

PAYMENT DEDUCTIONS

A. Due to the critical nature of the support required herein, the SP's performance will be compared to contract requirements on a monthly basis or as often as needed, against the Acceptable Quality Level (AQL) using the Government Quality Assurance Surveillance Plan (QASP). If the performance in any required service is unsatisfactory and poor performance is clearly the fault of the SP, payments to the SP may be reduced by the CO. Deductions may also be taken by the Government for defective individual services not satisfactorily performed and/or re-performed by the SP based on such factors to include but not limited to criticality, recurrences, and administrative costs to the Government.

B. For those required services that are performed or evaluated less frequently than monthly, the payment computation would be determined for the entire surveillance period identified in the PRS and will be based upon the total maximum payment available for the entire surveillance period.

C. The amount of money to be deducted for unsatisfactory performance will be computed as follows based on the method of surveillance used by the Government. The Government utilizes both (1) Random and (2) Non-Random sampling. Non-Random sampling includes i) Planned Sampling, ii) 100% inspection, and iii) Customer Complaints

RANDOM SAMPLING EXAMPLE 1:

- Total monthly contract price for all the services in the CLIN is \$100,000
- Maximum Deduct Percentage for the CLIN price is: 70%
- AQL is 4%
- Lot Size or population size 100
- Random Sample Size is (using ANSI/ASQC ZI.4) 20
- Accept/Reject (based on Tables) (2 or less accept / 3 or more reject)
- Actual Defects found 10
- Defect % 50%

CALCULATIONS

Step 1: \$100,000 Total CLIN Price

X .70 Deduction % (from the PRS)

\$70,000 Maximum Deduction Possible

Step 2: 10 (Defects) divided by 20 (the Random Sample Size) **50% defective rate**

Step 3: \$70,000 Maximum Deduction Possible

X .50 Defective Rate of the Lot or Population

\$35,000 Deduction \$ for Service

Although this example demonstrates that 50% of the 70% amount was taken for failed performance that was unable to be re-performed (performance exceeding the AQL for the sample size taken) and thus extrapolated into the entire

population, the reality is rarely will such samples produce results like this if a vendor is performing work correctly.)

NON-RANDOM SAMPLING EXAMPLE 2: PLANNED SAMPLING

- Total monthly contract price for all the services in the CLIN is \$100,000
- Maximum Deduction Percentage for CLIN is: 70%
- AQL is 4%
- Lot Size or population size 100
- Planned Sample Size is (20 out of 100) for month 20
- Accept/Reject is (4% (AQL) x 100 (LOT Size) (4 or less accept/5 or more reject)
- Actual Defects Found 10
- Defect % **10%***

When utilizing Non-Random Sampling, Agencies can only count what is actually discovered (cannot extrapolate errors into the lot or population, thus, 10 defects, 10/100= **10% defective rate).*

CALCULATIONS

Step I: \$100,000 TOTAL CLIN PRICE

X 70% Deduction Percentage (from the PRS)

\$70,000 Maximum Deduction possible

Step 2: 10 (Defectives) divided by 100 (LOT) = **10% lot defective**

Step 3: \$70,000 Maximum Deduction for Service

X .10% Lot Defective Rate

\$7,000 Deduction \$ for Service

This is a significant difference between the Random Sampling Example and Planned Sampling Examples.

100% INSPECTION EXAMPLE 3:

When utilizing 100% inspection, everything in the lot or population is checked for defects out of the entire lot or population.

- Total monthly contract price for CLIN is \$100,000
- Maximum Deduction Percentage for CLIN is: 70%
- AQL is 4%
- Lot Size or population 100
- 100% Inspection Size is (100 out of 100) for month 100
- Accept/Reject is (4% (AQL) x 100 (Lot Size) 4 / 5 (4 or less accept/5 or more reject)
- Actual Defects Found 5
- Defect % **5%**

CALCUATIONS

Step I: \$100,000 Total CLIN Price

X .70 Deduction Percentage (per PRS)

\$70,000 Maximum Deduction possible

Step 2: 5 (Defects) divided by 100 (Lot) = 5% lot defective

Step 3: \$70,000 Maximum Deduction for Service

X .5% Lot Defective Rate

\$3,500 Deduction \$ for Service

Since the error rate is 5% and the AQL is 4%, (the AQL was exceeded), therefore apply the

actual defect rate discovered against the entire Lot or population as indicated below:

CUSTOMER COMPLAINTS

Upon the validation of Customer Complaints, follow the mathematical application as provided in

Example 3. The Agency has estimated the deduction percentages included in Technical Exhibit C.1-1 as the approximate % allocation of each PWS task to all PWS tasks which sums to 100%. The percentages assigned to each individual component task when added together comprise 100% of the tasks listed in this PWS. The examples illustrated above show deduction percentages in each methodology, the percentages listed in C.1-1 will be substituted and utilized accordingly.

RIGHTS AND REMEDIES: The rights of the Government and remedies described in Section E are in addition to all other rights and remedies set forth. Specifically, the Government reserves its rights under the Inspection of Services clause and the Termination for Default clause.

The above described methods of inspection can be used by Government surveillance personnel to ensure services are properly performed. This means that agencies must send prospective COTR personnel to school to achieve their COTR certification before can be allowed to performance oversight of either a government contract or MEO Memorandum of Understanding.