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Acquisition

**PERFORMANCE-BASED SERVICE
CONTRACTS (PBSC)**

COMPLIANCE WITH THIS PUBLICATION IS MANDATORY

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This instruction implements AFD 64-1, *The Contracting System* by directing requirements for writing and administrating service contracts within the Air Force. It prescribes and explains how to develop and implement the requirements of the Federal Acquisition Regulation (FAR) Part 37.6 for performing acquisition planning, describing agency needs, acquiring services, implementing performance-based service contracting and quality assurance. This instruction applies to all service contracts over \$100,000 annually unless exempted by the criteria in **Attachment 2**. It is supported by the business tools located in the SAF/AQC Contracting Toolkit, Part 37 at <http://www.safaq.hq.af.mil/contracting/> and applies to all major commands (MAJCOM), Direct Reporting Units (DRU), Field Operating Agencies (FOA), and Air Force installations. This instruction applies to the Air Force Reserves and does not apply to the Air National Guard. It may not be supplemented without the expressed approval of SAF/AQC. Definitions of terms are located at **Attachment 1**. Records Disposition. Ensure that all records created as a result of processes prescribed by this publication IAW AFMAN 37-139, *Records Disposition Schedule*.”

SUMMARY OF REVISIONS

This change incorporates interim change IC 2004-1. IC 2004-1 replaces Performance Based Service Contracts (PBSC) with Performance-Based Services Acquisition (PBSA) (the AFI title and throughout the AFI); revises the instruction that AFI 63-124 implements/prescribes and explains. IC 04-1 defines an Air Force Performance-Based Services Acquisition (1.1); allows acquisition professionals to use a QASP and outline how performance is to be managed upon contract award or consolidate performance assessment and management using a performance plan (1.1.4., 3.2., 3.3. and 4.1.7.); revises and expand key management duties (1.2.1.1., 1.2.1.1.1., 1.2.1.2., 1.2.1.3., 1.2.2., 1.2.2.1., 1.2.2.2., 1.2.4., 1.2.5., 1.2.5.8., 1.2.5.9., 1.2.5.10., 1.2.6., 1.2.6.1., 1.2.6.2., 1.2.6.3., 1.2.6.4., 1.2.6.5., 1.2.7.2., 1.2.7.4., 1.2.8.1. and 1.2.8.4.); replaces BRAG with multi-functional team (1.2.7.1., 3.2. and 4.2.2.3.5.); defines the applicability of the AFI (1.3.); defines the roles and responsibilities of the multi-functional team (1.2.11.); revises the Quality Assurance Program Coordinator Training Program (4.2.2.1.); revises the Phase I training program for QA personnel (4.2.2.2.); adds definitions for the multi-functional team, performance assessment, performance

management and performance plan (**Attachment 1**); and deletes **Attachment 2** (Exception) and **Attachment 3** (Mandatory Provision).

This instruction implements Air Force Policy Directive (AFPD) 64-1, *The Contracting System*, by directing procedures for developing requirements, acquiring services, and managing service acquisitions within the Air Force. This publication implements the FY02 National Defense Authorization Act (NDAA), Sections 801 and 802, Federal Acquisition Regulation (FAR), Defense FAR Supplement (DFARS), Air Force FAR Supplement (AFFARS), and Department of Defense Directive (DoDD) 5000.2, The Defense Acquisition System. This AFI applies to all major commands (MAJCOMs), Direct Reporting Units (DRUs), and Field Operating Agencies (FOAs). It is applicable to all service acquisitions above the Simplified Acquisition Threshold (SAT) (FAR 2.101), with the exceptions listed in FAR 37.102(a)(1). It applies to all Air Force personnel who develop, acquire, and manage services acquisitions. MAJCOMs, FOAs, and DRUs may not supplement this AFI in a manner that would restrict the acquisition flexibilities contained herein. Refer recommended changes and conflicts between this and other publications to SAF/AQCP, 1060 Air Force Pentagon, Washington, DC 20330-1060, on Air Force (AF) Form 847, Recommendation for Change of Publication. Maintain records in accordance with Air Force Manual (AFMAN) 37-139, *Records Disposition Schedule*. A “|” indicates revised material since the last edition.

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1. PERFORMANCE-BASED SERVICE CONTRACTS (PBSC)

1.1. **Performance-Based Services Acquisition Overview**. Like all acquisitions, a performance-based services acquisition begins with the planning of the acquisition. A key distinction, however, is that it is developed and implemented by a multi-functional team of stakeholders. These stakeholders are responsible for planning the acquisition and then remain responsible for assessing contractor performance and managing the contract over the life of the requirement. A performance-based services acquisition consists of:

1.1.1. An acquisition strategy that provides direction for the execution of a particular acquisition. It justifies the selected methods such as contract type, source selection procedures, and contract incentives.

1.1.2. Market research that demonstrates reliance on the commercial marketplace for its capabilities, technologies, and competitive forces in meeting an agency need. Market research is essential to the government's ability to buy best-value products and services that supply mission-critical requirements.

1.1.3. A Performance-Based Statement of Work (SOW) (IAW para 2.1.) that defines the requirements in terms of results rather than the method of performing the work.

1.1.4. A performance plan (or QASP IAW para 4.1.7. and an outline detailing how the contract is to be managed upon contract award IAW para 1.2.5.10.) signed by members of the multi-functional team that identifies the following:

1.1.4.1. The objective in having the service provided, i.e., to provide quality housing maintenance to military members.

1.1.4.2. The results the multi-functional team is striving to achieve in managing the acquisition, i.e., cost savings, efficiencies, improved customer service.

1.1.4.3. The multi-functional team members, and how roles and responsibilities are distributed among team members.

1.1.4.4. The approach, methods and tools the multi-functional team will use to assess the contractor's.

1.1.4.5. The approach, methods and tools the multi-functional team will use to manage the acquisition upon award.

1.1.5. The metrics used to track contractor progress to meet stated performance objectives.

1.2. Key Management Duties.

1.2.1. HQ USAF:

1.2.1.1. The AFPEOs are responsible for the oversight and management of services acquisitions within their portfolio.

1.2.1.1.1. AFPEO/SV is responsible for the management and oversight of service acquisitions with a total planned value in excess of \$100M, A-76 Cost Comparison Studies involving more than 300 full-time equivalents (FTE). Oversight and management shall be in accordance with the Management and Oversight of the Acquisition of Services Process (MOASP)(AFFARS 5337.503-9002).

1.2.1.2. SAF/AQC is responsible for providing PBSA policy, tools, and training and is the Office of Primary Responsibility (OPR) for this AFI.

1.2.1.3. DELETED.

1.2.2. **MAJCOM Contracting Leadership** (PKs/LGCs/FOAs/DRUs). MAJCOM Directors and Chiefs of Contracting offices are the business advisors to the MAJCOM Commanders/AFMC Center-level CCs for service acquisitions less than \$100M, A-76 studies involving less than 300 FTEs, and those delegated by AFPEO/SV. MAJCOM Contracting Leadership shall update the MAJCOM Commanders yearly on the health of the Command's service acquisition program. The updates shall include pertinent topics such as strategic sourcing recommendations, status of selected high profile service acquisitions, the success of the service acquisition program in meeting its performance objectives and goals, and implementing innovations and best practices. MAJCOM Contracting Leadership shall report acquisitions with significant variances in cost, schedule, or performance to AFPEO/SV

1.2.2.1. HCAs are responsible for the oversight and management of services acquisitions with a total value of \$100M or less, and A-76 studies involving less than 300 FTEs. HCAs will provide management and oversight IAW the appropriate MOASP.

1.2.2.2. DELETED.

1.2.3. Installation Commanders:

1.2.3.1. Provide the resources necessary for one or more multifunctional teams (e.g., Business Requirements and Advisory Group [BRAG]) to carry out their duties in planning and managing service contract outcomes.

1.2.3.2. Establish and maintain the installation services quality assurance program. Commanders determine the appropriate structure and resource allocation for quality assurance requirements.

1.2.3.3. Chair the Installation's Performance Management Council (PMC), when applicable.

1.2.4. A Performance Management Council (PMC) may be established when one or more base support contract/contracts span multiple groups and tenant organizations. PMC meetings may be held in conjunction with other installation meetings (for example, the Facilities Management Board, Financial Working Group) to provide synergy in addressing installation issues. The council's duties include:

1.2.4.1. Assessing effectiveness of contractor operations in all functional areas,

1.2.4.2. Addressing budgetary issues,

1.2.4.3. Verifying effectiveness of Government contract management, and

1.2.4.4. Approving agendas for formal Government/contractor partnering programs.

1.2.5. A BRAG is one form of a customer-focused multi-functional team instituted under the authority of the installation commander. If using a BRAG, the contracting squadron commander establishes the BRAG to plan and manage service acquisitions throughout the life of the requirement. A BRAG can be established for a single function or may include multiple functions (See [Figure 1](#).) The number of BRAGs depends upon the installation's requirements and business approach. For example, a BRAG can be formed to support major customers and their require-

ments, or it can be formed for each procurement regardless of the major customer. Members of the BRAG will, as a minimum support the following:

1.2.5.1. Business/acquisition strategy development to provide innovative solutions that promote best value business decisions on performance-based service contracts to meet customer requirements. (NOTE: the BRAG does not replace the Acquisition Strategy Panel in accordance with FAR Part 7),

1.2.5.2. Acquisition planning for new and follow-on contracts, to include,

1.2.5.2.1. Encouraging the use of incentives (including non-monetary incentives) and considering implementing partnering

1.2.5.2.2. The exchange of information with industry and other business experts.

1.2.5.3. Market research,

1.2.5.4. Requirements and solicitations development to include the appropriate evaluation criteria,

1.2.5.5. Source selection,

1.2.5.6. Contract performance management. For example,

1.2.5.6.1. Analyze contractor metrics and contract submittals

1.2.5.6.2. Evaluate performance for payment (to include award fee)

1.2.5.7. Brief the Contracting Squadron Commander as determined by the Contracting Squadron Commander,

1.2.5.8. Update the Installation Performance Management council (if applicable), as required,

1.2.5.9. Collection of Past Performance Information (PPI), and

1.2.5.10. Outline how the team will manage the contract upon award IAW paras [1.1.4.1.](#), [1.1.4.2.](#), [1.1.4.3.](#), and [1.1.4.5.](#)

1.2.6. Contracting Squadron Commanders, Chiefs of the Contracting Offices, Chiefs of Performance Management Offices, AFMC/AFSPC Center-level PKs .

1.2.6.1. Serves as the Business Advisor to Wing Commanders, Group Commanders, AFSPC/AFMC Center-level Commanders, Systems Program Directors (SPD) and other Headquarters Directors.

1.2.6.2. Developing and implementing acquisition strategies for services acquisitions.

1.2.6.3. Providing oversight of the multi-functional team in planning, assessing contractor performance, and managing the acquisition throughout the life of the requirement, unless a Program Management office exists.

1.2.6.4. Updating the Wing Commanders, Group Commanders, AFSPC/AFMC Center-level Commanders, Systems Program Directors (SPD) and other Headquarters Directors to include providing status annually on the health of their service acquisitions. Provide MOASP reports on service acquisitions to the MAJCOMs for consolidation. Subjects may include the effectiveness of the performance assessment and performance management of the service acquisition, the effectiveness of performance objectives, contract cost changes, acquisition planning,

strategic sourcing issues, and the effectiveness of the multi-functional and the Commanders/Directors business objectives.

1.2.6.5. Ensuring personnel on the multi-functional team receive the appropriate level of training to meet local needs.

1.2.7. Functional Director or Functional Commander:

1.2.7.1. Assigning competent and capable functional experts to the multi-functional team who will be available full time or as warranted by the procurement cycle. Functional experts assigned multi-functional teams shall:

1.2.7.1.1. Maintain functional knowledge,

1.2.7.1.2. Have priority for continuing education, and

1.2.7.1.3. Provide functional continuity and stability.

1.2.7.2. Ensuring requirements documents developed by the multi-functional team satisfy mission requirements, are performance-based, foster innovation, and define metrics. Metrics should provide meaningful measurements of contractor progress aimed at attaining desired outcomes. This includes identifying mission essential services and developing the necessary documents in accordance with DoDI 3020.37, *Continuation of Essential DoD Contractor Services During Crisis*.

1.2.7.3. Assign primary and alternate QA personnel unless another QA organization or method is used to satisfy surveillance requirements (e.g., centralized performance management office). QA duties take precedence over all other duties. QA personnel must be appointed and trained prior to assuming QA responsibility. This written appointment must be forwarded to the contracting officer (CO).

1.2.7.4. DELETED.

1.2.8. QA Personnel:

1.2.8.1. Evaluating and documenting contractor's performance in accordance with the Quality Assurance Surveillance Plan. A performance plan (IAW 1.1.4.) may be used in lieu of a QASP.

1.2.8.2. Notify the Contracting Officer of any significant performance deficiencies,

1.2.8.3. Maintain surveillance documentation,

1.2.8.4. Recommending improvements to the Quality Assurance Surveillance Plan and Statement of Work throughout the life of the contract. A performance plan (IAW 1.1.4.) may be used in lieu of a QASP.

1.2.9. Contracting Officer:

1.2.9.1. Delegates authority for inspection and/or acceptance in accordance with terms of the contract,

1.2.9.2. Informs the contractor of the names, duties, and limitations of authority for all quality assurance personnel assigned to the contract.

1.2.10. Quality Assurance Program Coordinator:

1.2.10.1. The QAPC is a coordinator for the Functional Directors or Functional Commanders,

and trains Quality Assurance personnel,

1.2.10.2. Provides Functional Directors or Functional Commanders training.

1.2.11. **Multi-functional Team(s)** . This is a customer-focused team instituted under the authority of the Air Force Executive Leadership. The team is composed of stakeholders in the acquisition and is responsible for the acquisition throughout the life of the requirement. For complex, multi-functional service acquisitions, membership should include all stakeholders impacted by the services performed. This may include subgroup(s) responsible for routine tasks associated with the service acquisition process. For less complex, single-function service acquisitions, membership in this group may include as few members as: the contracting officer (PCO/ACO); QAPC; QA personnel; the functional/technical representative; subject matter expert; and the contractor who provides the service. The duties and responsibilities of the team include:

1.2.11.1. Providing support to Air Force Executive Leadership as required (i.e., performance metrics, data, briefings).

1.2.11.2. Promoting business decisions to meet customer requirements by researching the marketplace to remain current with the most efficient and effective performance assessment methods and techniques. Performing market research throughout the life of the requirement to ensure the team is knowledgeable of the commercial marketplace.

1.2.11.3. Fostering partnerships with industry to ensure exchanges of information with the service industry and other business experts. Ensure the contractor becomes an active team member upon contract award.

1.2.11.4. Developing a performance-based acquisition strategy, to include performance metrics.

1.2.11.5. Developing PBSA requirements.

1.2.11.6. Developing the technical requirement and the independent cost/government estimate.

1.2.11.7. Developing source selection factors and sub-factors, if applicable, that provides an integrated assessment of the offeror's proposal and ensures a best value source selection based on the requirements of the RFP.

1.2.11.8. Assessing and documenting contractor performance in accordance with the performance plan.

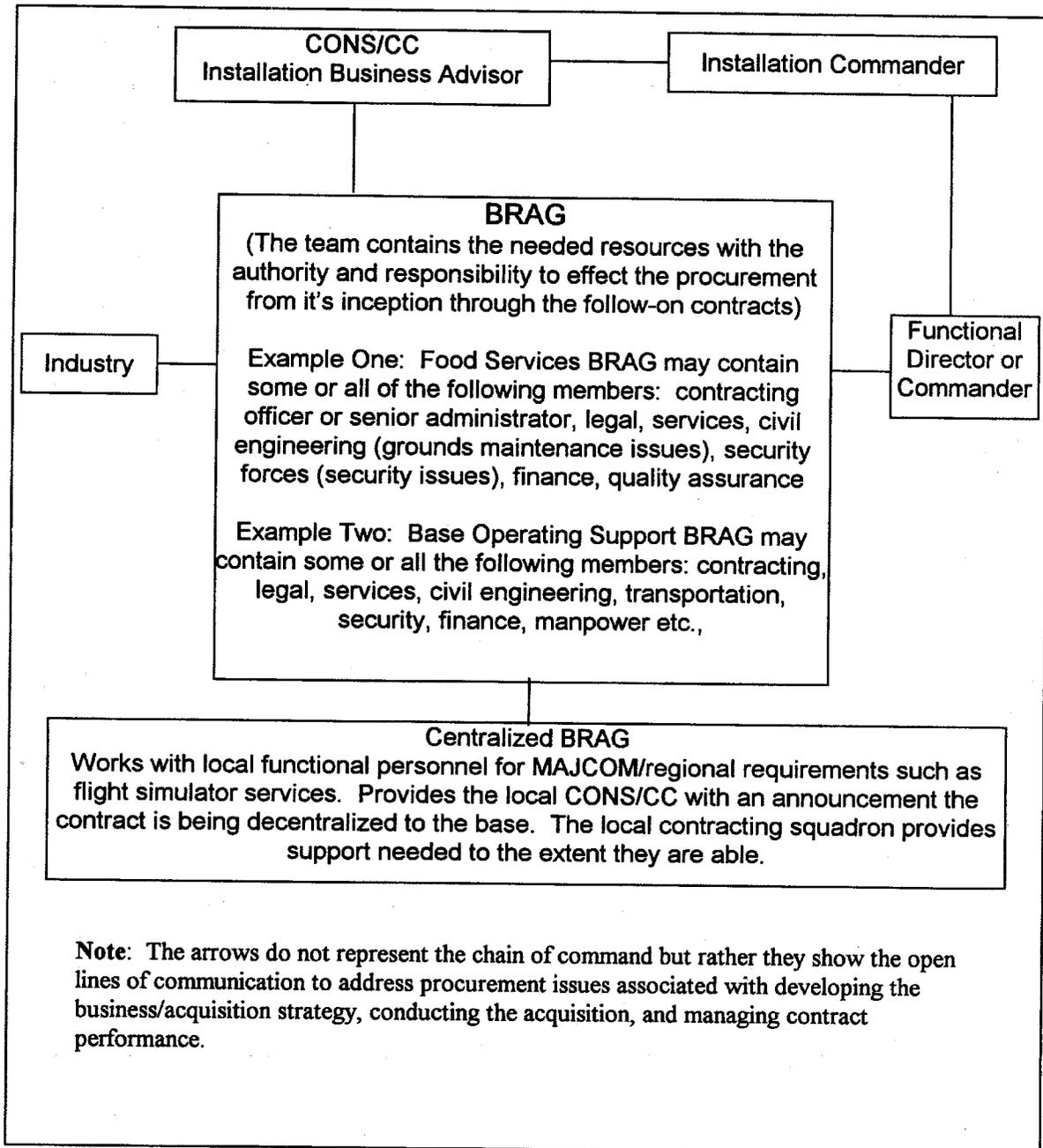
1.2.11.9. Managing contract performance in accordance with the performance plan.

1.2.11.10. Identifying opportunities to improve performance throughout the life of the contract. This includes benchmarking against industry, identifying initiatives, assessing the risk associated with these initiatives, using the performance plan for implementing initiatives brought forward, and monitoring the success of implementation.

1.2.11.11. Assessing/managing contractor performance assessment data, to include submitting CPARS reports.

1.3. **Application.** This AFI applies to all major commands (MAJCOMs), Direct Reporting Units (DRU), and Field Operating Agencies (FOAs). It is applicable to all service acquisitions above the Simplified Acquisition Threshold (SAT) (FAR 2.101), with the exceptions listed in FAR 37.102(a)(1).

Figure 1. Sample Business Requirements and Advisory Group Structure



2. Statements of Work.

2.1. **Developing Statements of Work:** Use methods to develop SOWs that are open, flexible and geared to commercial practices.

2.1.1. Services SOWs must:

2.1.1.1. Comply to the maximum extent practicable with the terms and conditions of the commercial marketplace as identified through market research,

2.1.1.2. Describe all work in terms of “what” the required service output is rather than “how” the work is to be performed or the number of hours to be provided, except when deemed essential by functional activity for safety and/or security reasons,

2.1.1.3. Include measurable performance objectives and financial or other incentives to encourage contractors to develop and institute innovative and cost effective methods of performing the work. For any method used to develop a SOW, the performance threshold is either developed or approved by the government and shall conform to commercial or industry-wide standards to the maximum extent practicable.

2.1.1.4. Include historic and projected work load data (to include surge and other requirements).

2.1.1.5. Cite reference instructions, publications etc., by specific paragraph or chapter rather than the entire publication.

2.1.2. Use the experience and lessons learned from previous contracts to develop the SOW.

2.1.3. All personal and non-personal professional medical SOWs must be reviewed and approved by HQ AFMSA/SGSLC.

2.2. **SOW Format.** Examples of performance-based work statements are found in the SAF/AQC Contracting Toolkit, Part 37, <http://www.safaq.hq.af.mil/contracting/toolkit/part37/pbsa>. All service contracts will use the following format:

2.2.1. Description of Services,

2.2.2. Service Delivery Summary (See paragraph 3.1.),

2.2.3. Government-Furnished Property and Services,

2.2.4. General Information, and

2.2.5. One or more Appendices.

3. Performance Measurement.

3.1. Every SOW shall have a Service Delivery Summary (SDS) citing the:

3.1.1. Performance objective (service required)

3.1.2. Performance threshold (specific standard) required. The performance threshold should:

3.1.2.1. Align contractor performance with your business objectives,

3.1.2.2. Focus on critical success factors in meeting performance objectives,

3.1.2.3. Reflect performance goals based on benchmarking studies,

3.1.2.4. Promote continuous improvement in performance and cost, and

3.1.2.5. Use commercial standards where appropriate.

3.2. A performance plan (IAW 1.1.4.) may be used in lieu of a QASP. The BRAG will develop a Quality Assurance Surveillance Plan (QASP) that cites:

3.2.1. The same performance objectives as is in the SDS,

3.2.2. The performance threshold identified in the SDS, and

3.2.3. Method of surveillance.

3.3. The QASP may be made part of the solicitation but shall not be part of the resulting contract. This provides contractors with information on Air Force requirements, the level of performance expectations and how the Air Force will confirm the services are provided. Methods of surveillance can change after contract award based on acceptance of a contractor QC plan or a partnering agreement which establishes the metrics to be used or is based on improved contractor performance. A performance plan (IAW 1.1.4.) may be used in lieu of a QASP.

3.4. When metrics are used as a method of surveillance through the partnering process, they may be developed after contract award, but prior to the contract start date. The SDS will only contain those items considered most important for mission accomplishment.

4. Quality Assurance. An inspection of services clause is required for every service contract. You should adopt the quality control and quality assurance practices used in the commercial marketplace to the maximum extent practicable. Even when absent in the commercial marketplace, some form of surveillance is required for acceptance of services.

4.1. Considerations in implementing a quality management system include:

4.1.1. Providing adequate contract planning to meet quality assurance manning and training requirements.

4.1.2. Tailoring the system to management risks and costs associated with the requirement.

4.1.3. Recommending source selection criteria (which may include quality control criteria and past performance) that promise the most potential to reduce Government oversight and ensure the government is only receiving and paying for the services required.

4.1.4. Following AFI 63-501, Air Force Acquisition Quality Program, when FAR 46.202-4, Higher-level contract quality requirements, is applicable.

4.1.5. Relying on customer complaints where contract nonconformance can be validated. Regardless of the surveillance method used, allow variation in the extent of oversight to match changes in the quality of the contractor's performance. Surveillance methods may include: trend analysis, periodic inspections, contractor metrics, random sampling, customer complaint, third party audits, 100% surveillance, quality index, etc. Re-performance of unacceptable services at no additional cost is the preferred course of action when appropriate.

4.1.6. Allowing the contractor to perform surveillance of services as part of their quality assurance system. When appropriate, the contractor must include written documentation of inspections. For customer complaints, this may include the use of fax or e-mail. In all cases some form of oversight (government QA, third party audit) is needed to confirm surveillance results.

4.1.7. Developing a Government QASP that specifies how inspection and acceptance of services is to occur. This plan, tailored to the individual requirement, is put in writing for each delete blank spaces contract. The complexity of the plan should match the characteristics of the services. For example, a plan for a simple commercial service is generally less complex than one for a base operating support contract. Use documentation to capture past performance information. A performance plan (IAW 1.1.4.) may be used in lieu of a QASP.

4.2. Quality Assurance Personnel and Training.

4.2.1. Personnel. The civilian/military mixture and number of Quality Assurance personnel needed are dependent upon the technical expertise required, the risk associated with unacceptable performance, number of contracts and the size of the contracts. Quality assurance duties should be assigned to civilian personnel when at all possible to avoid interruption of QA duties caused by exercises, contingencies, etc.

4.2.2. Training. Quality assurance personnel shall receive both Phase 1 and Phase 2 training prior to assuming QA responsibilities. Functional Directors or Functional Commanders shall receive training prior to commencement of duties.

4.2.2.1. QAPC training consists of:

4.2.2.1.1. Seven Steps to PBSA training

4.2.2.1.2. Review of draft AFI 63-124, PBSA;

4.2.2.1.3. Review of the DoD PBSA Guide

4.2.2.1.4. Review of draft AFI 63-125, Performance Management Assessment Program.

4.2.2.2. Phase I of QA Personnel training consists of:

4.2.2.2.1. Seven Steps to PBSA training

4.2.2.2.2. Review of draft AFI 63-124, PBSA;

4.2.2.2.3. Review of the DoD PBSA Guide

4.2.2.2.4. Review of draft AFI 63-125, Performance Management Assessment Program.

4.2.2.3. Phase 2 is performed by the contract administrator for each contract monitored. The training should include review and discussion of at least the following:

4.2.2.3.1. A detailed discussion of the contract and SOW,

4.2.2.3.2. An awareness of areas in the contract susceptible to fraud, waste and abuse as well as the high technical risk areas,

4.2.2.3.3. How to properly certify acceptance of services,

4.2.2.3.4. Maintenance of and submission of all QA documentation and past performance information, and

4.2.2.3.5. Replace BRAG with multi-functional team.

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Attachment 1**GLOSSARY OF REFERENCES AND SUPPORTING INFORMATION*****References***

Federal Acquisition Regulation (FAR) Part 37.6, *Performance Based Contracting*

Federal Acquisition Regulation (FAR) Part 46.202-4, *Higher-Level Contract*

Quality Requirements

Department of Defense Instruction (DoDI) 3020.37, “*Continuation of Essential DoD Contractor Services During Crises*” 6 November 1990

AFPD 64-1, *The Contracting System*

AFMAN 37-139, *Records Disposition Schedule*

AFI 63-501, *Air Force Acquisition Quality Program*

Abbreviations and Acronyms

AETC—Air Education and Training Command

BRAG—Business Requirements Advisory Group

CO—Contracting Officer

DoD—Department of Defense

DoDI—Department of Defense Instruction

FAR—Federal Acquisition Regulation

FOA—Forward Operating Agency

HQ USAF—Headquarters United States Air Force

MAJCOM—Major Command

PBSC—Performance Based Service Contracting

PMC—Performance Management Council

PPI—Past Performance Information

SAF/AQC—Deputy Assistant Secretary for Contracting

SDS—Service Delivery Summary

SOW—Statement of Work

QA—Quality Assurance

QASP—Quality Assurance Surveillance Plan

QAPC—Quality Assurance Program Coordinator

Terms

Business Requirements and Advisory Group (BRAG)—A business solution team that consists of cross functional personnel that plan and manage service contract outcomes to the satisfaction of its customers.

Benchmark—A measurement or standard that serves as a point of reference by which process performance is measured.

Benchmarking—A structured approach for identifying the best practices from industry and government, and comparing and adopting them to the organization's operations. Such an approach is aimed at identifying more efficient and effective processes for achieving intended results and suggesting ambitious goals for program output, service quality and process improvement.

Best Practices—The processes, practices and systems identified in public and private organizations that performed exceptionally well and are widely recognized as improving an organization's performance and efficiency in specific areas. Successfully identifying and applying best practices can reduce business expenses and improve organizational efficiency

Centralized Performance Management Office —For the purposes of this instruction, it is a centralized quality assurance office. The office handles all service contract quality assurance issues for the installation whether it is for a large base operating support requirement or a single function. The office has performance management responsibilities. Members conduct inspections as required, receive customer complaints whether by phone, fax or e-mail and review contractor-developed metrics. The office remedies unacceptable services by contacting the contractor to resolve the complaint and performs follow-up. The office may also review contractor-supplied metrics for input into the BRAG. Benefits of a full-time performance management center include, manpower efficiencies in managing performance over multiple contracts to include reviewing metrics, proficiency in many monitoring techniques, improved and consistent documentation, quality assurance personnel are no longer pulled away to perform other duties (whether through exercises or functional demands), the installation develops an experienced team for managing contractor performance and BRAG input, effective on-the job training is provided to the work force by a knowledgeable, interested supervisor, and a consistent face to industry.

Directors of Contracting—Also means the Chief of Contracting Divisions

Functional Director or Functional Commander—The person responsible for a functional area. For example, the Transportation Commander is the Functional Commander for the Transportation Statement of Work.

Multi-Functional Team—A team of stakeholders responsible for a services acquisition. Includes not only representatives of the technical and procurement communities, but also stakeholders of the service acquisition and the contractors who provide the services. This team may consist of sub-group(s) responsible for routine contract actions. This team could be a Business Requirements Advisory Group (BRAG), a Mission Area multi-functional team (MAAT), an IPT, working group, etc.

Partnering—Is the creation of a government-contractor relationship that promotes achievement of mutually beneficial goals. It involves an agreement in principle to share the risks involved in completing the project and to establish and promote a nurturing partnership environment. Partnering is not a contractual agreement, however, nor does it create any legally enforceable rights or duties. Rather, partnering seeks to create a new cooperative attitude in completing government contracts. To create this attitude, each party must seek to understand the goals, objectives and needs of the other--their "win"

situation--and seek ways that these objectives can overlap.

Performance Assessment—A process that measures success towards achieving defined performance objectives or goals defined within the performance thresholds in the services summary or the process of assessing progress towards achieving the objectives/goals developed in a performance plan or partnering agreement.

Performance Management—The use of performance measurement information to effect positive change in organizational culture, systems, and processes, by helping to set agreed upon performance goals, allocating and prioritizing resources, informing managers to either confirm or change current policy or program directions to meet those goals, and sharing results of performance in pursuing those goals.

Performance Plan —Prescribes the objective in having the services, the goals of the multi-functional team, team members and their roles and responsibilities (to include the contractor performing the service), and how the multi-functional team will assess contractor performance and manage the contract to obtain efficiencies, improved performance, and cost savings throughout its life cycle.

Quality Assurance Program Coordinator—Base-level individual, normally from the contracting activity, selected to coordinate the Quality Assurance program. Depending on the installation service contract work load, the Air Force standard is for this to be a full-time funded position.

Statement of Work—Means a performance-based description of the services required by a functional activity. A services SOW may also be termed a Performance Work Statement (PWS), Statement of Need (SON), Statement of Objectives (SOO), Technical Requirements Document (TRD) or work statement.

Strategic Sourcing—A business approach that ties commercial business activity to the installation business goals. It includes methods in combining functional activities to get economics of scale and scope, manage risks, and induce continuous improvement.

Attachment 2

DELETED

Attachment 3

DELETED

Attachment 4

SAMPLE SERVICE DELIVERY SUMMARY

Performance Objective	SOW para.	Performance Threshold
Prepare food IAW recipe cards	13.c.	95% of menu items/meal period
Comply with sanitation requirements of the food code and state and local laws/regulations, which results in a satisfactory or better rating in Health Inspections.	9.d.(3), 13.b., 15, & 16.a.(4)	100% of the time
Satisfy facility manager and guests in reference to timeliness of service and courteousness of employees	13.f.	90% of monthly meal periods
Make available supplies and materials necessary to serve the guests	1, 12.c., 12.d., and 16.a.3	95% of monthly meal periods
Reconcile cashdrawer with POS reports and ensure cash is turned in on-time (add to cashier services)	7.c , 14	95% of deposits per month
Maintain the interior and exterior of the facility in a clean and sanitary condition	16.	85% of the days in the month
Provide cooks/food servers to ensure there is no impact on food service operations during contingency operations	9.e.	100% of the time.
Repairs will be initiated/completed within the following time frames: Routine: 24 hours/96 hours Urgent: 12 hours/48 hours Emergency: 1 hour/24 hours	19.f.	95% of the time

Attachment 5**IC 2004-1 TO AFI 63-124, PERFORMANCE-BASED SERVICES ACQUISITION****9 FEBRUARY 2004*****SUMMARY OF REVISIONS***

This change incorporates interim change IC 2004-1. IC 2004-1 replaces Performance Based Service Contracts (PBSC) with Performance-Based Services Acquisition (PBSA) (the AFI title and throughout the AFI); revises the instruction that AFI 63-124 implements/prescribes and explains. IC 04-1 defines an Air Force Performance-Based Services Acquisition (**1.1.**); allows acquisition professionals to use a QASP and outline how performance is to be managed upon contract award or consolidate performance assessment and management using a performance plan (**1.1.4.**, **3.2.**, **3.3.** and **4.1.7.**); revises and expand key management duties (**1.2.1.1.**, **1.2.1.1.1.**, **1.2.1.2.**, **1.2.1.3.**, **1.2.2.**, **1.2.2.1.**, **1.2.2.2.**, **1.2.4.**, **1.2.5.**, **1.2.5.8.**, **1.2.5.9.**, **1.2.5.10.**, **1.2.6.**, **1.2.6.1.**, **1.2.6.2.**, **1.2.6.3.**, **1.2.6.4.**, **1.2.6.5.**, **1.2.7.2.**, **1.2.7.4.**, **1.2.8.1.** and **1.2.8.4.**); replaces BRAG with multi-functional team (1.2.7.1, **3.2.** and **4.2.2.3.5.**); defines the applicability of the AFI (**1.3.**); defines the roles and responsibilities of the multi-functional team (**1.2.11.**); revises the Quality Assurance Program Coordinator Training Program (**4.2.2.1.**); revises the Phase I training program for QA personnel (**4.2.2.2.**); adds definitions for the multi-functional team, performance assessment, performance management and performance plan (**Attachment 1**); and deletes **Attachment 2** (Exception) and **Attachment 3** (Mandatory Provision).

This instruction implements Air Force Policy Directive (AFPD) 64-1, *The Contracting System*, by directing procedures for developing requirements, acquiring services, and managing service acquisitions within the Air Force. This publication implements the FY02 National Defense Authorization Act (NDAA), Sections 801 and 802, Federal Acquisition Regulation (FAR), Defense FAR Supplement (DFARS), Air Force FAR Supplement (AFFARS), and Department of Defense Directive (DoDD) 5000.2, The Defense Acquisition System. This AFI applies to all major commands (MAJCOMs), Direct Reporting Units (DRUs), and Field Operating Agencies (FOAs). It is applicable to all service acquisitions above the Simplified Acquisition Threshold (SAT) (FAR 2.101), with the exceptions listed in FAR 37.102(a)(1). It applies to all Air Force personnel who develop, acquire, and manage services acquisitions. MAJCOMs, FOAs, and DRUs may not supplement this AFI in a manner that would restrict the acquisition flexibilities contained herein. Refer recommended changes and conflicts between this and other publications to SAF/AQCP, 1060 Air Force Pentagon, Washington, DC 20330-1060, on Air Force (AF) Form 847, Recommendation for Change of Publication. Maintain records in accordance with Air Force Manual (AFMAN) 37-139, *Records Disposition Schedule*. A “[]” indicates revised material since the last edition.

1.1. Performance-Based Services Acquisition Overview. Like all acquisitions, a performance-based services acquisition begins with the planning of the acquisition. A key distinction, however, is that it is developed and implemented by a multi-functional team of stakeholders. These stakeholders are responsible for planning the acquisition and then remain responsible for assessing contractor performance and managing the contract over the life of the requirement. A performance-based services acquisition consists of:

1.1.1. An acquisition strategy that provides direction for the execution of a particular acquisition. It justifies the selected methods such as contract type, source selection procedures, and contract incentives.

1.1.2. Market research that demonstrates reliance on the commercial marketplace for its capabilities, technologies, and competitive forces in meeting an agency need. Market research is essential to the government's ability to buy best-value products and services that supply mission-critical requirements.

1.1.3. A Performance-Based Statement of Work (SOW) (IAW para 2.1.) that defines the requirements in terms of results rather than the method of performing the work.

1.1.4. A performance plan (or QASP IAW para 4.1.7. and an outline detailing how the contract is to be managed upon contract award IAW para 1.2.5.10.) signed by members of the multi-functional team that identifies the following:

1.1.4.1. The objective in having the service provided, i.e., to provide quality housing maintenance to military members.

1.1.4.2. The results the multi-functional team is striving to achieve in managing the acquisition, i.e., cost savings, efficiencies, improved customer service.

1.1.4.3. The multi-functional team members, and how roles and responsibilities are distributed among team members.

1.1.4.4. The approach, methods and tools the multi-functional team will use to assess the contractor's.

1.1.4.5. The approach, methods and tools the multi-functional team will use to manage the acquisition upon award.

1.1.5. The metrics used to track contractor progress to meet stated performance objectives.

1.2.1.1. The AFPEOs are responsible for the oversight and management of services acquisitions within their portfolio.

1.2.1.1.1. AFPEO/SV is responsible for the management and oversight of service acquisitions with a total planned value in excess of \$100M, A-76 Cost Comparison Studies involving more than 300 full-time equivalents (FTE). Oversight and management shall be in accordance with the Management and Oversight of the Acquisition of Services Process (MOASP)(AFFARS 5337.503-9002).

1.2.1.2. SAF/AQC is responsible for providing PBSA policy, tools, and training and is the Office of Primary Responsibility (OPR) for this AFI.

1.2.1.3. DELETED.

1.2.2. **MAJCOM Contracting Leadership** (PKs/LGCs/FOAs/DRUs). MAJCOM Directors and Chiefs of Contracting offices are the business advisors to the MAJCOM Commanders/AFMC Center-level CCs for service acquisitions less than \$100M, A-76 studies involving less than 300 FTEs, and those delegated by AFPEO/SV. MAJCOM Contracting Leadership shall update the MAJCOM Commanders yearly on the health of the Command's service acquisition program. The updates shall include pertinent topics such as strategic sourcing recommendations, status of selected high profile service acquisitions, the success of the service acquisition program in meeting its performance objectives and goals, and implementing innovations and best practices. MAJCOM Contracting Leadership shall report acquisitions with significant variances in cost, schedule, or performance to AFPEO/SV

1.2.2.1. HCAs are responsible for the oversight and management of services acquisitions with a total value of \$100M or less, and A-76 studies involving less than 300 FTEs. HCAs will provide management and oversight IAW the appropriate MOASP.

1.2.2.2. DELETED.

1.2.4. A Performance Management Council (PMC) may be established when one or more base support contract/contracts span multiple groups and tenant organizations. PMC meetings may be held in conjunction with other installation meetings (for example, the Facilities Management Board, Financial Working Group) to provide synergy in addressing installation issues. The council's duties include:

1.2.5. A BRAG is one form of a customer-focused multi-functional team instituted under the authority of the installation commander. If using a BRAG, the contracting squadron commander establishes the BRAG to plan and manage service acquisitions throughout the life of the requirement. A BRAG can be established for a single function or may include multiple functions (See [Figure 1.](#)). The number of BRAGs depends upon the installation's requirements and business approach. For example, a BRAG can be formed to support major customers and their requirements, or it can be formed for each procurement regardless of the major customer. Members of the BRAG will, as a minimum support the following:

1.2.5.8. Update the Installation Performance Management council (if applicable), as required,

1.2.5.9. Collection of Past Performance Information (PPI), and

1.2.5.10. Outline how the team will manage the contract upon award IAW paras [1.1.4.1.](#), [1.1.4.2.](#), [1.1.4.3.](#), and [1.1.4.5.](#)

1.2.6. Contracting Squadron Commanders, Chiefs of the Contracting Offices, Chiefs of Performance Management Offices, AFMC/AFSPC Center-level PKs.

1.2.6.1. Serves as the Business Advisor to Wing Commanders, Group Commanders, AFSPC/AFMC Center-level Commanders, Systems Program Directors (SPD) and other Headquarters Directors.

1.2.6.2. Developing and implementing acquisition strategies for services acquisitions.

1.2.6.3. Providing oversight of the multi-functional team in planning, assessing contractor performance, and managing the acquisition throughout the life of the requirement, unless a Program Management office exists.

1.2.6.4. Updating the Wing Commanders, Group Commanders, AFSPC/AFMC Center-level Commanders, Systems Program Directors (SPD) and other Headquarters Directors to include providing status annually on the health of their service acquisitions. Provide MOASP reports on service acquisitions to the MAJCOMs for consolidation. Subjects may include the effectiveness of the performance assessment and performance management of the service acquisition, the effectiveness of performance objectives, contract cost changes, acquisition planning, strategic sourcing issues, and the effectiveness of the multi-functional and the Commanders/Directors business objectives.

1.2.6.5. Ensuring personnel on the multi-functional team receive the appropriate level of training to meet local needs.

1.2.7.1. Assigning competent and capable functional experts to the multi-functional team who will be available full time or as warranted by the procurement cycle. Functional experts assigned multi-functional teams shall:

1.2.7.2. Ensuring requirements documents developed by the multi-functional team satisfy mission requirements, are performance-based, foster innovation, and define metrics. Metrics should provide meaningful measurements of contractor progress aimed at attaining desired outcomes. This includes identifying mission essential services and developing the necessary documents in accordance with DoDI 3020.37, *Continuation of Essential DoD Contractor Services During Crisis*.

1.2.7.4. DELETED.

1.2.8.1. Evaluating and documenting contractor's performance in accordance with the Quality Assurance Surveillance Plan. A performance plan (IAW 1.1.4.) may be used in lieu of a QASP.

1.2.8.4. Recommending improvements to the Quality Assurance Surveillance Plan and Statement of Work throughout the life of the contract. A performance plan (IAW 1.1.4.) may be used in lieu of a QASP.

1.2.11. **Multi-functional Team(s).** This is a customer-focused team instituted under the authority of the Air Force Executive Leadership. The team is composed of stakeholders in the acquisition and is responsible for the acquisition throughout the life of the requirement. For complex, multi-functional service acquisitions, membership should include all stakeholders impacted by the services performed. This may include subgroup(s) responsible for routine tasks associated with the service acquisition process. For less complex, single-function service acquisitions, membership in this group may include as few members as: the contracting officer (PCO/ACO); QAPC; QA personnel; the functional/technical representative; subject matter expert; and the contractor who provides the service. The duties and responsibilities of the team include:

1.2.11.1. Providing support to Air Force Executive Leadership as required (i.e., performance metrics, data, briefings).

1.2.11.2. Promoting business decisions to meet customer requirements by researching the marketplace to remain current with the most efficient and effective performance assessment methods and techniques. Performing market research throughout the life of the requirement to ensure the team is knowledgeable of the commercial marketplace.

1.2.11.3. Fostering partnerships with industry to ensure exchanges of information with the service industry and other business experts. Ensure the contractor becomes an active team member upon contract award.

1.2.11.4. Developing a performance-based acquisition strategy, to include performance metrics.

1.2.11.5. Developing PBSA requirements.

1.2.11.6. Developing the technical requirement and the independent cost/government estimate.

1.2.11.7. Developing source selection factors and sub-factors, if applicable, that provides an integrated assessment of the offeror's proposal and ensures a best value source selection based on the requirements of the RFP.

1.2.11.8. Assessing and documenting contractor performance in accordance with the performance plan.

1.2.11.9. Managing contract performance in accordance with the performance plan.

1.2.11.10. Identifying opportunities to improve performance throughout the life of the contract. This includes benchmarking against industry, identifying initiatives, assessing the risk associated with these initiatives, using the performance plan for implementing initiatives brought forward, and monitoring the success of implementation.

1.2.11.11. Assessing/managing contractor performance assessment data, to include submitting CPARS reports.

1.3. **Application.** This AFI applies to all major commands (MAJCOMs), Direct Reporting Units (DRU), and Field Operating Agencies (FOAs). It is applicable to all service acquisitions above the Simplified Acquisition Threshold (SAT) (FAR 2.101), with the exceptions listed in FAR 37.102(a)(1).

2.2. **SOW Format.** Examples of performance-based work statements are found in the SAF/AQC Contracting Toolkit, Part 37, <http://www.safaq.hq.af.mil/contracting/toolkit/part37/pbsa>. All service contracts will use the following format:

3.2. A performance plan (IAW 1.1.4.) may be used in lieu of a QASP. The BRAG will develop a Quality Assurance Surveillance Plan (QASP) that cites:

3.3. The QASP may be made part of the solicitation but shall not be part of the resulting contract. This provides contractors with information on Air Force requirements, the level of performance expectations and how the Air Force will confirm the services are provided. Methods of surveillance can change after contract award based on acceptance of a contractor QC plan or a partnering agreement which establishes the metrics to be used or is based on improved contractor performance. A performance plan (IAW 1.1.4.) may be used in lieu of a QASP.

4.1.7. Developing a Government QASP that specifies how inspection and acceptance of services is to occur. This plan, tailored to the individual requirement, is put in writing for each delete blank spaces contract. The complexity of the plan should match the characteristics of the services. For example, a plan for a simple commercial service is generally less complex than one for a base operating support contract. Use documentation to capture past performance information. A performance plan (IAW 1.1.4.) may be used in lieu of a QASP.

4.2.2.1. QAPC training consists of:

4.2.2.1.1. Seven Steps to PBSA training

4.2.2.1.2. Review of draft AFI 63-124, PBSA;

4.2.2.1.3. Review of the DoD PBSA Guide

4.2.2.1.4. Review of draft AFI 63-125, Performance Management Assessment Program.

4.2.2.2. Phase I of QA Personnel training consists of:

4.2.2.2.1. Seven Steps to PBSA training

4.2.2.2.2. Review of draft AFI 63-124, PBSA;

4.2.2.2.3. Review of the DoD PBSA Guide

4.2.2.2.4. Review of draft AFI 63-125, Performance Management Assessment Program.

4.2.2.3.5. Replace BRAG with multi-functional team.

Attachment 1, Add the following Terms:

Multi-Functional Team - A team of stakeholders responsible for a services acquisition. Includes not only representatives of the technical and procurement communities, but also stakeholders of the service acquisition and the contractors who provide the services. This team may consist of sub-group(s) responsible for routine contract actions. This team could be a Business Requirements Advisory Group (BRAG), a Mission Area multi-functional team (MAAT), an IPT, working group, etc.

Performance Assessment - A process that measures success towards achieving defined performance objectives or goals defined within the performance thresholds in the services summary or the process of assessing progress towards achieving the objectives/goals developed in a performance plan or partnering agreement.

Performance Management - The use of performance measurement information to effect positive change in organizational culture, systems, and processes, by helping to set agreed upon performance goals, allocating and prioritizing resources, informing managers to either confirm or change current policy or program directions to meet those goals, and sharing results of performance in pursuing those goals.

Performance Plan - Prescribes the objective in having the services, the goals of the multi-functional team, team members and their roles and responsibilities (to include the contractor performing the service), and how the multi-functional team will assess contractor performance and manage the contract to obtain efficiencies, improved performance, and cost savings throughout its life cycle.

Attachment 2 and **Attachment 3** are deleted.