

**PREPARED STATEMENT OF
SECRETARY OF ENERGY BILL RICHARDSON
SENATE ARMED SERVICES COMMITTEE
JUNE 21, 2000**

Thank you for this chance to appear before you today to update you on the ongoing Federal Investigation into the handling of classified information at the Los Alamos National Laboratory.

SITUATION UPDATE

Let me say at the start that Energy Department security procedures were not followed in this incident, so it is taking some time to assemble the facts of the case. But I'd like to open by assessing those facts as we currently know them.

The FBI is still looking at the two hard drives found last Friday at the Los Alamos National Lab. I have been speaking with FBI Director Louis Freeh throughout, and spoke with him this morning regarding the investigation.

I can tell you this morning that the FBI has now determined that these are the authentic disk drives. Based upon the investigation by the FBI so far, there is no evidence of espionage - nor is there evidence that the drives have ever left the Los Alamos X-Division.

In addition, the Bureau also confirms finding latent fingerprints at the crime scene and its vicinity -- and on the external wrappings on the drives themselves. Now, investigators are carrying out their fingerprint analysis of the actual drives.

I can also tell you that, according to its latest findings, the FBI's working theory puts the loss of the drives at the tail end of March of this year. This time-line will be further refined as the investigation continues.

The FBI continues to treat the area where the hard drives were found as a crime scene. Over the past five days, the FBI and Energy Department investigation has focused on a handful of X-Division employees, who have offered conflicting statements to investigators. They are also continuing to carry out fingerprinting and polygraphs to pinpoint problems or clear workers from suspicion of potential wrongdoing.

I can also tell you this morning that a grand jury has been convened to examine issues related to the case.

Mr. Chairman, this new information helps clarify some details surrounding this case. This is why I waited until this week to testify before you. We do not know everything - but we do know more about this case this morning.

Now, I take a back seat to no one on issues of security. I am outraged at what has taken place. There are no excuses. It is unacceptable and incomprehensible to me, and I will not rest until I know precisely what happened, when, where, by whom -- and why.

And while it appears that this situation evolved during a fire of catastrophic proportions, I am particularly angry at how long it took the Lab to notify the Department about the incident.

Per my own directive, the Department is required to be informed of such problems within eight hours of their discovery. That is my policy. Instead, the contractor - the University of California - informed the Department three weeks after the initial discovery. As you know, the Department immediately brought in the FBI, informed the President, advised others in the Administration with a need to know, and shared what we know with the relevant Congressional committees.

I can assure you that personnel will be held accountable and that disciplinary action will result from this incident. But I will not take action until I have all the facts before me.

This could simply be a case of an individual who made a mistake and was terrified to come forward because they knew how seriously the Department now takes security. But it doesn't matter. I will continue to deal with this incident in a very firm manner.

SECURITY AND COUNTERINTELLIGENCE RECORD

Oddly enough, before this situation arose, some members of Congress and some in the scientific and academic communities have railed against me for being too tough on security.

Obviously, too tough is what we need to be.

When I assumed this job, I made security a top priority, and have gone to new lengths to improve this agency's security and counterintelligence profile.

We have implemented more than 21 major security initiatives, including:

- requiring mandatory FBI background checks on foreign nationals from sensitive countries visiting or assigned to Department facilities, and all non-sensitive country foreign nationals who will have access to sensitive technology and areas;
- eliminating the reinvestigation backlog on security background checks for current employees and contractors holding clearances;
- developed "air-gaps" between classified and unclassified cyber-systems, to prevent classified material's downloading to unclassified systems;
- created the Office of Independent Oversight and Performance Assurance which consolidated the Department security-related independent oversight into one single office which reports directly to me;

- strengthened the cyber-security programs, which purged Departmental site's web-sites of sensitive information, enforced new restrictions on remote access, and enhanced the Department's technical capability to protect its classified, sensitive and unclassified information systems from espionage and other foreign intelligence collection activity; and
- conducted comprehensive cyber-security appraisals and practices at all the weapons labs and headquarters.

In Counterintelligence, we have completed 36 recommendations in the Counterintelligence Implementation Plan. We have:

- implemented a policy under which we're now polygraphing employees and contractors;
- hired a counterintelligence expert at each site in the complex, each whom reports directly to Ed Curran, my Director of Counterintelligence;
- expanded the counterintelligence personnel to approximately 150 employees today. It was seven employees in 1998;
- dramatically boosted the Department's counterintelligence budget to \$39 million this year. In 1996, the budget was \$3 million;
- instituted a rigorous, independent inspection program, led by former senior law enforcement and intelligence community officials, all whom have extensive counterintelligence experience. This program will ensure the compliance of the President's counterintelligence order - PDD 61 - and the Counterintelligence Implementation Plan;
- created a strategic analysis program to focus on the production of foreign intelligence and economic espionage threat assessments;
- established closer and more formalized relationships with counterintelligence personnel at the FBI, CIA, and the NSA - ensuring improved information-sharing and improved investigative and analytic cooperation; and
- we are currently revising an order to ensure that counterintelligence performance measures are incorporated into existing contracts - along with language on corresponding incentives and disincentives.

I also am very pleased with the confirmation -- and arrival at the Energy Department -- of General John Gordon. I have asked the General to immediately conduct a top-to-bottom review of our facilities at Los Alamos, Lawrence Livermore and Sandia National Laboratories.

LATEST SECURITY ACTIONS

But when this breach came to our attention, we immediately implemented an elevated slate of security procedures to be followed in our highest-security divisions. Let me advise you of a number of new steps we've taken in the past week.

The lab has been:

- placing serial numbers on sensitive materials such as those that went missing;
- hanging combinations to vaults; and
- reviewing vault access policy, including a vault stand-down to ensure procedures are followed.

And the following changes will be taking place:

- encryption for information similar to that included on the missing disks;
- the manning of all vaults - and when not manned they will be locked and alarms set;
- increased security requirements for classified encyclopedic databases similar to those included on the missing disks. We are looking for ways to handle this material in a manner as-close as possible to the procedure used for Top Secret material;
- inventorying all disks which have this volume of information; and
- having my Office of Independent Oversight inspect our facilities, and make additional recommendations.

As you know, former Senator Howard Baker and former Congressman Lee Hamilton are also carrying out a thorough investigation and assessment into the circumstances surrounding the security incident. This expedited assessment is being carried out separate from the FBI investigation.

I met with Senator Baker and Congressman Hamilton yesterday. They are proceeding with their review.

We must now wait to see what the FBI finds in its continuing investigation.

LARGER PICTURE

Ultimately, we must not miss the forest for the trees. We have a larger charge from the American people: our overall nuclear security. And it is a task far more complex than can be described by me or debated to satisfying conclusion here today. It is an issue larger than all of us.

We are responsible for:

- sustaining America's nuclear deterrent-the cornerstone of our national defense; and
- securing nuclear weapons materials and know-how - at home and abroad. At home, we must ensure our security measures are stringent - but also that they do not stifle the science that allows us to have the deterrent, and that underpins our national security decades into the future.

Abroad, we continue our nonproliferation work in countries like Russia, helping those nations through economic and political transitions and helping ensure that four decades of nuclear materials do not fall into the wrong hands.

I have taken this responsibility very seriously since I was named Secretary of Energy. As I outlined earlier, I have worked aggressively to improve security and counterintelligence - and the climate in which they operate. The challenges of the Department of Energy have crossed decades and Administrations.

But I'm not here to point fingers at the past. I am here to give you answers. I'm here to tell you that I will keep tackling the tough problems -- doing my job to make the Department a better, safer place to work. And I will keep working to improve the protections guarding America's nuclear secrets.

I have sat here before you a number of times to defend my aggressive actions to increase security and counterintelligence across the entire Energy Department complex. I have changed policies. I have ordered new procedures. I have hired security experts, like General Habiger, General Gordon, and Ed Curran. Still, it will also take time to ensure that our new measures take hold. It is a mistake to think that decades of inaction can be overcome by months of dramatic reform --but we are making progress.

Ultimately, security will always also be an individual responsibility, and must rely on the dedication, loyalty, and patriotism of our weapons scientists. And these people must be accountable like anybody else. Individuals are, indeed, fallible, and no amount of policy - no amount of legislation - will protect us from irresponsibility and human failings.

We must remember that a successful security policy is one that allows you to uncover security violations. The worst security violations are the ones that go undetected.

Some have bridled at some of our new security measures. That is why we must continue to recognize the larger picture, and seek to balance the best science and the best security. That is where we can forge the strongest trust.

Those that violate this trust must be assured of swift action against them.

We will continue to keep you and other key Congressional committees informed of further developments immediately as they become available. Now, I'd like to identify those people joining me here today. They are:

- T.J. Glauthier, the Deputy Secretary of Energy and our chief operating officer;
- General Gene Habiger, Director of the Department's Office of Security and Emergency Operations;
- Ed Curran, Director of our Office of Counterintelligence;
- Brigadier General Tom Gioconda, Acting Deputy Administrator for Defense Programs within the National Nuclear Security Administration; and
- Dr. John Browne, Director of the Los Alamos National Laboratory, who is prepared to offer some comments as well.

