

NNSA POLICY

NAP 540.3A

Approved: 09-04-24
Certification Due: 09-04-27

CORPORATE PERFORMANCE EVALUATION
PROCESS FOR MANAGEMENT AND
OPERATING CONTRACTORS



NATIONAL NUCLEAR SECURITY ADMINISTRATION
Office of Partnership and Acquisition Services

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CORPORATE PERFORMANCE EVALUATION PROCESS FOR MANAGEMENT AND OPERATING CONTRACTORS

1. PURPOSE. To establish and implement a uniform, corporate process for evaluation of National Nuclear Security Administration (NNSA) management and operating (M&O) contractors' performance that results in a documented, consistent, and fair evaluation aligned with the Federal Acquisition Regulation (FAR), Department of Energy (DOE) Acquisition Regulation (DEAR), and related DOE directives and NNSA policies.
2. CANCELLATION. NNSA Policy (NAP) 540.3, *Corporate Performance Evaluation Process For Management and Operating Contractors*, dated 12-22-16.
3. AUTHORITY. This NNSA Policy (NAP) is written under 50 United States Code (U.S.C.) 2402(d), which gives the Administrator authority to establish NNSA-specific policies, unless disapproved by the Secretary.
4. APPLICABILITY.
 - a. Federal. Applies to all NNSA Federal organizations involved in oversight or evaluation of NNSA M&O Contractor performance, including subcontractor performance.
 - b. Contractor. Does not apply to contractors.
 - c. Equivalencies.
 - (1) In accordance with the responsibilities and authorities assigned by Executive Order 12344, codified at 50 United States Code sections 2406 and 2511, and to ensure consistency throughout the joint Navy/DOE Naval Nuclear Propulsion Program, the Deputy Administrator for Naval Reactors (Director) will implement and oversee requirements and practices pertaining to this Directive for activities under the Director's cognizance, as deemed appropriate.
 - (2) For non-NNSA M&O Contractors performing work for NNSA, NNSA will follow the Cognizant Program Secretarial Officer's equivalent process, unless NNSA and the non-NNSA office have an agreement regarding contract administration.
 - (3) Award fee determinations for Capital Asset Acquisitions with a separate fee structure and performance evaluation process will be made by the NNSA Fee Determining Official, unless otherwise delegated.
 - d. Exemptions.

Contract Line Item Numbers (CLINs) within NNSA's M&O contracts that do not have an award fee component (i.e., firm-fixed-price, cost-plus-

fixed-fee, etc.), and therefore do not require an award fee determination, are exempt from the Corporate Performance Evaluation Process (CPEP).

5. SUMMARY OF CHANGES. This revision incorporates process improvements identified through lessons learned and best practices observed and integrates transparency enhancements identified and implemented through a CPEP Integrated Project Team (IPT). This revision also adds, revises, and clarifies responsibilities to align the policy with current organizational structures and practices.
6. REQUIREMENTS. The CPEP is an integrated process applied consistently by all NNSA organizations. The CPEP and the related performance evaluation and measurement plans (PEMPS) for each M&O contract must, unless an approved deviation is granted by the Senior Procurement Executive (SPE), follow the format and boundaries described here:
 - a. Final CPEP documents must be consistent with pre-formatted templates provided through the CPEP annual implementation guidance.
 - b. Boundaries.
 - (1) Supplemental CPEP annual implementation guidance including schedules, templates, and other detailed guidance, must be prepared by the Office of Partnership and Acquisition Services (NA-PAS) and approved by the Fee Determining Official (FDO).
 - (2) PEMPs represent a performance-based approach to evaluate M&O contractor performance through a set of Goals. Each Goal, and its associated Objectives and Key Outcomes must be measured against authorized and executed work, demonstrated performance, and effect on the NNSA mission.
 - (3) Award fee allocated to a specific Goal must be reflective of the actual value or importance of the work with due consideration for financial and operational challenges at the laboratory, plant, or site.
 - (4) The CPEP and its outputs must be consistent with FAR and DEAR requirements, all contract terms and conditions, and related policies.
 - (5) Baseline performance expectations must be established and communicated at the beginning of the evaluation period to equitably measure performance, and changes to that baseline must be carefully managed. Any content changes to the PEMP require concurrence by the effected DOE/NNSA Stakeholder Organization(s) (i.e., Program Office, Functional Office, other DOE Office), the NNSA SPE, and approval by the FDO, prior to executing signatures by the Field Office Manager (FOM), Contracting Officer (CO), and M&O Contractor. Revisions to the PEMP, representing administrative wording changes only, must be approved by the NNSA SPE but do not require FDO approval.

- (6) Performance monitoring and reporting must take place continuously, in real-time throughout the year, with limited intervals reserved for formal performance feedback that highlights accomplishments and issues for additional contractor emphasis. Formal feedback intervals may also highlight areas where performance met requirements and expectations, as appropriate (i.e., Key Outcomes).
- (7) At the end of the evaluation period, when the award fee determination is made, Objectives and Key Outcomes must be assessed in the aggregate to establish an adjectival and numerical performance rating for each Goal. All Goal ratings must be aggregated to determine an overall adjectival and numerical performance rating. Notwithstanding the strategic CPEP framework, any significant performance failure may limit the overall rating and award fee earned for the evaluation period.
- (8) The adjectival performance ratings must be determined using the definitions in FAR Subpart 16.401(e)(3) as supplemented by this NAP in Appendix 1. The FDO has full discretion to adjust the recommended Goal ratings and resulting earned award fee amounts.
- (9) The CPEP has four distinct phases as follows:
 - (a) The Planning Phase: Must be completed prior to the beginning of the evaluation period and involves the following:
 - 1 Review and incorporate lessons learned from the prior year;
 - 2 Identify Objectives and Key Outcomes, informed by the Planning, Programming, Budget, and Evaluation (PPBE) process and associated draft Work Authorizations and Implementation Plans;
 - 3 Develop, review, and obtain FDO approval of PEMP for each NNSA M&O contract;
 - 4 Establish the allocation of available at-risk award fee to Goals within the PEMP in accordance with the contract; and
 - 5 Issue the PEMP to the M&O Contractor, with a preference for bilateral agreement.
 - (b) The Monitoring Phase: Must take place during the evaluation period and include formal periodic feedback to the M&O Contractors provided through Interim Feedback Reports (IFR). This phase must include:

- 1 Oversight and monitoring of M&O Contractor performance by all DOE/NNSA Stakeholder Evaluation Organizations and Field Offices;
 - 2 Leveraging Contractor Assurance Systems, other tools, and other performance data and information by all DOE/NNSA Stakeholder Evaluation Organizations and Field Offices to monitor performance, as appropriate;
 - 3 Formal interim feedback to the M&O Contractor; and
 - 4 Coordination between offices to ensure NNSA speaks with one voice. All DOE/NNSA Stakeholder Evaluation Organizations and Field Offices must strive to reach consensus on M&O Contractor performance, demonstrated by concurrence on CPEP deliverables.
- (c) The Assessment Phase: Must begin at the end of the evaluation period, in accordance with the terms and conditions of the contract, and is when the FDO fee determination occurs, and the Performance Evaluation Report (PER) is completed. This includes:
- 1 M&O Contractor performance must be assessed by all DOE/NNSA Stakeholder Evaluation Organizations and Field Offices at the end of the evaluation period and provide recommended adjectival and numerical ratings to the SPE, and ultimately the FDO. Timely and effective evaluation input is critical to a successful Assessment Phase;
 - 2 Coordination must occur between offices to ensure NNSA speaks with one voice. All DOE/NNSA Stakeholder Evaluation Organizations and Field Offices must strive to reach consensus on M&O Contractor performance, demonstrated by concurrence on CPEP deliverables;
 - 3 Adjudication must be made by the FDO if concurrence is not reached; and
 - 4 FDO must determine the final performance ratings and earned fee amounts.
- (d) The Post-Assessment Phase: Must begin after the FDO approves the performance ratings, earned fee amounts, and contract award term(s) (where applicable) for the M&O Contractors. Deliverables must include:

- 1 Fee determination memorandum to the M&O Contractor;
- 2 PER to the M&O Contractor;
- 3 Executing Contract Modification containing Earned Fee amounts and contract award term extensions (where applicable);
- 4 Posting Performance Evaluation Summaries (PES) to NNSA's public site; and
- 5 Posting Redacted Performance Evaluation Reports to NNSA's Freedom of Information Act (FOIA) Reading Room (when applicable).

7. RESPONSIBILITIES.

a. Fee Determining Official (FDO).

- (1) Approves annual implementation guidance;
- (2) Approves initial PEMP's and mid-year PEMP content revisions for signature;
- (3) Signs fee determination memorandums, establishing final performance ratings, earned fee amounts, and contract award term(s), where applicable, for all NNSA M&O contracts;
- (4) Approves release of the IFRs and PERs to the M&O Contractors;
- (5) Dispositions unearned fees; and
- (6) Adjudicates nonconcurrences between DOE/NNSA Stakeholder Evaluation Organizations and Field Offices.

b. Senior Procurement Executive (SPE).

- (1) Responsible for NNSA's CPEP policy, and implementation of the CPEP;
- (2) Reviews annual implementation guidance and recommends FDO approval;
- (3) Reviews proposed PEMP content revisions made during the performance period, prior to submission to the FDO for approval;
- (4) Approves administrative PEMP revisions made during the performance period;
- (5) Reviews draft IFRs, PERs, PESs, fee determination memorandums, and FDO briefings prior to submission to the FDO;

- (6) Obtains and communicates approval of PERs and fee determination memorandums to the Field Office Managers;
- (7) Attends FDO strategy sessions, award fee determination meeting(s), and other CPEP-related meetings, as appropriate;
- (8) Reviews M&O Contractor performance evaluation documents with Field Offices prior to public release; and
- (9) Submits CPEP packages to FDO through NNSA Executive Secretariat process, as applicable.

c. Field Office Manager.

- (1) Oversees the performance evaluation of the M&O Contractor;
- (2) Coordinates closely with DOE/NNSA Stakeholder Evaluation Organizations throughout CPEP phases;
- (3) Collaborates with M&O Contractor to develop strategic Objectives and Key Outcomes in drafting the PEMP;
- (4) Collaborates with DOE/NNSA Stakeholder Evaluation Organizations to develop the draft PEMP, IFR(s), and PER, striving to reach consensus;
- (5) Presents draft PEMP, and subsequent changes, to NA-PAS for other DOE/NNSA Stakeholder Evaluation Organizations' formal concurrences prior to submission for FDO approval;
- (6) Develops IFR and PER briefings, incorporating other DOE/NNSA Stakeholder Evaluation Organizations' inputs for their respective equities, and obtains their concurrences prior to finalization of documents and submission to NA-PAS;
- (7) Briefs IFR(s) and PER evaluations, including award fee recommendations, to the FDO;
- (8) Coordinates with M&O Contractor to obtain factual accuracy review of draft IFR(s) and PER;
- (9) In the event the FDO Meeting or M&O Contractor factual accuracy reviews result in content changes to the IFR(s) or PER, incorporates and submits changes to effected DOE/NNSA Stakeholder Evaluation Organizations for updated concurrences prior to submitting final reports to NA-PAS; and

- (10) Monitors M&O Contractor performance and provides real-time performance feedback with one NNSA voice through appropriate contract channels, as necessary.

d. DOE/NNSA Stakeholder Evaluation Organization.

- (1) Identifies program requirements/technical activities that are suitable for annual performance evaluation criteria (i.e., PEMP Goals, Objectives, and Key Outcomes);
- (2) Aligns performance evaluation criteria with program baseline cost, scope, and schedule, and ensures consistency with Work Authorizations/Implementation Plans and other applicable contract requirements documents, to enable effective evaluation of M&O Contractor performance;
- (3) Participates in development of PEMP Goals, Objectives, and Key Outcomes for the applicable areas of ownership/responsibility in coordination with Field Office(s);
- (4) Collaborates with the Field Offices to develop draft CPEP deliverables (i.e., IFR and PER) for respective areas of equity and concurs on final draft CPEP documents;
- (5) Participates in Field Office feedback sessions with M&O Contractors when IFRs and PERs are issued, as necessary; and
- (6) Monitors M&O Contractor performance and provides real-time performance feedback with one NNSA voice through appropriate contract channels, as necessary.

e. Management and Budget (NA-MB).

Coordinates with NA-PAS and the Field Offices for the disposition of unearned award fees.

f. CPEP Program Manager.

- (1) Prepares CPEP annual implementation guidance for SPE review and FDO approval;
- (2) Assists with the dissemination of CPEP guidance documents and related information to CPEP Coordinators;
- (3) Performs logistics for and facilitates FDO Meetings for the PEMP, IFR(s), and PER;

- (4) Reviews draft PEMP, IFRs, and PERs prior to submission to the SPE for review, and submission to the FDO for approval; prepares and facilitates SPE and FDO pre-briefings, as needed;
- (5) Notates FDO requested actions resulting from FDO Meetings, disseminates actions to applicable Field Offices and affected DOE/NNSA Stakeholder Evaluation Organizations, and briefs the FDO on associated resolutions;
- (6) Conducts lessons learned sessions with CPEP Coordinators and NNSA Organizational Leadership, as necessary;
- (7) Coordinates and facilitates situational meetings, as necessary, between Field Offices and DOE/NNSA Stakeholder Evaluation Organizations in an effort to reach consensus at a level below the FDO when nonconcurrences arise;
- (8) Leads weekly and ad hoc calls with CPEP Coordinators to obtain or provide status updates, provide guidance interpretations, answer questions, and address concerns;
- (9) Coordinates with applicable NNSA Organizations (e.g., Office of Congressional and Intergovernmental Affairs, Office of Communications, NNSA General Counsel, etc.) to upload public-facing CPEP deliverables (e.g., PEMP and Performance Evaluation Summaries) to NNSA's public website;
- (10) Coordinates with NNSA General Counsel and affected Field Offices to fulfill or respond to CPEP-related Freedom of Information Act requests;
- (11) Coordinates with applicable NNSA Offices to fulfill CPEP-related Congressional inquiries and DOE Office of Inspector General and Government Accountability Office documentation and information requests; and
- (12) Provides CPEP group or individual trainings, upon request.

g. CPEP Coordinator.

- (1) Serves as primary Field Office or DOE/NNSA Stakeholder Evaluation Organization focal point for preparation of CPEP deliverables;
- (2) Coordinates timely PEMP development and IFR/PER inputs with respective organizational Subject Matter Experts (SMEs), Managers, Directors, and Leadership;
- (3) Provides CPEP training to respective organizational SMEs, Managers, Directors, and Leadership, as needed; and

- (4) Participates in weekly and ad hoc calls held by the CPEP Program Manager to obtain or provide status updates, ask questions, share best practices, raise concerns, and relay updates to or from respective Organizational Leadership.

h. Contracting Officer (CO).

- (1) Enters into, administers, or terminates contracts and makes related determinations and findings, and obligates the government;
- (2) Issues contract requirements and ensures program requirement descriptions are compliant with performance-based contracting methods;
- (3) Issues contract modifications for applicable fee-related matters in accordance with Federal laws and regulations, agency policy, and the terms and conditions of the contract;
- (4) Signs and issues the PEMP and ensures consistency with the terms and conditions of the contract and applicable regulations and statutes;
- (5) Issues IFR(s) and PER to M&O Contractor;
- (6) Provides real-time performance feedback with one NNSA voice, as necessary; and
- (7) Serves as focal point for receipt of M&O Contractor's self-assessment report.

i. Contracting Officer's Representative (COR).

- (1) Serves as the communication link between the CO and the M&O Contractor in accordance with the COR delegation letter from the CO;
- (2) Performs and documents oversight of M&O Contractor performance, including identification of issues to be officially recognized in the Contractor's Assurance System;
- (3) Participates in PEMP development and identifies the need for interim content changes to the PEMP, as necessary;
- (4) Develops M&O Contractor performance evaluation input in support of IFR and PER development; and
- (5) Monitors M&O Contractor performance and provides real-time performance feedback with one NNSA voice through appropriate contract channels, as necessary.

8. REFERENCES.

- a. FAR 16.4, Incentive Contracts
- b. DEAR 970.1100-1, Performance-Based Contracting

9. CONTACT. Office of Partnership and Acquisition Services (NA-PAS), 202-586-4921

BY ORDER OF THE ADMINISTRATOR:



Jill Hruby
Administrator

Appendixes

- A. Fee Rating Definitions
- B. Definitions

APPENDIX A: FEE RATING DEFINITIONS

		Supplemental Award Fee Rating Definitions for NNSA Performance Evaluation and Measurement Plan (PEMP)
Excellent	91%- 100	Contractor has exceeded almost all the objectives and key outcomes under the goals in the PEMP and has met overall cost, schedule, and technical performance requirements of the contract in the aggregate for the evaluation period. <i>This performance level is evidenced by at least one significant accomplishment, or a combination of accomplishments that significantly outweigh very minor issues, if any. No significant issues in performance exist.</i>
Very Good	76%- 90%	Contractor has exceeded many of the objectives and key outcomes under the goals in the PEMP and has met overall cost, schedule, and technical performance requirements of the contract in the aggregate for the evaluation period. <i>This performance level is evidenced by accomplishments that greatly outweigh issues. No significant issues in performance exist.</i>
Good	51%- 75%	Contractor has exceeded some of the objectives and key outcomes under the goals in the PEMP and has met overall cost, schedule, and technical performance requirements of the contract in the aggregate for the evaluation period. <i>This performance level is evidenced by accomplishments that slightly outweigh issues. No significant issues in performance exist.</i>
Satisfactory	No greater than 50%	Contractor has met overall cost, schedule, and technical performance requirements of the contract in the aggregate as defined and measured against the objectives and key outcomes under the goals in the PEMP for the evaluation period. <i>This performance level is evidenced by issues that slightly outweigh accomplishments.</i>
Unsatisfactory	0%	Contractor has failed to meet overall cost, schedule, and technical performance requirements of the contract in the aggregate as defined and measured against the objectives and key outcomes under the goals in the PEMP for the award-fee evaluation period. <i>This performance level is evidenced by issues that significantly outweigh accomplishments, if any.</i>

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APPENDIX B: DEFINITIONS

- a. Accomplishment. An achievement or success in the performance of contract requirements that exceeds standards or expectations. Examples might be performing full contract requirements under budget while meeting or beating schedule baselines or performing additional scope within the initial cost targets with no negative effect on requirements or other programs, indicating continued performance improvement.
- b. DOE/NNSA Stakeholder Evaluation Organizations. All NNSA Program and Functional Offices and other DOE Offices (e.g., DOE Office of Intelligence, DOE Office of Science, etc.) that have equity in NNSA's M&O Contractor PEMP.
- c. Fee allocation. The amount of award (at-risk) fee available to be earned by an M&O Contractor for a specific PEMP Goal.
- d. Goal. Top Level strategic elements that cover broad performance areas and are related to mission accomplishment, operational excellence, or management of a laboratory/plant. Each element is usually described by a general overarching statement of the desired performance. Ratings for these elements are determined by aggregating all performance evaluations for applicable Objectives and Key Outcomes. These elements are not generally site specific; however, under certain circumstances the SPE may authorize use of a site-specific Goal(s).
- e. Interim Feedback Report (IFR). A periodic report provided to the M&O Contractor during the evaluation period highlighting accomplishments, issues, and areas where performance met requirements/expectations. The IFR period and frequency is established through the FDO's annual implementation guidance.
- f. Issue. A point in question or a matter that raises concerns regarding successful performance of contract requirements within scope, cost, and schedule baselines or concern of negative effect on requirements or other programs, indicating a decline in performance that needs attention and improvement.
- g. Key Outcome. Elements that serve to highlight very specific performance outcomes that require attention from senior laboratory/plant/site leadership. These outcomes may relate to major program or project milestones or to specific improvements in performance of a Goal or Objective. These elements must be clearly linked to a Goal or Objective, are site specific, and updated annually. They must also be objective in nature with identifiable, achievable, and measurable outcomes that represent NNSA strategic priorities.
- h. Objective. Performance areas against which an M&O Contractor is evaluated by NNSA. These elements outline desired results and more specific performance outcomes than Goals. These elements may be site-specific.

- i. Significant Accomplishment. An achievement or success significantly above requirements or expectations. This could include completing a project significantly under budget and ahead of schedule or exceeding expectations while overcoming significant complexities/challenges to complete requirements.
- j. Significant Issue. A failure to meet program, mission, contract, safety, security, or quality requirements. Examples of a significant issue include, without limitation: death or serious permanent personal injury; off-site environmental release of a hazardous material from a DOE facility; material loss or damage to DOE property; an unplanned nuclear criticality event; loss, compromise, or unauthorized disclosure of information to include Top Secret Restricted Data, Top Secret, Sensitive Compartmented Information (SCI), Special Access Program (SAP) information, or high-risk nuclear weapons-related data; failure to meet an NNSA-negotiated delivery schedule for the Department of Defense or other national security customers.