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Title of Document Interim Performance Evaluation Report (PER) Kansas City Plant October 1, 2004 through September 30, 2005

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National Nuclear Security Administration
Service Center
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SEP 11 2007

CERTIFIED MAIL – RESTRICTED DELIVERY – RETURN RECEIPT REQUESTED

This is in final response to your Freedom of Information Act (FOIA) request dated January 26, 2007, for *“a copy of the most recent two annual performance reviews for Pantex Site, Kansas City Site, Sandia Site, Los Alamos Site, Y-12 Site and Livermore Site.”*

I contacted the Site Offices who have oversight responsibility for the records you requested, and they are enclosed. Please note that information has been removed from portions of these documents, pursuant to Exemption 2, United States Code, Section 551(b)(2) (Exemption 2 of the FOIA).

Exemption 2 of the FOIA protects information “related solely to the internal personnel rules and practices of an agency.” The courts have interpreted the exemption to encompass two distinct categories of information: 1) internal matters of a relatively trivial nature, often referred to as “low 2” information; and 2) more substantial internal matters, such as critical infrastructure information, the disclosure of which would risk either circumvention of a legal requirement or disruption of a critical operation/activity—often referred to as “high 2” information. As described below, portions of the document are being withheld pursuant to Exemption “high 2.”

The Exemption 2 information that was deleted from these documents pertains to infrastructure information. It is believed that if any of the information described above was released, it could benefit adversaries by helping them identify possible program impacts and vulnerabilities, as well as provide them the opportunity to target these facilities. This information is predominantly internal and has not been released to the public. Disclosure of this information could possibly expose this department, as well as other departments/organizations, to a “significant risk of circumvention of agency regulations or statutes.”

The Department of Energy (DOE) regulations provide that documents exempt from mandatory disclosure under the FOIA shall be released regardless of their exempt status, unless the DOE determines that disclosure is contrary to public interest. For the reasons described above, I have determined that release of the information described above is not in the public interest.

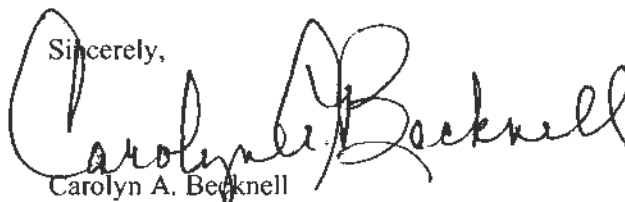
Pursuant to 10 CFR, Section 1004.7(b)(2), Ms. Tracy Loughead is the individual responsible for the withholding of information pursuant to Exemption 2 of the FOIA.

Pursuant to 10 CFR, Section 1004.8, the denial of a FOIA request may be appealed, in writing, within 30 days after receipt of a letter denying any portion of the request, to the Director, Office of Hearings and Appeals, Department of Energy, 1000 Independence Avenue, SW, Washington, DC 20585. The written appeal, including envelope, must clearly indicate that a Freedom of Information appeal is being made, and the appeal must contain all other elements required by 10 CFR, Section 1004.8. Judicial review will thereafter be available to you in the District of Columbia or in the district where: (1) you reside, (2) you have your principal place of business, or (3) the Department's records are situated.

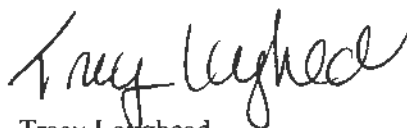
There are no fees chargeable to you.

If you have any questions, please contact Ms. Shirley L. Peterson by telephone at (505) 845-6393, by email at speterson@doeal.gov, or write to the address on the first page. Please reference Control Number FOIA 07-024-P in your communication.

Sincerely,



Carolyn A. Becknell
Freedom of Information Act Officer
Office of Public Affairs



Tracy Loughead
Manager
Office of Public Affairs
Denying Official

Enclosures

U. S. Department of Energy
National Nuclear Security Administration
Kansas City Site Office

**AWARD FEE
PERFORMANCE EVALUATION
REPORT**

FOR THE PERIOD:
October 1, 2004 through September 30, 2005

Contract DE-AC04-01AL66850

**Honeywell
Federal Manufacturing &
Technologies, LLC**

Kansas City Plant

Date: _____

Steve C. Taylor, Manager
Kansas City Site Office
National Nuclear Security Administration

INTERIM PERFORMANCE EVALUATION REPORT (PER)

Kansas City Plant

Contract No. DE-AC04-01AL66850

October 1, 2004 through September 30, 2005

Honeywell Federal Manufacturing & Technologies, LLC

<u>Performance Area</u>	<u>Award Fee Allocation/Weight</u>	<u>Incentive Fee Allocation/Weight</u>	<u>Total Fee Allocation/Weight</u>	<u>Page #</u>
Management	\$4,711,010/35%	\$0/0%	\$4,711,010/21%	03-20
Operations	\$3,365,007/25%	\$800,000/9%	\$4,165,007/19%	21-36
Mission	\$5,384,012/40%	\$8,000,000/91%	\$13,384,012/60%	37-51
Totals	\$13,460,029/60%	\$8,800,000/40%	\$22,260,029/100%	

The contract between NNSA and Honeywell FM&T states that the term Kansas City Plant, or KCP, covers operations at all FM&T locations. Those locations are: Kansas City, Missouri; Albuquerque, New Mexico; Los Alamos, New Mexico; and Fort Chaffee, Arkansas. However, for the purposes of clarifying when expectations are specific to one location or organization, the following terms are used in this PER.

Organizational References

FM&T = the overall organization Honeywell Federal Manufacturing & Technologies, LLC (In the PER, "FM&T" is used interchangeably with the term "Honeywell.")

FM&T/KC = the organization that manages operations specifically located at the Kansas City, Missouri, facility

FM&T/NM = the organization that specifically manages operations at the facilities in New Mexico

KCSO = NNSA's Kansas City Site Office

Locational References

Ft. Chaffee = the NNSA facility specifically located at the U.S. Army's Fort Chaffee in Ft. Chaffee, Arkansas

KCP = Kansas City Plant; in this case referring specifically to the facility in Kansas City, MO

KO = Kirtland Operations; all facilities FM&T/NM operates

NNSA has attempted to state a specific organization or location when appropriate. When no reference is made to a specific location or organization, NNSA intends for the expectation to cover all locations mentioned above.

Summary of Performance Metrics

Performance Area: Management
Performance Area Award Fee Weight: 35%

Performance Area: Management

Adjective Rating/Score
(Outstanding/90.95)

Performance Objectives

PO 01 NWC Support & Cost Savings (30%)
PO 02 KCP Productivity (20%)
PO 03 Strategic Outsourcing (20%)
PO 04 Leadership (15%)
PO 05 Campaign Resource Innovation (10%)
PO 06 Reimbursable Program Management (5%)

Performance Objective 01: Provide mutual support to the other Nuclear Weapons Complex (NWC) M&O contractors for the benefit of the overall weapons program.
(Outstanding/90)

Performance Measure 1a: NNSA will assess Honeywell's efforts to initiate and implement cost savings projects across the NWC and lead a baselining effort of identify the complex-wide definitions of direct/indirect costs.

Performance Target 1a: NNSA expects Honeywell to instigate and participate in NWC wide cost savings initiatives and lead a baseline effort to identify the complex-wide definitions of direct/indirect costs.

Performance Assessment: FM&T generally exceeded expectations. While FM&T did an effective job supporting others across the NWC, and is making progress to determine the actual cost savings, progress on defining direct/indirect cost complex-wide did not meet expectations.

FM&T completed two Lean projects with NWC partners in FY05. Under the guidance and expertise of a Honeywell FM&T Lean Master and Lean experts, KCP and Pantex personnel applied Lean Enterprise principles and tools, and trained a cadre of Pantex personnel in basic Lean principles while eliminating waste processes and improving performance. The project focused on removing non-value added activities. Pantex Site Office (PXSO) validated the new process which will generate approximately \$750,000 in cost savings with an associated reduction of 4,100 man-hours.

FM&T collaborated on a project with Los Alamos National Laboratory (LANL) designers and Lawrence Livermore National Laboratory (LLNL) and Y-12 material engineers to develop a replacement foam for a material no longer available for W76 Life Extension Program (LEP) stress cushions. This collaborative effort prevented a \$2 million expenditure to restart the old process.

FM&T partially addressed complex-wide definitions for direct/indirect costs by partnering with Sandia National Laboratories (SNL) to utilize the Financial Management Systems Improvement Council (FMSIC). A glossary with complex-wide definitions that provides a fundamental structure for all DOE sites consistent with Generally Accepted Accounting Principles and Cost Accounting Standards has been reviewed. FM&T has also prepared and distributed a survey through the FMSIC working group concerning site interpretations of direct and indirect costs. Another option being explored is the Functional Support Cost data prepared by all sites. However, FY05 efforts were inconclusive.

Performance Measure 1b: NNSA will measure FM&T's collaboration, communication, and mutual support among participating M&O contractors, to effectively manage and support multi-site initiatives to meet scope, cost, and schedule for the following Performance Targets:

Performance Targets 1b: NNSA expects Honeywell to collaborate on the following:

- 1b1.** Sandia National Laboratories (SNL) and KCP collaborating on program deliverables and supporting each other's needs.

Performance Assessment: FM&T generally exceeded expectations by participating and supporting collaboration among the Nuclear Weapons Complex (NWC) sites.

The W76-1 MC4701 Arming, Fuzing Subsystem (AFS) Product Realization Team (PRT) was recognized as an excellent example of successful collaboration and mutual support between FM&T and SNL. This PRT is being used as a benchmark for all other W76-1 KCP components. Notable PRT actions include:

- A FM&T PRT member recently completed a year-long residency at SNL, providing valuable manufacturing insight during the development of the design and provided a design agency (DA) perspective to FM&T during Process Prove-In (PPI).
- A FM&T-suggested design change to reduce total part count to an assembly was jointly developed and implemented to allow for manufacture of the assembly with a single setup of the Pick & Place machine.
- PRT members also developed a set of process maturity criteria to evaluate and determine actions needed to prepare processes for PPI use.

FM&T teamed with the SNL Concurrent Design and Manufacturing (CDM) organization to enhance and streamline the Central Procurement (CP) process. Process maps, improvement areas, and overall integration of processes have been developed by core teams from Planning and Scheduling, Finance, Quality and Purchasing. A major accomplishment for these teams was changing the process for Integrated Contractor Orders (ICO's) issued to the KCP.

Cooperation in mistake proofing has resulted in a design change request on the W76 and W78 Neutron Generator Monitors (NGMs). The W76 and W78 NGMs are identical in shape and size. The potential for using the wrong device was recognized. The mounting holes on the W76 and W78 NGMs have been changed to prevent this from occurring.

- 1b2. Limited Life Component Exchange:** Lawrence Livermore National Laboratory (LLNL), Los Alamos National Laboratory (LANL) and SNL research and development (R&D) collaborating with KCP, Savannah River Site (SRS) and SNL production on project objectives and costs.

Performance Assessment: FM&T generally exceeded expectations. FM&T collaborated with the design laboratories and production facilities in the development and deployment of the W80 Acorn, W76-1 2X, the LF7A, and the W88 4T reservoirs. FM&T also supported a Limited Life Component (LLC) management team made up of NNSA, SNL, LANL, and SRS to address costs of gas transfer systems from a system perspective. Cost studies were performed to provide data to NNSA HQ and the laboratories for alternative choices in future LEPs. Other collaborative efforts were:

- Standardization of stem requirements across weapon systems to reduce subjectivity by using visual aids and product specimens.
- Technical exchange with SRS on laser marking requirements, processing methods, part holding techniques, and machine capabilities.
- Technical consultation regarding stem bore visual appearance with SRS.

- 1b3. W76 Life Extension Program (LEP):** Collaboration and mutual support between laboratories (LANL and SNL) and Plants [Y-12, KCP, SRS and Pantex (PX)].

Performance Assessment: FM&T generally exceeded expectations. Cost, schedule, and milestone deliverables for the W76-1 Life Extension Program (LEP) were met via the jointly developed SNL and FM&T Integrated Project Plan, mutual participation in Cost Control Board meetings, and effective program and PRT meetings. Project plan validation has occurred for the stronglinks, Arming, Fuzing Subsystem (AFS), Launch Accelerometer and the Arming, Fuzing and Firing (AF&F) to verify project network credibility. Enterprise Resource Planning (ERP) planning dates were validated against project plan flow times to assure synchronization between plans and manufacturing execution. Other examples of collaboration were:

- Concurrent design support for the Integrated Pumpdown and Fill Station with failure mode and effect analyses and statistical analyses were provided and extensive validation testing was conducted.
- FM&T collaborated to address the logistics of computerized tomography (CT) scans and digital radiography of safety devices in the MC4700 AF&F to verify safety devices.

- 1b4. W80 LEP:** Collaboration and mutual support between laboratories (LLNL and SNL) and Plants (KCP, SRS and PX).

Performance Assessment: FM&T generally exceeded expectations in collaboration and support between laboratories and plants. FM&T delivered two items for the W80 LEP in support of level three milestones. These were, completion of active circuit function testing for one riser board of the MC4680 Electronic Module and performance of one burn-in test of a development

unit of the MC4655. These items were validated through direct observation of the units under test and data review. FM&T collaborated in cost control board activities for the W80.

1b5. B61 LEP: Collaboration and mutual support between laboratories (LANL and SNL) and Plants (KCP, Y-12 and PX).

Performance Assessment: FM&T substantially exceeded in collaboration and support for the B61 LEP. During the reporting period:

- FM&T and SNL defined characterization requirements in support of the B61 Alt 357 center case powder coating process. The associated report was published and delivered to SNL for review resulting in process approval.
- FM&T and SNL qualified ancillary components including pads, supports and O-rings in support of the Alt 357.
- FM&T and LANL successfully qualified the 1K0141 Nitrogen Cartridges for use in the Alt 357. The Qualification Engineering Release (QER) was published on schedule.

1b6. Cooperative efforts between and among Labs and Plants to establish "Fast Track Responsive Teams" to meet emerging design and production requirements.

Performance Assessment: FM&T substantially exceeded expectations. FM&T has the lead on a "Responsive Infrastructure" reservoir team to support the needs of the NNSA and the DOD during development and production. Membership on this team is a collaborative effort between FM&T, SNL, LANL, and SRS. The team is focused on the adoption of feature-based designs so that only well understood and documented processes will be used to produce future reservoir designs, avoiding long development cycles normally associated with new designs. The team has coordinated efforts with physics and systems designers from LANL, LLNL, and SNL to get all stakeholder inputs and to secure support for the project.

FM&T partnered with Savannah River National Laboratory (SRNL) to design and fabricate the Jemima shipping package which is on the NNSA's critical path for the LANL Technical Area-18 Relocation Project. This required an expedited effort to design and build a nuclear shipping package, in 50% less than the normal time frame. FM&T received a letter of recognition from SRNL for their assistance in completing a quality design for the shipping package. FM&T then partnered with SRS and LANL to procure critically needed packages in a rapid manner to meet NNSA accelerated needs. FM&T stretched its supply chain capabilities to meet a critical objective.

FM&T is collaborating with the design laboratories in the design of the Reliability Replacement Warhead (RRW) to maximize the producibility and reduce the life cycle cost of the reservoir and the entire compliment of warhead components. Teams of subject matter experts are providing insight at the initial concept design stage regarding constructability, ES&H considerations, and cost. Other examples were:

- FM&T participated on a B61 Radar Replacement team with SNL and LANL. The team completed a comprehensive plan that would enable delivery of B61 Mod 7 radar nose assemblies in the event that the DOD customer identified an urgent need.
- SNL and FM&T assembled a team to develop a plan of action to support the change of design from inertial welding to Gas Tungsten Arc on the W80 D-Bottle while still supporting the First Production Unit (FPU).

1b7. Effective execution of the Roof Asset Management Program by partnering with the NNSA and participating M&O contractors while achieving NNSA concurrence for programmatic decisions. Successfully execute FY05 design and construction projects within scope, schedule and cost. Cost design and construction dollars at minimum of 63% by the end of the fiscal year. Maintain metrics to demonstrate cost effectiveness of RAMP.

Performance Assessment: FM&T substantially exceeded expectations by doing an outstanding job managing the Roof Asset Management Program (RAMP). FM&T is recognized for outstanding performance for effectively partnering with the NNSA, the M&O contractors, and the RAMP subcontractor. FM&T has been successful introducing industry proven efficiencies and innovative methods to the NWC. The management and coordination of this program has improved significantly and exceeded customer expectations as the result of an improved partnership and culture change necessary for effective project execution at the KCP. The FM&T RAMP integrated project team has collectively worked to meet aggressive program expectations under rigid time constraints and is recognized for successful execution across all participating sites. Despite significantly late design starts at two participating sites, RAMP will cost approximately 80% of all FY05 dollars. In addition, FY06 design work is complete at two sites and at the 70% review at the remaining four sites. This is a significant improvement over FY05 and further positions the program for successful execution in FY06. FM&T continues to maintain metrics, lessons learned and incorporate program improvement opportunities.

1b8. Cooperative efforts between Labs and Plants to develop integrated design and manufacturing practices.

Performance Assessment: FM&T generally exceeded expectations. FM&T's Sustained Engineering and Sustained Production initiatives focus LEP efforts on the entire Life of Program cycle (Production and Surveillance). FM&T and SNL/NM jointly developed the goals of the initiative to utilize a systematic method to analyze production process maturity and to provide documentation of work performed for qualification (knowledge preservation). Critical Performance Parameters (CPP) and Critical Manufacturing Parameters (CMP) were established jointly for the W80. Sustained Production has been implemented on over 100% of the process and product mapping for the W76-1 LEP and 93% of the product and 65% of the process mapping on the W80 LEP program identifying improvement opportunities prior to FPU. Accomplishments this year include:

- FM&T presented some of Honeywell's best practices to an NWC-wide team whose focus is to change the way business is done to achieve responsive infrastructure. Approaches presented included: Integrated Product Development System (IPDS)/Phase Gates and

qualified processes using Design for Manufacturing Guides. The team's recommendations were implemented for the RRW program.

- A revision to Technical Business Practice (TBP)-403 was proposed to update the producibility definitions in Appendix A of the document to improve clarity, add Quality Criteria (QC-1), Rev10 wording and introduce criteria addressing yield, cost-effectiveness, and repeatability. The document is in the approval stages within the NWC System Team.
- A new process was developed incorporating all nuclear safety critical design requirements prior to PPI.

In addition to performance against the PO1 targets identified above, the following observations were noted during the performance period which had a direct effect upon meeting the performance objective, but were not directly related to the stated performance targets. The observations are addressed below.

1. FM&T provided quality engineering support to the Pantex Plant. Two additional engineers were sent on quality engineering residence assignments bringing the total to five associates on site to help develop quality systems.
2. FM&T provided Cause Analysis – Mistake Proofing training to LANL, SNL and Idaho National Laboratory (INL).
3. FM&T provided Blackbelt facilitation support to NA-63 and the NNSA Service Center for a special team focused on lessons learned from developing the NNSA-wide technical services solicitation.

Performance Objective 02: Demonstrate productivity and responsive infrastructure improvements and indirect cost savings at the KCP in support of mission accomplishment.
(Outstanding/91)

Performance Measures: NNSA will evaluate FM&T performance in areas of continuous business improvement and cost savings/avoidance.

Performance Targets: NNSA expects Honeywell to demonstrate continuous improvement and productivity improvements while accomplishing the FY05 NNSA priorities and commitments consistent with approved funding levels. These improvements are manifested through the application of commercial best practices, assessments and technologies that achieve improved operational efficiencies and responsiveness and demonstrate benefits. Examples of such initiatives are listed below and specific expectations for performance are listed in a supplemental document.

- 2a. Demonstrate improvements and reductions in indirect cost as base lined by year over year spending and/or improvements in indirect to direct ratios.

Performance Assessment: FM&T generally exceeded expectations. A baseline was established for direct manufacturing and engineering costs compared to indirect manufacturing costs and

general and administrative expenses. Compared to FY04 there was a 4.4% reduction in the ratio of indirect manufacturing and general and administrative expenses to total costs (described indirect costs + direct manufacturing and engineering costs). FM&T actions included:

- FM&T materials management reduced travel and reduced the number of full time equivalency (FTEs).
- Finance has coordinated zero-based divisional budget exercises with emphasis on reducing indirect areas.
- The ES&H division re-organized and reduced the total headcount required to perform its support functions (eight FTE reduction or 12%).

2b. Deploy programs and training across KCP operations. This may include, but is not limited to completion of the Twice-as-Fast flow time reduction initiative, continued roll-out of the Supply Chain curriculum education, quality engineering training, and additional development and enhancement of the HINTS (Help In Navigating Software) training application to improve productivity and use efficiency of the plant ERP system. Also includes on-going work in the areas of improving machine downtime, capacity planning, and operator flexibility.

Performance Assessment: FM&T met expected levels of performance by continuing to adapt Honeywell corporate training material for education in supply chain best practices. Configuration Management, Logistics Management, Global Purchasing, and Computer Integrated Manufacturing courses were launched in FY05, bringing the total course count to 16.

Efforts continue to reduce machine downtime in high impact departments. Embedding maintenance crafts in both the Reservoir Manufacturing Department and the Microelectronics Fabrication Department is ongoing. Significant improvements in the effectiveness of maintenance support have been realized by embedding crafts in these areas. Lessons learned will be gathered for analysis and implementation of best practices throughout the plant.

A number of departments are now utilizing ERP capacity planning. This will allow the removal of workload planning from the Integrated Financial Management System, which is traditionally used for development and reimbursable work, resulting in enhanced planning and execution by level loading of support departments.

The Twice as Fast (2xF) flow time initiative, which spanned FY03-05, was completed. The original baseline was set using the flow time elements of Order Management, Procurement and Manufacturing (including packaging). The baseline has been re-established and an overall 45.5% reduction was realized. Order Management time was reduced 68.8%, Procurement time was reduced 41% overall including supplier time, Manufacturing time reduced 20% and Packaging time reduced by 50%.

2c. Deploy Supplier Management strategies. This may include, but is not limited to additional penetration of the certified supplier program, optimization of supply base size and long term agreements, implementation and development of the strategic sourcing function, material management, COTS workflow tracking and

notification, and high levels of supply chain performance as measured by the NNSA Purchasing Objectives Matrix.

Performance Assessment: FM&T generally exceeded requirements. FM&T has grown the certified supplier population by four to eleven. A supplier is certified to a quality level which determines the extent of quality inspection performed at the KCP. At the highest level of certification products supplied go directly to stock without FM&T inspection. Dock-to-stock receipts, including fast track (low risk) products and full source-inspected products, now account for approximately 8% of total production receipts.

Concern has arisen with the FM&T certified supplier process, as evidenced by several shipments of bolts to Y-12 which had been purchased from a certified supplier. When the quality of the bolts was questioned with the first shipment, the FM&T processes did not require an adequate verification of the quality of the second shipment, which resulted in a significant re-inspection effort after Y-12 identified issues with the second shipment.

FM&T continued to increase the percentage of production parts having net demand that are on long term agreements (LTAs). LTA utilization on non-production Maintenance Repair and Operating (MRO) parts was also increased. While the percentages dropped slightly as a direct result of the increase in the number of new net demand items added for the W76 LEP, the actual number of items on LTA has increased. These parts are "auto-released" which requires no buyer intervention for the order to be placed utilizing the ERP system.

FM&T reduced the production supply base from 545 to 359 suppliers, which is below the FY05 goal of 390 through strategic sourcing. This reduction yields higher spend and leverage with the remaining suppliers and lower costs for qualifying and maintaining the supply base. The number of non-production suppliers was reduced 14%.

Automated workflow tracking has been implemented by FM&T purchased product engineering for the W76 and W80 LEP Commercial Off the Shelf (COTS) life of program buy components enabling all milestones to be met. This system tracks COTS order status with component suppliers as well as qualification data from the third party test house. The system sends automatic notifications to FM&T and DA engineers for analysis and validation to facilitate and expedite qualification activities. The system is a model for data and communication integration between suppliers and multiple NWC sites.

FM&T continues to use the Purchasing Objectives Matrix as a tool to yield high levels of supply chain performance.

- 2d. Manage Inventory Effectively. This may include, but is not limited to storage and control of life of program buy (LOPB) components in support of W76 and W80 LEPs, and maintain high levels of inventory accuracy.

Performance Assessment: FM&T generally exceeded expected levels of performance by developing and implementing techniques to manage the inventory of W76 LEP LOPB components. The W76 LEP procurement team and materials engineering identified the need to

procure additional weld critical stainless steel, due to weld samples not being in the Bill of Material. This proactive measure prevented a likely delay in FY07 production. Shipment, inspection, and storage of large quantities of material including phenolic micro-balloons and electronic COTS components were also completed. Teams have coordinated with the design agency and third party test houses to obtain representative samples for qualification testing and diverted initial quantities to support PPI schedules.

FM&T continues to perform inventory management, as measured by audit validation, at high levels. Examples include: Year to date Work in Process (WIP) production material inventory accuracy for pieces averages 99.5%; Stores production material inventory accuracy for pieces has a 99% accuracy; MRO inventory accuracy for pieces is 95%. The percentage of net value of variances to the value of inventory counted is 99.8%. NNSA Service Center Property Management performed a random sample of MRO inventory quantities in August 2005 that resulted in 100% data accuracy results.

2e. Generate productivity and savings across business units.

Performance Assessment: FM&T substantially exceeded expectations by executing Six Sigma Plus (SSP) projects. Cost savings and cost avoidance for FY05 totaled \$28.7 million which were validated by the KCSO. Of this, approximately 58% are long term or permanent savings compared to 42% for FY04.

FM&T participated in the newly formed NWC Lean Six Sigma working group, which included SNL, LLNL, LANL and Pantex, in July 2005. The primary mission of this group is to lead strategic change and drive integrated measurable improvement throughout the NWC. FM&T is a leader in Lean and Six Sigma maturity levels in the complex.

2f. Maintain high levels of supply chain performance on legacy production while absorbing new LEP work coupled with improved workforce productivity. This may include, but is not limited to high levels of performance in purchased material procurement flow times, material availability, and supplier on-time delivery. The system setup, process development, and initial procurement of new W76 and W80 components should be accomplished with minimal additions to workforce resources.

Performance Assessment: FM&T generally exceeded expected levels of performance by improving efficiency and performance despite the addition of development and PPI requirements for the W76 and W80. Detailed execution plans were created for the W76 LEP stronglinks to support the critical path FPU schedule. Comprehensive schedule requirements were generated with plans loaded into ERP for all known W76 LEP components and assemblies. Since many of the part designs are not finalized, interim product structures were developed with artificial definitions and loaded in early FY05. This included the setup of approximately 1,800 Item Identifications, 350 Bills of Material, 1,800 routings, as well as approximately 500 Purchase Order Quality Requirements and Purchased Product Definitions. Schedules for COTS components were generated using internal orders which will subsequently be replaced with legitimate product structures upon their release. This early scheduling innovation has enabled

the detection of numerous problems that otherwise would not have been discovered in time to react, thus reducing the overall program execution risk. The same methodology is being currently being employed for the W80 LEP.

FM&T was able to meet the expedited Buyer and Supplier flow times established per the W76 Project Plan by running the Request for Quote process in parallel with the configuration management process. These process improvements resulted in a 16% increase in the number of Purchase Order lines placed with a 15% decrease in labor performing these activities. FM&T was also able to achieve a 75% material availability performance for all products and exceeded the supplier on time performance goal of 83% with 89% for production and exceeded the non-production goal of 85% with 89%.

- 2g. Develop and implement spend analysis tools to increase purchasing leverage and reduce procurement costs. This may include, but is not limited to purchase and implementation of a spend analytics tool at the KCP that can be utilized by other NNSA sites in the future to analyze and leverage procurement activities across the entire NWC and implementation of the OneSource database to leverage information and purchasing decisions with Honeywell corporate demand.

Performance Assessment: FM&T substantially exceeded expected levels of performance. FM&T successfully completed the pilot for the NNSA spend analysis project and the OneSource project on time and under budget. The first project seeks to measure and leverage spend among the various NNSA sites with FM&T serving as the project lead site responsible for procuring new software and performing a pilot installation prior to implementing across the other NNSA sites. FM&T accepted this assignment on behalf of all eight NWC site contractor organizations at the request of NA-63. Software has been procured and the required Information Technology (IT) infrastructure was put in place with the installation of the database and Web server. Two years of historical spend data was extracted from FM&T systems and cleansed to the proper UNSPSC (United Nations Standard Products & Services Code) codes, which is the classification standard for the NNSA spend data. Technical training was provided to the system administrators and 16 user acceptance testers. Data owners, users and managers were interviewed to collect and identify data reporting requirements versus supplier-furnished standard reports. Spend analysis is underway at the KCP with the other NNSA sites being implemented by the end of CY05. Implementation at the other seven NNSA sites commenced with an All-Site Kick-off meeting in April 2005. All sites were given instructions on the data extractions and data management processes required and are in various stages of implementation. When fully implemented, NNSA procurement organizations will be able realize a significant cost savings from the estimated \$3 billion dollar total spend.

The second project involves participation in the One Source spend analysis tool already in use by Honeywell corporate. After these projects are fully implemented, the FM&T procurement organization will be able to leverage the total NNSA spend, or the Honeywell spend, whichever is most advantageous. Implementation of the Honeywell OneSource tool is complete. FM&T now has corporate spend data to leverage when negotiating contract pricing and implementing strategic sourcing initiatives.

- 2h.** Drive six sigma quality processes upstream into the supply base. This may include, but is not limited to the use of statistical process controls at suppliers and the incorporations of performance scorecards to evaluate features of LEP components in order to improve yield rates and reduce costs.

Performance Assessment: FM&T generally exceeded expected levels of performance. FM&T has surveyed multiple suppliers to determine where they stand in the use of statistical process control for purchased product. The positive response has led to a Readiness Campaign proposal to create a portal where inspection information can be received from suppliers, calculate process capability and identify a dynamic inspection strategy. Examples of part specific applications of Statistical Process Control (SPC) efforts with suppliers include:

- Used SPC data to identify dimensions on the 2K00116-00 Wire for the W76-1 LEP Structural Support hardware
- Partnered with SNL and the supplier on a new high voltage gel capacitor to make this highly process-sensitive and critical W76 and W80 fireset part successful
- Conducting a correlation study at an outside test contractor to determine the cause of test data variations
- To improve yield rates a Black Belt team was formed to work with the ceramic-to-metal headers supplier
- A six sigma team was formed to identify and correct a 0% yield problem on the glass-to-metal sealed 50 pin SA3767-9 connector for the W76 LEP
- Accepted a large number of parts based on SPC data in lieu of D-testing from the sole source supplier of socket/sleeve assemblies due to their acceptance of responsibility for statistical process control on the W87, W76 and W80 Lightning Arrestor Connector (LAC) shells.

Over 220 product scorecards have been used on components for six mechanisms. Predicted yields are used to communicate specific improvement needs to suppliers, determine future inspection sample rates, guide qualification plans, and negotiate tolerance relaxations.

- 2i.** Improve calibration productivity. This may include, but is not limited to systematically reducing the equipment and instruments requiring calibration to minimize indirect costs, enhance W76 and W80 schedule support, and prepare for additional production workload.

Performance Assessment: FM&T substantially exceeded the goal of a 15% reduction in the active inventory of 38,151 calibrated items. FM&T removed 7,004, or 18.4%, of measurement and test equipment items from service. This equates to a savings of approximately five FTEs. The resources have been reallocated to support the increased workload of the W76 and W80 LEP testers and design gages.

A Calibration Management System Improvement Team has evaluated opportunities for improvement in the oversight of the calibration program. A Failure Mode and Effects Analysis (FMEA) was conducted from two years of data from customer-related calibration audit findings

and corrective actions, customer surveys, and informal feedback from FM&T auditors. Results were:

- Modifications to the customer calibration recall process were implemented to increase the visibility of the expired calibrated equipment. An Email notification of delinquent responses to the recall notices are now forwarded on Mondays.
- A new process was mapped and initiated to conduct a monthly review of the past due calibrations by customer department. The compilation of data resulted in the creation of a control plan.
- A recovery plan was implemented to address the backlog of calibrations of design gages in Tool and Gage Inspection services department. The ongoing plant-wide goal to identify unneeded calibrations resulted in a more balanced workload.
- The requirement to conduct a systemic review of the corrective actions related to calibration and subsequently identify opportunities for process improvement has been added to the annual Calibration Quality Review agenda.

Performance Objective 03: Develop a Strategic Outsourcing Initiative.

(Good/89)

Performance Measure: NNSA will measure Honeywell's outsourcing plan quality and execution.

Performance Target: NNSA expects Honeywell to develop and begin executing an effective outsourcing initiative to reduce facility infrastructure requirements and avoid additional hiring that would otherwise be needed to support the increased LEP workload. Honeywell shall submit an outsource plan that can be validated to assure:

- The Plan will yield at least a 50 FTE labor avoidance to support current baseline workload through FY09.
- The Plan will provide demonstrated reductions in future infrastructure requirements. (Classified infrastructure excluded.)
- The Plan execution will be initiated during FY 2005
- The Annual Make-Buy plan is updated to reflect the new outsourcing strategy.

Performance Assessment: FM&T generally exceeded expectations. A high level Operations Excellence team was formed and a strategic outsourcing plan was developed which will yield at least a 50 FTE direct labor avoidance and results in future infrastructure reductions. The team gathered and analyzed data on departmental allocations of square footage, maintenance and utility costs, equipment utilization, future capital equipment needs, forecasted workload, direct/indirect cost ratios, workforce skill sets, and capability of suppliers. Blackbelt teams were formed to develop a process for decommissioning manufacturing areas and determination of core competencies.

The short term outsourcing plan was developed to complement the future Responsive Infrastructure (RI) needs of the weapons complex. Honeywell's plan exceeds requirements with a number of items undertaken, but execution was limited. The Annual Make-Buy plan was delayed and extended out to a CY05 completion in order to do a complete revision as opposed to

an update. Short and mid-term recommendations for project changes have been made to support outsourcing initiatives and reduce infrastructure expenditures.

Performance Objective 04: Provide leadership to achieve NNSA Mission requirements.
(Outstanding/93)

Performance Measure: NNSA will measure:

- 4a. The effectiveness of the approach to meeting performance targets through the application of best business practices in the areas of leadership, customer and stakeholder satisfaction and continuous improvement.
- 4b. FM&T's awareness of performance trends.
- 4c. The effectiveness of FM&T's business management services. They should support mission requirements, be cost effective and comply with all applicable laws, regulations, and orders.

Performance Targets: NNSA expects Honeywell to:

- 4a. Demonstrate proficiency in leadership, customer and stakeholder satisfaction and continuous improvement while accomplishing the plant mission objectives and POs and PBIs as defined in the FY 2005 PEP.

Performance Assessment: FM&T has substantially exceeded expectations. Honeywell FM&T has been very consistent in meeting mission requirements, especially for Directed Stockpile Work (DSW). Performance against the three main performance targets have been highly effective, especially in demonstrated leadership, customer satisfaction, continuous improvement, senior management engagement on performance management, and effectiveness in improving operational efficiency. Examples of providing responsive leadership and application of best business practices include:

- The creation of a new organization focused on Responsive Infrastructure and NWC Integration that is aligned to support NNSA needs. A few of the demonstrated accomplishments and focus of this reorganization are: 1) a new model for strategic goal development and deployment which focuses on technology, business processes, core competencies, and facilities and equipment; this approach is designed to ensure the alignment and flow down of NNSA goals and is being implemented through the new "Top 5 in '05" goal deployment process; and, 2) a process to identify new complex-wide value propositions to support NNSA strategic planning. The second phase of this reorganization focuses on the consolidation of some operations, and the alignment of program management with business development to support the focus on customer relationships.
- The development and deployment of "Excellence in Project Management Training" has improved business systems to efficiently deliver project information. Over 700

associates have completed the training. This process adds the much needed rigor to focus on cost, scope, and schedule on project reviews.

FM&T demonstrated additional leadership within the NNSA and other external organizations through:

- Facilitation of NA-12 strategic planning sessions held in Washington DC.
- A strategic position briefing on Design for Manufacturability to facilitate process improvements across the NNSA, design agency, and production agency interfaces.
- At the request of Oak Ridge National Laboratory (ORNL), the FM&T Environmental Compliance Department shared polychlorinated biphenyl (PCB) permitting strategies with ORNL including the KCP's efforts in assessing and remediation of low level PCB contamination in storm sewers.
- The Voluntary Protection Program (VPP) where the steering committee shared its expertise with external organizations providing information and direction in the VPP certification process.

4b. Provide effective performance awareness to FM&T senior management and KCSO.

Performance Assessment: FM&T has generally met expectations.

FM&T has comprehensive information systems for maintaining awareness of internal performance. The most notable of these systems is the monthly operations review which provides details of plant operations, including product deliveries, product quality, and plant efficiency. In addition, systems are in place for ES&H, facility operations, and security to allow for adequate management awareness for these activities. Real time metrics are visually displayed within the manufacturing departments.

FM&T utilizes various reporting mechanisms to communicate performance to NNSA. These include formal performance feedback through established monthly and quarterly reviews with NNSA as well as informal day to day interactions which provide ongoing information pertaining to performance. Additionally, project management teams and monthly project status reviews ensure that progress to milestones is adequate.

KCSO's assessment of FM&T's implementation of the Contractor Assurance System (CAS) concluded that FM&T had demonstrated all the elements required by NNSA guidance. However, weaknesses in communication of CAS information were identified that diminished the effectiveness of utilizing CAS for performance management. FM&T is implementing a corrective action plan to review and improve CAS deployment within the KCP with implementation of a new management reporting system within the plant by the second quarter of FY06. CAS information is continually updated and KCSO is informed of the progress of corrective actions. In addition, FM&T has worked with internal Business Function Leaders to address data weaknesses and strengthen communication with KCSO counterparts. A CAS Annual Assurance Statement has been completed by FM&T for FY05. Overall, the CAS as

implemented meets all the NNSA/DOE requirements but has not moved KCP to a higher level of performance nor accountability.

- 4c. Demonstrate effective planning and efficiency improvements in business management areas including workforce planning, human resources, litigation management, internal controls, procurement, public and community affairs, and financial management.**

Performance Assessment: FM&T has generally exceeded expectations. FM&T has effectively planned, improved and partnered with NNSA on a number business management issues in order to support mission requirements.

- Workforce Planning goals met. FM&T continues to effectively manage workforce critical skills planning. Through September 2005 the critical skills occupancy rate remains greater than 99%. This consistent percentage demonstrates effective workforce planning to assure that the current and future workforce critical skills are adequate to meet workforce skills requirements. FM&T has focused on exit interviews recently to gain insight on resignations. The intent is to develop policies and incentives from lessons learned.
- Proactive Litigation Management. FM&T began early preparation to defend a potential lawsuit. A competitive selection technique was utilized to bring in outside expert counsel to begin advance defense work prior to being served with the formal lawsuit.
- Internal Controls/Procurement efficiencies gained. FM&T used Government Accountability Office (GAO) audits and findings of other NNSA Sites to improve and gain efficiencies in the procurement card system. The system and process changes include new user interfaces requiring actionable responses that trigger appropriate approvals, enhanced manager notification approvals and provides monthly audits by the system administrator and the accounting department. These improvements will minimize errors rates and strengthen checks and balances to support an accountable system. All managers, approving officials and card holders have received the required training.

FM&T proactively supported the NWC and KCP in procurement initiatives. FM&T procurement representatives serve as the project lead and pilot for the NNSA spend analysis initiative which will facilitate spend leverage across the NWC. FM&T continues to serve as the focal point for the NA-63 portal which is used throughout NNSA as a communication tool for a variety of procurement issues. Improvement initiatives in strategic sourcing and the procurement card system have increased efficiencies in KCP procurement processes.

- Public and Community Affairs support. FM&T continues to have a strong presence in the community. Associates have donated more than 5,000 volunteer hours to support math and science education, environmental protection, community service, and economic development. The media placements, news releases continue to demonstrate positive images of the KCP.
- Support of Equal Employment and Diversity. FM&T KC/NM continues to support equal employment opportunity (EEO), diversity, and community outreach programs. Significant EEO and diversity awareness activities such as special emphasis history

month recognition, special emphasis conference attendance, mentoring, and small business/minority council representation have increased employee awareness and demonstrated FM&T's commitment to EEO and diversity.

- **FY05 Objective Matrix.** The FY05 business management oversight objective matrix evaluations resulted in the following functional ratings: Outstanding in procurement management; Excellent in property and contractor human resources management.
- **Financial Management Enhancements.** FM&T supported the implementation of the NNSA Standard Accounting and Reporting System (STARS) Financial Management System. The STARS start-up required a revamp of internal processes, establishment of new reporting codes, manually cross-walking spreadsheets and the manual coordination of a significant amount of data to meet several accelerated deadlines. Since the conversion of STARS, all KCP financial files have passed all edits and met NNSA deadlines.
- **FM&T also implemented a PeopleSoft Salaried Time Reporting system** resulting in enhanced internal controls associated with accurate labor reporting.

Performance Objective 05: Refine and execute, in coordination with NNSA and other appropriate DOE programs, new approaches to support innovative use of people, processes, technology, and funding to extend the NNSA benefit beyond funded program objectives.
(Outstanding/93)

Performance Measures: NNSA will measure the amount of campaign work scope performed over target, the reduction of skill development costs, the increase in associate assignments with internal restrictions to reimbursable programs, required training, or educational programs, and creation of additional external technology alliances.

Performance Targets: NNSA expects FM&T to demonstrate the specific innovative actions and the resulting augmentation of mission critical skills, equipment, and/or technology beyond baseline program funding or baseline lifecycle costs. Specific targets include:

- Identify and complete campaign work scope previously identified as over target;
- Reduce skill development costs through increased assignment of associates with internal restrictions to reimbursable assignments, required training and educational programs that provide the associate with KCP relevant acquired skills; and
- Create additional external technology alliances to co-develop technology and then retain use rights.

Performance Assessment: FM&T substantially exceeded expected performance by achieving campaign work scope that was previously identified as over target. Examples include:

- The In-Process Data Collection System project provides a tool to transfer large amounts of in-process component and system test data directly from testers to collection systems for both the KCP and SNL.

- The AF&F Container Producibility Improvement activity was initiated to bring the predicted yield and capability rating of the AF&F container up to plant standards ahead of War Reserve (WR) production.
- The Mock Pit Inspection Technique project developed a new coordinate measuring machine method of determining the true position of a scribe circle on the poles of new mock pits.

FM&T developed a security plan to allow uncleared associates to work in several plant areas thus reducing skill development costs. This enabled the completion of Readiness Campaign, Plant Directed Research and Development (PDRD) and reimbursable projects that otherwise could not have been accomplished. The associates were also able to engage technologies much earlier than would have otherwise been possible.

FM&T is working under a Cooperative Research and Development Agreement (CRADA) to develop low temperature co-fired ceramic material systems for high-frequency electronic products. An umbrella CRADA was also established to enable multiple project collaborations and to facilitate joint ownership of subject inventions. An example is the use the KCP's applied engineering expertise to develop a laser technology for missile countermeasure applications.

FM&T collaborated with multiple universities in developing external technology alliances. A small, modular, flexible communication transceiver was developed that can be embedded into weapons platforms to support communication of video, voice and data between multiple mobile, distributed platforms and vehicles.

Performance Objective 06: Provide effective reimbursable program management planning and execution. **(Outstanding/94)**

Performance Measure: NNSA will measure effective management and long range planning to advance weapons capabilities at the KCP through reimbursable funding sources.

Performance Targets: The desired conditions are:

- 6a. Work is consistent with the Ten-Year Comprehensive Site Plan (TYCSP) and the Kansas City Plant Technology Plan and supports site objectives to broaden the KCP National Security mission to support key National Security objectives.

Performance Assessment: FM&T substantially exceeded this performance target through the use of a five phase business capture process, which includes an initial step to assess how well the proposed work supports the TYCSP and the KCP Technology Plan. Succeeding steps in this process reevaluate the relationship of the work to these plans and determine whether resources for the proposed project are available without adversely impacting National Security mission requirements. FM&T continues to improve upon this process and now provides more frequent Work for Others (WFO) Project Reviews to the KCSO that include an analysis of how ongoing or completed projects meet these objectives.

- 6b. **Timely** and efficient support of all reimbursables and the growth and financial targets are consistent with plant capacity and needs to support the primary mission.

Performance Assessment: FM&T substantially exceeded expectations. Customer deliverables were provided on-time and customer satisfaction remains high, often resulting in repeat business. FM&T and the KCSO established two joint Six Sigma teams to further reduce new business capture cycle time and to develop a process for formally closing out Other Federal Agency projects. The Business Capture Cycle Time Reduction Team resulted in a 38% reduction in FM&T cycle time and implemented an electronic WFO approval package initiative that has improved both FM&T and KCSO administrative efficiencies. Review processes are in place to ensure that growth and financial targets are established and routine updates help maintain level workloads and ensure alignment with plant capacity and primary mission objectives. FM&T returned savings of \$1.75 million to Office of Secure Transportation (OST) which were a result of cost efficiencies by Twice as Fast and Better than Ever initiatives.

- 6c. **Demonstrate** the benefit of Work for Others to positively impact weapons related overhead.

Performance Assessment: FM&T generally exceeded expectations. An analysis of the gross financial benefit of Reimbursables on weapons related overhead was presented to KCSO and NNSA HQ personnel in March 2005, and provided updates in April 2005 and in September 2005 to KCSO personnel. Work for Others has provided a positive benefit by recovering \$8.4 million fixed overhead burden, offsetting NNSA fixed cost budget needs.

Management Performance Area Summary

<u>Performance Objectives</u>	<u>Weight</u>	<u>Grade/Score</u>	<u>Weighted Rating</u>
PO 01 NWC Support & Cost Savings	(30%)	Outstanding/90	27.00
PO 02 KCP Productivity	(20%)	Outstanding/91	18.20
PO 03 Strategic Outsourcing	(20%)	Good/89	17.80
PO 04 Leadership	(15%)	Outstanding/93	13.95
PO 05 Campaign Resource Innovation	(10%)	Outstanding/93	9.30
PO 06 Reimbursable Program Management	(5%)	Outstanding/94	4.70
Composite PO Rating			90.95
Other Considerations			
Performance Area Rating			90.95

Summary of Performance Metrics

Performance Area: Operations
Performance Area Award Fee Weight: 25%

Performance Area: Operations

Adjective Rating/Score
(Outstanding/92.60)

Performance Objectives

PO 07 Security & Counterintelligence (20%)
PO 08 Facilities Management (20%)
PO 09 Facilities & Infrastructure Recap. Program (20%)
PO 10 ES&H and Emergency Management (20%)
PO 11 Project Management for Construction (20%)

Performance Based-Incentives

PBI 01 Shop Floor Technology Upgrade	\$500,000
PBI 02 Cyber Security/CRONOS	\$100,000
PBI 03 Deferred Maintenance	<u>\$200,000</u>
Total Operations PBIs	\$800,000

Performance Objective 07: Provide security and counterintelligence programs protecting people, property and information in accordance with all applicable laws, regulations, and orders.
(Outstanding/93)

Performance Measures: NNSA will measure performance by FM&T's achievement of stated targets and compliance with requirements.

Performance Target: NNSA expects Honeywell to:

- 7a. Comply with the Design Basis Threat (DBT) Implementation Plan moving towards completion by December 31, 2006.

Performance Assessment: FM&T has substantially exceeded expectations in the completion of the 2003 DBT Implementation Plan, which was approved by the NNSA Administrator on February 2, 2004. FM&T has transmitted quarterly status reports to NNSA HQ that indicate that implementation is in progress and timely. Honeywell has obtained new weapons systems for the protective force (25 rifles and 25 shotguns) and has begun training two new armors and one new range instructor. In addition, benchmarking has been completed on explosive and metal detection systems. Two explosive detection systems have been obtained from Sandia National Laboratories and two more, plus four metal detection systems, will be obtained through the procurement process. In October 2004, the new DBT (DOE Order 470.3) was received at the KCP and that document reduced the KCP Threat Level to a TL 4, with no critical facilities, and significantly changed the site protection strategy. This action altered the protective status of the KCP but also required that a "pre-positioned contingency plan" be developed and submitted to NA-10 by June 30, 2005. FM&T completed Phase I of the contingency plan and delivered it to

the KCSO on June 21, 2005. Phase II of the plan with a different scenario was completed and delivered to the KCSO by September 30, 2005. Phase II is to be completed October 28, 2005. Because the 2004 DBT did not require additional security for the KCP, a new implementation plan was not required.

- 7b. Submit corrective action plans in a timely manner and complete actions on schedule as indicated in the Corrective Action Plan (CAP).

Performance Assessment: FM&T has generally exceeded expectations and has provided 34 CAPs on time; however, the KCSO has allowed an extension on milestones within one CAP to insure adequate attention to the corrective action prior to validation. FM&T has developed and implemented a suspense system that appears to assure that CAPs are submitted in a timely manner. During FY05 32 findings have been closed and validated. They were: 22 KCSO survey findings, six Quality Audit Findings and four DOE HQ Classification findings.

- 7c. Effectively implement the Program Management Plan and FY05 Program Execution Guidance (PEG) and complete an Annual Operations Plan (AOP) to be reviewed by KCSO by 12/31/04.

Performance Assessment: FM&T has substantially exceeded expectations by completing and submitting the FY05 Annual Operating Plan which was approved by the KCSO on October 1, 2004 and transmitted to NA-70. FM&T has provided quarterly reviews of the FY05 AOP which address the status of each item in the AOP. Project milestones have been on target and no corrective actions were identified. FM&T and the KCSO conducted a mid-year review with NA-70 via video teleconference.

- 7d. Achieve ratings of at least Satisfactory for site safeguards and security program as determined by KCSO surveys and the Office of Independent Oversight and Performance Assurance (OA) inspections.

Performance Assessment: FM&T has generally met expectations during surveillance of security operations. Both Kansas City, Missouri and Albuquerque, New Mexico were surveilled during the CY2005 survey process. All topical areas were audited at the FM&T/NM site and an overall rating of Satisfactory was achieved. The final surveillance activities at the KCP will not conclude until December 2005, however all topics surveilled thus far have been satisfactory. FM&T has worked with the KCSO to create and gain approval for Corrective Action Plans and to obtain validation of completed corrective actions. The next inspection by the OA at the KCP is scheduled for November 2005.

- 7e. Achieve security program cost savings by implementing a Cost Control Program.

Performance Assessment: FM&T has substantially exceeded expectations by its active review of current processes and procedures to develop cost savings. FM&T has developed and implemented a process for a formal cost reduction program. This process provides a formal system for effecting cost savings in the performance of contract work. The process contains several Work Instructions which further describe how programs will be analyzed and how cost

savings will be determined. FM&T Security has reported cost savings of \$909,709 and submitted for approval cost savings proposals amounting to \$188,564. Cost savings or avoidances were realized in the following areas:

- Reorganization/Consolidation of Classified Computer Security Plans eliminated redundant testing and reduced the cost of maintaining multiple plans for a total savings of \$184,651.
- Accountable Secret Restricted Data (SRD) Classified Removable Electronic Media (ACREM) clean-up campaign reduced the amount of ACREM by 4,000 individual pieces of electronic material. This resulted in a cost savings of \$136,362 from reduced hours required to place these items into accountability and conduct follow-up inventories.
- Automation of the ACREM records resulted in another \$200,000 savings.
- Improved Central Alarm System Preventive Maintenance Program resulted in a savings of \$133,896.
- Subcontractor Security Clearance improvements resulted in a savings of \$99,000.
- Visitor Control improvements resulted in a savings of \$53,800.
- Elimination of Paid Lunch for Security Officers as negotiated in the new Security Policy and Fire Professionals of America (SPFPA) union contract resulted in savings of \$102,000.

In addition, to meet requirements of the Design Basis Threat (DBT) implementation plan to put in place two new weapons systems, FM&T sought out non-procurement sources of weapons and was able to obtain two systems, totaling 50 weapons, from the National Training Center at no cost to the KCP. The estimated cost of these weapons is between \$45,000 and \$50,000. Continuing to implement the DBT, FM&T also conducted benchmarking and searches for metal and explosive detectors and was able to locate two explosive detection systems which would be excessed to the KCP at no cost. The estimated cost of these two systems is \$20,000.

7f. Implement an effective Counterintelligence (CI) program to ensure that NNSA personnel, information and activities are provided the available CI services that will assist in protecting them from foreign intelligence and espionage threats.

7fi. Provide Counterintelligence (CI) and Counterterrorism (CT) focused threat intelligence, strategic and tactical that supports the NNSA Kansas City Plant's (KCP) personnel, resources and information.

Performance Assessment: FM&T's Counterintelligence Office has substantially exceeded expectations in the presentation of training and awareness to the Kansas City Plant population by hosting FBI Special Agent speakers, who presented authoritative information on issues such as counter-terrorism and Weapons of Mass Destruction.

In addition, FM&T CI has hosted the FBI Special Agent in Charge for Kansas City to discuss CI and CT issues. The regional security director for the Transportation Security Administration visited the KCP and provided employees with information concerning airline safety and screening processes.

- 7f2.** Conduct CI and CT investigations, briefings and debriefings that detect, identify, deter, and neutralize threats to the KCP personnel, programs, resources and information.

Performance Assessment: The FM&T Counterintelligence Office substantially exceeded expectations by its current work on several active CI investigations. During FY05, the CI Office has provided numerous travel briefings, foreign travel debriefings, personal threat awareness CI/CT briefings and system administrator CI/CT briefings.

- 7f3.** Perform CI Information Technology (IT) activities to support the protection of the KCP's information architecture; deter, detect and neutralize technical attacks and collection directed by foreign intelligence and international terrorist elements against the KCP. Provide information systems and other technology-based tools required by CI personnel.

Performance Assessment: FM&T Counterintelligence has substantially exceeded expectations through the efforts of the CI Technical Expert (TE) who has provided CI briefings to 75 applications programmers and systems administrators concerning Foreign Nationals who provide technical support. The CI TE also led a team of IT Engineers during a cyber security assessment of the FM&T/NM operations. FM&T CI continuously provides DOE approved methods for detecting, deterring and neutralizing attacks, however, techniques, numbers of attacks and/or deterred or neutralized attacks are classified.

- 7f4.** Conduct effective training that ensures the KCP's workforce understands the foreign intelligence and international terrorist threat, possesses the requisite skills and knowledge to meet their responsibilities within the CI Program. Also ensure that CI personnel possess the training and education to meet and develop their skills requirements to an expert level.

Performance Assessment: FM&T Counterintelligence has substantially exceeded expectations by conducting CI and CT awareness briefings for all KCP employees, subcontractors and supported federal employees who travel internationally, or who host Foreign Nationals at the KCP or at offsite locations. The 2005 CI training plan for the KCP was submitted to DOE/NNSA HQ and was approved in December 2004. The FM&T CI Office has provided a total of 375 employees with threat awareness CI/CT briefings and provided CI information to the KCP security organization to be included in the annual comprehensive security awareness briefings for all KCP, KCSO and subcontractor employees.

Performance Objective 08: Facilities Management – Manage KCP and KO base facility operations and assure the basic infrastructure supports mission and regulatory requirements.
(Outstanding/93)

Performance Measures: NNSA will measure performance by FM&T's achievement of stated targets and compliance with requirements.

Performance Target: NNSA expects Honeywell to:

- 8a.** Effectively complete all Headquarters FY05 level 2 milestones for Facility Operations.

Performance Assessment: FM&T generally exceeded expectations by completing all HQ FY05 level 2 milestones as planned. Of particular interest, the KCP achieved mission-essential facilities availability 100% of scheduled days. During FY05, the KCP received no significant violations from environmental regulators. FM&T continues to effectively support all level 2 milestones.

- 8b.** Maintain an effective utilities management program for all utilities system operations and engineering activities under Honeywell's management control.

Performance Assessment: FM&T substantially exceeded expectations by effectively managing the utilities program during FY05. Major utilities systems were extremely reliable with an overall 99.9% operational uptime performance for chilled water, steam and electrical systems. Utilities improvement initiatives focused on development and implementation of a new process designed to improve communication protocols with production departments for utility system availability. Additionally, FM&T adopted Reliability Centered Maintenance (RCM) methodologies for maintaining utility systems. RCM preserves equipment and system design levels of reliability and safety by managing predictive, preventive and corrective maintenance for assets at a minimum practical cost. FM&T completed the FY05 update to the Utilities Management Plan on schedule in line with quality expectations to support the TYCSP submittal. FM&T also supported the NNSA Service Center's support services contractor by providing funds to secure electrical service requirements for the KCP.

- 8c.** Maintain a maintenance management program in accordance with the site specific maintenance standard.

Performance Assessment: FM&T substantially exceeded performance expectations. FM&T's maintenance program exceeded expectations by achieving outstanding performance ratings in equipment uptime and completion of corrective and preventive maintenance work orders. Strategic equipment uptime performance is currently being tracked at 98%. The on-time completion of scheduled preventive maintenance is 91%, which represents a 2% improvement over FY04. The on-time completion of corrective maintenance is 86%, which is consistent with the prior year's performance. FM&T also finalized the new FY05 Maintenance Standard in support of DOE O 430.1B, Real Property Asset Management. The FY05 Maintenance Standard incorporates process controls and requirements for Integrated Safety Management (ISM), deferred maintenance, sustainment, re-capitalization, and configuration management activities. Additional programs are also addressed in the new standard to establish FM&T's technical qualification program, computerized work control system, RCM, Lean Manufacturing Six Sigma, and Lessons Learned Process.

- 8d.** Identify and implement improvements to address work control and work planning weaknesses in maintenance operations.

Performance Assessment: FM&T generally exceeded performance expectations by focusing on improving safety processes in maintenance work control. FM&T improved high voltage work control processes by requiring all field changes be signed by the maintenance team manager or system owner, and the high voltage electricians performing the work. FM&T reevaluated and changed the confined space process requirements for work in HVAC plenums. FM&T identified 975 pieces of equipment that required an equipment specific Lock Out/Tag Out (LOTO) procedure. Some of this equipment is categorized as inactive because it is in storage or has not been used for an extended period of time. FM&T generated equipment specific LOTO procedures for active equipment and has implemented controls to not allow any work on inactive equipment until an equipment specific LOTO procedure is written. Performance metrics for FY05 indicate that 419,156 labor hours of planned work were successfully completed without any major impacts or incidents to safety or operations. Powerhouse and maintenance work has been safe and efficient as supported through equipment uptime, safety reports, and on-time completion of work orders.

- 8e. Maintain an Energy Management Plan that will accomplish the goals and requirements of the President's Federal Energy Efficiency Executive Order 13123 and demonstrate progress for meeting the goals and objectives of the Order.

Performance Assessment: FM&T generally exceeded expectations with a submission of the FY05 Energy Management Plan on schedule and an energy consumption reduction of 24.8% in comparison to the FY1990 baseline. The KCP is on track to meet the 25% energy reduction goal to the FY1990 baseline by FY2010. Significant energy savings have been realized from new energy efficient equipment that was installed as a part of FIRP projects. The new boilers and chillers installed over the last several years have a combined energy savings of approximately 59,012 BTU/year, resulting in a 6.6% total energy savings in FY05.

- 8f. Implement a rigorous telecommunications management program that ensures efficient management control of operations, design requirements, system documentation, change control and a process for assessment for the KCP's telecommunication system.

Performance Assessment: FM&T substantially exceeded expectations by effectively managing the telecommunication system and has demonstrated progress in enhancing the facilities telecommunications system capabilities. Specific areas of emphasis have centered on system configuration for secured communications and the development of a plan to move towards Voice Over Internet Protocol (VOIP) for communications in areas of the plant limited by trunk line capacity. Application of VOIP technology will provide telecommunications capability while avoiding the costs associated with design and construction of expensive cabling. The Telephone Service Management Plan updated during the 4th quarter documents the formal procedures and controls for telecommunication acquisitions, operations, maintenance, and configuration management system requirements.

- 8g. Develop FY05 FMS improvement initiatives by the end of the second quarter of FY05. Honeywell FM&T is expected to demonstrate progress in implementing the proposed improvement initiatives by the end of FY05.

Performance Assessment: FM&T generally exceeded expectations by implementing improvement initiatives for Facility Management Services (FMS) on schedule. Improvement initiatives for FMS were submitted on schedule for all business units inside the FMS organization. These were targeted at addressing infrastructure projects and facility operations related to scope, cost and schedule opportunities. FM&T successfully implemented a number of initiatives designed to improve operations. A significant activity was an organizational realignment designed to strengthen facilities engineering and maintenance operations. FM&T performed a number of self assessments in various departments of the organization to identify opportunities of improvements. One improvement resulted in increased operational efficiencies in the MAXIMO by utilizing resource leveling capabilities. Another improvement involved the development and use of handheld technology for use in the field where work is performed. Examples of this application are preventative and corrective maintenance work orders. FM&T also focused on improving customer communication, such as the implementation of weekly meetings for KCSO for General Plant Projects (GPP) and expense projects.

- 8h. Conduct a Real Property Asset Management program in accordance with DOE Order 430.1B (Planning, Documentation, Facilities Information Management Systems, Real Estate, Maintenance, Disposition and Long-Term Stewardship, and Value Engineering).

Performance Assessment: FM&T substantially exceeded expectations. FM&T updated and reported on all NNSA HQ FY05 deliverables for deferred maintenance, asset utilization index and actual maintenance expenditures in the DOE Facilities Information Management System (FIMS) database on schedule. The FY05 FIMS Quality Assurance Plan scheduled deliverables have been accomplished as planned. FM&T continues to provide resources to support real estate actions with the U.S. General Services Administration (GSA) involving the Bannister Federal Complex. FM&T also developed and submitted documents and drawings to support the NNSA Service Center's work with the City of Kansas City in the property exchange involving old 95th Street, Michigan Avenue and 95th Terrace. Additionally, a significant planning activity is under way at the Kirtland Operations (KO) facility for the Office of Secure Transportation (OST) sponsored Albuquerque Transportation and Technology Center (ATTC). FM&T coordinated the preparation of the detailed space requirements for OST and KO. These requirements were furnished to GSA for a third party-financed, designed and constructed facility that will result in an operating lease pending congressional authorization. FM&T changed the space utilization reviews process for the KCP and KO. The new space utilization review process will start in the first quarter of FY06.

Performance Objective 09: Effectively manage all aspects of the Facilities & Infrastructure Re-capitalization Program (FIRP). **(Outstanding/95)**

Performance Measure: FM&T's adherence to FIRP program initiatives and project execution.

Performance Targets: NNSA expects Honeywell to:

9a. Manage the FIRP program to meet all FY05 deliverables.

- 9a1.** Execute FIRP projects per the approved project authorizations, within cost, scope and schedule. Cost design and construction dollars at a minimum of 63% by the end of the fiscal year.

Performance Assessment: FM&T substantially exceeded performance expectations by effectively managing all aspects of the FIRP program. FM&T is recognized for outstanding performance for effectively executing FY05 Planning and Recapitalization projects. To date, all projects are on schedule and are being executed within authorized budgets. Designs for FY06 construction have been completed and one design is underway for FY07. The five construction projects awarded in FY05 are complete or are on schedule. The Trunked Radio Project reached the milestone for switchover to the new radio system and construction was completed in FY05. This was achieved without negatively impacting radio operations. FM&T will cost approximately 66% of their available authorization exceeding the FIRP program goal. An Independent Program Review of the KCP FIRP Program was conducted in May 2005. The execution of the program, with respect to cost estimating and risk analysis, was considered "Best in Class". The review team indicated the program was being executed in an outstanding fashion. FM&T is recognized for successful execution of the KCP FIRP program.

- 9a2.** Support the Ten-Year Comprehensive Site Plan (TYCSP) activities to ensure full integration with the NNSA Headquarters infrastructure assessment as required. In addition, ensure the appropriate vision for the KCP is identified incorporating future technologies, necessary line items, General Plant Projects (GPP) and infrastructure requirements. Submit the TYCSP on time and per the guidance necessary to obtain approval from NNSA.

Performance Assessment: FM&T substantially exceeded expectations. FM&T submitted the final FY06 TYCSP on schedule. The TYCSP was effectively coordinated and addressed all elements of the TYCSP guidance. FM&T worked closely with the KCSO in the preparation and development of the plan. This resulted in a comprehensive document that identified the future vision of the KCP including necessary technologies, line items and associated infrastructure requirements necessary to support the future requirements of the KCP.

- 9b.** Update the Deferred Maintenance Reduction Plan (DMRP), published in FY03, and reduce the deferred maintenance backlog in accordance with the plan contingent upon receipt of funding as identified in the plan.

Performance Assessment: FM&T substantially exceeded expectations. The DMRP was updated as part of the FY06 Maintenance Plan and submitted on schedule. The FY05 DMRP projected a Deferred Maintenance (DM) reduction of \$21.7 million. This consisted of \$19.5 million of DM reduction funded through FIRP and an additional \$2.2 million funded through RTBF. FM&T was successful in reducing the DM backlog in accordance with the plan by \$21 million despite a \$1 million reduction in FIRP funding, and delaying the execution of the Office Infrastructure project to FY06 in support of the Federal Small Business initiative. In addition,

FM&T was highly successful in increasing the RTBF component of DM reduction from \$2.2 million to \$4.6 million.

- 9c. Effectively partner with NNSA in small business procurements for FIRP projects without negatively impacting mission. This includes all of the functions typically performed by Honeywell FM&T except for awarding and administering the contract necessary to meet the NNSA small business goal of 5.5% of the total FY05 KCP FIRP dollars.

Performance Assessment: FM&T generally exceeded expectations. FM&T partnered with NNSA to award 10.7% of the total FY05 KCP FIRP dollars (\$15.9 million) to Small Business. This was achieved by the KCSO procurement of radios and radio equipment in the Trunked Radio Project. In addition, FM&T participated on a Six Sigma team to develop the process for solicitation and award of NNSA's Indefinite Delivery Indefinite Quantity contract to streamline the Federal Small Business award process. FM&T proactively identified issues and assisted the KCSO in the resolution of construction contractor qualifications, ES&H requirements, and change orders necessary for successful award and execution.

Performance Objective 10: Provide environmental, safety, health, environmental restoration, waste management and emergency management programs that protect people, property and the environment in accordance with all applicable laws, regulations, and orders. **(Outstanding/93)**

Performance Measures: NNSA will measure FM&T's achievements and programs to maintain a safe workplace.

Performance Target: NNSA expects Honeywell to:

- 10a. Maintain an effective ISM program in accordance with the FY05 ES&H Management Plan. Manage the closure of findings identified in the May 2004 DOE Office of Independent Oversight and Performance Assurance (OA) audit report per the approved final corrective action plan.

Performance Assessment: FM&T generally exceeded expectations. The FY06 ES&H Management Plan was submitted by Honeywell FM&T and approved by the KCSO. Honeywell FM&T continues certification under the ISO 14001 standard. Support from Honeywell FM&T to close findings from the OA audit continues with 53 of the 60 milestones closed to date. The supporting documentation to close these milestones is being submitted on or ahead of schedule.

An area of significant emphasis has been construction worker safety processes. FM&T/KC implemented a subcontractor badge process to ensure contractors cannot work on site unless they have the required site orientation training. FM&T/KC is implementing a new process that rates general contractors on safety performance. Additional improvements strengthened enforcement of existing safe work controls such as Area Hazard Analysis and Daily Hazard Analysis requirements, coordination with area users, permits, checklists, training and vehicle inspections.

While FM&T maintains a strong ISM program a few minor weaknesses have been noted:

- A failure to use ice cleats when walking on the roof in icy conditions resulted in an Occupational Safety and Health Administration (OSHA) recordable. Adequate investigation and corrective actions have been implemented.
- FM&T does not capture or prioritize all of the known ES&H deficiencies. Development of a comprehensive system is underway.

10b. Ensure safe operating conditions throughout the plant through the use of activities such as SHINE tours, safety committee meeting participation, safety and health evaluations, and certification in DOE's Voluntary Protection Program (VPP).

Performance Assessment: FM&T substantially exceeded expectations by proving its strong commitment to safety as evidenced by the safety performance rates.

Contractor	Total Recordable Cases (TRC)	Days Away From Work Cases (DAFWC)
FM&T/KCP	0.47	0.17
FM&T/NM	1.14	0.38
FM&T/KCP Subcontractors	4.94	0.99

The FM&T TRC rate is 89% better than the like industry standard and the KCP Construction Safety is 27% better than the general construction industry standard.

FM&T has maintained safe operating conditions throughout the plant by continuously improving the active safety systems. The Safety and Housekeeping Needs Everyone (SHINE) tours have continued, and, as a result of the observed improvement, FM&T was able to reduce the frequency of tours. The average score for the KCP has increased from 70% to 95% since the program was implemented in 2003.

FM&T/KCP ES&H is taking steps to:

- energize the safety committees and safety communications throughout the plant,
- provide management with timely safety messages and operations safety requirements,
- include line management and subcontractor involvement in the monthly ES&H Executive Committee Meeting.

FM&T/NM received their certification as a DOE VPP Star site in April 2005 and also supported the full implementation of their VPP program by developing the VPP Steering Committee and Occupational Safety Advocates to support the employee involvement tenet. These programs have been integrated with the existing safety programs such as B-SAFE, their behavior based safety program, and ESAP, the Environmental Self Assessment Program. FM&T/KC also received their DOE VPP Star recertification in May 2005.

FM&T continues to reach out to other locations both to learn from others and assist others. FM&T/KC participated in an Energy Facility Contractor Group (EFCOG) meeting discussing electrical safety, and ES&H held courses on the 2005 National Electrical Code National Fire

Protection Association (NFPA) 70 and the 2004 Standard for Electrical Safety in the Workplace NFPA 70E for various electrical staff.

- 10c.** Ensure appropriate level of environmental protection/pollution prevention as demonstrated by an effective environmental management program certified to ISO 14001.

Performance Assessment: FM&T generally exceeded expectations in this area. An ISO 14001 periodical audit was performed resulting in no findings, one positive observation, and several opportunities for improvement that are being evaluated for implementation. Environmental protection programs were effectively managed during the reporting period. There were no permit excursions or notices of violation related to plant production or maintenance operations.

FM&T has made several source reductions to reduce hazardous waste by equipment changes in plating departments. In addition, data from process chemistry improvements at the Industrial Wastewater Pretreatment Facility (IWPF) indicate a decrease in IWPF sludge, the single largest routine hazardous waste stream at the KCP. The amount of sludge generated in CY04 was 36,460 lbs, which is a 4% reduction from CY03 and an 80% reduction from CY1995. These process and equipment changes will continue to provide reduced waste generation for future workload increases. FM&T is recycling the IWPF sludge waste stream and will reduce the amount of waste by 18 tons per year.

Three inspections were performed by the regulators this year; two with no findings and one with three minor administrative findings. Since the completion of the Outfall 002 reroute system there have been two PCB exceedences. Negotiations with Missouri Division of Natural Resources (MDNR) continue on the Consent Judgment to eliminate non-compliance issues.

- 10d.** Ensure that ES&H operations support accomplish programmatic objectives including the Chronic Beryllium Disease Prevention Program (CBDPP) and Energy Employees Occupational Illness Compensation Program Act (EEOICPA).

Performance Assessment: FM&T has substantially exceeded expectations in health programs by:

- Making improvements to laser safety based on DOE HQ Special operations report.
- Improving the collection and handling of spent ammunition as well as improved cleaning processes in the Live Firing Range to reduce or eliminate potential associate exposure to lead contamination.
- Controlling potential exposure to beryllium by requiring specific protective measures for work in the Plant above the DOE Housekeeping Limit. Managing delays between scheduling and execution of decontamination of equipment identified as beryllium contaminated. Timely responses to frequent requests for beryllium sampling data. Making process improvements to increase awareness of the potential hazard posed by beryllium-containing components in purchased or manufactured parts.

- Providing Security Police Officers respirators for protection against potential nuclear, biological and chemical exposures, increasing the number of associates in the respiratory protection program by 30%.
- Increasing ergonomic awareness and hazard recognition in the general Plant population through high quality training, industrial ergonomic team initiatives, and the fielding of a voluntary self-assessment survey tool for associates working in office environments. As a result, over 100 ergonomic concerns were addressed during the fiscal year.
- An exemplary job in processing EEOICPA requests, monitoring and coordinating with the DOE Office of Worker Advocacy and Department of Labor.
- Implementing controls to reduce noise exposures in key operations and identifying necessary chemical and physical factor monitoring to assure the elimination of potential adverse occupational health effects.
- Responsiveness in coordinating with the KCSO to develop a path forward regarding decontamination and validation testing for beryllium surface contamination in GSA giveback space.

- 10e. Manage environmental restoration to meet milestones and activities outlined in the baseline approved by the KCSO. Implement timely and cost effective solutions to storm water PCB concerns.

Performance Assessment: FM&T substantially exceeded expectations in this area. The FY05 Continuing Resolution impacted funding received for the Environmental Restoration program for October through December 2004, yet projects in work prior to FY04 year-end were continued with no schedule delays. Only one new project release, the compliance-related storm water project, was authorized. Contracts were limited to funding required for only October through December 2004. With these criteria in place, no milestones were missed. Honeywell ended the year with 8% carryover. This is an acceptable amount of carryover per HQ Environmental Management (EM). This was accomplished by exceptional project management by FM&T and close working relationship between Honeywell, subcontractors, KCSO, EM, and NA-56.

FM&T/KC has implemented timely and cost effective solutions to storm water concerns at the KCP by innovative design of the Outfall 002 storm water base flow (i.e., non-precipitation event) diversion system. This system diverts base flows of approximately 5-7 gallons per minute in Outfall 002 to the Groundwater Treatment System which will result in no discharge except during rain events, significantly reducing the frequency of PCB permit limit non-compliances.

FM&T submitted to MDNR a draft statement of basis for the 95th Terrace Site. This will reduce the amount of time required before publishing the Statement of Basis and will result in a shortened time frame for completion of the 95th Terrace Site.

- 10f. Implement an Emergency Management Program consistent with the NNSA approved operating requirements.

Performance Assessment: FM&T generally exceeded performance expectations for the current emergency management program. A cost effective Emergency Management program has been implemented based on the KCP site hazard level. This was accomplished through a Necessary

and Sufficient standards selection process. FM&T/KC assisted DOE HQ and the Federal Bureau of Investigation (FBI) exercise planners in developing and conducting a Silent Thunder exercise with a site-specific scenario. The Fire Protection Department continues to provide inspection, testing, and maintenance and emergency response programs for fire, emergency medical, hazardous materials, and confined space rescue.

FM&T has maintained a zero loss rate in its facilities since 1996. As a result of a life safety study, an open life safety issue for a plant basement area was addressed and corrected using an innovative approach. The NNSA Service Center granted an equivalency resulting in a significant cost avoidance which saved approximately \$1 million and allowed occupancy much earlier than originally planned.

Performance Objective 11: Provide effective project management for construction projects.
(Good/89)

Performance Measure: NNSA will measure FM&T's adherence to project milestones and completion of each project within cost, scope and schedule.

Performance Target: NNSA expects Honeywell to:

- 11a. Successfully manage the Stockpile Management Restructuring Initiative (SMRI) project within cost and scope, meet FY05 milestones as identified in the current project baseline, and manage baseline changes as appropriate.

Performance Assessment: FM&T generally met expectations. The SMRI project was completed after the project was re-started following a baseline change to delete scope from the project. Scope was deleted from the project due to cost management problems experienced in FY2004. Lessons learned from the cost management problems were identified and effectively incorporated into the project, preventing recurrence of the problems. After the re-start, Honeywell FM&T implemented proactive measures such as; daily meetings with the construction contractor and the KCSO, minimizing Time and Material contracting, and expediting completion of Critical Decision (CD) 4 items. Honeywell FM&T has made many process improvements as a result of problems experienced in the execution of SMRI. Of primary note is the timely sharing of information with the KCSO and a partnership in identifying and resolving problems proactively. Honeywell FM&T has worked with the KCSO to expedite the planned exchange of space with the GSA which will enable the area to be ready for GSA to lease the space by the end of FY06. This will eliminate NNSA from having to lease this space for up to five years.

- 11b. Meet FY05 Gas Transfer project schedule deliverables, including capital equipment procurement and installation, per the baseline schedule.

Performance Assessment: FM&T substantially exceeded expectations and has effectively supported project execution for the Gas Transfer line item during FY05. The project is currently 83% complete, 1% ahead of schedule, and 11% under budget. Two five-axis machining centers originally ordered from Japan were cancelled due to an export license restriction. FM&T

developed a workaround and placed an order for a single machining center from a European vendor. Revisions to the Master Nuclear Schedule allowed the reduction in machining capacity. A Baseline Change Proposal was approved in August 2005, extending the project schedule by 14 months while maintaining the original cost baseline. Project completion is scheduled for January 2007, allowing for delivery and installation of the new machining center. All other capital equipment installations are complete. The construction portion of the project was completed in October 2004, four months ahead of the baseline schedule.

- 11c.** Successfully manage construction line items, general plant projects (GPP), authorized expense projects and capital equipment procurement and installation.

Performance Assessment: FM&T substantially exceeded expectations. FM&T has effectively supported development of the Replace Main Switch Gear line item project and is scheduled for CD-1 approval in early FY06. FM&T worked effectively with the KCSO and the Corps of Engineers in developing alternatives for the Conceptual Design Report and identifying the preferred alternative. A joint KCSO-FM&T team developed the risk assessment and routing options for cable to the new switchgear and the location of the new switchgear. FM&T provided a technical solution to separate GSA and NNSA loads. The NNSA switchgear will be the only interface with the utility company. There has been good communication, coordination and partnering with the Federal Project Director.

The Computing Facilities line item received CD-0 in February 2005. FM&T effectively teamed with KCSO personnel. Development of a Conceptual Design Report (CDR) for the project is underway. A consulting firm with significant computing facility design experience was contracted to assist with the preparation of the CDR.

GPP and expense projects have demonstrated improved performance during FY05. Additional planning and formality have been applied in the execution of all authorized projects. Risk assessments are now completed on all GPP and expense projects. FM&T has initiated a weekly GPP and Expense review meeting for the mutual benefit of the FM&T and KCSO staff. The monthly Project Status Report (PSR) has been expanded for GPP and expense projects to provide additional information and has significantly improved. In addition, FM&T initiated Voice of the Customer (VOC) that allows direct customer feedback on all issues of project execution.

- 11d.** Demonstrate improved project management skills of the core staff.

Performance Assessment: FM&T generally exceeded expectations. FM&T has improved the communication, planning and rigor in the execution of their projects. Significant improvements have been noted in project planning, project controls and project execution. Approximately five FM&T and Facility Engineering Service (FES) individuals have received certification as Project Management Professionals by the Project Management Institute. Training in Earned-Value Management Systems (EVMS) has been provided and FM&T is on schedule for a HQ EVMS certification review in April 2006. A plant-wide initiative, Excellence in Project Management, provided additional training for facility project managers. FM&T is in the process of establishing minimum requirements for Project Manager's in terms of experience, training, and skills necessary to be assigned this leadership position.

- 11e. Expand the project network schedule (and cost activities where applicable) in the monthly Project Status Report (PSR). This should include, at a minimum, level 4 activities for construction and level 5 for capital equipment on all authorized KCP and KO projects \$500,000 or greater.

Performance Assessment: FM&T generally exceeded expectations. FM&T expanded the project network and is providing additional information to level 4 activities for construction and level 5 for capital equipment. Improvements have been incorporated into the PSR and visibility of issues and construction contractor schedules has improved. The PSR provides increased visibility of future milestones, issues or concerns and addresses these proactively. Expanding the PSR meeting has improved communication with the KCSO and other customers.

- 11f. Incorporate project milestones, project phasing and critical procurement / long lead items into the project schedule.

Performance Assessment: FM&T generally exceeded expectations. FM&T has improved tracking and visibility of equipment and services that have a critical impact to project schedule and cost performance. Incorporation of these items along with project milestones and project phasing has improved visibility in the overall project schedule.

- 11g. Complete the development and implementation of a Lessons Learned Program for Facilities Engineering.

- Expand the existing Lessons Learned (LL) database to incorporate "coding structures" to assist in organizing and extracting appropriate LLs for use in various aspects of work. FM&T shall benchmark "best-in-class" organizations to develop an effective model for plant-wide applications.
- Initiate steps, based on evaluation, to incorporate necessary programming or software to efficiently provide access and data retrieval in a timely manner. The interface shall be web-based.
- Define and create an administrative control process to populate and maintain the LL input into the database, in a timely manner, with examples which include positive and negative historical results.
- Define and implement a process, with a graded approach, to use the LL in design and construction work practices. This Facilities LL database shall be cross-linked to the Risk Assessment process in current use.

Performance Assessment: FM&T generally exceeded expectations. FM&T completed benchmarking, contracting for the development of software, and expanding a Lessons Learned database within the facilities organization. Benchmarking was completed by comparison to Lessons Learned systems maintained by organizations considered to be "best-in-class". FM&T has adopted the Lessons Learned database developed in the facilities organization as the model for Excellence in Project Management (EIPM) and Learning Enterprise (LE) initiatives. It provides coding structures for ease of data retrieval. A team has been formed to simplify collection of Lessons Learned, improve visibility of the system, and incentivize the plant

population to utilize the information. FM&T is evaluating improvement activities to enhance identification of root cause and corrective actions.

In addition to performance against the PO11 targets identified above, the following observations were noted during the performance period which had a direct effect upon meeting the performance objective, but were not directly related to the stated performance targets. The observations are addressed below.

1. Three near-miss incidents occurred during this reporting period. FM&T has identified and implemented corrective actions to prevent recurrence. The incidents occurred during roofing operations at the Manufacturing Support Building (MSB) and the renovation of Patrol Headquarters. These incidents exposed the Kansas City Plant and construction personnel to hazards with potentially serious impacts to workers.
2. There has been a noticeable improvement in the rigor and control with which construction projects are executed. Additional improvements focused on expanded use of risk analysis, improved project planning and project controls, improvement to the underground excavation and permitting process, establishment of a heavy load movement control process, and training focused on improving project management skills have been noted. These changes are leading to improved communication, increased formality and improved performance.

Operations Performance Area Summary

<u>Performance Objectives</u>	<u>Weight</u>	<u>Grade/Score</u>	<u>Weighted Rating</u>
PO 07 Security & Counterintelligence	(20%)	Outstanding/93	18.60
PO 08 Facilities Management	(20%)	Outstanding/93	18.60
PO 09 Facilities & Infrastructure Recap. Program	(20%)	Outstanding/95	19.00
PO 10 ES&H and Emergency Management	(20%)	Outstanding/93	18.60
PO 11 Project Management for Construction	(20%)	Good/89	17.80
Composite PO Rating			92.60
Other Considerations			
Performance Area Rating			92.60

Summary of Performance Metrics

Performance Area: Mission
Performance Area Award Fee Weight: 40%

Performance Area: Mission

Adjective Rating/Score
(Outstanding/93.20)

Performance Objectives

PO 12 DSW Execution Plan (25%)
PO 13 Quality Improvements (20%)
PO 14 Campaigns (10%)
PO 15 OST Support (10%)
PO 16 LEP Cost Management (10%)
PO 17 Reservoir Support (5%)
PO 18 Technology-Based Innovation (5%)
PO 19 Nuclear Non-Proliferation Support (5%)
PO 20 Surrogate Material Management (5%)
PO 21 COTS Management (5%)

Performance Based-Incentives

PBI 04 OST Overall Requirements	\$1,500,000
PBI 05 Quality Performance Index	\$2,000,000
PBI 06 Ship Quality	\$3,000,000
PBI 07 Plant Responsiveness and Productivity	\$1,000,000
PBI 08 Development Yield Improvement	<u>\$500,000</u>
Total Mission PBIs	\$8,000,000

Performance Objective 12: Effectively maintain optimum delivery performance of products produced at the KCP in accordance with NNSA directive guidance documents and achieve FY 05 performance targets to support Stockpile Maintenance, Stockpile Evaluation, and Production Support as identified in the FY 2005 KCP Directed Stockpile Work (DSW) Execution Plan.
(Outstanding/97)

Performance Measure: NNSA will measure the successful completion of Honeywell's performance for on-time deliveries of directive schedule weapons components and special production weapon components scheduled as viewed at each month end and all milestones in the FY 2005 KCP DSW Execution Plan.

Performance Target: Deliver directive schedule weapon components and special ship requirements and accomplish all milestones within budgeted targets and provide effective program management to assure Campaign and RTBF activities are integrated to support DSW.

Performance Assessment: FM&T substantially exceeded expectations. FM&T's on-time delivery of directive schedule and special production weapon components was 99.93% (154,991 pieces shipped/155,104 pieces scheduled). There were no Ultimate User (UU) misses in FY05.

FM&T also successfully completed the FY05 performance targets identified in the FY05 KCP Directed Stockpile Work and Campaigns Execution Plan. Of the 106 mission critical elements targeted for completion in FY05, 97% (103) were completed on or ahead of schedule leaving three (3%) Level III Milestones incomplete. In regard to the milestones not completed, two were rescheduled and one was cancelled due to weapon program changes.

Performance-Objective 13: Focus on systemic quality issues in the plant while preparing for the Life Extension Programs (LEPs). **(Outstanding/95)**

Performance Measures: NNSA will measure FM&T's achievement of stated targets.

Performance Targets: NNSA expects Honeywell to:

- 13a. Design Guides – Create and publish additional design guides to strengthen an understanding of capabilities with the design agencies

Performance Assessment: FM&T substantially exceeded expectations with the publication of 12 design guides versus the goal of eight for an outstanding level of performance. Seven of the guides address electronics operations, four address mechanical operations and the remaining guide addresses materials. The selection of the processes was based on the significance to product quality. The total number of guides available on the KCP portal is now 32, allowing the design agencies to develop product designs that are highly producible. Specific examples include frequent use of the product cleaning guides to define the best cleaning approaches for various product lines and a stronglink design change from one metal to another based on the capture of welding issues for that material in the guide.

- 13b. Communicate with Operators through standardized and improved work instructions and train process engineers in improved and standardized processes.

Performance Assessment: FM&T substantially exceeded its expected performance by completing the activities three months ahead of schedule for an outstanding level. All identified personnel, 120, were trained in six classes held for Communicating with Operators, before December 19, 2004. By the end of the rating period, FM&T released 100 new work instruction systems to the plant. The new work instruction system is video based, allowing the operators to see the required assembly rather than just reading instructions. A staff of technical writers is assuring the new instructions are consistent in scope and quality, thus improving the communications between the process engineers and the operators. An aggressive approach to finalizing as many new work instructions as soon as possible was taken with a total of 300 more work instructions in draft for release to the plant early in the next rating period.

- 13c. IPDS – Finalize and implement changes in Command Media as early as possible in FY05.

Performance Assessment: FM&T substantially exceeded expectations as it institutionalized its command media work instruction for implementing the Integrated Product Development System (IPDS) in the second quarter, meeting the schedule for an outstanding level of performance. FM&T trained its project leaders on the use of the phase-gate system in March 2005. The IPDS dashboard was released on the FM&T intranet to provide a ready means for managers to determine the status of a project.

- 13d. IPDS/Phase Gates – continue implementation of IPDS by finalizing a phase gate form in the first quarter of FY05 and implementing a sufficient number of reviews.

Performance Assessment: FM&T substantially exceeded expectations by performing nine phase gate reviews versus the goal of seven for a good level of performance, just under the outstanding level of 10 phase gate reviews. A pilot group of nine projects began using the IPDS phase-gate system in April 2005. The phase gate review process was also adapted to new business where 17 gate reviews were performed.

- 13e. Upgrade the current Non-Conforming Reports (NCR) System as defined by reducing the number of steps required to create an NCR. Establish a baseline by 10/01/04 and implement improvements against that baseline.

Performance Assessment: FM&T substantially exceeded expectations. FM&T has acquired a Beta version of the upgrade to the current Nonconformance Report (NCR) System and began testing its software quality assurance in July 2005. A 70% reduction in the number of steps required to create an NCR from a baseline of 7,709 steps for a representative group of NCR's has been calculated with the new system. This exceeds the outstanding level of a 50% reduction. Release of the new software has proven to be a challenge for the supplier's software programmers as FM&T has placed significant internal resources into assuring the final version has no issues that will detract from its effective use within the KCP. The final version is scheduled for release in early FY06.

- 13f. Increase the percentage of NCRs created at non-inspection operations (Monitoring "M" operations will be excluded from this measurement). The improvement target will compare fourth quarter FY05 actual data to fourth quarter FY04 actual data.

Performance Assessment: FM&T substantially exceeded expectations as it increased the percentage of non-inspection NCR's to 36% from the FY04 baseline of 19%. The 36% matches the goal of 36% for a good level of performance. The use of the NCR HINTS (Help in Navigating Software) has assisted manufacturing personnel in completing the NCR form as several hundred associates have used HINTS 636 times to obtain information related to writing NCR's.

In addition to performance against the P013 targets identified above, the following observation was noted during the performance period which had a direct effect upon meeting the

performance objective, but was not directly related to the stated performance targets. The observation is addressed below.

A quality management assessment (QAS 1.0) was conducted on FM&T in July 2005. FM&T was rated full performance (outstanding) in two areas, managed performance (excellent) in 14 areas, compliant in six areas, and non-compliant in three areas. The rating was the highest rating given of any of the five contractors assessed in FY2005 as demonstrated by no other contractors, except one, receiving any "full performance" ratings. The survey indicated that FM&T's performance in compliance with QC-1, Revision 10, is exemplary when compared to other contractors in the NWC.

Performance Objective 14: Effectively support NWC mission requirements through effective prioritization and accomplishments of tasks associated with KCP engineering and readiness Campaigns and the Modern Pit Facility initiative. **(Outstanding/93)**

Performance Measure: NNSA will measure FM&T's completion and or delivery of all KCP milestones within Campaign Plans and Modern Pit Facility resulting from the final FY05 Budget Appropriation.

Performance Target: NNSA expects Honeywell to integrate DSW milestones into Campaign (ADAPT, Enhanced Surveillance, and Non Nuclear Readiness) deliverables, considering criticality of the product, capability, or capacity to meet weapon program requirements. Effectively manage uncosted balances. Actively support all milestones, deliverables and planning required supporting the Modern Pit Facility initiative.

Performance Assessment: FM&T substantially exceeded expected levels of performance. Campaigns funded activities for 67 Six Sigma projects resulted in validated cost savings of over \$7.3 million. The Readiness Campaign programs were executed to within 5% of the planned cost for FY05. FY05 and 06 projects aligned with current and future DSW requirements. Projects use a "deployment agreement," which provides details of the "hands-off" agreement between Campaign development activities and the appropriate customer (DSW, RTBF, Surveillance).

FM&T achieved FY05 Readiness Campaign milestones, on time, in support of DSW schedules. Major activities were development and optimization of manufacturing processes that met the schedules of W76-1 and W80 LEPs and DSW base workload. Examples are:

- Reservoir production readiness focused on creating a training area for uncleared machinists. This area allows machinists to be trained even while awaiting their security clearances, which will save valuable time when LEP production begins. All milestones associated with this project have been met to ensure successful convergence with the first production unit schedule for reservoirs.
- W76-1 - Fabrication and testing of 20 MC4709 Terminal Protection Device assemblies was performed to determine if the surface mount version can become the baseline, and the first group of W76-1 Firing Set housings was produced using near-production processes.

- W80 - Numerous challenges were overcome with W80 materials, including new technologies, unique tooling development and development of atypical manufacturing processes. Significant progress was made in making production processes for WR activities more stable, less costly, and repeatable.
- FM&T designed and developed a suitcase tester capable of communicating with legacy coded switches.

FM&T achieved FY05 Enhanced Surveillance (ES) milestones in support of laboratory stockpile assessments. Examples are:

- Two high explosive radio telemetry units were delivered to LANL for a flight test.
- FM&T provided a Detonation Sensing Assembly which supported LLNL's flight test. The design improvements are expected to significantly reduce the time and cost of producing hardware, while improving yields and reliability.
- Long-term materials aging studies continue to provide valuable data to LANL, LLNL and SNL.

FM&T achieved FY05 milestones for the Modern Pit Facility (MPF) initiative. FM&T actively participated in the Leadership and Technology working groups evaluating MPF requirements documents and participated in design reviews. FM&T partnered with LLNL to design and provide improved casting dies and supported SNL's nonnuclear studies.

Performance Objective 15: Manage all Honeywell FM&T/NM business to achieve optimum support to the NNSA/Office of Secure Transportation (OST) and the national laboratories.
(Outstanding/95)

Performance Measure: NNSA will measure the completion of work in accordance with OST Task Agreements and other reimbursable agreements.

Performance Targets: NNSA expects Honeywell FM&T/NM to:

- 15a.** Achieve at least 97% on-time delivery performance for FM&T/NM reimbursable projects against commitments of reimbursable orders.

Performance Assessment: FM&T/NM substantially exceeded NNSA's goal of 97% on-time delivery with a 99.8% on-time ship performance.

- 15b.** Deliver goods and services as required by customers, including but not limited to, National Laboratory Reimbursables, OST technical documents and facility support [Relay Station, Mobile Electronic Maintenance Facility (MEMF) and Transportation Emergency Command Center], engineering products, training products, training exercises, and depot transactions.

Performance Assessment: FM&T substantially exceeded the above performance target and continues to delight their customers. Required products and services were delivered to OST, the

Los Alamos, Sandia and Lawrence Livermore National Laboratories, and other customers. Despite the for-cause termination of a Special Response Vehicle 4 (SRV4) sub-contractor and challenges with another Special Response Vehicle 3 (SRV3) vendor, FM&T/NM successfully met OST schedule and quality requirements. They additionally provided vital last-minute development coordination and procurement services for the prototype Special Response Vehicle 5 (SRV5), supporting a vital Design Basis Threat initiative and helping the OST customer avoid an end-of-year loss of financial resources. Several OST projects were completed below budget by a total of \$959,000, allowing OST to reallocate funding to other critical activities. In addition, FM&T/NM conducted special topics training for OST and provided technical support for three Agent Candidate Training Classes, numerous Joint Training Exercises, Operational Readiness Training exercises, and Special Response Force training.

- 15c.** Provide effective management and appropriate levels of resources to maintain administrative, web-based, and engineering systems in support of the OST mission consistent with the available OST directives and budget levels. Specific deliverables will be documented in the FY05 OST Task Order Agreements.

Performance Assessment: FM&T generally exceeded expectations. FM&T/NM had seven task order agreements for FY05. Development of a new baseline for a hardened server operating system is on target, security testing for the new production server was completed, timely OST-Web updates were accomplished, and system enhancements and security improvements were completed. FM&T/NM has also developed and delivered new software applications and enhancements that support the need-to-know distribution of information to OST sites, the documentation and correlation of observed suspicious activity incidents, and the OST mission planning and scheduling. In addition, FM&T/NM developed training modules which were well received.

- 15d.** Manage and ensure the electronic systems of all convoy vehicles are fully operational and ready for use prior to each scheduled convoy deployment.

Performance Assessment: FM&T substantially exceeded expectations. FM&T/NM successfully supported all customer expectations for the test, preparation and preventative maintenance for OST convoy vehicles assigned to the OST Agent Operations Western Command, supporting 94 operational deployments. FM&T also provided the initial inspection of the electronic system installations for 26 vehicles. In addition, they provided emergency repairs for two deployed escort vehicles on very short notice, enabling an operational convoy to expeditiously complete its mission meriting specific commendation by the customer.

Performance Objective 16: Provide leadership for the management of cost targets and the application of improved cost management processes within the W80 and W76 Life Extension Programs (LEPs). **(Outstanding/95)**

Performance Measures: NNSA will measure Honeywell's ongoing performance in the establishment and management of W80 and W76 LEP cost targets and improved cost management.

Performance Target: NNSA expects Honeywell to manage W80 and W76 LEP programs within program and fiscal year cost targets established by respective Cost Control Boards (CCBs).

Performance Assessment: FM&T substantially exceeded expectations for cost control for the W80 and W76 LEP. Approximately \$340 million of Life of Program savings for the W80 program was identified since the baseline was established. FM&T provided outstanding leadership and management of the W80 cost control board and was effective in driving cost savings. A process was developed to itemize and document specific actions, evaluations, and implementation plans to continue to reduce costs and achieve targets. FM&T continues to manage the costs of the program while dealing with challenging classification issues and changes to production cost methodology.

The unit cost to the Navy for the W76 LEP is overall \$3,920 below target and Production Engineering (PE) and Tooling costs are also below target. Unit costs for the stronglinks exceed their combined unit cost targets by \$1,582 and PE and Tooling costs are presently above target. The CCB continues to look for opportunities for cost savings and is on target to manage to the FY05 Selected Acquisition Report (SAR) budget. The discipline of the cost targets is driving FM&T to execute some FY06 purchases in FY05. This will ameliorate the effects of a tight funding environment in FY06.

Performance Objective 17: Support reservoir production and improve quality levels.
(Outstanding/90)

Performance Measure: NNSA will measure FM&T's ability to maintain the reservoir manufacturing department performance at FY04 levels, increase productivity and expand Lean practices during a highly disruptive facility expansion project.

Performance Targets: NNSA expects Honeywell to:

- 17a.** Maintain FY04 performance levels for the following measures: Yield, QAIP/IMR (Customer Escapes), Cycle Time, and Unadjusted Ship during the GTS Expansion Project.

Performance Assessment: FM&T substantially exceeded expected levels of performance by outperforming the high performance levels in FY04. The reservoir production performance metrics were all at or exceeding their goal during a disruptive facility expansion project:

- Yield was 94.6% against a high standard of 94.5%.
- Quality Assurance Inspection Procedure/Incoming Material Report (QAIP/IMR) was two against a goal of no more than two a year
- Actual versus Planned Cycle Time ratio was 1.33 against a goal of 1.36 or lower and Unadjusted Ship was 99.95%, against a goal of 98.5% or higher.

- 17b.** Create and analyze product/process map for Mill and Tum cell, develop an improvement plan, and execute improvements.

Performance Assessment: FM&T generally exceeded expected levels of performance. FM&T completed the Product/Process Matrix, which was used to determine new strategies for division of work within cells and alignment of products based on process flow. A "rough turn cell" was created that improved throughput and setup times on mock pits, mill parts and index parts on W76, W80 and W88 product. Procurement and implementation of quick change tooling and the repositioning of tools in the turrets resulted in a 50% reduction in tool setup time. The decrease in setup time and use of Quick Change tools increased yield and reduces Cost of Nonconformance (CONC).

- 17c. Create a new productivity measure. Measure performance in the first half of FY05. Show improvement in the second half of FY05.

Performance Assessment: FM&T substantially exceeded expected levels of performance. The baseline product output per person ratio was established during the first half of FY05. Second half productivity increased by 8%, which resulted in over \$94,000 of increased productivity. Productivity improvements were achieved through process improvements, standardization, cross training, reallocating associates and maintenance scheduling.

Performance Objective 18: Demonstrate innovation in more effectively supporting the KCP and NNSA mission with special focus on a responsive infrastructure. (Outstanding/92)

Performance Measure: NNSA will measure FM&T's degree of innovation demonstrated through the Target initiatives below.

Performance Targets: NNSA expects Honeywell to develop and implement an integrated and balanced strategy for investing Campaign, Plant Directed Research and Development (PDRD) and institutional resources to ensure the long-term vitality of the KCP technology base to support the NNSA mission and emerging national needs. Areas of specific emphasis are as follows:

- 18a. Foster active participation in the broad scientific community. Present technology advances in outside technical publications. Maintain strong base of patent disclosures. Leverage unique KCP expertise and capabilities to develop strategic collaborations with other national laboratories, industry, and academia.

Performance Assessment: FM&T substantially exceeded expectations and was active in outside technical organizations in the areas of ceramic packaging of electronic components, dimensional measurements, and high performance computing. In FY05, 26 invention disclosures were made and four patents were issued. There were 109 technical publications in FY05 which was similar to FY04.

During the reporting period, FM&T actively collaborated with equipment manufacturers, academic researchers, and other national laboratories, specifically in the areas of virtual reality, model based design, and ceramic capacitors.

18b. Meet the parameters of a technology driven responsive infrastructure outlined in the NNSA Applied Technology Roadmap. Specifically demonstrate progress in establishing a long term plan and project to:

- Enhance usage of flexible, agile manufacturing;
- Increase usage of model-based design and development;
- Enhance product realization business systems for a responsive, integrated enterprise; and
- Develop an adaptable, knowledgeable workforce.

Performance Assessment: FM&T substantially exceeded expectations. FM&T was active in guiding the development of flexible, agile manufacturing through their participation in the Digital Radiography Thrust Team and the Agile Machining and Inspection Thrust Team. The team visited NWC sites to identify technology gaps and areas to be addressed to improve manufacturing responsiveness.

Model based design and development initiatives included the use of factory instructions to improve quality and reduce cycle time and three dimensional mechanical and electrical models to verify fit and function.

Product realization business systems were enhanced. One example is FM&T and SNL partnered to implement a Bill of Material process which improves product definition and expedites the evaluation.

FM&T made improvements to make the workforce more knowledgeable and adaptable. They trained 156 process engineers to improve their written communications skills in documents utilized by operators, such as Manufacturing Execution System (MES) factory instructions, general process instructions, and process engineering specifications. In addition, a common project management process was implemented to improve workforce project management skills.

FM&T also contributed to the NNSA's Responsive Infrastructure team, providing recommendations which will aid in making the NWC more agile, flexible, cost efficient and responsive.

18c. Continue FM&T's progress to lead the NWC in initiatives such as Campaign, PDRD, Knowledge Preservation, and innovative applications of digitization.

Performance Assessment: FM&T generally exceeded expectations. FM&T presented at the first complex-wide Plant Directed Research and Development (PDRD) Year End Review November 1 & 2, 2004, at Y-12. FM&T's projects were viewed as well managed. Also, during FY05, the FY05 PDRD Proposed Projects were reviewed and concurred with by the PDRD manager (NA-123) and approved by the KCSO.

FM&T has completed nine knowledge preservation planned projects this year. In addition FM&T is providing support to other sites in utilizing the FM&T knowledge preservation approach. FM&T is using digitization to improve work instructions using color drawings, animation, and videos to help operators in assembly.

- 18d.** Develop enhanced or new capabilities in 5 of 14 technology areas listed in the most recent KCP Technology Plan. The capabilities will utilize concepts from outside the NWC that will drive the KCP to improved technology implementation.

Performance Assessment: FM&T substantially exceeded expectations by developing enhanced or new capabilities in 11 of the 14 areas in the FY05 KCP Technology Plan. These areas were: Embedded and Application Software, High-Voltage/Pulsed Power, Information Systems, Miniature Electronics, Rapid Build, Science-Based Manufacturing, Radio Frequency (RF)/Microwave, Specialty Materials and Processes, Telemetry and Sensing Systems, and Testing Systems/Suites. FM&T also exhibited additional advancements in science-based manufacturing, testing systems, microelectronics assembly, and radio frequency/microwave technologies.

- 18e.** Demonstrate use of High Performance Computing technology to evaluate physical perimeter locations for vulnerabilities.

Performance Assessment: FM&T generally exceeded expectations by using High Performance Computing technology to evaluate the physical perimeter of the KCP. FM&T evaluated the adequacy of KCP's fencing system, concrete barriers and height restrictors in protection against various vehicles. A PDRD project has been established to extend the current simulation tool set and use new coding techniques in a cluster computing environment to analyze vulnerabilities.

Performance Objective 19: Provide effective support to NNSA's Nuclear Non-Proliferation Program. **(Outstanding/92)**

Performance Measure: NNSA will measure FM&T's performance against the targets.

Performance Targets: NNSA expects Honeywell to:

- 19a.** Conduct 100% review of U.S. missile technology exports for proliferation concern.

Performance Assessment: FM&T substantially exceeded expectations of NNSA HQ export control management in support of nonproliferation efforts. FM&T technical staff performed 280 export license reviews during FY 2005 with 100% on time. As a result of their performance and demonstrated expertise in export reviews, NNSA requested FM&T develop a course, "Fundamentals of Missile Technology Relevant to Dual-Use Export Controls," as a joint project with SNL. FM&T successfully provided a dual-use export technology proposal in support of the Wassenaar agreement. In addition, an FM&T missile expert was loaned to HQ for one year in support of missile export technology.

- 19b.** Support and carry out Russian Transition Initiatives (RTI) activities, including commercialization efforts in the former Soviet Union, downsizing the Russian nuclear weapons complex, and creation of business opportunities for displaced

weapons workers. Ensure data integrity in the Initiatives for Proliferation Prevention (IPP) project database with quarterly updates of financial and technical data of ongoing IPP projects. Ensure that IPP and Nuclear Cities Initiative (NCI) project expenses are allocated appropriately between Russian (or Ukrainian) recipients and expenses at the KCP.

Performance Assessment: FM&T generally exceeded this performance target by managing four active projects with one project ready to start, pending funding. The active projects engage over 200 former Soviet Union weapons workers in sustainable non-weapons work. The IPP project database is current and project expenses are consistent with the NNSA mandated 70%-30% Russian/FM&T funds allocation.

FM&T is also supporting Global Initiatives for Proliferation Prevention (GIPP) to expand work in other nations where there are proliferation concerns. Based on past performance, NNSA requested FM&T be part of a delegation to Libya in November 2005. The intent of the delegation is to develop an infrastructure to redirect and train engineers, technicians and scientists throughout the region to non-weapons related jobs in the areas of manufacturing, gas, oil, and nuclear medical industries.

- 19c. Support the Department of Defense (and other Federal Agencies as appropriate) nonproliferation/homeland security efforts through Work for Others and through partnering for mutual technology support and development.

Performance Assessment: FM&T substantially exceeded expectations in supporting DOE and other Federal Agencies. They continue to effectively support ongoing projects with the Defense Threat Reduction Agency (DTRA) Combat Support Directorate. DTRA recommended FM&T for work for the Department of Army's Edgewood Chemical Biological Center (ECBC). FM&T provided electronic circuit assemblies for a device designed to delineate areas of contamination or other threats and another device for chemical agent collection and transfer for chemical/biological detection. DTRA is developing additional projects for FM&T.

Customer feedback from other agencies indicates they are very pleased with FM&T performance and are planning additional work at FM&T.

Performance Objective 20: Manage Surrogate Material component pre-production activities at FM&T to mitigate the risk of impact to the B61 ALT 357. (Outstanding/90)

Performance Measure: NNSA will evaluate how effectively Honeywell manages Surrogate Material process development, process qualification, and budgets to support the schedules of the B61 ALT 357.

Performance Targets: NNSA expects FM&T to:

- 20a. Develop and characterize processes required for rate production of critical components. Processes include drying, machining, packaging and inspection.

Performance Assessment: FM&T substantially exceeded expectations. FM&T took on a significant high-risk challenge as part of the B61 ALT 357 Product Realization Team. FM&T supported collaboration among a multi-discipline team of experts from KCP, LANL, and Y-12 to characterize surrogate material and achieve production rate quantities. The team's successful characterization efforts identified that the component design was not sufficiently robust to meet requirements given the unstable surrogate material properties. This resulted in the elimination of the surrogate material for use in the B61-7 and the need for a component redesign if the material was to be used in the B61-11.

- 20b.** Document all activities associated with Surrogate Material production to demonstrate production readiness.

Performance Assessment: FM&T substantially exceeded expectations. FM&T documented development process and inspection data associated with surrogate material. In addition, the characterization team's results noted in 20a. were published. FM&T no longer has this mission assignment, however, processes and work instructions have been documented to support production rate quantities should the decision be made to incorporate surrogate material components into the B61-11.

- 20c.** Manage process development and pre-production activities within integrated contractor order (ICO) production budget constraints.

Performance Assessment: FM&T substantially exceeded expectations. Process development and pre-production activities, including the material characterization study, were managed effectively within the integrated contractor order budget. Of the ICO funds allocated, 95.4% were spent in FY05.

Performance Objective 21: Procure and qualify commercial off-the-shelf (COTS) components to support the W76-1 and W80-3 Life Extension Programs (LEPs). **(Outstanding/94)**

Performance Measures: NNSA will evaluate Honeywell performance in areas of program coordination and the procurement and qualification of COTS component parts identified in W76 and W80 LEP system designs.

Performance Target: NNSA expects Honeywell to support the W76 and W80 LEP process prove in (PPI) efforts with COTS components representative of those planned for use in production.

Performance Assessment: FM&T substantially exceeded expected levels of performance. All of the W76-1 AFS COTS components (257 part numbers) identified on Advance Engineering Release (AERs) were on time for the PPI Printed Wiring Assemblys (PWAs). Procurement of the W76-1 Fireset COTS components (66 part numbers) are also on track to be delivered on time. Procurement on W80-3 COTS components (213 part numbers) are also on track to support PPI starts in FY06.

Projected COTS LEP qualification failure rates included a 10% lot re-buy assumption with \$1.7 million budgeted. The qualification failure rate is only .6% to date trending well below the 10% projection.

The Test Data Tracker (TDT) has been developed and added to the enterprise Component Information System (eCIS) database. It provides the location for test documents from participating test houses and a workflow system which tracks engineering document review/approval between the KCP, SNL and the test houses. It contains over 700 qualification documents for COTS components with over 4,000 documents expected in the future. Qualification data is easily searched, retrieved, reviewed, and approved with comments stored for use by the NWC.

Other Considerations – Mission:

- a. **(Good)** FM&T performed several significant activities to further improve the quality of its operations and products. FM&T had a Quality Stand-down to refocus the engineering, manufacturing, and inspection personnel on the need to immediately identify and address quality issues as part of their daily activities. As a result, there were a substantial number of improvement efforts initiated and there was a significant increase in the use of Help in Navigation Software (HINTS) immediately following the stand-down. FM&T also reorganized its quality engineering and inspection staff to bring back approximately 175 personnel under the FM&T Quality Manager. This reversed the quality transition of 2001 wherein quality personnel were assigned to the production departments. This reorganization was deemed necessary to allow mentoring of new and inexperienced staff members, as well as to eliminate any potential conflict for staff pertaining to delivery of product versus quality of the product. It was determined the quality transition in 2001 had not reduced the quality of the product, but also had not improved it.
- b. **(Marginal)** FM&T has experienced product related issues during the reporting period that are of concern:
 - Handling issues resulted in scrap and schedule implications on four MC3929 batteries (P/N 410060) that were damaged after being accepted in receiving inspection. The batteries were needed to support flight testing for the W76 program. Scrap costs totaled \$20,000. To date, 74% of the thermal batteries with similar packaging issues have been repackaged to prevent similar damage.
 - Material control processes were inadequate on several reservoir forging lots. The design agency intended to limit the forgings to stem use but the Specification Exception Release (SXR) was not released timely. This resulted in confusion and the forgings were sent to bonded stores for unrestricted use. The nonconforming product system should have prevented this from happening. Additionally, FM&T tests indicated three lots failed requirements, but the appropriate nonconforming product reports were not written for five months. During the five months, the three lots of nonconforming material were sold to stores. When KCSO identified nonconforming product control as a serious problem, FM&T then found similar issues with nuclear grade steel. The current situation demonstrates nonconforming product control has allowed unacceptable product into bonded

stores and the production cycle. Other events, e.g. control of radars that missed a performance test, further support the need for a better method to control nonconforming product, whether in production areas, stores, or in shipping. The same basic controls were deemed inadequate when questionable bolts were shipped from a FM&T certified supplier to another production plant, returned to FM&T for evaluation but were not adequately controlled and were mistakenly reshipped to the same plant prior to a full analysis of their condition. FM&T issued a Price Anderson Amendment Act (PAAA) corrective action as a result of its own analysis that product control was inadequate.

- A shipment of twelve 2X Acorns were sent to Savannah River (SR) on August 31, 2005 for a September 2005 ship requirement. On approximately October 21, 2005, SR notified Honeywell that one of the 12 units was under low limit in regards to weight. Honeywell has acknowledged that the nonconformance had been identified at least twice (once during manufacturing and once during inspection) prior to shipment, and that disposition on the NCR was to scrap the unit. Investigation into how the unit "escaped" is ongoing.

Mission Performance Area Summary

<u>Performance Objectives</u>	<u>Weight</u>	<u>Grade/Score</u>	<u>Weighted Rating</u>
PO 12 DSW Execution Plan	(25%)	Outstanding/97	24.25
PO 13 Quality Improvements	(20%)	Outstanding/95	19.00
PO 14 Campaigns	(10%)	Outstanding/93	9.30
PO 15 OST Support	(10%)	Outstanding/95	9.50
PO 16 LEP Cost Management	(10%)	Outstanding/95	9.50
PO 17 Reservoir Support	(5%)	Outstanding/90	4.50
PO 18 Technology-Based Innovation	(5%)	Outstanding/92	4.60
PO 19 Nuclear Non-Proliferation Support	(5%)	Outstanding/92	4.60
PO 20 Surrogate Material Management	(5%)	Outstanding/90	4.50
PO 21 COTS Management	(5%)	Outstanding/94	4.70

Composite PO Rating	94.45
Other Considerations	-1.25
Performance Area Rating	93.20

FEE CALCULATION

Performance Area	Fiscal Year 2004			Fiscal Year 2005		
	Weight	Adjective/Score	Weighted Rating	Weight	Adjective/Score	Weighted Rating
Management	21%	Outstanding/90.73	19.05	35%	Outstanding/90.95	31.83
Operations	14%	Satisfactory/54.50	7.63	25%	Outstanding/92.60	23.15
Mission	36%	Outstanding/90.25	32.49	40%	Outstanding/93.20	37.28
Comprehensive PO	29%	Satisfactory/96.88*	28.09	0		
Total		Good	87.26		Outstanding	92.3

<u>Fee Summary</u>	<u>Total Available Fee</u>	<u>% Fee Earned</u>	<u>Amount Earned</u>
Award Fee	\$13,460,029 x	92.3%	\$12,423,607
PBI Fee	\$ 8,800,000 x	100%	\$ 8,800,000
Total	\$22,260,029	95.3%	\$21,223,607
	Fee Paid through 09/05		\$ 7,791,012
	Balance Remaining		\$13,432,595

* The term "Satisfactory" was used differently in grading the Comprehensive section than it was for the other three Performance Areas (PAs). For Comprehensive, payment could be awarded 100% for Satisfactory performance while the other three PAs required a grade of "Outstanding" for 100% payment.

Below is a list of the acronyms that appear in this evaluation report

ACREM	Accountable Classified Removable Electronic Media
ADAPT	Advanced Design and Production Technologies
AER	Advance Engineering Release
AF&F	Arming, Fuzing, & Firing
AFS	Arming, Fuzing, Subsystem
AOP	Annual Operations Plan
ATTC	Albuquerque Transportation & Technology Center
CAP	Corrective Action Plan
CAS	Contractor Assurance System
CBDPP	Chronic Beryllium Disease Prevention Program
CCB	Cost Control Board
CD	Critical Decision
CDM	Concurrent Design & Manufacturing
CDR	Conceptual Design Report
CI	Counterintelligence
CMP	Critical Manufacturing Parameters
CONC	Cost of Nonconformance
COTS	Commercial Off-the-Shelf
CP	Central Procurement
CPP	Critical Process/Performance Parameters
CRADA	Cooperative Research and Development Agreement
CT	Counterterrorism
CT	Computerized Tomography
CY	Calendar Year
DA	Design Agency
DAFWC	Days Away from Work Cases
DBT	Design Basis Threat
DM	Deferred Maintenance
DMRP	Deferred Maintenance Reduction Plan
DOD	U.S. Department of Defense
DOE	U.S. Department of Energy
DSW	Directed Stockpile Work
DTRA	Defense Threat Reduction Agency
ECBC	Edgewood Chemical Biological Center
eCIS	Component Information System
EEOICPA	Energy Employees Occupational Illness Compensation Program Act
EFCOG	Energy Facility Contractor Group
EIPM	Excellence in Project Management
EM	Environmental Management
ERP	Enterprise Resource Planning
ES	Enhanced Surveillance
ESAP	Environmental Self Assessment Program
ES&H	Environment, Safety and Health
EVMS	Earned Value Management System

FBI	Federal Bureau of Investigation
FCI	Facility Condition Index
FDO	Fee Determining Official
FES	Facility Engineering Service
FIMS	Facilities Information Management System
FIRP	Facilities and Infrastructure Re-capitalization Program
FM&T	Honeywell Federal Manufacturing and Technologies
FM&T/KC	Honeywell FM&T/Kansas City
FM&T/NM	Honeywell FM&T/New Mexico
FMEA	Failure Mode & Effect Analysis
FMS	Facility Management Services
FMSIC	Financial Management Systems Improvement Council
FPU	First Production Unit
FTE	Full Time Equivalent
FY	Fiscal Year
FYNSP	Future Year Nuclear Security Plan
GAO	Government Accountability Office
GIPP	Global Initiatives for Proliferation Prevention
GPP	General Plant Projects
GSA	General Services Administration
HINTS	Help In Navigation Software
HQ	Headquarters
ICO	Integrated Contractor Order
IMR	Incoming Material Report
INL	Idaho National Laboratory
IPDS	Integrated Product Development System
IPP	Initiative for Proliferation Prevention
ISM	Integrated Safety Management
ISO	International Organization for Standardization
IT	Information Technology
IWPF	Industrial Wastewater Pretreatment Facility
KC	Kansas City
KCP	Kansas City Plant
KCSO	Kansas City Site Office
KO	Kirtland Operations
LAC	Lightning Arrestor Connectors
LANL	Los Alamos National Laboratory
LE	Learning Enterprise
LEP	Life Extension Program
LiGA	X-Ray, Lithography, Electroforming, and Molding
LL	Lessons Learned
LLC	Limited Liability Corporation
LLC	Limited Life Component
LLNL	Lawrence Livermore National Laboratory
LOPBS	Life of Program Buys
LOTO	Lock Out/Tag Out

LTA	Long Term Agreement
MDNR	Missouri Division of Natural Resources
M&O	Management and Operating
MEMF	Mobile Electronic Maintenance Facility
MES	Manufacturing Execution System
MPF	Modern Pit Facility
MRO	Maintenance Repair and Operating
MSB	Manufacturing Support Building
NCI	Nuclear Cities Initiative
NCR	Non-Conforming Reports
NFPA	National Fire Protection Association
NGM	Neutron Generator Monitor
NM	New Mexico
NNSA	National Nuclear Security Administration
NRC	Nuclear Regulatory Commission
NTS	Nevada Test Site
NWC	Nuclear Weapons Complex
OA	DOE Office of Independent Oversight and Performance Assurance
OIG	Office of Inspector General
ORNL	Oak Ridge National Laboratory
OSHA	Occupational Safety & Health Administration
OST	Office of Secure Transportation
PA	Performance Area
PA	Production Agency
PAAA	Price Anderson Amendment Act
PBI	Performance Based Incentive
PCB	Polychlorinated Biphenyl
PDRD	Plant-Directed Research & Development
PE	Production Engineering
PEG	Program Execution Guidance
PEP	Performance Evaluation Plan
PER	Performance Evaluation Report
PO	Performance Objective
PPI	Process Prove-In
PRT	Product Realization Team
PSR	Project Status Report
PX	Pantex
PXSO	Pantex Site Office
QAIP	Quality Assurance Inspection Procedure
QC	Quality Criteria
QER	Qualification Engineering Release
R&D	Research and Development
RAMP	Roof Asset Management Program
RCM	Reliability Centered Maintenance
RF	Radio Frequency
RI	Responsive Infrastructure

RRW	Reliability Replacement Warhead
RTBF	Readiness in Technical Base and Facilities
RTI	Russian Transition Initiative
SAR	Selected Acquisition Report
SB	Small Business
SGT	Safe Guard Transporter
SHINE	Safety & Housekeeping Implementation Needs Everyone
SMRI	Stockpile Management Restructuring Initiative
SNL	Sandia National Laboratories
SNLNM	Sandia National Laboratories/New Mexico
SPC	Statistical Process Control
SPFPA	Security Police and Fire Professionals of America
SRD	Secret Restricted Data
SRNL	Savannah River National Laboratory
SRS	Savannah River Site
SRV	Special Response Vehicle
SSP	Six Sigma Plus
STARS	Standard Accounting and Reporting System
SXR	Specification Exception Release
TBP	Technical Business Practices
TDT	Test Data Tracker
TE	Technical Expert
TL	Threat Level
TRC	Total Recordable Cases
TYCSP	Ten-Year Comprehensive Site Plan
UNSPSC	United Nations Standard Products & Services Code
UU	Ultimate User
VOC	Voice of the Customer
VOIP	Voice Over Internet Protocol
VPP	Voluntary Protection Program
WFO	Work for Others
WIP	Work-In Process
WR	War Reserve