

**Statement of John A. Gordon**  
**Under Secretary of Energy and Administrator for Nuclear Security**  
**National Nuclear Security Administration**  
**U. S. Department of Energy**  
**Before the**  
**Special Oversight Panel on Department of Energy Reorganization**  
**Committee on Armed Services**  
**U.S. House of Representatives**

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Thank you for the opportunity to appear today to discuss our progress at the National Nuclear Security Administration (NNSA) toward implementing Title 32 of the National Defense Authorization Act for Fiscal Year 2000 which established the NNSA. Last October, this Panel published a report expressing “cautious optimism” that NNSA could “improve the management, organizational, and programmatic structures” of the nation’s nuclear security establishment. I want to thank the members of the Panel for your pledge of support contained within that report. My testimony today outlines the actions we have undertaken to implement the NNSA Act and, hopefully, to continue to earn your support. Early in this process, I told you that an important measure of success would be regaining the confidence of the Congress that we can effectively and efficiently manage this enterprise.

Your October 11, 2000, report established an ambitious agenda for the NNSA:

“The Panel anticipates that [NNSA] will take further steps to accelerate needed reforms...such as:

- developing an integrated set of policies and practices tailored to the NNSA’s specific needs;
- implementing a comprehensive security action plan that will promote an integrated security management program at NNSA;
- completing a plan for streamlining NNSA lines of authority by realigning its headquarters and field assets; and
- submitting (1) a plan to improve personnel management and continuity to include the use of hiring authorities provided in Title 32 and (2) the first of a series of detailed budget proposals and multi-year plans that comply fully with Title 32.”

**NNSA Policies and Practices**

My testimony today will address each of these items in turn, beginning with a discussion of our efforts to develop an integrated set of policies and practices tailored to NNSA’s need. We have made significant progress since my testimony last July when we discussed issues such as dual-hatting of DOE officials into the NNSA. Since that time, NNSA has:

- eliminated dual-hatting of DOE officials into the NNSA;

- issued NNSA-specific implementation guidance of the DOE Safeguards and Security order – our guidance establishes clear lines of authority and accountability within NNSA for security matters;
- begun implementing a program of Integrated Safeguards and Security Management to involve our employees in developing more effective procedures for conducting their day-to-day work securely;
- commissioned two separate assessments of options for reorganizing NNSA headquarters elements to attain greater effectiveness and efficiency – one led by management consultants from Price Waterhouse Coopers and the other consisting of senior Federal and laboratory managers;
- moved forward with a dialogue between Defense Programs and our field managers to jointly determine how organizational roles and responsibilities should be allocated in the future;
- announced plans for reorganizing headquarters elements by October 1, 2001;
- commissioned a review of options for implementing the limited excepted service personnel authority contained in Title 32, and circulated for review and comment a proposal for implementing that authority;
- developed a plan for implementing the planning, programming and budgeting system within NNSA; and
- submitted to OMB our first Future-Years Nuclear Security Budget.

This is just a partial list of the actions we have undertaken over the past months, since I last appeared before this panel in July of 2000, to develop NNSA-specific policies and practices. At the same time that we have been seeking ways of improving management, organizational, and programmatic structures, we also have been working on improving morale at the laboratories; reaching agreement with the Department of Defense on a revised weapons refurbishment schedule; evaluating the NNSA's nonproliferation programs; restructuring our contract with the University of California for managing two of the three nuclear weapons labs; developing an initiative for revitalizing our facilities and infrastructure; rebaselining the National Ignition Facility (NIF) construction project; and establishing a project office to manage production and certification of new plutonium pits.

As you can see, our plate has been full. As a result, we have been focused on developing specific policies and practices in the areas that pose the greatest concern, namely safeguards and security, organizational structure and discipline, personnel management, and, finally, program planning, management, and budgeting.

## Comprehensive Security Action Plan

While we are making steady progress, NNSA still has work to do to get security right. Our people must see that there is value-added in new or additional security requirements. We want to make sure that what we do actually improves security, and that security measures do not impede accomplishing our mission – we have stressed the concept of science AND security rather than science OR security. We must make sure that the scientific culture and the security culture mesh. If scientists do not understand the need for classification and security as they advance science, then I must help them to understand. But similarly, our security officers must be sensitive to the environment in which we operate, and help further our mission. Our scientists, engineers, technicians *and* our security and counterintelligence personnel must see themselves as on the same team.

We have commissioned a group of eminent Americans, known as the Hamre Commission, to review the entire issue of science and security to help us make sure we get the right picture and perspective. I have warned them to be very careful with their recommendations – many are likely to be implemented.

I have called for a six-month moratorium on implementing any *new* safeguards and security policy. We are using this time to review past policies, identify policy improvements, and determine how policy can most effectively be implemented within NNSA. We are emphasizing the importance of personal commitment and individual responsibility in the protection of our nation's vital assets, and we are seeking to involve employees at all levels of our enterprise in improving safeguards and security.

In that regard, on March 26, 2001, I announced plans for implementing “Integrated Safeguards and Security Management” in the NNSA. ISSM, as it is known, will build safeguards and security considerations into management and work practices at all levels so missions are accomplished securely. It is designed to involve the individuals performing work in the process of establishing appropriate safeguards and security practices. Subject matter experts are available to provide guidance and information, but we must place the responsibility for working securely squarely on the shoulders of every individual in our complex – the scientists, technicians, production workers, and professionals performing and managing our missions.

As you know, the counterintelligence polygraph program has raised concerns among scientists and others within the NNSA family. We are sponsoring a scientific study by the National Academy of Sciences (NAS) on the validity and reliability of the polygraph. The NAS study will include what is known about the effect of medications, sleep deprivation, and illnesses on the physiological responses measured through polygraph exams. The 15-month study began on January 1, 2001. The study's final report is to be released next year and should help us improve on the Department of Energy's polygraph program.

Recently, concern has arisen regarding the legitimacy of asking medical questions before administering the polygraph examination. Information on medications and illnesses is requested of examinees prior to the administration of the test, but is not part of the actual polygraph examination. We are not testing people on the truthfulness of what they say about their

medications or illnesses, merely determining whether their medical condition or medication would preclude safe and accurate testing. That said, this is one area we may be able to do much better on and we are working with the laboratories and the DOE counterintelligence office to resolve this.

On Monday of this week, I attended a meeting involving officials from each of our national laboratories with the counterintelligence offices of the both the Department and NNSA. This “summit” meeting is designed to identify issues in the polygraph program – including the medical question – and develop a path forward. I remain open to considering changes to improve the program and I will return to that meeting later today to hear the conclusions of the group. I anticipate discussing this issue further with the Panel during the current legislative cycle.

NNSA and the Department are committed to achieving the goal of having both good science and good security. An effective polygraph program will help us achieve this balance and thus we will continue to work hard to address employee concerns – the morale of our workforce and the success of our mission depends on resolving these issues.

### **Realigning Headquarters and Field Assets**

On March 14, 2001, I announced my plans for realigning the NNSA’s organizational structure to improve performance of our core mission to strengthen national security and reduce the global threat from weapons of mass destruction through applications of science and technology.

Last January, after listening to the findings of my two organizational options teams, I concluded that NNSA should be realigned into “product” and “support” divisions – as is the practice in many major private sector enterprises.

Our “product” divisions, Defense Programs and Defense Nuclear Nonproliferation, will focus on defining and advocating for the most effective means of accomplishing our mission. On the other hand, key support functions have received less-than-adequate attention in the past. Security and safety management, infrastructure and project management, the personnel system, and the planning and budgeting process all need focus and dedicated management attention. In creating two new Associate Administrators, one focused on facilities and operations and the other on management and administration, we will establish the advocates for many of the functions that the Congress recognized as needing attention in the crafting of Title 32. By taking these functions off the plates of my Deputy Administrators, I am freeing these managers to focus more intensively on program concerns and mission accomplishment.

We have no intention of realigning Naval Reactors within this reorganization – they will remain separately managed as specified in Title 32. We have made use of this program’s record of success and their many lessons-learned in the shaping of the NNSA.

The two new Associate Administrators will support the mission organizations. The Associate Administrator for Management and Administration will be tasked to ensure efficient

management of budget, finance, procurement, information and people to make them serve the needs of the product divisions; the Associate Administrator for Facilities and Operations will ensure responsible stewardship of our facilities and will be successful only if these facilities are available to the program organizations for performing our missions. These changes are designed to consolidate responsibility for security, safety and environmental issues at NNSA sites; establish clear and direct lines of communication for laboratory directors and plant managers; define clear lines of authority; establish greater personal accountability; and improve productivity and morale.

The Deputy Administrator for Defense Programs will focus on maintaining the safety, security and reliability of the nuclear stockpile. Significant strides have been made in that area with the Department of Defense, in that we are implementing plans for detailed, requirements-drive stockpile life extension and refurbishment. Defense Programs will direct planning and set goals for production at the plants and the science-based stockpile stewardship activities at the national laboratories. And Defense Programs will retain responsibility for major program-oriented construction and facility initiatives.

The Defense Nuclear Nonproliferation organization will continue to reduce the threats posed by weapons of mass destruction, strengthen nonproliferation institutions and norms, develop technologies to prevent nuclear smuggling, detect proliferation, and respond to possible chemical or biological weapons use, and reduce the danger posed by unsafe operation of Soviet designed reactors worldwide.

I recognize that establishing these “product” and “support” divisions creates a degree of tension within the organization, but I expect that this tension will evolve into cooperation and support as each element begins to work with the others to accomplish our mission. This organizational structure works if we are able to adopt a corporate approach to accomplishing the mission. Each Deputy and Associate Administrator must recognize that their personal and organizational success is tied to the success of the overall organization. We are creating a Management Council consisting of the Deputies and Associates that will be tasked with resolving cross-cutting issues and disputes. These issues will only be referred to the Administrator if the Council cannot resolve them. Also, I will seek establishment of a Principal Deputy Administrator to help me resolve operational issues among NNSA elements and to assist in the day-to-day management of the enterprise. In sum, we are trying to develop a corporate approach to decision making.

Mindful of the legislative mandate to provide the Armed Service Committees with a plan by May 1, 2001, “for assigning roles and responsibilities to and among the headquarters and field organizational units of the NNSA,” we divided the effort into two phases. The first phase addressed headquarters elements. In January we assembled ten teams to tackle these issues for the headquarters elements. The reports of these teams formed the basis for the recently-announced reorganization. The May 1 plan will include mission and function statements for each major element of our realigned headquarters organization; describe relationships between each NNSA element; and discuss relationships between NNSA elements and those organizations external to the NNSA. The report will also contain an implementation plan for making this organizational transition by October 1, 2001, describing anticipated changes to organizational

units and presenting a strategy for making the staffing transition. I have made a commitment that, in this initial reorganization phase, everyone currently employed will either be retained in a job similar to their current position or be placed in a new job within NNSA. We need this Federal talent to be a success!

Realigning the field structure is the second phase of our efforts to establish an effective and efficient NNSA enterprise. Our May 1 plan will include the outlines of a design for allocating roles and responsibilities between headquarters and the field. As the next step, I intend to charter a neutral group of experts to advise me on options for addressing the key structural issues raised by previous studies of this issue. This group will be asked to gather information and develop options over the next six months, with a view to resolving these issues by the end of the year.

My focus in these organizational adjustments is on making measured, thoughtful changes that improve NNSA's effectiveness in accomplishing our mission and then seeking to improve our efficiency through a structured process that does not disrupt current mission performance.

### **Improving Personnel Management**

Title 32 contains limited, but important authority for the NNSA Administrator to begin revitalizing the Federal staffing of our nation's nuclear security enterprise. Just last week, I circulated for final comment our interim policy for implementing the excepted service appointing and compensation authority for no more than 300 scientific, engineering, and technical positions within the NNSA. We expect to begin exercising this authority by the beginning of July, 2001.

The policy was developed by NNSA staff in consultation with other agencies who currently use similar authorities. Indeed, our team leader, Mr. Kenneth Pusateri, was detailed to the NNSA by John Conway, the Chairman of Defense Nuclear Facilities Safety Board. Ken is the General Manager of the Safety Board and architect and implementer of the excepted service authority granted to the Safety Board by the Congress. His expert advice was invaluable in establishing this interim policy.

Our interim policy is designed to provide NNSA managers with sufficient flexibility to attract and retain the key personnel we need to meet our demanding mission, while ensuring that NNSA uses this special authority with due regard for the Merit Systems principles of Federal personnel management. An integral element of the policy is the Pay-For-Performance feature allowing for performance increases and performance bonus pools. Implementation of this Pay-For-Performance feature will be deferred until a uniform performance appraisal system can be established for our excepted service employees and our managers can be trained to develop fair and accurate measures of staff performance.

We see this interim policy as just the first step in revitalizing our Federal staffing process. We urgently need to begin hiring staff at entry and mid-career tiers to avoid future gaps in staffing and leadership. As you may be aware, almost 50% of our staff is within a decade of retirement. We intend to outline a more complete plan for improving personnel management and continuity in the May 1 Report to the Armed Services Committees.

## Detailed Budget Proposals and Multi-Year Plans

On the budgeting front, the good news is that NNSA submitted a Future-Years Nuclear Security Budget to the Office of Management and Budget (OMB) on March 2, 2001. OMB intends to carefully evaluate our future-year budget over the next few months in conjunction with the Administration's strategic review.

Internally, our focus within NNSA is on improving our planning, programming, budgeting and execution (PBBE) process. Our first future-year budget request was constructed as best we could while we begin to implement a systematic process for connecting and integrating our plans, programs, funding requests and performance evaluation processes. At the moment, these processes are not as well synchronized as we want. The graphic attached to my testimony presents a picture of how we expect the process to operate when the system is fully implemented. The fiscal year 2002 budget will be formally released in just a week. We expect that the fiscal year 2003 budget process will be a transition year in our implementation of a PPBE system. The system should be fully implemented during the fiscal year 2004 process.

The NNSA PPBE system will establish standardized business management processes where feasible and will provide flexibility for programs as appropriate; improve discipline in program and project management; assure that each program and project receives appropriate consideration as tradeoffs are made in establishing the integrated budget; and create meaningful performance measurement and feedback systems. We hope to demonstrate the value of this system through measurable improvement in our mission performance.

The system is divided into four phases:

1. Long-Range Planning — for the FY 2004 cycle, this will be performed between June and October of FY 2001.
2. Programming — guidance for FY 2004 will be issued early in 2002 and program decisions will be reached by June 2002.
3. Budgeting — NNSA senior managers will review the budget in June or July of 2002 and will then participate in the Department's process tied to the preparation of the President's budget which is released in January or February of 2003.
4. Execution and Evaluation — execution year funding will cascade down through program and implementation plans, and program managers will perform periodic reviews and report the results to appropriate officials.

With the help of the Institute for Defense Analysis, NNSA has developed a detailed plan for implementing this system. NNSA's near-term priorities include:

- communicating our plans throughout our enterprise;

- establishing and implementing an Integrated Priority List and resource prioritization process;
- improving the quality, timeliness, and integration of future-year program and implementation plans;
- establishing and implementing a formal change control process;
- conducting periodic, formal evaluations; and
- reviewing and establishing NNSA information technology requirements for the process.

Development of a future years defense budget process that brings us more in line with the needs of our missions, plants, and national laboratories is an important step. We have established momentum toward reaching that goal and we are making slow but steady progress. Your continued support for our efforts will be needed to reach this objective.

### **Mission Accomplishments**

Before closing, let me take a few moments to share with you some of the accomplishments I think we have achieved in improving the prospects that NNSA can deliver on its mission.

While hard to quantify, I sense that morale has begun to improve. People are starting to feel better about themselves, their work, and the direction in which they see NNSA moving – especially at the laboratories. That said, this is very fragile and there is much more to do.

Our overall budget recently has seen its first real growth in many years, and I thank the Congress for that. We have seen an increase in Laboratory Directed Research and Development (LDRD) and, for the first time a research and development program dedicated to improving the efficiency and effectiveness of our production plants.

With the Department of Defense and through the Nuclear Weapons Council, we have an agreed upon a program that will refurbish 60% of the stockpile to extend service life. This is a clear demonstration that stockpile stewardship *is* working.

There are new contracts in place that give NNSA better oversight of our plants and laboratories at Y-12, Pantex, Kansas City, Los Alamos and Lawrence Livermore National Laboratories. The Nevada Test Site continues to conduct experiments – subcritical and others that are providing valuable data on the health of the nuclear weapons stockpile.

NNSA has rebaselined the work at the NIF and there is a total change in attitude there. I plan to submit my certification on the NIF program before the end of the month. We are making progress in plutonium pit production. Directed Stockpile Work has made enormous leaps. And the Advanced Computing and Simulation Initiative (ASCI) is continuing successfully on track to provide the world class computing and simulation tools required to maintain the stockpile now and into the future.



The approach to solving infrastructure issues is also moving in the right direction. We have begun a Recapitalization Initiative to develop an integrated, prioritized list of maintenance and infrastructure activities that will significantly increase the operational efficiency and effectiveness of all of our sites. It is a long-term plan that will allow us to create a weapons complex that is properly sized, using modern technologies to protect the safety of our workers and communities, without creating a legacy of waste and distrust that we do not want.

This plan will increase the operational readiness of facilities, reduce non-productive facility downtime and high costs associated with unplanned or corrective maintenance, arrest the continuing deterioration of facilities, extend the useful life of current facilities, and reduce the excess facility and structure inventory by removal of non-radioactively contaminated structures. The new Associate Administrator for Facilities and Operations will be responsible for overseeing the Recapitalization Initiative, which will be a big step forward in grappling with these tough problems.

NNSA has been hard at work to secure nuclear weapons materials. And we are prepared to help prevent the unthinkable from happening; the use of weapons of mass destruction in an attack on this country or our citizens. NNSA's world-class expertise at its national labs is vital to the non-proliferation program mission and products.

The Materials Protection, Control and Accounting (MPC&A) program forms the so-called first line of defense by working with Russia to improve the security of weapons-useable material. Since 1993 we have completed rapid security upgrades for 400 metric tons of highly enriched uranium (HEU) and plutonium in Russia and the New Independent States – enough material to make roughly 25,000 nuclear devices. Our Second Line of Defense (SLD) Program is improving Russia's ability to detect and interdict nuclear smuggling by installing radiation detection equipment at key Russian border crossings. Together these programs help shore up the security of vulnerable, weapons-useable material.

Under the plutonium disposition program the United States and Russians will permanently dispose of 68 metric tons of weapons-grade plutonium – 34 metric tons on each side – another way NNSA is helping to prevent the proliferation of weapons-useable material.

Under the HEU Purchase Agreement, we have overseen the conversion of 110 metric tons of Russian weapons-grade HEU to low enriched uranium for commercial sale to the U.S. for our nuclear power plants. This amount is equivalent of roughly 4,400 nuclear weapons.

NNSA employees are also working to train civilian nuclear reactor workers in in Russia and the New Independent States to increase safety standards and prevent another accident like the one that happened at Chernobyl.

The Multi-spectral Thermal Imager satellite was launched on March 12th, 2000. This small research satellite was designed and built by a team of NNSA laboratories and industry partners to develop and test remote sensing concepts that will add to our country's ability to monitor nuclear proliferation. Additionally, this unique satellite is being used by a wide number of civil, environmental, and defense scientists to conduct a broad array of Government research.

The Nuclear Cities Initiative (NCI) program aims to prevent and reverse the threat of proliferation of nuclear weapons expertise by redirecting weapons scientists in Russia's nuclear cities to sustainable non-weapons activities. NCI also works to enhance U.S. national security by assisting Russia in reducing the overall size of its nuclear weapons production complex.

Last year, this program achieved an historic accomplishment when the Russians moved a concrete fence at the Avangard weapons facility to create an open "Technopark" for commercial businesses – the first time that a Russian weapons facility has reduced its footprint as part of the nuclear weapons complex downsizing it has committed to undertake.

That said, we face a period of uncertainty in our cooperative programs with Russia to reduce the threats of weapons of mass destruction. Last week, Russian President Putin dismissed the head of the Ministry of Atomic Energy, Minister Adamov, and replaced him with Alexandr Rumyantsev from the Kurchatov Institute. We are uncertain what this change will mean for our programs. We remain concerned about access required to ensure that our cooperative threat reduction programs are implemented properly and that our financial contributions are well spent. And we are mindful of Russia's cooperation with Iran. The Bush Administration has just begun a review of all U.S. nonproliferation programs with Russia, and over the course of the next several weeks will evaluate each program. At the end of this review, I hope we will have a new strategy for our threat reduction activities with Russia. NNSA will be a major participant in that effort.

### **Improvements Still Needed**

We must focus on revitalizing our infrastructure that has been long neglected. This a key if the organization is to improve morale, increase recruitment and retain people. No one wants to work in a facility in which weeds grow through the cracks in the buildings, where you have to wear a hard hat, not because of safety requirements but because the concrete in the roof may fall down on you. Revitalizing our infrastructure will take an additional funding but it will be incumbent upon us to set priorities so this job is done in the most cost effective way in future years.

NNSA as an organization must continue to sharpen its project management skills. Just two weeks ago I was at Lawrence Livermore's National Ignition Facility. The people there are making great strides in focusing on the project, completing construction and maintaining a schedule that will see this project to fruition.

At Los Alamos, Defense Programs must see through the assembly of the next generation of plutonium pits. We have established a full-time office that focuses on pit production – this effort will be managed on a project basis. The project office sets schedules and milestones to assure we can produce pits, and that they can be certified by the laboratory for use in the stockpile.

### **Conclusion**

I believe that NNSA is on the right course. The NNSA enjoys the support and endorsement of Secretary of Energy Spencer Abraham. It is the right idea to bring together the national security missions of DOE and focus our work with clear goals and plans, clean lines of authority, and a strong view to the future. We are on a good path to improve on our management and performance, to manage our programs efficiently and effectively, and to plan our future.

Again, I thank the members of this Panel for their commitment and support of our mission, and for your support of the people of NNSA who actually do the work and accomplish the mission: scientists, engineers, technicians, policy planners, administrators – at headquarters, in the field and at our laboratories, plants and the test site.

Simply stated, NNSA has great people and a great mission. Thank you again for the opportunity to appear here today.