MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS

ATTN: SERVICE ACQUISITION EXECUTIVES
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
DIRECTOR, BALLISTIC MISSILE DEFENSE ORGANIZATION
DIRECTOR, DEFENSE PROCUREMENT
DIRECTOR, STRATEGIC AND TACTICAL SYSTEMS
DIRECTOR, SYSTEMS ACQUISITION
COMMANDER, DEFENSE CONTRACT MANAGEMENT COMMAND

SUBJECT: Contractor Performance Assessments

In my April 19, 1999 memorandum, I established a new requirement for DoD program managers to conduct quarterly contractor performance assessments on development contracts in excess of $50 million. I'm revising this memorandum by:

- changing the rating system to be consistent with current DoD policy on past performance rating elements (i.e. five elements instead of four) and;

- standardizing the color rating scheme for use on all performance assessments (per the attachment, Dark Blue, Purple, Green, Yellow, and Red, high to low)

I want to emphasize that while I see the intent of both quarterly and annual performance reviews being similar (i.e. providing performance feedback), each has a specific purpose. The quarterly feedback assessment is intended as a more frequent tool to improve contractor performance and to ensure a constant dialogue between the program manager and the contractor. The more formal annual assessment, meanwhile, while also aimed at improving performance, seeks contractor feedback and provides source selection teams with past performance information needed to make best value awards.

Attachment:
As stated
The critical aspect of the rating system is recognizing the contractor's resourcefulness in overcoming challenges that arise in the context of contract performance.

**Exceptional** (Dark Blue) 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 were highly effective.

**Very Good** (Purple) 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 were effective.

**Satisfactory** (Green) 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 or were satisfactory.

**Marginal** (Yellow) 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.

**Unsatisfactory** (Red) 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 serious problem(s) for which the contractor's corrective actions appear or were ineffective.
MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
ATTN: SERVICE ACQUISITION EXECUTIVES
DIRECTOR, BALLISTIC MISSILE DEFENSE ORGANIZATION
COMMANDER, DEFENSE CONTRACT MANAGEMENT COMMAND

SUBJECT: Contractor Performance Assessments

My experience is that contract performance problems frequently receive senior level contractor attention only on an exception basis. Often contractor program managers have limited control over adding personnel or funding to a program, but senior contractor management may add resources if performance problems are brought to their attention by the government. Consequently, our program managers should provide frequent feedback to contractors on program status so that potential problems are identified early to those people who can provide resources within the company.

Beginning 30 days from receipt of this memorandum, I request you have your program managers provide prime contractors quarterly assessments of contract performance on development contracts in excess of $50 million. The assessments should be simple color grades in accordance with the attached, and do not require contractor comment. While the quarterly reports themselves will not become part of the contractors' permanent past performance records, the aggregation of the quarterly assessments should be considered by the government program manager in establishing award fees and past performance reports. Regulations already require contractor comment on those assessments.

This increased communication is intended to provide early warning of government concerns so performance anomalies can be rectified before they result in negative past performance reports or reduced award fees.

Attachment: As stated

cc: Council of Defense & Space Industry Associations
CONTRACTOR PERFORMANCE ASSESSMENT GRADES

BLUE: All significant program elements, including technical performance, risk reduction, and schedule, are at least 10% above plan and cost is 10% under plan.

GREEN: Significant elements on plan.

YELLOW: Some significant program elements are behind plan or above cost.

RED: Some significant program elements are greater than 10% behind plan or above cost.