

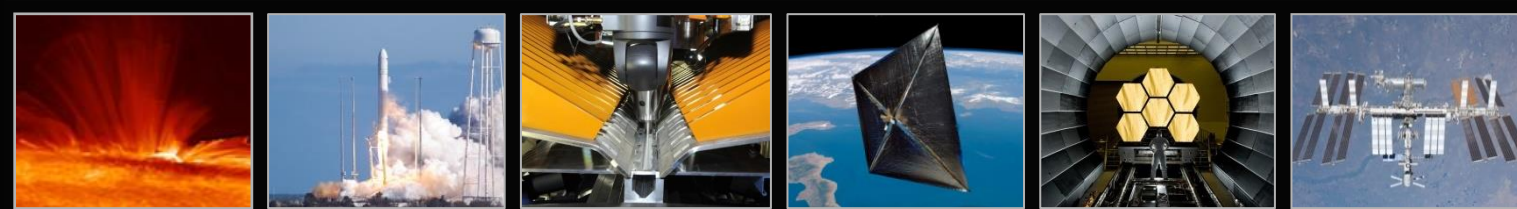


# Price Performance Tradeoff (PPTO) Acquisitions

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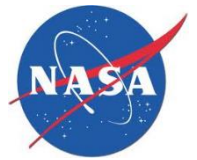


# marshall



August 17, 2021

# Why do it?



Per the NASA Source Selection Guide-

“Limiting proposal requirements...to only a few key discriminators will facilitate an effective and efficient selection of an offeror who can demonstrate best value.”

The use of streamlined acquisitions, in this case PPTO-

- Reduces the complexity (e.g., time, expense) of offeror proposals (i.e., no preparation of Mission Suitability volume)
- Reduces the time needed to evaluate proposals (i.e., no evaluation of Mission Suitability volume/findings/scoring)
- Simplifies the best value tradeoff decision (i.e., only two factors instead of three, allowing the SSA to consider the merits of a higher priced proposal with a stronger record of performance)

# PPTO Description



## PPTO:

- Is a simplified best value source selection strategy
- Permits tradeoff between price and past performance in reaching award decision
- Applies to both commercial and non-commercial acquisitions
- Utilizes a fixed-price contract type, normally without discussions (see FAR 52.215-1, *Instructions to Offerors-Competitive Acquisition*, paragraph (f)(4), or 52.212-1, *Instructions to Offerors-Commercial Items*, paragraph (g), either of which is typically included in MSFC solicitations)

## PPTO is NOT:

- Sealed Bidding (see FAR Part 14) or Lowest Price/Technically Acceptable (see FAR 15.101-2)
- A “full trade” source selection with a Mission Suitability factor

# When to use PPTO



Can be used for any competitive negotiated acquisition for which it is unnecessary to distinguish levels of technical merit

- Appropriate PPTO acquisitions:
  - Service contracts with or without pass/fail technical requirements
  - Non-developmental Service or Supply acquisitions
  - Institutional acquisitions (e.g., janitorial, administrative)
  
- Decision to use PPTO results from:
  - Thorough consideration of all aspects of the requirement, and
  - Other available acquisition strategies (e.g., LPTA, full trade with Mission Suitability)
  
- Selection based on many factors (such as):
  - Anticipated number of proposals
  - Available resources
  - Funding
  - Selecting authority preferences

# PPTO Types



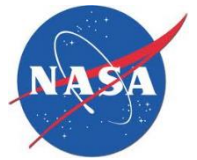
## **Type 1 - PPTO with technical acceptability:**

- Evaluates a technical proposal along with price and past performance
- Ideal when the requiring organization considers a key technical or performance requirement to be a priority and which can be clearly defined
- Technical acceptability evaluated on a pass/fail basis (i.e., no findings/scoring) and is objective and verifiable
- Essential to limit criteria to only the most critical, salient technical requirements necessary for successful contract performance
- Price and past performance evaluated only for those proposals which pass the technical acceptability gate
- Technical acceptability is NOT a streamlined Mission Suitability section and is NOT part of the resulting trade-off

## **Type 2 - PPTO without technical acceptability:**

- Ideal when procuring technical or center operational services that are commonly provided across the Government where the source selection evaluation team can use past performance information to determine the adequacy of an offeror to meet the technical requirements based on an assessment of the offerors similar work performance
- Specific technical drivers are not in the priority list of discriminators for the requirements office

# PPTO Benefits



- Favors offerors with proven record of providing quality products and/or services on time at affordable prices
- Minimizes risk of awarding to a contractor that will not perform at an acceptable level
- SSA maintains best value discretion (i.e., discretion to award to higher rated performers if price differential is warranted)

# PPTO Process

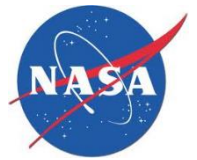


## 3 PPTO evaluation “approaches”

- Approach #1: Evaluate and establish a past performance confidence level for all proposals (e.g., receive 12 proposals, evaluate all 12, those 12 are in the best value trade space)
  - Adds unnecessary evaluation time if the desired performance level (e.g., “Very High Level of Confidence”) is reached for a lower priced proposal
- Approach #2: Evaluate and establish a past performance confidence level for a specified number of the lowest priced proposals (e.g., the five lowest priced proposals)
  - May not reach a desired level of performance for those proposals evaluated and within the best value trade space
- Approach #3: Evaluate and establish a past performance confidence level for each proposal until a specified past performance confidence level is established (e.g., “Very High Level of Confidence”)
  - Could result in one or more proposals not being evaluated (which can be of great benefit if a large number of proposals are received) with only those evaluated being within the best value trade space

The approach selected must be clearly specified in the solicitation.

# PPTO Process (continued)



1815.101 Best value continuum.

When a written acquisition plan is not required by [1807.103](#), the contracting officer must document in the contract file the source selection approach to be used (e.g. full trade-off utilizing mission suitability, cost/price, and past performance factors; lowest price technically acceptable (LPTA), as described in [FAR 15.101-2](#), where there is no tradeoff; price performance tradeoff (PPTO) where there is a tradeoff between price and past performance factors; or a combination of approaches)



# Best Value Guidance



- FAR 15.002(b) states: “When contracting in a competitive environment, the procedures of this part are intended to minimize the complexity of the solicitation, the evaluation, and the source selection decision.”
  
- **15.101-1 Tradeoff process.**
  - (a) A ***tradeoff process is appropriate*** when it may be in the best interest of the Government to ***consider award to other than the lowest priced offeror or other than the highest technically rated offeror.***
  - (b) When using a tradeoff process, the following apply:
    - (1) All evaluation factors and significant subfactors that will affect contract award and their relative importance shall be clearly stated in the solicitation; and
    - (2) The solicitation shall state whether all evaluation factors other than cost or price, when combined, are significantly more important than, approximately equal to, or significantly less important than cost or price.
  - (c) This process ***permits tradeoffs among cost or price and non-cost factors and allows the Government to accept other than the lowest priced proposal. The perceived benefits of the higher priced proposal shall merit the additional cost,*** and the rationale for tradeoffs must be documented in the file in accordance with [15.406](#).

# Best Value Selection Rationale



- The SSA is not required to exactly quantify the dollar value of the proposal's superior past performance in making the tradeoff to award to an offeror with a higher-rated, higher-priced proposal.
- This does not mean that the source selection authority has total discretion and tradeoff determinations must be reasonable and consistent with the stated evaluation criteria.
- Where the higher-priced, higher rated proposal is selected for award, the selection decision must rationally explain why the performance superiority of the higher-priced proposal warranted the higher price.
- When an agency chooses between a higher-priced, higher-confidence proposal and a lower-priced, lower-confidence proposal, GAO limits their review to whether the price/performance tradeoff is reasonable and consistent with the solicitation's evaluation criteria.
- The GAO will uphold an award to a higher-rated offeror at a higher price when the selection is consistent with the evaluation criteria, does not violate statutes or regulations, and the agency reasonably determines that the price premium is justified considering the performance superiority of the proposal selected.

# Evaluation Example



Offeror	Total Price	Confidence Rating
Company F	\$23,568,901	Neutral
Company G	\$23,605,892	Moderate
Company C	\$23,873,234	High
Company B	\$24,094,678	High
Company E	\$24,135,809	Moderate
Company A	\$24,233,908	High
Company L	\$24,455,908	Moderate
Company H	\$24,567,908	Moderate
Company D	\$24,877,908	Neutral
Company J	\$25,008,983	Low
Company I	\$25,123,111	High
Company K	\$25,125,888	Very High
Company M	\$25,235,678	Not evaluated
Company N	\$25,333,453	Not evaluated
Company O	\$25,897,789	Not evaluated

Beginning with the lowest priced proposal (i.e., \$23,568,901, Company F), Past Performance was evaluated. This evaluation continued until a “Very High” confidence level was assigned to the 12<sup>th</sup> lowest priced proposal (i.e., \$25,125,888, Company K). At this point, the evaluation ceased. These 12 proposals are within the trade space for the source selection authority’s (SSA’s) best value tradeoff for the Price and Past Performance factors.

This approach **does not** mean that the SSA is required select the proposal of Company K (i.e., the lowest priced proposal assigned a “Very High” level of confidence rating). Such an approach would eliminate the possibility of any price savings associated with lower rated proposals.

# PPTO Evaluation Provision (Example)



## **BASIS FOR AWARD – FAR PART 15 PRICE PERFORMANCE TRADEOFF WITHOUT TECHNICAL FACTOR (JUL 14 2020)**

(a) This competitive acquisition will be conducted in accordance with FAR Part 15 and NASA FAR Supplement (NFS) Part 1815. A best value tradeoff process will be performed between the factors of Price and Past Performance. In accordance with FAR Subpart 15.304(e), the relative importance of these factors is: Price is considered to be essentially equal in importance to Past Performance.

(b) Any clarifications conducted to resolve minor or clerical errors, address the relevance of past performance information, or respond to adverse past performance information to which the offeror has not previously had an opportunity to respond will not constitute discussions in accordance with FAR Subpart 15.306(a)(2).

(c) The evaluation process will proceed as follows:

Step 1: The Government will review offers to determine acceptability in accordance with NFS 1815.305-70, Identification of Unacceptable Proposals. Offers determined to be unacceptable will not be further evaluated.

Step 2: The Government will evaluate all offers remaining from Step 1 in accordance with the Section M provision entitled *Factor I - Price Evaluation Price Performance Tradeoff (PPTO)*. Offers determined to be not reasonable will not be further evaluated.

Step 3: The Government will rank the offers remaining after Step 2 in order of lowest to highest total price.

***[NOTE: If a technical gate is established, it would be reflected as Step 2 in this process]***

# PPTO Evaluation Provision (Example)



(Continued)

Step 4: The Government will evaluate the past performance of the lowest priced offer from Step 3 in accordance with the Section M provision entitled *Volume II- Past Performance Factor Evaluation*. The evaluation will continue in order of lowest to highest total price until either an offer is assigned a “*Very High Level of Confidence*” rating, or until all offers are evaluated. Once an offer is rated with a “*Very High Level of Confidence*,” no additional offers will be evaluated. All offers evaluated under the Past Performance factor will be forwarded to the source selection authority (SSA).

Step 5: The SSA will make a best value award decision most advantageous to the Government.

(d) Eligibility for award will be contingent upon the contracting officer’s affirmative determination of responsibility in accordance with FAR Subpart 9.104.

(e) Source Evaluation Team (SET)

The SET was appointed by the source selection authority (SSA) to evaluate the offers submitted in response to this solicitation. The Recorder duties of the SET are performed by an employee of TBD.

(End of provision)

# PPTO Price Evaluation Provision (Example)



## FACTOR I - PRICE EVALUATION PRICE PERFORMANCE TRADEOFF (PPTO) (MAY 13 2021)

(a) The Government will perform a price analysis of all responsive proposals received in accordance with FAR 15.404-1, *Proposal Analysis Techniques*. In accordance with NFS 1815.403-3(b), Excel Pricing Model (EPM) data obtained (i.e., Volume I, Tab C) may be utilized in future wage determination adjustments under FAR Clause 52.222-41, *Service Contract Labor Standards*.

(b) Failure by an offeror to provide all required Excel Pricing Model data (e.g., IDIQ labor rates for all labor categories for all years of performance, for all Centers, if multiple) could result in a determination that the proposal is unacceptable.

(c) For evaluation purposes, the total price will be established as the sum of: (1) the phase-in services price; (2) the mission services price for the contract period of performance, including all options; (3) an indefinite-delivery, indefinite-quantity (IDIQ) price using the offeror-provided fully burdened rates applied to a pre-populated estimate of labor hours for each labor category, for each Center, for the contract period of performance, including all options; and (3) a calculated price using the offeror-provided Other Direct Cost Indirect Rates applied to a pre-populated cost estimate for each Center, for the contract period of performance, including all options. (See Excel Pricing Model (EPM) Tab A, Summary of Total Price). For the purpose of evaluating the option to extend services (i.e., FAR 52.217-8), the Government will determine the six-month price by prorating the price proposed for the last year of mission services (i.e., CLIN 001). The proposed phase-in services price performance period, established as a separate firm-fixed-price (FFP) contract line item number within the FFP mission services value, will be performed concurrent with the incumbent contract.

(d) Price information provided in this volume will constitute the offeror's proposal submission for price comparison purposes. If inconsistencies are identified by the Government between Volume I - Price and Volume III - Contract, the contract will be revised prior to execution by the contracting officer to reflect the values specified in this volume.

(End of provision)

# PPTO Past Performance Provision (Example)



## FACTOR II PAST PERFORMANCE VOLUME EVALUATION (JUN 09 2021)

In accordance with FAR 15.305(a)(2) and NFS 1815.305(a)(2), the offeror's past performance, including relevant federal, state, and local government and private contracts, and the past performance of any proposed subcontractors and individual joint venture partners, if applicable, will be evaluated. This evaluation will be based on the information provided by the offeror in their Past Performance volume. However, the Government will also consider the Contractor Performance Assessment Reporting System (CPARS) database records, completed past performance questionnaires, and any other relevant information obtained independently by the Government. Any offeror rebuttals, if applicable, regarding adverse past performance information to which the offeror has not previously had an opportunity to respond will also be made part of the evaluation record and included in the evaluation. Information provided to, or obtained by the Government, will be utilized to assess the relevant aspects of each offeror's record of performing services or delivering products similar in size, content, and complexity in correlation to the requirements of this acquisition.

(b) In determining the overall relevancy of individual referenced contracts, each referenced contract will be evaluated in the order of size, content, and complexity. If a referenced contract is determined to be not relevant in either size, content, and complexity, it will be determined not relevant overall and will not be further evaluated. NASA reserves the right to evaluate past performance referenced contracts for subcontractors other than major subcontractors that have the potential to significantly impact performance of the proposed contract. If an offeror is a new joint venture (JV) without a past performance record, past performance will be evaluated for each individual JV partner for which a referenced contract is submitted, in accordance with the relevancy thresholds established for the offeror. References for protégé members of any proposed mentor-protégé JV agreement will be evaluated in accordance with the relevancy thresholds established for proposed subcontractors (see 13 C.F.R. § 125.8(e)). Participation of an individual JV partner in another JV will be evaluated provided that the partner's sole effort is clearly described and meets established relevancy criteria.

# PPTO Past Performance Provision (Example)



(c) Findings may be assessed in accordance with the definitions provided below:

(d) This factor will not be numerically scored; however, Offerors will be assigned a confidence rating as follows:

## Very High Level of Confidence

The offeror's relevant past performance is of exceptional merit and is very highly pertinent to this acquisition, indicates exemplary performance in a timely, efficient, and economical manner and very minor (if any) problems with no adverse effect on overall performance. Based on the offeror's performance record, there is a very high level of confidence that the offeror will successfully perform the required effort. (One or more significant strengths exist. No significant weaknesses exist.)

## High Level of Confidence

The offeror's relevant past performance is highly pertinent to this acquisition; demonstrating very effective performance that would be fully responsive to contract requirements. Offeror's past performance indicates that contract requirements were accomplished in a timely, efficient, and economical manner for the most part, with only minor problems that had little identifiable effect on overall performance. Based on the offeror's performance record, there is a high level of confidence that the offeror will successfully perform the required effort. (One or more significant strengths exist. Strengths outbalance any weakness.)

## Moderate Level of Confidence

The offeror's relevant past performance is pertinent to this acquisition, and it demonstrates effective performance. Performance was fully responsive to contract requirements; there may have been reportable problems, but with little identifiable effect on overall performance. Based on the offeror's performance record, there is a moderate level of confidence that the offeror will successfully perform the required effort. (There may be strengths or weaknesses, or both.)



# PPTO Past Performance Provision (Example)



## Low Level of Confidence

The offeror's relevant past performance is at least somewhat pertinent to this acquisition, and it meets or slightly exceeds minimum acceptable standards. Offeror achieved adequate results; there may have been reportable problems with identifiable, but not substantial, effects on overall performance. Based on the offeror's performance record, there is a low level of confidence that the offeror will successfully perform the required effort. Changes to the offeror's existing processes may be necessary in order to achieve contract requirements. (One or more weaknesses exist. Weaknesses outbalance strengths.)

## Very Low Level of Confidence

The offeror's relevant past performance does not meet minimum acceptable standards in one or more areas; remedial action was required in one or more areas. Performance problems occurred in one or more areas which, adversely affected overall performance. Based on the offeror's performance record, there is a very low level of confidence that the offeror will successfully perform the required effort. (One or more deficiencies or significant weaknesses exist.)

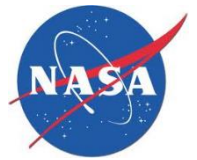
## Neutral

In the case of an offeror without a record of relevant past performance or for whom information on past performance is not available, the offeror may not be evaluated favorably or unfavorably on past performance (see FAR 15.305(a)(2)(ii) and (iv)).

(e) Past performance information identified above, along with the overall confidence level assigned to each offeror, will be reported to the source selection authority.

(End of provision)

# Establishing an Overall Confidence Level



**What is it?** A confidence level is essentially the level of confidence the SET has in an offeror's team to successfully perform the immediate acquisition based on their history of performance on past, similar efforts. GAO has indicated that the evaluation of the entire past performance factor is by its very nature subjective.

NFS 1815.305(a)(2)(A) provides definitions for the confidence levels of "Very High," "High," "Moderate," "Low," "Very Low," and "Neutral."

At MSFC, if all of the references provided were considered to be not relevant, based on either size, content, or complexity, a "Neutral" level of confidence level is assigned (i.e., evaluated neither favorably nor unfavorably).

The SET can also consider other factors such as-

- Whether the proposed prime contractor has demonstrated relevant past experience as a prime contractor
- The extent to which the offeror's referenced contracts demonstrate relevant coverage across the breadth of the PWS

# Important Price Considerations



- Procuring agencies must condition the award of a contract upon a finding that the contract contains “fair and reasonable prices.”
- The purpose of a price reasonableness analysis is to prevent the Government from paying too high a price for a contract.
- The FAR defines price analysis as “the process of examining and evaluating a proposed price without evaluating its separate cost elements and proposed profit.”
- While the FAR indicates that, normally, adequate price competition establishes a fair and reasonable price, GAO has found that the presence of competition alone does not render every price received reasonable per se and the mere verification that no math errors exist is insufficient to establish the price is reasonable.  
(*Cognosante, LLC B417111*)
- FAR 15.404-1(b) includes a non-exhaustive list of permitted price analysis techniques, one of which is comparison with other proposed prices.
- Price “realism” (i.e., whether the price is too low) is not a term utilized by FAR and the solicitation needs to indicate that the Government will evaluate the realism of proposed prices if it intends to do so.
- Price realism is not normally considered because a fixed-price contract places the risk and responsibility for costs and resulting profit/loss on the contractor.
- One way to help ensure proposed prices are “realistic” is for the solicitation to include required staffing levels by labor category.

# Important Past Performance Considerations



- The evaluation of past performance is subjective and an offeror's disagreement with an agency's evaluation judgement does not necessarily demonstrate that those judgements are unreasonable. (see *Maxim Healthcare*, B-412967) This includes the weight assigned to a subcontractor's past performance. (see *Veteran National Transportation*, B-415696)
- Make sure you provide all of the information that the solicitation requests to allow for a correlation to the immediate acquisition.
- Relevancy and quality are two sides of the same coin. If not relevant, we are not interested in how you did. If relevant, we need to know how you did.
- If you are going to claim the experience of an affiliate, clearly explain how that entity will meaningfully influence the acquisition.
- Make sure to validate the referenced contract's size value to avoid the Government having to reconcile differences between the proposal, Contractor Performance Assessment Reporting System (CPARS) reports, and past performance questionnaires (PPQs).
- When describing the past effort in terms of content, try to correlate the description to specific requirements in the PWS (e.g., PWS 3.2, 4.3.3).
- Confirm past performance reference contact data in case the Government needs to follow up (e.g., email address, telephone number).
- Follow up with customers filling out PPQs to make sure they are able to submit to the Government by the due date for receipt of proposals.