



KAISER • HILL
C O M P A N Y

December 9, 2005

05-RF-01055

Charles A. Dan, Jr.
Contracting Officer
DOE, RFPO

**SELF-ASSESSMENT ON BUSINESS MANAGEMENT OVERSIGHT PERFORMANCE
MEASURES FOR FISCAL YEAR 2005 (FY05) – KRD-022-05**

Dear Mr. Dan:

Enclosed for your review is the FY05 Balanced Scorecard Report for Kaiser-Hill Company, LLC (Enclosure 1). The report consolidates the results of the activities and achievements for both the Subcontracts Management and Procurement Systems organizations.

This report is compliant with our FY05 Balanced Scorecard Plan, which tailors the metrics to no longer track the performance objectives relating to the customer satisfaction, effective supplier management, and employee goal alignment. The tailoring of the metrics for FY05 was approved by the DOE via email dated October 27, 2004.

This will be our final submission of a Balanced Scorecard Report as a result of the Rocky Flats Closure Project being physically completed and subsequently accepted by the DOE.

If you have additional questions, or if additional information is necessary, please contact me at extension 5003.

Very truly yours,



Kenneth R. Degenhart
Manager, Prime Contract
and Subcontracts Management

KFD:plh

Enclosure:
As Stated

Original and 1 cc – Charles A. Dan, Jr.

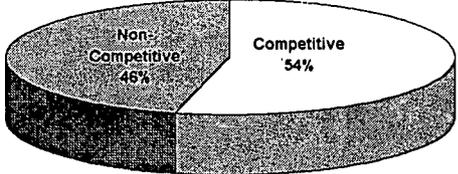


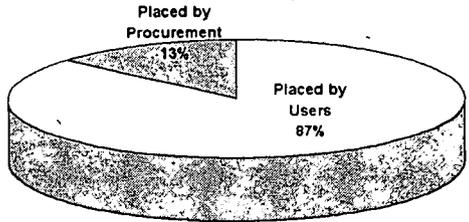
BALANCED SCORECARD FY 2005 REPORT

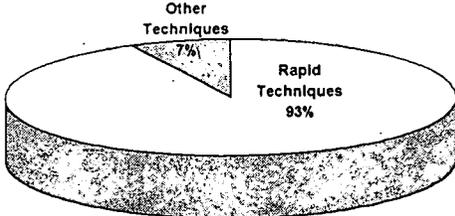
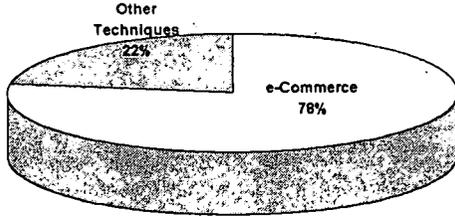
FUNCTION: PROCUREMENT
PROCESS: PROCUREMENT SYSTEM

PERFORMANCE OBJECTIVE	PERFORMANCE MEASURE	PERFORMANCE EXPECTATION	STATUS/PRESENTATION
Effective Internal Controls. Data Source: Transactional (compliance) review of purchasing files, review boards, and PeopleSoft System.	Develop and implement the following: Subcontract review process. Perform internal self-assessment of K-H Procurement Processes.	Self-assessments/reviews will be performed periodically through March 2005. Corrective action plans will be developed to correct findings of the self-assessment as needed. Corrective actions/preventive actions will be taken. Transactional reviews of individual files will continue through physical completion.	<p>Compliance Reviews</p> <p>Reviews of representative subcontract files were performed through March 2005 to evaluate compliance with the laws, regulations, and procurement system requirements. The following reviews were conducted:</p> <ul style="list-style-type: none">(1) Rocky Flats Closure Site Services (major subcontractor) Subcontract Administration(2) PeopleSoft Coding(3) Subcontractor Invoicing Support(4) Subcontract Closeout(5) Invoice Approval Process <p>Transactional reviews of individual files continued through physical completion, with no significant findings.</p> <p>There were no significant or repeat findings resulting from the ongoing self-assessments/reviews of subcontracting practices. No corrective action plans were developed.</p> <p>Achieved 100% compliance.</p>

PERFORMANCE OBJECTIVE	PERFORMANCE MEASURE	PERFORMANCE EXPECTATION	STATUS/PRESENTATION
<p>Effective Internal Controls.</p> <p>Data Source: Transactional (compliance) review of credit card purchases.</p>	<p>Develop and implement the following: Credit card program review process. Perform internal self-assessment to ensure compliance with K-H Credit Card Procedure.</p>	<p>Self-assessments/reviews will be performed to ensure compliance with the K-H Credit Card Procedure. Corrective action plans will be developed to correct findings of the self-assessments. Corrective actions/preventive actions will be taken.</p>	<p><i>Credit Card Compliance</i></p> <p>The K-H credit card program was assessed throughout the fiscal year for compliance with procedures. The Kaiser-Hill Internal Audit Department audited the credit card program, achieving review of 100 percent of credit card holders over the course of the year. Further, the Manager of Procurement Systems completed various management assessments. There were no significant audit findings with respect to the credit card program, and corrective actions were taken with respect to all minor findings. The Management Assessment Program performed by Procurement Systems evaluates the status of credit cards issued, span of control over the cards, compliance with spending limits, prohibited transactions and other procedural requirements, frequency of vendor purchases, and credit card holder efficiency in using the Ariba electronic procurement system. There were no significant or repeat findings resulting from the ongoing self-assessments/reviews of the credit card system. No corrective action plans were developed.</p>

PERFORMANCE OBJECTIVE	PERFORMANCE MEASURE	PERFORMANCE EXPECTATION	STATUS/PRESENTATION
<p>Use of Effective Competition.</p> <p>Data Source: PeopleSoft.</p>	<p>Percent dollars competitively awarded</p> $\% = \frac{\text{Competed obligated dollars}}{\text{Total dollars obligated}}$ <p>Applies only to awards >\$100,000.</p>	<p>60% of obligated dollars on actions >\$100,000 will be awarded competitively</p>	<p>Competitive Dollars.</p> <p>54% of FY2005 obligated dollars on actions over \$100,000 were awarded competitively. The goal for competition was not achieved in FY2005, falling short by 6%. Over one-third of total subcontracted dollars in FY2005 were for waste treatment and disposal. The majority of these awards were non-competitive. The options for such work is limited to a small number of licensed facilities that do not all have the same capabilities; therefore, the work usually could not be competed.</p>  <p style="text-align: center;">Use of Effective Competition</p> <p>Without these sole-source awards, the competitive percentage for FY2005 would have been approximately 80%. Over the life of the contract, competitive awards were 63.3%.</p>

PERFORMANCE OBJECTIVE	PERFORMANCE MEASURE	PERFORMANCE EXPECTATION	STATUS/PRESENTATION
<p>Effective Use of Alternate Procurement Approaches.</p> <p>Data Source: PeopleSoft System, Credit Card Logs, and Ariba reports.</p>	<p>Rapid Purchasing Techniques</p> <p>Percent of transactions placed by users.</p> <p>% = $\frac{\text{Actions Placed by Users}}{\text{Total Actions Awarded}}$</p> <p>(i.e., Master Agreement/Systems Subcontract awards, Procurement Credit Card awards, E-commerce, etc.)</p>	<p>85% of actions will be placed by users.</p>	<p>Actions Placed by Users</p> <p>87% of all transactions were placed by users, primarily as a result of the credit card program and the Ariba Buyer System.</p>  <p>Transactions Using Alternative Procurement Approaches</p> <p>Transactions placed by users achieved 87%, exceeding the goal of 85%.</p>
<p>Acquisition Process (cycle time).</p> <p>Data Source: PeopleSoft System and Ariba reports.</p>	<p>Average Cycle Time (exception: credit cards, but includes Ariba quality-related credit card usage).</p>	<p>Average cycle time for :</p> <p><\$100,000 8 to 10 working days</p> <p>>\$100,000 30 to 35 working days</p> <p>All Actions 10 to 13 working days</p>	<p>Average Cycle Times</p> <p>Average cycle times for awards in FY2005 were as follows:</p> <p>≤\$100,000 2 working days</p> <p>>\$100,000 7 working days</p> <p>All Actions 3 working days</p> <p>All cycle time goals were exceeded in FY2005.</p>

PERFORMANCE OBJECTIVE	PERFORMANCE MEASURE	PERFORMANCE EXPECTATION	STATUS/PRESENTATION
<p>Effective Use of Alternate Procurement Approaches.</p> <p>Data Source: PeopleSoft System, Credit Card Logs, and Ariba reports.</p>	<p>Rapid Purchasing Techniques</p> <p>Percent of transactions placed through Rapid Purchasing Techniques.</p> $\% = \frac{\text{Number of Transactions Placed by Rapid Purchasing Techniques}}{\text{Total Transactions}}$ <p>(Rapid Purchasing Techniques include purchase cards, E-commerce, Just-in-Time, BOAs, strategic agreements, ICPT, supplier programs, Master Task Subcontracts, Master Agreements, etc.)</p>	<p>90% of transactions will be placed using rapid purchasing techniques.</p>	<p>Use of Rapid Purchasing Techniques</p> <p>93% of all transactions were placed using rapid purchasing techniques, including e-Commerce (Ariba Buyer System), the credit card program, and placement of task orders against Master Task Subcontracts.</p>  <p>Transactions Placed Using Rapid Techniques</p> <p>The goal of 90% for use of rapid purchasing techniques was exceeded by 3%.</p>
<p>Effective Use of Alternate Procurement Approaches.</p> <p>Data Source: Ariba.</p>	<p>Rapid Purchasing Techniques</p> <p>Percent of transactions placed through e-Commerce (internet, CD-Roms, E-catalogs, email, etc.).</p> $\% = \frac{\text{Number of Transactions Placed via e-Commerce}}{\text{Total Transactions}}$	<p>75% of transactions will be placed using e-Commerce.</p>	<p>Use of e-Commerce</p> <p>78% of transactions were placed through e-Commerce (the Ariba buying system).</p>  <p>Transactions Placed Using e-Commerce</p> <p>The goal of 75% for transactions placed using e-Commerce was exceeded by 3%.</p>

8/8

PERFORMANCE OBJECTIVE	PERFORMANCE MEASURE	PERFORMANCE EXPECTATION	STATUS/PRESENTATION
<p>Good Corporate Citizenship through Purchasing.</p> <p>Data Source: PeopleSoft System and Credit Card Transaction Logs.</p>	<p>Percent of economic and social diversity and local participation program goals achieved for extent of the contract, including subcontracting with Small Business (SB), Small Disadvantaged Business (SDB), Woman Owned Small Business (WOSB), and HUBZone Small Business (HUBZone).</p>	<p>Accomplish the following subcontracting goals for the extent of the contract:</p> <p>32.0 % SB, 9.0 % SDB, 3.8 % WOSB, 0.3 % HUBZone</p>	<p>Small Business Goals</p> <p>The following Small Business (SB) subcontracting amounts for the Closure Contract inception to date were achieved:</p> <p>Small Business (SB) = 34.6% (\$896,666,312)</p> <p>Small Disadvantaged Business (SDB) = 8.0% (\$207,384,855)</p> <p>Woman Owned Small Business (WOSB) = 6.2% (\$160,219,470)</p> <p>HUBZone Small Business (HUBZone) = 0.7% (\$16,951,113)</p> <p>During the last year of performance, much of the subcontract activity was for D&D and the treatment and disposal of significant volumes of radioactive waste. Despite this impact of significant awards to large D&D, treatment, and disposal companies, K-H exceeded all lifecycle small business goals for the Contract, with the sole exception of the SDB goal. The overall lifecycle small business goal was exceeded by \$67 million.</p>
<p>Optimum Cost Efficiency of Purchasing Operations (Cost-to-Spend Ratio).</p> <p>Data Source: PeopleSoft System.</p>	<p>% = $\frac{\text{Purchasing Operations Operating Costs (labor plus overhead)}}{\text{Obligations}}$</p>	<p>Cost-to-Spend Ratio shall not exceed .012.</p>	<p>Cost-to-Spend Ratio</p> <p>The Cost-to-Spend Ratio achieved for FY2005 was 0.0065, exceeding the goal of 0.012.</p>