

# Inspector General

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## Contractor Past Performance Information

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## Acronyms

AFMC-ASC	Air Force Materiel Command-Aeronautical System Center
AFSPC-SMC	Air Force Space Command-Space and Missile Center
AMCOM	Aviation and Missile Command
C-E LCMC	Communications-Electronics Life Cycle Management Command
CPARS	Contractor Performance Assessment Reporting System
FAR	Federal Acquisition Regulation
GAO	Government Accountability Office
IG	Inspector General
NAVAIR	Naval Air Systems Command
NAVSEA	Naval Sea Systems Command
PPIMS	Past Performance Information Management System
PPIRS	Past Performance Information Retrieval System
TACOM LCMC	Tank-Automotive and Armaments Life Cycle Management Command



INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
400 ARMY NAVY DRIVE  
ARLINGTON, VIRGINIA 22202-4704

February 29, 2008

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION,  
TECHNOLOGY, AND LOGISTICS  
ASSISTANT SECRETARY OF THE AIR FORCE  
(FINANCIAL MANAGEMENT AND COMPTROLLER)  
DIRECTOR, DEFENSE CONTRACT MANAGEMENT  
AGENCY  
NAVAL INSPECTOR GENERAL  
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Report on Contractor Past Performance Information  
(Report No. D-2008-057)

We are providing this report for information and use. We considered management comments on a draft of this report when preparing the final report.

Comments on the draft of this report conformed to requirements of DoD Directive 7650.3 and left no unresolved issues. Therefore, no additional comments are required.

We appreciate the courtesies extended to the staff. Questions should be directed to Mr. Benjamin A. Mehlman at (703) 604-9291 (DSN 664-9291) or Mr. Rudolf Noordhuizen at (703) 604-8959 (DSN 664-8959). See Appendix C for the report distribution. The team members are listed on the inside of the back cover.

By direction of the Deputy Inspector General for Auditing:

A handwritten signature in cursive script, reading "Richard B. Jolliffe", is positioned above the typed name.

Richard B. Jolliffe  
Assistant Inspector General  
Acquisition and Contract Management

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## Department of Defense Office of Inspector General

Report No. D-2008-057

February 29, 2008

Project No. D2006-D000AB-0207.000

### Contractor Past Performance Information

#### Executive Summary

**Who Should Read This Report and Why?** Congressional, civilian, and military personnel responsible for contracting and managing acquisition programs should read this report to obtain information about contractor past performance information. This report discusses problems associated with the registration, reporting, quality, and usage of contractor past performance information.

**Background.** In the 1994 Federal Acquisition Streamlining Act, Congress acknowledged that it is appropriate and relevant for the Government to consider a contractor's past performance in evaluating whether that contractor should receive future work. Past performance information is relevant for future source selection purposes, regarding a contractor's actions under previously awarded contracts. The Federal Acquisition Streamlining Act states that past contract performance of an offeror is one of the relevant factors that a contracting official of an Executive branch agency should consider in awarding a contract; it is appropriate for a contracting official to consider past contract performance of an offeror as an indicator of the likelihood that the offeror will successfully perform a contract to be awarded by that official.

The Contractor Performance Assessment Reporting System was created in 1998 by the Navy to meet Federal Acquisition Regulation requirements for the collection and evaluation of contractor past performance information. On December 17, 2004, the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics, Defense Procurement and Acquisition Policy designated the Contractor Performance Assessment Reporting System as the DoD's solution for collecting contractor past performance information. The primary purpose of the Contractor Performance Assessment Reporting System is to ensure that data on contractor performance are current, available, and entered into the Past Performance Information Retrieval System where it can be retrieved by Federal Government agencies, including DoD Departments.

**Results.** The DoD Contractor Performance Assessment Reporting System did not contain all active system contracts over \$5 million. In addition, for system contracts that were in the DoD Contractor Performance Assessment Reporting System and reviewed during the audit, we found that:

- 39 percent were registered more than a year late;
- 68 percent had performance reports that were overdue; and

- 82 percent of past performance assessment reports reviewed did not contain detailed, sufficient narratives to establish that ratings were credible and justifiable.

As a result, Government acquisition officials do not have all past performance information needed to make informed decisions related to market research, contract awards, and other acquisition matters (see the finding).

Military Department internal controls were not adequate. We identified material internal control weaknesses for Military Departments over contractor past performance information including procedures to initiate registration of contracts in the Contractor Performance Assessment Reporting System, procedures to prepare performance assessment reports in a timely manner, procedures to write detailed and qualified assessments of performance information, and procedures to purge unneeded data.

The Under Secretary of Defense for Acquisition, Technology, and Logistics should establish the requirement to register contracts in the Contractor Performance Assessment Reporting System within 30 days from contract award and to complete individual contract performance assessment reports within 120 days from the end of contract evaluation periods. He should also require formal training on writing past performance assessment report narratives and corresponding ratings for the DoD Contractor Performance Assessment Reporting System assessing officials and the individuals who review draft past performance assessment reports. The Under Secretary should require the Military Department major commands to reconcile active contracts with contracts registered in the Contractor Performance Assessment Reporting System. In addition, the Under Secretary should require the Military Department major commands to register all unregistered systems contracts over \$5 million and begin preparing required performance assessment reports, monitor and enforce compliance with the 30-day registration requirement and 120-day reporting requirement for future systems contracts over \$5 million, and remove excess and outdated information from the Contractor Performance Assessment Reporting System. (See the Finding section of the report for the detailed recommendations.)

**Management Comments and Audit Response.** We received comments from the offices of the Under Secretary of Defense for Acquisition, Technology, and Logistics; and the Assistant Secretary of the Air Force for Acquisition, concurring with our recommendations. The comments were responsive to the issues we identified in our report and no additional comments are needed. See the Finding section for a discussion of the management comments and the Management Comments section for the complete text of the comments.

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## Background

In the 1994 Federal Acquisition Streamlining Act (the Act), Congress acknowledged that it is appropriate and relevant for the Government to consider a contractor's past performance in evaluating whether that contractor should receive future work. The Act states that past contract performance of an offeror is one of the relevant factors that a contracting official of an Executive branch agency should consider in awarding a contract and it is appropriate for a contracting official to consider past contract performance of an offeror as an indicator of the likelihood that the offeror will successfully perform a contract to be awarded by that official. Federal Acquisition Regulation (FAR) 42.15, "Contractor Performance Information," requires that contractor performance information be collected and FAR 15.304, "Evaluation Factors and Subfactors," requires the use of past performance information in source selection evaluations expected to exceed the simplified acquisition threshold.

**Past Performance Information Retrieval System.** The Past Performance Information Retrieval System (PPIRS) is a Web-enabled, Government-wide application that assists Federal acquisition officials in making source selection decisions by consolidating information from Federal performance information collection systems. The PPIRS functions as the central warehouse for performance assessment reports received from other Federal performance information collection systems and provides a query capability for authorized Federal acquisition community users to retrieve report card information detailing a contractor's past performance. The PPIRS complies with a July 3, 2002, Office of Management and Budget memorandum that all Federal contractor past performance information be available online for use by all Federal agency contracting officials. The PPIRS is a DoD Business Transformation Agency system that is maintained by the Naval Sea Logistics Center detachment in Portsmouth, New Hampshire.

**Contractor Performance Assessment Reporting System.** The DoD's "A Guide to Collection and Use of Past Performance Information," May 2003, requires that past performance assessment reports be completed annually by customers during the life of the contract. The Contractor Performance Assessment Reporting System (CPARS) was created in 1998 by the Navy to meet FAR requirements for the collection and evaluation of contractor past performance information. On December 17, 2004, the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics, Defense Procurement and Acquisition Policy designated the CPARS as the DoD's solution for collecting contractor past performance information. The primary purpose of the CPARS is to ensure that data on contractor performance are current, available, and electronically transferred to the PPIRS where it can be retrieved by Federal Government agencies, including DoD Departments. DoD officials must register, rate, report, and annually update contracts in the CPARS. The CPARS is used by the Navy, Air Force, and starting in 2007, the Army. The CPARS is also a DoD Business Transformation Agency system that is administered by the Naval Sea Logistics Center. As of June 30, 2007, the Military Departments had 18,538 contracts registered in the CPARS. This total includes the four key business sectors required to report in the CPARS: Systems, Services, Operations Support, and

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Information Technology. Forty-eight percent of those contracts were registered more than 365 days from contract award. Eighty-five percent were registered more than 30 days after contract award. We limited our review to systems contracts.

The value of the CPARS to a future source selection team is inextricably linked to the care the assessing official takes in preparing a quality narrative to accompany the Government's assessment of contractor performance. Performance assessment reports aid in awarding contracts and task orders to contractors who consistently provide quality, on-time products and services that conform to contractual requirements.

**Past Performance Information Management System.** The Past Performance Information Management System (PPIMS) is the Army's Web-based performance assessment application managed by the Army Acquisition, Logistics, and Technology Enterprise System Services in Radford, Virginia. Like the PPIRS and the CPARS, the PPIMS gathers performance reporting information to aid in future source selection decisions. The Army transitioned from the PPIMS to the CPARS in early 2007, but the Army has encountered widespread problems in accessing performance assessment reports in both systems.

## Objectives

The overall audit objective was to determine whether the Military Departments were properly collecting and maintaining system acquisition past performance information for use in award decisions. Specifically, the audit evaluated whether program management officials properly prepared evaluations of contractor performance and entered this information into the PPIRS. In addition, the audit evaluated whether past performance information was used by acquisition officials in awarding contracts. We also reviewed the implementation of the management controls applicable to the objectives area. See Appendix A for a discussion of the audit scope and methodology as well as prior audit coverage.

## Review of Internal Controls

We identified material internal control weaknesses for Military Departments as defined by DoD Instruction 5010.40, "Managers' Internal Controls (MIC) Program Procedures," January 4, 2006. Military Departments did not have the internal controls over contractor past performance information including procedures to initiate registration of contracts in the CPARS, procedures to prepare performance assessment reports in a timely manner, and procedures to write detailed and qualified assessments of performance information. Implementing Recommendations 1., 2.a., and 2.b. will improve registration and reporting timeliness; and implementing Recommendation 2.c. will improve relevancy of contractor past performance information. A copy of the final report



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will be provided to the senior official responsible for internal controls in the Army, Navy, and Air Force, and the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics.

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## Management of Contractor Past Performance Information

The DoD CPARS did not contain all active system contracts over \$5 million. In addition, for system contracts that were in the DoD CPARS and reviewed during the audit, we found that:

- 39 percent were registered more than a year late from contract award;
- 68 percent had performance reports that were overdue; and
- 82 percent of past performance assessment reports reviewed did not contain detailed, sufficient narratives to establish that ratings were credible and justifiable.

This occurred due to a lack of Office of the Secretary of Defense and Military Department emphasis and guidance on timely registering system contracts in the CPARS, accurate and timely reporting of past performance in the CPARS, and training for past performance assessment report preparation. As a result, Government acquisition officials do not have necessary past performance information needed to make informed decisions related to market research, contract awards, and other acquisition matters.

### Past Performance Registration and Reporting Requirements

**FAR Past Performance Requirements.** FAR Section 42.15, “Contractor Performance Information,” states that agencies shall prepare an evaluation of contractor performance for each contract that exceeds the simplified acquisition threshold of \$100,000 in order to provide current information for source selection purposes.

On January 29, 1999, the Director for Defense Procurement, Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics approved a class deviation for DoD system<sup>1</sup> contracts that increased the past performance reporting threshold to \$5 million.

FAR 15.304, “Evaluation Factors and Subfactors,” requires the use of past performance information in source selections for negotiated competitive acquisitions expected to reach the simplified acquisition threshold.

**DoD Past Performance Guidance.** The DoD’s “A Guide to Collection and Use of Past Performance Information,” May 2003, explains the best practices for the

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<sup>1</sup> System contracts include products that require a significant amount of new engineering development work, major modification/upgrade efforts for existing systems, as well as acquisition of new systems, such as aircraft, ships, space, ordnance, ground vehicles, training systems, and other systems.

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use and collection of past performance information. The guide states that when collecting past performance information it is best to employ a consistent evaluation methodology to identify and describe the performance of DoD contractors. DoD has established common assessment elements and ratings to standardize the methodology used to rate DoD contractor performance. Supportive narrative rationales for all performance ratings assigned are mandatory in DoD. The narratives are critical to any past performance information assessment and necessary to establish that the ratings are credible and justifiable.

The “DoD Contractor Performance Assessment Reporting System Policy Guide,” March 2007 (revised in June 2007), requires all new contracts meeting the dollar threshold for reporting to be registered in the CPARS within 30 days from contract award. Registering establishes an initial contract record and facilitates subsequent past performance reporting in the CPARS. The guide requires annual issuance of contract past performance assessment reports for the life of the contract. In addition, the guide states that annual past performance assessment reports should be completed no later than 120 days after the end of the evaluation period.

The “DoD Contractor Performance Assessment Reporting System Policy Guide” was the first DoD policy to state the 30-day registration and 120-day reporting timeline requirements. Prior DoD guides contained no specified timeline for registration and reporting. However, since the inception of the system in 1998, the CPARS has calculated its registration and reporting status using the 30-day registration and 120-day reporting timeline.

Navy and Air Force guidance addressed the 30-day registration and 120-day reporting timeline as far back as October 1999 and May 2002, respectively. The “DoD Contractor Performance Assessment Reporting System Policy Guide” also states that past performance assessment reports must include a factual narrative regardless of the rating in support of the area assessment and must contain objective data to support the assigned rating. See Appendix B for a description of the CPARS rating systems.

**Army CPARS Guide.** The Army has not issued a past performance guide.

**Navy CPARS Guide.** The “Contractor Performance Assessment Reporting System (CPARS), Department of the Navy,” February 2004, states that all new contracts meeting the reporting thresholds should be registered in the CPARS within 30 days from contract award. In addition, the guide states that the annual past performance assessment reports should be completed no later than 120 days after the end of the evaluation period. The February 2004 guide is a revision of the October 1999 guide, which also included the 30-day and 120-day specified time constraints for registration and reporting. The guide also states each past performance assessment report must be based on objective data or measurable, subjective data when objective data are not available and include a short, factual, narrative statement for all assigned performance ratings.

**Air Force CPARS Guide.** The “Contractor Performance Assessment Reporting System (CPARS) Guide, Department of the Air Force,” February 2004, states that all new contracts meeting the reporting thresholds should be registered in the

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CPARS within 30 days from contract award. In addition, the guide states that the annual past performance assessment reports should be completed no later than 120 days after the end of the evaluation period. The February 2004 guide is a revision of the May 2002 guide; the revision section of the guide does not report a change to the specified timeline for registration and reporting. The guide also states that each past performance assessment report must be based on objective data or measurable, subjective data when objective data are not available and include a short, factual, narrative statement for all assigned performance ratings.

## Registration Accuracy

The DoD did not ensure that all active system contracts over \$5 million were registered. We reviewed and analyzed registration accuracy at select commands within the Army, Navy, and Air Force as discussed in the following paragraphs. We identified 321 Army, 138 Navy, and 75 Air Force systems contracts that met the \$5 million reporting threshold but were not registered in the CPARS. Contracts that have not been registered are not reported, and therefore have no past performance assessment reports within the CPARS.

**Automatic Registration.** The Army PPIMS had an automatic registration function capability. The DoD CPARS deployed an automatic registration function capability on February 17, 2007, similar to Army's. This functionality obtains contract action report data from the Federal Procurement Data System-Next Generation. As long as an activity's contract writing system feeds into Federal Procurement Data System-Next Generation, then the contract action report records would make it into the CPARS. Automatic registration means that the contract is available in the CPARS for registration, but the CPARS Focal Point has to actually "hit the button" to move it from the list of available contracts to the list of those actually registered in the CPARS. A CPARS official stated that automatic registration is an excellent tool, but it's not a perfect process. In addition, the official stated that many activities may be backlogged in getting their contract action report data into the Federal Procurement Data System-Next Generation. If a contract is FY 2005 or later and meets the reporting thresholds, then it should be pulled through into automatic registration. However, delivery order contracts with the aggregate of the orders above the reporting threshold and individual orders below the reporting threshold may not feed into the CPARS automatic registration because the CPARS treats each order as a separate contract. CPARS provides a manual registration process for contracts that are not available in the automatic registration feature.

**Army.** The Army did not ensure that all eligible contracts were registered in the CPARS. We reviewed and analyzed the registration data for three Army commands, the Army Aviation and Missile Command (AMCOM), the Army Communications-Electronics Lifecycle Management Command (C-E LCMC), and the Army Tank-automotive and Armaments Lifecycle Management Command (TACOM LCMC). The Army commands provided a list of current system contracts meeting the FAR past performance reporting threshold requirements. By comparing this to the CPARS contract inventory, we identified 4 contracts at AMCOM, 32 at C-E LCMC, and 285 at TACOM LCMC that met the \$5 million reporting threshold but were not registered in the CPARS.

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TACOM LCMC did not participate in the registration of system contracts in the PPIMS or the evaluation of contractor work performance. As of August 3, 2006, TACOM LCMC had 999 contracts in the PPIMS with no action taken on them, as opposed to 2 pending actions from AMCOM and 1 pending action from C-E LCMC. The award year of the 999 contracts ranged from 1990 through 2006.

**Navy.** The Navy did not ensure that all eligible contracts were registered in the CPARS. We reviewed and analyzed the registration data for two Navy commands, the Naval Air Systems Command (NAVAIR) and the Naval Sea Systems Command (NAVSEA). The Navy had contracts that met the criteria but were not registered in the CPARS. The Navy commands provided a list of current system contracts meeting the FAR past performance reporting threshold requirements. By comparing this to the CPARS contract inventory, we identified 53 unregistered contracts at NAVAIR and 85 at NAVSEA.

**Air Force.** The Air Force did not ensure that all eligible contracts over \$5 million were registered in the CPARS. We reviewed and analyzed the registration data for two Air Force commands, the Air Force Materiel Command-Aeronautical System Center (AFMC-ASC) and the Air Force Space Command-Space and Missile Center (AFSPC-SMC). The Air Force had contracts that met the reporting threshold but were not registered in the CPARS. The Air Force commands provided a list of current system contracts meeting the FAR past performance reporting threshold requirements. By comparing this with the CPARS contract inventory, we identified 59 unregistered contracts at AFMC-ASC and 16 at AFSPC-SMC.

## Registration Timeliness

DoD did not ensure most active system contracts over \$5 million were registered in the CPARS in a timely manner. We found that 39 percent of contracts reviewed were registered more than a year after contract award. Timely registration is important because it ensures that personnel will have time for proper surveillance and documentation to adequately report on the entire period of performance in the initial annual past performance assessment.

Contract registration establishes the initial record and facilitates subsequent past performance reporting in the CPARS. As of June 30, 2007, the selected Army, Navy, and Air Force commands had 2,732 systems contracts registered in the CPARS. Of these contracts, 50 had inaccurate registration data and 183 were awarded prior to January 1, 1998, when the FAR established the past performance reporting requirement.

We analyzed the remaining 2,499 system contracts awarded since January 1, 1998, to determine the number of days from contract award until the contract was registered. As shown in Table 1 as follows, the majority of those contracts were not registered in a timely manner.

**Table 1. Days to Register Systems Contracts  
in the CPARS by Military Department  
(as of June 30, 2007)**

<u>Department</u>	<u>30 Days or Less</u>	<u>31–180 Days</u>	<u>181–365 Days</u>	<u>More Than 365 Days</u>	<u>Total</u>
Army	643	192	102	285	1,222
Navy	115	209	191	535	1,050
Air Force	5	29	38	155	227
<b>Total</b>	<b>763</b>	<b>430</b>	<b>331</b>	<b>975</b>	<b>2,499</b>

Contracts that are registered late often have no reports for earlier evaluation periods that were due prior to the contracts being registered in the CPARS. We reviewed and analyzed the timeliness of registrations for select commands within the Army, Navy, and Air Force.

**Army.** As of June 30, 2007, the three Army commands reviewed had 1,302 contracts registered and current in the CPARS. Of these contracts, 31 had inaccurate registration data and 49 were awarded prior to January 1, 1998, when the FAR established the past performance reporting requirement. We analyzed the remaining 1,222 contracts to determine the number of days from contract award that the contract was registered. Of the 1,222 contracts, 285 contracts, or 23 percent, were registered more than 365 days after the contract award date. Table 2 shows the registration times for the Army systems contracts registered in the CPARS as of June 30, 2007.

**Table 2. Days to Register Systems  
Contracts in the CPARS by the Army  
(as of June 30, 2007)**

<u>Command</u>	<u>30 Days or Less</u>	<u>31–180 Days</u>	<u>181–365 Days</u>	<u>More Than 365 Days</u>	<u>Total</u>
AMCOM	614	138	80	179	1,011
C-E LCMC	15	29	4	50	98
TACOM LCMC	14	25	18	56	113
<b>Total</b>	<b>643</b>	<b>192</b>	<b>102</b>	<b>285</b>	<b>1,222</b>

**Navy.** As of June 30, 2007, the two Navy commands reviewed had 1,173 contracts registered and current in the CPARS. Of these contracts, 16 had inaccurate registration data and 107 were awarded prior to January 1, 1998, when the FAR established the past performance reporting requirement. We analyzed the remaining 1,050 contracts to determine the number of days from contract award that the contract was registered. Of the 1,050 contracts, 535 contracts,

or 51 percent, were registered more than 365 days after the contract award date. Table 3 shows the registration times for the Navy systems contracts registered in the CPARS as of June 30, 2007.

**Table 3. Days to Register Systems  
Contracts in the CPARS by the Navy  
(as of June 30, 2007)**

<u>Command</u>	<u>30 Days or Less</u>	<u>31–180 Days</u>	<u>181–365 Days</u>	<u>More Than 365 Days</u>	<u>Total</u>
NAVAIR	88	145	139	350	722
NAVSEA	27	64	52	185	328
<b>Total</b>	<b>115</b>	<b>209</b>	<b>191</b>	<b>535</b>	<b>1,050</b>

**Air Force.** As of June 30, 2007, the two Air Force commands reviewed had 257 contracts registered and active in the CPARS. Of these contracts, 3 had inaccurate registration data and 27 were awarded prior to January 1, 1998, when the FAR established the past performance reporting requirement. We analyzed the remaining 227 contracts to determine the number of days from contract award that the contract was registered. Of the 227 contracts, 155 contracts, or 68 percent, were registered more than 365 days after the contract award date. Table 4 shows the registration times for the Air Force systems contracts registered in the CPARS as of June 30, 2007.

**Table 4. Days to Register Systems  
Contracts in the CPARS by the Air Force  
(as of June 30, 2007)**

<u>Command</u>	<u>30 Days or Less</u>	<u>31–180 Days</u>	<u>181–365 Days</u>	<u>More Than 365 Days</u>	<u>Total</u>
AFMC-ASC	5	26	30	115	176
AFSPC-SMC	0	3	8	40	51
<b>Total</b>	<b>5</b>	<b>29</b>	<b>38</b>	<b>155</b>	<b>227</b>

## Past Performance Assessment Reporting Timeliness

The DoD did not ensure that all eligible contracts over \$5 million had current past performance assessment reports completed annually in the CPARS. We found that 68 percent of contracts reviewed had performance reports that were overdue. In addition, reporting was not accomplished in a timely manner. Past performance assessment reports should be completed in a timely manner to ensure that current information is available for Government acquisition officials to make informed decisions related to market research, contract awards, and other acquisition matters. All contracts meeting the reporting threshold must report regardless of when the contract was awarded. The past performance assessment report process takes time to complete; the past performance assessment report

must be written, reviewed, and approved by command officials; the contractor must be given time to review and comment; and time is needed to address any disagreements between the Government and the contractor. However, as more time passes to complete a past performance assessment report and make it available to Government acquisition officials, the past performance information becomes less valuable. As of June 30, 2007, the selected Army, Navy, and Air Force commands had 2,732 contracts registered. Of these contracts, 128 had final reports in the CPARS. Table 5 below shows the reporting status of the 2,604 remaining contracts in the CPARS at the selected commands and that 68 percent of the performance reports were overdue as of June 30, 2007. A newly awarded contract was current when the performance period had begun, was less than 365 days old, and the contract completion date had not been reached. For newly awarded contracts with a performance period greater than 365 days, the contract was current when work had started, but was less than 365 days in duration. For ongoing contracts, the contract is current when the performance period is less than 365 days from the performance period end date of the last completed assessment report. A contract is due when the 1-year period of performance is complete or the contract completion date has been reached. An overdue contract is one where 120 days have elapsed beyond the end of the period of performance or it is 120 days beyond the contract completion date. The CPARS also identifies whether a past performance report is the final report for that contract.

**Table 5. CPARS Reporting Status for Selected Command Contracts  
(as of June 30, 2007)**

<u>Department</u>	<u>Current</u>	<u>Due</u>	<u>Overdue</u>	<u>Total</u>	<u>Percent Overdue</u>
Army	177	106	1,019	1,302	78
Navy	198	152	742	1,092	68
Air Force	108	78	24	210	11
<b>Total</b>	<b>483</b>	<b>336</b>	<b>1,785</b>	<b>2,604</b>	<b>68</b>

We reviewed and analyzed the timeliness of reporting for select commands within the Army, Navy, and Air Force.

**Army.** The Army did not ensure that all eligible contracts over \$5 million had current past performance assessment reports completed annually in the CPARS. In addition, past performance reporting was not accomplished in a timely manner. We reviewed and analyzed the system contract reporting status in the CPARS at AMCOM, C-E LCMC, and TACOM LCMC. As of June 30, 2007, the selected Army commands had 1,302 contracts registered. The Army had no final reports in the CPARS. Table 6 below shows the reporting status of the Army systems contracts in the CPARS and that 78 percent of the performance reports were overdue as of June 30, 2007.



**Table 6. CPARS Reporting Status for Selected Army Systems Contracts  
(as of June 30, 2007)**

<u>Department</u>	<u>Current</u>	<u>Due</u>	<u>Overdue</u>	<u>Total</u>	<u>Percent Overdue</u>
AMCOM	103	64	905	1,072	84
C-E LCMC	37	25	52	114	46
TACOM LCMC	37	17	62	116	53
<b>Total</b>	<b>177</b>	<b>106</b>	<b>1,019</b>	<b>1,302</b>	<b>78</b>

In addition, the unregistered Army contracts do not have past performance assessment reports within the CPARS. AMCOM had 4 unregistered contracts, C-E LCMC had 32, and TACOM LCMC had 285. These contracts were awarded from 1995 through 2006.

As an example of the importance of untimely reviews, one Army contractor stated after receiving an untimely past performance assessment report that they did not understand why they received an assessment for an evaluation period that ended more than a year ago. In addition, the contractor stated a more timely evaluation would have allowed them the opportunity to correct the shortcomings identified in the past performance assessment report.

**Navy.** The Navy did not ensure that all eligible contracts over \$5 million had current past performance assessment reports completed annually in the CPARS. In addition, reporting was not accomplished in a timely manner. We reviewed and analyzed the reporting data in the CPARS for two Navy commands, NAVAIR and NAVSEA. As of June 30, 2007, the selected Navy commands had 1,173 contracts registered. Of these contracts, 81 had final reports in the CPARS. Table 7 below shows the reporting status of the 1,092 remaining contracts in the CPARS at the selected commands and that 68 percent of the performance reports were overdue as of June 30, 2007.

**Table 7. CPARS Reporting Status for Selected Navy System Contracts  
(as of June 30, 2007)**

<u>Department</u>	<u>Current</u>	<u>Due</u>	<u>Overdue</u>	<u>Total</u>	<u>Percent Overdue</u>
NAVAIR	117	96	556	769	72
NAVSEA	81	56	186	323	58
<b>Total</b>	<b>198</b>	<b>152</b>	<b>742</b>	<b>1,092</b>	<b>68</b>

In addition, the Navy unregistered contracts do not have past performance assessment reports within the CPARS. NAVAIR had 53 unregistered contracts and NAVSEA had 85. These contracts were awarded from 1999 through 2007.

**Air Force.** The Air Force did not ensure that all eligible contracts over \$5 million had current past performance assessment reports completed annually in

the CPARS. In addition, reporting was not accomplished in a timely manner. We reviewed and analyzed the reporting data in the CPARS for two Air Force commands, AFMC-ASC and AFSPC-SMC. As of June 30, 2007, the selected Air Force commands had 257 contracts registered. Of these contracts, 47 had final reports in the CPARS. Table 8 below shows the reporting status of the 210 remaining contracts in the CPARS at the selected commands and that 11 percent of the performance reports were overdue as of June 30, 2007.

**Table 8. CPARS Reporting Status for Selected Air Force System Contracts (as of June 30, 2007)**

<u>Department</u>	<u>Current</u>	<u>Due</u>	<u>Overdue</u>	<u>Total</u>	<u>Percent Overdue</u>
AFMC-ASC	80	63	14	157	9
AFSPC-SMC	28	15	10	53	19
<b>Total</b>	<b>108</b>	<b>78</b>	<b>24</b>	<b>210</b>	<b>11</b>

In addition, the Air Force unregistered contracts do not have past performance assessment reports within the CPARS. AFMC-ASC had 59 unregistered contracts and AFSPC-SMC had 16. These contracts were awarded from 1991 through 2006.

## Past Performance Assessment Narratives

Past performance assessment reports did not contain sufficient narratives to establish that ratings were credible and justifiable. Military Department assessing officials did not support performance ratings with the necessary narrative to support the performance assessment report ratings. It is of the utmost importance that the assessing official submits a narrative consistent with the definitions of each rating and thoroughly describes the circumstances surrounding a rating. We reviewed 66 past performance assessment reports<sup>2</sup> and found that 54 reports (82 percent) had assessment ratings that were not fully supported by the accompanying narrative. Table 9 shows the past performance assessment reports reviewed at the seven major commands visited and the number found inadequate by command.

<sup>2</sup> The 66 past performance assessment reports reviewed were from a judgmental sample; as a result the 82 percent does not generalize to the total universe of past performance assessment reports in CPARS.

**Table 9. Military Department Command Systems  
Past Performance Assessment Reports Reviewed**

<u>Command</u>	<u>Reports Reviewed</u>	<u>Inadequate Narratives</u>
AMCOM	7	6
C-E LCMC	20	19
TACOM LCMC <sup>3</sup>	1	0
NAVAIR	6	5
NAVSEA	10	7
AFMC-ASC	12	9
AFSPC-SMC	10	8
<b>Total</b>	<b>66</b>	<b>54</b>

In 48 of the 54 inadequate narratives, past performance assessment reports lacked contract effort descriptions or were not detailed enough to assist future source selection officials in determining the relevance of this program to their source selection. In 53 of the 54 inadequate narratives, past performance assessment reports contained narratives that were vague, lacked facts, did not adequately describe benefits to the Government, or did not justify the assessment ratings, and in 1 of the 54 inadequate narratives, only a performance rating was entered into the CPARS with no written narrative entered to justify the rating. Assessing officials did not always provide a narrative in all 13 performance elements in each past performance report; however, they rated the non-assessed elements.

The contract effort description section of the past performance assessment report is of critical importance to future source selection officials. The description should be detailed enough to assist future source selection officials in determining the relevance of this program to their source selection. The narratives are critical to any past performance information assessment report and necessary to establish that the ratings are credible and justifiable. It is important that the assessing official submits a rating consistent with the definitions of each rating and thoroughly describes the circumstances surrounding a rating. The value of the CPARS to a future source selection team is linked to the care the assessing official takes in preparing a quality and timely narrative to accompany the CPARS ratings. The absence of specific contract effort descriptions and sufficient narratives to support the assigned ratings could have an adverse impact on the source selection authority's ability to select the best-qualified contractor.

<sup>3</sup> TACOM LCMC did not prepare past performance reports. As a result, only one assessment report was available for audit review.

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## DoD Emphasis

DoD lacked emphasis and guidance on the timely registering of system contracts in the CPARS, the timely and accurate reporting of past performance in the CPARS, and the training for past performance assessment report preparation.

The “DoD Contractor Performance Assessment Reporting System Policy Guide,” June 2007, is the first DoD policy to state a 30-day registration and 120-day reporting timeline for the CPARS. However, we believe a policy guide is no more than a practical reference tool with suggested requirements. To ensure that the Military Departments register and report past performance in the CPARS, we believe DoD must establish actual time-specified registration and reporting requirements.

DoD did not have a process to ensure that all systems contracts were registered in the CPARS. The responsibility for registering the contracts in the CPARS varied by major command directorates within each Military Department between the contracting office and the program management office. One major command managed the annual past performance reporting requirement based on the contract inventory within the CPARS. As a result, if a contract was not registered in the CPARS, the command was unaware of the requirement for the contract to be reported. In addition, the command could not issue past performance assessment reports because the contracts were not registered or were not registered in a timely manner. The CPARS has contracts that were registered with no past performance assessment reports issued, past performance assessment reports that have never been completed though the contracts have been completed, and duplicate reports.

The value of the CPARS to a future source selection team is linked to the care the assessing official takes in preparing a quality and timely narrative to accompany the CPARS ratings. The objective when collecting past performance information is to employ a consistent evaluation methodology to identify and describe the performance of DoD contractors. DoD does not require assessing officials and the individuals who review draft past performance assessment reports to take formal training on writing past performance assessment report narratives and corresponding ratings. However, training is needed to teach assessing officials to accurately document past performance information in past performance assessment report narratives and how to accurately rate performance.

As long as there is a lack of DoD emphasis on registering contracts, issuing annual past performance assessment reports, and requiring past performance process training to ensure the CPARS past performance assessment reports are credible and justifiable, current and relevant past performance information will not be available for use by Government acquisition officials.

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## Availability of Past Performance Information

Government acquisition officials do not have current and relevant past performance information needed to make informed decisions related to market research, contract awards, and future acquisitions. As shown previously, many contracts were registered late or not at all. Past performance assessment reports were not current for all contracts registered in the CPARS. FAR 15.304, “Evaluation Factors and Subfactors,” requires the use of past performance information in source selection evaluations. We reviewed the award documentation for negotiated competitive source selections for the selected major commands within the Military Departments. Table 10 shows the number of contracts we reviewed at each of the major commands where past performance information was used as an evaluation factor.

**Table 10. Major Commands Use of Past Performance Information as an Evaluation Factor**

<u>Military Department</u>	<u>Major Command</u>	<u>Number of Contracts Reviewed</u>	<u>Past Performance as an Evaluation Factor</u>	<u>Past Performance Information Obtained From CPARS/PPIRS</u>
Army	AMCOM	7	7	3
Army	C-E LCMC	7	7	1
Army	TACOM LCMC	7	7	0
Navy	NAVAIR	10	10	10
Navy	NAVSEA	10	10	5
Air Force	AFMC-ASC	6	6	6
Air Force	AFSPC-SMC	13	13	6
<b>Total</b>		<b>60</b>	<b>60</b>	<b>31</b>

Past performance information was an evaluation factor in all 60 negotiated competitive source selection contracts reviewed. However, source selection award documentation shows that past performance information was obtained from the PPIRS for only 31 of the 60 contracts reviewed. Source selection officials obtained additional or alternative past performance information from surveys and interviews based on contract information provided by the offerors. Some major command contracting officials stated that it was often difficult based on vague contract effort descriptions to determine whether the past performance assessment reports in the CPARS were relevant to the new source selection. High ratings without adequate narratives to support the assigned ratings made officials question the validity of the CPARS past performance assessment reports. In addition, the CPARS does not always have current and relevant past performance assessment reports available for source selection. Because of the vague contract effort descriptions, the lack of sufficient past performance narratives to support the assigned ratings, and missing past performance assessment reports,

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contracting officials could be relying on unsupported performance ratings to evaluate past performance of contractors when awarding competitive contracts.

## **Conclusion**

FAR 42.15, "Contractor Performance Information," requires agencies to prepare an evaluation of contractor performance for each contract that exceeds the simplified acquisition threshold in order to provide current information for source selection purposes. FAR 15.304, "Evaluation Factors and Subfactors," requires the use of past performance information in source selections for negotiated competitive acquisitions expected to reach the simplified acquisition threshold. DoD has issued policy guidance for these FAR requirements.

Registration of contracts after award and reporting of contractor past performance on contracts create an overlapping problem. For contracts that were not registered, past performance reports were not generated. As shown above, contracts were not being registered or reported in a timely manner. As of June 30, 2007, 39 percent of the contracts were registered more than 365 days after contract award. As of June 30, 2007, 69 percent of the CPARS past performance assessment reports were overdue and many contracts had not issued past performance assessment reports.

As February 17, 2007, the CPARS has an automatic registration function capability. Automatic registration means that the contract is available in the CPARS for registration, but the CPARS Focal Point has to actually "hit the button" to move it from the list of available contracts to the list of those actually registered in the CPARS. DoD must ensure that commands follow through to ensure contracts are registered. All commands should perform a reconciliation of active system contracts over \$5 million to ensure that all required contracts are registered and reported. This reconciliation should include delivery order contracts with the aggregate of the orders above the reporting threshold. In addition, commands should not try to complete old outdated reports but should ensure that current reports are completed for all contracts. In addition, 82 percent of the past performance assessment reports reviewed lacked adequate contract effort descriptions and narratives to support the assigned performance rating.

Policy guidance is no more than a practical reference tool with suggested requirements. Until DoD establishes actual time-specified registration and reporting requirements and mandatory training for assessing officials, we believe the Military Departments will not make contract registration and reporting in the CPARS a priority. When contracts are not registered, past performance assessments reports are not completed in the CPARS in a timely manner, and past performance assessment reports are not credible and justifiable, Government acquisition officials will not have the proper information needed to assure that they are awarding best-value contracts and orders to contractors that consistently provide quality, on-time products and services that conform to contractual requirements.

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## **Recommendations, Management Comments, and Audit Response**

**1. We recommend that the Under Secretary of Defense for Acquisition, Technology, and Logistics establish a requirement to:**

**a. Register contracts in the Contractor Performance Assessment Reporting System within 30 days from contract award;**

**b. Complete the annual past performance assessment reports in the Contractor Performance Assessment Reporting System within 120 days from the end of the evaluation period; and**

**c. Require formal training for the DoD Contractor Performance Assessment Reporting System assessing officials and the individuals who review draft past performance assessment reports on writing past performance assessment report narratives and corresponding ratings.**

**Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics Comments.** The Director, Defense Procurement and Acquisition Policy provided comments on behalf of the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics. The Director concurred with the recommendation and stated that the Department will issue a policy memo addressing the requirements.

**Air Force Comments.** Although not required to comment, the Air Force Deputy Assistant Secretary for Contracting provided comments for the Assistant Secretary of the Air Force for Acquisition. The Deputy Assistant Secretary concurred with the recommendation and agreed to work with the Under Secretary of Defense for Acquisition, Technology, and Logistics.

**Audit Response.** The Director, Defense Procurement and Acquisition Policy comments were responsive and conform to requirements; no additional comments are needed.

**2. We recommend that the Under Secretary of Defense for Acquisition, Technology, and Logistics require the Military Departments to require major commands to:**

**a. Reconcile active contracts with contracts registered in the Contractor Performance Assessment Reporting System, then register and begin reporting on unregistered active contracts and newly awarded contracts.**

**b. Monitor and enforce compliance with the DoD 30-day contract registration requirement and the DoD requirement to issue the annual past performance assessment report within 120 days from the end of the evaluation period.**

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**c. Reconcile the database to ensure excess and outdated information is deleted from the Contractor Performance Assessment Reporting System.**

**Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics Comments.** The Director, Defense Procurement and Acquisition Policy provided comments on behalf of the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics. The Director concurred with the recommendation and stated that the Department will issue a policy memo to the Military Departments with a requirement for the major commands to implement guidance identified in the recommendation.

**Air Force Comments.** Although not required to comment, the Air Force Deputy Assistant Secretary for Contracting provided comments for the Assistant Secretary of the Air Force for Acquisition. The Deputy Assistant Secretary concurred with the recommendation and agreed to work with the Under Secretary of Defense for Acquisition, Technology, and Logistics.

**Audit Response.** The Under Secretary of Defense for Acquisition, Technology, and Logistics comments were responsive and conform to requirements; no additional comments are needed.



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## Appendix A. Scope and Methodology

We conducted this performance audit from May 2006 through December 2007 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our objective was to determine whether the Military Departments were properly collecting and maintaining system acquisition past performance information for use in award decisions. We reviewed the CPARS and the PPIRS information maintained at the Naval Sea Logistics Center detachment in Portsmouth, New Hampshire. We also reviewed the PPIMS information at Army Acquisition, Logistics, and Technology Enterprise System Services in Radford, Virginia. We performed testing of the information at seven selected Military Department major commands: AMCOM, C-E LCMC, TACOM LCMC, NAVAIR, NAVSEA, AFMC-ASC, and AFSPC-SMC.

We downloaded an inventory of system contracts from the CPARS for each of the seven Military Department major commands selected. There were 2,732 system contracts registered in the CPARS as of June 30, 2007. Army contracts accounted for 1,302 contracts; Navy for 1,173; and Air Force for 257. We analyzed the system contract information to determine the time elapsed from contract award to contract registration in the CPARS. We analyzed the number of system contracts in the CPARS that were current, due, and overdue for required annual reports. We updated the analysis as of June 30, 2007.

We selected 66 past performance assessment reports at the 7 Military Department major commands to review the quality of the past performance assessment reports available for use by source selection officials in the source selection process. We selected a judgmental sample of 28 reports for the Army, 16 reports for the Navy, and 22 reports for the Air Force. We chose the past performance reports from a cross-section of the command directorates and programs to obtain a broad overview of the use of past performance information in the source selection process. We obtained and reviewed the sample of past performance assessment reports for the selected commands that were completed from 2002 to 2007. We conducted interviews with command officials to receive input on their processes for preparing past performance assessment reports. We obtained and reviewed back-up documentation used in the preparation of past performance assessment reports when available.

We selected 60 systems contracts at the 7 Military Department major commands to review the use of past performance assessment reports in the source selection process for contract awards. We selected a judgmental sample of 21 contracts for the Army, 20 contracts for the Navy, and 19 contracts for the Air Force. The 60 contracts selected for the usage analysis were selected from competitive contracts awarded after January 1, 1999, at the selected commands. We chose the 60 contracts from a cross-section of the command directorates and programs to

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obtain a broad overview of the use of past performance information in the source selection process. We conducted interviews with command officials to receive input on their processes when using past performance information in source selection. We also reviewed contract source selection documentation provided by the commands, such as request for proposals, proposal analysis reports, and source selection decision documents.

We limited our review of past performance to systems contracts from the selected commands.

**Use of Computer-Processed Data.** To achieve the audit objectives, we relied on computer processed data extracted from the CPARS. We did not perform a formal reliability assessment of the computer-processed data. We did not find significant anomalies within the CPARS information that would preclude the use of the computer-processed data to meet the audit objective or that would change conclusions in the report.

**Government Accountability Office High-Risk Area.** The Government Accountability Office (GAO) has identified several high-risk areas in DoD. This report provides coverage of the “DoD Contract Management” high-risk area.

## **Prior Coverage**

During the last 5 years, GAO and the DoD Inspector General (IG) have issued five reports related to past performance information. Unrestricted GAO reports can be accessed over the Internet at <http://www.gao.gov/>. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/audit/reports>.

### **GAO**

GAO-03-842, “CMS Contracting: Issues Concerning Administrator’s Decision to Exclude Subcontractor,” July 8, 2005

GAO-03-440, “Contract Management: DLA Properly Implemented Best Value Contracting for Clothing and Textiles and Views the Supplier Base as Uncertain,” February 28, 2003

### **DoD IG**

DoD IG Report D-2007-007, “FY 2005 DoD Purchases Made Through the General Services Administration,” October 30, 2006

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DoD IG Report D-2006-061, "Source Selection Procedures for the Navy Construction Capabilities Contract," March 3, 2006

DoD IG Report D-2006-028, "DoD Reporting System for the Competitive Sourcing Program," November 22, 2005

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## Appendix B. Contractor Past Performance Rating System

The responsibility for completing quality performance assessment reports in a timely manner rests with the assessing official, who may be a program manager, or the equivalent individual responsible for program, project, task, job, or delivery order execution. That person could be the performance evaluator, quality assurance evaluator, requirements indicator, or contracting officer's representative.

The value of the CPARS to a future source selection team is inextricably linked to the care the assessing official takes in preparing a quality and timely narrative to accompany the CPARS ratings. It is of the utmost importance that the assessing official submits a rating consistent with the definitions of each rating and thoroughly describes the circumstances surrounding a rating.

### Evaluation Rating Definitions

In August 1999, the then-Principal Deputy Under Secretary of Defense for Acquisition and Technology decided that the DoD should adopt a five-point system for all past performance evaluations of Government contract performance. The following five adjectival ratings, as defined in Attachment 2 of the "DoD Contractor Performance Assessment Reporting System Policy Guide," June 2007, comprise the DoD Assessment Rating System:

**Red (Unsatisfactory):** Performance does not meet most contractual requirements and recovery is not likely in a timely manner. The contractual performance of the element or sub-element contains a serious problem(s) for which the contractor's corrective actions appear to be or were ineffective. To justify an Unsatisfactory rating, identify multiple significant events in each category that the contractor had trouble overcoming and state how it impacted the Government. A singular problem, however, could be of such serious magnitude that it alone constitutes an Unsatisfactory rating.

**Yellow (Marginal):** Performance does not meet some contractual requirements. The contractual performance of the element or sub-element being assessed reflects a serious problem for which the contractor has not yet identified corrective actions. The contractor's proposed actions appear only marginally effective or were not fully implemented. To justify Marginal performance, identify a significant event in each category that the contractor had trouble overcoming.

**Green (Satisfactory):** Performance meets contractual requirements. The contractual performance of the element or sub-element contains some minor problems for which corrective actions taken by the contractor appear to be or were satisfactory. To justify a Satisfactory rating, there should have been only

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minor problems, or major problems the contractor recovered from without impact to the contract. There should have been NO significant weaknesses identified.

**Purple (Very Good):** Performance meets contractual requirements and exceeds some to the Government's benefit. The contractual performance of the element or sub-element being assessed was accomplished with some minor problems for which corrective actions taken by the contractor was effective. To justify a Very Good rating, identify a significant event and state how it was a benefit to the Government. There should have been no significant weaknesses identified.

**Dark Blue (Exceptional):** Performance meets contractual requirements and exceeds many to the Government's benefit. The contractual performance of the element or sub-element being assessed was accomplished with few minor problems for which corrective actions taken by the contractor was highly effective. To justify an Exceptional rating, identify multiple significant events and state how they were of benefit to the Government. Also, there should have been NO significant weaknesses should be identified.

The CPARS process was designed with a series of checks-and-balances to facilitate the objective and consistent evaluation of contractor performance. Both Government and contractor perspectives are captured on the CPARS form. The opportunity to review or comment on the CPARS form by the designated Government and contractor personnel together makes a complete performance assessment report.

## DoD Past Performance Rating Categories

The CPARS performance assessment report rates each contract by the DoD past performance rating categories by the technical quality of product, schedule, cost control, and management. The technical category includes six sub-elements and the management category includes three sub-elements. Each of the four categories and each of the sub-elements are rated separately when applicable to the contract. The following are excerpts from Attachment 3 of the "DoD Contractor Performance Assessment Reporting System Policy Guide," June 2007, that provided instructions for completing a system or ship repair and overhaul Contractor Performance Assessment Report.

**Technical (Quality of Product).** This element is comprised of an overall rating and six sub-elements. Activity critical to successfully complying with contract requirements must be assessed within one or more of these sub-elements.

- **Product Performance.** Assess the achieved product performance relative to performance parameters required by the contract.
- **Systems Engineering.** Assess the contractor's effort to transform operational needs and requirements into an integrated system design solution.

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- **Software Engineering.** Assess the contractor's success in meeting contract requirements for software development, modification, or maintenance.
  - **Logistic Support/Sustainment.** Assess the success of the contractor's performance in accomplishing logistics planning.
  - **Product Assurance.** Assess how successfully the contractor meets program quality objectives; e.g., producibility, reliability, maintainability, inspectability, testability, and system safety, and controls the overall manufacturing process.
  - **Other Technical Performance.** Assess all the other technical activity critical to successful contract performance. Identify any additional assessment aspects that are unique to the contract or that cannot be captured in another sub-element.

**Schedule.** Assess the timeliness of the contractor against the completion of the contract, task orders, milestones, delivery schedules, administrative requirements, etc.

**Cost Control.** Assess the contractor's effectiveness in forecasting, managing, and controlling contract cost. Not applicable for Firm-Fixed Price or Firm-Fixed Price with Economic Price Adjustment.

**Management.** This element is comprised of an overall rating and three sub-elements. Activity critical to successfully executing the contract must be assessed within one or more of these sub-elements.

- **Management Responsiveness.** Assess the timeliness, completeness, and quality of problem identification, corrective action plans, proposal submittals (especially responses to change orders, Engineering Change Proposals (ECPs), or other UCAs [undefinitized contracts]), the contractor's history of reasonable and cooperative behavior, effective business relations, and customer satisfaction.
- **Subcontract Management.** Assess the contractor's success with timely award and management of subcontracts. If the contract has a small business subcontracting plan, the evaluation must address whether the contractor met its small business subcontracting plan goals.
- **Program Management and Other Management.** Assess the extent to which the contractor discharges its responsibility for integration and coordination of all activity needed to execute the contract; identifies and applies resources required to meet schedule requirements; assigns responsibility for tasks/actions required by the contract; communicates appropriate information to affected program elements in a timely manner. Assess the contractor's risk management practices, especially the ability to identify risks and formulate and implement risk mitigation plans. If

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applicable, identify any other areas that are unique to the contract, or that cannot be captured elsewhere under the Management element.

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## **Appendix C. Report Distribution**

### **Office of the Secretary of Defense**

Under Secretary of Defense for Acquisition, Technology, and Logistics  
  Director, Acquisition Resources and Analysis  
  Director, Defense Procurement and Acquisition Policy  
Under Secretary of Defense (Comptroller)/Chief Financial Officer  
  Deputy Chief Financial Officer  
  Deputy Comptroller (Program/Budget)  
  Director, Program Analysis and Evaluation

### **Department of the Army**

Commander, Aviation and Missile Command  
Commander, Communications-Electronics Life Cycle Management Command  
Commander, Tank-Automotive and Armaments Life Cycle Management Command  
Auditor General, Department of the Army

### **Department of the Navy**

Commander, Naval Air Systems Command  
Commander, Naval Sea Systems Command  
Naval Inspector General  
Auditor General, Department of the Navy

### **Department of the Air Force**

Commander, Air Force Materiel Command-Aeronautical System Center  
Commander, Air Force Space Command-Space and Missile Center  
Assistant Secretary of the Air Force (Financial Management and Comptroller)  
Auditor General, Department of the Air Force

### **Other Defense Organizations**

Director, Defense Contract Management Agency

### **Non-Defense Federal Organizations and Individuals**

Office of Management and Budget



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## **Congressional Committees and Subcommittees, Chairman and Ranking Minority Member**

Senate Committee on Appropriations  
Senate Subcommittee on Defense, Committee on Appropriations  
Senate Committee on Armed Services  
Senate Committee on Homeland Security and Governmental Affairs  
House Committee on Appropriations  
House Subcommittee on Defense, Committee on Appropriations  
House Committee on Armed Services  
House Committee on Oversight and Government Reform  
House Subcommittee on Government Management, Organization, and Procurement,  
Committee on Oversight and Government Reform  
House Subcommittee on National Security and Foreign Affairs,  
Committee on Oversight and Government Reform

# Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics Comments



ACQUISITION,  
TECHNOLOGY  
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE  
3000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3000

JAN 17 2008

MEMORANDUM FOR DEPUTY ASSISTANT INSPECTOR GENERAL  
ACQUISITION AND CONTRACT MANAGEMENT

THROUGH: DIRECTOR, ACQUISITION RESOURCES AND ANALYSIS *ms 1/22/08*

SUBJECT: Response to DoDIG Draft Report on "Contractor Past performance Information," (Project No. D2006-D000AB-0207.000) dated December 7, 2007

As requested, I am providing the USD (AT&L) response to Recommendations 1.(a-c), and 2.(a-c) of the subject draft report.

**Recommendations 1.(a-c)** The OIG recommended that the Under Secretary of Defense for Acquisition, Technology, and Logistics establish a requirement to:

- a. Register contracts in the CPARS within 30 days of contract award;
- b. Complete the annual past performance assessment reports in the CPARS within 120 days of the end of the evaluation period; and
- c. Require formal training for the DoD CPARS assessing officials and the individuals who review draft past performance assessment reports on writing past performance assessment report narratives and corresponding ratings.

**Response: Concur.** The Department will issue a policy memo addressing the requirements identified above in the subject report. We expect to issue the policy memo by March 31, 2008.

**Recommendations 2.(a-c)** The OIG recommended that the Under Secretary of Defense for Acquisition, Technology, and Logistics require the Military Departments to require major commands to:


- a. Reconcile active contracts with contracts registered in the CPARS, then register and begin reporting on unregistered active contracts and newly awarded contracts.

b. Monitor and enforce compliance with the DoD 30-day contract registration requirement and the DoD requirement to issue the annual past performance assessment report within 120 days of the end of the evaluation period.

c. Reconcile the database to ensure excess and outdated information is deleted from the CPARS.

**Response: Concur.** The Department will issue a policy memo to the Military Departments with a requirement for the major commands to implement requirements identified in Recommendations 2.(a-c). The requirements identified above will also be extended to those defense agencies that submit past performance information to CPARS. We expect to issue the policy memo by March 31, 2008.

My POC is Sandy Ross; she can be reached at (703) 695-9774, DSN 225-9774 or via email at [Sandra.ross@osd.mil](mailto:Sandra.ross@osd.mil).



Shay D. Assad  
Director, Defense Procurement and  
Acquisition Policy

# Department of the Air Force Comments



DEPARTMENT OF THE AIR FORCE  
WASHINGTON, DC

OFFICE OF THE ASSISTANT SECRETARY

DEC 11 2007

MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDITING  
OFFICE OF THE INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE

FROM: SAF/AQC

SUBJECT: DoDIG Draft Audit Report, Contractor Past Performance Information, (Project  
Number D2006AB-0207), December 7, 2007

This is in reply to your memorandum requesting comments for subject draft DoDIG audit report. We have reviewed the subject report, which contains recommendations that cover Past Performance Assessment Reporting and inputs to the Contractor Performance Assessment Reporting System (CPARS). SAF/AQC responses to subject report Recommendations 1. a. b. c. and 2. a. b. c. are found below:

**DoDIG Recommendation 1.** We recommend that the Undersecretary of Defense for Acquisition, Technology, and Logistics establish a requirement to:

- a. Register contracts in the CPARS within 30 days from contract award;
- b. Complete the annual past performance assessment reports in the CPARS within 120 days from the end of the evaluation period; and
- c. Require formal training for the DoD CPARS assessing officials and individuals who review draft performance assessment reports on writing past performance assessment report narratives and corresponding ratings.

Air Force response: Concur. SAF/AQC will work with OUSD/DPAP to implement recommendations.

**DoDIG Recommendation 2.:** We recommend that the Undersecretary of Defense, Acquisition, Technology, and Logistics require the Military Departments to require major commands to:

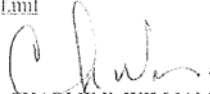
- a. Reconcile active contracts with contracts registered in the CPARS, then register and begin reporting on registered active contracts and newly awarded contracts.
- b. Monitor and enforce compliance with the DoD 30 day contract registration requirement and the DoD requirement to issue the annual past

performance assessment report within 120 days from the end of the evaluation period.

**c. Reconcile the database to ensure excess and outdated information is deleted from the CPARS.**

Air Force response: Concur. SAF/AQC will work with OUSD/DPAP to implement recommendations.

Please direct any questions regarding this memorandum to Heidi Johnson, SAF/AQCP, at (703)588-7062 or [heidi.johnson@pentagon.af.mil](mailto:heidi.johnson@pentagon.af.mil)



CHARLIE E. WILLIAMS, JR.  
Deputy Assistant Secretary (Contracting)  
Assistant Secretary (Acquisition)

cc: SAF/FMPP

## **Team Members**

The Department of Defense Office of the Deputy Inspector General for Auditing, Acquisition and Contract Management prepared this report. Personnel of the Department of Defense Office of Inspector General who contributed to the report are listed below.

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# Inspector General Department of Defense

