type, the award fee's cost control factor will only apply to a subjective assessment of the contractor's efforts to control costs and not the actual cost outcome incentivized under the basic contract type (e.g. CPIF, FPIF).

(g)(1) The contractor's performance against the subcontracting plan incorporated in the contract shall be evaluated. Emphasis may be placed on the contractor's accomplishment of its goals for subcontracting with small business, HUBZone small business, women-owned small business**,** veteran-owned small business, and service-disabled veteran-owned small business concerns.

(2) The contractor's performance against the contract target for participation as subcontractors by small disadvantaged business concerns in the NAICS Major Groups designated by the Department of Commerce (see FAR 19.201(c)) shall also be evaluated if the clause at FAR 52.219-26, Small Disadvantaged Business Participation - Incentive Subcontracting, is not included in the contract (see FAR 19.1204(c)).

(3) The contractor's achievements in subcontracting high technology efforts as well as the contractor's performance under the Mentor-Protégé Program, if applicable, may also be evaluated.

(4) The evaluation weight given to the contractor's performance against the considerations in paragraphs (g)(1) through (g)(3) of this section should be significant (up to 15 percent of available award fee). The weight should motivate the contractor to focus management attention to subcontracting with small, HUBZone, women-owned, veteran-owned, and service-disabled veteran-owned small business concerns, and with small disadvantaged business concerns in designated NAICS Major Groups to the maximum extent practicable, consistent with efficient contract performance.

(h) When contract changes are anticipated, the contractor's responsiveness to requests for change proposals should be evaluated. This evaluation should include the contractor's submission of timely, complete proposals and cooperation in negotiating the change.

(i) Only the award fee performance evaluation factors set forth in the performance evaluation plan shall be used to determine award fee scores.

(j) The Government may unilaterally modify the applicable award fee performance evaluation factors and performance evaluation areas prior to the start of an evaluation period. The contracting officer shall notify the contractor in writing of any such changes 30 days prior to the start of the relevant evaluation period.