



FISCAL YEAR 2014

Procurement

Balanced Scorecard Model Index Plan

Lawrence Berkeley National Laboratory

University of California Laboratory Management Office

Department of Energy - Berkeley Site Office

Prime Contract No. DE-AC02-05CH11231

October 30, 2013

1.0 Introduction

The Procurement Balanced Scorecard (BSC) Model Index is a single, comprehensive instrument designed to provide systematic, ongoing measurement and evaluation of the LBNL procurement system.

The Procurement Functional Team Leaders from the Ernest Orlando Lawrence Berkeley National Laboratory (LBNL), the U.S. Department of Energy (DOE) Berkeley Site Office (BSO), and the University of California Laboratory Management Office (UCLMO) have agreed to use the Procurement BSC Model Index, according to the methodology described herein, to report performance to the Department of Energy for the Contractor Purchasing System Balanced Scorecard Performance Management Program.

Procurement Functional Team Leaders:



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Approval Date: 11/27/15

2.0 Background

DOE Contractor: Ernest Orlando Lawrence Berkeley National Laboratory

Prime Contract No.: DE-AC02-05CH11231 (Management & Operating)

Points of Contact: Ray Miskelley, Executive Director,
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Status of Purchasing System: Approved

Approval Threshold: \$15 million for fixed price and labor hour subcontracts –
Effective November 16, 2011

\$10 million for cost reimbursement subcontracts –
Effective March 12, 2007

Period of Assessment: October 1, 2013 – September 30, 2014

3.0 BSC Model Index Overview

The Procurement BSC Model Index is built around the *FY 2014 Contractor Purchasing System BSC Performance Management Program*, issued by DOE Headquarters. The Index includes a Scorecard (see Attachment A, *FY 2014 Lawrence Berkeley National Laboratory Procurement Balanced Scorecard Dashboard*) and Methodology for Calculating Results (see Attachment B, *FY 2014 Procurement Balanced Scorecard Model Index Methodology for Calculating Results*) that provide specific measures and targets applicable to the Laboratory for evaluating performance results through year-end. Progress is summarized quarterly in a Procurement Balanced Scorecard Report throughout the assessment period to allow stakeholders (LBNL, DOE BSO, and UCLMO) an ongoing measure of the health of the procurement system and customer service levels. Quarterly reporting allows for quick intervention in any element of the Model Index where performance levels may be less than desired and serves as a key component of the DOE Purchasing System Operational Awareness Program. All stakeholders mutually agree upon measured activities and targets for the fiscal year. It should be noted that any major changes in regulations, contract requirements, funding, new initiatives, or any unforeseen circumstances impacting the Procurement organization during the self-assessment period may require revisions to evaluation activities, measures, or desired outcomes. Such changes may require appropriate equitable adjustments to performance measurements and will require concurrence by the LBNL, DOE BSO, and UCLMO Functional Team Leaders.

The Procurement BSC Model Index is designed to evaluate performance within the context of four major perspectives. These perspectives are:

Customer

Internal Business Processes

Learning and Growth

Financial

These perspectives are then subdivided into specific performance measures. They are:

CUSTOMER PERSPECTIVE

Internal Customer Satisfaction Rating

INTERNAL BUSINESS PROCESSES PERSPECTIVE

Assessing System Operations

Measuring Supplier Performance

Measuring Effectiveness

Socioeconomic Commitments

LEARNING AND GROWTH PERSPECTIVE

Employee Alignment and Satisfaction

FINANCIAL PERSPECTIVE

Optimum Cost Efficiency of Purchasing Operations

Financial Contributions of Procurement via Cost Savings

4.0 Measurement and Scoring Methodology

4.1 Measurement

LBNL, DOE BSO, and UCLMO have mutually agreed upon the acceptable level of performance and corresponding targets for each activity. For activities occurring only once a year, the result shall be reported based on the final result at the end of the designated timeframe. All other results shall be reported quarterly and at fiscal year-end based upon the annual cumulative result.

4.2 Target

DOE Headquarters has identified national targets for balanced scorecard measures. The Laboratory's targets have been established for each BSC Model Index measure based on these national targets and/or the desired outcome.

5.0 BSC Model Index Methodology for Calculating Results

Attachment B – FY 2014 Procurement BSC Model Index Methodology for Calculating Results describes the process to be used to establish the individual performance measure results. The mathematical approach to be used to calculate the results and an explanation of the criteria for establishing numerator and denominator values are provided.

6.0 Reporting

Quarterly reports and briefings will be provided to DOE BSO and UCLMO. The 1st – 3rd quarter reports will include an abbreviated narrative and the cumulative numerical result for each measured activity, as applicable. The year-end report will include a narrative describing activities and results for the entire year, the cumulative numerical result for each measured activity, and applicable supporting documentation. Supporting documentation may be a narrative report, graph, chart, or spreadsheet. If DOE BSO has any concerns in response to the reports, it will provide written feedback as to how it perceives performance against the measures and whether there are any other concerns that DOE BSO may have related to contract performance, whether or not reflected in the BSC measures.

Attachment A
FY 2014 Lawrence Berkeley National Laboratory
Procurement Balanced Scorecard Dashboard

Key	
Exceeds Target	
Target Met	
Below Target	
To Be Determined	

Measure	Target	Result	
1.a - Customer Satisfaction Rating	92.0% - 94.9%		
2.a - Effective Internal Controls	90.0% - 98.9%		
2.b - Key Supplier Ratings	3.50 - 3.99		
2.c - On-Time Deliveries	84.0% - 94.9%		
2.d - Effective Competition	50.0% - 69.9%		
2.e - Use of e-Commerce	32.0% - 34.9%		
2.f - Transactions Placed by End-Users	50.0% - 59.9%		
2.g - Average Cycle Time for Transactions >\$150k	25 - 30 days		
2.h - Average Cycle Time for Transactions ≤ \$150k	6 - 9 days		
2.i - Average Cycle Time for All Transactions	8 - 11 days		
2.j - Socioeconomic Commitments	Exceeds 3 or more of the following socioeconomic goals.		
Small Business	35.0%		
Small Disadvantaged Business	5.0%		
Woman-Owned Small Business	5.0%		
HubZone Small Business	2.0%		
Veteran-Owned Small Business	3.0%		
Service-Disabled Veteran-Owned Small Business	2.0%		
3.a - Employee Alignment	98.0 - 98.9%		
3.b - Employee Satisfaction	80% - 89.9%		
4.a - Cost-to-Spend Ratio	2.25% - 3.25%		
4.b - Cost Savings	\$15M - \$20M		

ATTACHMENT B

FY 2014 Procurement Balanced Scorecard Model Index Methodology for Calculating Results

Internal Customer Satisfaction Rating

Measure 1.a - Customer Satisfaction With Purchase Order and Procurement Card Transactions

Percentage of survey responses where overall satisfaction is rated "Satisfactory" or "Highly Satisfactory".

Desired Outcome

Achieve a high level of internal customer satisfaction.

Criteria

Internal customers (requesters) to be surveyed will be selected from subcontract administrators'/Service Center buyers' transactions. Feedback will be requested associated with award transactions placed by an individual during the month in each of the following categories as applicable:

Subcontract Administrators

- ≤ \$25,000 (one transaction)
- > \$25,000 - ≤ \$150,000 (one transaction)
- > \$150,000 (one transaction)

Service Center Buyers

- Purchase order transactions (one transaction)
- Purchase card transactions (two transactions)

Feedback on an award transaction will be solicited once.

The most recent award transaction (subcontract modifications excluded) during the month, in each category listed above, will be selected for customer feedback.

An internal customer will not receive more than four surveys during the year; two during the first half of the fiscal year and two the last half of the fiscal year. If the recent award transaction would result in more than two surveys to one customer during a six month period, the next most recent transaction associated with another customer will be selected.

Survey Instrument

A customer transactional survey (or questionnaire) that addresses the standard BSC performance measurement core response areas (timeliness, quality, and communication practices) will be presented to both DOE BSO and UCLMO for concurrence prior to use. Respondents will be asked to provide "yes/no" answers to questions regarding the core response areas. In addition, the respondents will be asked to supply one of three overall satisfaction ratings consisting of: "Unsatisfactory," "Satisfactory," or "Highly Satisfactory." A comments section will be provided for each survey question.

Measurement

The following measurement criteria will be used for measuring performance for the entire fiscal year, to be reported starting at Mldyear.

Internal Customer Satisfaction Rating % = $\frac{\text{Number of Highly Satisfied and Satisfied Internal Customers}}{\text{Total Number of Internal Customers Responding to Survey}}$

Internal Customer Satisfaction Rating %		
Exceeds		≥ 95.0%
Target		92.0% - 94.9%
Below		< 92.0%

INTERNAL BUSINESS PROCESSES PERSPECTIVE

Assessing System Operations

Measure #2.a - Effective Internal Controls

Assessment of the degree to which the purchasing system is in compliance with stakeholder requirements including applicable laws, regulations, Prime Contract requirements, ethics, and good business practices.

Desired Outcome

Apply a sound, thorough, and systematic approach to risk-based self-assessment and address any remedial actions in a timely manner.

Reference

FY 2014 Purchasing System Evaluation Plan

Post Award-Random Sample Review

Random Sample Low Value Review: The sample universe will consist of new subcontracts equal to or less than \$150k, awarded during the period October 1, 2012 to September 30, 2013, excluding releases against contract labor subcontracts, procurement card transactions, eBay transactions, Intra-University transactions (IUTs), NIH Consortium Agreements, Federal and DOE Contractor Orders, and real property lease agreements. This review will start in November 2013.

Random Sample High Value Review: The sample universe will consist of new subcontracts more than \$150k, awarded during the period from April 1, 2013 to March 31, 2014, excluding releases against contract labor subcontracts, Intra-University transactions (IUTs), NIH Consortium Agreements, Federal and DOE Contractor Orders, real property lease agreements, and actions subjected to Contract Review Board (CRB) reviews. This review will start in May 2014.

Measurement

Results from the two Random Sample (Low Value/High Value) reviews, plus any Optional Judgmental Reviews determined to be necessary during the year will be used for scoring. Overall scoring will be calculated by using the weighted approach of multiplying the average file score from each of the random sample reviews conducted this year, by its ratio to the total number of transaction samples, and then adding these scores together to calculate the overall score.

Procurement Quality Index Average File Score		
Exceeds		≥ 99.0%
Target		90.0% - 98.9%
Below		< 90.0%

Measuring Supplier Performance

Measure 2.b - Key Supplier Ratings

Average ratings achieved by Laboratory Key Suppliers using established criterion-based measurement in four areas: Quality of Work, Timeliness of Performance, Cost Control, and Business Relations.

Desired Outcome

Conduct business with reliable, competent subcontractors and suppliers, especially for mission-critical services and supplies.

Reference

LBNL Supplier Management Plan

Evaluation Process

The Laboratory will evaluate Key Suppliers that provide critical commodities to the Laboratory. Key Suppliers will be identified by the Laboratory and a list of these Key Suppliers will be provided to DOE BSO and UCLMO by the end of April 2014. Key Supplier performance will be evaluated through May 31, 2014, utilizing the Laboratory's on-line survey input form, *Customer Evaluation of Subcontractor's Performance*. Input will be due into Procurement's Small Business Office (SBO) by July 12, 2014.

Measurement

Results will be based on the total average points achieved by Laboratory Key Suppliers.

Total Average Points Achieved		
Exceeds		≥ 4.00
Target		3.50 - 3.99
Below		< 3.50

Measure 2.c - On-Time Delivery

The Key Supplier Survey used in Measure 2.b will be used to obtain feedback regarding timeliness of providing goods and services.

Desired Outcome

Key Suppliers will provide goods and services on a timely basis.

Measurement

Results will be based on the percentage of Laboratory Key Suppliers that were rated 3.0 or more in the Timeliness category.

% of Key Suppliers Providing Timely Delivery of Goods and Services		
Exceeds	■	≥ 95.0%
Target	■	84.0% – 94.9%
Below	■	< 84.0%

Measuring Effectiveness

Measure #2.d - Effective Competition

Percentage of dollars obligated on transactions over \$150,000 that were awarded using effective competition.

Desired Outcome

Solicit offers to award subcontracts that provide the greatest overall benefit to the Laboratory.

Exclusions to Base

The subcontracting competition base for calculating results will exclude the following transactions:

- Organizational affiliates of the University of California (i.e., Los Alamos National Laboratory and Lawrence Livermore National Laboratory) and the University of California campuses, and
- "Internal orders" for utility services. (This exclusion is based upon *DOE Acquisition Guide, Chapter 41 – Acquisition of Utility Services*).

Measurement

$$\% \text{ of Dollars Obligated on Transactions } > \$150k = \frac{\text{Dollars Obligated on Transactions } > \$150k \text{ Using Competition}}{\text{Total Dollars Obligated } > \$150k} \times 100$$

% of Dollars Obligated on Transactions >\$150k Awarded Using Competition		
Exceeds	■	≥ 70.0%
Target	■	50.0% – 69.9%
Below	■	< 50.0%

Measure #2.e - Use of e-Commerce

Percentage of actions placed through e-Commerce (i.e., eBuy and B2B system contract releases).

Desired Outcome

Provide an efficient and effective suite of acquisition services.

Definition

E-commerce means procurement where all communication with the vendor(s) throughout the pre-award and award process is done by electronic means (i.e., paperless). E-commerce tools include the internet, use of CDs, e-catalogs, email, etc. Use of fax machines is not included unless it is a paperless fax.

Measurement

$$\% \text{ of Transactions Placed Through E-commerce} = \frac{\text{Number of Transactions Placed Through e-Commerce}}{\text{Total Number of Transactions Placed}} \times 100$$

% of Transactions Placed Through Electronic Commerce		
Exceeds	■	≥ 35.0%
Target	■	32.0% - 34.9%
Below	■	< 32.0%

Measure #2.f - Transactions Placed by End-Users

Percentage of actions placed by end-users (i.e., B2B system contract releases, blanket order releases, eBuy orders, and purchase card transactions placed by Division purchase cardholders)

Desired Outcome

Provide an efficient and effective suite of acquisition services.

Measurement

% of Transactions Placed by End Users = $\frac{\text{Number of Transactions Placed by End-Users}}{\text{Total Number of Transactions Placed}}$

% of Transactions Placed by End Users		
Exceeds		≥ 60.0%
Target		50.0% - 59.9%
Below		< 50.0%

Measure #2.g, h, and i - Average Procurement Cycle-Time for Transactions

Average procurement cycle time in days for transactions over \$150,000, less than or equal to \$150,000, and for all transactions.

Desired Outcome

Provide an efficient and effective suite of acquisition services.

Exclusions

- Purchase card transactions
- eBuy transactions
- Subcontract modifications

Measurement

Cycle time is measured in calendar days from the requisition approval date to the subcontract award date as shown in the FMS PeopleSoft Modification Table.

		Transactions >\$150,000 (2.g)	Transactions ≤\$150,000 (2.h)	All Transactions (2.i)
Exceeds		< 25	< 6	< 8
Target		25 - 30	6 - 9	8 - 11
Below		> 30	> 9	> 11

Socioeconomic Commitments

Measure #2.i - Socioeconomic Commitments

Percent of procurement subcontracting dollar obligations to the following categories of small business concerns: Small Business (SB), Small Disadvantaged Business (SDB), Women-Owned Small Business (WOSB), HubZone Small Business (HubZone), Veteran-Owned Small Businesses (VOSB), and Service-Disabled Veteran-Owned Small Business (SDVOSB)

Desired Outcome

Be a good corporate citizen by maximizing awards to small business concerns and be proactive with in-reach and outreach activities.

Exclusions

- Real property leases
- Subcontracts involving performance outside of the United States or its outlying areas
- Transactions with organizational affiliates of the University of California (i.e., Los Alamos National Laboratory and Lawrence Livermore National Laboratory, and the University of California campuses).

Reference

Prime Contract Appendix H – *Small Business Subcontracting Plan*

Measurement

% of Obligations to Small Business Concerns = $\frac{\text{Obligations to Small Business Concerns}}{\text{Total Obligations}}$

Balanced Scorecard Socioeconomic Goals					
SB	SDB	WOSB	HubZone	VOSB	SDVOSB
35.0%	5.0%	5.0%	2.0%	3.0%	2.0%

Subcontracting Plan Socioeconomic Goals					
SB	SDB	WOSB	HubZone	VOSB	SDVOSB
52.0%	5.0%	5.0%	3.0%	3.0%	3.0%

Note: The above Subcontracting Plan Socioeconomic Goals match the goals stated in the Laboratory's proposed FY 2014 Small Business Subcontracting Plan

% of Commitments (Obligations) to Small Business Concerns	
Exceeds	Meets target and exceeds socioeconomic percentage goal by 10% for 2 of the 6 socioeconomic categories, or
	Meets or exceeds 5 of the 6 Subcontracting Plan goals, or
	Demonstrates the Laboratory's outreach efforts by exceeding FY 2013 socioeconomic results for 5 of the 6 socioeconomic categories.
Target	Meets or exceeds 3 of the 6 BSC socioeconomic goals
Below	Meets 2 or less of the 6 BSC socioeconomic goals

In addition to cumulative year-end subcontracting results, the assessment of the Laboratory's outreach efforts will be considered. Any mandatory changes in regulations, contract requirements, funding, or initiatives and anomalies that may have an adverse impact on Laboratory socioeconomic goal achievements will also be considered and included in the report.

LEARNING AND GROWTH PERSPECTIVE

6.1 Employee Alignment and Satisfaction

Measure #3.a: Employee Alignment

Percentage of Procurement staff with performance goals that are aligned with organizational goals and objectives, and familiarized with their responsibilities associated with the Procurement Balanced Scorecard Plan.

Desired Outcome

Maintain an empowered acquisition workforce.

Criteria

During the Performance Management Process (PMP), employee performance will be evaluated in relation to various metrics related to balanced scorecard measures (i.e., customer survey feedback on procurement transactions, review of pre-award and post-award transactions, and management of suppliers, cycle times, subcontract closeout, and socioeconomic performance). As applicable, employee performance and development plans will identify recommended individualized training.

Measurement

Performance evaluation plans for Procurement employees will be aligned with organizational goals and objectives. Procurement Managers and Supervisors will ensure that all employees are thoroughly familiarized with their responsibilities associated with the FY 2014 Procurement Balanced Scorecard Model Index Plan as well as organizational goals and objectives throughout the year.

% of Procurement Staff with Performance Goals Aligned With Organizational Goals =

$$\frac{\text{Procurement Staff With Performance Goals Aligned With Organizational Goals}}{\text{Number of Procurement Staff}}$$

Percent of Employees' With Performance Goals Aligned With Organizational Goals		
Exceeds		≥ 99.0%
Target		98.0% - 98.9%
Below		< 98.0%

Measure #3.b - Employee Satisfaction

Bi-annually, in even years, Procurement will conduct a written, anonymous climate survey of Laboratory Procurement employees relative to its purchasing systems and methods and use the results to determine satisfaction ratings.

The FY 2014 survey instrument will contain survey statements (questions) covering topics relating to timeliness, quality of work environment, efficiency, communications, openness to innovation, and procurement ethics. Employees will be asked to score their degree of "agreement" with the survey statements, on a scale of "1" (Strongly Disagree) to "5" (Strongly Agree). If an employee's average score for all statements has a Rating of "3" or higher, the employee will be considered "Satisfied."

The survey format will be presented to both DOE BSO and UCLMO for concurrence. The survey will be sent electronically to each Laboratory Procurement employee.

Desired Outcome

Maintain a satisfied acquisition workforce.

Measurement

The formula below will be applied to determine the Procurement Employee Satisfaction rating:

Procurement Employee Satisfaction Rating % =	Number of Satisfied Procurement Employees
	Total Number of Procurement Employees Responding to Survey

Procurement Employee Satisfaction Rating %		
Exceeds		≥ 90.0%
Target		80.0% – 89.9%
Below		< 80.0%

FINANCIAL PERSPECTIVE

Optimum Cost Efficiency of Purchasing Operations

Measure #4.a - Cost-to-Spend Ratio

The Laboratory will compare its Purchasing operating costs as a percentage of total procurement dollars obligated, to benchmarking data and industry standards, and establish targets and stretch goals accordingly.

Desired Outcome

Ensure optimum cost efficiency of purchasing operations.

Measurement

Cost-to-Spend Ratio = $\frac{\text{Procurement Department Operating Costs}}{\text{Purchasing Obligations}}$

Cost-to-Spend Ratio		
Exceeds		$\leq 2.24\%$
Target		2.25% - 3.25%
Below		$> 3.25\%$

Measure #4.b: Financial Contributions of Procurement via Cost Savings

Procurement cost improvement (in terms of dollars) will be compared to established goals

Desired Outcome

Obtain fair and reasonable prices for goods and services.

Cost Improvement Categories

- Comparison to previous price paid
- Negotiated savings
- Independent Cost Estimate/Comparison to Requisition Estimate
- Documented Rebates of Any Kind
- Leveraged buying, savings from agreements and volume discounts (sometimes referred to as economic order quantity)
- Transactional savings of any type such as B2B or Pcard Transaction Savings and others as may be considered appropriate and documentable
- "Other" valid savings as approved by the Contracting Officer

Measurement

The sum of cost savings for each of the above categories will be compared to the target.

Cost Savings		
Exceeds	■	> \$20M
Target	■	\$15M – \$20M
Below	■	< \$15M

