

DIRECTIVES CONTROL FORM - ORO O FINAL DIRECTIVE

PART A (To be completed by the Division of Primary Interest (DPI))

1. **NUMBER AND TITLE OF DIRECTIVE:** ORO O 220, Chapter V, Chg. 1, APPRAISAL OF DOE CONTRACTOR PERFORMANCE
2. **PURPOSE OF TRANSMITTAL:** New Directive Revised Directive Page Change
3. **THIS DOCUMENT MAY AFFECT THE WORK PERFORMED BY THE FOLLOWING CONTRACTORS:** (Check appropriate boxes) Although the CRD attached to the correlating DOE Order is applicable to contractors, no additional contractor requirements are imposed in this Chapter.
- No (all contractors)
 Yes If yes, whom? LMES LMER ORAU SURA
 Bechtel Jacobs Company
 Other contractors (list by type)
- Many ORO contractors have approved S/RIDs or WSS sets that may affect applicability of contractor requirements from this directive. Applicability of contractor requirements must take into account the approved standards set for each particular contract.*
4. **SIGNIFICANT PROVISIONS:** Are there any significant changes or impact?
 No Yes If yes, describe: This ORO Chapter is part of the ORO sunset review process. Changes to this Chapter include editorial revisions to (1) correlate the Chapter to DOE O 224.1, (2) add additional responsibilities (14)- (24) in subparagraph 4b, (3) reflect the current organizational title of the ORO Financial Evaluation and Accountability Division and (4) update the DOE Directive referenced in subparagraph 6c. In Attachment 1, Section 2 has been retitled, the word "report" has been deleted in paragraphs 2.4.4 and 3.3.4, additional information has been added in paragraph 3.3.3, and Appendix 3 has been modified (and reformatted to enhance readability) to reflect current policy.
5. **CONTACT POINT:** Sheria Allen Financial Evaluation and Accountability Division, FM-73 576-0008
Name Organization Telephone

PART B (To be completed by the Directives Management Group (DMG)):

6. **FILING INSTRUCTIONS:**
- | <u>Remove</u> | <u>Dated</u> | <u>Insert</u> | <u>Dated</u> |
|--|--------------|---|--------------|
| ORO O 220, Chapter V | 09/30/1996 | ORO O Control Form | 05/07/1999 |
| Pages V-1 through V-5
and all of Attachment 1 | | ORO O 220, Chapter V,
Chg. 1, Pages V-1 through V-6
and all of Attachment 1 | 05/07/1999 |

*ORO Orders are available on the ORO Directives Management Home Page
[http://www.ornl.gov/doe_oro_dmg/orchklst.htm] within 5-10 working days after receipt of this Control Form.
The ORO Orders will no longer be mailed in printed copy unless you do not have Internet capabilities.*

7. **APPROVED FOR DISTRIBUTION IN ACCORDANCE WITH THE OFFICIAL DIRECTIVES DISTRIBUTION LIST:**

Original signed by

Jennifer H. Cusick, AD-440
Signature Management Analyst, AD-440

05/07/1999
Date

INSTRUCTIONS TO ADDRESSEES: THIS FORM IS TO BE FILED WITH THE DIRECTIVE AND RETAINED

U.S. Department of Energy

Oak Ridge Operations

ORO O 220
Chapter V
Change 1

DATE: 05/07/1999

SUBJECT: APPRAISAL OF DOE CONTRACTOR PERFORMANCE

1. PURPOSE. This Chapter correlates to DOE O 224.1, CONTRACTOR PERFORMANCE-BASED BUSINESS MANAGEMENT PROCESS, dated December 8, 1997, by assigning responsibility and accountability and providing administrative guidance to Oak Ridge Operations (ORO) for appraising contractor performance. Nothing in this issuance changes any requirements contained in any DOE Order.
2. CANCELLATION. This Chapter cancels and replaces ORO O 220, Chapter V, APPRAISAL OF DOE CONTRACTOR PERFORMANCE, dated September 30, 1996.
3. APPLICABILITY. The provisions of this Chapter apply to ORO Principal Staff and should be provided for information to ORO contractors selected for inclusion in the appraisal program. The following cost-type contracts are subject to these provisions: (a) management and operating, (b) management and integration, (c) onsite service, and (d) long-term (three years or more) single purpose. Performance evaluation of architect-engineer contracts will be conducted in accordance with the provisions of Federal Acquisition Regulation 36.604. Although the Contractor Requirements Document (CRD) attached to the correlating DOE Order is applicable to contractors to the extent set forth in their contract, no additional contractor requirements are contained in this Chapter.
4. RESPONSIBILITIES.
 - a. Manager ensures that effective programs for evaluating contractor performance and implementing appropriate corrective action are established and maintained.
 - b. Director, Financial Evaluation and Accountability Division (FEAD).
 - (1) Administers and monitors the overall ORO Appraisal Program and ensures that appraisal procedures and requirements are met. Provides information to the Contracting Officers (CO), Contracting Officers' Representatives (COR), and Principal Staff regarding appraisal requirements and results obtained from previous appraisals, management evaluations, audits, and inspections.
 - (2) Identifies, in conjunction with the Principal Staff, appraisals and other evaluations of contractor performance required by DOE Orders, directives, and public laws.
 - (3) Establishes procedures for evaluating contractor performance.
 - (4) Reviews and evaluates annual schedules to assure appropriate appraisal coverage.

- (5) Reviews and evaluates objectives, measures, expectations, and performance criteria established by the Principal Staff and/or contractor to assure they are sufficiently comprehensive to effectively evaluate the contractor's performance.
- (6) Reviews appraisal reports for conformance to ORO procedures.
- (7) Conducts appraisals of selected areas using teams comprised of individuals from appropriate ORO divisions, as requested by the ORO Manager.
- (8) Maintains a file of appraisal reports and related correspondence received.
- (9) Assists the COR by initiating action to assure followup and resolution of open appraisal recommendations.
- (10) Prepares annual status reports of appraisal activity and provides copies to cognizant COR and other Principal Staff for review and update.
- (11) Provides appraisal information to the CO to assist in making decisions concerning contract extensions/renewals and fee negotiations.
- (12) Serves as liaison between ORO and Headquarters, other field offices, the General Accounting Office, and the Office of Inspector General regarding appraisal activities.
- (13) Provides training to the Principal Staff and COR regarding certain appraisal responsibilities.
- (14) Serves as ORO Point of Contact to the Office of Field Management and to other DOE organizations involved in the Business Management Oversight Process.
- (15) Designs the ORO Business Management Oversight Process and manages the process quality.
- (16) Develops the schedule for the annual ORO Business Management Review cycle.
- (17) Ensures that Objectives, Measures and Expectations for the Business Management Review are agreed upon between the Contractor and the ORO Functional Manager in a timely manner.
- (18) Organizes and supports the work of the Business Management Review Team.

- (19) Supports the Review Team in the development of a Review Plan for each Business Management Review and For Cause Review.
- (20) Serves as the Review Team Leader.
- (21) Provides training, as necessary, for Business Management Review teams to perform (i.e., conduct the reviews), and supports team performance.
- (22) Coordinates ORO Business Management Reviews, including serving as liaison between the ORO review team and the contractor.
- (23) Coordinates Entrance Conferences, Exit Conferences, and lessons learned meetings.
- (24) Reviews final BMR Reports.

c. Principal Staff.

- (1) Identify vulnerabilities and associated risks in their functional areas of expertise.
- (2) Ensure that any appraiser is allowed the opportunity to submit a minority report.
- (3) Monitor corrective actions proposed or implemented in functional areas.
- (4) Prepare and provide to the cognizant COR, by August 1 each year, appraisal objectives and performance criteria for cost-plus-fixed-fee (CPFF) contracts.
- (5) Prepare notices of planned, onsite reviews to ORO contractors prior to the beginning of an onsite visit, with a copy to FEAD.
- (6) Notify the COR of any changes to established appraisal schedules, i.e., cancellations, deferrals, postponements, etc.
- (7) Independently appraise contractor performance against established performance objectives, measures, expectations, and criteria.
- (8) Provide evaluations of CPFF contractors' performance to the cognizant COR by November 1 each year to be used in preparing annual summary appraisal reports.
- (9) Prepare and submit reports of appraisal results to the cognizant COR with a copy of the transmittal memorandum and the report to FEAD within 30 days after completion of onsite review, or desk review where applicable. Recommendations for corrective action will be made to the cognizant COR.

- (10) Assist the COR in assuring followup and resolution of contractor deficiencies including verification of corrective action. Verification of corrective actions taken by the contractor should be reviewed, as a minimum, during each subsequent onsite visit.

d. Contracting Officer's Representatives (COR).

- (1) Provide copies of correspondence regarding functional appraisals of ORO contractors' performance to FEAD. (This does not include audits, assessments, and surveillances of ongoing field activities, if tracked internally by cognizant organizations.)
- (2) Develop, in conjunction with the Principal Staff, fiscal year schedules for the conduct of appraisals of contractor performance. Forward such schedules to ECD 30 days prior to the start of each fiscal year.
- (3) Review and approve any changes to appraisal schedules made by the Principal Staff.
- (4) Ensure that plans and budget requests reflect the resolution of vulnerabilities and risks identified through the appraisal process. COR are responsible for (a) reviewing appraisal reports, (b) determining which findings and issues represent operational vulnerabilities, (c) determining risks associated with those vulnerabilities, (d) taking appropriate corrective action, and (e) keeping the Manager informed of vulnerabilities and risks that are being accepted.
- (5) Prior to September 1 each year, prepare and submit appraisal objectives and performance criteria (for the coming year) for CPFF contracts to contractors and FEAD.
- (6) Prepare and submit to FEAD and CPFF contractors, by December 1 each year, annual summary appraisal reports of CPFF contractors' performance.
- (7) Review functional appraisal reports of contractors' performance and provide, within 10 days after receipt, copies of the reports along with implementing instructions regarding report findings and recommendations to the contractor. The COR should consult the appraising organizations regarding appropriate corrective action prior to transmitting implementing instructions. The contractor should be directed to provide the COR, within 30 days, corrective action plans regarding the COR's implementing instructions, and quarterly status reports thereafter.
- (8) Evaluate, with assistance of the Principal Staff, corrective action regarding performance deficiencies, recommendations, and implementing instructions. Inform the contractor in writing of the adequacy of the proposed corrective action within 30 days after receipt of the corrective action plan.

If corrective action is adequate, applicable recommendations may be administratively closed upon completion. However, implementation of approved corrective action must be verified by the appraising organization during a subsequent onsite visit or during the next appraisal. Inform the contractor in writing when recommendations have been administratively closed.

- (9) In conjunction with the CO, initiate and prepare past performance reports on contractors at the time the work under the contract is completed and interim evaluations each year on contracts with periods of performance, including options, that exceed 1 year for contracts that have been in place for at least 3 months. Submit the completed and signed performance reports to the cognizant CO for their review and signature.
 - e. Contracting Officers (CO) develop the contractor past performance report in conjunction with the COR and participate in determining the final rating. Submit final, signed performance reports to FEAD for their review and processing.
5. REQUIREMENTS AND PROCEDURES. The attached Appraisal Manual (Attachment 1 of this Chapter) further delineates the requirements and/or process covered by this Chapter.
 6. REFERENCES.
 - a. DOE O 413.1, MANAGEMENT CONTROL SYSTEMS, dated December 6, 1995.
 - b. DOE 5480.19, CONDUCT OF OPERATIONS REQUIREMENTS FOR DOE FACILITIES, dated July 9, 1990.
 - c. DOE G 414.1-1, IMPLEMENTATION GUIDE FOR USE WITH INDEPENDENT AND MANAGEMENT ASSESSMENT REQUIREMENTS OF 10 CFR PART 830.120 AND DOE 5700.6C, QUALITY ASSURANCE, dated October 11, 1996.
 - d. Acquisition Letter 95-08, dated October 2, 1995.
 7. DEFINITIONS.
 - a. Appraisal. A systematic evaluation of a contractor's performance in designated areas that utilizes information generated over a specified performance period and results in a single report. Information may be derived from routine operational and financial reports; audit, inspection, and investigation reports; management control reviews; management evaluation reports; day-to-day contacts with contractor personnel; and formal onsite reviews. The types of appraisals are (1) COR summary appraisals of CPFF contractors' performance, (2) functional appraisals conducted by the Principal Staff, (3) business management reviews, and (4) contractor past performance reports.
 - (1) CPFF Summary Appraisal. An annual appraisal conducted by COR of CPFF contractors' performance.

- (2) Functional Appraisal. An appraisal conducted by the Principal Staff in response to requests from the COR or as required by DOE Orders and regulations.
 - (3) Past Performance Report. An annual report prepared jointly by the COR and CO of relevant information regarding a contractor's actions and performance under previous award contracts. These reports are required for contracts with a value greater than \$100K.
 - (4) Business Management Review. A review of business management activities to validate and verify the effectiveness and efficiency of the contractor's assessment of compliance with its contract and its performance against agreed-to performance objectives, measures, and expectations. These reviews are conducted annually over a 2-week period.
- b. Evaluation Period. The annual period of performance October 1 through September 30 or January 1 through December 31.
 - c. Onsite Review. That part of an appraisal whereby visits are made to the contractor site to observe operations and collect data and information.
 - d. Risk. The possible consequence of taking no action in response to an identified vulnerability. Examples of risks are potential loss of life, serious process interruptions, abuse of the environment, and loss of data.
 - e. Vulnerability. An area of weakness in a contractor's operations that could have an adverse impact if not corrected. Examples of vulnerabilities are inadequate operating procedures, obsolete facilities, and lack of management controls.
- 8. CONTRACTOR REQUIREMENTS DOCUMENT. None. (See the attached Appraisal Manual for guidance.)
 - 9. ATTACHMENTS.
Attachment 1 - ORO Appraisal Manual.