

**PACIFIC NORTHWEST NATIONAL LABORATORY CONTRACT
DE-AC05-76RL01830**

CONTRACT MANAGEMENT PLAN

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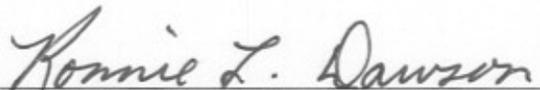
United States
Department of Energy
P.O. Box 350
Richland, Washington 99352

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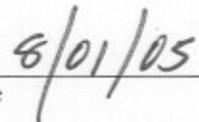
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Rev. 1, August 2005
Concurrence and Approval

CONCURRENCE:



Ronnie L. Dawson, Contracting Officer
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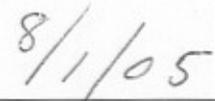


Date

APPROVAL:



Paul W. Kruger, Manager
Pacific Northwest Site Office



Date



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1.0 PURPOSE

The purpose of this Contract Management Plan (CMP) is to implement an effective team approach to managing the contract for the management and operation of the Pacific Northwest National Laboratory (henceforth known as the Laboratory) through effective communications and coordination, and provide the appropriate level of contract management commensurate with the level of complexity of the contract and involvement by the PNSO, DOE HQ Office of Science (SC), SC Integrated Support Center (ISC), other cognizant HQ Program Offices, and major customers, throughout the term of the contract. This CMP describes the processes that the PNSO will utilize to assure that the terms and conditions of the Laboratory contract ([contract no. DE-AC05-76RL01830](#)) are met by the contractor and DOE. The processes addressed are those necessary to fulfill the Government's contract management responsibilities and to ensure that the Contractor's performance is adequately monitored and documented. This responsibility shall be carried out utilizing the appropriate PNSO processes and procedures to produce desired results, prioritize activities, and build confidence and satisfaction among customers, Tribal Nations, regulators, and stakeholders. In addition, this plan also addresses how Government actions should be appropriately implemented and documented. This CMP is intended solely to provide information and shall not be construed to create any rights or obligations on the part of any person or entity, including the Contractor and its employees. This CMP is not intended to be either prescriptive or inclusive of all necessary actions for execution of the contract.

Contract management is defined as those functions specified in FAR, Subpart 42.3. Typical contract management functions specified within the FAR/DEAR include, but are not limited to:

- contract administration and audit services are specified in FAR Part 42;
- cost accounting standards administration is specified in FAR Part 30;
- contract modifications are specified in FAR Part 43 and contract clause I-114, 970.5243-1, "Changes";
- subcontracting requirements are specified in FAR Part 44 and contract clause H-16 "Administration of Subcontracts"; clause I-17, 52.219-9, "Small Business Subcontracting Plan"; clause I-48, 52.244-5, "Competition in Subcontracting"; and I-115, "Contractor Purchasing System";
- government property regulations are specified in FAR Part 45 and contract clause I-116, 970.5245-1, "Property"; and
- budgeting and obligating funds are specified in contract clause I-104, 970.5232-2, "Payment and Advances", and I-106, 970.5232-4, "Obligation of Funds".

DOE enters into contracts as a means of accomplishing its missions. DOE defines the work to be accomplished, and evaluates the Contractor's performance. Performance oversight refers to those tasks or actions that are necessary to complete the government's contract commitments (e.g., oversight of Contractor management of projects, establishment of PNSO specific requirements, budget and cost oversight, formulation and transmission of customer (DOE and other) requirements/needs of the Contractor, etc.). For example, the PNSO assists SC in continuously assessing and verifying the needs of the Laboratory's Science and Technology mission. This assessment includes confirmation that the Statement of Work (SOW) is adequate as written or, when necessary, modified when contract/mission changes are identified. The PNSO is also responsible for approving annual work scope direction and budgets.

2.0 OVERVIEW

2.1 The Contract

The Laboratory contract is a cost-plus award-fee, performance-based Management and Operating (M&O) contract, subject to the appropriate provisions of the FAR and DEAR. The prime contractor for the Management and Operations of the Laboratory is Battelle Memorial Institute (Battelle), referred to as the Contractor. The contract to manage and operate the Laboratory was



extended in August of 2003 through September 30, 2007, unless terminated sooner as provided for by the Contract. The total contract value is estimated at \$2,500,000,000.00 over the five year term of the contract. As the M&O Contractor, Battelle is responsible for the management of Laboratory programs/projects, maintaining and enhancing the facility, equipment, and business infrastructure, and “marketing” Laboratory capabilities to meet current and future government science and technology needs.

The Laboratory contract is based on the principles of performance-based contracting as implemented for an M&O contract. Key elements of a performance-based contract are clearly stated, outcome-oriented performance measures, focusing on DOE’s goals and objectives for the Laboratory. Performance-based contracts are an important tool supporting the Government Performance and Results Act of 1993, which emphasizes strategic planning, performance goals, and assessing outcomes against those goals. The contract is structured as follows:

<u>Section</u>	<u>Description</u>
A	Award Form
B	Supplies or Services and Prices/Costs
C	Description/Specifications/Work Statement
D	Packaging and Marking – Reserved
E	Inspection and Acceptance
F	Deliveries or Performance
G	Contract Administration Data
H	Special Contract Requirements
I	Contract Clauses
J	List of Documents, Exhibits and Other Attachments
<u>Appendices</u>	<u>Description</u>
A	Advanced Understanding on Human Resources
B	Special Bank Account Agreement
C	Subcontracting Plan for Socioeconomic Programs
D	List of Applicable DOE Directives and External Requirements
E	Performance Evaluation and Measurement Plan
F	Radiochemical Processing Laboratory Authorization Agreement
G	DOE Research and Development Bilateral and Multilateral Agreements
H	Department of Energy Office of Science Mission Stretch Goal(s) Performance Evaluation and Measurement Plan

2.2 The Laboratory Mission

As a multi-program national laboratory, the Laboratory’s research and development missions and programs support the overarching national security mission of the DOE through efforts in fundamental science, energy and environmental sciences and technologies, and national security. The Laboratory provides highly skilled staff that supports multi-disciplinary efforts to rapidly translate scientific discoveries into applications in physical, computational, and environmental sciences, and on special facilities, including the Environmental Molecular Sciences Laboratory (EMSL). The Laboratory supports the President’s commitment to sustain and nurture the nation’s science and technology enterprise, to support national goals in security, energy, environmental quality, human health and economic growth, and to provide a significant resource for scientists world-wide to engage with Laboratory staff in accelerating the nation’s progress towards these goals.

The Contract statement of work (paragraph C-4) provides a summary of current Laboratory programs and descriptions of major programs that are updated annually as part of the



Laboratory's strategic planning. In keeping with its overall role as a multi-program national laboratory, the specific research programs conducted and the overall mix of research at the Laboratory will change, as needed, over the Contract period in keeping with DOE's changing mission needs, advances in science and technology, and other drivers. Accordingly, the contract statement of work is not intended to be all-inclusive or restrictive, but provides a broad framework and general scope of the work to be performed at the Laboratory. Furthermore, the contract statement of work does not represent a commitment to, or imply funding for, specific projects or programs.

2.3 Laboratory Operating Envelope

Paragraph C-4.3 of the Contract Section C, summarizes the overall operating envelope for the Laboratory. Specific provisions of the Contract regarding management and operational requirements are established to be consistent with the operating envelope and assignment of programs/projects. Operating requirements outside the established envelope require review by DOE and may require a modification of relevant Contract terms and conditions. To assure proper control of classified and hazardous work, without imposing unnecessarily burdensome requirements on low risk activities or facilities, a graded approach to establishing requirements and oversight of work shall be applied.

2.4 Facilities

The Laboratory consists of office, laboratory, and support facilities located in Richland, Washington; the PNNL Site; the Hanford Site; Sequim and Seattle, Washington; Portland, Oregon; Washington D.C.; and other sites as may be approved by the Contracting Officer (see paragraph C-4.3.2 of the Contract). The Contract also establishes a "Nuclear Island", currently defined as the Radiochemical Processing Laboratory (RPL) and immediately adjacent ancillary areas, as defined in both the Documented Safety Analysis (DSA) and Facility Use Agreement (FUA). The nuclear island is to be operated consistent with the requirements set forth within the contract and the DOE approved Authorization Agreement (see Contract Section J, Appendix F).

A number of the facilities occupied by the Laboratory are within Hanford's 300 Area. The Office of Environmental Management (EM) is the Cognizant Secretarial Officer (CSO) for the Hanford Site and is responsible for the 300 Area facilities occupied by the Laboratory and for ensuring all Hanford Site activities are performed safely. In order to establish policy and procedures for the administration and oversight of the Laboratory activities located on the Hanford Site, a Memorandum of Agreement (MOA) between the PNSO and the Richland Operations Office has been developed. This MOA provides the roles and responsibilities, administration and oversight activities, and implements an Integrated Team approach to define lead responsibilities in assuring DOE performance expectations are satisfied. PNSO and Laboratory activities on the Hanford Site will be conducted in accordance with the [Richland Integrated Management System \(RIMS\)](#).

2.5 The Consolidated Laboratory

The Laboratory is unique within the DOE system in that it combines a DOE national laboratory and a privately owned R&D laboratory in a single complex ("Consolidated Laboratory"). Under the Consolidated Laboratory concept, work conducted under the prime contract can be performed in both government-owned/leased and Contractor-owned/leased facilities. Under the Consolidated Laboratory concept, the government pays the Contractor for the reasonable costs of using the private facilities while avoiding the up-front cost of constructing such facilities with appropriated funds. In addition, a special clause (H-1, "Use of Facilities for Contractor's Own Account") allows the Contractor to utilize designated facilities and other Government-owned property in its custody to conduct research and development activities for its own account, to the extent and in accordance with such terms and conditions as DOE and the Contractor may agree to from time to time as set forth in Use Permit Agreement No. DE-GM05-00RL01831, dated October 2004, while fully compensating the government for such use. Except as incorporated by



reference in the Use Permit, the terms and conditions of the prime contract shall not apply to the Contractor's private research and development activities.

The Consolidated Laboratory concept also includes the staff of the Laboratory, utilizing the same work force for both programs and projects under the prime (DOE) Contract as well as programs and projects conducted for others through the Use Permit. It also utilizes one management system, the "Standards Based Management System (SBMS)," which provides staff with online Laboratory-wide policies, standards and subject areas (procedures and guidelines) that are current, accurate, and relevant to the work staff performs whether it is under the prime Contract or the Use Permit. Although SBMS includes procedures and guidelines for both work performed under the prime contract and the Use Permit, the actual procedures and guidelines may have different requirements depending on whether the work is prime contract work or work for the Contractor's own account. As stated above, the Contractor fully compensates DOE for the Government facilities and property used for its own account, as well as, any materials, supplies, utilities, labor or services provided by DOE or at DOE expense. Such compensation is determined in accordance with charges, rates, and schedules established by DOE and accepted by the Contractor.

2.6 The Pacific Northwest Site Office Organization

The PNSO has primary responsibility for providing work scope direction to the Contractor and provides contract management, performance oversight, and contract administration activities as appropriate. The specific roles and responsibilities are provided within Section 3.0 of this plan and can also be found within the [PNSO Roles, Responsibilities, Accountabilities, and Authorities](#) document, dated October 2004.

2.7 SC Integrated Support Center (ISC) and Other Support Assignments

In order to successfully fulfill its responsibilities to SC, the PNSO team requires support from personnel resources and skills which may need to be augmented or may not be resident in the PNSO organization. Such support skills as technical services, human resources, contractor industrial relations, real and personal property, procurement and contracts, information technology, budget/finance, and legal may be necessary from time to time to ensure adequate staffing and successful execution of the contract management activities. Access to these resources is gained through ISC personnel, and in some cases, memorandums of agreements with other organizations, such as the Richland Operations Office (RL). Specific resources and how they are to be provided can be found within the ISC Service Plan and/or individual PNSO procedures/processes.

2.8 Contractor Key Personnel

As indicated within the contract clause I-68, 952.215-70, "Key Personnel", the Contractor's key personnel are considered essential to the work being performed within the Laboratory under the contract and to the overall success of the Laboratory. The current listing of the Contractor's key personnel, by position, includes:

- 1) the Laboratory Director;
- 2) all Deputy Laboratory Directors;
- 3) all Associate Laboratory Directors;
- 4) the Chief Financial Officer; and
- 5) the Director, Environment, Safety, Health & Quality Division.

Before removing, replacing, or diverting any personnel occupying the above listed positions, the Contractor must notify the Contracting Officer, providing justification for the change (including proposed substitutions) in sufficient detail to permit evaluation of the impact on the contract, and receive written approval from the CO. The appropriate PNSO, ISC, and/or SC personnel/



management shall review the Contractor submission and provide their concurrence to the CO. Upon receiving the appropriate concurrence(s) the CO shall provide written approval to the Contractor.

2.9 Performance-Based Contracting

The contract utilizes a performance-based management system, monitored through an Assurance Process (which includes Self-Assessment among other things), and the Critical Outcomes within the Performance Evaluation and Measurement Plan (PEMP) (see Section 5.3 of this plan), to measure progress of the Contractor in satisfying the Statement of Work, clauses, and other terms and conditions of the contract. The performance-based fee earned is linked to the overall performance of the Contractor in meeting mission requirements and ES&H, business management, operational, and other aspects of the management and operations of the Laboratory. This system ensures that the Contractor is properly motivated consistent with DOE missions, values, and the achievement of the strategic outcomes (see Section J, Appendix E; and the clauses H-24, “Determining Total Available Performance Fee and Fee Earned”; H-29, “Conditional Payment of Fee or Profit – Safeguarding Restricted Data and Other Classified Information”; I-83, 970.5215-1, “Total Available Fee: Base Fee amount and Performance Fee Amount”; I-84, 970.5215-3, “Conditional Payment of Fee, Profit, or Incentives”; and I-104, 970.5232-2, “Payments and Advances” for further information regarding fees). The PNSO’s approach to Fee Administration is discussed in Section 5.3.5 of this plan.

Performance-based management for this contract includes clearly identifying the goals and objectives, which will lead to the overall success of the Laboratory in meeting customer needs; determining performance objectives for meeting them; deciding what to measure and the appropriate data collection methods; establishing challenging yet realistic performance expectations; maintaining operational awareness; and, collecting performance data, assessing actual performance against expectations, and using the results to improve performance. This process is managed as a combined effort led by the PNSO, in coordination with SC, other HQ Program Offices, and major customers. The following principles govern the application of performance-based management for this contract:

- a) Performance-based management, which primarily focuses on results (outputs and outcomes), is used at all levels to plan, oversee, evaluate, and reward Contractor performance.
- b) Goals (formally Critical Outcomes), and Objectives, have been developed and issued by SC for utilization throughout the SC Laboratory complex. Measures (formally Indicators) that provide indication of the contractor’s success in meeting a particular Objective are established in partnership between PNSO, SC, other HQ Program Offices, major customers, Contractor organizations, and stakeholders. The Goals, Objectives, and corresponding Measures should be linked with, and support, strategic, multi-year, and annual goals of the parent organizations, and they become contractually binding upon incorporation into the contract (Appendix E) by a contract modification issued by the CO.
- c) Resource decisions, including annual budget requests, are established and justified based on well-documented needs, previously achieved results, and expected future workload and outcomes.
- d) The Contractor’s self-assessment objectives, measures, and targets are established by the Contractor, in partnership with the appropriate points-of-contact from the PNSO, SC, other customers, and stakeholders (both external and internal), and are captured within the Contractor’s division, directorate-level, or management system self-assessment plans. The Contractor’s self-assessment is a key tool used at all levels to assess and evaluate results and to improve performance and a key component of the Contractor’s Assurance Process. DOE assessment and evaluation also includes operational awareness (daily oversight), annual two-week reviews, outside agency reviews, and “For Cause” reviews.
- e) Performance results are used to improve on-going efforts, and to hold the Contractor accountable.



2.10 Partnering

An integral element of the PNSO's contract management approach is the concept of "partnering" with the Contractor. "Partnering" is described below:

Partnering is the creation of an owner-contractor relationship that promotes achievement of mutually beneficial goals. It involves an agreement in principle to supportively achieve the Laboratory missions. Partnering is not a contractual agreement, nor does it create any legally enforceable rights or duties. Rather, partnering seeks to create a cooperative attitude in completing the work. To create this attitude, each party must seek to understand the goals, objectives, and needs of the other--their "win" situation--and seek ways that both parties' objectives can overlap. Partnering does not relieve the Contractor of its obligation to perform according to the terms of the contract; nor does it relieve the Contractor from the consequences of failing to perform.

Partnering is an important aspect in developing annual measures/targets under each objective documented within the contract performance evaluation and measurement plan. With mutual goals and objectives established, DOE and the Contractor have committed to work together in achieving the desired results for all identified goals.

Partnering will be achieved through establishment of aligned objectives, regular interaction with the Contractor via the Contractor's self-assessment process, routine meetings with appropriate persons, verbal and written communications, and conduct of surveillances.

3.0 ROLES AND RESPONSIBILITIES

The following sections identify key individuals and/or organizations directly or indirectly responsible for the management, administration, and performance oversight of the contract, and generally describe the corresponding roles and responsibilities. In carrying out these responsibilities, the individuals and/or organizations described below will work together to ensure the consistent dissemination of information/direction to the contractor and that such information/direction is inline with DOE HQ and PNSO policies/strategies. A number of vehicles are utilized to carryout this coordination, to include, but not limited to, regularly scheduled staff meetings within PNSO, and conference calls with SC HQ (to include the HCA); bi-weekly one-on-one meetings between the ACO and the CO and primary CORs; procedures and guidance issued by SC HQ and the PNSO; and this Contract Management Plan.

3.1 The Director Office of Science (SC-1)

As the equivalent of an Assistant Secretary, the Director of the Office of Science is, by statute, the science advisor to the Secretary of Energy. The duties and responsibilities of the Director of the Office of Science, as provided in the Department of Energy Organization Act (Public Law 95-91, as amended) include:

Sec. 209. (a) There shall be within the Department an Office of Science to be headed by a Director, who shall be appointed by the President, by and with the advice and consent of the Senate....

b) It shall be the duty and responsibility of the Director -- 1) to advise the Secretary with respect to the physical research program transferred to the Department from the Energy Research and Development Administration; 2) to monitor the Department's energy research and development programs in order to advise the Secretary with respect to any undesirable duplication or gaps in such programs; 3) to advise the Secretary with respect to the well-being and management of the multipurpose laboratories under the jurisdiction of the Department, excluding laboratories that constitute part of the nuclear weapons complex; 4)



to advise the Secretary with respect to education and training activities required for effective short- and long-term basic and applied research activities of the Department; 5) to advise the Secretary with respect to grants and other forms of financial assistance required for effective short- and long-term basic and applied research activities of the Department; and 6) to carry out such additional duties assigned to the Office by the Secretary relating to basic and applied research, including but not limited to supervision or support of research activities carried out by any of the Assistant Secretaries designated by section 203 of this Act, as the Secretary considers advantageous. [42 U.S.C. 7139]

The Director of the Office of Science is responsible for setting the overall strategies and policies for the DOE S&T program, operational, and support activities to include those at the Laboratory. These responsibilities include, but are not limited to, the management of the program direction and infrastructure budgets, and setting of laboratory, ES&H, and safeguards and security policy for SC within the framework set by the Department, and is carried out through the various SC program, operational, and support offices that make up the SC HQ organization.

3.2 SC Chief Operating Officer (SC-3)

The SC Chief Operating Officer, or designee, as the Head of Contracting Activity (HCA), has full contracting officer authority and is fully responsible for all SC laboratory contracts, to include the Contract for the management and operations of the Pacific Northwest National Laboratory. The HCA concurs on the Laboratory performance elements and the final performance evaluation rating for each evaluation period, as well as the amount of performance-based fee to be awarded to the Contractor. The SC Chief Operating Officer, or designee, has the authority to stop any work activity, add work, and/or withdraw work.

The SC Chief Operating Officer, or designee, shall have the sole discretion to determine when an emergency situation exists at the Laboratory affecting Laboratory personnel, the public health, safety, the environment, and/or security. In the event the SC Chief Operating Officer or designee determines such an emergency exists, the SC Chief Operating Officer, or designee, shall have the authority to direct any and all activities of the Contractor and subcontractors necessary to resolve the emergency situation, throughout the duration of the emergency. Direction to stop work and direction given pursuant to an emergency situation shall be provided verbally or in writing. All verbal direction must be followed up with written confirmation as quickly as possible, by letter and/or by a formal modification to the contract, as deemed appropriate. Addition or withdrawal of work shall be in writing.

3.3 The Manager Pacific Northwest Site Office (PNSO)

The Manager PNSO has been designated as the Administrative Contracting Officer (ACO) for this contract in accordance with clause G-1 of the contract. As such, the Manager PNSO has all the administrative authorities as the CO discussed below and has primary responsibility for providing work scope direction to the Contractor and provides contract management, performance oversight, and contract administration activities as appropriate. In general, the Manager PNSO shall rely on the CO for the issuance of the majority of “day-to-day” correspondence to the contractor, and for issuance of contract modifications. However, correspondence dealing with controversial and/or high visibility items and/or issues should be signed by the Manager PNSO. The issuance of correspondence by the Manager PNSO should also be considered when a higher-level of recognition or direction is warranted. The Manager PNSO approves, with SC-1 and HCA concurrence, the Performance Evaluation and Measurement Plan, and the final performance evaluation grade for each evaluation period, as well as the amount of performance-based fee to be awarded to the Contractor. The two divisions under the Manager PNSO are responsible for the following performance oversight and administration activities:



Programs Division (PD) – The PD oversees the contract through two teams, the Science and Technology Programs Team, and the Contracts and Business Management Team. The Science and Technology Programs Team, in partnership with the applicable DOE-HQ program organizations, provides performance oversight regarding the administration of the research and development programs within the Laboratory. The Science and Technology Programs Team is also responsible for oversight and administration of the Laboratory Work for Others program, Laboratory Directed Research and Development program, as well as ensuring the appropriate integration of safety management throughout all programs/projects. The Contracts and Business Management Team, in partnership with the applicable DOE-HQ and ISC administrative organizations, is responsible for the oversight of all the business management activities/organizations within the Laboratory. The Contracts and Business Management Team is also responsible for the oversight of real and personnel property.

Operations Division (OD) - The OD is responsible for the administration and performance oversight of operations and environment, safety, and health programs. The OD is also responsible for the administration and performance oversight of facility management (operations and maintenance), quality, safeguards and security, and emergency preparedness programs for the Laboratory. These functions are carried out, in partnership with the applicable DOE-HQ and ISC organizations, as well as the appropriate RL organizations as called for within the MOA with RL for the operation of Laboratory facilities on the Hanford Site.

The PNSO Administrative Officer plans, manages, coordinates, and evaluates performance of the PNSO administrative activities, and assigned program management activities for the Manager, PNSO. As part of his/her responsibilities, the Administrative Officer reviews all correspondence to the Contractor to ensure that all appropriate PNSO organizations/staff are cognizant of the correspondence and that correspondence not within the authority of a COR is directed to the ACO or CO for appropriate action. The Administrative Officer also receives and reviews all correspondence from the contractor to the PNSO to ensure the appropriate organizations/staff have received the correspondence and/or are otherwise cognizant of the document.

3.4 Contracting Officer(s) (CO's)

Pursuant to FAR 1.601, contracts may be entered into and signed only by the HCA, or designated CO(s). Pursuant to clause G-4, "Modification Authority", of the contract, only the CO is authorized to accept non-conforming work; waive any requirement of the contract; or take any action involving a change in the scope, price, terms or conditions of the contract. The CO holds the responsibility to administer or terminate (if found necessary) the contract and make related determinations and findings. The CO shall:

- Ensure that the requirements of FAR 1.602-1(b) (e.g., all requirements of law, executive orders, regulations, and all other applicable procedures, including clearances and approvals) have been met;
- ensure that sufficient funds are available for obligation;
- obligate funds and approve payments;
- ensure that the Contractor receives impartial, fair, and equitable treatment;
- request and consider the advice of specialists in audit, law, engineering, transportation, and other fields, as appropriate; and
- be responsible for all contract management functions listed in FAR 42.3.

The CO implements contract management functions through the appropriate PNSO organizations in accordance with the RL Integrated Management System (RIMS) and/or the PNSO processes and procedures. The CO also has "Stop Work" authority in accordance with contract clause I-87,



970.5223-1, "Integration of Environment, Safety, and Health into Work Planning and Execution," paragraph (g).

3.5 Contracting Officer Representative (COR)

The CORs are designated by the ACO to advise and assist the ACO/CO in management of the contract pursuant to clause G-2 of the contract. CORs are designated to act as an authorized representative of the CO for specified functions, such as technical direction and monitoring. The COR shall be fully responsible for providing technical and/or administrative direction to the Contractor, relative to their project or area of responsibility, in accordance with Section G of the contract, the CO Delegation letter, and the appropriate RIMS and/or PNSO processes and procedures. All direction to the Contractor shall be in writing.

In accordance with the responsibilities described in the COR Delegation letter and Section G of the contract, the COR may be responsible for the following items. Other appropriate employees may be utilized to assist the COR in these areas.

1. Provide performance oversight to ensure the products and services for which the COR is responsible are delivered by the Contractor in accordance with the terms and conditions of the contract, including quality.
2. Perform inspection and acceptance of work, as required.
3. Review Notices of Completion, as required.
4. Conduct periodic reviews, audits, and surveillances of the Contractor to ensure compliance with the contract, as required.
5. Perform periodic reviews of the Contractor to evaluate its performance stipulated within the approved Performance Evaluation and Measurement Plan.
6. Provide approval of Field Work Proposals, and Work Authorizations, or other similar documents, as appropriate, and in a timely manner.

A listing of CORs for the Laboratory contract, and the extent of their authority, is provided within clause G-1, "Head of Contracting Activity (HCA), Contracting Officer (CO), Administrative Contracting Officer (ACO), and Contracting Officer's Representative (COR)", of the contract.

3.6 PNSO Facility Representatives

PNSO Facility Representatives shall assist the PNSO Manager, CO, and CORs in providing oversight of operations to ensure that the facilities are operated in a safe, healthy, and environmentally acceptable manner in accordance with the contract, DOE Orders, and other requirements.

The Facility Representatives, along with all other PNSO employees, have "Stop Work" authority in cases of imminent environmental, safety, or health hazards, pursuant to the PNSO "Stop Work" Authority, provided within the PNSO Federal Employee Occupational Safety and Health (FEOSH) Hanford's Program document (in draft format as of June 2005). Should a Facility Representative or other PNSO employee "Stop Work", he or she shall be responsible to notify the CO and the appropriate COR as close to the occurrence of the event as practical. The Facility Representative shall also recommend restart based on his or her evaluation of the Contractor's readiness to proceed. PNSO employees, to include Facility Representatives, do not have the authority to change the scope, price (except as the price may be impacted by a "Stop Work"), terms, or conditions of the contract.

3.7 PNSO Federal Project Director

The PNSO Federal Project Director is responsible for the overall project management activities for all discrete projects under the Site Office's cognizance in accordance with the roles, responsibilities, authorities, and accountabilities defined within DOE M 413.3-1 "Project



Management for the Acquisition of Capital Assets. The Department uses the Integrated Project Team approach for the acquisition of capital assets". The Integrated Project Team for each project is a formal team with the Project Director serving as the team leader. Integrated Project Team membership should comprise representatives from all the business and technical disciplines, such as legal, financial, contracting, safety, environmental, health, and others, necessary for successful execution of the project.

3.8 Certified Realty Specialist

The Oak Ridge Integrated Support Center provides support to the PNSO in the area of real property management, to include the Certified Realty Specialist who provides the review and approvals required to acquire, manage, and dispose of real property. The Certified Realty Specialist will provide all approvals and recommendations to the PNSO ACO/CO. In accordance with regulations and DOE guidance, only the ACO/CO can provide approval of real estate actions to the Contractor.

3.9 Organizational Property Management Officer (OPMO)

The Oak Ridge Integrated Support Center provides support to the PNSO in the area of personal property management, to include the OPMO, who provides reviews and approvals required to acquire, manage, and dispose of personal property. The OPMO will provide approvals and recommendations for personal property related actions to the ACO/CO.

3.10 The Defense Contract Audit Agency (DCAA)

The DCAA, under the authority, direction, and control of the Under Secretary of Defense (Comptroller), is responsible for performing contract audits for the DOE, and providing accounting and financial advisory services regarding the PNNL prime contract (1830), Use Permit (1831), and audit support for Battelle subcontracts. These services are provided in connection with negotiation, administration, settlement, and closeout of the prime contract and subcontracts.

3.11 Other PNSO Staff

All other PNSO staff shall support and assist the PNSO Manager, CO and COR(s) as specifically designated and/or as defined in employee Position Descriptions, RIMS and/or PNSO processes and procedures, and as stated herein.

4.0 COMMUNICATING WITH THE CONTRACTOR

Communication protocols are commonly cross-referenced by the levels of contract authority (from unlimited authority to no authority). Since there are varying degrees of contract authority, both formal and informal communication protocols have to be carefully followed by all parties to prevent the misapplication of contract effort and direction. As the sole line organization responsible for the performance oversight and administration of the Laboratory contract, all PNSO communications with formal direction (with the exception of items that are the exclusive responsibility of the ACO/CO) shall be issued to the Contractor through the ACO, CO, or CORs as appropriate. The PNSO will work interdependently, through strategic partnerships, with all appropriate organizations to discharge proper DOE policy and direction for the Laboratory contract. Figure 4-1 graphically depicts this relationship and lines of communication. A listing of current CORs is provided within clause G-1 of the contract.



Pacific Northwest Site Office Business Model *Partnering for Results*

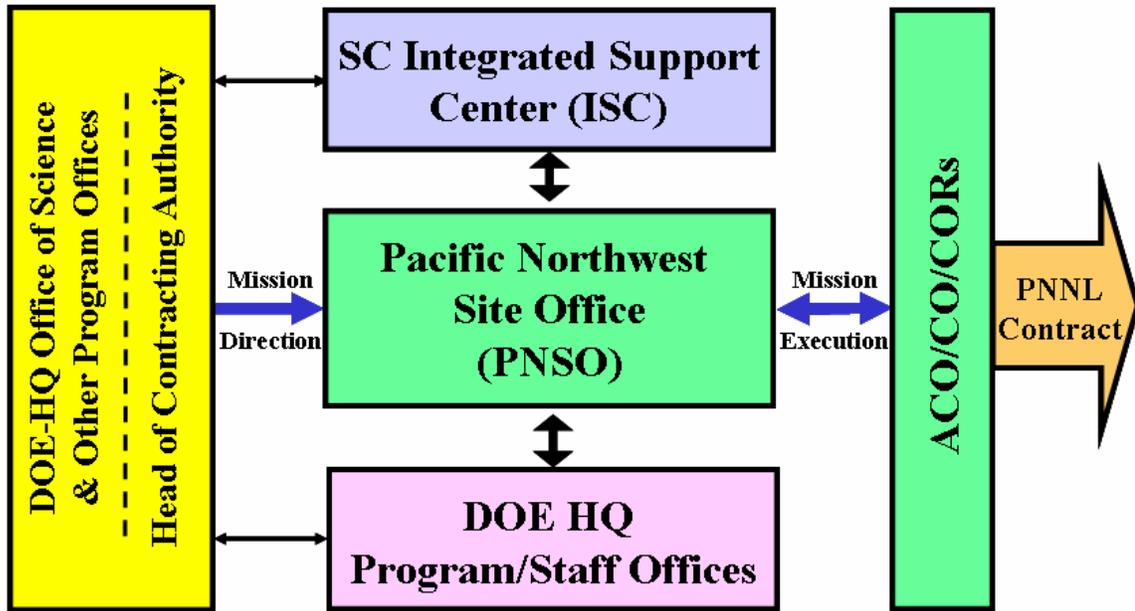


Figure 4-1

4.1 Formal Communications

Formal communications occur between individuals who are authorized to represent the contracting parties. For this contract, these individuals are the HCA (SC-3), ACO, CO(s), and COR(s). Formal communications will usually be stated in writing; however, oral communication may be used. Formal direction given orally shall be confirmed in writing.

All formal written correspondence to the Contractor shall include the contract number (DE-AC05-76RL01830) within the subject line. Any PNSO or ISC Office may initiate correspondence to the Contractor; however, it must be on PNSO letterhead, routed through the PNSO Administrative Officer for concurrence, and signed by either a designated COR for the Laboratory contract, the CO, the ACO, or the HCA, as appropriate. In general, technical direction should be issued from the COR. Any changes to the contract or interpretation of contract terms and conditions shall be issued by a CO. The contract requires CO signature for some specific actions (i.e., clause I-46, 52.242-1, “Notice of Intent to Disallow Costs”, clause I-80, 970.5204-2, “Laws, Regulations and DOE Directives”, etc.). The HCA has the authority to sign any of the above correspondence, but normally only correspondence requiring higher visibility is signed by the HCA (i.e., major contract revisions, SC laboratory system wide policy direction, etc.).

4.2 Informal Communications

Informal communications can occur between any PNSO, HQ, or ISC employee and any Contractor employee. This type of communications is non-binding for both the Government and



Contractor, and does not constitute contract direction (i.e., formal communication). Informal communication can take the form of electronic mail (e-mail, internet, etc.), retrievable databases, telephone, facsimile, presentations, meetings, and any other means.

Informal communications are encouraged and expected from PNSO staff and management in performance of their oversight responsibilities with the Contractor. In their informal communications, PNSO employees need to avoid the impression that the communications are formal. Particularly, when CORs are engaging in informal communications, they must be careful to identify those communications as non-binding. CORs should inform the Contractor as to whether or not the communications are formal or informal, and the Contractor should inquire to determine if the communication is formal direction.

4.3 Non-PNSO Communications

The Contractor will be required to communicate to other than PNSO employees in conjunction with its responsibilities and work scope. The following parties, though not limited to, are most likely to be involved: DOE-HQ; ISC; other Federal Government agencies; Environmental Protection Agency; Defense Nuclear Facilities Safety Board; Hanford Contractors; Tribal Nations; and the general public. Because these entities are outside of the contractual relationship between PNSO and the Contractor, they are limited to informal communications only. They may not provide direction to the Contractor or issue any changes to the scope or terms and conditions of the contract. It is expected that these other sources of communication will be coordinated and/or monitored by the responsible PNSO counterpart/organization, the ACO, CO, and/or COR.

5.0 CONTRACT MANAGEMENT

This section provides a general description of contract management activities required to ensure contract requirements are being met and performance is meeting expectations. It does not capture every action that the DOE will need to complete in successful management of the contract. It does however, set forth the higher-level requirements and describes the overall process within which the tasks are performed. These activities are the responsibility of the PNSO with support from appropriate ISC and DOE-HQ organizations and include oversight of the Contractor's implementation of all contract requirements.

The general approach that the PNSO utilizes in administering the Laboratory contract is aligned with the ISC and/or PNSO Acquisition Management processes and procedures. Acquisition Management is divided into three processes: acquisition planning (pre-award), solicitation and contract award (award), and contract management/administration (post-award), including closeout. This section provides general contract administration and performance oversight guidance in accomplishment of the third process of post-award (contract management/administration, to include closeout).

Contract administration activities are cited in FAR Subpart 42. Of major importance in contract management is the coordination and monitoring of the regulatory, technical, quality, safety, security, and business requirements to ensure that the Contractor performs to the requirements and the terms and conditions of the contract. The following subsections, which are not all-inclusive, highlight these management and administration activities and represent some of the more critical areas in the execution of the Laboratory contract management.

5.1 Contract Direction

The following subsections describe some tasks or direction actions not specifically called out in the FAR, but that are necessary to complete the Government's contract commitments. These contract direction tasks are covered here to ensure that it is recognized in this plan that the PNSO is responsible for more than just the contract administration contracting actions for the Laboratory contract. For example, PNSO continuously assesses and verifies the needs of the Laboratory's



science and technology mission(s). This assessment and verification includes confirmation that the SOW is adequate as written, or when necessary, modified when contract/mission changes are identified. The PNSO is also responsible for approving annual work scope direction and budgets.

5.1.1 Statement of Work (SOW) Summary

The Laboratory contract SOW is the fundamental work description of the contract and establishes the basis and boundaries by which most work direction is prepared. Changes to the SOW are accomplished through formal contract modifications issued by the CO.

The SOW, Section C, paragraph C-4, of the contract, sets forth the work the Contractor is required to perform. Specific work scope is provided to the Contractor through the Work Authorization process described in Section 5.1.4 of this contract management plan. The remainder of the contract specifies the terms and conditions under which the Contractor is to perform the work.

The Contractor shall, in accordance with the provisions of the contract, accomplish the missions assigned by DOE, and perform the work described in the SOW by providing the intellectual leadership and management expertise necessary and appropriate to manage, operate, and staff the Laboratory. Management of the Laboratory includes operation of both Government-owned and leased, and Contractor-owned and leased facilities as provided for in the operating contract, to the extent such facilities are used for DOE work. The Contractor shall maintain and enhance the Laboratory's core technical capabilities and carry out appropriate public outreach activities consistent with its mission.

5.1.2 Multi-Year Laboratory Strategy

The Laboratory Strategy annually documents the Laboratory's mission and establishes mission-level strategic objectives as well as programmatic strategies covering a five-year period. The Laboratory Strategy is developed through mutual consultation between the PNSO, HQ program offices, and the Contractor. The requirement for the annual development of a Laboratory Strategy is found within clause H-17 "Long-Range Planning, Program Development and Budgetary Administration."

The Laboratory Strategy, as called for within Section C, paragraph C-2 of the contract, is to capture a compelling five (5) year vision for the Laboratory, mission/major program description, and a work plan that describes how the Contractor will accomplish the vision.

5.1.3 Technical Direction

Technical direction is issued by the ACO/CO/CORs in executing their respective areas of responsibility. Technical direction must be within the scope of the SOW as stated in the contract, and is primarily issued in writing. Non-COR PNSO employees as well as non-PNSO individuals or organizations cannot give technical direction without appropriate delegation from the CO.

The term "technical direction" is defined to include, without limitation:

- a) Providing direction to the Contractor that redirects contract effort, shift work emphasis between work areas or tasks, require pursuit of certain lines of inquiry, fill in details, or otherwise serve to accomplish the contractual Statement of Work.
- b) Providing written information to the Contractor that assists in interpreting drawings, specifications, or technical portions of the work description.
- c) Reviewing and, where required by the contract, approving, technical reports, drawings, specifications, and technical information to be delivered by the Contractor to the Government.



5.1.4 Work Authorization

Authorization to the Contractor to proceed with work will be provided through approved work authorization (multi-year work plans, work authorization statements, interoffice work orders, request for services, etc.) for the work elements in the SOW, or as appropriate, revisions to the plans. Work is not authorized to commence until the Contractor receives both funding (via a contract modification) and the related work authorization guidance. The PNSO Work Authorization Procedure shall be utilized for official authorization of specific programs/projects.

5.1.5 Laws, Regulations and DOE Directives

Contract clause I-80, 970.5204-2, “Laws, Regulations, and DOE Directives”, indicates that the Contractor must comply with the requirements of applicable Federal, State, and local laws and regulations, unless relief has been granted, in writing, by the appropriate regulatory agency. The clause also states that a list of applicable laws and regulations may be appended to the contract; however, no such list has been appended to this Contract. Omission of this list does not affect the obligation of the Contractor to comply with any applicable law or regulation pursuant to the above mentioned clause.

Listings of DOE Directives & External Requirements applicable to this contract are provided in Section J, Appendix D and Appendix F of the contract. The PNSO shall review and determine applicability of new or changed directives to the Laboratory contract, and incorporate such directives into Appendix D or Appendix F as appropriate. Reviews of new or changed directives by the cognizant PNSO organization/staff shall take place as needed; however, the PNSO shall periodically (at least annually) review and update the listing of applicable DOE Directives to ensure that they are complete and current. New or modified requirements applicable to this contract shall be issued to the Contractor in accordance with contract clause H-18 “Application of DOE Contractor Requirements Documents.”

Clause H-18 also provides for the substitution of a CRD with an alternative procedure, standard, system of oversight, or assessment mechanism resulting from the process described in the contract clause H-18. This process is the key implementing vehicle of the new contract principle of relying primarily on Federal, State, and local laws, regulations, and national standards to establish Contractor requirements and performance criteria, while minimizing the use of DOE Orders and directives as a mechanism for placing administrative and operational requirements on the Contractor to cases where there is a unique departmental function without an industrial process counterpart.

5.1.6 Requirements Integration Tailoring (RIT)

The Requirements Integration Tailoring (RIT) process as described in the Contractor’s Standards Based Management System shall be utilized as the approved process to identify appropriate standards for this contract, to include the substitution of a CRD with an alternative procedure, standard, system of oversight, or assessment mechanism, as provided for within contract clause H-18, “Application of DOE Contractor Requirements Documents.” The substitution of a CRD(s) with an alternative procedure, standard, system of oversight, or assessment mechanism must be approved by the CO. The Contractor must issue to the CO an assurance, signed by the Laboratory Director, that the revised alternative is an adequate and efficient means to meet the objectives underlying the CRD. When the RIT process is used, it shall be based on the following criteria:

- For Laboratory standards, the DOE site management and Contractor management participate in, and agree on, the process, including extent of stakeholder involvement and confirmation of standards.



- Standards are based on the work, the environment in which the work is performed, and the hazards or risks (operational and administrative) associated with the work.
- Laboratory processes include robust mechanisms for establishing and maintaining standards that govern the conduct of work.
- People qualified by knowledge, experience, and training, select or develop, and confirm the standards.
- The process is documented and the adequacy of the standards selected is justified; justification is not required for standards not selected.
- The selected standards are accepted by all as the basis for the performance of work and oversight.
- To the extent possible, standards are outcome-based (i.e., establish the “what” versus the “how”).
- Preference should be given to external laws and regulations, consensus standards, or generally accepted standards. If consensus or generally accepted standards are not sufficient, site-specific standards based on DOE Directives are developed.
- Process efficiencies are sought through multi-site benchmarking and collaboration in the selection of standards for similar work.

The process to be followed by SC and cognizant Operations/Site Offices to assure that deletions or modifications to DOE Directives via the RIT process are coordinated with the appropriate DOE HQ organizations prior to CO approval is contained within a memorandum from Dr. Raymond L. Orbach, subject “[Internal Coordination and Resolution Process for Tailoring Directives in Contracts for the Management and Operation of Office of Science Laboratories](#),” dated June 9, 2003.

To accommodate the broad range of work at the Laboratory, and to assure proper control of classified and hazardous work without imposing unnecessarily burdensome requirements on low risk activities or facilities, a graded approach to establishing requirements and overseeing work is to be applied by all involved in the development and oversight of such requirements for this contract.

5.1.7 Records of Decision

The Record of Decision (ROD) is utilized by the Contractor to insure all contract requirements re appropriately captured within, and implemented through, the Contractor Standards Based Management System (SBMS). PNSO reviews of the Contractor RODs are conducted to verify contract requirements are being captured and are appropriately translated into SBMS processes and procedures. Such reviews should be conducted periodically, or when new or changed requirements are incorporated into the contract via formal contract modifications.

5.1.8 Use Permit Notices of Proposed R&D Work

As required within the [Use Permit Agreement \(DE-GM05-00RL01831\)](#) mentioned in section 2.5 above, the contractor is required to give the CO written notice, at least 15 calendar days in advance, of any 1831 Agreement activity to be conducted in any government-owned facilities or using government-owned property or equipment. The PNSO Programs Division designated point-of-contact for 1831 Agreement notifications is responsible for ensuring that notices received are reviewed in accordance with the PNSO “Battelle Use Permit Notice of Proposed R&D Work Review Procedure.” In accordance with the 1831 Use Permit Agreement, if the DOE, within the 15 calendar days after receipt of a notice of proposed R&D work, asserts no objection or does not request additional information in writing or notify the Contractor in writing that additional information will be required, the program(s) included within the notice shall be deemed approved.



5.1.9 Contractor Human Resources Management Strategy

The requirements for oversight of Contractor Human Resource Management (CHRM) Programs are found within clause H-30, “Contractor Compensation, Benefits and Pension”, and Appendix A, “Advance Understandings on Human Resources”, of the contract. The requirements detailed within the clause are to ensure the contractor manages their HR programs to support the DOE mission, promote workforce excellence, champion workforce diversity, achieve effective cost management performance, and comply with applicable laws and regulations.

5.2 Contract Modifications

The terms and conditions of the contract will require changes and/or updating from time to time, which will constitute the need for a modification to the contract. The CO must issue modifications to the contract. A modification can be administrative (unilateral), can be authorized by contract, such as by a change order (unilateral or bilateral), or can be a supplemental agreement (bilateral). The regulations governing contract modifications are found within FAR Part 43. Some examples of actions requiring such modifications are changes to FAR or DEAR clauses, costs, the SOW, changes to the listing of applicable DOE directives or alternative procedures, standards, systems of oversight, or assessment mechanisms, and incorporation of new performance plans and/or fees.

5.3 Performance-Based Management – Oversight, Evaluation, and Fee Determination

A primary principle in the development of this contract was the utilization, by the Contractor, of external, nationally recognized experts to carry out independent risk and vulnerability studies; validate and certify that the Contractor’s management systems meet the applicable laws, regulations, and terms and conditions of the contract; and to verify best in class Contractor practices. This approach enhances the Department’s existing performance-based management system of a results-oriented performance-based management and contracting environment, by moving from transactional oversight to a systems-based management approach. This principle also calls for Contractor performance criteria that focuses on objective (wherever possible), results-oriented, and systems-based metrics to drive improved performance and increase effective and efficient management of the Laboratory. This philosophy leads to clear results-oriented statements of contract performance requirements and quality standards. The “Preliminary Guidance for the Office of Science Laboratory Performance Appraisal Process” provides an overall methodology and framework for the SC-wide laboratory performance evaluation and incentive process.

The Performance Evaluation and Measurement Plan (PEMP), as developed in accordance with the Preliminary Guidance for the Office of Science Laboratory Performance Appraisal Process and incorporated within Section J, Appendix E of the contract, provides the details regarding the current evaluation criteria, performance reviews/determinations, as well as how performance-based fee (if any) will be determined. Contract clause H-24, “Determining Total Available Performance Fee and Fee Earned,” defines how performance-based fee will be implemented for the Laboratory contract.

The SC-wide laboratory performance evaluation process has standardized the PEMP for all SC Laboratories by utilizing a common set of eight Performance Goals and corresponding Performance Objectives as set forth within the SC guidance mentioned above and documented within the PEMP. The three Performance Goals for Science and Technology and five Management and Operations Goals are as follows:



S&T Performance Goals

1. Mission Accomplishment
2. Design, Fabrication, Construction, and Operation of Facilities
3. Program Management

M&O Performance Goals

4. Leadership and Stewardship of the Laboratory
5. Integrated Safety, Health, and Environmental Protection
6. Business Systems
7. Operating, Maintaining, and Renewing the Facility and Infrastructure Portfolio
8. Integrated Safeguards and Security Management and Emergency Management Systems

The overall scoring and grading methodology has also been standardized, utilizing the academia grading scheme identified within table 5-1 below. Grades for each of the eight Performance Goals will be posted on the SC website in the form of a Report Card for the Contractor; however, no combined grade for the overall Contractor performance will be provided.

Final Grade	A+	A	A-	B+	B	B-	C+	C	C-	D	F
Total Score	4.3-4.1	4.0-3.8	3.7-3.5	3.4-3.1	3.0-2.8	2.7-2.5	2.4-2.1	2.0-1.8	1.7-1.1	1.0-0.8	0.7-0

Figure 5-1 - Contractor Letter Grade Scale

The fee allocation strategy for the Laboratory contract is based on the principle that performance-based fee should be viewed as a benefit to the Government; that if the Contractor performs well, more fee should be earned than if the Contractor did not perform well. This strategy is consistent with contract reform. This principle leads to a strategy of incrementally rewarding exemplary performance rather than incentivizing particular activities and deliverables. Such a strategy transcends a narrow focus on individual outputs and elevates the performance discussion to the level of performance aligned with the overall mission and agenda of the institution. This allocation strategy is to be aligned with the DOE Strategic Plan, the DOE R&D Portfolio, DOE Roadmaps, the Office of Science Strategic Plan, as well as the Strategic Plan for the Laboratory.

5.3.1 Development of the Performance Evaluation and Measurement Plan

The SC laboratory Performance Goals and their corresponding Performance Objectives provide the framework for evaluation of the Contractor’s yearly progress toward meeting the S&T strategic goals for the Laboratory and ensuring the Contractor is managerially and operationally in control, meeting the requirements of the contract. Within this framework, the PNSO, DOE SC, other HQ program offices and customers as appropriate, and the Contractor staff, team to develop mutually agreed upon performance measures. The philosophy of partnering (between customer [DOE] and service provider [the Contractor]) for the mutual success of the Laboratory is the cornerstone of this process. The PNSO develops the yearly Performance Evaluation and Measurement Plan (PEMP), in close coordination with appropriate DOE SC, other HQ program offices, and other customers, to ensure the combination of program office input and individual performance measures together provides assurance that the Contractor is meeting current objectives and continues to make appropriate progress toward meeting the Laboratory’s long-term S&T strategic mission in an effective and efficient manner. However, if the DOE and Contractor cannot reach agreement on all the goals, objectives, measures, and targets, the Contracting Officer has the unilateral right to establish reasonable new goals, objectives, measures, and targets, and/or modify and/or delete existing goals, objectives, measures, and targets. The Performance Evaluation and Measurement Plan is to be negotiated and approved, in accordance with SC guidance, on or before the beginning of each fiscal year.



The total available fee pool for the term of the contract has been negotiated and approved by both parties and is described within clause H-24, "Determining Total Available Performance Fee and Fee Earned." The performance fee is 100% at risk and the amount earned (if any) is determined in accordance with the approved PEMP. In the event the PNSO and the Contractor fail to agree on the measures subject to fee, the CO shall make a unilateral decision.

From time to time, it may become necessary to adopt changes to the approved Performance Evaluation and Measurement Plan as prevailing scientific, and/or economic factors change. All requests for changes to the PEMP must be completed in accordance with the procedures set forth within the PEMP. Changes are generally required due to events beyond the Contractor's control, or changes in Laboratory priorities. The PNSO shall not make changes to the PEMP to relax the requirements due to poor Contractor performance. Under normal circumstances, a change shall not be considered if there are less than 90 calendar days remaining in the performance period. Under no circumstances shall changes be considered if the performance period has past.

5.3.2 Performance Monitoring (Daily Oversight)

In addition to providing direction to the Contractor (see Section 5.1.3, "Technical Direction"), the PNSO must continuously monitor Contractor performance in meeting all terms, conditions, and expectations set forth within the contract. The PNSO ACO has lead responsibility to monitor the achievement of performance goals and objectives within the PEMP, and compliance with all other contract requirements. Oversight is to be achieved in accordance with the PNSO "Performance Assurance Procedure", which includes periodic assessments at the management system and line level, including review of Contractor self-assessments and assessments by independent third parties. All requirements placed on the Contractor must be included or referenced within the contract. Areas requiring ongoing oversight and assessment include, but are not limited to:

- Product/Services Quality: Delivery or performance of the product or services specified in the contract is of the quality specified.
- Contractor private R&D work under the Use Permit.
- Cost Savings and Efficiencies: Performance that maximizes the benefit of the effort and avoids waste of resources in misdirected effort.
- Timeliness: Performance that is timely.
- Budget: Performance that stays within budget.
- Contract Compliance: Adherence to all terms, conditions, and special requirements in the contract.
- ES&H/Security: Adherence to all Environmental Protection; Public and Worker Safety and Health; and Security terms, conditions and requirements.

PNSO oversight activities should ensure work being conducted by the Contractor is consistent with the established contract and plans, and those applicable requirements (e.g., statutes, Federal, State, and Local Laws/Regulations, DOE Directives, and policies). Oversight does not include controlling the way the Contractor is doing the work, except where imminent environmental, safety, or health hazards have been identified.

Consistent with this definition, but specifically in accordance with FAR 42.302, periodic project, program, or functional surveillances and independent assessments may be performed by PNSO and others to determine the Contractor's progress and to identify any factors that may delay performance or adversely be affecting environmental protection or protection of worker health and safety. The CO, CORs, and other designated staff in support of the CO and CORs, shall perform periodic surveillances against established criteria. The PNSO is responsible for determining the extent of surveillances to be



performed, to include those conducted by SC ISC organizations that provide subject matter support and expertise to the PNSO. Oversight activities, including surveillances, may include formal Conduct of Operations reviews or informal observation and review of work activities. The PNSO "Performance Assurance Procedure" defines the roles and responsibilities, methods, and tools for conducting Contractor oversight. Anyone involved in performing oversight activities shall avoid any action that may (1) be inconsistent with any contract requirements, or (2) result in claims or waivers, changes, or other contract modifications.

5.3.2.1 Direction Resulting from Performance Oversight

As a result of performance oversight activities, it may be determined that additional guidance or direction needs to be provided to the Contractor. This direction should be provided via the methods described in Section 4.1, "Formal Communications." In cases of imminent environmental, safety or health hazards, stop work authority may be exercised pursuant to the PNSO "Stop Work" Responsibility policy.

5.3.2.2 Roles in Contract Performance Oversight

Oversight is performed by the PNSO COR, CO, and other staff, to include SC ISC support staff, who have responsibility for the oversight of work scope being performed by the Contractor. This oversight also includes the Facility Representatives who perform a key role in Contractor oversight. DOE-HQ, RL (regarding Laboratory facilities on the Hanford Site), regulators, the Defense Nuclear Facilities Safety Board (DNFSB), and others may provide additional oversight assistance at various times. Compliance with applicable Federal, State, and local laws and regulations, and permits and licenses, shall be primarily determined by the cognizant regulatory agency and DOE will primarily rely upon the determination of the external regulators in assessing Contractor compliance in such areas. Oversight performed by individuals outside of the PNSO shall be coordinated with PNSO staff, COR(s), and/or a CO as appropriate.

5.3.2.3 Methods of Contract Performance Oversight

Oversight is conducted through various means and the methods used depend upon the information needed. It is the PNSO's desire to conduct oversight in a cost-effective, coordinated, integrated, and efficient manner that is seamless to the Contractor. Many oversight activities are initiated by request from the Contractor for PNSO review and concurrence in, or approval of, Contractor proposals, plans, records of decision, and procedures. The PNSO shall maintain a matrix (documented within the PNSO R2A2s) identifying primary and secondary personnel with responsibility for oversight of Contractor management systems, and/or review and concurrence/approval of Contractor requests.

Much of the information required to monitor the Contractor performance should be available through regular reporting mechanisms. Confirmation of this data can be made through periodic meetings and reviews, Laboratory visits, one-on-one discussions, observations, assessments, and walk-throughs. Oversight activities can be formal or informal and include telephone, facsimiles, e-mail, written communications, and direct discussions. In addition, physical presence and observation of work is necessary in many instances, such as conduct of operations, procedure compliance, and progress verification. PNSO personnel are encouraged to have an active presence and visibility where the work is being performed and to cultivate strong partnerships with their Contractor counterparts. The PNSO staff and management have full, unfettered access to Laboratory information and work



areas, following appropriate ES&H and security protocols for each work area. Oversight also includes operational awareness, risk assessment, performance objectives/measures, self-assessments, annual reviews, and “For Cause” reviews.

PNSO personnel are to document Contractor oversight and evaluation activities utilizing the PNSO [Capture Tool](#). The Capture Tool provides a convenient and consistent location for documenting Contractor performance throughout each fiscal year. The Capture tool is currently an internal system and therefore is only accessible to PNSO management and staff.

5.3.3 Environment, Safety, And Health (ES&H) and Security Protection

The protection of the safety and health of all employees, the public, and the environment, as well as the security of DOE assets, shall be paramount throughout performance of the Laboratory contract. This protection is primarily carried out through the Contractor Integrated Safety Management System (ISMS) and Integrated Safeguards and Security Management System (ISSMS), verified and approved by DOE, and adheres to all applicable Laws, Regulations, and DOE Directives set forth within Appendix D and Appendix F of the contract. The PNSO Operations Division has the primary oversight responsibility for ES&H, security, and emergency preparedness for this contract, while the Programs Division ensures the appropriate integration of safety and security management throughout all programs/projects. The Operations Division, through the CO, has the primary responsibility for ensuring that the Contractor is complying with its DOE-approved ISMS, ISSMS, Safeguards and Security Plan, and other ES&H/Security requirements. DOE Policy 450.5, “Line Environment, Safety and Health Oversight”, sets forth the expectations for DOE line management ES&H oversight and for the use of Contractor self-assessment programs as the cornerstone for this oversight. The concepts contained within this policy have been adopted by the PNSO, not only for the ES&H arena, but also for the overall performance oversight of this contract.

If a determination is made that the Contractor is not in compliance with the approved ISMS, ISSMS, Safeguards and Security Plan, and/or any other ES&H/Security contract terms and conditions, then the Operations Division shall notify and work with the COR and/or the CO to take the proper contractual steps to ensure compliance and protection of the Government's interest.

All PNSO employees involved in the performance oversight of this contract shall assist in ensuring all practices include adequate environment, safety, health, and security protection.

5.3.4 Performance Evaluation

Evaluations of Contractor performance shall be completed as prescribed within the approved PEMP, as incorporated within Section J, Appendix E, of the contract. With the exception of the mission stretch goals described in section 5.3.6 below, the rating periods for the Laboratory run from fiscal year to fiscal year. To assist the DOE in its evaluation of Contractor performance, the Contractor issues its Lab-Level Self-Evaluation Report to the PNSO in October following each fiscal year rating period. This report provides a roll-up of the Contractor self-assessment activities performed throughout the evaluation period. Other information that the PNSO and other reviewers may use to evaluate Contractor's performance includes daily oversight, an annual two-week field review, and DOE “For Cause” reviews.

Daily oversight is defined as the day-to-day interaction between DOE and the Contractor that helps DOE determine how well the Contractor is performing to meet the requirements of the contract (see section 5.3.2 above). Factors influencing the degree for oversight include the nature of the work, the type of contract, and past performance. Some activities



constituting an ongoing oversight process include, but are not limited to, operational readiness and preoperational assessments, management and operator walkthroughs, safety analysis reviews, and occurrence reporting.

A “For Cause” review supports oversight activities where review of Contractor operations or performance is required as a result of poor performance, or trends indicating the potential for improvement requiring DOE follow-up to protect the Government’s interest. Specific reviews may also arise from implementation of new requirements placed on the Contractor, or new, significantly revised Contractor systems, requiring validation. All “For Cause” reviews of the Contractor shall be conducted through the appropriate PNSO organization and only after review and approval of the PNSO Manager. The CO shall notify the Contractor in writing before initiating a “For Cause” review.

Additional sources utilized in Contractor evaluations may include outside agency reviews conducted during the rating period (GAO, IG, DCAA, etc.), independent third party reviews/certifications, and information gained during the two-week field review period. The annual two-week field review is set aside each year to provide the opportunity to validate Contractor self-assessment report data and/or review any other identified areas of concern. The annual two-week review includes the former Business Management Oversight Process (BMOP) review, a Program Technical review, and a review of the Contractor’s Operation (to include ES&H/Security) activities. Although this opportunity for validation is made available each year (typically in the early November timeframe), it is the PNSO’s intent that through a strong partnering relationship between the PNSO and the Contractor throughout the year, supported by the processes described above, such as daily oversight activities, such validation efforts can be kept to a minimum.

A performance evaluation report is developed by PNSO and issued to the Contractor within the second quarter following the end of the evaluation period. The overall performance against each Performance Objective within the PEMP, to include the evaluation of Performance Measures/Targets identified for each Objective, is to be evaluated jointly by the appropriate HQ office or major customer, and the PNSO. This cooperative review methodology will ensure that the overall evaluation of the contractor results in a consolidated DOE position taking into account specific Performance Measures/Targets as well as all additional information not otherwise identified via specific Performance Measures/Targets. The PNSO is to work closely with DOE HQ program/staff offices and other major customers throughout the year in evaluating the laboratory contractor’s performance. The PNSO should provide observations regarding programs and projects as well as other management and operation activities conducted by the Contractor throughout the year. An annual SC Performance Evaluation Meeting with the PNSO Manager, HCA, appropriate SC Program ADs, and other DOE HQ representatives or major customers, and the Director of the Office of Science, will be schedule and held following the end of each evaluation period. This meeting will be utilized to review the Contractor’s performance within each Performance Goal/Objective and gain consensus on the grades and incentives to be awarded.

Three interim evaluations are conducted each year. The first and third quarter reviews are informal where the PNSO Manager and Laboratory Director exchange status information on each of the performance goals. These informal reports are provided during the first month following the end of each quarter at a meeting between the Laboratory Director and PNSO. A mid-year evaluation is conducted during April each year and consists of a joint PNSO and Contractor review of each performance review area.

5.3.5 Determination of Performance-Based Fee

At the conclusion of each specified evaluation period, the PNSO shall evaluate and/or validate the Contractor’s performance and determine the total available fee amount earned



in accordance with the Appendix E “Performance Evaluation and Measurement Plan” of the contract. A written recommendation of payment of fee, along with documentation gathered during the validation effort, shall be prepared and presented at the annual SC Performance Evaluation Meeting with the PNSO Manager, appropriate SC Program ADs, and other DOE HQ representatives or major customers, and the Director of the Office of Science. SC-1 and HCA concurrence is to be gained prior to final approval by the PNSO Manager of the amount of fee to be awarded.

The lack of Performance Goals, Objectives, Measures, or Targets within a PEMP does not diminish the need for the laboratory contractor to comply with minimum contractual requirements. Although the Performance Goals and their corresponding Performance Objectives are to be the primary means utilized in determining the contractor’s performance grade and/or amount of performance-based fee earned, the Contracting Officer may unilaterally adjust the rating and/or reduce the otherwise earned fee based on the contractor’s performance against all contract requirements. Data to support grade and/or fee adjustments may be derived from other sources as described within section 5.3.4 above.

The adjustment of a grade and/or reduction of otherwise earned fee should be determined by the severity of the performance failure and any mitigating factors. Examples of severity of performance and mitigating factors may be found within the policies described in the Acquisition Regulation, Conditional Payment of Fee, Profit, and Other Incentives, interim final rule published in 58 Fed. Reg. 68771, Dec. 10, 2003.

The final laboratory contractor performance grades and fee earned will be determined during the annual SC Performance Evaluation Meeting discussed above, and contained within the year-end report, documenting the results from the DOE review. The report is to identify areas where performance improvement is necessary and, if required, provide the basis for any grade and/or fee adjustments made from the otherwise earned grades or fee based on Performance Goal achievements.

The contract clause I-104, 970.5232-2, “Payments and Advances”, provides for monthly and end-of-year provisional fee payments to the Contractor. Following the PNSO determination of the total available fee amount earned as stated above, the Contractor is authorized, in writing, by the CO, to withdraw any amount of earned fee over the amount previously paid on a provisional basis, from the payments cleared financing agreement (see section 5.4 below). Contract clause I-104 also provides for the Government to recover previously paid (overpayment) fee, with interest, should it be determined that performance was not as high as expected and provisional fees exceeded the final award-fee determination.

5.3.6 Mission Stretch Goals and Incentive Fee

The mission stretch goal(s) and incentive fee as provided for within clause H-31, “Determining Total Available Mission Stretch Goal(s) Incentive Fee and Fee Earned,” clause I-83, 970.5215-1, “Total Available Fee: Base Fee Amount and Performance Fee Amount,” and Appendix H, “Mission Stretch Goal(s) Performance Evaluation and Measurement Plan”, of the contract, were developed to incentivize the Contractor’s performance in several specific programs carried out within the Laboratory for the contract period (October 1, 2003, through September 30, 2007). Mission stretch goals identify multi-year, specific exceptional results (outcomes) that the Contractor is incentivized to achieve over the duration of the contract. These goals are designed to inspire enhanced Contractor performance above and beyond that which is expected to be accomplished in meeting program goals within the annual Performance Evaluation and Measurement Plan (Appendix E of the contract).



Three programs within SC have identified mission stretch goals (BER, BES, & ASCR) and one mission stretch goal has been identified for the Department of Homeland Security. Information regarding the specific goals and when and how final verification/validation of the goals will be performed can be found within Appendix H, “Mission Stretch Goal(s) Performance Evaluation and Measurement Plan”, of the contract.

In order to earn any mission stretch goal fee, the Contractor must maintain an overall performance evaluation rating of “**Outstanding**” within Science and Technology for each year of the term of the contract, as determined by the Performance Evaluation and Measurement Plan, documented within Section J, Appendix E, of the contract. Should the Contractor not meet this standard, the overall available mission stretch goal incentive fee for all mission stretch goals shall be reduced by 25 percent for each year the standard is not met; provided however, that if the Contractor’s rating in Science and Technology falls below “Outstanding” for any three performance periods, the Contractor shall not be eligible to earn any mission stretch goal incentive fee.

5.3.7 Contractor Assurance Process

Contract clause I-76, 970.5203-1, “Management Controls” (DEVIATION), requires the Contractor to submit, on an annual basis, an assurance to the CO, through an officer at a level above the Director of the Laboratory, that the system of management controls is adequate to assure that the objectives of the management system are being accomplished and that the systems and controls are effective and efficient. To meet this requirement, the Contractor, in accordance with contract Section C, paragraph C-3.3, “Performance Objectives and Measures”, must develop and implement a “Laboratory Assurance Process,” acceptable to the CO. The assurance process is to reflect an understanding of the risks, maintain mechanisms for eliminating or mitigating the risks, and maintain a process to ensure that the management systems and their attendant assurance process(es) meet contract requirements. The Contractor’s assurance process utilizes a number of methods/processes for ensuring management systems and controls are being effectively and efficiently utilized and that the systems and controls are operating as designed. These methods/processes include, but are not limited to:

- The Contractor Self-Assessment Program;
- Internal Audit Program;
- Integrated ES&H Program;
- Integrated Security Program;
- FMFIA Vulnerability Assessments; and
- Independent, Nationally Recognized Expert Reviews

The Contractor’s assurance process will be utilized by the PNSO as a primary tool to determine if the objectives of the Contractor’s management systems and controls are being accomplished and that the systems and controls are effective and efficient. The utilization of this process will help meet the desired results of this contract to “manage the contract” while streamlining and improving the efficiency and effectiveness of federal line management, focusing on a systems-based approach to federal oversight with increased reliance on the results obtained from the resources resident within the assurance process.

Of the processes identified above, the Contractor utilizes self-assessment as a primary mechanism for evaluating the overall effectiveness of its integrated management systems and to promote continuous improvement. A key to the performance-based management and evaluation process employed by the PNSO is the utilization of self-assessment as a key tool for evaluation of the Contractor’s management systems and controls. Self-assessment plans are to be developed and maintained by each directorate/management system, in cooperation with both their internal and external (PNSO, HQ, or other) counterparts. These



plans cover all aspects of the management and operations of the Laboratory, to include, but not limited to, mission areas; ES&H; safeguards and security; facility operations; financial management and cost control; procurement; and human resources. The PNSO is to work with their Contractor counterparts throughout each year to track, verify, and validate the progress of the Performance Goals and Objectives set forth within the PEMP discussed above, and the individual Directorate-level/management system self-assessment plans.

5.4 Payment for Work Performed

A special payments-cleared financing arrangement is used by the Contractor for allowable costs and fee associated with the work performed. Funds are provided by the Federal Reserve Bank through a Banking Agreement (Section J, Appendix B) to cover the Contractor's costs. Annually, the Contractor certifies a Statement of Costs Incurred and Claimed as set forth within the contract clause I-104, 970.5232-2, "Payments and Advances."

5.5 Disputes

This contract is subject to the Contract Disputes Act of 1978, as amended (41 U.S.C 601-613). Except as provided in the Act, all disputes arising under or related to this contract shall be resolved under the clause I-42, 52.233-1, "Disputes." However, it is the Government's policy to try to resolve all contractual issues by mutual agreement at the CO's level, without litigation. Both the PNSO and the Contractor are to explore all reasonable avenues for a negotiated settlement in order to avoid disputes. When all possibilities for negotiation have failed, the PNSO and the Contractor will, where appropriate, endeavor to move the potential dispute to Alternate Disputes Resolution (ADR) as called for within paragraph (g) of the contract clause I-42 "Disputes." Should the Contractor refuse an offer for ADR, the Contractor must provide the CO, in writing, the specific reasons for rejecting the offer. Should DOE or the Contractor be unable to satisfactorily resolve the dispute using ADR, or cannot agree on its application, they shall resume the formal process authorized in the contract clause I-42 "Disputes". The CO shall be informed of any pending dispute no matter what stage of resolution it is in.

5.6 Termination

Terminations, partial or complete, may become necessary at some point during the contract period of performance. The contract includes clause I-54, 52.249-6, "Termination (Cost Reimbursement)", which provides the essential framework. Terminations can be either for the convenience of the Government, or a consequence of the Contractor's default of the contract. In either case, the actions of the Government and PNSO are distinct from any other contract action that may arise. The roles of the CORs in the event of a termination will closely resemble those for any other material change to the contract. Should a termination occur, the Contractor would prepare and submit a termination proposal, which will be analyzed by PNSO and the ISC technical and pricing staff, and then will be negotiated by the CO with the assistance of staff elements.

5.7 Closeout

Once the contract is completed, the PNSO and the Contractor will enter into the closeout phase. This formal process establishes the final conditions surrounding the Contractor's performance of the contract. Emphasis is placed on:

- The status of Government property that the Contractor was responsible for and the laboratory clearance of that property which has or shall be disposed.
- Resolution of purchase and transfer, as appropriate, of Contractor privately owned facilities and equipment utilized under the Consolidated Laboratory.
- A list of Post-Contract Liabilities (e.g., the sum total of liabilities for Contractor employees and their beneficiaries) including a strategy for dealing with these liabilities.
- Reconciliation of funding, and settlement of final indirect cost rates and factors.



- Classified information and special nuclear materials accountability, and termination of DOE-access authorizations (security clearances).
- Resolution of unresolved claims made against the Contractor and PNSO, and final settlement of subcontracts.
- Resolution of performance evaluations and fee determination/payment, release of the Government from continuing liabilities, and other legal, technical and programmatic activities needed to end the contracting relationship.
- Transition to a successor contractor, if applicable.

In order to accomplish the closeout of the contract, effort by a number of DOE HQ, PNSO, and ISC organizations will be necessary and are to be committed to the effort as needed.

