

# KCP Governance (Oversight) Model

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**November 4, 2009**

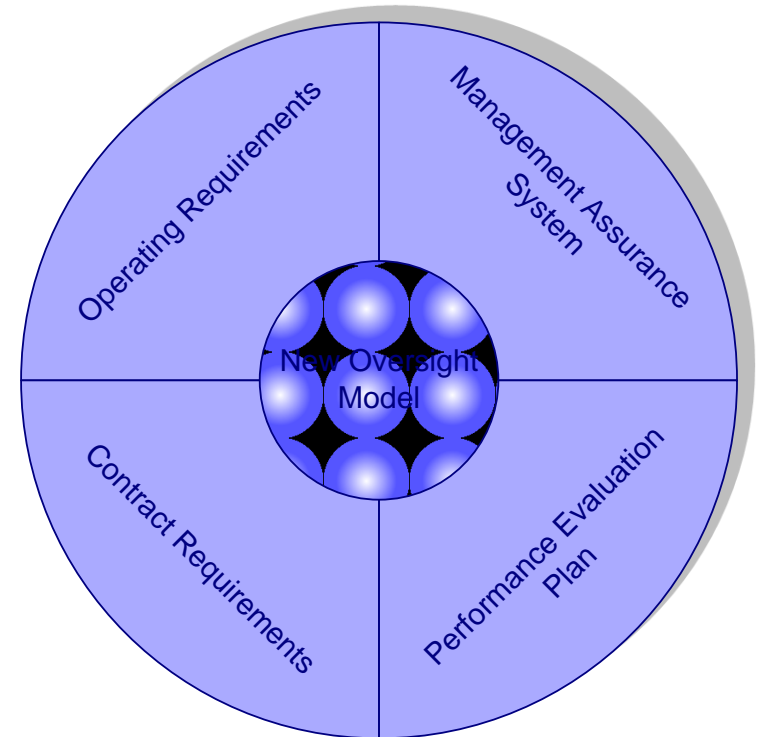
The Kansas City Plant is operated and managed by Honeywell Federal Manufacturing & Technologies, LLC, for the NNSA.

# Why the change to the FM&T Oversight Approach?

- **Ambassador's Brooks Memo-April 12, 2006**
  - Initiatives outlined in NNSA's Report to Congress
  - Shift to industrial standards and oversight limited to verifying the adequacy of FM&T procedures
  - Exempted from ES&H DOE directives and others
  - Rapid transition toward preferred model of oversight
  - Early implementation authorized
- **Why FM&T?**
  - **First**, the Administrator has tasked FM&T with designing an approach to accelerate a *dramatic* change to oversight.
  - **Second**, FM&T is distinctly qualified to have a fundamentally different approach to oversight in that it is a non-nuclear industrial facility, managed by an experienced industrial contractor with an excellent performance history.
  - **Third**, an objective of this model is to transfer responsibility for the design and implementation of standard operational, administrative and support processes from DOE to the contractor.
  - **Fourth**, expanded on successful initiative implemented in 1995.

# Oversight Model

- Contract
- PEP
- Management Assurance System (MAS)
- Operating Requirements

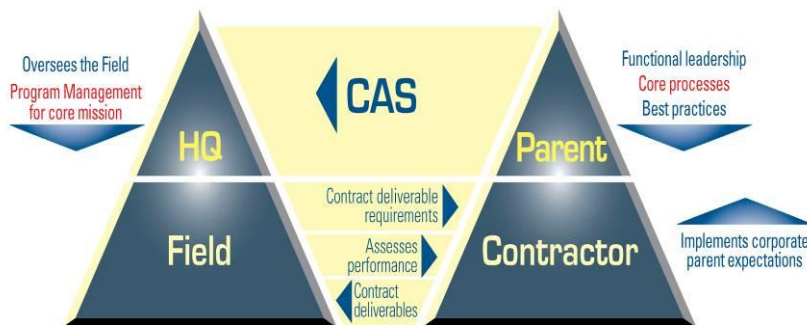


# New Oversight Model

## Traditional Oversight Model



## New FM&T Oversight Model



### Key Features:

- MAS (our approach) v. CAS (DOE HQ approach) -- modeled after a commercial operation, more parent oversight
- Elimination of most DOE orders, including all of those that created management systems (ISM, CAS, etc.)
- Flexibility on some remaining requirements (e.g., ORPS, TYSP, as a “deliverable”)
- Creation of Site Specific Standards – Security, Maintenance, Project Management
- Streamlined KCSO assessment plan eliminating prior assessments and focusing on validation v. performance direction
- Change Control Board to limit growth of future requirements

### Significant Achievements:

- For the first time DOE has approved exemption to DOE orders in the face of objections from an OPI
- KCSO intends to immediately reduce its oversight by 20% (10 FTE's out of 50)
- For the first time, procedures are in place to limit the growth of future DOE orders
- For the first time, a Site Office is empowered to reject DOE HQ (HSS) audit findings

# Contract Language

- **Redefined the Government/Contractor Relationship**
  - **More clearly focused on NNSA determining “what” and Contractor “how”**
- **Changed Contractor Assurance clause to Management Assurance clause**
  - **Management assurance—not contractor assurance**
  - **Contractor has total control over system design**
  - **NNSA has total visibility into the system**
- **Redefined approach to orders and directives**
  - **Eliminated many orders, streamlined requirements of others, and responsibility for some transferred to the Site Office, not the contractor**
  - **Established a Change Control Board to prevent “requirements creep”**
- **Redefined NNSA Oversight**
  - **Site Office can rely on third party and parent corporate audits/assessments**
  - **Strengthened Site Office authority to reject Orders and HQ Audit Findings to protect the integrity of the model**

**NNSA Performance Improvement Model Language was the foundation...  
FM&T Contract Takes It Several Steps Further**

# PEP Maturation

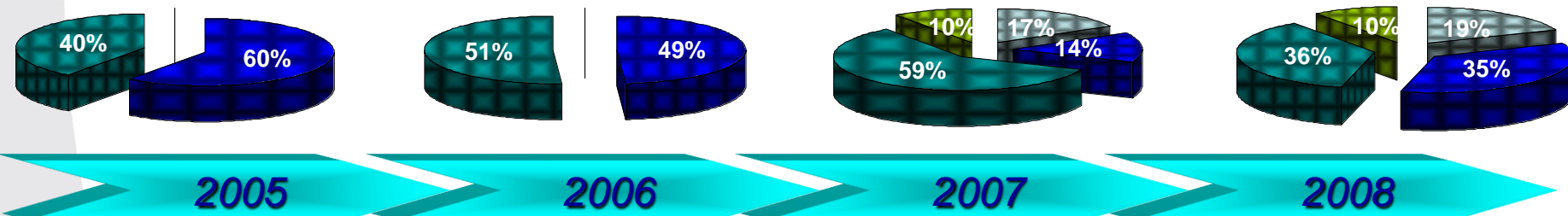
## Before

- Many site specific objectives
- Loose alignment to Level II milestones
- No multi site objectives
- Operation section covered by PO's/PBI's
- Productivity low value PO
- A lot of how/subjectivity in ratings
- Drove all elements to diminishing returns by only using PO's and PBI's

## After

- Few site specific objectives
- Level II's majority of Mission deliverables
- 10% multi sites
- Operations covered by a few CPO's
- Productivity high value PBI
- A lot of deliverables/objectivity
- Driving elements appropriately by using a mix of CPO's/PO's/PBI's and direct inclusion of Level II's

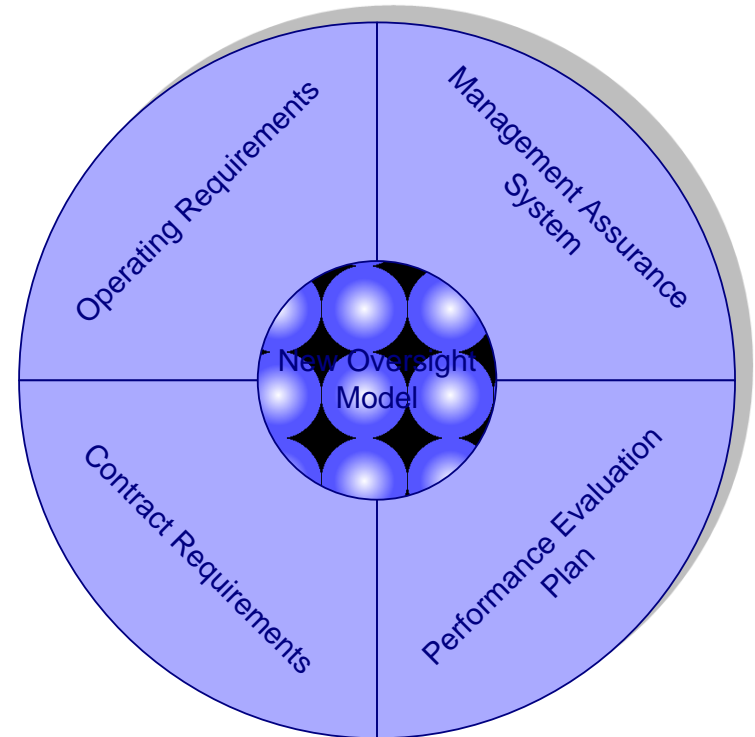
■ CPO    
 ■ PO    
 ■ PBI    
 ■ Muti Site



**PEP maturation pivotal to overall transformation**

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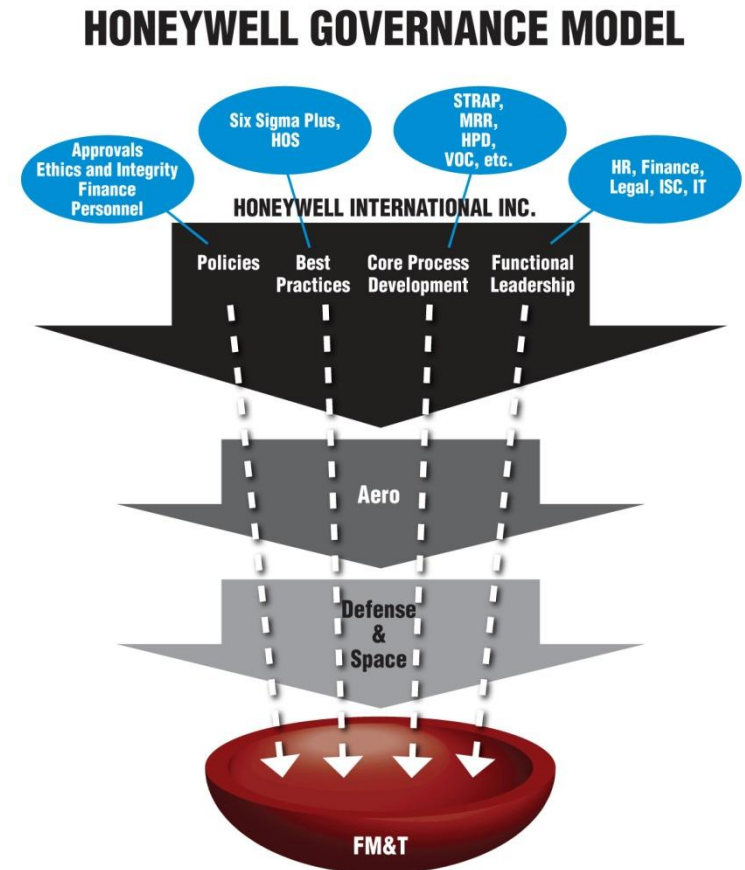
# Honeywell FM&T's History with CAS

- Implemented 1<sup>st</sup> generation of CAS in August 2004
  - Based on 17 attributes, each with multiple characteristics
  - Implemented according to DOE 226.1 requirements
  - Was not how we managed the business
    - Focused on the “Hows” rather than the “Whats”
    - Centered around process descriptions within our Command Media
  - Did not deliver step function improvement because we had good performance and good management systems in place
    - ISO 9001, ISO 14001, etc.
  - Took 23 months to implement

**The MAS focuses and highlights customer outcomes, an improvement over the CAS which focused on underlying processes.**

# How is the MAS Organized?

- The FM&T Management Assurance System design is based upon
  - Core functional areas to support achievement of customer CTQs
  - Honeywell Governance Model
  - Industry Business Model Standards



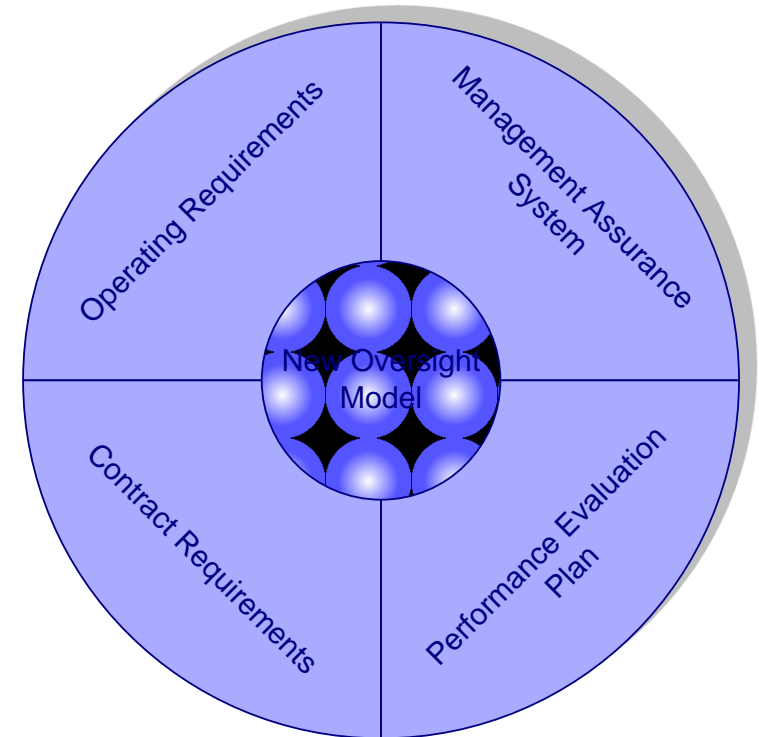
# Critical to Quality Needs

- Within the low risk nature of site operations, the KCSO and FM&T jointly developed an approach for deploying federal oversight and contractor assurance that focuses on essential outcomes. These major focus areas are:
  - Meeting Product Schedule
  - Meeting Product Specification
  - Cost Management
  - Asset Management
  - Meeting Contractor Standards including ES&H and National Security

**Keeping the end in mind...begin with Customer Requirements**

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# Operating Requirements Background

- July 2006 – KCSO submitted Pilot Oversight Plan for the KCP
- August 2006 – Submitted a DOE Directive cross walk
- January 2007 - NNSA Approved Pilot Proposal
- March 2007 - Oversight Plan Approved
- January 2007 – Plan Implementation
- January 2008 - Independent Plan Validation

**Resulting Requirements Documented in the Prime Contract  
which includes Operating Requirements**

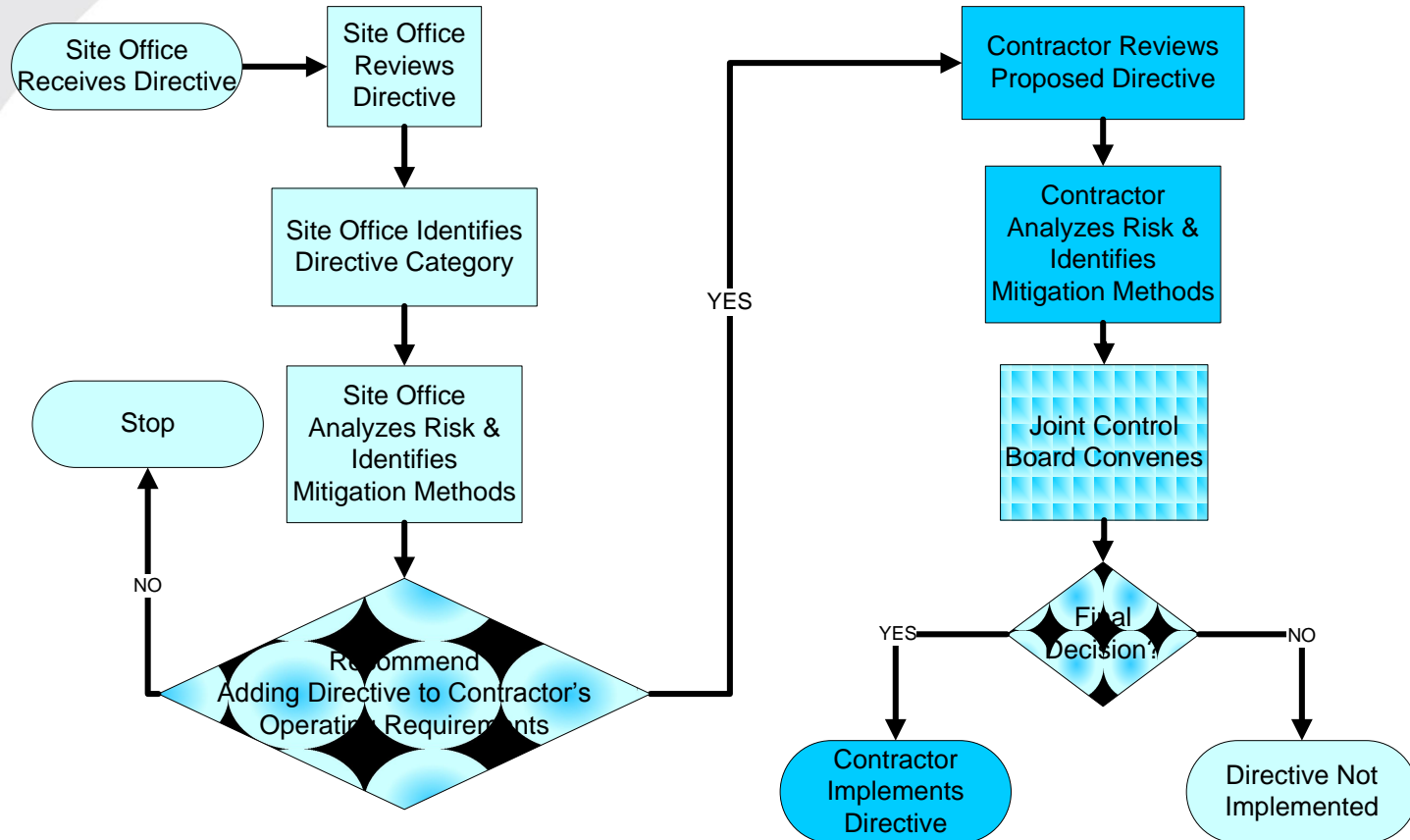
# Operating Requirements

Directive	Before Transformation	After Transformation (01/30/2007)	After Transformation (01/31/2008)	After Transformation (01/31/2009)
<b>DOE Orders</b>	87	30	31	31
<b>DOE Regulations</b>	13	5	5	5
<b>DOE Requirements</b>	30	11	10	10
<b>NFPA</b>	14	12	12	12
<b>Standards/Codes</b>	8	8	8	6
<b>Other</b>	8	7	7	7
<b>Total</b>	160	73	73	71

## Significant Reduction in Operating Requirements

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# Operating Requirements Change Control



**Process yields results**

# What did the Reduction do for FM&T?

- Operating Requirements now focus on WHAT FM&T needs to do not HOW FM&T does it
- Reduced NNSA Oversight
- Enabled KCRIMS cost reductions

**Continued success relies on FM&T doing what is in the contract and ensuring only needed changes are made to the Contract**

# Operating Requirements Review Categories

## Categories:

**Category 1** Related to a specific term or condition of the contract.

**Category 2** Assists in fulfilling a governmental function.

**Category 3** Assists the government in oversight.

**Category 4** Describes how the contractor is to perform its work.

**Category 5** Contains no contractor requirements

## Resulting Recommendation:

**Category 1, 2** - probably should be implemented.

**Category 3, 4** - are counter to the spirit of the Oversight Pilot and probably should not be implemented.

**Category 5** – not part of change control process and should not be added.

# Operating Requirements Review Risk Assessment using FMEA

Example --

Process Step/Input	Potential Failure Mode	Potential Failure Effects	SEV	Potential Causes	OC	Current Controls	DET	RPN	Actions Recommended
What is the process step/ input under investigation?	In what ways does the key input go wrong?	What is the impact on the key output variables (customer requirements) or internal requirements?	How severe is the effect to the customer?	What causes the key input to go wrong?	How often does cause of FM occur?	What are the existing controls and procedures (inspection and test) that prevent either the cause or the failure mode?	How well can you detect cause of FM?	RPN = SEV x OC x DET	What are the actions for reducing the occurrence of the cause, or in improving detection? Should have actions only on high RPN's or easy fixes
Disposition and Long Term Stewardship of the NNSA Bannister Facility	Conflicting / Redundant requirements between 430.1b and the GSA process	Cost and inefficiencies driven by non value added work	4	Two different sets of requirements	7	GSA Process for the disposition of federal facilities	1	28	Continue using the GSA Disposition Process

# Lessons Learned – Key Points

- **Identify a burning platform**
  - Need a “Brooks” demand for change letter
  - Need a cost driver for site office and contractor
- **Don't throw out any babies - this is not an effort to throw out what we need to do.**
  - What is done in best in industry? Using best in industry can help to prevent throwing out the babies.
  - Sites need to identify Best in Class (BIC) process to address directives. For example - ORPS reporting. Would a BIC company do reporting to a corporate level? Yes. If a site keeps BIC in mind, then they won't throw out the babies with the bath water.
- **Include Office of Primary Interest - Only ask for objection not approval, i.e. respond by 60 days - no response indicates approval.**
- **Get rid of approvals not required by federal law**

# Lessons Learned - Relationships

- **Invite HQ involvement early, they may have the best suggestions for industry standards that can replace the orders**
- **Develop a good working relationship between site office and contractor**
- **Maintain flexibility expected in an M&O environment**
- **Ensure maintenance of the new oversight approach**
  - Challenge requirements that conflict with the model
- **Have the courage to change** - Lead rather than follow customer direction on development of system
- **Address the culture shift** -
  - Consider cost effectiveness
  - Focus on the critical few instead of all
  - Address the “What” not the “How”

# Lessons Learned - Processes

- **Site Office Manager must be able to override external oversight management**
- **Directives cannot be used to manage poor performance nor are directives intended to be an answer to corrective actions**
- **Don't review the directives line by line – Look at intent**
- **Review Existing Directives Review Process**
  - Does it drive analysis?
  - Are too many things implemented unnecessarily?
  - Are their activities “under the radar?”
- **Make it difficult to change the system**
  - Ensure clear benefit (cost/benefit analysis)
  - Ensure leadership buy-in
- **Lawyers need to take a proactive role in these improvement efforts**

# Questions?

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