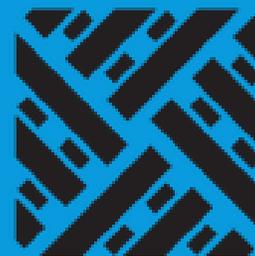




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PAST PERFORMANCE: AN ALWAYS CHANGING MINEFIELD

Presented by

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WHAT WILL WE TALK ABOUT TODAY?

- Past Performance
 - What does Past Performance Mean
- New Past Performance Regulations related to Joint Ventures
 - Some Interesting past Performance GAO Cases
- Important New Debriefing Regulations—What can you learn
 - To Protest or Not to Protest
 - Questions and Group Discussion

WHAT ARE PAST PERFORMANCE REGULATIONS

- **42.1501 General.**

- (a) Past performance information (including the ratings and supporting narratives) is relevant information, for future source selection purposes, regarding a contractor's actions under previously awarded contracts or orders. It includes, for example, the contractor's record of-
 - (1) Conforming to requirements and to standards of good workmanship;
 - (2) Forecasting and controlling costs;
 - (3) Adherence to schedules, including the administrative aspects of performance;
 - (4) Reasonable and cooperative behavior and commitment to customer satisfaction;
 - (5) Complying with the requirements of the small business subcontracting plan (see [19.705-7\(b\)](#));
 - (6) Reporting into databases (see subpart [4.14](#), and reporting requirements in the solicitation provisions and clauses referenced in [9.104-7](#));
 - (7) Integrity and business ethics; and
 - (8) Business-like concern for the interest of the customer.
- (b) Agencies shall monitor their compliance with the past performance evaluation requirements (see [42.1502](#)), and use the Contractor Performance Assessment Reporting System (CPARS) metric tools to measure the quality and timely reporting of past performance information. CPARS is the official source for past performance information.

PAST PERFORMANCE EVALUATION FACTORS

- The evaluation should include a clear, non-technical description of the principal purpose of the contract or order. The evaluation should reflect how the contractor performed. The evaluation should include clear relevant information that accurately depicts the contractor's performance, and be based on objective facts supported by program and contract or order performance data. The evaluations should be tailored to the contract type, size, content, and complexity of the contractual requirements.
- (2) Evaluation factors for each assessment shall include, at a minimum, the following:
 - (i) Technical (quality of product or service).
 - (ii) Cost control (not applicable for firm-fixed-price or fixed-price with economic price adjustment arrangements).
 - (iii) Schedule/timeliness.
 - (iv) Management or business relations.
 - (v) Small business subcontracting, including reduced or untimely payments to small business subcontractors when [19.702\(a\)](#) requires a subcontracting plan (as applicable, see [Table 42-3](#)).
 - (vi) Other (as applicable) (e.g., trafficking violations, tax delinquency, failure to report in accordance with contract terms and conditions, defective cost or pricing data, terminations, suspension and debarments, and failure to comply with limitations on subcontracting).

RATING DEFINITIONS

Rating	Definition	Note
(a) Exceptional	Performance meets contractual requirements and exceeds many to the Government's benefit. The contractual performance of the element or sub-element being evaluated was accomplished with few minor problems for which corrective actions taken by the contractor were highly effective.	To justify an Exceptional rating, identify multiple significant events and state how they were of benefit to the Government. A singular benefit, however, could be of such magnitude that it alone constitutes an Exceptional rating. Also, there should have been NO significant weaknesses identified.
(b) Very Good	Performance meets contractual requirements and exceeds some to the Government's benefit. The contractual performance of the element or sub-element being evaluated was accomplished with some minor problems for which corrective actions taken by the contractor were effective.	To justify a Very Good rating, identify a significant event and state how it was a benefit to the Government. There should have been no significant weaknesses identified.

RATING DEFINITIONS

(c)
Satisfactory

Performance meets contractual requirements. The contractual performance of the element or sub-element contains some minor problems for which corrective actions taken by the contractor appear or were satisfactory.

To justify a Satisfactory rating, there should have been only minor problems, or major problems the contractor recovered from without impact to the contract/order. There should have been NO significant weaknesses identified. A fundamental principle of assigning ratings is that contractors will not be evaluated with a rating lower than Satisfactory solely for not performing beyond the requirements of the contract/order.

(d) Marginal

Performance does not meet some contractual requirements. The contractual performance of the element or sub-element being evaluated reflects a serious problem for which the contractor has not yet identified corrective actions. The contractor's proposed actions appear only marginally effective or were not fully implemented.

To justify Marginal performance, identify a significant event in each category that the contractor had trouble overcoming and state how it impacted the Government. A Marginal rating should be supported by referencing the management tool that notified the contractor of the contractual deficiency (e.g., management, quality, safety, or environmental deficiency report or letter).

RATING DEFINITIONS

(e) Unsatisfactory

Noncompliant with FAR [52.219-8](#) and [52.219-9](#), and any other small business participation requirements in the contract/order. Did not submit Individual Subcontract Reports and/or Summary Subcontract Reports in an accurate or timely manner. Showed little interest in bringing performance to a satisfactory level or is generally uncooperative. Required a corrective action plan. Had a history of three or more unjustified reduced or untimely payments to small business subcontractors within a 12-month period.

To justify an Unsatisfactory rating, identify multiple significant events that the contractor had trouble overcoming and state how it impacted small business utilization. A singular problem, however, could be of such serious magnitude that it alone constitutes an Unsatisfactory rating. An Unsatisfactory rating should be supported by referencing the actions taken by the Government to notify the contractor of the deficiencies. When an Unsatisfactory rating is justified, the contracting officer must consider whether the contractor made a good faith effort to comply with the requirements of the subcontracting plan required by FAR [52.219-9](#) and follow the procedures outlined in [52.219-16](#), Liquidated Damages-Subcontracting Plan.

WHAT IS THE PERIOD OF COMPLIANCE WITH LIMITATIONS ON SUBCONTRACTING RULES FOR AN 8(A) SOLE SOURCE INDEFINITE DELIVERY/INDEFINITE QUANTITY (IDIQ) CONTRACT?

- Short Answer:

- As a general rule on traditional (non-IDIQ) contracts, compliance would be required for 8(a) contracts for each base period & each option period. 13 C.F.R. § 125.6(d). However, it is not as straightforward for IDIQ contracts, since it depends on parameters of the procurement and set-aside conditions. **For a total set-aside, such as an 8(a) sole source IDIQ contract, you should check your contract for the compliance period (or negotiate it in the case of a sole source contract).** There is a FAR contract clause concerning subcontracting limitations that requires the CO to select a compliance period: either the performance period for each task order, or base period of the overall contract and then each option period (the general rule). We recommend negotiating terms to require compliance for the performance period for **each task order** for the sake of simplicity, practicality in implementation, and mitigation of non-compliance risk, rather than monitoring compliance by base period and option periods, which is more challenging to calculate and risky for IDIQ situations.

SBA ANSWER

- Below is the relevant SBA rule 13 C.F.R. § 125.6(d):
- *(d) Determining compliance with applicable limitation on subcontracting. The period of time used to determine compliance for a total or partial set-aside contract will be the base term and then each subsequent option period. For an order set aside under a full and open contract or a full and open contract with reserve, the agency will use the period of performance for each order to determine compliance unless the order is competed among small and other-than-small businesses (in which case the subcontracting limitations will not apply).*
- *(1) The contracting officer, in his or her discretion, may require the concern to comply with the applicable limitations on subcontracting and the nonmanufacturer rule for each order awarded under a total or partial set-aside contract.*
- *(2) Compliance will be considered an element of responsibility and not a component of size eligibility.*
- *(3) Work performed by an independent contractor shall be considered a subcontract, and may count toward meeting the applicable limitation on subcontracting where the independent contractor qualifies as a similarly situated entity.*

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WHAT IS OFPP PAST PERFORMANCE POLICIES?

OFPP Policy. In addition to the FAR's regulatory support for considering past performance of predecessor companies, the Office of Federal Procurement Policy (OFPP) has also issued a relevant policy. OFPP issued guidance regarding past performance records of merged or acquired companies. OFPP distinguishes truly "new" companies without any predecessors or experienced employees, from "new" companies with predecessors that are often the result of mergers and acquisitions

WHAT IS OFPF POLICY ON "LACK OF" PAST PERFORMANCE?

Given the number of mergers and acquisitions in today's American business environment, potential offerors may not have existed under their current name for very long. This creates an interesting wrinkle in the source selection process. Agencies must recognize this dynamic world marketplace and accommodate new prospective offerors by being more flexible in their procurement rules and practices.

The past performance of the offeror's resources is a good indicator of future performance for new companies entering the marketplace that lack relevant experience, or mergers of previously established companies. If the key management personnel, subcontractors, or other resources, have experience on contracts similar to the pending requirement for another contractor; state and local government contracts; private contracts; or was a major subcontractor; then the source selection team can perform the appropriate evaluation and risk assessment. This reduces the chance of needing to "neither reward nor penalize" an offeror with no other relevant past performance information

WHAT IS OFPPF POLICY ON NEW ENTITY PAST PERFORMANCE?

- *If the contractor is truly a new entity and none of the company principals ever performed relevant work for others, the company is considered to have no past performance. Special rules apply in this situation. Section 1091(b)(2) of FASA states that "in the case of an offeror with respect to which there is no information on past contract performance or with respect to which information on past contract performance is not available, the offeror may not be evaluated favorably or unfavorably on the factor of past contract performance." This requirement is implemented of the FAR. "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." We expect this will happen very rarely. **There are various methods that may be used to evaluate a competitive offeror with no past performance history and it is at the discretion of the agency to determine the most appropriate method on a case-by-case basis.** Remember that the evaluation method selected must be clearly stated in the solicitation.*
- OFPP Guidance.

PAST PERFORMANCE OF A PARENT OR SISTER SUBSIDIARY ?

- A new subsidiary may also be able to benefit from a parent or affiliated company's past performance. In *T & S Products, Inc. v. United States*, the Court of Federal Claims cautioned that a parent corporation and its subsidiary are separate and distinct entities, and that a contract with one is not a contract with both entities. 48 Fed. Cl. 100, 111 (2000). However, the Court also stated that the agency *may* properly consider the parent company's resources in evaluating the offer, where an offeror represents in its offer that resources of its parent will be committed to the contract as long as there was not a prohibition in the RFP against subsidiaries relying on the resources of their corporate parents. 48 Fed. Cl. at 111.
- This rule could also apply to a subsidiary benefiting from a parent company's past performance. However, for the contracting officer to be at liberty to reasonably consider the past performance of parent and/or affiliated companies, the proposals should clearly show that the affiliate or other company will have meaningful involvement in the performance of the contract.
- A Sister subsidiary past performance may also be used when the assistance provided is specific and identified .

SISTER SUBSIDIARIES AS JOINT/VENTURES

- **Nothing in the Regulations Overtly Prohibits Sister Company Joint Ventures**

Based on our understanding of SBA regulations and discussions with a limited number of SBA personnel, we are not aware of any regulations or statutes that specifically address or prohibit joint ventures between sister companies owned by ANCs, Tribes or NHO's.

While there are no rules explicitly on sister company joint ventures, there are rules regarding related areas that may provide some insight to the relative risks associated with a sister company JV. We have reviewed the following relevant legal areas:

- General affiliation exceptions for entity-owned small businesses and 8(a) firms
- Affiliation exception for contractual relations between ANC-owned sister companies
- Joint venture regulations

This is one of the safest manners in which to claim the past performance of a sister subsidiary, especially under the new SBA and DoD regulations

NEW REGULATIONS RELATED TO JOINT/VENTURES

- On November 18, 2021, the SBA published in the Federal Register changes to 13 CFR Part 125 to help small business contracts use past performance ratings for work performed as a member of joint venture and for work performed as a first-tier subcontractor for a prime contract. These changes were required by the NDAA for Fiscal Year 2021 and this publication is perhaps one of the most expedited changes in regulations in quite some time. The rules also
- Adds a requirement for a prime contract to update its subcontracting plans to require the prime to report past performance to a first-tier small business subcontractor when requested.

WHAT DO THE NEW REGULATIONS MEAN?

- The new regulations provide a specific benefit to and small business in a joint venture where the small business does not have specific or relevant past performance but its partner does. SBA in this notice requests comments on whether small business subcontractors have been negatively impacted in competing for prime contracts due to not having a past performance rating. The SBA also seeks comments on whether a specific time for the Prime contractor to respond to a request from a first-tier subcontractor. As we often note, making public comments on proposed regulations is important, especially in areas where a commenter might be supportive of a specific proposed change.

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NEW REGULATIONS DEPARTMENT OF DEFENSE RELATED TO JOINT/VENTURES

- DoD amended the DFARS to implement Section 823 of the NDAA for Fiscal Year 2019 (NDAA FY 2019) that establishes a requirement for “use of the best available information” regarding past performance of subcontractors and joint venture partners when awarding DOD contracts for construction and architect-engineer services. Below, we discussed several aspects of these proposed rules, including when “new” performance evaluations are required, new contract clauses and solicitation requirements, when contracting officers must consider these new performance evaluation categories, and exceptions.
- While these subcontractor past performance evaluations are prepared by the prime contractor, Contracting Officers (COs) are required to ensure that the prime contractor’s ratings of its first-tier subcontractors are “not inconsistent” with the CO’s past performance information included in the ratings for the prime contractor. The CO must also ensure that the subcontractor evaluations are conducted consistent with the requirements of FAR subpart 42.15. This evaluation does not in any way relieve the Prime Contractor from responsibilities to complete the contract or manage its subcontractors.

NEW REGULATIONS DEPARTMENT OF DEFENSE RELATED TO JOINT/VENTURES CON'D

- **Joint Venturers & Past Performance.** Under the proposed rule, Contracting Officers would be required to provide past performance evaluations for individual partners of a joint venture awarded a construction or architect-engineer services contract or order valued at or above the threshold in FAR 42.1502(e) (currently \$750,000).
- This is not exactly a requirement for two separate performance evaluations. Here are the proposed requirements:
- COs must ensure that the rating for the JV, at minimum, includes an identification that allows the evaluation to be retrieved for each partner of the JV.
- COs must provide each JV partner with the same opportunity to submit comments, rebutting statements, or additional information, consistent with FAR subpart 42.15.
- COs must ensure that the rating clearly identifies the responsibilities of the JV partners for discrete elements of the work where partners are not jointly and severally responsible for the project.
- **Exceptions Available for Both First-Tier Subcontractor & Joint Venture Requirements.** Further, the new section provides guidance to contracting officers for providing an exception when the submission of annual past performance ratings would not provide the best representation of the performance of a prime contractor, subcontractor, or joint venture partners.

NEW REGULATIONS DEPARTMENT OF DEFENSE RELATED TO JOINT/VENTURES

- **COs Must *Consider* Certain Past Performance Evaluation for Construction & Architect-Engineering Contracts.** Since the proposed rule imposes new performance evaluation requirements for certain subcontractors and joint venture partners, it only makes sense that the DFARS is also going to be changes to require COs to consider that new performance information for those construction and architect-engineering contracts. The proposed rule adds a new paragraph to DFARS 215.305 which requires contracting officers to **consider past performance** information on **first-tier subcontractors** and **joint venture partners** in **source selections** for construction and architect-engineer services contracts. The proposed rule adds two sections to DFARS subpart 242.15. The first section defines “first-tier subcontractor” and “subcontractor.” The second section outlines the policy and requirements for past performance evaluations.

NEW REGULATIONS DEBRIEFING REGULATIONS TO FIND OUT ABOUT PAST PERFORMANCE

- The Defense Federal Acquisition Regulation Supplement (DFARS) to implement a section of the National Defense Authorization Act for Fiscal Year 2018 (NDAA FY 18). Specifically, Section 818 of the NDAA FY 2018 amends 10 U.S.C. 2305 to enhance post-award debriefing rights for competitive negotiated contracts, task orders, and delivery orders that exceed \$10 million and to provide offerors the opportunity, upon receiving a post-award debriefing, to submit follow-up questions related to the debriefing and to receive agency responses. Section 818 also extends the timeframe in which contracting officers can immediately suspend contract performance or terminate the awarded contract if a protest is filed. Lastly, Section 818 also requires procedures that preclude point-by-point comparisons of the debriefed offeror's offer with other offers and may not disclose any information that is exempt from disclosure under 5 USC 552(b). Pub. L. 115-91.

MORE ABOUT DEBRIEFING REGULATIONS TO FIND OUT ABOUT PAST PERFORMANCE

- The proposed rule implements new requirements for contracting officers when providing post-award debriefings, stipulating the requirements for information to be provided to successful and unsuccessful offerors. Specifically, it adds a paragraph that outlines the debriefing process, which provides the opportunity for offerors to submit written follow-up questions within two business days after receiving the debriefing, as well as requirements for the agency to respond in writing to the timely submitted follow-up questions within five business days after receipt of the questions. The proposed rule also adds a paragraph that ensures contracting officers do not consider the post-award debriefing to be concluded until the agency delivers its written response to an offeror.

TIMING IS CRITICAL FOR DEBRIEFING TO FIND OUT HOW PAST PERFORMANCE WAS USED

- The proposed rule also changes the timeframes for the suspension of performance or termination of a contract, task order, or delivery order awarded, upon notification from the GAO of a protest filed within the following time periods, whichever is later:
 - Within 10 days after the date of contract award or the issuance of a task or delivery order, where the value of the order exceeds \$25 million.
 - Within 5 days after the date that is offered to an unsuccessful offeror for a debriefing that is requested, and when requested is required, and the unsuccessful offeror submits no additional questions related to the debriefing.
 - Within 5 days after the date that is offered to an unsuccessful offeror for a debriefing that is requested, and when requested is required, if the debriefing date offered is not accepted.
 - Within 5 days, commencing on the day the Government delivers its written response to additional questions timely submitted by the unsuccessful offeror, when a requested and required debriefing is held on the date offered.

AN INTERESTING GAO CASE ON

Government Accountability Office (GAO) on October 14, 2021 denied an interesting protest on the grounds that the agency reasonably rated the protester's proposal unacceptable where the protester failed to provide any evidence of a relevant past performance as required. In the Matter of AnderCorp, LLC, (B-419984 Oct. 12, 2021) the protester asserted it was managed and operated by individuals with extensive experience from another company. AnderCorp, was a recently formed company. A key factor was the failure by AnderCorp to comply with the solicitation requirement to submit examples of prior experience. Of interesting note, the GAO pointed out that past performance and prior project experience were separate evaluation factors. The key language of the opinion is "Experience factors focus on the degree to which an offeror has actually performed similar work, whereas past performance factors focus on the quality of the work performed." *Id.*, at Page 4. The FAR 15.30 (c)(2) recognizes the differences of past performances verse prior experience as two distinct factors.

PROTESTOR FAILED TO PROVIDE RECORD OF REQUIRED PERFORMANCE

- Government Accountability Office (GAO) on October 14, 2021 denied an interesting protest on the grounds that the agency reasonably rated the protester's proposal unacceptable where the protester failed to provide any evidence of a relevant past performance as required. In the Matter of AnderCorp, LLC, (B-419984 Oct. 12, 2021) the protester asserted it was managed and operated by individuals with extensive experience from another company. AnderCorp, was a recently formed company. A key factor was the failure by AnderCorp to comply with the solicitation requirement to submit examples of prior experience. Of interesting note, the GAO pointed out that past performance and prior project experience were separate evaluation factors. The key language of the opinion is "Experience factors focus on the degree to which an offeror has actually performed similar work, whereas past performance factors focus on the quality of the work performed." *Id.*, at Page 4. The FAR 15.30 (c)(2) recognizes the differences of past performances versus prior experience as two distinct factors.

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INNOVATE NOW, LLC; B-419546 SUMMARY

- On April 26, 2021, the GAO published a decision in the *Matter of Innovate Now, LLC* (B-419546). The protest challenged the solicitation on two grounds: (1) that the requirement that protégé members of a mentor-protégé joint venture have the same level of experience as other offerors violated SBA regulations; and (2) the solicitation is ambiguous because it requires offerors to demonstrate the staffing used on a prior contract at “a single point in time” but does not define the “single point in time.” The GAO sustained the protest.
- **The SBA regulation that Innovate argues the RFP violates, provides:** When evaluating the capabilities, past performance, experience, business systems and certifications of an entity submitting an offer for a contract set aside or reserved for small business as a joint venture established pursuant to this section [which includes mentor-protégé joint ventures], a procuring activity must consider work done and qualifications held individually by each partner to the joint venture as well as any work done by the joint venture itself previously. A procuring activity may not require the protégé firm to individually meet the same evaluation or responsibility criteria as that required of other offerors generally. The partners to the joint venture in the aggregate must demonstrate the past performance, experience, business systems and certifications necessary to perform the contract. 13 C.F.R. § 125.8(e).

INNOVATE NOW, LLC; B-419546 SUMMARY

- The GAO concluded that by requiring the protégé to meet the same experience requirements as the other offers, the RFP expressly violates the prohibition in the regulation. The GAO recommended that the agency amend the RFP to revise the work sample experience requirements as they relate to the protégé member of any mentor-protégé offeror. There is another issue discussed in the case but this decision is important because it is the first one released of which I have found by the GAO that took into consideration the new regulations adopted in late 2019.

STARLIGHT CORP, B-420267;3-4 (3/14/22)

- The GAO sustained a protest on the basis of past performance where the agency, Dept. of the Air Force, failed to adequately document the relevancy of the offerors' past performance information and improperly reduced the protestor's rating on a past performance rating questionnaire. They win!
 - Starlight also argued the AF past performance evaluation was not in accordance with the solicitation's criteria and unreasonable. They win!

ECCALON, LLC, B-420297 (01/24/22)

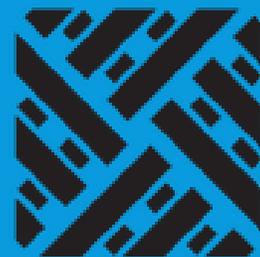
- Eccalon, LLC protested a task order asserting the DoD had unreasonably evaluated price quotes resulting in an unreasonable selection decision.
- A key issue in the case was the DoD consideration of the past performance of a proposed subcontractor.
 - The GAO held that consideration of a subcontractor's past performance where the solicitation neither prohibits nor mentioned the reevaluation of such information. Quoting Enters, B-298576 (10/30/06)
- Interesting note Eccalon's bid was \$20 million above the CRG bid. Eccalon has special qualifications but apparently not enough to overcome \$20 million

EM KAY SOLUTIONS, B-40221.1-2 (01/10/22)

- EM KAY, a SDVOSB, protested the VA's a task order award to InnoVet, another SDVOSB based on the claim the VA's evaluation of past performance was unreasonable and inconsistent with the solicitation evaluation criteria.
- This was another case where the InnoVet offer involved a subcontractor. EM KAY asserted the VA had wrongfully attributed the subcontractor's past performance for that of the awardee.
- GAO held it would "examine an agency's evaluation to ensure that it was reasonable and consistent with the solicitations" AND that the determination of the merits of the vendor's past performance is primarily a matter within the discretion of the contracting agency.
- A disagreement with the agency's evaluation of past performance does not show the agency acted unreasonably.



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QUESTIONS?



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