

The Regents of the University of California

**COMMITTEE ON OVERSIGHT OF THE
DEPARTMENT OF ENERGY LABORATORIES**

May 15, 2003

The Committee on Oversight of the Department of Energy Laboratories met on the above date at UCSF–Laurel Heights, San Francisco.

Members present: Regents Atkinson, Blum, Davies, Marcus, Montoya, Moores, Preuss, and Terrazas; Advisory member Binion

In attendance: Regents Bustamante, Connerly, Hopkinson, Johnson, Kozberg, Lansing, Ligot-Gordon, Lozano, O’Connell, Parsky, Sainick, and Sayles, Regents-designate Murray and Seigler, Faculty Representative Pitts, Secretary Trivette, General Counsel Holst, Treasurer Russ, Provost King, Senior Vice Presidents Darling and Mullinix, Vice Presidents Broome, Doby, Drake, Gomes, and Hershman, Chancellors Berdahl, Bishop, Carnesale, Cicerone, Córdova, Dynes, Greenwood, Tomlinson-Keasey, Vanderhoef, and Yang, Laboratory Director Anastasio, University Audit Reed, and Recording Secretary Bryan

The meeting convened at 9:27 a.m. with Committee Chair Preuss presiding.

1. **APPROVAL OF MINUTES OF PREVIOUS MEETINGS**

Upon motion duly made and seconded, the minutes of the meetings of January 15, 2003 and April 3, 2003 were approved.

2. **UPDATE ON LOS ALAMOS NATIONAL LABORATORY MANAGEMENT ISSUES**

Committee Chair Preuss commented that the partnership between the University and Los Alamos National Laboratory has endured for 60 years and continues to contribute to the nation’s security. Among its contributions are a new initiative, in collaboration with UC San Diego, to bring an engineering institute to Los Alamos that will provide a mechanism for large-scale, multi-disciplinary engineering research to address problems of national importance. Another example is the new dual axis radiographic hydrodynamic test facility know as DHART, a huge building that houses an oversized x-ray machine capable of taking very fast moving pictures of physical processes. It is on the forefront of technology in physical research and is the best facility of its kind.

Committee Chair Preuss reported that the discussion would focus on the business problems of recent months and on Secretary of Energy Abraham’s decision to open the Los Alamos management contract to competition.

Senior Vice President Darling recalled that the University's current management contract expires on September 30, 2005. The University faces the tasks of implementing the management improvements that have been in place at the laboratory since late last year, sustaining them over time, and extending them to additional areas. It also faces making a decision as to whether it should compete for the contract. He discussed management actions taken since the last meeting.

Mr. Darling recalled that on May 1, he, along with President Atkinson, Vice President Broome, and University Auditor Reed, testified before the Subcommittee on Oversight and Investigation of the House Energy and Commerce Committee about the progress the University has made in its management of the Los Alamos laboratory. He informed the committee about a nearly complete comprehensive inventory to address the backlog of property identified as missing, lost, or stolen. In recent weeks, two independent reviews by Ernst & Young were released containing 90 recommendations that cover the full range of Los Alamos business practices. Mr. Darling reported that the laboratory is implementing these recommendations. Procurement practices were the subject of a separate review conducted by an external review team assisted by forensic accountants from PricewaterhouseCoopers. The external review team's report identified internal control weaknesses in laboratory procurement practices and recommended corrective actions, which are being implemented. Other corrective actions initiated by the laboratory and the University were already under way. The team identified \$14,530 of potentially inappropriate transactions out of a total of \$2.3 billion in procurement transactions. This information has been brought to the attention of the DOE Inspector General, and Los Alamos management is investigating some transactions that require additional documentation and review.

Mr. Darling reported that in the last two months, the University has responded to two DOE Inspector General reports. The first questioned the allowance of costs for business travel and meals. Although the University believes the majority of those costs are allowable under the contract and federal guidelines, the guidelines will be reviewed with the National Nuclear Security Administration and will be revised if appropriate. The Inspector General also criticized the performance of the Los Alamos audits and assessment office. The internal audit function is one that the University has pursued aggressively. As a result, the recommendations in the Inspector General's report have already been implemented. The second report questioned internal controls over personal computers at the laboratory. The University has acknowledged that the administrative processes that account for classified computers at the laboratory are flawed in ways that make verification of the computers difficult. The laboratory is correcting these problems, but Mr. Darling emphasized that Los Alamos has verified that all classified computers have been secured and that at no time was classified information at risk as a result of records deficiencies.

Mr. Darling reported that he had been questioned about specific whistleblower cases at Los Alamos and Lawrence Livermore National Laboratory. In response, he sent a letter to Subcommittee Chairman Greenwood addressing the University's

whistleblower policies and the cases in question. The letter also addressed the practices related to reimbursement for legal costs and reported that there is no evidence of the existence of a culture of retaliation against whistleblowers. On the contrary, the University has redoubled its efforts to ensure that employees know that comprehensive whistleblower policies are in place and that they are encouraged to express their concerns without fear of retaliation. The attorneys for the whistleblowers have been invited to meet with the General Counsel to discuss ways to settle the cases through alternative dispute resolution. Also to be resolved are a number of personnel matters. University representatives have met with representatives of the U.S. Attorney's Office in Albuquerque to obtain crucial information about an attempt to purchase a Ford Mustang using a laboratory procurement card, but that office was unwilling to engage in substantive discussions. The University will pursue the matter as soon as the U.S. Attorney's Office is willing to do so. The Attorney is not pursuing prosecution of the case, and the F.B.I. has closed its investigative file. On April 30, the University was denied a freedom of information request to obtain the F.B.I. investigative files. Finally, Mr. Darling reported that the Committee on Audit approved additional procedures for the national laboratories in order to expand the scope of the external auditor's review of the three laboratories to include a more in-depth review of financial controls.

Mr. Darling noted that of critical concern to the University were the recent indictments in an F.B.I. case that revealed the association of a Lawrence Livermore National Laboratory employee with one of the individuals indicted. In response, the laboratory and the University moved quickly to deny the employee access to his offices, to place him on investigative leave, to relieve him of his laboratory badge, to deny him physical and computer access to the lab, to change the locks on his office, to seal his offices so that his files and computers were secured, and to have DOE suspend his clearance. The University also initiated a classified administrative inquiry which is now under the direction of the National Nuclear Security Administration. The employee has resigned.

Mr. Darling reported that laboratory management at Livermore recently reported that keys assigned to a protective force officer were discovered missing during a routine key reconciliation. The keys alone would not have allowed access into any buildings containing national security assets or classified materials. The laboratory has changed security locks and has instituted additional security safeguards. It has also modified the checkout procedures for security keys, and it has launched internal investigations to resolve the situation. In addition, Laboratory Director Anastasio has asked for an independent external review.

Senior Vice President Darling thanked Regents Preuss, Blum, and Parsky, who were members of an oversight board assembled in January to review the University's governance and to help Interim Director Nanos implement the necessary changes at the Los Alamos laboratory, and the many University personnel who had worked to resolve issues at the laboratories.

Mr. Darling introduced Ambassador Linton F. Brooks, administrator of the National Nuclear Security Administration (NNSA) and Undersecretary of Energy for nuclear security, to discuss the rationale for the Secretary's decision to invite competition for the management contract.

Ambassador Brooks reported on the conclusions reached and the actions under way as set forth in the joint report from him and Deputy Secretary of Energy McSlarrow to the Secretary. He noted that both the University and the Los Alamos National Laboratory had cooperated fully with investigators. He recalled that in the summer of 2002 a series of problems with business services at Los Alamos came to light. The problems included questions concerning the effectiveness of controls over government purchase cards, an apparent scheme by two employees to use doctored purchase orders to order material for their personal use, questions concerning the adequacy of property controls, and the laboratory's action in firing two investigators within a few days of their raising concerns with the Department of Energy Inspector General.

Mr. Brooks observed that, taken individually, it is possible that none of these incidents would have called into question the adequacy of laboratory management. Taken in the aggregate, however, they revealed systemic weaknesses in business practices at Los Alamos. These weaknesses were further confirmed by additional Inspector General audits in unrelated areas, including an audit of firearms control that showed weaknesses in procedures and accountability, an interim audit that confirmed that controls over laptop computers were inadequate, and an audit of incurred costs that, while disputed in part by the laboratory, at a minimum confirmed that the laboratory's internal audit system was inadequate.

Mr. Brooks reported that once the University recognized the magnitude of the problems, its actions were broad, forceful, and effective. The University made significant personnel changes in Los Alamos management, mobilized substantial auditing resources, and used teams of senior officials to investigate the issues. He quoted from his report to the Secretary of Energy, "It is difficult to see how any organization could have done more to deal with the problem than the University of California did after about mid-December 2002." On December 24, the Secretary of Energy directed him and Deputy Secretary McSlarrow to conduct a detailed review of the situation. They concluded that the University and the National Nuclear Security Administration shared responsibility for allowing the problems to develop. Their review also confirmed that the quality of the science at Los Alamos was unaffected and that the University brings substantial value to the laboratory. The formal agreements for scientific cooperation with the University component campuses directly advance the scientific mission at the laboratory. Finally, an important benefit is that the University fosters a culture of scientific skepticism and peer review. This attitude both within Los Alamos and between Los Alamos and Lawrence Livermore National Laboratory is crucial to the success of the stockpile stewardship program and to the ability to certify the safety, security, and reliability of the nation's nuclear weapons stockpile.

Considering the vigorous actions the University is taking to correct the problems, Mr. Brooks commented, the significant value the University brings in the area of science, and the significant potential for disruption from early contract termination, the report recommended that the Secretary of Energy reject Congressional calls for early termination and have the University continue to manage Los Alamos through the end of the current contract. It recommended also, however, that the Department announce its intent to invite competition for the Los Alamos contract when it expires in September 2005. He believed that this decision was not a repudiation of the University.

Mr. Brooks commented that his review did not explicitly cover Lawrence Livermore National Laboratory and he did not believe it was necessary to make even a preliminary decision on whether to extend its contract or open it to bidding. There is no legal reason that the Department could not choose to extend the Lawrence Livermore contract, and the report recommends that the Secretary hold that option open. Lawrence Berkeley National Laboratory played no role in the review and its contract has been extended. The Secretary has accepted the recommendations contained in the report and has directed that a full and fair competition for the contract be prepared for. He also accepted the recommendation that the University be urged to compete for the contract in 2005.

Mr. Brooks explained that he and the Secretary of Energy shared a deep conviction that it is in the national interest for the University to participate in the competition for the contract. The most important decision facing the University is whether participating in a competition is consistent with the traditional University belief that it operates the national laboratories entirely as a public service. He hoped that the University would decide that entering a competition to manage Los Alamos was appropriate, based on its answers to the questions of whether high-quality operation of Los Alamos is important to national security and whether the country is more likely to have high-quality operation of Los Alamos in the future if the University competes. He suggested that the same commitment to public service that has dominated its involvement with the national laboratories for six decades should lead to a decision to compete. He acknowledged, however, that other factors were involved; for instance, that the University has a right to expect a level playing field in any competition. He was certain that there would be one. He refuted the myths that the decision to open the contract to competition is a decision to replace the University and that there is no point in competing; that incumbents never win competitions in the Department of Energy; and that the Department will insist that the University compete in partnership with some large commercial contractor. He noted that the University operates intellectual and scientific research organizations, not large-scale manufacturing operations or service organizations. The University has a right to know exactly what it is competing to do. He reported that it was the Department's intention that the competition will give great weight to the scientific benefits offered by association with a world-class academic institution while also including the continuation and consolidation of the business reforms. Devising the proper criteria

to ensure these results will be complicated. It must be determined how concepts like fostering a climate of scientific skepticism, recruiting world-class scientists and ensuring a culture of peer review may be put into a formal contract. The Secretary has directed that the development of criteria be begun at once. To ensure that the scientific benefits are captured, it is intended to consult widely with scientists at the laboratories, the University, and the broad scientific community. Finally, it will cost money for the University to compete. Current contractual provisions preclude the University from using the management fee in its contingency pool for competition. The Department intends to propose a modification of the contract to allow these funds to be used.

Mr. Brooks reiterated that the University has provided an important public service to the nation with its management of Los Alamos. The laboratory has made major contributions to the nation's security and to scientific advancements, accomplishments for which the University deserves much of the credit. The federal government has many responsibilities, but none is more important than the safety and security of the American people. For sixty years the University, as a matter of public service, has aided the Department of Energy in meeting that responsibility. He urged the Regents to decide ultimately to continue the University's long tradition of public service.

Regent Connerly was concerned that the University will have the task of attracting and retaining the best scientists during the period of uncertainty before a decision is made. Mr. Brooks acknowledged the difficulty. He reported that he was visiting the laboratories personally to discuss employee concerns. He believed that the scientists and engineers at the national laboratories are motivated by a sense of mission, the notion that they work in a genuinely scientific culture with the values that are traditionally associated with research institutions and not always associated with commercial institutions. He was determined to convince the scientists that that atmosphere will continue no matter who will manage the laboratory. He noted that it has been the general practice of the Department to require in competitions that the workforce remain largely intact and that benefits be identical or comparable. The staff will not be undercut in their personal expectations.

Regent Davies noted that the University's reputation has been hurt by laboratory management problems over the last few years, a factor that represents a new cost to the University for its management mission. He noted that the RFP might include a provision that the University may use its fee funds to pay the cost of participating in the competition, but he hoped that there would be some reward built into the construction of the RFP that will make it worthwhile for the University to assume the disproportionate blame for anything that may go wrong at the laboratory. Mr. Brooks responded that the Department is wrestling with what the appropriate reward structure should be for dealing with intellectual establishments. Also, he noted that the National Nuclear Security Administration had not been exempted from criticism for its role in the laboratory's management problems, in response to which it underwent a major reorganization.

Regent Blum believed that the University had a good chance of continuing the contract. He noted that most of the conversation had been about the business issues, which have been addressed. He asked for comment about the mission itself and how well the University is doing what should be expected of it by the nation in terms of accomplishment. He also asked whether it might be possible that if the University continues to improve the operations of the laboratory, at some point the Department of Energy could be satisfied that the progress being made could convince it to reverse its decision to open the contract to competition. Mr. Brooks assured him that the Regents should not worry about how well the Los Alamos laboratory is performing its mission, because it is doing a superb job. The core mission of the laboratory is the maintenance of a safe, secure, reliable, and effective nuclear deterrent. It is now moving into homeland security and nonproliferation. With regard to the contract, he commented that he would not encourage the belief that the Secretary was likely to reverse his decision. He indicated that he would spend the coming year determining the correct criteria, following which those criteria will be translated into a formal RFP. It is likely that RFP will come out in fall 2004, with bids due in the early spring of 2005 and with a decision in summer 2005.

Committee Chair Preuss noted that a blue ribbon commission on the use of competitive procedures had been organized. He was concerned about the appointees, many of whom represent potential competitors and most of whom have business rather than scientific experience. Mr. Brooks explained that last year, before the existence of the problems at Los Alamos was fully recognized, the Department decided to examine the way in which competition and the national laboratories should be related. A group was appointed to do that under the auspices of the Secretary of Energy's Advisory Board. The group's report, which is due in September, will speak to broad questions of department policy. It will have nothing to do with any particular competition. It will advise the Secretary on how to think about questions of competition for the national laboratories where the long-term strategic relationship is important.

Regent Hopkinson believed that the relationship between the Department of Energy and the University had deteriorated over the past several months. In order for the University to be in a position to compete effectively and to implement change at the laboratories, that relationship needs to be fully cooperative. She hoped that everything would be done to ensure that cooperation. She sought assurance that the scientific mission at the laboratory would be considered in the evaluative process and that those making the decision would have the scientific excellence necessary to make that evaluation. Mr. Brooks expressed regret that the University was concerned about cooperation with the Department, which he believed had been good. He expected to continue in a collaborative fashion. With regard to the competition, he responded that he had been focusing on getting the criteria correct and expected to be giving more thought to the people who will evaluate the criteria.

Regent Terrazas shared the concerns expressed previously about the fairness of the competition for the contract. He hoped that the final criteria would be made available to all competitors.

Regent Lozano noted that the University has initiated improvements at the Los Alamos laboratory. She commented that, while his focus over the next year would be on developing the competitive criteria, it would be helpful to receive assurance that the controls, processes, and procedures that the University has put in place and will add in the future will be taken into account. The fact that the University's competitors will be able to act in secrecy while the University's activities must be transparent also should be taken into account. Mr. Brooks assured her that the improvements and the University's performance will be taken into account. Demonstrated ability will be given credit.

Regent Parsky expressed to Mr. Brooks the hope that he would convey to Washington the importance that the Regents attach to this issue and the competitive process. He noted that the Regents had not been pleased with the business practices at the laboratory that came to light during the last few months and that they were heartened by the level of involvement of the administration in correcting the problems. He noted that he read in part the Department's decision not to terminate the contract as indicating satisfaction with respect to the way in which the University has addressed the business practices at the laboratory. He emphasized that the highest level of standards in business practices was all the Regents were prepared to accept in the future. He was pleased to hear that the scientific mission of the laboratory would be given significant weight in the competition for the contract.

Regent Montoya noted that some faculty regard competition as unacceptable. Mr. Brooks responded that he believed they may be misreading what competition means. He emphasized that there were many reasons for the University to stay involved with the laboratory, one of which was to provide a public service.

Regent Lansing believed that the first issue to be decided by the Regents was whether the University should be managing the laboratories. She expressed her gratitude to the Ambassador for outlining the mission of the laboratories. Assuming that mission is determined to be consistent with the University's, the competition could be a healthy thing that could give a vote of confidence to the University should it win the contract. She asked whether, if the University were permitted to use its management fee to compete, that money would be sufficient to make it competitive. She asked also who would make the decision about the contract and how their freedom from political pressure could be assured. Mr. Brooks believed that, based on the current estimate of the cost of competing, the fee would be sufficient. The Secretary of Energy will make the decision about awarding the contract. Although he could not provide assurance about the absence of political pressure in the future, he was confident that there had been none so far.

Regent Marcus noted that the business practices at the laboratory support the scientific mission. An RFP ideally should weigh business practices as 10 percent in importance and scientific mission as 90 percent. He knew of no institution in America that could equal the University's scientific capabilities. He asked whether, if the scientific mission and business practices were decoupled in a partnership, the RFP would give any advantage. Mr. Brooks responded that the Secretary had been urged to reject any extreme form of decoupling such as having two different entities running the business and the science. It was his view that the laboratory directory needs to report to a single individual. Further, his assessment was that part of the problem at Los Alamos was cultural in that it did not encourage a melding of science and business. That would not be improved by having different organizations sharing supervision. The goal is to have the science continue and make the business services be worthy of it. There is no predetermined view as to how the management should be organized.

Faculty Representative Binion asked whether, given this will be a year-long process, the way in which the mission is described will be under review during that time. Mr. Brooks responded that it would be in the sense that the important intangibles associated with science are not slighted. He noted, however, that although the national laboratories have advanced human knowledge in numerous ways, their mission is national security. He did not expect there would be any fundamental change in that mission.

Regent Johnson asked about the contract for Lawrence Livermore National Laboratory. She sought Mr. Brooks' assurance that its contract would be evaluated fairly before a decision is made to open it to competition. Mr. Brooks reported that during his review the conclusion was reached that it should not be assumed that the Livermore contract ought to be put out to competition. The results at the two institutions have been different. He assured her that he and the Secretary were committed to doing what is right.

Regent Bustamante believed that it was inevitable that politics would influence the decision about the contract. He stressed that the proposal should be written in such a way that it takes this fact into account. Mr. Brooks responded that the decisions so far have been made solely on their merits.

Regent Moores commented that the University may have to hire some senior people before decisions about the contract are made. This could be difficult when the situation is so unsettled. Mr. Brooks believed that history illustrates that when the management of this kind of institution changes, it is typical for the contract to identify certain key employees whose positions may be at risk but that others would continue in their jobs. The average number of those key employees is fifteen, and generally only half of them end up being replaced. He indicated that it has yet to be determined whether special provisions to retain certain employees in the scientific ranks may be possible.

President Atkinson believed that Ambassador Brooks had been forthright and fair in his dealings with the University on all the issues related to the laboratories and that the nation was well served by his role as administrator of the National Nuclear Security Agency.

President Atkinson then informed the Regents that at the earliest possible date he intended to bring to the Board for its approval the recommendation that Interim Director Nanos be appointed permanent Director of the Los Alamos National Laboratory.

3. **ANNUAL REPORT OF THE PRESIDENT'S COUNCIL ON THE DEPARTMENT OF ENERGY LABORATORIES**

The Chair of the President's Council on the Department of Energy Laboratories, Mr. Bill Friend, focused his remarks on matters that underscore the scientific excellence and accomplishments of the laboratories. Mr. Friend recalled that this was the tenth report of the Council. He noted that the Secretary of Energy has decided that the management contract for Los Alamos National Laboratory should be put out to bid and that the University must continue its efforts to put right the business systems at the laboratory and ensure that the improvements that have been made will be institutionalized. Mr. Friend expressed the hope of the council that the University would find a way to continue its service to the nation with regard to the DOE laboratories.

Mr. Friend emphasized two themes regarding the University's management of the weapons laboratories. The first is the importance and special nature of these laboratories and why they continue to be relevant in today's world. The second is what the University brings to their management that is essential to their continued success and benefit to the nation. The council is one benefit of University management. It is effective in assisting the University by focusing on the scientific and technological aspects of the laboratories' work, with an emphasis on national security, but as issues have come up it has created functional panels to lend additional expertise. These include the Environmental Health and Safety Panel, followed by the Project Management Panel and the Laboratory Security panel. The council has not addressed procurement and finance issues, which are best dealt with by others. He emphasized that, rather than relying on occasional reviews, the University will require full-time, dedicated functional organizations which work with the laboratories in these business areas. The laboratories need a UC General Counsel and a UC Chief Financial Officer.

Mr. Friend noted that the nuclear arsenal is a vital part of the national defense and a key element in deterrence. The Los Alamos and Livermore laboratories have been charged with ensuring that the aging nuclear arsenal remains reliable and safe without nuclear testing. This is a technical challenge that is unprecedented in the history of the world that requires a fundamental scientific understanding that exceeds that which

was necessary to create the weapons. To respond to this, NNSA and the laboratories have developed an extensive stockpile stewardship program that relies on complex simulations using the nation's most powerful computers and experimentation using state-of-the-art facilities to recapture the technology to produce replacement parts. These efforts together enable confidence in the stockpile. He described some results coming out of the laboratories in this area. In computing, he reported that at Los Alamos the second portion of the HP-Compaq Q machine is now 20 TeraOPs in total, performing unclassified and classified research. One TeraOP represents the processing power of 10,000 desk-top computers. The laboratories' computers are among the most powerful in the world. The world's most powerful Linux Cluster, at over 11 TeraOPs, is on line at Livermore to conduct studies on weapons and on cancer therapies. The National Ignition Facility has activated the first four of its laser beams. Initial readings of its performance are very positive. Los Alamos has DAHRT, the dual axis radiographic hydrotest facility, the world's best radiographic capability. When completed, this facility will provide time-resolve three-dimensional radiographs of nuclear weapons processes as part of stockpile stewardship. During the last fiscal year, Livermore and Los Alamos each completed four subcritical tests at the Nevada Test Site that studied properties of plutonium. Los Alamos delivered a certifiable plutonium pit in April, an extraordinary achievement considering the capability had been lost since the closing of the Rocky Flats plant in 1989. All of these efforts form an integrated program in support of national security. A major part of the nation's efforts at deterrence lies in the capability that resides at Los Alamos and Livermore to anticipate and respond to whatever the country's adversaries may devise. The people of those laboratories are an extraordinary resource.

Mr. Friend recalled that last year he had discussed the aftermath of September 11, the anthrax mailings, and the war on terror. Both Livermore and Los Alamos have new organizations to meet the needs of the Department of Homeland Security and are also working on intelligence data. In summary, the laboratories are perhaps more important than ever, considering the current threats.

Mr. Friend reported that the Council has concluded that the University has brought great value through its management of the laboratories and has instilled in the culture elements that are critical to success: the highest scientific and technical caliber of people; rigorous internal and external peer reviews; commitment to technical accuracy; motivation to public service; open access to the outside scientific community; open access to public scrutiny; and stability of the work environment. The National Nuclear Security Agency recognizes that the University instills and facilitates these attributes, which the Council is working to enhance. There remains legitimate concern, however, that this culture could be compromised by competition. Steps are being taken to ensure that there is a positive environment at the laboratories. A primary area of concern is the small cadre of people who first designed, built, and tested the weapons. It is an aging group, and sustaining this knowledge and passing it on may be problematic. The use of mentors is being encouraged, and recruiting programs are being strengthened. Leadership development and career planning are

being stressed. In the scientific area of the three laboratories there are 40 divisions, each with a peer review committee composed of subject matter experts. Taken together, the membership of these peer review committees consists of 325 of the nation's top scientists and engineers. Peer reviews are used by the council for performance assessments on the laboratories, which are required by the DOE contract. Most of the grades are excellent to outstanding. The panels of the council bring experience also in functional areas. The two programmatic panels, Science and Technology and National Security, work with the Office of the President. The facilities and tools that are used are complex and represent challenging engineering construction problems. The council has a Project Management Panel to help the laboratories increase their internal skill and improve the use of outside contractors. The members of this panel attend review of individual projects, advise laboratory management, and report on progress. They were instrumental in providing support that helped turn around the beleaguered NIF project at Livermore.

Mr. Friend believed that the laboratories would be unable to continue as top-of-the-line scientific institutions without the continuing access to the scientific community nationally and internationally that the University has made possible. The laboratories marry the science, the outside community, and security into a research and development machine. The council has a Security Panel that advises the laboratories on how to minimize security threats and deal with sophisticated cyber attacks.

Mr. Friend noted that the laboratories must keep the public trust, respond to the national government, and must through the University relate to the State government. All of its activities come under scrutiny. Weaknesses in environment, project management, and security have been largely overcome, and those in business practices are in the process of being corrected. The council is confident that the laboratories can attain standards in business practices that are as high as those in their scientific research.

Mr. Friend mentioned that the contract for Lawrence Berkeley National Laboratory has been extended from its September 2002 term. A new contract will be negotiated that is to incorporate best practices from other laboratories and some new features that the Department of Energy is interested in. Based on the council's review, the Berkeley laboratory is doing good work. It recently put into service the largest computer for unclassified research in the nation, serving over 2,000 researchers around the country.

Mr. Friend assured the Regents that, the headlines notwithstanding, they may be proud of the DOE laboratories. He hoped that a way will be found for the University to continue their management.

4. **AUTHORIZATION TO APPROVE AND EXECUTE MODIFICATIONS TO THE DEPARTMENT OF ENERGY CONTRACT FOR LOS ALAMOS NATIONAL LABORATORY TO ADD A CLAUSE IDENTIFYING LOS ALAMOS AREA MANAGER AS CONTRACTING OFFICER**

The President recommended that he be authorized to approve and execute a modification to the provisions of contract W-7405-ENG-36 to incorporate the following clause:

G-3 GOVERNMENT CONTACTS

- (a) The NNSA Manager, Los Alamos Site Office (LASO), is the Contracting Officer responsible for this Contract. The LASO is the Contractor's focal point of contact for all matters, except as identified in (b) below, regarding this Contract. The Manager, LASO can be reached at:

U.S. Department of Energy
National Nuclear Security Administration
Manager, Los Alamos Site Office
528, 35th Street
Los Alamos, NM 87544

- (b) Items concerning patent, intellectual property, licenses and technical data issues shall be addressed to the Assistant Chief Counsel for Intellectual Property, Office of Chief Counsel, DOE/NNSA Service Center, P.O. Box 5400, Albuquerque, New Mexico, 87185-5400.
- (c) Correspondence. To promote timely and effective administration, correspondence submitted under this Contract shall contain a subject line commencing with the Contract Number, as illustrated below:

“SUBJECT: Contract No. W-7405-ENG-36, e.g., “Request for subcontract placement approval.”

It was recalled that the Department of Energy contract for Los Alamos National Laboratory was amended on January 18, 2001, extending the term of the contract to September 30, 2005. From time to time, changes are necessary to reflect the ongoing agreement between the University and the Department of Energy. The new clause is added formally to designate the NNSA Manager at the Los Alamos Site Office as the Contracting Officer responsible for this Contract. The LASO is the Contractor's focal point of contact for all matters, except as otherwise noted.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board.

The meeting adjourned at 11:30 a.m.

Attest:

Secretary