QUALITY ASSURANCE SURVEILLANCE PLAN FOR ENTERPRISE HEALTH UNIT SERVICES (EHUS)

PURPOSE

The purpose of this exhibit is to explain the quality assurance methods the Government will use to evaluate the Contractor's performance in meeting the contract requirements.

The Quality Assurance Surveillance Plan (QASP) is for the use of the Contracting Officer's Representative (COR) and the Contracting Officer (CO). It is provided for INFORMATIONAL PURPOSES only, to demonstrate to potential Contractors how the Government will monitor contract performance. It is a supplement to the solicitation and shall not be considered a part of the solicitation nor of any resulting contract. The Government reserves the right to change or rectify procedures contained in this plan at any time – including modifying the type and frequency of items surveilled. It is not to be considered definitive and may be changed by the CO without discussion at any time.

NOTE: The right of the Government and remedies described in this section are in addition to all other rights and remedies set forth in this solicitation. Specifically, the Government reserves its rights under the Inspection of Services and Default or Termination clauses. Any deductions pursuant to the Performance Requirements Summary (PRS) shall reflect the reduced value of services to be performed under the contract. The Contractor shall not be relieved of full performance of the services hereunder and may be terminated for default based upon inadequate performance of services, even if a deduction was previously taken for any inadequate performance.

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QUALITY ASSURANCE SURVEILLANCE PLAN (QASP)

1. INTRODUCTION

This Quality Assurance Surveillance Plan (QASP) has been developed to implement Office of Federal Procurement Policy (OFPP) Pamphlet 4 "A Guide for Writing and Administering Performance Statements of Work for Service Contracts". It is designed to provide the Contracting Officer's Representative (COR) an effective and systematic surveillance method for each listed service on the Performance Requirements Summary (PRS) in the contract.

1.1. The QASP provides a systematic method to evaluate the services the Contractor is required to furnish. It does not detail how the Contractor accomplishes the work. The plan uses a combination of OFPP Pamphlet 4 surveillance methods to adequately ensure the Government of the Contractor's performance, while keeping the cost of surveillance within the requirements of OMB Circular A-76.

1.2. This QASP is based on the premise that the Contractor, and not the Government, is responsible for management and quality control actions to meet the terms of the contract. The Acceptable Quality Levels (AQLs) recognize that the Contractor is not a perfect manager and that unforeseen and uncontrollable problems do occur. Good management and use of an adequate quality control plan will allow the Contractor to operate within the allowable AQLs. CORs/Inspectors/Monitors are to be objective, fair, and consistent in evaluating Contractor performance against the contract standards.

1.3. The Government's primary quality assurance procedures are based upon random sampling of the recurring critical services of the contract, using the concepts of OFPP Pamphlet 4. Portions of the Performance Work Statement (PWS) not covered by the PRS will be reviewed periodically (e.g., daily, weekly, monthly, quarterly) in accordance with FAR Section 52.246-4, Inspection of Services--Fixed Price (See Section E). Formal customer complaints (Figure 1) are an integral part of the Government surveillance plan.

Customer complaints can and will highlight service problems. When random sampling indicates unsatisfactory performance, documented customer complaints can be used to support invoice reductions.

2. COR/INSPECTOR EVALUATION SCHEDULE

The COR will develop a monthly surveillance schedule (Figure 2), based on this surveillance plan's requirements. This monthly schedule shows where and what the COR/Inspector is monitoring at all times. The monthly schedule will be completed not later than the last workday of the preceding month. Copies of the schedule shall be sent to the CO. After it is completed, the schedule shall be marked "FOR OFFICIAL USE ONLY" and <u>must</u> <u>not</u> be shown to the Contractor.

2.1. Contract surveillance must cover all hours of operation. Random observations are scheduled at night, on weekends and holidays when services are performed during these periods. Select the areas and times for random sampling using the procedures

in the sampling guides. Annotate the selected inspection items/times on the schedule. When the sampling concept does not allow for specific selection of inspection items/times during the preceding month, show on the schedule the date and time the random sample selection will be accomplished.

2.2. Program any periodic surveillance into the schedule so as not to interfere with the sampling requirements.

2.3. Changes to the monthly surveillance schedule will be posted weekly and copies sent to the CO. Include documentation of the reasons for the changes.

3. ACTUAL SURVEILLANCE

Doing surveillance means using the surveillance plan called for in the monthly schedule. Actual surveillance should be comparable to the monthly schedule.

3.1. It is essential that the exact number of inspections in a random sample be accomplished. It is also essential that the exact number of periodic checklist inspections be done for an effective quality assurance system. A complete audit trail must exist from the monthly schedule, to observing the COR/Inspector perform sampling, to completion of the surveillance checklist.

3.1.1. If less than the required number of inspections are made or inspections are made outside the randomly selected sample, the ability to project from random sample results to lot results is destroyed. If this should occur, consider the missed inspections acceptable. Note, however, that this will increase the Government's risk of accepting a defective lot.

NOTE: If random sampling is the method of surveillance covering a seven day service and surveillance is limited to five days, consider splitting the service into two separate PRS line items: the weekday service covered by random sampling, and the weekend service covered by customer complaint.

3.1.2. In either case, only those defectives recorded by the COR during scheduled surveillance may be used to determine the level of contract performance. Errors found in services not scheduled for observation should be brought to the Contractor's attention but not used to count as a defect for determining if the AQL has been met.

3.1.3. It may be necessary to overdraw the random sample by 10 percent or more to create a pool of randomly selected potential replacement samples since some original samples selected may not be surveilled, or additional samples may be needed due to changes in the lot size. If replacement samples are used, they must be used in the order drawn for the time remaining in the month.

4. RANDOM SAMPLING SURVEILLANCE

When random sampling is the method of surveillance, record the results of the inspection on the tally checklist (see example at Figure 3). These documents then become the official record of the Contractor's performance.

4.1. For areas surveilled by sampling, criteria are derived from OFPP Pamphlet 4 based on the lot size (number of times an event takes place per month), sample size (Figure 4), and AQL for each contract requirement. When the number of defects in

the Contractor's performance discovered by the COR/Inspector exceeds the allowable number defects, the Contractor's performance will be considered unsatisfactory. When a surveillance observation results in an unacceptable rating recorded on the checklist, the specific reason for the unacceptable performance must also be recorded on the checklist.

4.2. The Contractor is required to immediately correct, if possible, all defectives detected during surveillance by the COR. Any defectives corrected by the Contractor shall still count as defectives, as the sample also represents performance in the uninspected portion of the lot.

4.3. During the month, the COR may receive customer complaints about the quality of the service or may observe unacceptable performance by the Contractor other than during a sample observation. These complaints and observations will be noted and should reinforce the accuracy of the sample results, but they will not be counted as a defective. Only defectives discovered during sample observations will be counted when sampling is the method of surveillance. Only one surveillance method may be used during an inspection period to cause less than maximum payment for the listed service.

4.4. If the number of defectives recorded on the tally checklist exceeds the AQL, the COR will determine the possible cause of this unacceptable performance. If any Government action or lack of action caused unacceptable performance, these defectives shall not be counted. Any determination as to the reasons for the defectives will not be shared with the Contractor as the Contractor must manage the corrective actions as deemed necessary to deliver the contract requirements.

4.5. When the Government has caused the Contractor to perform in an unsatisfactory manner, the COR prepares a letter to the responsible organization, requesting corrective action be taken. The COR sends this letter to the organization through the CO.

5. INFORM CONTRACTOR's PROJECT MANAGER

As a rule, the COR must always contact the Contractor's Project Manager or on-site representative and inform the manager of what was wrong. Allow the Contractor to correct the problem, if possible. There is no need to do this in writing. However, whenever possible, have the manager initial the entry on the tally or surveillance activity checklist. When the Contractor does not initial the checklist, the COR must note on the checklist where the defective is recorded, the time and method of notification, and the COR's initials.

6. CONTRACT DISCREPANCY REPORT (CDR).

If performance in any area is judged unsatisfactory, the Contractor is required to respond to a Contract Discrepancy Report (CDR) (Figure 5). Normally CDRs are issued at the end of the month. But, if the failure is serious enough, the CDR will be issued at the time of the unsatisfactory performance.

6.1. Not later than the third workday of the month following the surveillance, the COR initiates the CDR and sends it, with the checklist recording the unacceptable performance, to the CO. (NOTE: The COR checks the Contractor's performance and

documents any non-compliance. However, only the CO may take formal action against the Contractor for unsatisfactory performance.) The CO will evaluate the CDR and, if appropriate, sign and send it to the Contractor.

6.2. The Contractor shall reply in writing, giving the reason(s) for unsatisfactory performance, the corrective action(s) to be taken to prevent recurrence, and the completion date of the corrective action(s).

6.3. When completed and signed, the CDR, along with the surveillance checklist and any other appropriate forms, reports, etc., becomes the documentation supporting payment, nonpayment, or other necessary action.

6.4. When a CDR is issued for a specific service, the CO reduces the month's payment by an amount up to the percentages indicated in the PRS. Since the Contractor is required (under the Inspection of Services Clause) to maintain an effective inspection system, the Contractor shall be presumed to have actual knowledge of work not performed, and written notice will not be a prerequisite to withholding payment for unperformed services. Payment reductions will not be delayed until the Contractor responds to the CDR.

6.5. If the Contractor does not achieve satisfactory performance in the specific service by the end of the next month, the CO issues another CDR and reduces payment to the Contractor by the appropriate amount. When the Contractor's performance is unsatisfactory and a formal action is indicated, the COR and the CO meet to determine what action is appropriate for the specific circumstances.

6.6. If a decision is reached not to take a monetary reduction, the reasons are documented. The CO must indicate agreement with the decision by signing the CDR or other decision documentation.

7. OTHER SURVEILLANCE METHODS

For areas not surveilled by sampling, the Government reserves the right to use the Inspection of Services Clause in conjunction with the Performance Work Statement. There are some contractual requirements of a general nature that do not properly fit under the random sampling concept. These are surveilled by customer complaint or by checklists (daily, monthly, etc.). Services surveilled by methods other than sampling shall have the surveillance results documented on the appropriate surveillance activity checklist or customer complaint form. The recording of defectives or unacceptable services are the same as described above.

8. SURVEILLANCE BY CUSTOMER COMPLAINT

Certain contract requirements can best be monitored by the individual or activity receiving the service, or customer complaints may be used to supplement other surveillance information.

8.1. At the start of the contract, the COR shall instruct customers responsible for submitting complaints on the requirements of the contract that pertain to them and on the proper method to complete the digital customer complaint record (Figure 1). Each customer complaint must include the customer's digital signature and be submitted electronically to the COR by close of business on the day when the discrepancy was discovered. An electronic copy of the specific contract requirements will be provided to the individual customer or activity supervisor.

8.2. Once each quarter, the COR will contact each customer involved to ensure that there is an understanding of the contract requirements by all appropriate personnel and to ensure the customer has access to the digital customer complaint record. This contact with the customer shall be scheduled on the appropriate COR Monthly Surveillance Schedule.

8.3. When a complaint is received, the COR will investigate, validate the complaint, and notify the Contractor of the defect.

8.4. The COR will retain and file the complaint form. At the end of each month all validated complaints will be counted to determine if performance is satisfactory or unsatisfactory based on the criteria in the AQL column of the PRS (Technical Exhibit 7). Digital copies of the validated complaints will also be provided to the CO.

9. REDUCED INSPECTIONS

When the Contractor's quality control plan works, good performance results. If the COR's surveillance shows consistently good performance, the amount of surveillance can be decreased.

9.1. Inspection can be reduced when the following conditions have been met for any required service:

a. The preceding four lots (that is, the last four months) have been acceptable.

b. The number of defects in each of the preceding four lots is 50% or less of the acceptance number. For example, with an AQL of 6.5% and a sample size of 32, the acceptance number is 5. If two or fewer defects were found in each of the last four lots, reduced inspection could be used.

c. The normal sample size was used in the last inspection.

d. The CO approves of reduced inspections.

9.2. Reduced inspections decrease the sample size. In addition, the acceptance and rejection numbers change. See OFPP Pamphlet 4 for proper procedures.

9.3. Inspection will be returned to normal the next month under the following conditions:

a. When the number of defects exceeds the acceptance number under the reduced sampling or,
b. The appropriate Government personnel and the CO deem it necessary to return to normal inspection.

9.4. If during the first month of the return to normal inspection the number of defects found is again 50% or less of the acceptance level, a return to reduced inspection may be done the next month. If the number of defects found exceeds 50%, then normal sampling must be accomplished until four consecutive months of 50% or less of acceptance level defects are found.

10. PAYMENT REDUCTIONS FOR UNSATISFACTORY PERFORMANCE

Each month, Contractor performance will be compared to contract standards and AQLs using the PRS. Through the Inspection of Services clause, the Government can deduct from a Contractor's payment an amount equal to the services not provided.

10.1. If performance of required service is unsatisfactory, and the unsatisfactory performance is clearly the fault of the Contractor, an amount of money up to the percentage stated in column eight of the Performance Requirement Summary may be deducted from the monthly invoice.

10.1.1. Consider the following example of unsatisfactory payment reduction:

- Contract price is $100,000 for this month
- Proportion of required service to total contract price is 10%
- Sample size is 50
- AQL is 6.5%
- Number of defects in the sample is 10 (Reject number is 8)

a. If completed work was satisfactory, maximum amount of pay for this month: 10% x $100,000 = $10,000

b. If completed work was unsatisfactory during the month (that is, did not meet performance values), and the percent of the sample found good was 80%, then maximum amount of pay for this month: 80% x $10,000 = $8,000 (instead of the normal maximum payment of $10,000)

c. The payment amount is reduced because the Contractor failed to provide reliable, uniform services within the assigned performance requirements. Although some completed work may have met the standard during the month, the AQL was not met and at least 20% of the observations were defective. Hence, the total quality performance requirement has not been achieved; consequently, the service received is unsatisfactory.

10.2. For areas not surveilled by sampling, the percentage of the monthly contract price indicated in the eighth column of the PRS will be reduced as above, except the defects are divided by the total lot, which is described in the sixth column.

Consider the following example:

- Contractor personnel in violation of safety requirements (zero defects allowed)

- Reduction for this activity is 1% (or 0.01)
- Lot size is 50 employees
- Number of defects is 10
- Percentage of lot defective is 10/50 = 20% (or 0.20)
- Monthly contract price is $10,000

Reduction from the current month's invoice is $10,000 x 0.01 = $100 x 0.2 = $20

10.3. When areas are not surveilled by sampling, a defect will not be counted when the service can be re-performed, but the Contractor may be liable for the Government's reinspection costs.

10.3.1. For areas that are surveilled on a less than monthly basis, the deduction will be taken from the month's invoice when that area was reviewed and found unsatisfactory.

10.4. In the case of non-performed work, the Government shall deduct from the Contractor's invoice all billings associated with such non-performed work at the rates set out in Section B or required by other provisions of this contract. (All fractions of half hours shall count as a full half hour.) To compensate the Government for administrative costs and other expenses resulting from the non-performance, the Government will also deduct an additional ten (10) percent of the rate set forth in Section B for such work.

10.5. The taking of deductions shall not be deemed to waive or limit any right of the Government under the Default and Termination included in the Inspection of Services clause. Depending on the Contractor's overall performance (for example, repeated instances of non-performance or unsatisfactory performance), the Government may issue a Cure Notice or a Show Cause letter or terminate the contract.

11. REVISIONS TO QASP

Revisions to this surveillance plan are the joint responsibility of the COR and the CO.

12. SURVEILLANCE TERMS.

a. Acceptable Quality Level (AQL) - The maximum percent defective, the maximum number of defects per hundred units, or the number of defects in a lot that can be considered satisfactory on the average. The allowable leeway or variance from a standard before the government will reject the specific service. AQL does not say that the contractor may knowingly offer defective service. It implies that the government recognizes that defective performance sometimes happens unintentionally. As long as the percent of defective performance does not exceed the AQL, the service will not be rejected by the government. The contractor, however, must re-perform the defective service when possible.

b. Contract Discrepancy Report (CDR) - Form initiated by the COR when any service is judged unsatisfactory. A formal, written documentation of Contractor non-conformance or lack of performance of contract work.

c. COR/Inspector Evaluation Schedule - The work sheet that shows which inspections are to be performed on which days of the week/month. It is determined by the

COR/Inspector before the start of each inspection period and provided to the CO only. It is never revealed to the Contractor.

d. Contractor - Both the prime Contractor and any subcontractors. The Contractor shall be responsible for all compliance with the provisions of this contract, including those services provided by the Contractor's subcontractors.

e. Contractor Representative - A supervisor or manager assigned in accordance with Contractor's Project Manager Clause in PWS.

f. Cure Notice - A dated notice stating the Contractor's failure to comply with the specifications and a deadline to comply with the stated specification. Usually, ten days is the stated time to conform with the notice or face default.

g. Customer Complaints - One of the criteria used to monitor the Contractor's performance.

h. Defective Service - A unit of service which contains one or more defects or is not in non-conformance with specified requirements.

i. Delivery Order - A formal order for services placed against this contract and signed by the CO.

j. Facility - A separate individual building, structure, or other item of real property improvement, each item of which is subject to separate reporting and recording.

k. Lot - The total number of product or service outputs in a surveillance period from which a sample is to be drawn and inspected to determine performance in accordance with the standard, as defined in the AQL column of the PRS.

l. Percent of Sample Found Defective - Determined by dividing the number of defects by the sample size when the reject number has been equaled or exceeded. The resulting number is used to make an equitable reduction to the contract price for non-performance by the Contractor.

m. Performance Requirements Summary (PRS) - A condensed listing of the tasks, standards, AQLs, surveillance methods, and relative value of the services or products required by the PWS. The PRS identifies the key service outputs of the contract that will be evaluated by the Government to ensure contract performance standards are met by the Contractor.

n. Quality Assurance (QA) - The actions taken by the Government to assure services meet the requirements of the Performance Work Statement. The procedures used by the Government to inspect the Contractor's Quality Control program and provide control over the quality of services received to ensure satisfactory performance.

o. Quality Assurance Surveillance Plan (QASP) - An organized written document prepared and used by the Government for Quality Assurance surveillance of the Contractor's performance. The document contains the Government's specific methods, sampling guides, checklists, decision tables, etc. used in determining whether the Contractor provided service meets quantity, quality, timeliness, effectiveness, and/or total cost standards.

p. Quality Control (QC) - The actions that a Contractor takes to control the production of products or services so that they will meet the requirements stated in the contract.

q. Random Sampling - A sampling method in which each service output in a lot has an equal chance of being selected for inspection. By this method of surveillance, a few individual items, selected at random, are examined and a conclusion drawn about the entire lot.

r. Receiving Report - The receiving document, initiated by the Contractor or Contractor employee(s), indicating that services have been performed.

s. Recurring Services - Those services which are identified in this contract as being performed on a recurring, periodic or standing basis.

t. Rework - Work which, in the judgment of the CO or the COR, is not of an acceptable quality level and must be corrected or reperformed at no additional cost to the Government.

u. Sample - One or more service outputs drawn from a lot, the outputs being chosen at random. The number of outputs in the sample is the sample size.

v. Sampling Guide - The part of the surveillance plan which contains all the information needed to perform a random sample. (Figure 7)

w. Sampling Plan - A plan which indicates AQL, sample size, and acceptance and rejection numbers. Used to develop the sampling guide.

x. Tally Checklist - The work sheets used to record the results of random sample inspections.

FIGURE 1

CUSTOMER COMPLAINT RECORD	
Nature of Complaint:	Date: Time:
Source of Complaint: Organization: Name of Person:	Date & Time Contractor Notified:
Contract Requirement:	Page: Paragraph:
Is complaint valid? **YES** ☐ **NO** ☐	
Corrective action by Contractor:	
Is corrective action adequate: **YES** ☐ **NO** ☐	

Received & validated by: COR:

FIGURE 2

FTC-ADM-74 (9/90)	COTR/INSPECTOR QUALITY ASSURANCE SCHEDULE									DAYS
DAY										
Week Total										
Month Total										

FIGURE 3

TALLY CHECKLIST

WEEK OF:

FINDINGS	INITIAL

FIGURE 4

LOT SIZE	NORMAL SAMPLE SIZE	REDUCED SAMPLE SIZE

2-8	2	2
9-15	3	2
16-25	5	2
26-50	8	3
51-90	13	5
91-150	20	8
151-280	32	13
381-500	50	20
501-1,200	80	32
1,201-3,200	125	50
3,201-10,000	200	80
10,001-35,000	315	125
35,001-150,000	500	200
150,001-500,000	800	315
500,001 AND OVER	1250	500

FIGURE 4

| SAMPLE SIZE | ACCEPTABLE QUALITY LEVELS (NORMAL INSPECTION) | | |

FIGURE 6

FTC-ADM-67
(5/90)

FIGURE 5

CONTRACT DISCREPANCY REPORT

1. CONTRACT NUMBER	2. REPORT NUMBER FOR THIS DISCREPANCY	
3. To: (Contractor and Managers Name)	4. From: (Name of COTR)	

5	DATES		
PREPARED	CONTRACTOR NOTIFIED	RETURNED BY CONTRACTOR	ACTION COMPLETED

6. DISCREPANCY OR PROBLEM: (Describe in Detail: include reference to SOW/Directive: attach continuation sheet if necessary.)

7. SIGNATURE OF CONTRACTING OFFICER	DATE
TO: (Contracting Officer)	FROM: (Contractor)

9. CONTRACTOR RESPONSE AS TO CAUSE, CORRECTIVE ACTION AND ACTIONS TO PREVENT RECURRENCE: ATTACH CONTINUATION SHEET IF NECESSARY. (Cite applicable Q.C.program procedures or new Q.C. program procedures.)

10. SIGNATURE	DATE

11. GOVERNMENT EVALUATION (Acceptance, partial acceptance, rejection, attach continuation sheet if necessary.)

12. GOVERNMENT ACTIONS (Payment deduction, cure notice, show cause, other)

13	CLOSE OUT		
	NAME - TITLE	SIGNATURE	DATE
CONTRACTOR NOTIFIED			
COTR			
CONTRACTING OFFICER			

ORIGINAL - CONTRACTOR COPY - COR COPY - PROCUREMENT

SAMPLING GUIDE #1

SERVICE REQUIREMENT: (*From Column 1 of the PRS*)

1. ACCEPTABLE QUALITY LEVEL (AQL): __%__ (*From Column 3 of the PRS*)

2. LOT SIZE: _____ (*From Column 3 of the PRS*)

3. SAMPLE SIZE: _____ (*From Page 50 of OFPP Pamphlet 4*)

4. SAMPLING PROCEDURES: (*Explain here in detail how you will select the samples*)

5. INSPECTION PROCEDURES: (*Explain here how you will inspect after the samples are drawn*)

6. PERFORMANCE CRITERIA: (*From the chart on page 52 of the OFPP Pamphlet 4*)

a. Performance is acceptable when _____ or less defects are discovered per _____.

b. Performance is unacceptable when _____ or more defects are discovered per _____.