



Department of Energy
National Nuclear Security Administration
 Washington DC 20585

November 30, 2017

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR: MARK HOLECEK
 MANAGER
 KANSAS CITY FIELD OFFICE

FROM: WILLIAM I. WHITE [REDACTED]
 ASSOCIATE PRINCIPAL DEPUTY ADMINISTRATOR

SUBJECT: Honeywell Federal Manufacturing & Technology, DE-NA0002839
 Fiscal Year 2017 Award Fee Determination

The National Nuclear Security Administration (NNSA) has completed its assessment of Honeywell Federal Manufacturing & Technology (FM&T), performance of the contract requirements for the period of October 1, 2016 through September 30, 2017, as evaluated against the Goals defined in the Performance Evaluation and Measurement Plan (PEMP). Based on assessments provided in the NNSA Performance Evaluation Report, award fee amounts are as follows:

	<u>At Risk %</u>	<u>Available</u>	<u>Final</u>	<u>Percent</u>
Goal-1: Manage the Nuclear Weapons Mission	40%	\$11,997,200	\$10,197,620	85%
Goal-2: Reduce Global Security Threats Mission	10%	\$2,999,300	\$2,849,335	95%
Goal-3: DOE & Strategic Partnership Project Mission Objectives	2.50%	\$749,825	\$674,843	90%
Goal-4: Science, Technology & Engineering (ST&E)	5%	\$1,499,650	\$1,424,668	95%
Goal-5: Operations & Infrastructure	32.50%	\$9,747,725	\$9,260,339	95%
Goal-6: Leadership	10%	\$2,999,300	\$2,549,405	85%
Total		\$29,993,000	\$26,956,209	89.9%

In addition, the fixed fee and total fee summaries are provided below for your information:

Fixed Fee	\$0	\$0
SPP (Fixed Fee)	\$15,054,000	\$15,054,000
Total Fixed Fee	\$15,054,000	\$15,054,000
Total Summary	\$45,047,000	\$42,010,209





National Nuclear Security
Administration
Honeywell FM&T
Performance Evaluation
Report (PER)

NNSA Kansas City Field Office
(KCFO)

Evaluation Period:

October 1, 2016 – September 30,
2017

November 15, 2017

Executive Summary

This Performance Evaluation Report (PER) provides the assessment of Honeywell Federal Manufacturing and Technologies (FM&T), LLC performance for the period of October 1, 2016 through September 30, 2017, as evaluated against the objectives defined in the Fiscal Year (FY) 2017 Strategic Performance Evaluation & Measurement Plan (PEMP). The National Nuclear Security Administration (NNSA) took into consideration and consolidated all input provided from NNSA Program and Functional Offices both at Headquarters and in the field.

Honeywell Federal Manufacturing & Technologies (FM&T) submitted a Performance Self-Assessment Report that covered the rating period. FM&T is to be commended for the thoroughness of its report, which embraced the expectation of being self-critical as well as highlighting accomplishments. NNSA reviewed the self-assessment report and considered it in conducting its evaluation.

Overall Performance as summarized below, resulted in an overall rating of Very Good (89.9%) for Honeywell FM&T.

FM&T continues strong results on NNSA mission performance, however an increased number of performance challenges were present throughout the reporting period. Issues in goals 1 and 3, including receiving and inspection backlog, production and business system process challenges were impactful to this reporting period performance results. Additional concerns with regard to continuity of leadership were also noted in goal 6. Significant performance accomplishments in goals 2, 4 and 5 were noteworthy this reporting period.

Goal 1: Manage the Nuclear Weapons Mission, 40% of fee allocated

Under this goal, Honeywell FM&T earned a rating of Very Good and 85% of the award fee allocated to this goal.

The primary factors contributing to a lower performance rating were material management and technical issues associated with major modernization and sustainment program hardware fabrication and procurement. FM&T exceeded many of the performance measures, and is generally meeting the overall cost, schedule, and technical performance requirements of the contract under this Goal in the aggregate. The majority of issues identified during the year were resolved.

FM&T satisfied the majority of major modernization program, enduring stockpile system production and Limited Life Component Exchange (LLCE) requirements. Issues related to material availability and production coupled with the large modernization work load volume, multiple design iterations, and business process delays presented execution challenges and increased risk to meeting overall mission deliverables. FM&T manufactured the majority of hardware on time, within budget, and in a safe and secure environment. FM&T completed baseline stockpile production requirements for the W76-1 Arming, Firing, & Fuzing (AF&F) and the Navy Arming & Fuzing Subsystem (AFS). Operational efficiencies and use of Additive Manufacturing (AM) generated an approximately \$30M cost avoidance to NNSA. Recovery plans were developed to address multiple challenges caused by design release delays, design iterations, internal site receiving and inspection backlog, late supplier procurements, and delayed security clearances. FM&T implemented significant improvements to project controls, achieved three of four quality assurance metric goals, and continued as a leader in expanding Nuclear Enterprise Assurance (NEA) program awareness and capabilities.

Goal 2: Reduce Nuclear Security Threats, 10% of fee allocated.

Under this goal, Honeywell FM&T earned a rating of Excellent and 95% of the award fee allocated to this goal.

FM&T exceeded many of the Objectives and Key Outcomes, and is meeting the overall cost, schedule, and technical performance requirements of the contract under this Goal in the aggregate. The contractor has continued to be successful in its performance under this contract as described below. No issues were identified.

FM&T continued with excellent performance, proactively contributing to and participating in the Nuclear Counterterrorism (NCT) relevant disablement working group activities, which guide research and development support efforts for specific render safe missions. In particular, strong leadership was demonstrated in coordination of strategic discussions for secure communications platforms in support of render safe missions. Support for Stabilization operations in procuring equipment and providing training for the eleventh city was excellent; further, FM&T exceeded expectations in supporting the Nuclear Response Readiness Operations Center (NRGROC) expansion requirements, performing Equipment Recapitalization mission, as well as, providing critical subject matter experts to the render safe program. FM&T continued to conduct export control technical reviews in support of Department of Commerce (DOC) export license applications and Weapons of Mass Destruction (WMD) interdiction activities.

Goal 3: DOE and Strategic Partnership Projects Mission Objectives, 2.5% of fee allocated.

Under this goal, Honeywell FM&T earned a rating of Very Good and 90% of the award fee allocated to this goal.

FM&T focused on developing program management capabilities to better address emerging responsibilities resulting from strong year-to-year demand for Global Security (GS) products and services. GS continued to grow at a phenomenal year-to-year rate. This growth stressed some of the FM&T business systems in GS that lacked the disciplines noted on the weapon program side. That level of business system discipline was, perhaps, not as critical in the early years of GS but with the rapid growth that is no longer the case.

The business addressed concerns regarding Managed Acquisition operations and continued to improve processes that enable additional execution for industry partners through prioritizing business tool development, as well as standardizing and automating routine tasks. KCFO will continue to hold FM&T accountable for GS business system improvements, focusing FM&T away from sales and growth and back to execution. FM&T assured GS Inter-Agency Agreement (IAA) processing was timely by developing a tracking tool for both incoming and outgoing IAA packages. FM&T effectively tracked metrics related to package submission. Weekly communication meetings with the Contracting Officer, Program Manager and GS project staff continued.

Under this goal, Honeywell FM&T successfully executed and delivered significant value to the DOE and Strategic Partnership Project mission in a safe and secure manner. Leveraging this work, FM&T strengthened and expanded capabilities, facilities, and skill sets at the Kansas City National Security Campus (KCNSC). FM&T delivered on commitments resulting in \$349,186,520 in mission scope, a slight increase for FY17, with successful execution of 56,011 deliverables, a decrease from FY17, that's a reflection of weapon programs transitioning from development to production with a ship performance of 99.1%. However, this exceptional growth stretched existing resources and internal program/project management business systems. FM&T addressed the concerns and initiated actions to strengthen program/project management. Continued attention in these areas remain an NNSA expectation.

Goal 4: Science, Technology, and Engineering (ST&E), 5% of allocated fee.

Under this goal, Honeywell FM&T earned a rating of Excellent and 95% of the award fee allocated to this goal.

Honeywell FM&T has exceeded almost all of the significant award-fee criteria and has met overall cost, schedule, and technical performance requirements of the contract in the aggregate as defined and measured against the criteria in the award-fee plan for 2017.

FM&T continued to evolve in business excellence for technology portfolio management. Groups of similar technologies, Centers of Excellence (COE), with a common goal were managed in technology focus areas. Selection criteria value was given to emerging technologies, workforce development and business strategies that align with the goals of the NNSA. The COEs report to the Chief Technology Officer (CTO) of Engineering. This organization continued to improve product development and production processes, increase intellectual property portfolios, strategically address critical skill needs, and engage in Technical Exchanges and partnerships across the Nuclear Security Enterprise (NSE).

Goal 5: Operations and Infrastructure, 32.5% of fee allocation.

Under this goal, Honeywell FM&T earned a rating of Excellent and 95% of the award fee allocated to this goal.

Overall, FM&T performed above expectations in its ability to meet the DOE/NNSA mission by ensuring site operations and infrastructure were maintained. FM&T safety performance remained better than industry with Total Reportable Case (TRC) rate of 0.37 and a Days Away From Work Cases (DAFWC) rate of 0.00. Safeguards and security provided exceptional support for production projects and implemented initiatives to address the backlog of security clearances. FM&T did an exceptional job managing the Roof Asset Management Program (RAMP) and Cooling and Heating Asset Management Program (CHAMP) programs. Reviews by the Emergency Management and Personal Property program resulted in excellent ratings. FM&T supported the physical operations and document development for the disposition of the Bannister Federal Complex (BFC). Documentation recovery and storage did represent an issue encountered during the reporting period. FM&T continued to sustain positive performance in business operations, legal, and procurement.

Goal 6: Leadership, 10% of fee allocated.

Under this goal, Honeywell FM&T earned a rating of Very Good and 85% of the award fee allocated to this goal.

Overall, FM&T demonstrated effective performance in providing leadership to support the achievement of NNSA's vision and mission at the Kansas City National Security Campus (KCNSC) and around the Nuclear Security Enterprise (NSE).

FM&T met overall requirements associated with this goal. KCNSC is experiencing its highest volume of work in many years, making it vital to ensure the interests of the government are preserved. However, changes in key personnel have created concerns around operational continuity. Based on the increased workload, it is paramount that transparency and clear communication exists when key organizational decisions are executed. Furthermore, multiple performance challenges existed. FM&T has led impactful enterprise-wide initiatives including:

- Roof Asset Management Program to Asset Management Program
- Supply Chain Management Center (SCMC)
- The Enterprise Risk Management program was recognized by the Risk Management Society and continues to be acknowledged for industry best practices.
- Exceeded performance targets in safety related OSHA recordables, quality escapes, and inventory variance.
- FM&T recorded its "best year ever" in safety performance with a ranking in the 95th percentile by OSHA standards for similar nationwide industries.
- FM&T's SCMC enabled strategic sourcing cost savings at NNSA and EM sites totaling \$120.2 million.
- FM&T collaborated to develop a foundational Tritium Operating Production System.
- FM&T's continuous improvement program and culture resulted in a documented \$60M in costs savings and avoidances (26% over goal).