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**REPORT TO THE
JOINT COMMITTEE ON ATOMIC ENERGY
CONGRESS OF THE UNITED STATES**

**Selection And Use Of Contractor
For Developing A Management
Information System For The
Atomic Energy Commission** B-164105

**BY THE COMPTROLLER GENERAL
OF THE UNITED STATES**

~~904458~~ 092516 JUNE 8. 1973



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-164105

CIT
R The Honorable Melvin Price, Chairman
Joint Committee on Atomic Energy *TNT 100*
Congress of the United States

Dear Mr. Chairman:

Our report concerns the selection and use of a contractor for developing a management information system for the Atomic Energy Commission. We prepared the report in accordance with the Joint Committee's request of July 28, 1972.

We have discussed the contents of the report with representatives of the Atomic Energy Commission and have considered the Commission's comments in finalizing the report.

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✓ We are sending copies of this report to the Vice Chairman of your Committee. As agreed with your office, we are sending copies to the House and Senate Committees on Government Operations and on Appropriations; the Director, Office of Management and Budget; and the Chairman, Atomic Energy Commission. We do not plan to distribute the report further unless the Committee agrees or publicly announces its contents. *<1500*
<300

Sincerely yours,

Comptroller General
of the United States

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ABBREVIATIONS

AEC	Atomic Energy Commission
CSC	Computer Sciences Corporation
LMFBR	liquid metal fast breeder reactor
MIS	management information system
MIT	Division of Management Information and Telecommunications Systems
RDT	Division of Reactor Development and Technology
WTSC	Westinghouse Tele-Computer Systems Corporation

COMPTROLLER GENERAL'S REPORT TO
THE JOINT COMMITTEE ON ATOMIC ENERGY
CONGRESS OF THE UNITED STATES

SELECTION AND USE OF CONTRACTOR
FOR DEVELOPING A MANAGEMENT
INFORMATION SYSTEM FOR THE
) ATOMIC ENERGY COMMISSION B-164105 743

D I G E S T

WHY THE REVIEW WAS MADE

The Joint Committee on Atomic Energy asked GAO to review a contract between the Atomic Energy Commission (AEC) and a private contractor; the contract was for helping AEC develop its headquarters' automated management information system.

The Committee was interested in the appropriateness of AEC procedures in awarding the contract and the existence of any potential or actual conflict of interest. It also was concerned whether the contractor, because of this contract, could have an advantage over other competitors in dealing with AEC. (See app. I.)

Background

2 The AEC contract is with Westinghouse Tele-Computer Systems Corporation, a division of Westinghouse Electric Corporation. The management information system covered by the contract included systems for both the AEC Director of Regulation and the AEC General Manager.

The cost-plus-fixed-fee contract covered the period June 23, 1971, through November 30, 1974. Costs through fiscal year 1973 are expected to be about \$2,365,000, including a fixed fee of about \$153,000. (See p. 5.)

FINDINGS AND CONCLUSIONS

Developing systems for AEC's
Director of Regulation

After GAO began its review, AEC reviewed the contractor's role in developing management information systems for the AEC Director of Regulation.

AEC concluded that this role presented an unacceptable appearance of a conflict of interest because Westinghouse also manufactures nuclear reactors which are subject to the Director's licensing review. (See p. 13.)

Therefore, on September 19, 1972, AEC terminated the contractor's work for the Director. AEC said this action did not result from, nor was it intended to imply, an actual conflict, improper act, or contract breach. (See p. 13.)

GAO found no instance before the termination where the contractor had had access to sensitive information which could give it a commercial advantage over its competitors. (See p. 15.)

AEC established additional procedures to insure that the contractor would not gain such access while carrying out its contract work for AEC's General Manager. (See pp. 15 and 16.)

AEC's actions seem to be appropriate steps to eliminate problems that may have arisen from the contractor's work for the Director. (See p. 18.)

Developing systems for
AEC's General Manager

GAO identified two types of sensitive information in systems in existence or under development for the AEC General Manager. One type is AEC owned or generated information for official internal use only. The other type is a private company's proprietary or otherwise confidential data. (See p. 21.)

Under AEC regulations both types of sensitive information would not be made available to the contractor unless the contract work required it.

Even if the information is made available, a contract clause prohibits private use of the information without AEC approval.

The objective of the private use clause, as stated in AEC's procurement instructions, is to avoid giving the contractor an unfair competitive advantage. (See p. 22.)

AEC said that, even though a contract contains a private use clause, it would not make a company's proprietary or otherwise confidential data available to a contractor without first obtaining the company's permission. (See p. 23.)

GAO's review of five information systems under the AEC General Manager showed that four contained sensitive information which, if obtained, could potentially give Westinghouse a competitive advantage.

However, in view of the private use clause in the contract, GAO sees no legal objection to AEC's continuing its contract with the Westinghouse Tele-Computer Systems Corporation. (See p. 25.)

Contractor personnel have worked in AEC's computer center while providing software support and management systems analyses. Opportunity for them to obtain unauthorized access to sensitive information depends largely on the effectiveness of AEC's control mechanisms. (See pp. 21 and 26.) To restrict contractor personnel from gaining unauthorized access, AEC relies primarily on its visitor clearance requirements and its computer center employees' surveillance. (See p. 24.)

The contractor will continue to work in AEC's computer center in developing the General Manager's information systems. GAO believes, therefore, that AEC should implement additional data controls--such as those implemented for the regulatory organization. Such controls should further insure that the contractor does not gain unauthorized access to sensitive data contained in the General Manager's information systems.

In GAO's opinion, such controls are warranted in view of Westinghouse's tripartite role as (1) developer of the AEC management information system, (2) a leader in manufacturing nuclear power reactors, and (3) the major contractor for AEC's reactor development program. (See p. 26.)

Appropriateness of AEC.
procedures in awarding contract

Before selecting Westinghouse Tele-Computer Systems Corporation,

AEC made at least two studies--in April and November 1970--to compare costs and AEC personnel needed to develop management information systems with costs for continuing to use then-existing contractor personnel. (See p. 28.)

AEC decided to continue acquiring information services from commercial sources because its cost-oriented studies and other factors did not show that AEC would have a clear-cut advantage from developing the system itself. (See p. 29.)

Therefore, in July 1970, AEC appointed a contract proposal evaluation board to recommend a computer software firm best qualified to expand the management information systems for AEC. (See p. 29.)

After evaluating and reporting on proposals from 27 prospective contractors, the board recommended Westinghouse Tele-Computer Systems Corporation in May 1971. On June 4, 1971, the Commission concurred in the board's recommendation. (See pp. 33 and 34.)

Certain information which supported the board's evaluations and which it considered significant in arriving at its recommendation was not documented. (See pp. 31 to 33.)

Without such documentation, GAO could not conclusively determine whether the board's selection was appropriate.

RECOMMENDATIONS

AEC should develop additional con-

trols to restrict the contractor from gaining unauthorized access to sensitive data in the General Manager's information systems.

In developing such controls, AEC should consider insuring that:

--Only AEC personnel control computer programs, printouts, magnetic tapes and disks, microfilm, and related materials which contain sensitive data.

--Only AEC personnel request and/or receive computer center services involving sensitive data.

--Computer programs submitted by contractor personnel for computer center processing not require access to or request data from magnetic tapes and disks containing sensitive data. (See p. 26.)

AEC also should insure that a complete record supporting the basis for contractor selection is maintained. (See p. 36.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

AEC agreed with GAO's recommendations and said it would (1) implement additional controls to insure that contractor personnel do not gain unauthorized access to sensitive data and (2) study its documentation requirements to identify the specific steps to be taken to insure that a complete record supporting the basis for contractor selection is maintained.

CHAPTER 1

INTRODUCTION

The Atomic Energy Commission (AEC) entered into a cost-plus-fixed-fee contract for the period June 23, 1971, through November 30, 1974, with the Westinghouse Tele-Computer Systems Corporation (WTSC), a division of Westinghouse Electric Corporation. Under this contract WTSC provides management systems analysis, computer systems design and programming, and systems support services to help AEC design, operate, and maintain its headquarters' automated management information system (MIS). AEC estimated that costs through fiscal year 1973 will be \$2,365,000, including a fixed fee of about \$153,000.

The purpose of MIS is to provide AEC Headquarters' management with the information it needs to make the best and most timely decisions concerning AEC's programs and administration. MIS comprises systems for both the Director of Regulation and the General Manager. These systems are described in appendixes II and III.

AEC'S EFFORTS TO DEVELOP MIS

In August 1964 the AEC Office of the Controller began studying the AEC uniform chart of financial accounts. AEC recognized at that time that the chart was adaptable to computer application. The study disclosed significant interrelationships between the information needs of AEC's financial activities and those of its programs and other activities. In July 1965 the AEC General Manager approved the "development of an information system for management purposes" by the Office of the Controller.

The Controller told us that, because AEC did not at that time have personnel with sufficient automatic data processing skills to develop an MIS, AEC decided to obtain the services of an AEC contractor, the Computer Sciences Corporation (CSC). He said that this decision was made because (1) CSC had an excellent reputation in the computer systems analysis and programming field and (2) CSC had progressed on a learning curve in developing an automated finance and contracts information system at AEC's Richland Operations Office in Washington. He said also that, since

CSC already had a contract with the Richland office, AEC Headquarters added its MIS requirements to that contract.

In January 1968 AEC changed its contract with CSC by placing the MIS work under a separate headquarters contract. CSC was to perform systems analysis, systems design, and programming to help AEC develop and implement MIS. In March 1969 AEC and CSC extended the contract period through November 1971.

As other firms in the computer industry became aware of the increasing size of the AEC-CSC contract, they expressed an interest in competing with CSC to provide such services. During December 1970 and January 1971, AEC requested proposals from more than 200 firms engaged in management systems analysis and computer software services. The request stated that the solicitation was based on AEC's policy of giving organizations an opportunity to compete for the business of supplying services to AEC and was in no way intended to reflect adversely upon the quality of CSC's performance.

AEC received 27 proposals, from which it selected WTSC for the contract award. AEC's procedures in selecting WTSC are discussed in chapter 4.

WTSC'S INTERACTION WITH AEC IN DEVELOPING MIS

Developing MIS involves the interaction of three groups: the system user, WTSC, and AEC's Division of Management Information and Telecommunications Systems (MIT). MIT, created in November 1970 as a separate division in AEC, plans, coordinates, and directs the development of MIS. Before November 1970 the AEC Controller had this responsibility.

A user division, such as the Division of Reactor Development and Technology (RDT) or the Division of Contracts, usually initiates the request for developing a system and submits it either orally or in writing to MIT for review and approval.

After MIT reviews the request, WTSC studies the project's practicability and estimates the cost for WTSC's

related efforts. The results of the study are evaluated by the user division which initiated the request, MIT, and the Assistant General Manager for Administration, if required. The Assistant General Manager for Administration must approve projects having an estimated cost of \$100,000 or more. If the project is approved, MIT then directs WTSC to begin development.

The Director, MIT, told us that MIT generally relies on WTSC for performing the systems analysis, systems design, and programming needed to satisfy the requests of user divisions under AEC's General Manager. MIT personnel, usually analysts, monitor these efforts and coordinate projects for specific MIS undertakings.

After WTSC finishes developing a system, WTSC personnel and representatives of MIT and the user division usually work together to test and implement the system.

After the system has been implemented, WTSC begins maintaining and improving the system in response to new or changed user requirements and corrects any problems.

MIT employees process data in AEC's computer center. They (1) prepare the data (including keypunching) for computer processing, (2) control access to the computer center and the data being processed, and (3) operate the computer equipment.

JOINT COMMITTEE'S CONCERN OVER
POSSIBLE CONFLICT OF INTEREST IN
CONTRACTUAL ARRANGEMENT WITH WTSC

In his letter dated July 28, 1972 (see app. I), the Executive Director, Joint Committee on Atomic Energy, requested that we review the contractual arrangement between AEC and WTSC because of some indication of a possible conflict of interest. The Joint Committee was concerned about the propriety of allowing personnel of the Westinghouse Electric Corporation, one of the leading manufacturers of nuclear power reactors and one of AEC's largest contractors, to be assigned to positions where they might have access to information which could give Westinghouse an advantage over its competitors in dealing with AEC.

WTSC's contract might involve an actual or potential organizational conflict of interest as defined in section 9-1.5405 of the AEC Procurement Regulations, which provides as follows:

"The term 'organizational conflict of interest' means a situation where a contractor, normally a corporation, has interests, either due to its other activities or its relationships with other organizations, which place it in a position that may be unsatisfactory or unfavorable (a) from the Government's standpoint in being able to secure impartial, technically sound, objective assistance and advice from the contractor, or in securing the advantages of adequate competition in its procurement; or (b) from industry's standpoint in that unfair competitive advantage may accrue to the contractor in question."

To determine the propriety of the contractual arrangement with WTSC, we specifically examined WTSC's role in developing information systems for (1) AEC's Director of Regulation and (2) AEC's General Manager. Also, we examined the appropriateness of the contract award procedures. We considered the roles of Westinghouse Electric Corporation as a manufacturer of nuclear power reactors and as a major AEC contractor. These two roles are discussed in the sections below.

WESTINGHOUSE'S ROLE AS MANUFACTURER OF NUCLEAR POWER REACTORS

The table below shows that 23 of the 55 nuclear power reactors sold in this country between January 1971 and December 1972 were purchased from the Westinghouse Electric Corporation.

<u>Manufacturer</u>	<u>Sales</u>	
	<u>Units</u>	<u>MWe</u> <u>(note a)</u>
Westinghouse Electric Corporation	23	23,922
General Electric Company	17	19,138
Babcock & Wilcox	7	7,280
Gulf General Atomic	6	5,360
Combustion Engineering	<u>2</u>	<u>2,070</u>
Total	<u>55</u>	<u>57,770</u>

^a Megawatts of electrical power.

Most of these reactors were sold to public utilities throughout the United States and are to be used for generating electricity.

Before a public utility can begin constructing and operating a nuclear power plant, it must obtain a construction permit and operating license from AEC. AEC's Director of Regulation reviews applications for construction permits and operating licenses to insure that the related nuclear facilities, including the reactor, will not result in undue risk to the health and safety of the public.

WESTINGHOUSE'S ROLE AS A MAJOR AEC CONTRACTOR

The Westinghouse Electric Corporation is extensively involved in AEC's reactor development programs, primarily the naval nuclear propulsion and civilian power reactors programs. This involvement includes research and engineering for operating AEC's Hanford Engineering Development Laboratory in Richland and the Bettis Atomic Power Laboratory in Pittsburgh, Pennsylvania--AEC's fourth and seventh largest research and development laboratories, respectively. As shown in the table below, Westinghouse's costs under AEC contracts other than the MIS contract during fiscal year 1972 were \$214.7 million.

<u>AEC program</u>	<u>Contract</u>	<u>Number</u>	<u>Costs</u> (millions)
Naval reactors (note a)	Operating the Bettis Atomic Power Laboratory in Pittsburgh	1	\$ 90.7
Civilian power reactors (note a)	Operating the Hanford Engineering Development Laboratory at Richland	1	116.9
Civilian power reactors (note a)	Research and development	9	5.8
Space nuclear propulsion (note a)	Research and development	2	0.3
Isotopes development	Research and development	<u>3</u>	<u>1.0</u>
		<u>16</u>	<u>\$214.7</u>

^a These programs are included in AEC's reactor development program and are administered by the following divisions: Naval Reactors, Reactor Development and Technology, and Space Nuclear Systems.

WTSC's costs under the MIS contract during fiscal year 1972 were about \$1 million.

Westinghouse-Bettis contract

Under the Bettis contract, the Westinghouse Electric Corporation provides management, administrative, research, and engineering development services for its operation and maintenance of AEC's Bettis Atomic Power Laboratory and the Naval Reactors Facility at AEC's National Reactor Testing Station in Idaho. Westinghouse's services are primarily for the benefit of AEC's naval nuclear propulsion program and include:

1. Improving and advancing nuclear power reactors for naval submarines and surface vessels.
2. Studying, designing, and developing advanced core concepts to provide more reliable, economic, and long-lived reactor cores.
3. Manufacturing, installing, and testing prototype reactor plant components.
4. Developing a light water breeder reactor to demonstrate the thermal breeding principle in a light water-cooled power reactor core.

5. Designing and evaluating reactors to develop new and improved methods of using nuclear power to propel naval vessels.

Westinghouse-Hanford contract

Under this contract, the Westinghouse Hanford Company, a subsidiary of Westinghouse, is developing technology primarily for AEC's liquid metal fast breeder reactor (LMFBR) program. To do this, the company is to design, develop, construct, test, and operate AEC's fast flux test facility, a 400-megawatt facility for testing reactor fuel, components, and systems. Plans for the facility include a reactor having such support facilities as heat removal and fuel-handling systems, fuel examination facilities for reactor material and components, and the necessary maintenance and office facilities.

The LMFBR program is AEC's highest priority civilian nuclear power program. Its objective is to develop and demonstrate safe, reliable, and economic LMFBR central power stations to be introduced into the U.S. economy by the middle or late 1980s. According to AEC the program involves not only AEC laboratories, engineering centers, and industrial contractors but also--through the demonstration plant program--most of the major electric utility companies in the United States.

In conjunction with the reactor manufacturers, AEC plans to first use the technology developed with the fast flux test facility to construct one or more LMFBR demonstration plants scheduled for completion late in 1970 or early in 1980. AEC expects the LMFBR technology being developed under the fast flux test facility and demonstration plant programs to be used by the designers and operators of future large commercial breeder reactors.

Selecting Westinghouse as lead reactor manufacturer for first LMFBR demonstration plant

General Electric Company, Westinghouse Electric Corporation, and Atomics International, the principal liquid metal reactor vendors, prepared proposals for the design and construction of the first LMFBR demonstration plant. These

proposals were evaluated by the Project Management Corporation, a corporation created to administer the contracts for the design, construction, and operation of the first LMFBR demonstration plant.

On November 22, 1972, the Project Management Corporation selected the Westinghouse Electric Corporation as the lead reactor manufacturer for the first LMFBR demonstration plant. Westinghouse is to design the nuclear steam supply system, supply the principal components for the nuclear portion of the breeder plant, and work with other industrial organizations participating in the project. AEC concurred in this selection. AEC estimates that design, construction, and operation of the demonstration plant will cost about \$700 million. AEC officials told us that Westinghouse will be awarded a contract for a large part of this work.

CHAPTER 2

WTSC'S ROLE IN DEVELOPING INFORMATION SYSTEMS

FOR AEC'S DIRECTOR OF REGULATION

After we began our review, AEC, on September 19, 1972, terminated all WTSC involvement in AEC's regulatory activities because this involvement presented an appearance of a conflict of interest which was unacceptable to AEC. On this same date, the AEC Chairman had written a letter to the Chairman of the Joint Committee stating that:

"While it appears that this contract arrangement has not matured into a situation which legally constitutes a conflict of interest; this arrangement, to the extent it includes our Regulatory activities, involves an appearance that is unacceptable to us. Accordingly, as of today, any and all involvement by Westinghouse under this contract in regards to the Regulatory activities has been terminated.

* * * * *

"I believe it is important to point out that the action taken today relates only to the concern for the appearance of conflict of interest and does not result from, nor is it intended to imply, any improper act or contract breach on the part of Westinghouse. In fact, AEC staff rates Westinghouse's technical performance under this contract to date as being excellent."

Regulatory officials explained to us that the unacceptable appearance of a conflict of interest resulted from WTSC's role in developing MIS for the regulatory organization and Westinghouse Electric Corporation's role as manufacturer of nuclear power reactors, which are subject to the Director of Regulation's licensing review. They said that this situation suggested an appearance which should be avoided.

Another factor in AEC's decision was the possibility that, at some future date, the regulatory organization's MIS might contain sensitive¹ information which could give Westinghouse a competitive advantage over other companies which do not have access to the same information. Regulatory officials said that:

"The Regulatory position that WTSC should be terminated immediately with respect to Regulatory activities is * * * [in part] * * * because the use of WTSC could impair or limit Regulatory in the future when systems or programs are designed which may involve sensitive information. * * *

"A review of the Regulatory information, data and systems to which WTSC has had access does not indicate that sensitive information is involved. There is certainly no evidence which suggests that an actual conflict of interest has occurred."

WTSC'S OPPORTUNITY TO GAIN ACCESS TO SENSITIVE DATA

Our review of the records on the data in the systems comprising the regulatory MIS and our related discussions with WTSC and regulatory personnel involved in the development and/or maintenance of such systems provided no indication that the systems contained information which could be considered sensitive. From the description of these systems in appendix II, this data generally is of an administrative nature. Primarily regulatory management personnel use it in planning for and determining the status of the various steps involved in reviewing license applications.

Although AEC did not consider the data in the regulatory MIS to be sensitive, we examined the possibility that WTSC personnel could have gained access to other sensitive information while carrying out their systems design and development functions at the regulatory organization.

¹ Confidential or proprietary information of private companies and AEC-generated information for AEC's internal use.

For example, WTSC had been involved in developing the status reporting system for topical report reviews. Nuclear reactor manufacturers or architect-engineering organizations occasionally submit topical reports to AEC to provide (1) substantiating data or other pertinent information on a particular topic in support of more than one license application, (2) technical assessments and/or discussions concerning a generic safety issue, or (3) advance information on new reactor design concepts or innovations. Various technical branches in the regulatory organization are usually asked to evaluate the topical reports in connection with the license review. These reports frequently contain a company's proprietary or confidential information.

The Chief, Plans Branch, Office of Plans and Schedules, told us that these topical reports had not been made available to WTSC in developing the status reporting system. He explained that it was necessary to provide WTSC only with the documentation on the requests for internal review of the reports and that the requests themselves do not contain sensitive information.

Our examination of the information and documents provided by regulatory personnel to WTSC and our discussions with WTSC and regulatory personnel provided no indication that sensitive information had been made available to WTSC during its development of MIS for the regulatory organization.

ADDITIONAL PROCEDURES TO RESTRICT WTSC FROM GAINING ACCESS TO REGULATORY MIS DATA

To further insure that WTSC would not gain access to the regulatory MIS data, which continues to be processed on computers in the AEC computer center, AEC implemented control procedures in the center in addition to the existing procedures (discussed in ch. 3). The additional procedures, contained in instructions issued on September 26, 1972, by the Chief, Computer Center Branch, provided, in part, that:

"Since WTSC will continue to provide software and management systems analysis support for activities under the jurisdiction of the General Manager, WTSC personnel will continue to have close working relationships with the Computer

Center. It is necessary to immediately implement procedures to assure the members of the WTSC staff have no access to REG [regulatory] computer programs, printouts, tapes, microfilm and related materials when such materials are in the custody of the Computer Center. The following procedural controls are to be implemented immediately and are to be strictly adhered to:

- "1. All System * * * [regulatory] jobs (test or production), or other jobs specifically designated on the request as REG jobs, are to be submitted by AEC personnel.
- "2. System * * * [regulatory] jobs, or other jobs specifically designated on the request as REG jobs, and related materials are to be picked up by AEC personnel or mailed to an AEC employee in Bethesda.
- "3. Non-System * * * [regulatory] jobs will not be allowed to request * * * [regulatory] tapes. This is to be verified when tapes are withdrawn from the Data Library and also verified when tape mounts are requested for jobs to be run on the computer.
- "4. All materials (printouts, microfilm programs, tapes, disks) which are related to System * * * [regulatory] or other jobs designated as REG jobs are to be controlled to assure that no members of the WTSC staff have access to Regulation materials in the custody of the Computer Center."

Regulatory officials told us that these additional procedures should not be construed to mean that sensitive data was currently processed into the regulatory MIS. They explained that these procedures were implemented because AEC wanted to avoid the appearance of a conflict of interest and to deny WTSC's access to sensitive regulatory data which might be incorporated in the MIS.

IMPACT OF TERMINATION ON REGULATORY MIS

Several regulatory information systems were not affected by AEC's decision to terminate WTSC's involvement at the regulatory organization because (1) some of the systems had already become operational and required little or no effort to maintain, (2) a WTSC employee who had been involved in performing systems development work was subsequently hired by the regulatory organization, or (3) regulatory personnel had assumed in-house responsibility for some of the systems development work.

Regulatory officials pointed out that, for those systems needing further development, the termination generally caused either a 2- or 3-month delay or a slowdown in development. For example, they said that development on the inspection results and materials license subsystems would be delayed 2 and 3 months, respectively, and that a systems analyst-programmer, a former WTSC employee hired by AEC, was developing these subsystems in-house.

Regulatory organization work on certain analytic applications was delayed about 2 months because AEC had to hire a scientific programmer and because development of certain aspects of the project planning and control systems slowed down since such work had to be done by fewer regulatory employees than the employees previously assigned by WTSC.

According to regulatory officials, the only measurable monetary impact likely to result from the termination relates to the systems software package to be used with the network planning and control system. WTSC personnel at the regulatory organization and at WTSC headquarters in Pittsburgh had been developing the package at an estimated cost of \$35,000. As of September 19, 1972, WTSC had charged AEC \$15,000 for this development effort, but AEC had received no measurable benefits.

As of November 15, 1972, the regulatory organization was considering various possibilities for acquiring a similar software package from other commercial sources at a cost as high as \$50,000. It was also considering the possibility that a software package owned and used by the National Aeronautics and Space Administration could be acquired at no cost and adapted to the organization's needs.

Regulatory officials pointed out that any additional costs to the regulatory organization, such as for acquiring a replacement software package for the network planning and control system and for hiring personnel to build up an in-house systems development capability, would be offset largely by eliminating the future costs which would have been charged to the regulatory organization to support the related WTSC effort. From July 1 through September 19, 1972, costs charged to the regulatory organization were about \$82,000.

After terminating WTSC's work at the regulatory organization, WTSC personnel working on the regulatory MIS were reassigned to (1) liquidate a backlog of MIS work under the General Manager and (2) accelerate development work on the General Manager's MIS. AEC estimated that it would still incur costs of about \$1.3 million, including a fixed fee of \$89,000, under its contract with WTSC during fiscal year 1973.

CONCLUSION

AEC's actions to terminate WTSC's involvement in the regulatory activities on September 19, 1972, and to further restrict WTSC's access to regulatory MIS data on September 26, 1972, seem to be appropriate steps to eliminate the (1) potential which might have existed in the Regulatory organization for WTSC to gain access to commercially sensitive information of companies competing with Westinghouse and (2) opportunity which WTSC personnel might have had to influence regulatory employees in carrying out the licensing review functions.

CHAPTER 3

WTSC'S ROLE IN DEVELOPING INFORMATION SYSTEMS FOR AEC'S GENERAL MANAGER

The General Manager directs AEC's administrative, executive, and programmatic functions, except for licensing and regulatory functions. We reviewed five of the systems comprising the General Manager's MIS. These systems appeared to have the greatest potential for containing sensitive information, access to which might give Westinghouse a competitive advantage.

We found that four of the five systems contained some sensitive information. A discussion of the types of information in these systems and of WTSC's involvement in developing these systems follows.

THE REACTOR OPERATING STATISTICS SYSTEM

This system provides management personnel in the Office of the Assistant General Manager for Energy and Development Programs and in RDT with useful information. The system's data base includes, for each central station nuclear power reactor, such items as (1) the name and type of nuclear reactor, (2) the owner, suppliers, and construction contractors, (3) dates of significant events, and (4) capital and fuel costs. The last item, particularly fuel costs, is in some cases identified as "company confidential" data.

From our review of the pertinent documentation on this system and from our discussion with a cognizant official in the Office of the Assistant General Manager for Energy and Development Programs, we learned that AEC personnel had developed the system before WTSC's involvement in the MIS contract work and that WTSC personnel had not been involved in developing or maintaining this system.

THE REACTOR BUDGET FORMULATION-EXECUTION AND LMFBR SYSTEMS

WTSC has been involved in developing and maintaining the reactor budget formulation-execution and LMFBR systems. These two systems provide for accumulating data submitted to AEC by current or prospective contractors in support of their

proposed reactor development projects. The data, submitted on AEC form 189a, includes estimates of the resources required for carrying out a contractor's proposed projects.

Officials of RDT and the Office of the Assistant General Manager for Energy and Development Programs told us that they considered the information on these systems to be sensitive from the standpoint that a company having access to AEC advance budgetary data might have an opportunity to gain a commercial advantage.

According to a budget official in AEC's Office of the Controller, form 189a is an internal budget document which is part of the support for AEC's annual budget and, pursuant to Office of Management and Budget Circular No. A-10, would be deemed by AEC as exempt from public disclosure before the President submitted his budget to the Congress. According to an AEC Assistant General Counsel, the forms possibly could be exempt from public disclosure at any time, pursuant to the provisions of the Freedom of Information Act (5 U.S.C. 552).

With respect to the LMFBR system, RDT officials told us that the three companies--Atoms International, General Electric, and Westinghouse--who competed for the lead role in the LMFBR demonstration plant project had been previously furnished information relating to the LMFBR program, including the current and prior research and development efforts.

NUCLEAR MATERIALS INFORMATION SYSTEM

This system contains information which AEC considers to be proprietary data of private firms engaged in energy production, nuclear fuel processing, and research. The operation of the system usually involves the interaction of both the AEC Headquarters computer center in Germantown, Maryland, and the AEC Oak Ridge Computing Technology Center in Oak Ridge, Tennessee. The data is processed at Oak Ridge and selected information is transmitted to the headquarters computer center where reports are prepared for AEC management.

According to AEC officials in the Division of Nuclear Materials Security, the system was developed jointly by division personnel and personnel of the Union Carbide Corporation which operates the Computing Technology Center at Oak Ridge. The Director, MIT, told us that CSC, the earlier

contractor, had a minor role in developing this system and that WTSC personnel had not in any way been involved in developing, operating, or maintaining the system.

CONTRACTS INFORMATION SYSTEM

AEC's procurement instructions state that AEC's policies and procedures for calculating and awarding fees on cost-plus-fixed-fee contracts are to be considered administratively confidential and should not be made available to persons outside of AEC, including AEC contractors. The contracts information system does not contain specific information on the policies and procedures for calculating the fees but does contain, for each individual contractor, such information as (1) the amount of the fee most recently awarded, (2) the cumulative amount of the fee awarded during the term of the contract, and (3) the estimated costs upon which the fees are based. WTSC has been involved in maintaining this system.

In discussing the sensitivity and availability of this data, the Director, Division of Contracts, told us that in his view the contracts information system does not contain any sensitive data. He said that it would not be possible for anyone to relate specific data in the system, such as the amount of the fee awarded and the cost upon which the fee was based, to arrive at AEC's method for calculating and awarding fees on cost-plus-fixed-fee contracts. He also said that any information in the contracts information system would be made available to the public upon request.

The degree to which WTSC personnel could obtain unauthorized or inadvertent access to sensitive information in the above information systems would largely depend on AEC's control mechanisms.

AEC CONTROLS TO RESTRICT WTSC'S ACCESS TO SENSITIVE INFORMATION

Under AEC's regulations, sensitive information should not be made available to WTSC unless WTSC needs it for its MIS work. The types of information in the systems under the General Manager, previously identified as being sensitive and not for public use, primarily related to (1) AEC owned or generated information considered to be for official internal use only and (2) a private company's proprietary or otherwise

confidential data. We therefore examined into the degree to which WTSC's access to and use of such information were restricted or controlled by AEC.

Controls over AEC owned
or generated information

According to the Director, Division of Contracts, AEC owned and/or generated information of a sensitive nature may be provided to WTSC personnel if they need it for the MIS work. However, WTSC's use of such information beyond its contract work is restricted by a contract clause which prohibits private use of such information without AEC approval. This clause states that:

"Except as specifically authorized by this contract, or as otherwise approved by the Contracting Officer, information and other data developed or acquired by or furnished the Contractor in the performance of this contract, shall be used only in connection with the work under this contract."

The objective of the clause, as stated in the AEC procurement instructions, is to avoid giving a contractor an unfair competitive advantage. The instructions point out that, in performing an AEC cost-type contract, the contractor will likely generate or acquire information which is not then generally available to other firms and that the contractor could gain an unfair competitive advantage over those firms unless the contractor's private use of the information is restricted.

In explaining the need for the private use clause, the Director, Division of Contracts, told us that the size and complexity of AEC's operations, particularly at Government-owned laboratories, require the use of operating contractors who are financially sound and technically capable of carrying out such operations. He said that large corporations, such as Westinghouse and others that have extensive private commercial interests in the nuclear fields, frequently become involved in operating AEC's research and development facilities under cost-type contracts. According to the Director, the private use clause is generally placed in each AEC cost-type operating contract to restrict such companies from using their positions as AEC contractors to enhance their private business interests.

AEC officials stated that generally they rely on the contractor to enforce the private use clause. In September 1971 WTSC issued instructions to its key staff members about the potential sensitivity of the information with which they might come into contact during their work on the MIS project. The instructions prohibit disseminating such information beyond the contract work and provide for reporting to the WTSC project director any requests for information made by persons outside WTSC.

The Director, Division of Contracts, stated that other factors bearing on the enforcement of the private use clause are (1) the risk to a contractor's Government and private business interests if the contractor were to attempt to breach the provisions of the clause and (2) the likelihood that a competitor would complain if he suspected that a contractor had gained an unfair competitive advantage through access to sensitive information.

Controls over company proprietary
or otherwise confidential data

The Director, Division of Contracts, and an official in AEC's Office of the General Counsel advised us that, even though the contract with WTSC contained the private use clause, AEC would not make a private firm's proprietary or otherwise confidential information available to WTSC without first obtaining permission from that firm. The Director told us that, if the firm's permission cannot be obtained and if WTSC must have access to that information to carry out its contract work, AEC would have to find some other means of accomplishing the MIS tasks.

The officials pointed out, however, that the private use clause would normally bar WTSC from using a company's confidential information beyond the WTSC contract work after such information was furnished to WTSC with the donor company's permission or was inadvertently obtained by WTSC in the course of its work. AEC's view of the protection offered by the private use clause was further explained in the following statement.

"Proposers or contractors sometimes mark proposals or reports 'Company Confidential' or 'Proprietary' with the intention of limiting use

of the information to the purpose for which it is submitted and restricting access to those Government employees who are concerned with that use. AEC may not agree that the information is proprietary and will attempt to persuade the contractor to remove the marking. If the contractor will not agree that the information is non-proprietary, AEC will generally honor it.

"If AEC needs to disseminate the information to other contractors for use under AEC contracts, AEC will seek agreement from the owning proposer or contractor to such dissemination. If the owner agrees, then the proprietary information is given to the AEC contractor for use under his contract. The 'proprietary' marking would be equally restraining on the AEC contractor receiving the information insofar as further dissemination is concerned. The article which prohibits private use of contract information (without AEC approval) serves as a further barrier to any private use of the information.

"If the contractor will not agree to AEC's request to disseminate the information to other AEC contractors, it will not be so disseminated. However, in the event the information is inadvertently disseminated, the private use article would still operate as a barrier to private commercial use of the information.

"Summarizing then, the private use article serves as a backstop preventive in the case of contractor or proposer proprietary information. However, the article was designed primarily to prevent a contractor from gaining a competitive advantage through the use of non-proprietary information developed or furnished under the contract."

Additional controls over AEC's
sensitive information and
company proprietary or otherwise
confidential data

Besides relying on the private use clause to restrict a contractor's unauthorized use of sensitive data, AEC relies on its visitor clearance procedures and on its computer center

employees' surveillance over contractor personnel having access to the center. The effectiveness of these controls is important in the case of WTSC because WTSC personnel have access to the computer center where data for the four systems--including sensitive information as previously discussed--is being processed. We noted that WTSC personnel visited the computer center 57 and 55 times during July and August 1972, respectively.

WTSC's access to the computer center is controlled by AEC clearance procedures for various classes of visitors. WTSC personnel are classified as "contractor Q-cleared personnel" who must sign a visitor's log at each visit to get into the center. The log identifies the visitor by name and organization and shows the date, duration, and purpose of his visit.

The procedures provide that such Q-cleared personnel work in the center under the general surveillance of AEC computer center employees. In contrast, the procedures for uncleared visitors provide that they be under the direct surveillance of a center employee at all times.

According to the Director, Division of Contracts, AEC employees' awareness of the impropriety of making company confidential or other sensitive information available to others outside the Government is another control mechanism to insure that WTSC does not gain access to such information.

CONCLUSION

Our examination of five of the information systems under the AEC General Manager showed that four contained sensitive information which, if obtained, could potentially give Westinghouse a competitive advantage. However, in view of the private use clause in the contract, we see no legal objection to AEC's continuing its contract with WTSC.

We identified two types of potentially sensitive information in these systems: a private company's confidential or proprietary data and AEC owned or generated information for internal use. Under AEC's regulations neither type should be made available to WTSC unless WTSC needs such information for its MIS work. Also, according to AEC, a company's confidential or proprietary data would not be made available to WTSC without first obtaining permission from that company.

The opportunity for WTSC to obtain unauthorized or inadvertent access to sensitive information depends largely on the effectiveness of AEC's control mechanisms. WTSC personnel have worked in AEC's computer center while providing software support and management systems analyses for activities under the jurisdiction of AEC's General Manager and Director of Regulation. Because WTSC does some work in the computer center, AEC, after terminating WTSC's activities at the regulatory organization, considered it necessary to immediately implement controls to further insure that WTSC personnel did not gain access to regulatory computer programs, printouts, tapes, microfilm, and related materials while such materials were at the computer center.

WTSC will continue to do some work in AEC's computer center in developing the General Manager's MIS. We believe therefore that AEC should implement more data controls, such as those implemented for the regulatory organization, to further insure that WTSC does not gain unauthorized or otherwise inadvertent access to sensitive data in the General Manager's MIS. Such controls are warranted in view of Westinghouse's tripartite role as (1) developer of AEC's MIS, (2) a leader in manufacturing nuclear power reactors, and (3) a major contractor for AEC's reactor development program.

RECOMMENDATION TO THE CHAIRMAN, AEC

We recommend that AEC develop and implement additional controls to restrict WTSC from gaining unauthorized or inadvertent access to sensitive data in the MIS systems under the General Manager. In developing such controls, AEC should consider insuring that:

1. Only AEC personnel control all computer programs, printouts, magnetic tapes and disks, microfilm, and related materials which contain sensitive data.
2. Only AEC personnel request and/or receive computer center services involving sensitive data.
3. Computer programs submitted by WTSC personnel for computer center processing not require access to or request data from magnetic tapes and disks containing sensitive data.

In commenting on our recommendation, AEC stated that it would develop and implement additional controls to further insure that WTSC personnel do not gain unauthorized or inadvertent access to sensitive data in the General Manager's MIS.

CHAPTER 4

AEC PROCEDURES IN AWARDING CONTRACT TO WTSC

We examined AEC's selection of WTSC to do the MIS work. We paid particular attention to AEC's consideration of (1) performing the MIS work in-house instead of contracting for such work and (2) the possible organizational conflict of interest.

CONSIDERATION GIVEN TO DEVELOPING MIS IN-HOUSE

In light of the sensitive nature of certain data in the MIS, we inquired whether AEC had considered developing MIS in-house instead of employing an outside contractor.

Pursuant to the provisions of Office of Management and Budget Circular A-76, the Government generally relies on the private enterprise system to supply its needs. Certain exceptions and/or modifications are permitted for some types of services, one of which is the type of service being provided by WTSC. Circular A-76 states that:

"This Circular is applicable to commercial and industrial products and services used by executive agencies, except that it * * * does not apply to managerial advisory services such as those normally provided by an office of general counsel, a management and organization staff, or a systems analysis unit. Advisory assistance in areas such as these may be provided either by Government staff organizations or from private sources as deemed appropriate by executive agencies."

Circular A-76 also provides that a review be conducted and documented before a decision is reached to provide services in-house.

AEC made at least two studies, in April and in November 1970, to compare the costs and number of AEC personnel needed to develop MIS in-house with the costs of continuing such development under the then-existing contract with CSC. The April study concluded that 2 man-years could be saved by performing the work in-house. The November study, a followup,

was based on the assumption that AEC could perform with 10 fewer people the same scope of work that CSC was then performing. The Controller stated that the purpose of the November study was to determine the cost change using an arbitrary level of employment. The study concluded that, on the basis of the assumption, \$198,000 could be saved by performing the work in-house.

According to the AEC Controller these cost-oriented studies, together with other factors, such as the greater degree of flexibility inherent in using the contractor's employees for the MIS work, did not indicate that AEC would have a clear-cut advantage from developing MIS in-house. AEC decided, therefore, to continue its contract with CSC.

The documentation for the two studies did not indicate whether AEC, in determining the desirability of developing MIS in-house, had considered that sensitive data could potentially be included in MIS. The AEC Controller told us that the potentially sensitive nature of the data was not specifically considered at that time because CSC was a software specialist with no corporate involvement in the atomic energy field; also the primary systems being developed (e.g., those providing contract, financial, or personnel data) generally contained little, if any, sensitive data related to CSC's commercial activities.

CONTRACTOR SELECTION PROCEDURES

Establishment of contract proposal evaluation board

AEC procurement regulations provide that contract proposal evaluation boards be used in selecting operating contractors and any other contractor whose cost for the contract work is expected to exceed \$500,000. The boards must also be used when the technical and managerial capabilities of a group of firms must be judged so that the best qualified firm can be selected.

In accordance with these regulations and pursuant to the AEC Deputy Controller's request, the Director, Division of Contracts, appointed a board in July 1970 to recommend a contractor to help AEC develop the proposed MIS. The Director charged the board with responsibility for:

1. Developing and obtaining the Director's approval of:
 - a. A list of firms to be invited to submit proposals for the MIS contract.
 - b. The criteria and weightings to be used in evaluating the proposals.
 - c. The request for proposals to be sent to prospective firms.
2. Evaluating the proposals received.
3. Preparing a report to the Director recommending the selection of the firm best qualified to perform the required services.

The board was initially composed of two members from the Division of Contracts, including the Chairman, two members from the Office of the Controller, a legal advisor from the Office of the General Counsel, and a secretary from the Division of Contracts. The Director, Division of Contracts, advised us that, in selecting board members, he considers the size and complexity of the proposed contract work and the competency of the staff. For example, in selecting the board members for the MIS contract, he appointed as chairman a senior contracts specialist who was considered very qualified to carry out the board's responsibilities.

The Director said that he appointed the members from the Office of the Controller after consulting with appropriate officials of that office; one of the members had the required financial background and the other member had extensive automatic data processing experience. In January 1971, at the board's request, the Director appointed an additional member from the newly created MIT Division to strengthen the board's administrative capability.

The board did not have representatives from either RDT or the regulatory organization. According to the Director, Division of Contracts, such evaluation boards are not typically composed of representatives from all groups expected to benefit from the contract work because large boards would be unmanageable.

Soliciting proposals

The board held several meetings from August through December 1970 and developed (1) criteria to be used in evaluating proposals and the relative weights to be assigned, (2) the request for proposal, and (3) a list of invitees to whom requests for proposals would be sent. The Director, Division of Contracts, approved these items.

The request for proposal described the MIS services required, the prerequisites and criteria for selection, and certain documents which would help the invitees develop their proposals. One of these documents was a sample contract which included AEC's standard private use clause.

The board sought to provide a large number of qualified computer software and related firms with an opportunity to submit proposals for the MIS contracts. From its review of a listing of computer software firms provided by the Department of Defense and from its search through classified advertisements published in trade journals and other periodicals, the board developed a list of 78 prospective firms. As required by the Federal Procurement Regulations, the board also published an advertisement for software services in the Commerce Business Daily. These efforts resulted in AEC's sending requests for proposals to more than 200 firms in the computer software services and related fields during December 1970 and January 1971. By January 25, 1971, the cutoff date, the board had received proposals from 27 firms.

Evaluating proposals

The chairman of the board told us that, as part of the initial screening process, board members reviewed the proposals and evaluated them at board meetings held between January and March 1971. They wanted to identify those firms considered to be in a competitive range from the standpoint of technical qualifications.

The board's interim report of March 18, 1971, identified four firms as being within a competitive range and eligible for finalist consideration: Auerbach, North American Rockwell, Planning Research Corporation, and Westinghouse.

The board later added a fifth finalist, CSC, at the request of the Director, Division of Contracts. The Director explained to us that the Assistant General Manager for Administration and the AEC Controller believed CSC should be added because its demonstrated capabilities and satisfactory performance as the incumbent contractor warranted its being considered in the final evaluations.

The board obtained and reviewed additional information from the finalists to clarify certain areas of their proposals and met with and evaluated the management and key staff members proposed by each firm. The chairman and certain board members told us that each board member took notes recording his impressions of the person interviewed. Although the board report attached significance to the information obtained during its interviews, the notes were not retained in the board's files.

According to the chairman, he and the other board members also selected four to six customers of each finalist from a list of references provided by the finalists and telephoned them to determine their satisfaction with the services received.

With respect to WTSC, the only customers available were other divisions of the Westinghouse Electric Corporation. The chairman told us that WTSC had not done the type of work required for AEC's MIS for any customers outside Westinghouse but pointed out that the services provided for other Westinghouse divisions met the experience requirements for an MIS contractor.

The chairman and certain board members told us that each telephone interview was recorded in a document showing the customer's name and evaluation. The chairman, however, was able to provide us with only one document--an interview with an Auerbach customer.

We noted that no minutes were prepared for any of the board meetings held from January through May 1971--the entire time the Board was evaluating proposals. The Director, Division of Contracts, stated that the secretary to the board, who initially prepared the minutes, had been reassigned to an AEC field office and that, due to higher priority work in the division, he could not find anyone to fill this vacancy.

The Director, Division of Contracts, agreed that the record was deficient regarding the interviews, telephone reference checks, and minutes of Board meetings which were not prepared and/or retained; but he thought that the overall selection process and the existing record provided a sound basis for the recommendation, notwithstanding the indicated deficiency.

The board recommended the selection of WTSC in its May 1971 report to the Director, Division of Contracts. Subpart 9-56.50 of the AEC procurement instructions describes a board's report as one of the most important documents in the selection procedure. It is supposed to present the "who, what, when, where, why, and how" of all proceedings leading to the recommendation of the firm best qualified to perform the work.

The board's report recommending the selection of WTSC presented the board's evaluation of each finalist in terms of the weighted criteria established by the board. As shown in the table below, the Board weighted WTSC's overall qualifications nine points above the second best qualified finalist.

<u>Criteria</u>	<u>Maximum allowable points</u>	<u>Points assigned</u>	
		<u>WTSC</u>	<u>Second best qualified</u>
Qualifications of key personnel to manage and perform the contract work	35	35.0	30.0
Demonstrated capability of the firm in developing and maintaining MISs	35	32.0	29.0
Management systems analysis capabilities	20	18.5	18.0
Plans for initial and continued staffing for the contract work	5	4.0	3.5
Suitability of the proposed organization	<u>5</u>	<u>5.0</u>	<u>5.0</u>
Total	<u>100</u>	<u>94.5</u>	<u>85.5</u>

Selection of WTSC

The Director, Division of Contracts, followed the board's recommendation and, in presenting the selection of WTSC to the AEC General Manager on June 3, 1971, stated that:

"In arriving at its recommendation, the Board concluded that the quality and suitability of the WTSC proposed (and committed) personnel, as well as the pertinence and comparability of the firm's experience to the AEC-MIS requirements, is manifestly superior to all others proposed."

Because AEC did not want CSC to know about the board's choice until the AEC Commission agreed to select WTSC, the choice was presented to the Commission at an information meeting on June 4, 1971, at which time the Commission concurred.

In most cases, the board could have used the routine pending contractual matters report to inform the Commission of such a decision. The Division of Contracts prepares this weekly report to show the status of contemplated and actual contract actions for the period covered. According to the board chairman, the board did not use the report because, although its distribution is restricted, it is widely circulated and CSC personnel might easily learn of its contents.

CONSIDERATION GIVEN TO POSSIBLE ORGANIZATIONAL CONFLICT OF INTEREST

According to the chairman and certain members of the board, the board first raised the question of a possible conflict of interest during the preliminary evaluation of the 27 proposals, when it appeared that three firms doing other business with AEC might reach finalist status. These firms were General Electric, North American Rockwell, and Westinghouse.

To resolve the question of a possible conflict, the board sought to determine whether data in one of the major systems--the financial information system--could give one of these firms a competitive advantage. The board relied on those board members with MIS expertise to determine whether other systems contained sensitive data.

To evaluate the sensitivity of the data in the financial information system, the board sought guidance from the Chief of the Ad Hoc Financial Information System Development Group who also had field experience with contractors. The board felt that this experience could be useful in resolving the question of potential conflict of interest.

According to the chairman and certain members of the board, the conflict question was discussed at two or three board meetings, one of which was attended by the Chief of the Ad Hoc Financial Information System Development Group who addressed the question to the board's satisfaction. The chairman told us that, on the basis of the discussions held during these meetings and on the basis of the board members' judgment, it was decided that, with the added protection of the private use clause, none of the three firms in question should be eliminated on the basis of a potential conflict of interest. The chairman of the board stated that he discussed this decision with the Director, Division of Contracts, and obtained the Director's approval.

In its May 1971 report, the board stated its conclusion about the question of a potential conflict of interest as follows:

"Because of the affiliation of WTSC and * * * [North American Rockwell] with parent corporations doing significant business with the AEC * * * the Board considered the potential for conflict of interest if either of these proposers were to become the AEC Headquarters on-site contractor for this activity. To begin with, the Board is satisfied that each of these 'software' organizations are discrete entities (profit centers) under a somewhat remote parent corporate umbrella.

"More important, however, is the realization at this stage of the AEC-MIS, that potentially sensitive information emerges in bits and pieces such that it would require a concerted 'industrial espionage' effort to assemble such data into what might be something useful in terms of the parent company's relationship with the AEC. The Board discussed this remote possibility with the AEC official responsible for the Financial

Information System in arriving at its opinion that the potential for conflict or the appearance of conflict is very minimal.

"Finally, there is the obvious restraint, absent moral considerations, that neither company would be likely to jeopardize the very significant annual dollar support it receives from the AEC in programmatic areas."

CONCLUSION

The procedures AEC used in awarding the contract were designed to select the firm best qualified to carry out the MIS work. The board presented its evaluation of each finalist in its May 1971 report. However, the board did not document certain information which supported its report and which it thought significant in arriving at its recommendation. Without such documentation for our review, we did not have a sufficient basis for conclusively determining whether the board's selection of WTSC for the contract was appropriate.

We believe that AEC should insure that all matters considered in contractor selection are properly documented to provide a complete record supporting the basis for the selection.

RECOMMENDATION TO THE CHAIRMAN, AEC

We recommend that AEC insure that a complete record supporting the basis for contractor selection is maintained.

In commenting on our recommendation, AEC said that it is reviewing and considering revising regulations about the contract proposal evaluation board's selection of contractors. AEC said that, during this review, it plans to study its requirements for supporting documentation to identify the specific steps to be taken to insure that a complete record supporting the basis for contractor selection is maintained.

CHAPTER 5

SCOPE OF REVIEW

We made our review at AEC Headquarters, Germantown, and at AEC's regulatory offices in Bethesda, Maryland, to determine the appropriateness of AEC's procedures in awarding the MIS contract to WTSC. We also examined selected MIS systems to determine whether they contained sensitive data which could potentially give WTSC a competitive advantage and whether WTSC has had access to such data in performing its contract work.

As part of our review, we obtained the views of various AEC officials responsible for selecting the MIS contractor. We examined pertinent correspondence and other documentation on (1) the selection of an MIS contractor and (2) the data contained in MIS systems and/or available to the contractor in carrying out the contract work. We also obtained the views of appropriate AEC and contractor officials about the nature of WTSC's involvement in helping AEC develop MIS.

We also reviewed pertinent legislation, regulations, policies, procedures, and practices relating to AEC's award and administration of the MIS contract.

JOHN O. PASTORE, R.I.,
CHAIRMAN

CLINTON F. ANDERSON, N. MEX.
HENRY M. JACKSON, WASH.
STUART SYMINGTON, MO.
ALAN BIBLE, NEV.
GERGE D. AIKEN, VT.
WALLACE F. BENNETT, UTAH
PETER H. DOMINICK, COLO.
HOWARD H. BAKER, JR., TENN.
EDWARD J. BAUSER, EXECUTIVE DIRECTOR

Congress of the United States

JOINT COMMITTEE ON ATOMIC ENERGY

WASHINGTON, D.C. 20510

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July 28, 1972

The Honorable Elmer B. Staats
Comptroller General of the United States
U. S. General Accounting Office
Washington, D. C. 20548

Dear Mr. Staats:

The Joint Committee staff has been conducting a review of AEC's policies and procedures in connection with the award of a contract to the Westinghouse Corporation which allows Westinghouse to have its personnel assigned to AEC headquarters at Germantown, Maryland. There is some indication of a possible conflict of interest in this arrangement. It would be appreciated if your office would review this matter to determine the appropriateness of the contract, the potential or actual conflict of interest and whether the Westinghouse Corporation, because of this contract, could in any way derive "advantage" over other competitors in dealing with the AEC.

It would also be appreciated if your office would review and specifically report on the degree of access to information and the degree of influence that Westinghouse employees exercise in their management consultant role for the Director of Regulations.

The Joint Committee staff will be pleased to assist you and provide any information it has obtained in connection with this review.

Sincerely yours,



Edward J. Bauser
Executive Director

APPENDIX II

REGULATORY MIS SYSTEMS AS OF SEPTEMBER 19, 1972

1. Regulatory management--This system contains the following subsystems.
 - a. Manpower--This subsystem consists of computer programs to record, store, and report on regulatory staff time employed in the various licensing review processes.
 - b. Reactor licensing--This subsystem consists of programs to record, store, and report on information on applications for reactor facility licenses. The types of information recorded include the (1) name of the reactor facility, (2) design and authorized thermal and electric power levels, (3) date the application was received, (4) license or permit number and issuance date, and (5) types of regulatory reviews required.
 - c. Materials licensing--This subsystem has programs to collect data on applications and licenses for nuclear materials and to provide related reports describing licensees, materials possessed, and terms of licenses.
 - d. Inspection results--The subsystem will have programs to collect data on the results of reactor and materials inspections and investigations. Data collected will include the (1) licensee's or vendor's name, (2) activity conducted, i.e., inspection, investigation, inquiry, etc., (3) findings, such as safety or noncompliance items, and (4) reason for referring the findings to headquarters, if applicable.
2. Effluent data module--This is a package of subsystems for the AEC Directorate of Regulatory Operations to use. Programs being developed for this module are designed to calculate and store data on radioactive waste emitted into the air and water at all AEC-licensed facilities and to provide information for

preparing various environmental and related statistical reports.

3. Project planning and control--These systems include the following systems:
 - a. Progress report--The purpose of this system is to collect data on target dates and estimated and/or actual completion dates for key milestones in the licensing process and to provide reports to help regulatory management plan and schedule licenses in process.
 - b. Technical assistance request and topical report review status reporting--This system is being designed to collect data and provide reports on the status of (1) requests for technical assistance and (2) topical report reviews assigned to various regulatory branches responsible for technically evaluating license applications. The system also provides for incorporating requests into the key milestones of the licensing process.
 - c. Network planning and control--This system is being designed to (1) collect data on the various milestones, events, and activities associated with processing and completing each license, (2) report progress against plans, and (3) enable regulatory management to identify, plan for, and control a wide range of variables (resources, priorities, etc.) in the licensing process.
4. Reactor accident analysis model--The model will consist of computer programs written to determine the environmental consequences of simulated reactor failures.

APPENDIX III

BASIC MIS SYSTEMS UNDER THE AEC GENERAL MANAGER

AS OF SEPTEMBER 21, 1972

1. Contracts information--The purpose of this system is to collect data on AEC contract procurements. The primary data base for the system includes such items as the contractor's name and address, type of procurement, type of work, award amount, and completion date. The system also interacts with the financial information system to provide data on costs and obligations incurred under AEC prime contracts.
2. Reactor budget formulation and execution--This system includes programs to process budget and financial data on AEC's reactor development programs and to produce related reports to help AEC management personnel prepare and execute the budget. This system also provides resource data to the LMFBR system.
3. Reactor operating statistics--Historical and technical data on nuclear facilities licensed, administered, operated, or owned by AEC are maintained under this system. The data includes the (1) name and type of nuclear reactors, (2) name of owner and construction and supply contractors, (3) dates of significant events and schedule information, and (4) capital and fuel costs.
4. LMFBR--This system was designed for the RDT staff to help it expedite internal program review of the large multicontract LMFBR program and to help RDT issue timely program guidance (scope and funding) to LMFBR contractors.
5. Presentation material index--This system maintains an inventory of viewgraphs and statistics on their use during presentations given by the Assistant General Manager for Energy and Development Programs.
6. Nuclear materials information--This system is an AEC management tool for safeguarding and managing nuclear materials. The system shows all transfers, production, losses, material unaccounted for, and inventory forms. Administrative transactions involving changes of ownership, lease, use or programmatic responsibility are also in the system. Accordingly, physical and administrative

inventories, material balances, transfers, losses and budgetary forecasts are provided in a wide array of quantitative and monetary reports designed to respond to several levels of field office and headquarters management.

7. Financial information--This system includes the following subsystems.
 - a. Accounting--This subsystem provides for accumulating summary accounting and budget data obtained monthly from AEC field offices, contractors, and headquarters divisions to facilitate the preparation of reports showing actual and budgeted costs.
 - b. Financial plan--This subsystem was designed to provide a management tool for formulating, evaluating, executing, and controlling AEC's financial appropriations.
 - c. Central accounts--This subsystem is designed to provide management with informational reports on financial allotments, obligations, costs, payments, and collections.
8. Personnel automated recording and information--This system provides for accumulating and reporting AEC personnel and employment data; it maintains and processes data for staffing formulation and control and analyzes the cost of personnel services.
9. Central personnel clearance index--This system provides the headquarters Division of Security with information on the security clearance status of any person who has ever held or requested a security clearance at AEC or at an AEC contractor site.
10. Research projects information--This system will provide AEC with a method for maintaining and retrieving information on AEC-funded research in the biological, medical, and environmental sciences.
11. Payroll--This system carries out normal payroll functions such as making payroll deductions and creating magnetic tapes which are forwarded to the U.S. Treasury for issuing checks and bonds.