

CHAPTER 10

FACILITIES EVALUATIONS (PRE-AWARD) SURVEYS

PART 1

INTRODUCTION

10-1 PURPOSE.

This section prescribes procedures for conducting an evaluation of the facilities and capabilities of an offeror, contractor or subcontractor to meet all invitation requirements involving procurement of materials or products and/or services such as testing, re-warehousing, and facility repairs.

10-2 GENERAL.

This type of evaluation is conducted to provide the contracting officer with information for use in determining the performance capability of an offeror. It is essential that qualified personnel conduct the evaluations and those procedures are adequate for reaching proper conclusions and recommendations. To be effective the pre-award survey reports must be complete and technically accurate. Conclusions must be logical, clear, and substantiated by facts that do not lead to the following false conclusion that an offeror is:

- a. Capable of satisfactory performance when in fact he/she is not capable. The result may be the award of a contract to technically unqualified producer with accompanying abnormal Government and/or contractor costs due to such factors as scrap, recycle, reinspection, and complaint investigation.
- b. Incapable of satisfactory performance when in fact he/she is capable, normally leading to an award to a higher offer with accompanying higher costs to the Government and possible legal challenge in the form of a protest.

PART 2

RESPONSIBILITIES

10-3 PURPOSE.

To define and describe the responsibilities of General Supply Specialist for conducting facility evaluations (pre-award surveys).

10-4 DUTIES.

- a. The Chief, Operations Division is responsible for:
 - (1) Reviewing requests for facility evaluations, and, if incomplete, obtaining any necessary information from the Contracting Officer.

(2) Arranging to provide the Specialist and Depot Manager with the invitation for bids (IFB), reference specifications, related correspondence or a copy of the contract, and past performance records, if available;

(4) Act as liaison on all matters between Operations and the Contracting Officer, receiving and transmitting requests for evaluations, information, clarification, and time extensions.

(5) Final review of the completed reports for adequacy and thoroughness, ensuring the information contained in the report is sufficient to substantiate the recommendation and forwarding the report to the Contracting Officer.

b. The assigned Specialist is responsible for:

(1) Making a thorough evaluation of the facility and capabilities of the prospective contractor;

(2) Preparing a clear, complete, concise and reproducible report for review no later than 15 work days from the date request was received by Operations;

(3) If the Specialist requires more time the Chief, Operations Division should be notified by phone immediately.

c. The Chief, Operations Division is responsible for:

(1) Maintaining follow-up with the Specialist investigating to make sure that reports are completed and distributed on time;

(2) Reviewing the completed reports for adequacy and thoroughness, ensuring the information contained in the report is sufficient to substantiate the recommendation and requesting further information when necessary.

PART 3

CRITERIA FOR CONDUCTING EVALUATIONS

10-5 PURPOSE.

To outline the conditions which mandate performing a facility and capabilities evaluation.

10-6 SCOPE.

The material specialists or staff technical specialists under any of the following conditions should perform evaluations:

- a. The offeror has no previous quality history;
- b. Available data indicates a marginal or poor quality or reliability history;
- c. The offeror has failed to comply with the Specialist's request to correct significant deficiencies;
- d. The offeror has failed to correct deficiencies as noted on previous surveys;
- e. The solicitation covers critical or sensitive items; and/or
- f. The Contracting Officer requests the survey.

PART 4

EVALUATION REQUESTS AND SCHEDULING

10-7 PURPOSE.

To describe the procedure and responsibility involved in the request for the evaluation and the method for scheduling the facility and capability evaluation.

10-8 REQUEST FOR EVALUATION.

- a. The request will be received from the contracting officer. A separate form will be provided for each location to be evaluated.
- b. Each request, in duplicate, will be accompanied by two copies of the IFB (Invitation for Bids) and all information submitted in the offeror's quote which should be considered in making the evaluation, including offeror delivery or shipping time, special requirements, and any pertinent correspondence between DLA/DNSC and the offeror.

10-9 SCHEDULING THE EVALUATION.

- a. The Specialist will be scheduled to evaluate a facility upon receipt of a request so that the completion date will be met. If more time is required, DNSC Operations must be notified. The schedule should be coordinated with the Chief, Operations Division.

(1) Plans should ensure adequate scheduling of interviews with appropriate company personnel, plant tours, and review and evaluation of the prospective contractor's inspection system and/or quality control program. The plans will be coordinated with the Chief, Operations Division.

(2) Prospective contractors will be given advance notice of the agenda to be discussed during the evaluation to the extent practicable. This will provide an opportunity for advance preparation.

(3) An offeror who is not the producer of the bid items will be notified of the planned date of the facility evaluation so that he/she may have a representative attend.

b. On repeated requests where a complete evaluation has been submitted within a year. The contracting officer shall annotate the request to indicate that the Specialist is to submit a shortened reply, except in the following instances which require a full report:

- (1) When the contracting office requests a full report;
- (2) When there have been quality problems;
- (3) When the recommendation is "incapable of performing";
- (4) When the offeror is furnishing the item on DLA Stockpile contract for the first time; or
- (5) Where there have been changes in the:
 - (a) Facility;
 - (b) Management;
 - (c) Quality control system; or
 - (d) Specifications.

c. If the producer or offeror has a firm commitment with a laboratory other than his own to do the required testing, arrange for an evaluation of the laboratory through the producer or offeror. The evaluation is to determine whether the laboratory is acceptable to the Government. If the laboratory is in another location:

(1) At his/her discretion the Chief, Operations Division may forward the request for an evaluation with a copy of the IFB and all information required to evaluate the laboratory to a Specialist who is closest to the location of the targeted laboratory.

(2) The laboratory evaluation report shall be returned to DNSC Operations for incorporation into the final report.

PART 5

CONDUCTING THE FACILITY AND CAPABILITY EVALUATION

10-10 PURPOSE.

This part specifies the methods of preparation for the survey, data to be obtained from the potential contractor during the survey and analysis factors for evaluation of the potential contractor.

10-11 INITIAL PREPARATION.

Prior to evaluating the offeror's/producer's facility, the Specialist shall:

a. Review the IFB, the governing specifications, and all specifications and standards referenced, and become familiar with the solicitation's technical and quality assurance requirements. Examples include: Product and quality specifications; other specified quality control and reliability requirements; Federal, state and local regulations and housekeeping requirements which may offset end item quality; and requirements for use of special test equipment. Requests that are insufficiently detailed, inconsistent or that contain incorrect technical data should be referred to Operations to obtain contracting office clarification. Consultations should also be held with the depot manager to clarify any ambiguous points;

b. Review records of past performance if available, noting delinquencies, rejections, and quality complaints as well as any corrective action taken; and

c. Arrive at uniform interpretations of requirements with other participants (if any) before holding discussions with the offeror's personnel, before, during, and after the on-site evaluation. Participants are responsible for the accuracy of the information obtained concerning the firm's inspection and/or quality control procedures. The evaluation should include interviews with quality control, production, and management personnel, and a tour of the facility to verify information, particularly the existence and adequacy of required inspection, equipment, inspection stations, personnel, and records.

10-12 CONDUCTING THE FACILITY EVALUATION.

When evaluating a facility, the Specialist shall:

a. Pay special attention to areas of particular interest to the contracting office, e.g., request to submit technical data, pre-award samples. To provide special services related to the solicitation, requirements for first articles or qualification

approvals, test equipment named in the solicitation, and quality history of the company, furnished by the purchasing office with the request for evaluation;

b. Have the IFB and all referenced specification and standards available and make sure that appropriate key personnel understand the contract or bid requirements, including the delivery schedule (if applicable). If the contractor states that the delivery schedule will not be met, the Specialist will notify the contracting officer in writing. All differences of interpretation of requirements, which cannot be satisfactorily clarified, between the offeror and the Specialist, should be referred to DNSC Operations. The Chief Operations Division, shall contact the contracting activity for resolution of the requirements at issue, and, in turn, advise the Specialist of the clarification given. The operation is to be viewed against the background of understanding all facets of the solicitation.

c. Develop, during the initial meeting with the key personnel, background information such as type of company, background of key personnel, and union affiliation (although this does not directly concern production capacity, it does affect the offeror's ability to perform), in addition:

(1) Review the mission and function of the quality control organization and its relationship to top management;

(2) Determine to what extent this function is organized so as to allow maximum cooperation with and minimum interference by other departments;

(3) Determine whether qualified personnel are on hand or are available, considering the product, quantities involved, and proposed delivery schedules; and

(4) Determine availability, when applicable, of a satisfactory program for certification of personnel. If additional skills or personnel are required, the company's plan for recruitment and training should be determined. This information should be verified with the manpower representative.

d. Document the evaluation by completing Standard Form 1403 (Pre-award Survey of Prospective Contractor-General) and other applicable forms (SF 1404, SF 1405).

e. Determine:

(1) The existence, availability and adequacy of test and inspection equipment which is:

(a) Installed in the facility, noting its condition and capacity;

(b) Needed but not in the facility;

- ❖ Whether ordered and from whom; and
- ❖ Cost and promised delivery date.

(2) Special machinery required, including:

- (a) The quantity on hand and its condition;
- (b) A written verification of the source and delivery dates of equipment being purchased; and
- (c) A determination of producer's familiarity with any new equipment

(3) The attention given by the company in planning for additional equipment required for the proposed contract, including:

- (a) Plant arrangement or rearrangement;
- (b) The degree of technological advancement or obsolescence of the plant;
- (c) Condition and maintenance of the equipment;
- (d) Housekeeping and/or sanitation standards; and
- (e) Segregation of materials to prevent commingling.

f. Determine that the production space is sufficient to produce the item in the quantity and time required, considering commercial and other Government orders that will be produced simultaneously; or capability to add extra shift for non-Government orders.

g. Determine that the storage areas are adequate and appropriate to accommodate all of the raw material and materials awaiting Government inspection, test results, or accepted material awaiting shipment.

h. Analyze the production flow from receipt of raw material to the finished item.

i. Determine whether the producer's purchasing and contracting system is adequate. That ensures pertinent Government specification requirements are included in the purchase orders and subcontracts as required. And that sufficient lead-time is

allowed for obtaining material known to be in short supply, limited source items, long lead-time items, and items needed relatively early in the production cycle.

j. Determine whether the producer has:

- (1) Written commitments with suppliers to furnish all raw materials necessary;
- (2) A follow-up for expediting receipt of materials; and
- (3) Established alternate sources of supply in case of difficulties.

k. Examine the production assembly line to determine whether there are potential or existing bottlenecks.

l. Determine the offeror's experience with the product(s) under consideration. Sources of historical data may include the files and data banks; i.e., customer complaint history and corrective action records. The contracting office may furnish other historical factors with the request for survey, i.e., quality history and special problems relative to product complexity and sensitivity. Historical factors shall include:

- (1) Length of time company has produced the item or comparable material;
- (2) Past company rejection rates;
- (3) Number of justified quality complaints and resolutions;
- (4) Previous evaluation findings and recommendations;
- (5) Previous rejections and corrective actions required on previous contracts;
- (6) Personnel turnover; and
- (7) Of prime importance, a contractor's failure to implement recommendations of previous evaluations and persistent failure reluctance to correct deficiencies reported by Specialists on current or past contracts; for such failures, an "incapable of performing" recommendation is appropriate.

or

m. Determine production cycle time.

- n. Determine net production capacity available for DLA/DNSC bid items by:
- (1) Determining maximum production capacity (factors to be considered should include, but are not limited to, reviewing past production records on the same or similar items, considering employment level and number of shifts in operation during the period, planning and scheduling of production, and assignment of operation to alternate production flexibility for equipment).
 - (2) Identifying items produced or scheduled into production for other customers;
 - (3) Identifying any existing backlog; and
 - (4) Subtracting productive effort required for (2) and (3), above, from (1), above, to obtain net production capacity available for bid items.
- o. Compare net production capacity and production cycle time with production capacity required meeting IFB delivery schedule.
- p. Evaluate the quality control system with particular emphasis on:
- (1) The necessary equipment, an accurate and verifiable calibration and standards system traceable to National Institute of Standards and Technology (NIST) or other recognized standards group (e.g. ISO), and technical personnel to perform all inspection and tests required by the governing specifications or a firm commitment to have tests performed by an outside laboratory acceptable to the Government;
 - (2) Written procedure for incoming inspection, including:
 - (a) How and by who inspected, stored, and issued;
 - (b) Statistical sampling plan used; and
 - (c) Disposition of non-conforming material.
 - (3) Written procedure for in-process inspection, including:
 - (a) Establishment and proper location of sufficient inspection;

- (b) Adequacy of inspections and tests performed at these stations;
 - (c) Statistical sampling plan used;
 - (d) Frequency of sampling for laboratory test; and
 - (e) Proper identification and segregation of non-conforming materials.
- (4) Written procedure for end product inspection, including:
- (a) Statistical sampling plan used;
 - (b) Tests performed; and
 - (c) Disposition of non conforming material.
- (5) Packaging, packing, and marking inspection; and
- (6) Adequacy and accuracy of producer's inspection and test records. (Records must be maintained and made available to DNSC in accordance with FAR part 46).

10-13 EVALUATION OF AN OFFEROR WHO IS NOT THE PRODUCER.

a. When specifically requested by the contracting office, an evaluation of the management operations of an offeror offering material to be produced by another source, whether within or outside the continental limits of the United States, will be documented. In making the determination, points to be considered should include, but not be limited to whether:

- actual
- (1) Definite arrangements, in writing, have been made with the producer;
 - (2) The actual producer has met delivery requirements in the past by examination of the offeror's purchase orders and receiving documents;
 - (3) The offeror's past purchase orders to the actual producer contained all the required specification data;
 - (4) The offeror has positive commitments with the actual producer in the event of award, for a sufficient inventory to meet the IFB

delivery requirements and to compensate for any importing time lag; and

- (5) The offeror, if the production source is outside the United States, has:
 - (a) The required test facilities for sampling and inspection in the United States; and
 - (b) Taken into consideration time required for processing through customs and inspection and any required testing conducted in the United States prior to delivery.

b. The quality control or inspection system and test facilities of this offeror's production source within the United States will be evaluated in accordance with this chapter.

PART 6

SURVEY REPORT PREPARATION AND SUBMITTAL

10-14 PURPOSE.

To describe the forms used for documenting and evaluating the facility survey and the factors.

10-15 USE OF STANDARD FORMS 1403, 1404, 1405.

DNOSC Specialists must use Standard Forms 1403, 1404, and 1405 as applicable. However, the forms referenced do not include all the factors that should be considered in the performance of an evaluation, reaching conclusions, and making recommendations. Supplemental information may be provided in the form of narrative statements on the appropriate forms, as deemed necessary by the evaluating Specialist. The following factors may be expanded on, in individual solicitations:

- a. Technical data requirements are clear and adequate; if not, a request should be made to the Chief, Operations Division to obtain contracting office clarification;
- b. Offeror and Specialist agree to interpretations of all technical requirements; if not, the same clarification as above is necessary;
- c. The organization meets requirements and has freedom of operation without sales personnel interference;
- d. Corrective action required of deficiencies reported by the Specialist is adequate and timely on recent and/or current contract;

- e. Commitments made on previous evaluations for obtaining equipment or personnel, for training personnel, or for correcting defective conditions have been fulfilled by the time of contract award;
- f. Special or offer-specified test equipment is on hand or available;
- g. Written commitment has been furnished to obtain needed equipment and personnel and for correcting other defective conditions in time for production if award is made;
- h. Offer has cooperated in correcting deficiencies reported in justified customer complaints; and
- i. Applicable programs are adequate.

10-16 RECOMMENDATIONS.

The evaluating Specialist will not discuss the results of a pre award evaluation with an offeror. Inquiries on these matters should be referred to the contracting officer. A summary of the reasons for and substantiation of all recommendations should be included in the evaluation reports. As a minimum, all summaries should include findings and conclusions concerning the history (including rejections, customer's complaints and corrective action data), deficiencies and company proposals, and answers to particular contracting office inquiries. A recommendation of "incapable" must be comprehensive in order to sustain the rejection of an offeror and is appropriate under such conditions as, but not limited to, the following:

- a. Inadequacy of equipment or personnel to assure compliance with the specified quality requirements and willingness or inability to obtain the required equipment or personnel in time for the start of production;
- b. Consistently poor performance history;
- c. Persistent failure to correct the deficiencies reported by the Specialist on recent or current contracts;
- d. Deficiencies exist and, on previous contracts, the offer failed to correct deficiencies which he had proposed to correct during a previous survey; and
- e. There is a persistent pattern of need for costly Government assistance to the contractor in such areas as engineering, inspection, or testing which when provided in the Government's interest are beyond normal contractual requirements and are caused by the contractor's poor quality performance.

10-17 DISTRIBUTION OF STANDARD FORMS 1403, 1404, and 1405.

It is the responsibility of the Specialist to review the report for completeness and accuracy; ensure that appropriate recommendations are included; and distribute clear, complete, concise and reproducible reports.

- a. DNSC Operations will sign the following blocks:

<u>Blocks</u>	<u>SF Form</u>
5a	1404
4a	1405

- b. The Chief, Operations Division will sign the following block:

<u>Blocks</u>	<u>SF Form</u>
25c	1403

**Standard Form 1403, Pre-award Survey of Prospective Contractor (General),
Part 1 of 2**

See forms section

**Standard Form 1403, Pre-award Survey of Prospective Contractor (General),
Part 2 of 2**

See forms section

Standard Form 1404, Pre-award Survey of Prospective Contractor (Technical)

See forms section

**Standard Form 1405, Pre-award Survey of Prospective Contractor
(Production), Part 1 of 4**

See forms section

**Standard Form 1405, Pre-award Survey of Prospective Contractor
(Production), Part 2 of 4**

See forms section

**Standard Form 1405, Pre-award Survey of Prospective Contractor
(Production), Part 3 of 4**

See forms section

**Standard Form 1405, Pre-award Survey of Prospective Contractor
(Production), Part 4 of 4**

See forms section

DISTRIBUTION OF PRE-AWARD SURVEY FORMS

Request from contracting activity The contract activity completes parts 1 - 3 of SF 1403 in an original and 2 copies and sends:

Original and 1 copy with 2 copies
of the solicitation to:

Chief, Operations Division who shall review the form for completeness, determines the need for special assistance, and assign a Specialist who is responsible for conducting the evaluation. DNSC Operations sends (1 set to the Specialist).

Completed report The Specialist must prepare an original and 1 copy of the completed report and send:

Original to: DNSC Operations for review and concurrence.

1 copy: To be retained by the Specialist.

The Depot Manager duplicates 1 copy of the approved completed form and sends:

Original to: Chief, Operations Division.

1 copy: To be retained in the Depot's file.