

# **ATTACHMENT #1 – DRAFT BEST VALUE AWARD DECISION CRITERIA – QUALITY INFUSED PRICING METHODOLOGY**

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## **SECTION M**

### **M.1 BEST VALUE AWARD DECISION CRITERIA: QUALITY INFUSED PRICING<sup>®</sup> (QIP) METHODOLOGY TO MONETIZE TECHNICAL AND PAST PERFORMANCE TRADE SPACE TO ESTABLISH AN AWARD DETERMINATION**

#### **M.2 Copyright & Reference Material:**

1. #eVALuate: Monetizing Service Acquisition Tradeoffs Using Quality-Infused Price <sup>®</sup> Methodology. Defense Acquisition Research Journal (2016); p.23(2), pages 202-230, Daniel J. Finenstadt and Timothy Hawkins.
2. Bridging the Best Value Gap: Achieving Better Buying Power Through the Quality Infused Price Methodology. National Contract Management Association Trade Magazine (September 2016);

#### **M.3 Award Decision:**

In accordance with FAR 16.505(b)(1)(ii), “The contracting officer may exercise broad discretion in developing appropriate order placement procedures.”

The Government intends to evaluate proposals and select an Offeror for award without discussion unless the Contracting Officer determines that discussions are necessary.

The Government will make an award to the offeror who is determined to be the best value to the Government. The best value to the Government will be determined by comparing the differences in the value of the non-price features, technical and past performance, with the differences in price to the Government utilizing a Quality-Infused Pricing Methodology to monetize the tradeoff space for this acquisition as designed by the construct of the evaluation criteria and assignments of relative importance between evaluation factors which has all been determined key discriminators for successful future performance. Each offeror’s QIP calculation as described below shall be utilized by the contracting officer in establishing the best value tradeoff award determination.

The confidence rating of the non-price evaluation factors provides insight into the level of performance the Government should anticipate. The non-price evaluation factors are significantly more important than price. Among the non-price evaluation factors, technical is more important than the past performance factor.

#### M.4 QIP Component/Acronyms:

1. QIP = Quality Infused Pricing
2. TEP = Total Evaluated Price
3. cQAF = composite Quality Adjustment Factor
4. cSVI = composite Service Value Index (Adjustment Factor)
5. cPQR = composite Proposal Quality Rating (Adjustment Factor)

#### M.5 QIP Component/Calculation:

1. QIP = Proposed Total Evaluated Price \* cQAF
2. cQAF = (cSVI \* weighting) + (cPQR \* weighting)
3. cSVI =  $\sum(\text{Average Sum of Average Sub Category Survey Factor Scores} * \text{Primary category weight})$
4. cPQR =  $\sum(\text{Average Sum of Average Sub Category Survey Factor Scores} * \text{Primary category weight})$

#### M.6 QIP Application Process

The following sections (Section M.6.1 through M.6.5) outline the process the contracting officer will adhere to in calculating the QIP for each offeror. It is a serial process where future steps by the contracting officer are contingent on successful completion of the previous step.

##### M.6.1 Step #1 – Positive PreAward OCI Review (*Pass/Fail*)

##### M.6.2 Step #2 – Capability Plan (*Pass/Fail*)

##### M.6.3 Step #3 – Fair & Reasonable Pricing and Cost Realism (*as discussed in Section M.X*)

**THE FOLLOWING IS A COST STATUS UPDATE:** The cost/price sections of the solicitation(s) for the Virtual, Strategic, or Battlefield are not ready at this time for industry review/comment. We are making progress and are close. Additional draft solicitation language is forthcoming on a variety of important topics as we have done before.

However, the ultimate outcome from those solicitation sections regarding cost will be an individual offeror's cost proposal against the terms and conditions of each solicitation. As each solicitation is executing a Cost Plus Fixed Fee (CPFF) Term Level of Effort (LOE) task order contract type. The LOE (i.e. labor hours per OASIS LCAT) and term (periods of performance) will be provided in the solicitation for each solicitation.

The cost/price evaluation process assesses each offeror's proposed cost/price for fairness, reasonableness, compliance, completeness, and cost realism of the proposed costs.

In order to assist offerors in submitting quality cost proposals, the following section will be included in each solicitation:

*The total estimated CPFF of the task order is between \$XXXM - \$XXXM. The estimate is all inclusive. Any proposal that is not within this range shall include an explanation that specifically draws the Government's attention to any unique aspects of the proposal the offeror would like the Government to consider as the justification for the deviation from the range.*

See FAR 15.404-1(d) for a discussion of "cost realism" and "probable cost". The probable cost will be determined by adjusting each offeror's proposed cost to reflect realistic levels based on the results of the cost realism analysis. The probable cost will be the higher of the proposed total cost or evaluated total cost and will reflect the Government's best estimate of the cost that is most likely to result from the offeror's proposal considering cost realism.

FAR Provision 52.217-5 applies to this solicitation. FAR 52.217-9, Option to Extend the Term of the Contract and 52.217-8, Option to Extend Services are included will be included the pending solicitations and will be included in the subsequent task order award(s).

For evaluation purposes only, the Total Evaluated Price (TEP) for each offeror is the sum of the total probable cost for the base period, all option periods, and the six-month extension authorized by FAR clause 52.217-8. For purposes of determining the evaluated cost for the six (6) month 52.217-8 extension, the total cost is calculated as one-half of the total cost of the final option period's most probable cost to generate each offeror's total offer TEP.

Once the TEP for each offeror's cost proposal is established, the government will utilize a Quality-Infused Pricing (QIP) Methodology© to monetize the best value tradeoff space and establish the basis for determining best value and making a task order award as further outlined below.

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The Government will assess the Total Evaluated Price (TEP) for each offerors proposed services in accordance with Section M.X.

The Government will establish a cQAF to be used to adjust the TEP for evaluation purposes only related to the government's best value tradeoff determination. The final accepted/negotiated price/cost will be used for task order award.

The cQAF will only be used to assign a relative level of quality to the proposed TEP considering factors determined to be germane to inherent service value to the Government. The Government will assess all cost/price proposals for fair and reasonableness and cost realism prior to applying the cQAF and evaluating the adjusted prices (i.e. QIP) for the government's best value tradeoff determination.

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#### M.6.4 Step #4 – cQAF Establishment

The Government shall apply an adjustment factor for evaluation purposes known henceforth as the cQAF to each offeror’s TEP. The Government shall evaluate the quality of services being proposed by each offeror by evaluation factor (technical and past performance) using a scale of confidence.

In order to establish a value rating commensurate with the quality of the services being offered the Government will use a two part methodology. The first part consists of developing a Composite Proposal Quality Rating (cPQR) that is derived by the quality evaluation team based on the quality of the offerors proposal considering the interview style oral technical demonstration. The second part consists of developing Composite Service Value Index (cSVI) using survey data from previous offeror customers considering a past performance survey (e.g. a PPQ) .

##### M.6.4.1 Composite Proposal Quality Rating (cPQR) Adjustment Factor Survey Scale:

The cPQR is derived by the Government quality evaluation team based on the quality of the offeror’s proposal considering the Government’s confidence assessment. This acquisition is utilizing interview style oral capability demonstrations (and in the case of Virtual ONLY – Product Demonstrations as well) to assess the technical ability of each offeror in relation to key discriminators of technical performance. Each question has been specifically developed by the Government technical end user of the required software engineering services as defined throughout Section C as a key discriminator of successful performance. Each individual question will be assigned a confidence rating as defined by the confidence scale below:

*Technical Confidence Rating Scale Table 1*

RATING	ABBREVIATION	DESCRIPTION
High Confidence	HC	Evaluation leaves <u>virtually no doubt</u> that the offeror will successfully perform the required effort. Little or no Government oversight is expected to be required in achieving the required
Significant Confidence	SC	Evaluation leaves <u>little doubt</u> that the offeror will successfully perform the required effort. Minimal Government oversight is expected to be required in achieving the required level of
Medium Confidence	MC	Evaluation leaves <u>some doubt</u> that the offeror can successfully perform the required effort, however it is believed that there is a good probability that the offeror can perform successfully. Some Government oversight is expected to meet the required level of
Little Confidence	LC	Evaluation leaves <u>substantial doubt</u> that the offeror will successfully perform the required effort. Substantial Government oversight or intervention is expected to be required in achieving the required level of performance. Changes in the offeror’s existing processes may be necessary to achieve the required

No Confidence	NC	Evaluation leaves <u>extreme doubt</u> that the offeror will successfully perform the required effort, regardless of the degree of Government oversight.
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*PQR Rating & Price Adjustment Factors Table 2*

Adjective Rating	Numerical Rating	PQR Factor*
HC	1	.80
SC	2	.90
MC	3	1
LC	4	1.2
NC	5	1.4

*\*The PQR factors are the result of the contracting officer's assessment of value assigned to the various measures of confidence.*

*Table 3 - cPQR Example*

The Primary Categories are those already released to industry as the interview style oral demonstration categories (and Product Demonstrations categories for Virtual ONLY). The number of interview style oral questions and/or product demonstration (for VIRTUAL ONLY) have not been released.

The “weights” used for each primary categories will be disclosed in the final solicitation by the Government and are based on a subjective determination of relative importance among the various primary categories (See Section M.X. The final determined weights will be the same for all evaluated proposals but may vary by solicitation (i.e. Virtual, Strategic, and Battlefield). The weights provided below are simply provided to illustrate the example and the mathematics being applied.

		Confidence Rating	Factor	Aggregate Score	Weight	Total Value Indices
<b>Primary Category</b>	<b>Example: Hardware Engineering</b>			<b>0.95</b>	<b>0.1</b>	<b>0.0950</b>
	Question #1	<b>HC</b>	0.90			
	Question #2	<b>SC</b>	0.95			
	Question #3	<b>MC</b>	1.00			
<b>Primary Category</b>	<b>Example: Software Engineering</b>			<b>0.95</b>	<b>0.1</b>	<b>0.0950</b>
	Question #1	<b>HC</b>	0.90			
	Question #2	<b>SC</b>	0.95			

	Question #3	MC	1.00			
<b>Primary Category</b>	<b>Example: Systems Engineering</b>			<b>0.95</b>	<b>0.1</b>	<b>0.0950</b>
	Question #1	HC	0.90			
	Question #2	SC	0.95			
	Question #3	MC	1.00			
<b>Primary Category</b>	<b>Example: Systems Integration</b>			<b>0.95</b>	<b>0.1</b>	<b>0.0950</b>
	Question #1	HC	0.90			
	Question #2	SC	0.95			
	Question #3	MC	1.00			
<b>Primary Category</b>	<b>Example: SILs</b>			<b>0.92</b>	<b>0.1</b>	<b>0.0917</b>
	Question #1	HC	0.90			
	Question #2	SC	0.95			
	Question #3	MC	0.90			
<b>Primary Category</b>	<b>Example: Data Analytics</b>			<b>0.95</b>	<b>0.1</b>	<b>0.0950</b>
	Question #1	HC	0.90			
	Question #2	SC	0.95			
	Question #3	MC	1.00			
<b>Primary Category</b>	<b>Example: Test and Evaluation</b>			<b>0.95</b>	<b>0.1</b>	<b>0.0950</b>
	Question #1	HC	0.90			
	Question #2	SC	0.95			
	Question #3	MC	1.00			
<b>Primary Category</b>	<b>(VIRTUAL ONLY) - Product Demonstrations</b>			<b>0.95</b>	<b>0.3</b>	<b>0.2850</b>
	Product Demonstration #1	MC	0.90			
	Product Demonstration #2	SC	0.95			
	Product Demonstration #3	MC	1.00			
<b>Composite Proposal Quality Rating (cPQR) Adjustment Factor</b>					<b>1</b>	<b>0.9467</b>

### M.6.4.2 Composite Service Value Index (cSVI) Adjustment Factor Survey Scale:

The composite service value index (cSVI) survey is established using the Government’s assessed measures of past performance that provide the most value to the Government (i.e. PPQ survey questionnaire(s)). These assessments are subjective in nature and are intended to systematically capture the quality proposition of a particular firm or person operating within this service industry as assessed by the most recent and relevant customers in terms of time and type of service being rendered. This confidence assessment is solely at the Government’s discretion in determining best value for this requirement. The confidence ratings and associated SVI price adjustment factors are defined below:

*Past Performance Confidence Rating Scale Table 4:*

<b>RATING</b>	<b>ABBREVIATION</b>	<b>DESCRIPTION</b>
High Confidence	HC	Based on the Offeror’s recent and relevant performance record, evaluation leaves <u>virtually no doubt</u> that the Offeror will successfully perform the required effort. Little or no Government oversight is expected to be required in achieving the required level of performance.
Significant Confidence	SC	Based on the Offeror’s recent and relevant performance record, evaluation leaves <u>little doubt</u> that the Offeror will successfully perform the required effort. Minimal Government oversight is expected to be required in achieving the required level of performance.
Medium Confidence	MC	Based on the Offeror’s recent and relevant performance record, the evaluation leaves <u>some doubt</u> that the Offeror can successfully perform the required effort, however it is believed that there is a good probability that the Offeror can perform successfully. Some Government oversight is expected to meet the required level of performance.
Little Confidence	LC	Based on the Offeror’s recent and relevant performance record, the evaluation leaves <u>substantial doubt</u> that the Offeror will successfully perform the required effort. Substantial Government oversight or intervention is expected to be required in achieving the required level of performance. Changes in the Offeror’s existing processes may be necessary to achieve the required level of performance.
No Confidence	NC	Based on the Offeror’s recent and relevant performance record, the evaluation leaves <u>extreme doubt</u> that the Offeror will successfully perform the required effort, regardless of the degree of Government oversight
Unknown Confidence (Neutral)	UC	No recent and relevant performance record is available or the Offeror’s performance record is so sparse that no meaningful confidence assessment rating can be reasonably assigned.

*SVI Rating & Price Adjustment Factors Table 5*

Adjective Rating	Numerical Rating	SVI Factor
HC	1	.80
SC	2	.90
MC	3	1
LC	4	1.2
NC	5	1.4

*\*The PQR factors are the result of the contracting officer’s assessment of value assigned to the various measures of confidence.*

*Table 6 - cSVI Example*

In the example below the composite SVI (cSVI) structure will be utilized for this requirement is illustrated. PPQs are not weighted primary categories for the cSVI calculation.

The confidence rating assigned to each PPQ as an integrated assessment takes into consideration recent and relevant customers in terms of time, type of service being rendered, and relative importance. All past performance (good, bad, or otherwise) is important if it’s recent and relevant to predicting future performance.

		Confidence Rating	Factor	Aggregate Score	Total Value Indices
<b>Primary Category</b>	<b>PPQ</b>			<b>0.98</b>	<b>0.9750</b>
	PPQ Project #1	<b>HC</b>	0.80		
	PPQ Project #2	<b>SC</b>	0.90		
	PPQ Project #3	<b>MC</b>	1.00		
	PPQ Project #4	<b>LC</b>	1.20		
<b>Composite Service Value Index (cSVI) Adjustment Factor</b>					<b>0.9750</b>

The Government will then derive the final cQAF to be used to establish the QIP and Total Assessed Value from each offerors TEP by combining the cSVI and cPQR factors using a Government determined weight of importance per factor. Table below shows illustrates this calculation:

*Table 7 - cQAF Example*

The actual “weights” used for each index (cPQR and cSVI) will be disclosed in the final solicitation(s) by the Government and are based on a subjective determinations of

relative importance among the various primary categories. The final determined weights will be the same for all evaluated proposals. Consistent with the stated acquisition best value tradeoff approach, the technical evaluation factor (i.e. cPQR) is more important than the past performance evaluation factor (i.e. cSVI). The weights provided below are simply provided to illustrate the example and the mathematics.

cQAF	Final Composite Rating	Weight	Total Adjusted Factor
cPQR	0.9467	0.75	0.71
cSVI	0.9750	0.25	0.24
<b>cQuality Adjustment Factor for QIP Calculation</b>			<b>0.9538</b>

### M.6.5 Step 5 - Application of cQAF and Award Decision

Once the Government has calculated the cQAF for each offeror the Government will apply the cQAF rate to the TEP calculation of each offerors proposal to calculate the QIP and Total Assessed Value. The Government will then award to the conforming offeror demonstrating the best quality offer in terms of both price and quality ratings. This evaluation by the Government assumes that the conforming offer that has the lowest QIP is the best value offer and will therefore receive the task order award.

### M.7 Example: Offer QIP Calculation

This example above assumes a TEP for a fictitious offeror from the sample above of \$300,000,000 estimated acquisition for illustration purposes:

#### QIP Calculation from Above Offeror:

TEP = \$300,000,000  
cQAF = .95  
QIP = \$285,000,000

In this example, if this offeror had the lowest competitive QIP, the task order award would be made at \$300,000,000.