

ATTACHMENT
J.1.8

Application of Incentives or Disincentives

APPLICATION OF INCENTIVES OR DISINCENTIVES

THE EXAMPLES BELOW ILLUSTRATE HOW SECTIONS B.3 WOULD BE APPLIED IN CALCULATING THE INCENTIVE OR DISINCENTIVE PAYMENT AND AFFECT THE MONTHLY PAYMENT AMOUNT.

Example 1:

Assumptions (For illustrative purposes only):

1. A Contractor receives the following baseline payments: Month 1 (\$100,000) month 2 (\$100,000), Month 3 (\$100,000). Total baseline payments = \$300,000.
2. Based on the results of the quarterly Performance Audit for Month 1, Month 2, and Month 3, the Contractor achieves a Composite Performance Audit score of 92%. The incentive fee would be 10% of \$300,000 (the base payment for the quarter) or \$30,000. The month 4 payment would be computed as follows:

Calculation of Month 4 Payment: $\$100,000 + \$30,000 = \$130,000$

Example 2:

Assumptions (For illustrative purposes only):

1. In months 4, 5 and 6 the same Contractor receives the following baseline payments: Month 4 (\$100,000) Month 5 (\$100,000), Month 6 (\$100,000). Total Baseline Payments = \$300,000.
2. Based on the results of the quarterly Performance Audit, the Contractor achieves a Composite Performance Audit score of 80%. The disincentive fee would equal to 10% of \$300,000 or \$30,000. And the Month 7 Payment would be computed at:

Calculation: $\$100,000 - \$30,000 = \$70,000$

Example 3:

Assumptions (For illustrative purposes only):

1. In months 7, 8 and 9 the same Contractor receives the following baseline payments: Month 6 (\$100,000) Month 7 (\$100,000), Month 8 (\$100,000). Total Baseline Payments = \$300,000.
2. Based on the results of the quarterly Performance Audit, the Contractor achieves a Composite Performance Audit score of 85%. The contractor has met the performance standards, therefore the Month 10 Payment would be the full \$100,000.