

COMMITTEE: HOUSE ENERGY AND COMMERCE

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Mr. Chairman, Mr. Deutsch, and members of the Committee: My name is John McTague, and from June 1, 2001, through January 6, 2003, I served as the Vice President for Laboratory Management for the University of California.

I am grateful for the opportunity to appear today and address your concerns about the property procurement and management systems at **Los Alamos National** Laboratory. I greatly appreciate the diligence and dedication this Committee has shown in exposing problems at the Laboratory. Let me be clear: I was the University official directly responsible for overseeing **Los Alamos National Laboratory** when the events you are investigating occurred; they happened on my watch; I accept responsibility. Like you, and like the University, I consider the allegations of mismanagement and theft disturbing and inexcusable.

PROFESSIONAL BACKGROUND

I come before you today having devoted much of my life to science and our national laboratories. In the academic, public, and private sectors, I have overseen, managed, and evaluated large- scale technology facilities, projects, and organizations requiring a high level of scientific and technical expertise. I believe that our national laboratories can and must realize scientific excellence while simultaneously achieving management accountability, cost effectiveness, and efficiency.

After graduating from Georgetown University and receiving a PhD from Brown University, I began my career as a member of the technical staff at the North American Rockwell Science Center in California. I then joined the faculty of the University of California, Los Angeles as a professor of Chemistry and a member of the Institute of Geophysics and Planetary Physics. During my twelve years at UCLA, I also served as a consultant to the Physics Division at **Los Alamos** and received fellowships from NATO, the Alfred P. Sloan Foundation, and the John Simon Guggenheim Foundation. During the course of my academic career, I have authored or coauthored over eighty scientific publications.

In 1982, I left UCLA to become chairman of the National Synchrotron Light Source Department at Brookhaven National Laboratory. When I arrived at the department, construction was underway on what was planned to be the most powerful x-ray ring in the world. The project, however, suffered from poor management, cost overruns, and schedule delays. By the time I left Brookhaven, the project was back on line.

From 1983 to 1986, I served as Deputy Director of the White House's Office of Science and Technology Policy, and in 1986, I was Acting Science Advisor to President Reagan. Following my service in the White House, I spent twelve years with the Ford Motor Company, serving first as Vice President for Research and then as Vice President for Technical Affairs. In both these positions, I came to appreciate even more the importance of managing scientific research while balancing cost, efficiency, and environmental concerns.

While at Ford, I continued to play an active role in the nation's science policy and national laboratories. In 1990, the first President Bush appointed me to the President's Council of Advisors on Science and Technology. From 1990 through 2000--under four different Secretaries of Energy and two different administrations--I served as a member of the Secretary of Energy Advisory Board, an organization that enjoys broad input into various energy-related matters, including weapons policy. During this same ten-year period, I served as the very first cochairman of the Department of Energy Laboratory Operations Board. This position, as you might imagine, gave me insight into both the strengths and weaknesses in the management of our national laboratories. During the mid-1990s, I also chaired the Board of Overseers for Fermi National Laboratory and was a charter member of the University of California's President's Council on the National Laboratories.

APPOINTMENT AS VICE PRESIDENT FOR LABORATORY MANAGEMENT

It was, I believe, because of my varied work experiences and longstanding interest in the management of our national laboratories that University of California President Richard Atkinson named me the University's first Vice President for Laboratory Management.

In July 2000, as a cochairman of the Department of Energy Laboratory Operations Board, I learned of then Energy Secretary Bill Richardson's uncertainties about the University's oversight of **Los Alamos** and Lawrence Livermore National Laboratories. The Secretary's reservations came at a critical time; he was in the process of deciding whether to renew the University's contract to manage both laboratories. Consequently, I sent Secretary Richardson a letter describing the University's great strengths and weaknesses as a manager.

I reminded the Secretary--as I remind all of you today-- that the two laboratories have for "over a half century given this nation a vastly unmatched superiority in nuclear weapons and nonproliferation technology." "There is," I told him and tell you, "no remotely close second place contender, either among our allies or our potential adversaries." Part of the labs' dominance was--and is--directly attributable to the University of California's

management. I explained that UC "is exceptionally strong in two critical areas: personnel systems and technical quality control." Both factors, I emphasized to the Secretary and reemphasize today, "are at the heart of the superiority we have sustained."

Yet for the many positives in the University's management, I noted problems also existed. My criticisms of the University were direct and blunt. I informed the Secretary that "unacceptable weaknesses in project and security management" existed at **Los Alamos** and Lawrence Livermore. To remedy these shortcomings, I argued for the establishment of a "single, unambiguous line of authority and accountability." I recommended that the University create "a strong vice presidential position devoted full time" to overseeing and working with the laboratories. The person holding this office, I told the Secretary, "should have the resources and expertise to make the laboratories act as a system, to assess and assure the performance of the laboratory directors, as well as technical excellence of programs, major project management, personnel systems, safety, security, and business practices."

Secretary Richardson subsequently renewed the University's contract, but he conditioned renewal on the University making specific improvements in its oversight system. One of these conditions--which are identified in Appendix O of the renewed contract--mandated that the University establish the office of Vice President for Laboratory Management.

Sometime after sending my letter to Secretary Richardson, I received a call from President Atkinson, whom I had known for twenty years. He asked if I would consider interviewing for the new position. I had not sought the job; I was just beginning to enjoy my new retired life in Santa Barbara. Nonetheless, I told President Atkinson that I would interview for the post, but that he must understand that, if selected, I would only serve for a limited time. I intended, I told him, to stay in the position long enough to oversee the establishment of the office and regularization of the relationship with the Department of Energy, and the successful completion of the Appendix O requirements.

On June 1, 2001, I became the first University of California Vice President for Laboratory Management.

TENURE AS VICE PRESIDENT

I assumed my new responsibilities with several systemic goals in mind for both **Los Alamos** and Lawrence Livermore. First, I was determined to see the University and the laboratories meet the milestones set forth in Appendix O. Second, and from a more programmatic perspective, I wanted the two labs to strike a healthy balance between competition and cooperation. The labs, I felt, must continuously push one another toward excellence. However, the competitive frenzy should not obscure the larger point: Both labs play a vital role in developing and maintaining our country's nuclear weapons arsenal. Therefore, where appropriate, I aimed to have the labs share their facilities, balance workloads, and work together toward creating unified definitions and safety standards. In essence, I hoped that the labs would operate as a system in carrying out their day-to-day activities. Third, I wanted the laboratories to make proper project

management and best business practices an integral part of their operations. Budget and time constraints, I wanted the laboratories to understand, could not be ignored.

These more overarching concerns were by no means my only priorities. The laboratories needed to take preventive measures against possible cyber attacks and physical assaults. Lab-specific issues also concerned me. For example, I was determined to prevent a recurrence of cost overruns and missed deadlines at the National Ignition Facility being constructed at Lawrence Livermore. On a less scientific level, both labs--but particularly **Los Alamos**--faced exploding healthcare costs that had to be reined in.

Looking back, I believe the University and the laboratories made good strides toward achieving these goals during my nineteen-month tenure. On the security front, the University retained Aegis, a Washington, D.C. based consulting company, to review and critique the labs' security systems. I subsequently ordered the laboratories to implement Aegis's recommendations. I note that in the most recent simulation of a physical attack, **Los Alamos** performed extremely well. Improvements were also made in project management. When I stepped down, the major construction projects at the laboratories--including Lawrence Livermore's National Ignition Facility--were meeting the Department of Energy's milestones for cost and performance. Some construction projects were actually running ahead of schedule and below cost.

Indeed, I was so pleased with progress being made by the laboratories and the University that in February 2002, I informed President Atkinson that I intended to resume my retirement by the end of the year. In October 2002, a month before I formally announced my resignation, the National Nuclear Security Administration completed a two-year review of **Los Alamos** and Lawrence Livermore, during which the agency evaluated the laboratories for management accountability, safety and security, facilities safety, and project management. The two laboratories received the highest possible scores in all categories. Therefore, as I prepared to return to Santa Barbara, I believed that the University and the labs were well on their way toward fulfilling the Appendix O obligations and improving their management operations.

RECENT PROBLEMS AT LOS ALAMOS

Sadly, as my tenure drew to a close, I suddenly learned of the deficiencies in **Los Alamos**'s property management and procurement systems. I must confess, given the high marks received by the Lab's property audits in recent years, these discoveries came as a surprise. In hindsight, I should have devoted more time and energy to investigating the handling of property at **Los Alamos**.

Purchase Card

In early August 2002, Joe Salgado, then the Lab's Principal Deputy Director, telephoned and informed me that one laboratory employee had attempted to purchase a Ford Mustang using her lab-issued purchase card, and that another employee had used her card to obtain a cash advance at a local casino. Needless to say, I was appalled to hear of

these incidents. More troubling, however, was Mr. Salgado's warning that the Lab's automatic reconciliation process had not detected the illicit transactions.

I took immediate action after receiving Mr. Salgado's report. On August 16, 2002, I sent a letter to Director John Browne instructing him to establish the External Review Team to evaluate the Lab's purchase card system. The Review Team would be headed by two former inspectors generals and assisted by the accounting firm of PricewaterhouseCoopers. In addition, I instructed Mr. Salgado to give me weekly updates on the Lab's progress in resolving the purchase card issues. Finally, I ordered the other two national laboratories managed by the University, Lawrence Berkley and Lawrence Livermore, to investigate their purchase card systems and determine whether they suffered from problems similar to those afflicting **Los Alamos**. Fortunately, the reports I received indicated they did not.

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In the same conversation that Mr. Salgado first informed me of the problems with the Lab's purchase card system, he also told me that some **Los Alamos** employees had purchased goods for their personal use using a Lab purchase order contract. Mr. Salgado explained that because the FBI was currently investigating the matter, he had limited information and the Lab's ability to undertake its own investigations was restricted. Mr. Salgado did say, however, that the suspected thieves worked in one of the Laboratory's sensitive areas.

In later conversations with Mr. Salgado, I was told that officials in the Lab's Security and Safeguards Division were informed of the thefts in September 2001 and had notified the FBI, which did not take action for some time. Yet these same officials failed to report the matter to the Inspector General or senior managers at **Los Alamos**. As I told Mr. Salgado at the time, I believe the security officials made a mistake by not immediately passing the information up to their superiors or taking steps to notify the Inspector General.

Mr. Salgado also subsequently told me that he and Frank Dickson, the Lab's Laboratory Counsel, felt that the FBI needed to conclude its investigation more rapidly. Allowing suspected thieves to continue working in a highly sensitive area of the Lab, he explained, posed an unacceptable security risk.

Walp and Doran Terminations

No discussion of the recent troubles engulfing **Los Alamos** could possibly be complete without mentioning Glenn Walp and Steven Doran. Like many of my University of California colleagues, I appreciate that Mr. Walp and Mr. Doran did the nation, the Lab, and the University a service in publicizing their concerns over the Lab's property management system.

I first heard the names Glenn Walp and Steven Doran on November 5, 2002, while meeting in Santa Fe, New Mexico, with project managers from **Los Alamos**, Lawrence

Livermore, and Lawrence Berkley National Laboratories. While in Santa Fe, I was told of an article in the Energy Daily newspaper alleging that senior **Los Alamos** managers were concealing property mismanagement at the Lab and interfering with ongoing investigations. I found that assertion very troubling, and drove that same day to **Los Alamos** to look into the matter further. Once at the Lab, I met individually with Mr. Salgado and Jo Ann Milam. Later in the day, I held a much larger meeting involving Mr. Salgado, Frank Dickson, James Holt, Stanley Busboom, Gene Tucker, and Scott Gibbs. The general discussion of the meeting confirmed many of the details in the article. During this meeting, Mr. Dickson stated that he had previously lost confidence in Mr. Walp and Mr. Doran and that he did not trust either man. As best I could tell, all the other participants agreed with Mr. Dickson's assessment.

The week before Thanksgiving, Mr. Salgado called to give me his weekly update on the purchase card system. During the conversation, he said that the Lab lacked confidence in Mr. Walp and Mr. Doran, and he reported that the Lab had to act at once because both men were approaching the end of their probationary periods and about to go on vacation. Based on what Mr. Salgado said, I thought the probationary periods would expire while Mr. Doran and Mr. Walp were away from the Lab. Mr. Salgado pointed out that Mr. Walp had incorrectly accused an employee in the Lab's Human Resources Department of obstruction of justice, and other reasons offered as justifications for the terminations included Mr. Walp's refusal to cooperate with the External Review Team and the unreliability of reports submitted by Mr. Doran. After listening to Mr. Salgado, I asked whether he had spoken with Director John Browne about the terminations. He responded that the Director was out of town, but that he would consult him over the weekend. I then told Mr. Salgado to do what he felt was right.

Based on the apparent unity of Laboratory managers, I did not doubt Mr. Salgado's actions or motivations when he notified me of his intention to recommend termination to Director Browne. Now, however, I have serious doubts about the actions. I subsequently learned, for instance, that neither Mr. Walp nor Mr. Doran were approaching the end of their probationary status. In fact, the probationary periods for both men ran into 2003, and both periods could have been extended by Laboratory managers.

Secretary Abraham played an instrumental role in triggering my reassessment of the terminations. During the Secretary's December 12, 2002 visit to Santa Fe, Director Browne explained the Laboratory's reasoning for terminating Mr. Walp and Mr. Doran. It was a case I had heard before, and a case, frankly, that I had accepted as plausible and defensible. Secretary Abraham offered a new, fresh perspective. As his probing questions demonstrated, an outsider objectively reviewing the situation might wonder if the terminations were warranted. The Secretary, as well as this Committee, helped shed new light onto the firings.

CONCLUDING THOUGHTS

Our national laboratories are extraordinary institutions that provide an invaluable service to this country. They have no peer in the realm of scientific research and technical

expertise. There is always room for improvement, however. I have devoted much of my life to bettering the project management of our national laboratories so as to ensure that their business practices match their scientific excellence. During my tenure as Vice President for Laboratory Management, I believe the University and **Los Alamos** made real and substantial progress toward improving management, oversight, and programmatic performance.

Yet the failings at **Los Alamos** demonstrate that we must do much better. The events being investigated by this Committee are inexcusable. Theft and mismanagement of government property-- regardless of size--cannot be tolerated. When I proposed creating the position of Vice President for Laboratory Management, I emphasized the importance of accountability. Ultimately, I was the University official in charge of overseeing **Los Alamos**, and I regret what occurred at the Lab. But I am also grateful to this Committee, to Secretary Abraham, to Mr. Walp and Mr. Doran, and to the Inspector General for investigating, identifying, and publicizing the weaknesses at the Lab. I am convinced that the University and **Los Alamos** are becoming stronger and improved institutions because of these revelations.

Thank you again for your efforts and for the opportunity to appear today. I would be happy to answer your questions.