# ATTACHMENT FOUR

## PERFORMANCE EVALUATION REVIEW

1. Performance Evaluation Review: This Performance Evaluation Review (PER) identifies the key service parameters of the contract that will be evaluated by the Government to assure contract performance standards are met by the Contractor, and to ensure that the Contractor establishes and maintains an adequate Quality Control System/Plan. (Quality Control System/Plan is defined as those actions taken by the Contractor to control the performance of services so that they meet the requirements of the Statement of Work; may include a Quality Assurance Surveillance Plan [OASP], which is a written document containing specific methods for performing quality assurance inspections/reviews.) The table set forth in Annex A to this attachment contains the following information:

a. Column 1 - The performance criteria/services which will be evaluated and which are subject to the payment adjustment computations identified in paragraph 4 of this attachment. The absence from Annex A of any contract performance requirement, however, shall not detract from its enforceability nor limit the rights or remedies of the Government under any other provision of this contract.

b. Column 2 - The PER standard of performance for each listed service. The Contractor is responsible for performing a listed service in accordance with all standards for that service, even if one or more standards for a listed service are omitted from the PER.

c. Column 3 - the maximum allowable deviation from perfect performance that may occur before the Government will apply the Performance Adjustment formula identified below to compute a deduction from the payment for the listed service. This Acceptable Quality Level (AQL) is the maximum percent defective; the maximum defects per service, per lot; or the number of defects in a port visit that may occur before the Government will effect the price adjustment computation in accordance with this provision. (A Lot is the total number of service outputs or measurements in a surveillance period, as defined in paragraph d below.) An AQL does not allow a Contractor to knowingly offer defective services, but limits the reduction in payment to circumstances in which defective performance results in a measurable reduction in the value of services rendered. (Defective service is defined as service which contains one or more defects, or fails to conform with requirements specified in the contract.) Annex A to this Attachment specifies an AQL for each port visit AND an AQL for each surveillance period (quarter).

d. Column 4 - description of the Lot to be used as the basis for surveillance, evaluation, and/or adjustment of payment. A lot size is the number of times that the service is performed during a specified time period - normally one quarter (three months). Lots may also be expressed as the number of service performances per port visit (daily, hourly, each, trip, collection, etc.), and/or the scheduled or expected occurrences of a service over a given period of time.

e. Column 5 - the percentage of the applicable Husbanding Agent Fee which will be deducted for defective service. The applicable fee will be the fee attributable to a specific ship(s)/port visit(s) during which the defective service occurred. Any adjustment in subcontractor payments shall be negotiated directly between the Husbanding Agent and any subcontractor, vendor, agency, or Port Authority; adjustments in subcontractor payments are NOT the responsibility of the Government.

f. Column 6 - the additional amount of adjustment/ reduction which may be applied to defective services which result in validated customer complaints.

2. Government Quality Assurance Review/Surveillance: Contractor performance will be measured against the requirements of the Statement of Work, using the evaluation criteria cited in the Performance Reports set forth as Annex B to this Attachment.

a. The Government may use a variety of inspection/ surveillance methods to evaluate the Contractor's performance. Only one method will be used at a time to evaluate a listed service for purposes of determining the applicability of any payment adjustment(s). The methods of inspection and/or surveillance, which will be used under this contract, are as follows:

i. Services to be performed will be at all times and places subject to inspection by the Contracting Officer, Ordering Officer, designated ship's personnel (usually Supply Officer, Engineering Officer, or Operations Officer), and/or authorized representatives of the Contracting Officer (usually Operations or Logistics personnel of COMNAVBASE/ COMTHIRDFLEET/ COMNAVSURFPAC/CINCPACFLEET/Coast Guard, etc.). Inspections of services shall be conducted as often as considered necessary to assure sufficient evaluation and assessment of the Contractor's performance. Inspections may be either scheduled or unscheduled.

ii. Periodic surveillance of output items (arrival briefing materials, reports, correspondence, etc.), as determined necessary to assure a sufficient evaluation of Contractor performance.

iii. Customer complaints and comments, as evidenced by the Customer Survey forms included as Annex B to this Attachment, will be the major method of assessing the Contractor's performance. When there is a case of poor performance or non-performance, the Contracting Officer shall investigate the complaint (oral or written) and, if the complaint is found to be valid, shall document the contract file and apply the payment adjustment provisions herein, if warranted.

3. Criteria for Evaluating Unacceptable Performance: Performance of a listed service will be accepted and paid for at the fixed-price rate specified in Attachment 1, Billing/Pricing Schedule when the number of defects does NOT exceed the maximum allowable defects identified in Column 3 of the PER Table, Annex A to this Attachment. When the defects exceed the maximum AQL, the Contracting Officer shall initiate a Contractor Deficiency Report (CDR), incorporated as Annex C to this Attachment. The CDR shall be forwarded to the Contractor for completion of

the contractor portion of the report. In completing the CDR, the Contractor shall explain, in writing: why performance was unacceptable; how performance will be returned to acceptable levels, and how recurrence of the problem will be prevented in the future. The Contracting Officer will evaluate the Contractor's explanation and determine if full payment, partial payment, or the contract termination process is applicable.

a. Determining Payment Adjustments (Reduced Payment) - the number of defects that will result in a reduction in the Contractor's payment will be determined as follows:

i. If the AQL is a constant number of defects (for example, 2 defects), the AQL plus one or more additional defects will cause a deduction in the payment (for example, 3 defects).

ii. If the AQL is a percentage value, it is multiplied by the lot size to determine the number of defects that will allow full payment. If the resulting value has a decimal, it will be rounded to the next higher whole number if .5 or greater, and the next lower whole number if less .5. One or more additional defects will cause a reduction in payment.

b. Acceptance of Reperformance or Later Performance -

THE CONTRACTOR'S QUALITY CONTROL SYSTEM/PLAN IS EXPECTED TO ENSURE PERFORMANCE TO THE STANDARDS REQUIRED BY THIS CONTRACT. Except as otherwise provided by this attachment, the services required by this contract are of such a nature that defective or incomplete performance disclosed by Government inspection or surveillance is NOT subject to correction by re-performance or later performance. The Contractor shall not be entitled to reperform, perform late, or otherwise correct defective services for the purpose of improving an existing inspection rating or avoiding a reduction in the full contract price.

4. Payment Adjustment/Reduction:

a. Invoice payments to the Contractor will be reduced for unacceptable performance, using the methods set forth below. At the completion of each port visit, Contractor performance will be compared to contract standards and acceptable quality levels using the criteria established herein. If performance in any specific service is unacceptable, and if the unacceptable performance is clearly the responsibility of the Contractor, an amount not to exceed the percentage/formula set forth in Column 5 of Annex A to this Attachment will be deducted (Column 5 identifies the amount which can be deducted for failure to perform at an acceptable level).

b. If defective performance of a service exceeds the AQL, the Government shall NOT pay the full fixed-price rate set forth in Attachment 1, Billing/Pricing Schedule, for that service.

c. For defective services reported by customer complaints, the maximum payment adjustment/reduction will be increased by the percentage/amount stated in Column 6 of Annex A to this Attachment. The total number of defects found, NOT just the defects in excess of the unacceptable level are used to determine percentage deductions for customer complaints.

d. Inspection/surveillance and computation of the Contractor's payment adjustment will be made during or immediately following each port visit, and also on a quarterly review basis. For quarterly reviews, the payment computation will be determined for the entire period since the last review, and will be based on the total maximum payment available for the entire period since the last review. Should computation of the payment adjustment result in an amount less than has already been paid for the preceding review period, the Government will deduct the overpayment/adjustment from the next invoice submitted. Customer complaints which result in reduction of the Contractor's payment will NOT be included in quarterly reviews; once a deduction has been taken for a defective service, that service shall be removed from the quarterly review computations to avoid duplicate adjustments for the same defect.

Note: Higher AQL allowances are NOT authorized for performance during any phase-in period applicable to the contract.