



June 2013

CONTRACTOR PERFORMANCE

DOD Actions to Improve the Reporting of Past Performance Information

GAO Highlights

Highlights of [GAO-13-589](#), a report to congressional committees

Why GAO Did This Study

DOD relies on contractors to perform a broad array of activities. Having complete, timely, and accurate information on contractor performance is critical so officials responsible for awarding new federal contracts can make informed decisions. Agencies are required to document contractor performance for contracts exceeding certain dollar thresholds.

In 2009, GAO found that contractor past performance information was incomplete, citing low priority and lack of system tools and metrics to track compliance. In 2011, the Office of Federal Procurement Policy (OFPP) reported that DOD assessments often lacked sufficiently detailed narratives. Section 806 of the NDAA for 2012 required DOD to develop a strategy to ensure that contractor performance assessments are complete, timely, and accurate. Section 806 also required GAO to report on DOD's actions and their effectiveness. GAO (1) identified actions taken by DOD to improve the quality and timeliness of past performance information and implement provisions of the act, and (2) assessed the effectiveness of those actions. GAO reviewed DOD policy and guidance, and interviewed DOD and OFPP officials. GAO also reviewed available data on compliance with reporting requirements from 2011-2013 and timeliness data for fiscal years 2010-2012. GAO did not independently assess the quality of assessment narratives.

GAO is not making any recommendations in this report. DOD concurred with GAO's findings and OFPP had no comments.

View [GAO-13-589](#). For more information, contact William T. Woods at (202) 512-4841 or woodsw@gao.gov

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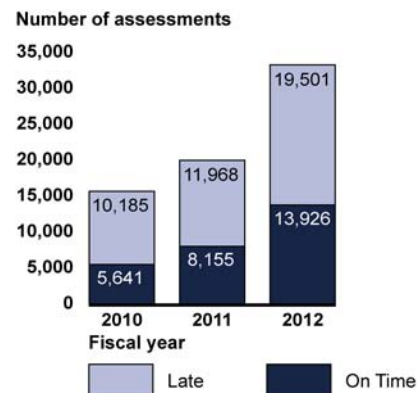
DOD Actions to Improve the Reporting of Past Performance Information

What GAO Found

The Department of Defense (DOD) strategy for improving the reporting of contractor past performance information consists of providing additional training to its acquisition workforce and developing tools and metrics to improve oversight. The number of personnel trained more than doubled since 2010 to more than 7,000, and DOD oversight officials now have the ability to track compliance with reporting requirements down to the level of individual contracting offices. DOD continues to utilize existing past performance guidance, which generally aligns with requirements specified in the National Defense Authorization Act (NDAA) for Fiscal Year 2012.

Compliance metrics show that the submission of required assessments has increased. Specifically, the percentage of required assessments submitted increased from 56 to 74 percent from October 2011 to April 2013. Officials at DOD said the ability to track completion of assessments has greatly improved oversight and accountability. Despite this progress, DOD faces challenges completing assessments on time, as illustrated in the figure below.

Timeliness of DOD Contractor Performance Assessments, Fiscal Years 2010 through 2012



Source: Contractor Performance Assessment Reporting System (CPARS) Program Office.

DOD officials attribute the lack of timeliness to acquisition workforce shortages, turnover, and the difficulty in obtaining needed information. DOD is working with other agencies on a regulatory change, consistent with a requirement in the NDAA for 2012, that would reduce the time allowed for contractors to submit comments on draft assessments. This change should help officials submit final assessments on a more timely basis.

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Abbreviations

CPARS	Contractor Performance Assessment Reporting System
DFARS	Defense Federal Acquisition Regulation Supplement
DOD	Department of Defense
FAR	Federal Acquisition Regulation
NDAA	National Defense Authorization Act
OFPP	Office of Federal Procurement Policy
PPIRS	Past Performance Information Retrieval System

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June 27, 2013

Congressional Committees

The Department of Defense (DOD) relies on thousands of contractors to perform a broad array of activities needed to meet its mission. Therefore, complete and timely information regarding contractor's past performance is critical to ensuring that the government does business with companies that deliver quality goods and services on time and within budget. The Federal Acquisition Regulation (FAR) requires agencies to document contractor performance on contracts that exceed certain dollar thresholds and to make such information available to other agencies through a shared government-wide database. We reported in 2009, however, that the DOD components had completed assessments for less than half of the fiscal year 2007 contracts that required such an assessment.¹ Agency officials noted at the time that a low priority for completing assessments and a lack of system tools and metrics to monitor compliance made it difficult for managers to ensure timely completion of contractor performance assessments. The need to improve both the quantity and quality of past performance information also was highlighted in a 2011 Office of Federal Procurement Policy (OFPP) report that found that DOD and other federal agency contractor assessments often lacked quality narrative information, such as sufficient details about how the contractor exceeded expectations or corrected poor performance, to support the assessment. According to OFPP, some of the deficiencies identified were likely due to staff shortages and the lack of training.

Section 806 of the National Defense Authorization Act (NDAA) for Fiscal Year 2012 required DOD to develop a strategy for ensuring that contractor past performance assessments are complete, timely, and accurate.² Section 806 outlines several requirements related to documenting contractor performance and obtaining contractor comments on performance assessments. In addition, section 806 also requires the Defense Federal Acquisition Regulation Supplement (DFARS) to be revised to require that contractor assessments be posted to the

¹ GAO, *Federal Contractors: Better Performance Information Needed to Support Agency Contract Award Decisions*, [GAO-09-374](#) (Washington D.C.: Apr. 23, 2009).

² Pub. L. No. 112-81 § 806 (2011).

databases used for making source selection decisions no later than 14 days after delivery of the performance assessment to the contractor.³ The act also mandates us to report on DOD's actions to implement the required provisions. For this report, we (1) identified the actions taken by DOD to improve the quality and timeliness of past performance information and implement provisions of the act, and (2) assessed the effectiveness of those actions.

To identify DOD's actions to improve the timeliness and quality of contractor past performance information and implement provisions of the act, we reviewed DOD policy and guidance related to contractor assessments. We also interviewed DOD officials responsible for contractor past performance information at the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics; the three DOD components—the Air Force, Army, and Navy—which account for more than 90 percent of DOD's required assessments; and the Contractor Performance Assessment Reporting System (CPARS) and Past Performance Information Retrieval System (PPIRS) program offices to discuss actions taken or planned.⁴ We also interviewed DOD and OFPP officials to discuss the status of implementing the requirement to submit contractor assessments to the past performance database within 14 days. To assess the effectiveness of DOD's past performance efforts, we reviewed data for calendar years 2011 to 2013 for compliance with contractor assessment requirements. To assess the reliability of these data, we reviewed system information and tested the processes and found these data to be sufficiently reliable for the purpose of this report. In addition, we obtained data for fiscal years 2010, 2011, and 2012 on the number of DOD contracting officials that received training on contractor past performance reporting and the timeliness of performance assessments. We also reviewed an OFPP report on compliance with reporting requirements and quality of assessments. We did not independently assess the quality of contractor performance assessment narratives or the use of contractor past performance information in the source selection process.

³ Agencies are required to submit past performance reports electronically to the Past Performance Information Retrieval System (PPIRS). FAR § 42.1503(c).

⁴ Both CPARS and PPIRS are managed and maintained by DOD's Naval Sea Logistics Center Portsmouth but are government-wide systems under the direction of the General Services Administration's Integrated Acquisition Environment.

We conducted this performance audit from February 2013 to June 2013 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.

Background

When selecting contractors, the FAR requires agencies to consider past performance as one evaluation factor in most competitive procurements.⁵ During the source selection process, contracting officials often rely on various sources of past performance information, such as the prospective contractor's prior government or industry contracts for efforts similar to the government's requirements, and the past performance information housed in the government-wide PPIRS database.

Once a contract is awarded, the agency should monitor the contractor's performance throughout the performance period. At the time the work is completed, the FAR requires agencies to prepare an assessment of the contractor's performance for contracts or orders that exceed the simplified acquisition threshold.⁶ DOD has dollar thresholds that are generally higher than the simplified acquisition threshold for contractor assessments, which vary based on business sector.

To document and manage contractor performance information internally, DOD has used CPARS since 2004. The system, which was developed by the Navy, incorporates processes and procedures for drafting and finalizing assessments, which are described in the CPARS Guide. The assessing official rates the contractor based on various elements such as quality of product or service, schedule, cost control, business relations,

⁵ Past performance must be considered in selecting contractors for negotiated competitive procurements expected to exceed the simplified acquisition threshold, unless the contracting officer documents the reason past performance is not an appropriate evaluation factor for the acquisition. FAR § 15.304(c)(3). Evaluation of past performance, for example, may not be appropriate in a "lowest price, technically acceptable" source selection. FAR § 15.101-2(b)(1).

⁶FAR § 42.1502 (a), (b) and (c). Currently, the dollar threshold for simplified acquisitions, with limited exceptions, is \$150,000. FAR § 2.101. The FAR has separate thresholds of \$650,000 and \$30,000 for construction and architect-engineer services contracts respectively. FAR § 42.1502(e) & (f).

small business utilization, and management of key personnel. For each applicable rating element, the assessing official determines a rating based on definitions in the CPARS Guide that generally relates to how well the contractor met the contract requirements and responded to problems. In addition, for each rating element, a narrative is required to provide examples and support for the assessment.

Once draft assessments are completed by the assessing official, the contractor is notified that the assessment is available for their review and comment through CPARS. The comment process includes the following:

- Contractors are allowed a minimum of 30 days to provide comments, rebuttals, or additional information.⁷ The assessing official has the discretion to extend the comment period.
- The contractor can request a meeting with the assessing official to discuss the assessment or request a review by the reviewing official.
- After receiving and reviewing a contractor's comments and any additional information, the assessing official may revise the assessment and supporting narrative.
- If there is disagreement with the assessment, the reviewing official—generally a government official one level above the assessing official organizationally—will review and finalize the assessment.

After contractor comments are considered, or if the contractor elects not to provide comments, the assessment is finalized and submitted to PPIRS, where it is available government-wide for source selection purposes for 3 years after the contract performance completion date.⁸

Section 806 of the NDAA for Fiscal Year 2012 required DOD to develop a strategy for improving contractor past performance information to include standards for timeliness and completeness, assigning responsibility and accountability for completing assessments, and ensuring assessments are consistent with award fee evaluations. In addition, the section

⁷ Providing contractors a minimum of 30 days to respond is required by the FAR § 42.1503(b).

⁸Construction and architect-engineer contracts are available for 6 years after the contract performance completion date. FAR § 42.1503(e).

requires the DFARS to be revised to require contractor assessments to be posted to databases used for making source selection decisions no later than 14 days after delivery of the draft assessment to the contractor.⁹

DOD's Past Performance Strategy Relies on Workforce Training, Enhanced Oversight, and Existing Guidance

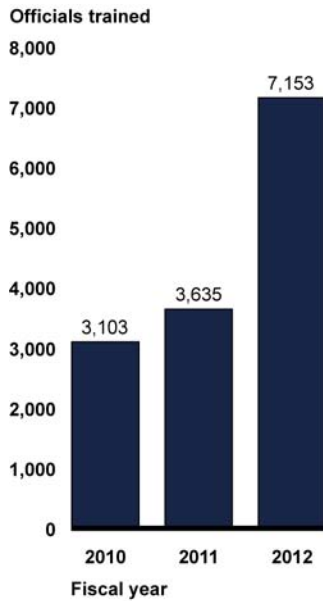
DOD's strategy to improve reporting of contractor past performance information and respond to section 806 of the NDAA for Fiscal Year 2012 is to provide training on past performance to acquisition officials, develop tools and metrics to track compliance and enhance oversight, and continue to rely on the CPARS Guide. Some elements of this strategy are in place already, while others are still in progress.

Training on Past Performance Requirements

In order to improve compliance with past performance reporting requirements and the quality of assessments, the CPARS program office provides training opportunities and assessment tools for acquisition officials. As a result of increased emphasis on training, the number of contracting officials trained on contractor past performance more than doubled from fiscal year 2010 to fiscal year 2012, as shown in figure 1.

⁹The FAR currently requires that contractors are provided a minimum of 30 days to provide comments. Rather than establishing a DOD class deviation from the FAR, the FAR Council, which includes DOD, agreed to implement the change government-wide by developing a proposed change to the FAR. As part of the rulemaking process, the proposed rule is under review by the Office of Management and Budget before being released for public comment, which OFPP officials estimate will occur around mid 2013.

Figure 1: Number of DOD Officials Trained on Assessing Contractor Past Performance from the Contractor Performance Assessment Reporting System (CPARS) Program Office by Fiscal Year



Source: Contractor Performance Assessment Reporting System (CPARS) Program Office.

Training included on-site classes; instructor-led, web-based training; and most recently, automated on-line training. Courses include overviews, and training on how to write quality narratives supporting contractor assessments. In addition, the CPARS program office provides tools to facilitate completing assessments, including a quality checklist which includes best practices and guidance for writing sufficiently detailed narratives. We did not assess the quality of assessment narratives in this review.

Tools and Metrics Allow for Increased Oversight

To increase management oversight of contractor performance assessments, the CPARS program office in 2010, in conjunction with OFPP, developed system tools and metrics within PPIRS to track compliance with the reporting requirements. This allows managers to track compliance at the department, component, or contracting office level. For example, contracting managers can identify overall compliance for their office and identify specific non-compliant contracts with this new tracking tool.

Officials at DOD components told us that having the ability to track completion of required assessments through PPIRS has greatly improved the ability to effectively oversee and manage compliance, and has also improved accountability for completing assessments. In an effort to increase accountability, the Director of Defense Procurement and Acquisition Policy issues quarterly compliance reports to senior procurement executives. Senior procurement executives at DOD components have required reporting of actions taken by individual contracting activities, set goals for compliance, and encouraged or required training. In addition, DOD officials told us contractor past performance is now discussed at senior level acquisition quarterly and monthly meetings.

CPARS Guide Addresses Most of the Elements in Section 806

DOD plans to continue implementing existing policies contained in the CPARS Guide, which addresses most of the required elements specified in section 806. Specifically, the CPARS Guide aligns with section 806 through the following:

Standards for timeliness:

- Contractor performance assessment must be finalized within 120 days after the end of the evaluation period. For contracts and orders with performance exceeding one year, annual interim assessments are required and a final assessments is required when the work is completed.¹⁰

Roles and responsibilities for documenting contractor performance:

- The assessing official, usually the contracting officer, is responsible for preparing and finalizing the assessment.
- The reviewing official reconciles any disagreements between the assessing official and the contractor.
- The CPARS Focal Point provides overall support for the CPARS process for a particular organization and assigns key roles for each contract requiring an assessment based on information from the contracting officer, program, or project manager.

¹⁰ CPARS Guide, page 14, para. 4.1.1 (November 2012).

Award fee guidance:

- Provides sources of data to consider, including earned incentive and award fee determinations. In addition, DOD provided additional guidance on translating award fee determinations into past performance assessments.

Although the CPARS Guide does not currently specify standards for completeness, one of the elements specified in section 806, a recent proposed change to the FAR will address completeness by providing minimum government-wide standards for past performance rating elements. Specifically, the proposed rule requires that all assessments address, at a minimum, quality of product or service, timeliness, and management or business relations.¹¹

DOD Increased the Number of Assessments Completed, but Still Faces Challenges in Completing Assessments on Time

PPIRS compliance metrics show the percentage of required assessments completed increased from 56 percent in 2011 to 74 percent in 2013. In addition, the number of assessments completed overall more than doubled from 2010 to 2012. DOD still faces challenges, however, in completing assessments on time.

Submission of Required Assessments Has Increased

An increased focus on completing past performance assessments, both within the components and among individual contracting activities, has resulted in more required assessments being completed and submitted to PPIRS. As of April 2013, PPIRS's metrics show compliance with the reporting requirement of about 74 percent—an increase of 18 percentage points since October 2011. Based on our review of government-wide PPIRS compliance metrics, DOD compliance with the reporting requirement is generally much higher than other federal agencies. For example, as of April 2013, more than half of federal agencies had no required contractor assessments in PPIRS. Among DOD's major

¹¹ FAR Case 2012-009. 77 Fed. Reg. 54864,54869 (Sept. 6, 2012).

components, most showed significant improvement, as shown in table 1 below.

Table 1: Percentage of Required Assessments Submitted to the Past Performance Information Retrieval System (PPIRS), by DOD Component, from October 2011 to April 2013

DOD Component	Compliance rate ^a as of		
	Oct. 3, 2011	Sep. 28, 2012	April 1, 2013
Air Force	82%	82%	80%
Navy	66	69	72
Army	49	60	73
Other DOD	32	61	71
Total DOD	56%	66%	74%

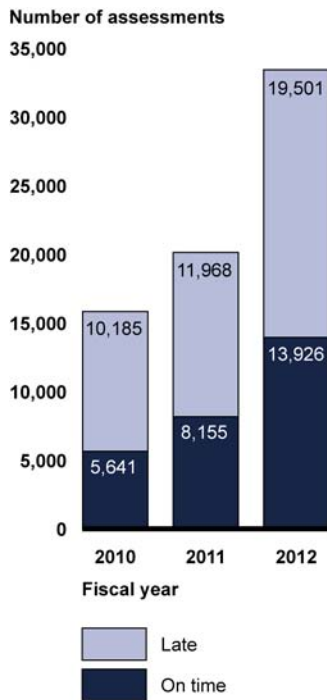
Source: PPIRS compliance metrics.

^aCompliance is based on contracts or orders that should have an assessment in PPIRS—that is, with a period of performance over the prior 3 years that meet the reporting dollar threshold, and have an assessment due.

Timeliness of Submissions Remains a Challenge

Although compliance with the reporting requirements for performance assessments has increased, DOD still faces challenges with completing assessments on time. As shown in figure 2, the total number of assessments completed more than doubled from 2010 to 2012. In addition, the number of assessments completed on time also increased significantly—from about 5,600 to almost 14,000. However, the majority of assessments completed each year exceeded the 120-day standard for timeliness. In part, the number of assessments completed after the specified time frame may be the result of increased emphasis on working down the backlog of past-due assessments. For example, about 31,000 assessments became due during fiscal year 2012, but DOD completed over 33,000 during that year.

Figure 2: Timeliness of DOD Assessments Completed Fiscal Years 2010 through 2012



Source: Contractor Performance Assessment Reporting System (CPARS) Program Office.

DOD officials told us that department-wide acquisition workforce shortages and turnover, as well as difficulty obtaining contractor performance information remain as challenges to completing contractor performance assessments on time. For example, completing contractor assessments is considered a joint responsibility between the contracting and program office and, the assessing official often relies on others to provide information needed to complete the assessment, and in some cases may have difficulty obtaining the information.

In addition, assessments are not finalized until the contractor has an opportunity to provide comments, and the 120-day standard for finalizing assessments includes the contractor comment period. The FAR currently requires that all federal contractors be given a minimum of 30 days to submit comments, rebutting statements, or additional information to performance assessments. As shown in Table 2, DOD received comments from contractors on over 80 percent of all assessments from fiscal years 2010 through 2012, and most were received within the current 30-day minimum requirement for responding.

Table 2: Time Frames for Contractor Comments Fiscal Years 2010 through 2012

		Percentage of completed assessments
Contractor comments received	14 days or less	43
	Between 14 and 30 days	30
	Greater than 30 days	9
	Total assessments with comments	81
Contractor comments not received	Assessment finalized and submitted to PPIRS without comments	19

Source: Contractor Performance Reporting System (CPARS) Program Office.

Section 806 would limit the comment period to 14 days before the assessment is submitted to PPIRS, which should help DOD meet the 120-day standard for submitting past performance assessments. DOD is currently working with the rest of the FAR Council to implement this change.

Agency Comments

We are not making recommendations in this report. We provided a draft of this report to DOD and OFPP for their review and comment. DOD informed us by email that it concurred with our findings and the information presented in this report and would not be providing written comments. DOD officials provided technical comments, which we incorporated as appropriate. OFPP informed us by email that the office had no comments.

We are sending copies of this report to appropriate congressional committees, the Secretary of Defense, the Under Secretary of Defense for Acquisition, Technology, and Logistics, the Director of the Office of Management and Budget, and other interested parties. This report will also be available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-4841 or woodsw@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix I.

A handwritten signature in black ink that reads "William T. Woods". The signature is written in a cursive, flowing style.

William T. Woods
Director, Acquisition and Sourcing Management

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Appendix I: GAO Contact and Staff Acknowledgments

GAO Contact

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Staff Acknowledgments

In addition to the contact named above, LaTonya Miller, Assistant Director; John Neumann, Assistant Director; Dani Green; Julia Kennon; John Krump; and Bradley Terry made key contributions to this report.

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