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Title of Document FY2005 Annual Performance Appraisal of the University Of California's Management and Operation of Los Alamos National Laboratory

Source of document: Department of Energy
National Nuclear Security Administration
Service Center
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Albuquerque, NM 87185

Freedom of Information Act
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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.

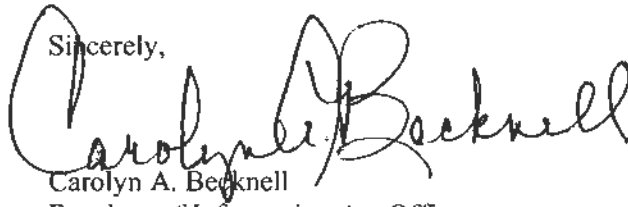
Pursuant to 10 CFR, Section 1004.7(b)(2), Ms. Tracy Loughead is the individual responsible for the withholding of information pursuant to Exemption 2 of the FOIA.

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.

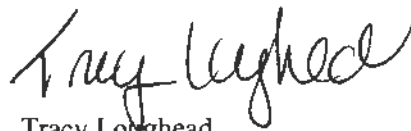
There are no fees chargeable to you.

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

memorandum

National Nuclear Security Administration
Los Alamos Site Office
Los Alamos, New Mexico 87544

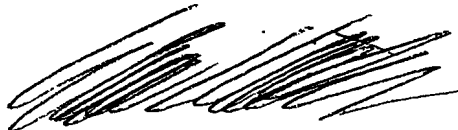
DATE: SEP 25 2006
REPLY TO:
ATTN OF: JChavez-Wilcynski:OOM
SUBJECT: FY 2006 Performance Evaluation of Los Alamos National Laboratory
University of California
TO: Linton Brooks, Administrator, National Nuclear Security Administration
THRU: Thomas D'Agostino, Deputy Administrator for Defense Programs

Attached is the revised Los Alamos Site Office's proposed evaluation of the Los Alamos National Laboratory University of California (LANL-UC) for the performance period of October 1, 2005 through May 31, 2006. The evaluation report was originally provided to NA-10 on July 14, 2006. On August 23, 2006, the report was returned by Tony Tavares with a note enclosed that "Objective 1.0 should be changed from 'Outstanding' to 'Good' and include Dan Rose's input on Objective 1.5." The package was received at LASO on August 28.

After reviewing the comments on the concurrence pages, we find that the only opinion that indicated the rating should be changed from "Outstanding" to "Good" was Mr. Rose's. Therefore, Will Chavez, Assistant Manager for Program Liaison, met with Mr. Rose to discuss his concerns. The result of their meeting and discussions was that Objective 1.5 should remain at the "Outstanding" level, with a change to the narrative. This would maintain the "Outstanding" rating for 1.0, Mission. The change to the narrative has been made and the hard copy of Mr. Rose's agreement with it is attached.

Your expedited review and approval of the report is requested.

There were no circumstances occurring during the rating period that would have invoked the "conditional payment of fee" clause. Based upon our written assessment, we request your approval of the report and the award of \$5,800,000 fixed fee to the University.



Edwin L. Wilmot
Manager

Attachments

- e-mail from Dan Rose
- Revised Evaluation Report
- Original Transmittal Memorandum

TABLE OF CONTENTS

I. INTRODUCTION.....	2
II. FEE RECOMMENDATION.....	2
III. ADJECTIVE RATINGS AND DEFINITIONS EFFECTIVE FOR THE FY2006 EVALUATION CYCLE	3
IV. EXECUTIVE SUMMARY AND OVERALL APPRAISAL RESULTS	3
V. PERFORMANCE SUMMARIES BY OBJECTIVE AND MEASURES	4
Objective 1.0 - Mission	4
Objective 2.0 - Compliance	7
Objective 3.0 - Transition.....	11

Department of Energy National Nuclear Security Administration
FY2006 Appraisal of
The University of California and Los Alamos National Laboratory
October 1, 2005 to May 31, 2006

I. INTRODUCTION

This report was produced by the U.S. Department of Energy (DOE) National Nuclear Security Administration (NNSA), Los Alamos Site Office (LASO) to provide the University of California (UC) with the LASO Site Office Manager's evaluation of the Fiscal Year (FY) 2006 Performance of the Los Alamos National Laboratory (LANL).

For FY2006, NNSA had direct oversight responsibility for the contract between the Federal Government and the University of California. NNSA's mission is to carry out the national security responsibilities of the DOE, including maintenance of a safe, secure and reliable stockpile of nuclear weapons and associated materials capabilities and technologies; promotion of international nuclear safety and nonproliferation; and administration and management of the naval nuclear propulsion program.

This contract (Contract No. W-7405-ENG-36) utilizes a performance-based management system for Mission and Operations functions and is described in Appendix F of the contract. Appendix F defines the objective standards of performance agreed to by NNSA and the UC. The Administrator determined that the eight months of contract performance (October 2005 – May 2006) for FY2006 would be on a fixed fee basis.

The primary objective of this report is to provide the annual written assessment by the NNSA Manager of the Los Alamos Site Office of the contractor's performance for FY2006 to be utilized for Past Performance Ratings on other government contracts for which the University of California might choose to compete.

II. FEE RECOMMENDATION

The NNSA Los Alamos Site Office Manager reviewed and discussed his recommendations with NNSA Contracting Officer Representatives (COR) and other Federal Program managers and staff concerning the FY2006 UC performance in the management and operations of the Los Alamos National Laboratory.

A rating of Outstanding was approved by the Los Alamos Site Office Manager for the Mission portion of the contract, a Satisfactory for the Compliance portion and an Outstanding approved for the Transition portion.

For the FY2006 annual evaluation period of October 1, 2005 to May 31, 2006, the amount of \$5,800,000 fixed fee was awarded to the University.

Department of Energy National Nuclear Security Administration
FY2006 Appraisal of
The University of California and Los Alamos National Laboratory
October 1, 2005 to May 31, 2006

III. ADJECTIVE RATINGS AND DEFINITIONS EFFECTIVE FOR THE FY2006 EVALUATION CYCLE

Adjective Rating	Adjective Description
Outstanding	Significantly exceeds performance expectations in most areas.
Good	Exceeds performance expectations in most areas.
Satisfactory	Meets performance expectations in most areas.
Unsatisfactory	Performance in most areas is significantly below the performance expectations.

IV. EXECUTIVE SUMMARY AND OVERALL APPRAISAL RESULTS

Objectives		Adjectival
1.	Mission	Outstanding
2.	Compliance	Satisfactory
3.	Transition	Outstanding

Mission and Transition performance by Los Alamos National Laboratory garnered an Outstanding for the rating period from October 1, 2005 to May 31, 2006, while Compliance requirements earned a Satisfactory rating.

While the NNSA Contractor Evaluation Process (CEP) determined only three objectives and several related measures for the FY2006 rating period, NNSA historically holds the prerogative to consider events occurring at the Laboratory outside the defined performance objectives and measures as part of their overall rating.

Excellent performance in the defense programs and in science and technology ushered out the University of California's era of Laboratory management. Mission related performance was Outstanding, continuing the decades-long trend of high-level performance and earned during a very challenging transition period for the Laboratory. For FY2006 impressive Mission performance was recognized at the local and national levels of NNSA and DOE management.

While Mission was found to be Outstanding, the Laboratory failed to fully meet expectations in Weapons Quality Assurance. LANL's management commitment to Weapons Quality is critical. NNSA evaluated this cycle of Weapons Quality performance as Unsatisfactory because of the Laboratory's continued failure to submit a revised Weapons Quality Assurance Program (WQAP) and Implementation Plan even though identified in previous evaluations. NNSA is concerned that the Laboratory did not achieve significant progress towards implementation of QC-1, Revision 10 during FY2006.

While unique areas within the Compliance envelope have shifted in ratings, some up and some down over the past several years, the overall trend for Compliance performance at the Laboratory is inconsistent resulting in an overall rating of Satisfactory. Procurement, Enterprise Project (EP), Operational Efficiency (OE), Conduct of Operations, Conduct of Engineering, Institutional Quality, safety and health, and safety basis are the current low Compliance performers. Human resource, finance, property, environmental management's Consent Order with the State of New Mexico, and security performed on the plus side of the performance continuum.

Department of Energy National Nuclear Security Administration
FY2006 Appraisal of
The University of California and Los Alamos National Laboratory
October 1, 2005 to May 31, 2006

Technical Safety Requirements (TSR) violations held compliance with 10 CFR 830 B at Unsatisfactory. Approximately 13 TSR violations were identified during this period. Most, if not all, nuclear facilities did not have up-to-date safety bases in place. NNSA recommends again that LANL revisit the 1999 Authorization Basis Quality Review Final Report (McClure) and address the root causes of their systemic problems with safety basis documentation.

New to this rating cycle is the objective covering Transition activities, referencing the successful movement of work scope, assets, and general site management responsibilities to the new contractor. The Laboratory earned an Outstanding rating overall. Both the University of California and the Laboratory itself were proactive in addressing issues, tracking costs and schedule milestones, and facilitating a smooth transition to the new Los Alamos National Security, LLC contractor.

V. PERFORMANCE SUMMARIES BY OBJECTIVE AND MEASURES

OBJECTIVE 1.0 - MISSION

Objective 1.0 was rated as Outstanding for FY2006 period of performance.

Fiscal Year 2006 Congressional Appropriations contained significant budget reductions and unfunded scope additions that resulted in a net reduction of \$112M for the base Defense Program accounts at the Laboratory. With the approval of NNSA Defense Programs, \$28M of this scope was transferred to Directed Stockpile Work and Campaign accounts, and \$40M of planned Readiness in Technical Base and Facilities (RTBF) scope was deferred. The mission performance demonstrated by the Laboratory, in light of this budget picture, was truly an outstanding effort.

On the occasion of the departure of the Director of the Laboratory at the end of the University of California contract, the Secretary of Energy wrote a letter thanking the Director and the Laboratory for significant performance and accomplishments. Significant to the Department were the completion of the design proposal for the Reliable Replacement Warhead and the successful Krakatau subcritical experiment. The Laboratory's completion of the removal of Category I/II special nuclear material from TA-18 and the production of 29 Development and Qualification pits was also recognized.

Measure: 1.1

Manage to the Level 1 and Level 2 milestones established by the NNSA for the weapons complex including Level 1 and 2 milestones on infrastructure

Measure 1.1 was rated as Good for FY2006 period of performance.

The NNSA Milestone Reporting Tool (MRT) contains 154 milestones for LANL, of which 12 were to be complete during the reporting period. Of these, 11 were completed and one is awaiting completion at the end of the rating period. One hundred and nineteen milestones are complete or on-track for completion at the end of the fiscal year, and 19 are at-risk for completion but are forecasted to be complete at the end of the fiscal year.

The one missed milestone during the performance period was for the Final Dry Run of the Unicorn Experiment. This experiment supports the Pit Certification program that is an element of one of the NA-10 Top Ten Priorities. However, the Laboratory reordered, with Federal program input, elements of the Pit Certification program in order to continue to support issuance of a Major Assembly Release at the end of fiscal year 2007, which is a Level 1 Milestone.

Department of Energy National Nuclear Security Administration
FY2006 Appraisal of
The University of California and Los Alamos National Laboratory
October 1, 2005 to May 31, 2006

The performance demonstrated by the Laboratory in Nuclear Weapons Programs was Outstanding, with the exception of the one missed Level 2 milestone. Factoring in this missed milestone, mitigated by the efforts to recover schedule towards the Level 1 milestone, the Laboratory's performance was Good during the rating period.

Measure: 1.2

Implement an integrated science and technology-based program aimed at preventing the proliferation or terrorist acquisition of weapons of mass destruction as well as detecting and responding to their deployment or use.

Measure 1.2 was rated as Outstanding for FY2006 period of performance.

This measure centered on work for the Nuclear Nonproliferation and Emergency Response offices within NNSA, the Intelligence Community, and the Departments of Defense and Homeland Security. The technical quality of work performed in this area was generally of high quality as evidenced by peer review (Division Review Committee reports) and feedback received from the sponsors. Select accomplishments include: LANL development of a simulation model that makes predictions about the possible future course of an avian influenza pandemic, LANL's successful completion of a subcritical benchmark experiment at TA-18 in support of a critical Emergency Response mission, and LANL completion of delivery of the first Burst Detector V-Sensor Electromagnetic Pulse to the integrating contractor. LANL's Off-Site Source Recovery Project team was on track also to complete recovery of all public sector declared and unwanted Pu-239 sources in the US by June. These accomplishments all substantially contributed to national security.

While some sponsors have been critical of LANL's program/project management, their issues have not impacted required milestones or deliverables. LANL performance for this measure was evaluated as meeting or exceeding all milestones and deliverables with superior technical quality.

Measure: 1.3

Enhance and nurture a strong science, engineering, and technology base in support of national security strategic objectives.

Measure 1.3 was rated as Outstanding for FY2006 period of performance.

This objective focused on maintaining a strong scientific and technology portfolio. The performance of the Science and Technology efforts at LANL resulted in improved support of all aspects of the DOE mission, particularly support of the NNSA mission. The technical quality of work performed in this area was generally of high quality as evidenced by peer review, the primary metric used to evaluate scientific achievement. Select accomplishments include: development of a technique for synchronizing a thermal explosion at the center of a heated explosive with hundred-microsecond accuracy at the end of a several hour heating trajectory, demonstration of an attosecond pump-probe technique, discovery of a form of hidden magnetism in superconductivity, and completion of a DOE-sponsored investigation of the seismicity of eastern Siberia and the Russian Far East.

These advances in science supported maintenance of the U.S. technological edge, and supported broad national needs in out years. This science base is at the core of the NNSA mission and, more broadly, the missions of DOE. Realignment of strategic Laboratory leadership allowed the development of a roadmap to enhance long-term science and technology, structured to attract and retain the best scientists, develop new, critical facilities for mission support, and excel at project execution. LANL performance for this measure is evaluated as meeting or exceeding all milestones and deliverables with superior technical quality.

Department of Energy National Nuclear Security Administration
FY2006 Appraisal of
The University of California and Los Alamos National Laboratory
October 1, 2005 to May 31, 2006

Measure: 1.4

Support key initiatives relative to the NNSA complex weapons program planning needs.

Measure 1.4 was rated as Good for FY2006 period of performance.

On balance, the Laboratory's performance in supporting key Defense Programs initiatives for the weapons complex was rated as Good, while three key initiatives were rated as Outstanding, an Unsatisfactory performance rating in Weapons Quality Assurance reduced the overall score for this measure.

Pantex Throughput Initiative (Multi-Unit Processing)

The contractor provided outstanding support to NNSA initiatives related to the Pantex Throughput Improvement Initiative by designing and conducting experiments on blast containment barriers to be used in weapons assembly bays at the Pantex Site. The contractor conducted two hydrodynamic tests, one in conjunction with the Lawrence Livermore National Laboratory (LLNL) that confirmed barrier performance. The Laboratory's performance in support of this key initiative was Outstanding.

January Process/Complex 2030 Study

The Laboratory provided outstanding support to the Defense Programs "January Process", which culminated with the generation of the Complex 2030 report. The Laboratory developed a cadre of senior technical staff and Program Managers that led development of individual "Strands" of concepts for the transformation of the nuclear weapons stockpile and complex. Senior level managers, including the Director, reviewed and provided redirection for multiple drafts of the Complex 2030 study. The Laboratory's performance in support of this key initiative was Outstanding.

Reliable Replacement Warhead (RRW) Study

The Laboratory achieved outstanding performance in development of the LANL RRW Design Data Package for a March deliverable to the Joint Project Officer's Group (JPOG). The subsequent oral presentation of the LANL design to the JPOG was well received and was described by NNSA as outstanding. Follow-on manufacturability reviews by the Production Agencies hailed the design as "Transformative." The Laboratory's performance in support of this key initiative was Outstanding.

Weapons Quality Assurance - QC-1 Implementation

LANL made substantial progress over the last six months of the rating period in meeting deliverable deadlines for submittal of requested information. A large number of required procedures to address Engineering and Science Application activities were developed, but full implementation was not achieved. From a programmatic perspective LANL Weapons Quality failed to effectively implement and achieve compliance with QC-1, Revision 10 as evidenced by: Continued failure to submit a revised Weapons Quality Plan and Implementation Plan as required two years ago; audit results reflecting numerous deficiencies; identification of repetitive nonconformances; and product submittals that resulted in the identification of three Incidental Defects and one defect resulting in the issuance of a Quality Assurance Defect Report. Additionally, product was stamped by LANL and shipped without authorization. Due to a significant deficiency identified in the configuration management of design definition through production, it was necessary to suspend product acceptance. The Laboratory's performance in support of this key initiative was Unsatisfactory.

Measure: 1.5

Provide technical support to the Pantex Plant to ensure achievement of operational milestones for production or dismantlement of Los Alamos designed weapons systems, including the B61 and Alts, the W76, and the W88. Provide timely support to Lawrence Livermore National Laboratory for scientific peer review and analysis of weapons response data for stockpiled and legacy weapons systems. These milestones may be captured in baseline schedules contained the Standing Management Team schedule for Pantex, Weapon System Life Extension Program Plans, or the Seamless Safety for the 21st Century program plans and are consistent with NA-10 direction to the LASO Manager, dated 1 March 2006.

Measure 1.5 was rated as Outstanding for FY2006 period of performance.

The Office of Defense Programs recognizes and appreciates the effective engagement of the LANL senior management and key technical staff in the Pantex Throughput Improvement Plan, especially those elements articulated in the Multi-Site measures agreed to by LANL, Livermore, Sandia, and BWXT-Pantex and their respective Contracting Officers. The laboratory has been motivated and effective in its efforts, especially in the areas of weapons response, multi-unit processing, electrostatic discharge, SS-21, and safety and hazard analyses. As the contract turnover approached, this is an area where during the transition period, significant and sustained progress was made.

However, NA-122.3 indicates that LANL changes in requirements for the W-88 have resulted in significant delays to Pantex implementation of the SS-21 project for the W-88. NA-122.3 also indicated that LANL did not adhere to NNSA/HQ guidance related to the W-88 SS21 project. This issue has been discussed with LANL senior management and steps have been taken to assure that in the future, HQ guidance is strictly followed. Despite this concern, the rating for this element does not change, as the W-88 SS-21 Program was not specifically a part of this measure.

The Pantex Site met, or is on track to meet, all specific deliverables contained in the March 1 NNSA letter. Future operational or technical issues may arise during the remainder of the fiscal year that may lead to a failure to meet milestones contained in the Multi-Site measure. However, during the performance period LANL's performance in support of this key initiative was Outstanding.

OBJECTIVE 2.0 - COMPLIANCE.

Objective 2.0 was rated as Satisfactory for FY2006 period of performance.

LANL made progress toward meeting compliance requirements in the area of operations, safety, and quality. The Laboratory realized outstanding accomplishments for their efforts in the area of security.

Measure: 2.1

Maintain and improve compliance with Federal Law and DOE Orders

Measure 2.1 was rated as Satisfactory for FY2006 period of performance.

Specific accomplishments in engineering included centralizing the System Engineering program and implementation of a NQA-1 quality program for performance of engineering. LANL enhanced Conduct of Operations through the establishment of the Conduct of Operations Council,

Department of Energy National Nuclear Security Administration
FY2006 Appraisal of
The University of California and Los Alamos National Laboratory
October 1, 2005 to May 31, 2006

Responsible Division Leader qualification program, revision of the ConOps procedures and initiation of an Institutional Conduct of Operations Manual. Accomplishments in the area of Safety and Health included further implementation of the Biosafety program; and further implementation of the Emergency Management program through improved annual exercises and interactions with Los Alamos County, the State of New Mexico, pueblos and other government agencies. LANL was the first site to be fully National Incident Management System (NIMS) compliant. Institutional Quality program accomplishments included issuance of eight Integrated Safety Documents; completion of a Gap Analysis for the Quality Assurance Program Implementation Program and development of associated compensatory measures. Collectively, these accomplishments and forward progress towards meeting objectives affected improved compliance.

Areas identified as continuing to need improvement under the umbrella of compliance included: implementation of the LANL Institutional Quality integrated safety documents at the corporate and division level; implementation of identified quality program compensatory measures, and a focus on developing compliant, quality safety basis deliverables for Safety Authorization Basis documents. LANL's Chemical Safety Program degraded in the last six months. Programmatic implementation of the LANL Fire Protection program was unsatisfactory and LANL did not fully implement the As Low As Reasonably Achievable (ALARA) program at all areas within LANL. The Laboratory did not effect implementation of Conduct of Engineering policies and procedures or the Conduct of Operations policies and procedures. These deficiencies, coupled with the lack of actual implementation of the cited documents, resulted in a risk to mission accomplishment, worker health and safety, and potentially the environment. Overall, Compliance 2.1 was rated as Satisfactory.

Operational Efficiency Project [Integrated Safety Management, Conduct of Operations, and Quality Assurance and Safety Authorization Basis (10CFR830 Subparts A and B)]
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Rated as Satisfactory for FY2006 period of performance.

While the assigned rating was Satisfactory, the NNSA considers the Laboratory's performance for compliance at the low end of the Satisfactory rating criteria.

LANL met numerous milestones identified in the Operational Efficiency (OE) Project and this success was reflected in NNSA's evaluation of the Laboratory during the performance period. This NNSA rating gives significant credit for maintaining progress and completing milestones through concerted management attention, even during the very difficult time of transition. NNSA, however, evaluated the effectiveness of the corrective actions and found a need to further assess the effectiveness of the OE Project.

The overall safety and health performance rating for the Laboratory was Satisfactory for this performance period and included programs for occupational safety and health, industrial hygiene, fire protection, emergency management, and radiological protection. The performance ratings for the respective programs were as follows: Occupational Safety and Health continued to be low Satisfactory as was noted in 2005. Status of all compliance programs remained the same as during the last evaluation period with no notable improvements. Industrial Hygiene was Satisfactory. The Chemical Safety Program declined in the last six months. Employee exposure assessments have yet to be satisfactorily completed. Biosafety showed improvement in overall management, documentation and joint assessment efforts of LASO/LANL. Emergency Management was Good. However significant problems still exist in Fire Protection Program management and implementation was rated Unsatisfactory. The annual Emergency Management exercises and interaction with Los Alamos County, the state, pueblos and other government agencies improved. NNSA's evaluation of emergency management exercises noted marked

Department of Energy National Nuclear Security Administration
FY2006 Appraisal of
The University of California and Los Alamos National Laboratory
October 1, 2005 to May 31, 2006

improvement. LANL was the first NNSA site to be fully NIMS compliant. Radiation Protection was rated Satisfactory. While LANL made improvements across the Radiation Protection program, full implementation at all Laboratory sites was not complete. The lack of a fully implemented ALARA program was an example. These performance ratings in the specific programmatic areas were similar to the performance ratings at the end of FY2005.

The Conduct of Engineering Program earned a Satisfactory rating. LANL fortified the program by centralizing the System Engineering program that included qualification, training, and procedures. The knowledge of operations and maintenance of facility and programmatic systems that are important to safety significantly increased. OE milestones and dates were achieved. However, implementation of the engineering program and procedures at the facility level was slow and so far ineffective.

This was evidenced by LASO Safety System Oversight reports and Occurrence Reporting and Processing System (ORPS) data. Positive efforts included issuance of an institutional policy (IP 340) and implementing procedure (IMP 341) on performance of engineering. These documents were the beginning of a solid foundation for an institutional engineering program and were supported by the conduct of engineering program manual (ISD 341-1) and institutional administrative procedures. To date LANL has issued 15 engineering administrative procedures, but many more are still needed for a robust engineering program.

LANL's Engineering Division implemented a NQA-1 quality program for performance of engineering by its engineering personnel and initiated a design engineer training and qualification program. LASO believed that Laboratory personnel worked diligently to build a robust program, but existing LANL infrastructure was problematic for implementation.

The Conduct of Operations Program earned a Satisfactory and LANL made great strides in educating Laboratory personnel about the value of the Conduct of Operations Program and the associated requirements. OE milestones and dates were achieved, but these achievements were viewed by NNSA as the beginning of the program. The program was implemented except in a few pockets around LANL. This was evidenced by LASO Safety System Oversight reports and Occurrence Reporting and Processing System (ORPS) data. Notable efforts included establishment of the Conduct of Operations Council, Responsible Division Leader qualification program, revision of the ConOps procedure (Operations Support Tool OST 310), a draft Institutional Conduct of Operations Manual (to be rolled out after contract transition), institution of a support/mentoring program to LANL management for Conduct of Operations fundamentals, and Conduct of Operations training programs. NNSA believed that LANL personnel worked extremely hard this past year and made significant progress with the program; however, implementation of this expansive program was difficult within the existing infrastructure.

LANL Institutional Quality (10 CFR 830 Subpart A) was rated Satisfactory. The Institutional Quality program completed a Gap Analysis for the Institutional Quality Implementation Plan and developed associated compensatory measures; however, implementation of the Quality Plan was delayed. Operational Efficiency tasks completed included the issuance of only eight (8) Integrated Safety Documents (ISDs) of the scheduled fifteen (15). Contract transition activities resulted in reluctance on the part of LANL upper management to implement the ISDs and negatively impacted the Institutional Quality rating for this performance period. During the last six months LANL self-identified two significant quality issues during routine programmatic implementation. Two additional projects related to quality issues were identified by external organizations and LANL resolved those issues successfully.

Department of Energy National Nuclear Security Administration
FY2006 Appraisal of
The University of California and Los Alamos National Laboratory
October 1, 2005 to May 31, 2006

LANL compliance with 10 CFR 830 Subpart B remained Unsatisfactory during this rating period. This assessment was based on the continued lack of compliant, quality safety basis deliverables for SABT review and the continued inadequate implementation of the existing safety basis at nuclear facilities. Approximately 13 TSR violations were identified during this period. Most, if not all, nuclear facilities did not have up-to-date safety bases in place. Problems with existing safety bases continued to result in inefficient operations and an undue amount of downtime. Work on correction of USQ process problems continued, but did not reach an acceptable end-state.

Security Annual Operating Plan (Integrated Safeguards and Security Management)

Rated as Outstanding for FY2006 period of performance.

The Annual Operating Plan (AOP) defined the deliverables for the Laboratory's Security Program. LANL provided the document on time and was executing against that plan since October 1, 2005. Many issues surfaced (i.e. budget cuts, etc.) and the AOP process worked very well. The level of information provided by LANL was Outstanding as it related to the execution of the deliverables as defined in the AOP. The Laboratory's implementation of the security AOP was Outstanding. Progress made to date on improving the LANL's Material Control and Accountability (MC&A) program was Outstanding and the program is now rated "good". This was evidenced by the results of the NNSA/HQ audit conducted the week of March 27, 2006.

Environmental Management (Consent Order with the State of New Mexico and Environmental Compliance)

Rated as Satisfactory for FY2006 period of performance.

On balance, the Laboratory's performance in the Environmental Stewardship area was graded as Satisfactory for this rating period.

LANL maintained compliance with the New Mexico Order on Consent during a turbulent time. This significant accomplishment by itself would earn a Good.

However, the Good performance with respect to the Consent Order was offset by a very low Satisfactory performance in the Legacy Waste Disposition effort. LANL will not meet the June 2006 milestone for completion of Quick to WIPP (QtW), and in addition has failed to maintain strict change control on the QtW inventory and associated reduction of risk as the inventory was shipped off-site.

Noteworthy is the ongoing absence of a validated baseline for the Environmental Program. Lack thereof contributed to a negative perception of this site and resulted in budget cuts. LANL has been working hard on rectifying this situation, and NNSA was encouraged by recent efforts expected to culminate in delivery of a validate-able baseline to NA-56.

Business Systems (Finance, Property, Procurement, and Human Resources Objectives Matrices and Enterprise Project)

Rated as Satisfactory for FY2006 period of performance.

Of the five business systems evaluated under this performance plan, Property was rated Outstanding, Finance and Human Resources were rated Good, Purchasing was rated Satisfactory, and the Enterprise Project (EP) was rated Unsatisfactory. In the area of Finance ongoing focus on the correct charging of labor to projects is required to improve performance, as well as timely liability assessment and submissions to support annual financial statements. The Laboratory did an effective job of utilizing HR retention tools to retain employees with critical skills and the

Department of Energy National Nuclear Security Administration
FY2006 Appraisal of
The University of California and Los Alamos National Laboratory
October 1, 2005 to May 31, 2006

workforce in general, but overall planning to fully realize the impact of promotions by UC on future LANS staffing was not evident until very late in the transition process. While extensive efforts were made to improve Purchasing there are still required improvements to be implemented. The failure of the EP brings to light a systemic weakness in the Laboratory's business systems. This resulted in an estimated increase in cost of \$8M to complete the project scope. The EP failure also extended the completion time by a year leaving legacy systems active necessitating maintenance costs to two systems.

OBJECTIVE 3.0 - TRANSITION

Plan and conduct transition activities in a manner that assures the successful, cost-effective movement of work scope, management systems, assets, property, legal responsibilities and liabilities, employee retention, benefits and salary information, and general site management responsibilities and authorities to the selected contractor by June 1, 2006.

Objective 3.0 was rated as Outstanding for FY2006 period of performance.

Transition activities were supported by LANL/UC in an Outstanding manner. LANL/UC was proactive in addressing both LANS and LASO issues, tracked costs and schedule milestones, and facilitated a smooth transition to the new Los Alamos National Security, LLC contractor.

Measure 3.1

Plan and conduct transition activities in a manner that assures the successful, cost-effective movement of work scope, management systems, assets, property, legal responsibilities and liabilities, employee retention, benefits and salary information, and general site management responsibilities and authorities to the selected contractor by June 1, 2006.

Measure 3.1 was rated as Outstanding for FY2006 period of performance.

LANL/UC provided access to people, facilities and processes for LANS to observe work interface with the workforce and it allowed LANS to make corporate judgments on pre-existing conditions. LANL UC's facilitated dialogue with employees and kept employees informed of current transition status and issues affecting them through web sites, employee meetings and regular e-mail updates. LANL/UC overall efforts in support of transition were Outstanding, timely and proactive.

Develop a comprehensive transition management plan by December 27, 2005, and present to the NNSA site office.

Rated as Good for FY2006 period of performance.

LANL/UC provided a comprehensive draft transition management plan by December 27, 2005 that identified expected LANL/UC transition activities in support of LANS and LASO transition efforts. The draft was updated later to sync with LANS submitted transition plan. This draft transition plan was followed by LANL/UC until it was finalized in April 2006. The finalization was later than LASO would have anticipated.

Implement the transition management plan on schedule, assuring proper integration with the new contractor so activities transition smoothly.

Rated as Outstanding for FY2006 period of performance.

LANL/UC implemented the final transition plan through plan of the day and plan of the week meetings with LANS and LASO. LANL/UC seamlessly integrated with LANS and LASO to accomplish planned activities on time. LANL/UC always proactively addressed LANS and LASO issues and delivered excellent quality and timely products in support of transition.

Department of Energy National Nuclear Security Administration
FY2006 Appraisal of
The University of California and Los Alamos National Laboratory
October 1, 2005 to May 31, 2006

Utilize project management software and an activity tracking database shared with site office and the new contractor to track, monitor and close out transition activities.

Rated as Outstanding for FY2006 period of performance.

LANL/UC set up and used the activity-tracking database to assist LASO in closing Priority A activities. They proactively worked with LASO in identifying Priority A activities, holding regular meetings to status closure activities, provided weekly closure reports and worked to facilitate closure of all Priority A activities before transition ended.

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