

Appendix C

Performance Based Service Acquisition (PBSA)

Performance Work Statement (PWS) and Statement of Objectives (SOO)

C.1 General

PBSA is the preferred method of contracting for SITE services and supplies. PBSA means an acquisition structured around the results to be achieved as opposed to the manner by which the work is to be performed. Essential elements of PBSA include:

- (1) Performance requirements, expressed in either a Performance Work Statement (PWS) or Statement of Objective (SOO). Performance requirements should be described in terms of what the required output is and should not specify how the work is to be accomplished
- (2) Performance standards or measurements which are criteria for determining whether the performance requirements are met
- (3) Appropriate performance incentives, either positive or negative
- (4) A surveillance plan that documents the government's approach to monitoring the contractor's performance. These elements are discussed further below.

C.2 Policy

Federal Acquisition Regulation (FAR) 37.102 has established the policy to use a PBSA approach, to the maximum extent practicable, for all services. Services exempted from this policy are: architect-engineer, construction, utility, and services that are incidental to supply purchases. Use of any other approach has to be justified to the ISPR and DCO.

For Defense agencies, Defense Federal Acquisition Regulations Supplement 237.170-2 requires higher-level approval for any acquisition of services that is not performance-based. Guidance and additional information is incorporated in FAR 37.6 (Performance Based Acquisition). Also, Acquisition Central website provides a comprehensive training tool to understanding PBSA called "Seven Steps to Performance-Based Service Acquisition Guide available", at: <https://www.acquisition.gov/sevensteps/home.html>.

C.3 Contract Type

Under law and regulation [FAR 37.102(a)(2)], there is an order of preference in contract types used for performance-based contracting, as follows:

- A firm fixed price, performance-based contract or Task Order.
- A performance-based contract or Task Order that is not firm fixed price.
- A contract or Task Order that is not performance-based.

Requiring activities should use the contract type most likely to motivate contractors to perform at optimal levels. Firm fixed price is the preferred contracting type, but it's not always the best solution for PBSA. Work statements should be developed in sufficient detail to permit performance on every requirement. SITE offers a host of pricing arrangements and incentive types for consideration. Hybrid types (those with both fixed-price and cost-type or T&M tasks) are common and should also be considered.

C.4 Performance Work Statements (PWS)

What is a PWS?

A PWS identifies the technical, functional and performance characteristics of the government's requirements. The PWS describes the work in terms of purpose of the work to be performed and required results rather than how the work is to be accomplished or the number of hours to be provided. The format for the PWS is similar to the legacy Statement of Work (SOW). However, the difference between an SOW and a PWS is that the tasks are described in terms of the required outcomes or results, not with just the details of "how" the contractor will perform the tasks. A PWS makes the contractor responsible for the outcomes and accountable for achieving or failing to achieve the desired outcomes. A PWS enhances a traditional SOW by including the performance standards and most importantly a Quality Assurance Surveillance Plan (QASP).

Performance Standards/Metrics

Standards and Metrics reflect the level and kind of service required by the government to meet performance objectives. Standards may be objective (e.g., response time) or subjective (e.g., customer satisfaction).

- Use commercial standards where practicable, e.g., ISO 9000.
- Ensure the standard is needed and not unduly burdensome.
- Must be measurable, easy to apply, and attainable.

If performance standards are not available, the PWS may include a requirement for the contractor to provide a performance matrix, as a deliverable, to assist in the development of performance standards for future Task Orders.

Performance Incentives

Incentives may be positive or negative, monetary or non-monetary.

Note: If a financial incentive is promised, ensure that adequate funds are available at time of Task Order award to pay incentives that may be earned.

Examples of monetary incentives include:

1. Incentive fees.
2. Share-in-savings.
3. A negative incentive can be included if the desired results are not achieved (deduction should be equal to the value of the service lost).

Common Mistakes Using Performance Work Statement

- Vague task statements can hinder proposal evaluation and source selection by limiting understanding of the Government's critical objectives.
- "How to" requirements can preclude "best value" source selection by denying contractors the ability to propose their most efficient and innovative solutions.
- Overly specific "how to" requirements often cost more and accomplish less.
- Incomplete or unclear task descriptions can be misinterpreted or inconsistently applied by contractors and source selection officials.
- Over specification can be problematic. If the PWS is too specific, an agency is limiting itself to specific solutions that may not be the best solution.

To support expediting the award of Task Orders using SITE, a template has been established and is required for submitting the PWS requirements.

The PWS instructions and template for completing a SITE Task Order are provided in Appendix D and E respectively.

C.5 Statement of Objectives (SOO)

What is a SOO?

A SOO is an alternative to the PWS. It is a briefer document (commonly two to 10 pages, depending upon complexity, although there is no maximum or minimum length). It summarizes the key goals and outcomes to which contractors respond with solutions. It is different from a PWS in that, when a SOO is used, offerors are asked to develop and propose a PWS as part of their solution. Typically, offerors would also propose a technical approach, performance standards, incentives/disincentives, a QASP (typically based upon commercial practices) and pricing.

Upon award, the winning offeror's solution to the SOO, incentives/disincentives (if any) and pricing should be incorporated in the resulting Task Order. The SOO itself is not a part of the Task Order; rather, the winning PWS submitted by the Vendor in response to the SOO is used to generate the Task Order.

Common Mistakes Using Statement of Objectives

- Customers try to tell contractors how to do the work required
- All too often, the requirement is for staff augmentation support rather than for accomplishment of a specific task

- SOOs may contain phrases that have multiple meanings
- Developing SOOs that are too long (typically 20+ pages) are most often really a PWS in disguise

To support expediting the award of Task Orders using SITE, a template has been established and is required for submitting the SOO requirements.

The SOO and template for completing a SITE Task Order are provided in Appendix F and G respectively.

C.6 QASP

Whether using a PWS or SOO format, a QASP is required. The QASP is a plan for assessing contractor performance to ensure compliance with the government's performance objectives. It describes the surveillance schedule, methods, performance measures, and incentives.

- The level of surveillance should be commensurate with the dollar amount, risk, and complexity of the requirement.
- Don't inspect the process, just the outputs.
- QASP is included as part of the PWS.

More information on QASP (to include sample format) is provided in Appendix H.

C.7 Deciding Which Type to Use (PWS or SOO)

As defined by [FAR 37.601](#), agencies may opt to use either a Performance Work Statement (PWS) or a Statement of Objectives (SOO) in the Solicitation.

PWS: Best used when the Government's need is well defined/understood and the required work has been substantially determined. The Government examines its requirements, specifies the outcomes, defines the tasks to be accomplished, and develops standards. Based on these efforts, the Government writes the PWS and Quality Assurance Surveillance Plan (QASP), including both in the Solicitation to which the Contractor must respond.

SOO: Best used when the Government has identified a baseline of its requirements but wants the Contractor to propose the best approach for the solution and specific type of work necessary to meet those requirements. The Government creates the SOO, which is a brief, high-level document stating the Government's objectives. A SOO is used in Solicitations when the intent is to provide the maximum flexibility to each Offeror to propose an innovative development approach. The SOO is incorporated into the Solicitation and the Offerors must respond with their own unique, self-created PWS and, if requested, a draft QASP. The SOO does not become part of the task order.

Note: When using a SOO, the Offeror, not the Government, will write the PWS. The Government's Acquisition Team must then evaluate all proposed Performance Work



Statements to determine acceptability. Development of a SOO typically requires less effort in the planning phase than development of a PWS. However it is important to remember when using a SOO the Acquisition team will have to carefully evaluate each Offeror's PWS prior to award. When using a SOO, remember to build sufficient time into the schedule to allow for a thorough evaluation of each proposed PWS.