

**Responses to Questions from The Honorable Bart Stupak  
Michael R. Anastasio, Director  
Los Alamos National Laboratory**

**House Committee on Energy and Commerce  
Subcommittee on Oversight and Investigations  
Questions for the Record**

**April 20, 2007**

**Hearing entitled: "The Department of Energy's Response to Ongoing  
Mismanagement at the Los Alamos National Laboratory (LANL)"**

Question #1:

Was the Los Alamos National Security, LLC (LANS) contract amended to include DOE Order 205.1A and the Department of Energy (DOE) Manual for National Security Systems? On what date were these modifications done?

**LANL Response:**

DOE O 205.1A was included in our contract by Modification A019 on 4/26/07.  
DOE M205.1-4 was included in our contract by Modification A021 on 6/11/07.

Question #2:

What is the cost estimate for LANL to comply with the requirements of the cyber security manual?

**LANL Response:**

The DOE Manual 205.1-4, National Security System Manual, is a major change in the way that LANL currently secures and accredits National Security Systems. The contract Requirements Document of the Manual provides explicit instructions for Site Contractors to follow the Program Cyber Security Plan which we have been informed will be issued as NAP 14.3. Because the status of NAP 14.3C is not currently available from NNSA, we have not had the opportunity to review the Program Cyber Security Plan document and can not determine the cost of compliance. In the interim, LANL has started the process of analyzing current compliance with the requirements included in DOE Manual 205.1-4 in preparation for development of impact analysis once NAP 14.3C is issued.

Question #3:

Please itemize all DOE Orders or directives for which LANS has sought a waiver or variance. Please provide the date of the variance or waiver request, status of the waive request (i.e., approved, denied, pending), and the justification for the waive request.

**LANL Response:**

No waivers have been requested.

We have one variance request, to fire protection requirements contained in DOE O 420.1B and the International Fire Code which are applicable to TA-21 buildings. The variance would provide adequate protection for workers and the public prior to and during site cleanup efforts including demolition of a number of structures at TA-21. It includes measures to minimize fire risk while allowing site cleanup to proceed. The variance was requested on July 12, 2007 and is still pending.

Question #4:

How is LANS implementing the pilot project for reduced Federal oversight at LANL?

**LANL Response:**

CAS underpins LANL's integrated performance-based management system, which incorporates best practices from the private and public sectors. CAS is transparent to our federal customer and provides timely information regarding LANL performance supporting effective and efficient Federal oversight.

There are four key elements of CAS: goals, metrics, assessments, and improvements.

The goals element has been implemented by establishing an annual process that develops a set of multi-year Laboratory Goals and annual Commitments. The Laboratory Goals and Commitments provide the basis for the annual Multi-Year Strategy for Performance Improvement, which is submitted to our federal customer and used in developing their annual Performance Evaluation Plan for LANL.

The metrics element has been implemented by establishing a LANL Dashboard, based on commercial software package which contains performance measures and trends. At the weekly Directors Portfolio Review, the senior management team and I review the portions of the Dashboard with its comprehensive track performance that identifies institutional actions to improve performance.

The assessments element has been implemented through an integrated, risk-based assessment program including management, independent, and external assessments, are coordinated through an integrated assessment schedule. These reviews complement the independent internal audits developed by the Ethics and Audit Director and the Parent Organization Functional Management Assessments that are conducted under the aegis of the LANS Board of Governors and involve subject matter experts from the parent organizations and other external organizations. As part of their Federal oversight, our federal customer's subject matter experts participate and observe selected assessments to evaluate the quality of the assessments including the qualifications of the assessors.

The improvements element has been implemented through three institutional processes: issues and corrective action management, lessons learned and process improvement. The issues and corrective action management process is based on an Institute for Nuclear Power Operators (INPO) bench mark and is implemented through management review boards led by senior managers, including an Institutional Management Review Board led by the Deputy Laboratory Director. The management review boards categorize issues, assign issue responsible managers, approve causal analyses and corrective action plans, track status, approve closure of corrective actions, and charter independent effectiveness validations for significant issues. Subject matter experts from our federal customer as well as Defense Nuclear Facilities Board (DNFSB) site representatives may observe management review board meetings.

The lessons learned program integrates existing lessons learned programs in environment, safety & health, safeguards & security, and business services and is closely linked to the DOE and NNSA lessons learned and operating experience programs. Process improvement is being implemented through a Lean Six Sigma program drawing on the resources from a successful, mature implementation of a LANS parent organization. The infrastructure to sustain Lean Six Sigma at LANL has been put in place including awareness training of all managers.

To improve the integration of our CAS with our federal customer line oversight implementation, we conducted 8 workshops in the early part of 2007. The workshops brought together LANL and our federal customer functional counterparts to review our CAS tools and processes and work on the interface between CAS and our federal customer line oversight.

The Contractor Assurance Officer and key staff meet weekly with our federal customer counterparts to identify issues and work improvements to the access and quality of information that CAS provides our federal customer to help improve the quality and efficiency of their Federal oversight. Major changes such as implementing CAS generally take several years to mature. Our federal customer’s approach to Federal oversight will evolve as CAS provides more confidence in contractor performance and operations.

Question #5:

Is LANS using any third parties to verify compliance as recommended in the memo from Linton Brooks to Ed Wilmot from 2006? Please provide a list of the third party verifiers and the areas where they are providing verification services. What is the annual cost for third party verification?

**LANL Response:**

In addition, to the information provided in the table below, LANS is looking for new areas in which to use third party verifications. For example, the LANS committed to introducing the Voluntary Protection Program (VPP), which requires third-party assessment of the LANL Safety and Health Program. The assessment planned for summer 2008 will be conducted by a third party or by qualified independent LANS or parent organization personnel. The cost for the summer 2008 assessments is to be determined. During summer 2009, an assessment of all 31 VPP criteria will be performed by DOE as part of the application process to determine the VPP level of recognition that LANL meets. There is no charge for this assessment.

**Current Third-Party Verifications**

<b>Third Party Verifier</b>	<b>Area of Verification</b>	<b>Annual Cost</b>
PricewaterhouseCoopers LLC	Financial Reporting Controls– Agreed Upon Procedures	\$ 210,000
PricewaterhouseCoopers LLC	Defined Benefit Pension Plan Audit	\$ 48,500

<b>Third Party Verifier</b>	<b>Area of Verification</b>	<b>Annual Cost</b>
PricewaterhouseCoopers LLC	Welfare Benefit Plans and 401(k) Audit	\$ 206,000
Meyners & Company. LLC	Gross Receipts Tax Compliance Audit	\$ 196,800
KPMG, LLC	DOE Consolidated Financial Statement Audit	\$ 0
McConnell, Jones, Lanier and Murphy	OMB A-123 Moderate Internal Control and Information Technology Testing	\$ 125,000
NSFISR, Ann Arbor Michigan	Environmental Management System (ISO14001-2004)	\$ 16,000 each year for annual compliance approximately \$ 36,000 every three years for re- registration (2009)
Defense Contracting Management Agency, DOE Office of Engineering and Construction Management	Earned Value Management System (project management)	\$ 0 (next review not scheduled yet by DOE)
Accreditation Association for Ambulatory Health Care Inc.	Occupational Medicine	\$ 5595 every 3 years
COLA	Occupational Medicine (Diagnostic Laboratory)	\$ 5400 every 2 years
American Industrial Hygiene Association (AIHA)	Industrial Hygiene Chemical Analysis Laboratory	\$ 3000 every 2 years \$ 4800 every year for ongoing performance testing
Parent Organization Functional Management Assessments (listed below)		\$780,000 in FY2007
Bechtel National, Inc University of California BWX Technologies, Inc. Washington Group International, Inc.	Integrated Safeguards & Security Management: Materials Control & Accountability	
	Integrated Safeguards & Security Management: Physical Security	

Third Party Verifier	Area of Verification	Annual Cost
	Operations, Maintenance, and Readiness Assessment - Utilities, Deferred Maintenance, & Conditions	
	Infrastructure/Facilities - Space Planning	
	Emergency Response Operations - Fire Protection	
	Information Systems and Technology	
	Finance Management - Time & Effort, Payroll	
	Finance Management - Accounts Payable	
	Acquisition Services - Property & Materials Management	
	Acquisition Services	
	Human Resources	
	Central Training	
	Bechtel National, Inc University of California BWX Technologies, Inc. Washington Group International, Inc.	
Project Management: Maturity End State		
Project Management: Management. Attributes		
Project Management: Risk Assessment		
Quality Assurance: Design Control		
Environmental Programs Project Management		
Mixed & Low-Level Waste Environmental Programs		
Safety & Health Programs		
Environment, Safety, Health & Quality		

Third Party Verifier	Area of Verification	Annual Cost
	Roadrunner Super Computer	
	Mission Human Resources Process	
	University Collaborations	
	Nuclear Physics, Astrophysics, & Cosmology	
	Materials Research	
	Weapons Science and Engineering	
	Technology Transfer	
	Earth and Space Sciences	
	Chemical Science and Forensics	
	Performance-Based Leadership Training	
	Six Sigma	
	Laboratory Integrated Assessment Process	
Bechtel National, Inc	Contractor Assurance System	
University of California	Internal Audit	
BWX Technologies, Inc.	Communications	
Washington Group International, Inc.		
Parent Organization Assess, Improve, and Modernize (AIM) Teams (listed below)		\$250, 000 in FY2007
Bechtel National, Inc University of California BWX Technologies, Inc. Washington Group International, Inc.	Cyber Security 1	
	Cyber Security 2	
	Cyber Security 3	
	Environmental Protection: Radioactive Liquid Waste	
	Facilities & Infrastructure	
	Nuclear Operations	
	Safety Culture	

Question #6:

If the LANL pilot project for reduced Federal oversight was eliminated and a conventional oversight model reinstated, would LANS retain its existing Contractor Assurance System?

**LANL Response:**

Yes. Our Contractor Assurance System (CAS) reflects best business practice and underpins our efforts to implement a performance-based management system that drives mission and operational excellence, which is one of the twelve Laboratory Goals. We are implementing CAS primarily to systematically improve management and performance. Since our CAS is transparent to NNSA. It provides the government much greater insight into contractor performance and operations, which helps strengthen Federal oversight in all areas no matter whether transactional and systems-based approaches are used.

Question #7:

Please provide a list of LANS Board members and their organizational affiliations.

**LANL Response:**

<b>LANL Board of Governors</b>	
<b>Name</b>	<b>Organization</b>
Gerald L. Parsky	University of California
Thomas F. Hash	Bechtel National, Inc.
Robert Cochran	BWX Technologies, Inc.
Bruce Darling	University of California
Bill Frazer	University of California
Craig D. Weaver	Bechtel National, Inc.
Sidney Drell	Stanford Linear Accelerator
Richard W. Mies	Science Applications International Corp.
Nicholas G. Moore	Price Waterhouse Coopers (Retired Chairman)
William J. Perry	Stanford University
Nicolas Salazar	New Mexico State Representative

Question #8:

Please provide a description of the specific ownership shares of LANS amongst its teaming partners.

**LANL Response:**

LANS, LLC is a Delaware limited liability company that is owned by four organizations, referred to as the Members. These are similar to shareholders of a corporation, but are sometimes referred to as the “partners” and are also commonly referred to by DOE as the “parent organizations”. The LANS Members are Bechtel National, Inc., the University of California, BWX Technologies, Inc., and Washington Group International, Inc. Each of the Members has a financial ownership interest in LANS, LLC and also participates in the governance of the LANS, LLC.

The University and Bechtel each own a 50% capital interest in LANS. All four of the Members own an interest in the net income of LANS, which is derived from the performance-based fees

paid to LANS by NNSA. The respective fee interests of the four Members are variable and depend on the amount of fee earned each year and by the extent of any losses incurred during the year. Details of these interests are set forth in an operating agreement (the "LLC Agreement") between the four Members. The fee distributed to each Member is simply a percentage of the overall fee awarded by NNSA and therefore depends entirely upon the success of the whole venture rather than the individual Member's performance in their particular area of expertise.

Question #9:

Is part of the reason Los Alamos has had a history of repeated security problems due to the footprint for classified operations being simply too large and the facilities too far flung to manage classified information effectively?

**LANL Response:**

While the footprint for classified operations contributed to the security errors at LANL, in fact, the footprint is no larger than the footprint at other major DOE/NNSA sites. The major reasons for the repeated security events is the lack of an effectively implemented "Integrated Safeguards and Security Management" (ISSM) system where all employees understand what their security responsibilities are, and are fully committed to comply with the established security processes. While LANL has an ISSM program in place, we have developed corrective action plans and are taking immediate actions to strengthen the existing program. A Security Improvement Task Force was formed and is actively getting control and reducing our classified material, and consolidation will be part of this effort. The Super Vault Type Room (VTR) is a key component of the Laboratory's effort to consolidation classified holdings under direct management by security professionals.

Question #10:

Should LANS, as an institution, be held accountable for the recent breakdowns in cyber security at Los Alamos?

**LANL Response:**

In my January 30, 2007, testimony before the Energy and Commerce Subcommittee on Oversight & Investigations, I stated unequivocally that--with respect to Los Alamos National Laboratory security incidents June 1, 2006, forward--I own the problem and, more importantly, I own the solution.

There is a clearly defined process codified in 10CFR Part 824 which the Department of Energy uses as the administrative process by which to investigate and take enforcement action and impose civil penalties for violations of DOE's classified information security requirements. On July 12 and 13, 2007, the Department and the National Nuclear Security Administration issued a Preliminary Notice of Violation as well as a Compliance Order in connection with the security incident discovered in October 2006.

## Question #11:

Please provide the amount of the total annual compensation package - base plus bonus plus fringe - for the director and associate directors at LANL.

**LANL Response:**

<b>Name</b>	<b>Senior Executive Positions</b>	<b>DOE Approved FY07 Reimbursed Salary</b>	<b>Reimbursable Salary Plus Fringe</b>
Anastasio, Michael	Laboratory Director	\$357,000	\$451,605
Van Prooyen, Jan	Deputy Laboratory Director	\$306,000	\$387,090
Mara, Glenn	Principal Associate Director	\$318,000	\$402,270
Mallory, Michael	Principal Associate Director	\$285,600	\$361,284
Wallace, Terry	Principal Associate Director	\$276,650	\$349,962
Beason, Douglas	Associate Director	\$261,000	\$330,165
Bishop, Alan	Associate Director	\$247,500	\$313,088
Ethridge, Jerry	Associate Director	\$227,000	\$287,155
Gibbs, W. Scott	Associate Director	\$228,000	\$288,420
Heim, Doris	Associate Director	\$224,500	\$283,993
Kelley, Asa	Associate Director	\$203,000	\$256,795
Knapp, Bret	Associate Director	\$268,000	\$339,020
Knapp, Roland	Associate Director	\$259,000	\$327,635
McQuinn, Robert	Associate Director	\$229,500	\$290,318
McMillan, Charles	Associate Director	\$268,000	\$339,020
Neu, Mary	Associate Director	\$214,200	\$270,963
Seestrom, Susan	Associate Director	\$261,000	\$330,165
Sowa, A. Paul	Associate Director	\$204,000	\$258,060
Stiger, Susan	Associate Director	\$243,395	\$307,895
Watkins, Richard	Associate Director	\$237,500	\$300,438