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Resources, Community, and
Economic Development Division

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April 25, 1997

The Honorable Floyd D. Spence
Chairman
The Honorable Ronald V. Dellums
Ranking Minority Member
Committee on National Security
House of Representatives

Subject: Department of Energy: Information on the Distribution of Funds for Counterintelligence Programs and the Resulting Expansion of These Programs

Counterintelligence programs have been created at many Department of Energy (DOE) facilities to identify, understand, and mitigate foreign efforts to gather information on sensitive departmental activities. Prior to fiscal year 1997, funding for these programs was provided entirely from the facilities' administrative or overhead funds. However, because of concerns over the increasing number of foreign visitors to these facilities and the possibility that the facilities could be targets for foreign countries seeking nuclear weapons-related information, DOE was appropriated an additional \$5 million in fiscal year 1997 to expand counterintelligence programs at its nuclear weapons laboratories and other high-risk facilities. As agreed with your offices, this report addresses (1) the distribution of the additional \$5 million among DOE facilities for counterintelligence programs and (2) the extent to which funding and staffing for counterintelligence programs at DOE facilities have increased.¹

In summary, DOE disbursed \$3.74 million of the \$5 million to eight facilities to expand their counterintelligence programs. The remaining \$1.26 million is to be used for counterintelligence analysis and assessment studies. However, the overall funding increase for counterintelligence programs at the eight facilities was only about \$1.6 million—significantly less than the \$3.74 million DOE

¹We are currently evaluating DOE's counterintelligence program as it relates to foreign visitors. A separate report on this work will be provided to the Committee later this year.

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provided to these facilities—because (1) five facilities reduced or eliminated the funding they previously provided to counterintelligence programs by a total of \$0.7 million, and (2) \$1.4 million was allocated to fund facilitywide support costs. The \$1.6 million resulted in increased staffing for counterintelligence programs at all but one of the eight facilities.²

DISTRIBUTION OF FISCAL YEAR 1997
COUNTERINTELLIGENCE FUNDS

Prior to fiscal year 1997, DOE did not provide direct funding of counterintelligence programs at its facilities; rather, these programs were funded from facility administrative or overhead accounts. In January 1997, DOE began to provide funds directly to expand existing counterintelligence programs by disbursing \$3.74 million of the \$5 million appropriated for this purpose to the contractors operating eight facilities—the Idaho National Engineering and Environmental Laboratory,³ the Lawrence Livermore National Laboratory, the Los Alamos National Laboratory, Mound Plant, Oak Ridge,⁴ the Pacific Northwest National Laboratory, the Sandia National Laboratories, and the Savannah River Site. The additional funds for fiscal year 1997 that each of the eight facilities received are shown in table 1.

²The staffing at the Mound Plant did not increase. This is because the DOE funding replaced the amounts that the plant formerly provided for its counterintelligence program.

³The Idaho facility has more than one counterintelligence program. The funds were provided to the program conducted by the Lockheed Martin Idaho Technologies Company, which is the operating contractor at the facility.

⁴This includes all DOE facilities in the Oak Ridge, Tennessee, area.

Table 1: DOE's Distribution of the Fiscal Year 1997 Funds for Counterintelligence Programs at Eight Facilities

<u>Facility</u>	<u>Amount</u>
Idaho	\$400,000
Lawrence Livermore	1,168,000
Los Alamos	900,000
Mound	150,000
Oak Ridge	277,500
Pacific Northwest	320,000
Sandia	400,000
Savannah River	<u>120,300</u>
Total	<u>3,735,800</u>

The remaining funds—\$1.26 million—are to be used for counterintelligence analysis and assessment studies. DOE officials told us that such studies will examine the risks and threats to specific facilities, as well as the DOE complex as a whole. Currently, \$350,000 has been provided to Livermore and Los Alamos for a combined assessment, and \$36,000 has been provided to Sandia for a self-assessment. An additional \$75,000 is to be spent on audio/visual support. Final decisions on the activities to be conducted with the remaining \$803,000 have not yet been made.

EXPANSION OF COUNTERINTELLIGENCE PROGRAMS

Although DOE provided over \$3.7 million in additional funds to expand counterintelligence programs at its facilities, the overall increase in funding to these programs has been considerably less. This is because (1) most facilities have reduced or eliminated the funding they previously provided for counterintelligence and (2) facilitywide support charges on DOE's funding significantly reduced the amount available for the counterintelligence programs.

During fiscal year 1996, the eight facilities had provided a total of \$1.4 million for counterintelligence. For fiscal year 1997, these facilities, in the aggregate, reduced their support for their counterintelligence programs by over 50 percent, to \$680,700. Three facilities, Los Alamos, Sandia, and Savannah River, are maintaining or increasing their funding for counterintelligence programs, while five facilities have reduced their funding. The most significant reductions are at Idaho, which eliminated its previous year's funding of \$170,500, and at Livermore, which reduced its funding 77 percent, from \$552,000 in fiscal year 1996 to \$125,000 in fiscal year 1997.

Further reducing the \$3.74 million available for facilities' counterintelligence programs is the allocation of over \$1.4 million of this funding to facilitywide support charges. These charges are for purposes such as general and administrative activities. These purposes are defined differently from facility to facility and may include facilitywide costs not readily identified with a single user or organization, such as security and facility upkeep. As shown in table 2, at some facilities these charges account for almost 50 percent of the additional funding provided for counterintelligence programs.

Table 2: Facility Support Charges and Net Counterintelligence Funding at Eight DOE Facilities, Fiscal Year 1997

Dollars in thousands

<u>Facility</u>	<u>DOE's counter- intelligence funding</u>	<u>Facility support charge</u>	<u>Net counter- intelligence funding</u>
Idaho	\$400.0	\$95.4	\$304.6
Lawrence Livermore	1,168.0	550.0	618.0
Los Alamos	900.0	378.0	522.0
Mound	150.0	69.0	81.0
Oak Ridge	277.5	71.5	206.0
Pacific Northwest	320.0	108.0	212.0
Sandia	400.0	103.4	296.6
Savannah River	<u>120.3</u>	<u>48.4</u>	<u>71.9</u>
Total	<u>\$3,735.8</u>	<u>\$1,423.7</u>	<u>\$2,312.1</u>

The reduction in funding and the allocation of a portion of DOE's funding to facilitywide support costs greatly affect the amount of funds actually available in the counterintelligence programs. In this regard, while DOE increased funding by \$3.74 million at the eight facilities for fiscal year 1997, the overall increase in the amount available for the counterintelligence programs is considerably less—about \$1.6 million. Table 3 shows each facility's funding to its counterintelligence program in fiscal year 1996, the net funding received by the program, and in fiscal year 1997 the overall increase in program funding.

Table 3: Increase in Counterintelligence Program Funding at Eight DOE Facilities, Fiscal Years 1996 and 1997

Dollars in thousands

<u>Facility</u>	Fiscal year 1996 funding for counter- intelligence programs	Fiscal year 1997 funding for counterintelligence programs			Overall increase
		<u>Facility</u>	<u>DOE^a</u>	<u>Total</u>	
Idaho	\$170.5	0.0	\$304.6	\$304.6	\$134.1
Lawrence Livermore	552.0	\$125.0	618.0	743.0	191.0
Los Alamos	100.0	100.0	522.0	622.0	522.0
Mound	81.0 ^b	0.0	81.0	81.0	0.0
Oak Ridge	36.5 ^b	0.0	206.0	206.0	169.5
Pacific Northwest	115.0	91.0	212.0	303.0	188.0
Sandia ^c	253.0	269.3	296.6	565.9	312.9
Savannah River	<u>88.7</u>	<u>95.4</u>	<u>71.9</u>	<u>167.3</u>	<u>78.6</u>
Total	<u>\$1,396.7</u>	<u>\$680.7</u>	<u>\$2,312.1</u>	<u>\$2,992.8</u>	<u>\$1,596.1</u>

^aDOE's funding is a net of the amount DOE is directly funding less facility support charges.

^bFiscal year 1996 funding at this facility is estimated. The facility did not provide a specific amount to its counterintelligence program during that year.

^cSandia's New Mexico facility incurred a reduction of \$16,000 in funding for counterintelligence in fiscal year 1997. Sandia's Livermore facility is receiving \$32,300 more in funding for counterintelligence in fiscal year 1997.

With the overall funding increase, the facilities have hired, or are planning to hire, additional staff to work in the counterintelligence programs. Staffing for the counterintelligence programs will almost double from the existing 15.0 full-time equivalents (FTE) to 29.7 FTEs. For the most part, the additional staff are to be counterintelligence officers, who will conduct briefings, debriefings, analyses, and awareness programs at their respective facilities. Table 4 details the increases in counterintelligence staffing that are expected to occur in fiscal year 1997 at the eight DOE facilities.

Table 4: Increase in Counterintelligence Staffing at Eight DOE Facilities, Fiscal Years 1996 and 1997

<u>Facility</u>	<u>Fiscal year 1996 staffing</u>	<u>Fiscal year 1997 staffing</u>	<u>Staffing increase</u>
Idaho	1.5	3.0	1.5
Livermore	5.5	7.5	2.0
Los Alamos	1.1	5.5	4.4
Mound	1.0	1.0	0.0
Oak Ridge	0.5	2.5	2.0
Pacific Northwest	1.0	2.8	1.8
Sandia ^a	2.8	5.0	2.2
Savannah River	<u>1.6</u>	<u>2.4</u>	<u>0.8</u>
Total	<u>15.0</u>	<u>29.7</u>	<u>14.7</u>

^aThe Sandia staffing is at both its Albuquerque, New Mexico, and Livermore, California, locations.

AGENCY COMMENTS

We provided a draft of this report to DOE for review and comment. In an April 17, 1997, letter, DOE responded that it had no comment on the facts of the report; however, it believes that the focus on funding overshadows improvements that have been made in the counterintelligence program. DOE suggested that we make it clear that we were addressing only funding issues and that an evaluation of counterintelligence performance will be addressed in a separate report. We revised the report to point out that we are currently evaluating DOE's counterintelligence program as it relates to foreign visitors. DOE's comments are included as enclosure I.

SCOPE AND METHODOLOGY

We conducted our work at DOE headquarters in Washington, D.C., and at DOE and contractor facilities around the country. We obtained and reviewed relevant documents that described the fiscal year 1997 funding provided to DOE and the distribution of the funds by DOE to its contractor-operated facilities. We also contacted each of the facilities receiving direct counterintelligence funding from DOE headquarters and verified through appropriate contractor officials (1) the amount of counterintelligence funds provided directly by DOE and the amount the funds are reduced by facility charges, (2) the amount provided by the facility to its counterintelligence program in fiscal years 1996 and 1997, and (3) the number of counterintelligence personnel funded in fiscal

years 1996 and 1997. Our work was performed during March and April 1997 in accordance with generally accepted government auditing standards.

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As arranged with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report for 7 days. At that time, we will provide copies to the Secretary of Energy, appropriate congressional committees, and other interested parties. We will also make copies available to others upon request.

Please contact me on (202) 512-3841 if you or your staff have any questions. Major contributors to this report include William F. Fenzel, David L. Brack, James C. Charlifue, John R. Schulze, and Frank B. Waterous.

A handwritten signature in black ink, appearing to read "Victor S. Rezendes", with a stylized flourish at the end.

Victor S. Rezendes
Director, Energy, Resources,
and Science Issues

Enclosure

COMMENTS FROM THE DEPARTMENT OF ENERGY**Department of Energy**

Washington, DC 20585

April 17, 1997

Mr. Victor S. Rezendes
Director
Energy, Resources
and Science Issues
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Rezendes:

The Department of Energy appreciates the opportunity to review the draft General Accounting Office report, "Department of Energy: Information on the Distribution of Funds for Counterintelligence Programs and the Resulting Expansion of These Programs." We understand that this report focuses only on the additional funds that the Congress has provided to mitigate foreign efforts to gather information on sensitive Department activities, rather than on the Department's efforts to (1) manage foreign visits and assignments and (2) improve counterintelligence support to our weapons laboratories.

The Department has no comment on the facts of the report as they are portrayed. However, we are concerned that the numbers do not tell the whole story. By treating performance issues separately, the General Accounting Office creates an impression that demonstrable value-added improvements, which the Department has made, are less noteworthy than the bottom line. We do not believe that this is the General Accounting Office's intent, and would therefore suggest adding a phrase reflecting the fact that they will address performance evaluation separately.

Sincerely,

A handwritten signature in dark ink, appearing to read "Kenneth E. Baker", is written over the typed name.

Kenneth E. Baker
Acting Director
Office of Nonproliferation
and National Security

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