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U.S. Department of Energy

Before the

Subcommittee on Strategic Forces

Committee on Armed Services

U.S. House of Representatives

"Nuclear Security: Actions, Accountability, and Reform"

FOR RELEASE ON DELIVERY

10:30 AM

February 28, 2013

Mr. Chairman and Members of the Subcommittee, I am pleased to be here at your request to testify on actions of the Office of Inspector General relating to the July 2012 security breach at the National Nuclear Security Administration's (NNSA) Y-12 National Security Complex (Y-12). I will also discuss related aspects of our work concerning contractor governance and physical security at Department of Energy and NNSA facilities.

NNSA was established under the National Defense Authorization Act of 2000 as a separately organized agency within the Department of Energy. This action was intended to allow NNSA to concentrate on its defense-related mission, free from other distractions. Its creation was, in large measure, a reaction to highly publicized concerns about management of the weapons complex. With an annual budget of nearly \$12 billion, NNSA is charged with critically important national security missions relating to nuclear weapons refurbishment and storage, nuclear non-proliferation, and science and technology research.

Y-12 is one of four production facilities in NNSA's Nuclear Security Enterprise. The site focuses on the processing and storage of uranium, an activity essential to the safety, security and effectiveness of the U.S. nuclear weapons stockpile. Y-12 maintains a sophisticated security mechanism that relies on a well-trained and extensively-equipped Protective Force, advanced technology, and a variety of physical fortifications.

Y-12 had long enjoyed a reputation as one of the most secure facilities in the United States. That reputation was materially damaged in the early morning hours of July 28, 2012, when three

individuals gained access to the area surrounding the Highly Enriched Uranium Materials Facility at Y-12 and defaced the building. The security in place did not prevent this intrusion.

Office of Inspector General Activities

Response to Security Breach

In response to the security breach, Special Agents of the Office of Inspector General promptly effectuated the arrest of the alleged trespassers. We are currently working with the Department of Justice and the local U.S. Attorney's Office on this matter. Separately, we initiated an expedited review of the circumstances surrounding the security breach and on August 29, 2012, issued a report on the incident. This was the subject of a hearing before the Subcommittee on Oversight and Investigations, House of Representatives Committee on Energy and Commerce on September 12, 2012.

Our review identified multiple system failures on several levels.¹ We found troubling breakdowns involving:

- Inadequate response to alarms;
- Failures to maintain critical security equipment;
- Over-reliance on compensatory measures;
- Misunderstanding of security protocols;
- Poor communications; and,
- Weaknesses in contract and resource management.

¹*Inquiry into the Security Breach at the National Nuclear Security Administration's Y-12 National Security Complex*, DOE/IG-0868, available at: http://energy.gov/sites/prod/files/IG-0868_0.pdf.

These issues directly contributed to an atmosphere in which trespassers were able to gain access to the protected security area directly adjacent to one of the Nation's most critically important and highly secured weapons-related facilities.

Especially important in light of the purpose of today's hearing, we found that the contractor governance system and Federal oversight failed to identify and correct early indicators of the breakdowns in security systems. These same issues also contributed to a compromise of test materials that were intended to be used in a follow-on comprehensive inspection of the Y-12 security posture.

Compromise of Test Materials

Subsequent to issuing our report on the Y-12 security breach, we received allegations that materials intended to be used by the Department of Energy's Office of Health, Safety and Security (HSS) to test Y-12 Protective Force personnel security knowledge had been compromised.² We immediately initiated a review to examine the allegations. We found that HSS performed a comprehensive inspection of the site's security organization following the July 28, 2012, security breach at Y-12. That inspection, initiated on August 27, 2012, included both practical exercises and tests designed to evaluate the knowledge, skills and abilities of the site's Protective Force.

On the night of August 29, 2012, an HSS inspector discovered a copy of a security knowledge test in a Protective Force patrol vehicle while conducting performance testing. This discovery

²*Review of the Compromise of Security Test Materials at the Y-12 National Security Complex*, DOE/IG-0875, available at: http://energy.gov/sites/prod/files/IG-0875_2.pdf.

led to concerns that the test had been improperly distributed to Protective Force personnel prior to its administration and that there appeared to be a compromise of the upcoming test.

Our inquiry confirmed that the security knowledge test, including answers to the test questions, was compromised and improperly distributed to the very individuals whose knowledge was to have been evaluated. Contractor Protective Force personnel testified uniformly that there was no intent to cheat on the HSS inspection. While we had no direct evidence to the contrary, we found the credibility of this testimony to be questionable, especially in light of test handling and distribution activities that, at best, demonstrated a lack of due care and negligence. The failure to properly safeguard the test prior to its administration was, in our opinion, inexplicable and inexcusable, especially given the intense focus on Y-12 and the security concerns at the site.

As with the Y-12 security intrusion itself, we noted that the level of Federal involvement in the NNSA's contractor governance system was, at the very least, not sufficient for preventing the compromise of the test material. In particular, we observed that a cognizant Federal security official failed to take an active role in reviewing or controlling the test because he did not believe it was his role to do so. He also claimed that he lacked sufficient knowledge of existing local security protocols to provide comments on the structure of the test. This lack of Federal involvement paralleled the contractor governance issues that we observed during our review of the Y-12 security intrusion.

In our view, responsible Federal officials should have the requisite knowledge to review and comment on Protective Force testing materials. Leaving it to the contractors to review a draft of the test, as was done in this case, is not an optimal situation.

Contractor Governance

The Y-12 security intrusion and test compromise issues raised serious concerns about NNSA's implementation of its contractor governance approach. NNSA's approach relies on contractors to assess and evaluate their own performance, with Federal oversight of contractor activities, especially with regard to nuclear safety and security. Since July 2007, the Department of Energy and NNSA have required contractors to implement self-assessment systems to measure performance and help ensure effective and efficient mission accomplishment. Given the near total reliance on contractor support for mission execution and, consequently, the importance of contractor performance, transparency and effectiveness efforts, we reviewed the development of contractor assurance systems by NNSA and its contractors.

We recently reported that, despite at least 5 years of effort, NNSA and its support offices and site contractors had not yet implemented fully functional and effective contractor assurance systems.³ Specifically:

- The contractor governance system was rendered ineffective by what Federal site level officials referred to as an "eyes on, hands off" approach to contract management;
- Contractor weaknesses were not effectively communicated to senior management officials;

³ *National Nuclear Security Administration Contractor Governance*, DOE/IG-0881, available at: <http://energy.gov/sites/prod/files/IG-0881.pdf>.

- Contractor self-assessments were not effective in identifying weaknesses; and,
- Performance metrics tracked in the assurance systems were not clearly linked to those contained in the contractor performance evaluation plans used to determine fees.

We found that NNSA had placed substantial reliance on its contractors' ability to self identify and correct weaknesses that threaten the safe, secure, effective and efficient operation of the Department's national security facilities. Our findings suggest that this reliance may be unjustified absent more intense Federal validation of contractor assertions.

To its credit, NNSA had identified deficiencies with contractor assurance system implementation and recognized the need to improve contractor assurance systems and its overall approach to contractor governance. In December 2012, an NNSA official told us that the agency has decided to overhaul its governance process. NNSA's planned initiative is an important step forward. Based on our body of work in NNSA, we believe that comprehensive and sustained effort in this area is critical.

Management Challenges

The specific issues of contractor governance and physical security may reflect broader issues facing the Department. Specifically, for over a decade, the Office of Inspector General has identified contract administration as a major Department of Energy management challenge. Because virtually all physical security at Departmental sites is contractor-provided, the way in which these contracts are administered and their enormous costs have been and continue to be major issues. To put this in perspective, we have reported that the Department spends more than

\$1 billion per year protecting its facilities, related materials and data. Of this amount, nearly \$700 million per year is spent on a complex-wide Protective Force staff of nearly 4,000 contractor professionals.

The Protective Force staff services are procured using three distinctly different primary mechanisms. At some facilities, the facility management contract includes a provision for Protective Force services as part of its prime contract. At other locations, the Protective Force is procured through a stand-alone prime contract awarded by the Department. Under the third model, the Protective Force is procured through a subcontract to the prime facility management contractor. These arrangements, which lack uniformity and consistency, result in at least 25 separate contract instruments.

In 2011, in our annual Management Challenges report, we concluded that there may be significant economy of scale cost benefits associated with Protective Force contract consolidation.⁴ We proposed several alternatives, including the possibility of federalizing the Protective Force staff. We found that by either consolidating the contractor Protective Force or federalizing it, the Department could benefit from a more consistent approach to Protective Force organization, management, training, and equipment purchases. It could also improve the system for sharing security best practices and lessons learned between Department facilities, and providing the staff with greater career opportunities for advancement by allowing them to move between sites on a merit basis. Finally, consolidation itself would reduce the number of

⁴ *Management Challenges at the Department of Energy – Fiscal Year 2012*, DOE/IG-0858, available at: <http://energy.gov/sites/prod/files/IG-0858.pdf>

contracts, minimizing administrative costs and simplifying the process of contractor accountability.

To its credit, NNSA has taken some action to consolidate the protective services at Y-12 and the Pantex Plant through its contract for the management of the sites. Specifically, the recently announced contract for consolidated management of the two sites includes Protective Force services to be provided by the new contractor.

Observations

The work of the Department of Energy and NNSA are essential to U.S. national security. While there is no quick fix or panacea to address the problems that are the topic of this hearing, we believe more enlightened, effective Federal oversight is necessary if progress is to be achieved.

This concludes my testimony and I look forward to your questions.