

PERFORMANCE-BASED MANAGEMENT GUIDELINES:

- A. The purpose of these Guidelines are to institutionalize a performance-based management system that encourages and rewards excellence, continuous improvement and timely communication.
- B. In keeping with the objectives set forth above, any performance-based management contract must begin with the establishment of contract performance objectives, measures, and expectations which are linked to pre-established performance incentives which, if achieved, will:
 - 1. enhance the Laboratory's ability to accomplish its mission for the Department;
 - 2. drive cost-effective performance improvements, focusing on efficient system performance while maintaining appropriate internal controls;
 - 3. when possible, allow for meaningful trend and rate of change analysis; and
 - 4. encourage benchmarking initiatives as a means of incorporating industry business standard, and "best practices" that are meaningful, appropriate, and consistent with Departmental requirements and deemed to reflect overall successful operations. "Best practices" should include cost/risk/benefit analysis.
- C. Performance Based Contract Measures (PBCMs) should be constructed to drive performance improvements and focus on effectiveness of systems while maintaining an appropriate level of internal controls. They should incorporate "best practices" and reflect DOE's and Contractor's judgement as to the key performance elements, which will enhance fulfilling the Department's mission objectives. The measures are incorporated into the Contract, Appendix B, Attachment 3, and are tied directly to any performance incentives, which may be made available under the contract.
- D. PBCMs are composed of three tiers:
 - o Objectives: Statements of desired end results for an organization.
 - o Measures: Quantitative or qualitative methods or characteristics for describing performance that, when satisfied, indicate successful achievement of an objective.
 - o Expectations: Quantitative or qualitative conditions or target levels used to evaluate performance for each measure.

- E. In addition to the development of specific contract performance objectives and measures tied to incentives, an effective Performance-Based Management system should also establish and institutionalize an internal self-assessment program which fosters assessment of existing internal systems, policies, and procedures and encourages continuous improvement. The Contractor's internal self-assessment program shall provide for the following:
1. An assessment of performance in non-critical areas and effectiveness of system, procedures and practices are key to obtaining a broader perspective on the effectiveness and efficiency of systems, procedures and practices in identified functional areas. Section III General Operations are not directly linked to any contract performance incentive and are in addition to the contract performance objectives and measures identified under Sections I and II of Attachment 3 of this Appendix B.
 2. An assessment of overall operations in functional areas or activities mutually agreed upon for:
 - (a) compliance with contract, law or other DOE and Federal requirements (such as regulations, directives, etc.) as may be applicable pursuant to terms of the prime contract.
 - (b) the adequacy and the degree to which internal policies, procedures and controls are implemented and are being met.
 3. Identification of improvement opportunities and improvement plans.
- F. PBCMs should reference industry business standards, best practices, or other standards which are meaningful, appropriate, and consistent with DOE requirements rather than trying to arbitrarily develop standards.
- G. The final performance rating achieved for both Science and Technology and Critical Operations will be based primarily upon the performance rating earned in each of these two areas. Consideration of any additional information over and above that developed from Section I and II of Attachment 3 will be in accordance with the following paragraphs.
- H. The Parties acknowledge that the performance levels achieved against Science and Technology and Critical Operations will be the primary but not necessarily the sole criteria for determining the Contractor's final performance ratings and incentives earned in any given performance period. The Contracting Officer may also consider any significant event (as defined in Article 6) and/or other relevant information which is deemed to have had a impact (positive or negative) on the Contractor's performance. Other relevant information may become available from a number of different sources including Contractor reports and self-assessment required pursuant to Appendix B of this contract, DOE's day-to-day operational awareness and its annual business reviews, Inspector General reviews, General Accounting Office (GAO) audits, for cause reviews,

etc., as well as Contractor cooperation, interaction, and responsiveness to DOE throughout the performance period.

Should the Contracting Officer consider a significant event and/or other relevant information in establishing the final performance rating in either Science and Technology or Critical Operations for the performance period, the Contracting Officer shall give the Contractor written notice specifying the event and/or information being considered, the reasons for considering it significant or having an impact on performance, and the intended effect on the performance rating for the year. The contractor will be given the opportunity to respond in writing and, if the Contractor requests, in a meeting to respond to the Contracting Officer's intended action.

The Contracting Officer will issue his/her written assessment along with the proposed performance ratings to the Contractor within ten (10) working days of the above written notice. The Parties agree that the following resolution procedure is available to the Contractor for use in appealing the Contracting Officer's decision to adjust the final performance rating(s) based on significant events or other relevant information.

1. Within five (5) working days of the receipt of the notification that the Contracting Officer intends to modify and adjust the performance rating achieved for Science and Technology and/or Critical Operations, or any of the functional ratings earned under these two primary categories, the Contractor may request the Resolution Council (RC), consisting of the Contractor, the Laboratory Director, the DOE Group Manager, a representative of the cognizant HQ office, and the Manager of the Chicago Operations Office, to consider its objections to such adjustment. The RC shall have flexibility in determining the processes and procedures to be utilized and will take all the steps necessary to act within twenty (20) days, or such later period as the Manager of the Chicago Operations Office may authorize, in writing, to effect a resolution. The RC may utilize the expertise of knowledgeable staff personnel or other individuals whose participation will assist in the resolution of the relevant issues.
2. If the RC is unable to resolve the matter within the time frame established above, the Manager, Chicago Operations Office, shall issue a final determination.

Neither the decision of the Contracting Officer to exercise the right set forth above nor the decision of the Manager shall constitute a "claim" as defined in Article 13, Disputes of this contract or the Contracts Disputes Act of 1978, 41 U.S.C. section 601 et seq.

- I. The Contracting Officer shall review, approve and periodically verify how the Contractor collects, compiles and scores its performance against the measures established annually and incorporated into the contract as Attachment 3 to this Appendix B.
- J. PBCMs are to be developed in a team approach involving appropriate Ames Group, Chicago Operations Office, HQ, along with Iowa State University and Ames Laboratory Representatives.

- K. Failure to include a specific objective and/or measure in the contract as part of Attachment 3 does not preclude the Laboratory from having to comply with the requirements of this contract and failure to comply may be considered by the Contracting Officer in determining the Contractor's performance rating(s).
- L. The Director, Office of Science (SC-1) has the primary responsibility for evaluating Laboratory's Scientific and Technology performance and the Contracting Officer has the primary responsibility for evaluating Critical Operations performance in accordance with the objectives and measures of Attachment 3 to this Appendix B. Notwithstanding their primary responsibility for evaluating performance in their respective areas, either party may and is encouraged to provide any information, concerns, issues on to the other if they believe it may have some bearing on the other party's evaluation of the contractor's performance.

The contractor has primary responsibility to compile the data necessary to document the Contractor's performance.

- M. For reasons beyond the Contractor's control, certain data input may not be available to meet the appraisal schedules outlined in Attachment 4 to this Appendix. The evaluation shall proceed according to schedule for measures which have complete data. Final ratings shall not be determined until all ratings are completed. A final assessment report with final adjectival ratings will only be issued when sufficient data is available to evaluate the contractor's performance against all measures. The Contracting Officer may, based upon the measures completed and the performance achieved, award a portion of any performance incentive, pending the complete assessment of all measures, at which time the final incentives earned will be determined and awarded.
- N. The Contractor and DOE agree to establish specific weights for the Science and Technology and Critical Operations areas. In addition, within each of these areas, individual objectives and measures will have weights and expectations established to gauge Laboratory performance. If the Parties cannot reach agreement on either, the specific weights or the individual expectations for any of the measures, the Contracting Officer shall have the right to establish such weights and/or expectations, subject to the provisions below.
- O. In the event the Contracting Officer determines it necessary to exercise the right set forth above, the Contracting Officer will notify the Contractor in writing of the intended decision and the final weightings and/or expectations which will be issued to the Contractor within 10 working days. Provided, however, that the Parties agree the following resolution procedure will be available to the Contractor:

1. Within five working days of receipt of the final weightings and/or expectations being issued, the Contractor may request that the Resolution Council (RC), consisting of the Contractor, the Laboratory Director (or designee), the DOE Group Manager and the Manager of the Chicago Operations Office consider the Contractor's objections to the weights and/or expectations established by the Contracting Officer. Said objection must be predicated on one of the following basis: (i) Contractor's inability to quantify the weight or expectation as the Contracting Officer established it, (ii) an expectation or standard that cannot be reasonably met, or (iii) attaining the weighted standard would force the Contractor into a detrimental evaluation in another evaluated standard. The RC shall have flexibility in determining the weight(s) and/or expectation(s) and is expected to reach a final decision within ten working days or such later period as the Manager, Chicago Operations Office may authorize in writing. The RC may utilize the expertise of staff personnel to assist in the resolution of any issues.
2. If the RC is unable to resolve the matter within the time frame established, the Manager of the Chicago Operations Office shall issue a final determination.
3. Neither the decision of the Contracting Officer to exercise the right set forth above nor any decision of the Manager, Chicago Operations Office shall constitute a "claim" as defined in Article 13, Disputes, of this contract or the Contract Disputes Act of 1978, 41 U.S.C. 601 et seq.