**ADDITIONAL GUIDANCE ON PERFORMANCE-BASED SERVICE ACQUISITION**

**GENERAL**

Performance-based service acquisition (PBSA) is the preferred method of contracting for services and supplies. PBSA is contracting for results, not just best efforts, and involves structuring all aspects of an acquisition around the purpose of the work to be performed. Essential elements of PBSA include: (1) performance requirements, expressed in either a Performance Work Statement (PWS) or Statement of Objective (SOO); performance requirements described in terms of “what” the required output is and not “how” the work is to be accomplished; (2) performance standards or measurements, which are the criteria for determining whether the performance requirements are met; (3) appropriate performance incentives, either positive or negative; and (4) a surveillance plan that documents the Government’s approach to monitoring the contractor’s performance. See [Detailed ProTech Task Order Procedures](http://www.imsolutionsllc.com/xhtml/pro/docs/Detailed_ProTech_TO_Procedures-05102017-DEV.docx) for further ProTech ordering guidance, including deﬁning performance. The essential PBSA elements are discussed further below.

**POLICY**

FAR 37.102 established the policy to use the PBSA approach to the maximum extent practicable, for ALL services, including those acquired under supply contracts. Services exempted from this policy are: architect-engineer, construction, utility and services that are incidental to supply purchases. Use of any other approach has to be justiﬁed to the Task Order contracting ofﬁcer (TO CO). This justiﬁcation to not use PBSA should be addressed in the acquisition plan. However, if there is no acquisition plan, then the TO CO should include within the TO ﬁle a short paragraph describing why PBSA is not being used.

**CONTRACT TYPE**

The order of precedence set forth in FAR 37.102(a) (2) should be followed for all TOs. Requiring activities should use the contract type most likely to motivate contractors to perform at optimal levels.

**PERFORMANCE WORK STATEMENT**

The PWS identiﬁes the technical, functional and performance characteristics of the Government’s requirements. The PWS describes the work in terms of the purpose of the work to be performed, rather than either “how” the work is to be accomplished or the number of hours to be provided. The format for the PWS is similar to the traditional Statement of Work (SOW). In addition, the PWS will include performance standards, incentives, and a Quality Assurance Surveillance Plan (QASP) to monitor and measure program performance at systematic intervals and provide quantiﬁable data needed for informed decision-making. See [Sample Format for a Performance Work Statement (PWS)](http://www.imsolutionsllc.com/xhtml/pro/docs/NOAA_PWS_Template-051017.docx) for further guidance on the PWS.

**PERFORMANCE STANDARDS/METRICS**

Performance standards or metrics reﬂect the level of service required by the Government to meet performance objectives. Standards may be objective (e.g., response time) or subjective, (e.g., customer satisfaction). Service Level Agreements are performance standards that translate customers’ priorities into measurable vendor performance outcomes.

**PERFORMANCE STANDARDS**

Performance standards considerations include the use commercial standards where practicable (e.g., ISO 9000); ensuring the standard is needed and not unduly burdensome; and that the standard is measurable, easy to apply, and attainable.

If performance standards are not available, the PWS may include a requirement for the contractor to provide a performance matrix, as a deliverable, to assist in the development of performance standards for future TOs.

Performance Incentives - Incentives may be positive or negative; monetary or non-monetary. Note: If a ﬁnancial incentive is promised, funding for the incentive must be committed at time of TO award.

**EXAMPLES OF MONETARY INCENTIVES INCLUDE:**

* + - Incentive fees;
    - Share-in-savings; and
    - Negative monetary incentives (can be included if the desired results are not achieved - deduction should be equal to the value of the service lost).

**EXAMPLES OF NON-MONETARY INCENTIVES INCLUDE:**

* + - Revised schedule;
    - Positive performance evaluation.
    - Automatic extension of contract term or option exercise;
    - Lengthened contract term (award term contracting) or purchase of extra items (award purchase); and
    - Letters of appreciation to individual employees that may translate to bonuses.

**QUALITY ASSURANCE SURVEILLANCE PLAN (QASP)**

The QASP is a plan for assessing contractor performance to ensure compliance with the Government’s performance objectives. It describes the surveillance schedule, methods, performance measures, and incentives. The QASP is included as part of the PWS and inspects the outputs, not the process. In a QASP, the level of surveillance should be commensurate with the dollar amount, risk, and complexity of the requirement. A QASP Sample Format is provided at ProTech website [QASP Template](http://www.imsolutionsllc.com/xhtml/pro/docs/NOAA_QASP_Template-051017.docx).

**STATEMENT OF OBJECTIVES**

The SOO is an alternative to the PWS. It is a very brief document (two-to-ten pages, depending upon complexity) which summarizes key agency goals and outcomes, to which contractors respond. It is different from a PWS in that contractors propose their solutions (including a technical approach, performance standards, incentives, and a QASP) based upon commercial practices. At a minimum, a SOO should contain the following information:

* + Purpose;
  + Scope or Mission;
  + Period and place of performance;
  + Background;
  + Performance objectives, goals and outcomes; and
  + Any operating constraints.

A [SOO Sample Format](#_Sample_Statement_of) is provided at ProTech website [SOO Template](http://www.imsolutionsllc.com/xhtml/pro/docs/NOAA_SOO_Template-051017.docx).

**MOST RELEVANT REGULATIONS**

[**FAR Subpart 37.6**](http://www.acquisition.gov/far/current/html/Subpart%2037_6.html#wp1074195), **Performance-Based Acquisition**

[**FAR Part 37**](http://www.acquisition.gov/far/current/html/FARTOCP37.html#wp223485), **Service Contracting**

[**FAR 1.102**](http://www.acquisition.gov/far/current/html/Subpart%201_1.html#wp1130779), **Statement of Guiding Principles for the Federal Acquisition System**

[**FAR Part 7**](http://www.acquisition.gov/far/current/html/FARTOCP07.html#wp273907), **Acquisition Planning**   
(notably Subpart [7.5](http://www.acquisition.gov/far/current/html/Subpart%207_5.html#wp1078196) and provisions at [7.105](http://www.acquisition.gov/far/current/html/Subpart%207_1.html#wp1098095) )

[**FAR Part 10**](http://www.acquisition.gov/far/current/html/FARTOCP10.html#wp266706), **Market Research**

[**FAR Part 11**](http://www.acquisition.gov/far/current/html/FARTOCP11.html#wp226850), **Describing Agency Needs**   
(notably provisions at [11.101](http://www.acquisition.gov/far/current/html/Subpart%2011_1.html#wp1086822) and [11.106](http://www.acquisition.gov/far/current/html/Subpart%2011_1.html#wp1086859))

[**FAR Part 46**](http://www.acquisition.gov/far/current/html/FARTOCP46.html#wp226846), **Quality Assurance**   
(notably provisions at [46.103](http://www.acquisition.gov/far/current/html/Subpart%2046_1.html#wp1069917) and [46.401](http://www.acquisition.gov/far/current/html/Subpart%2046_4.html#wp1070242))   
[Note: In 1999, FAC 97-10 amended the FAR to reflect a preference for commercial contract quality requirements, rather than Federal or military specifications, and to permit greater flexibility in specifying higher-level contract quality requirements, such as ISO 9000 (see, for example, [FAR 46.102(f)](http://www.acquisition.gov/far/current/html/Subpart%2046_1.html#wp1069915), [46.202-4](http://www.acquisition.gov/far/current/html/Subpart%2046_2.html#wp1069872), and [46.311](http://www.acquisition.gov/far/current/html/Subpart%2046_3.html#wp1069871).)]

[**Federal Acquisition Streamlining Act of 1994**](https://www.acquisition.gov/seven_steps/library/act_fed-acq-stream.pdf)

**ADDITIONAL RESOURCES**

Refer to the following links to learn more about PBSA:

Seven Steps to Performance-Based Acquisition <https://www.acquisition.gov/seven_steps/home.html>

Department of Defense Guidebook for the Acquisition of Services <http://www.dau.mil/publications/publicationsDocs/Acquisition_of_Services_v5_%207_20_2011.pdf>