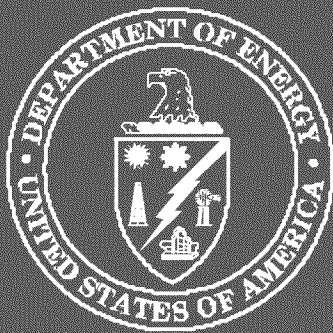


**INSPECTION
REPORT**



**U.S. DEPARTMENT OF ENERGY
OFFICE OF INSPECTOR GENERAL
OFFICE OF INSPECTIONS**

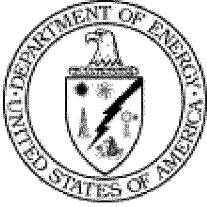
**INSPECTION OF
THE DEPARTMENT OF ENERGY'S
AUTOMATED EXPORT
CONTROL SYSTEM**

DECEMBER 2001

Report Documentation Page

Report Date 00122001	Report Type N/A	Dates Covered (from... to) -
Title and Subtitle Inspection of The Department of Energy's Automated Export Control System	Contract Number	
	Grant Number	
	Program Element Number	
Author(s)	Project Number	
	Task Number	
	Work Unit Number	
Performing Organization Name(s) and Address(es) OAIG-AUD(ATTN: AFTS Audit Suggestions) Inspector General Department of Defense 400 Army Navy Drive (Room 801) Arlington, VA 22202-2884	Performing Organization Report Number DOE/IG-0533	
Sponsoring/Monitoring Agency Name(s) and Address(es)	Sponsor/Monitor's Acronym(s)	
	Sponsor/Monitor's Report Number(s)	
Distribution/Availability Statement Approved for public release, distribution unlimited		
Supplementary Notes The original document contains color images.		
Abstract The export of commodities and technologies by the United States is encouraged by both the private sector and the Federal Government. These exports help to improve our position in the global economy and are in the national interest of the country. However, exports of commodities and technologies, without regard to whether they may significantly contribute to the military potential of individual countries or combination of countries or enhance the proliferation of weapons of mass destruction, may adversely affect the national security of the United States. The Federal Government, therefore, implements several laws, Executive Orders, and regulations to control the export of certain commodities and technologies, which require a license for export. The license applications are processed and tracked by numerous Federal agencies through various automated databases. Collectively, these databases are intended to enable an appropriate level of review and coordination for exports of these commodities and technologies.		
Subject Terms		
Report Classification unclassified	Classification of this page unclassified	

Classification of Abstract unclassified	Limitation of Abstract UU
Number of Pages 26	



U.S. DEPARTMENT OF ENERGY
Washington, DC 20585

December 7, 2001

MEMORANDUM FOR THE SECRETARY

FROM: Gregory H. Friedman /s/
Inspector General

SUBJECT: INFORMATION: Report on "Inspection of the Department of Energy's Automated Export Control System"

BACKGROUND

The National Defense Authorization Act for Fiscal Year 2000 (NDAA for FY 2000) contained a provision that not later than March 30 of each year the President will submit to Congress, beginning in the year 2000 and ending in the year 2007, an annual report on the Government's policies and procedures with respect to the export of technologies and technical information with potential military applications to countries and entities of concern. Under the Act's provisions, to assist in this process, annual audits in this area are to be conducted by the Inspectors General of the Departments of Energy, Commerce, Defense, and State. An interagency working group, comprised of representatives from the Offices of Inspector General of Energy, Commerce, Defense, State, and the Treasury, selected automated export control systems as the topic for the 2002 annual audit report.

The purpose of our inspection was to determine the adequacy of Energy's current automated system for processing export license applications. The objectives were to: (1) determine whether the Proliferation Information Network System (PINS), which contains Energy's Export Information System, provides sufficient capability to support export licensing activities by Energy's Office of Export Control Policy and Cooperation (ECPC Office), and (2) review actions by Energy in support of Defense's United States Export Systems (USXPORTS) Program Management Office to establish a common electronic interface to connect automated export licensing systems of various Federal agencies. We also sought to determine the status and disposition of recommendations in a report issued in March 2000, which concerned our inspection of Energy's export license process for foreign national visits and assignments. This report was prepared as part of the annual audit for 2000 required by the NDAA for FY 2000.

RESULTS OF INSPECTION

We concluded that the PINS automated system is adequate to support the ECPC Office in fulfilling its responsibilities regarding the review of export license applications. We found that access to PINS is limited; that data in PINS is secure; and that PINS provides an adequate audit trail for assessing Energy's performance in reviewing export license applications.

Regarding Energy's interface with other agencies, we concluded that improvements are needed in communication between Energy and State regarding export license applications referred by State to Energy for review. We found that Energy does not have access to information maintained by State regarding final disposition (i.e., approval/denial of license applications and the purchase and/or shipment of commodities) of export license applications for munitions commodities. Although communication between Energy and Commerce appears adequate, Energy does not receive information regarding the purchase and/or shipment of the commodity. We determined that information about the actual shipment of a commodity will be available in the Automated Export System (AES), which is being developed jointly by the United States (U.S.) Customs Service at Treasury and the U.S. Census Bureau at Commerce. We concluded that Energy should coordinate with Treasury, which is the lead agency for the development of AES, to obtain access to AES when available.

We also concluded that, although Energy has provided support to the USXPORTS Program Management Office when requested, Energy has not had a significant role in the development of the USXPORTS automated system. We noted that the USXPORTS Program Management Office has not sought active participation from Energy in the development of a common electronic interface among Federal agencies for reviewing export license applications since April 2001.

With regard to the six open recommendations in our March 2000 report, one recommendation has been administratively closed, while five recommendations remain open pending issuance of an Energy order regarding foreign visits and assignments. When issued, we will assess the responsiveness of the Energy order to our recommendations, and determine whether the remaining recommendations should be closed.

MANAGEMENT REACTION

Management concurred with our recommendations.

Attachment

cc: Deputy Secretary

Under Secretary for Energy, Science and Environment

Administrator, National Nuclear Security Administration

Acting Assistant Deputy Administrator for Nonproliferation and International Security

INSPECTION OF THE DEPARTMENT OF ENERGY'S AUTOMATED EXPORT CONTROL SYSTEM

TABLE OF CONTENTS

OVERVIEW

Introduction and Objective.....	1
Observations and Conclusions.....	2
Background.....	3

DETAILS OF FINDINGS..... 5

PINS Features Assist Export License Reviews.....	5
PINS Access Limited and Data Protected.....	6
PINS Recently Reaccredited.....	7
License Application Review Process.....	7
PINS Does Not Electronically Interface With Other Agencies.....	9
PINS Provides Adequate Audit Trail.....	11
PINS Funding.....	11
OIG Recommendations Led to Improvements.....	12
Energy Interface With USXPORTS.....	12

RECOMMENDATIONS..... 14

MANAGEMENT COMMENTS..... 15

APPENDICES

A. Scope and Methodology.....	16
B. Status of Recommendations From Prior Reports.....	17

Overview

INTRODUCTION AND OBJECTIVE

The export of commodities and technologies by the United States is encouraged by both the private sector and the Federal Government. These exports help to improve our position in the global economy and are in the national interest of the country. However, exports of commodities and technologies, without regard to whether they may significantly contribute to the military potential of individual countries or combination of countries or enhance the proliferation of weapons of mass destruction, may adversely affect the national security of the United States. The Federal Government, therefore, implements several laws, Executive Orders, and regulations to control the export of certain commodities and technologies, which require a license for export. The license applications are processed and tracked by numerous Federal agencies through various automated databases. Collectively, these databases are intended to enable an appropriate level of review and coordination for exports of these commodities and technologies.

Section 1402(b) of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2000 provides that not later than March 30 of each year beginning in the year 2000 and ending in the year 2007, the President shall transmit to Congress a report by the Inspectors General of, at a minimum, the Departments of Defense, State, Commerce, and Energy of the policies and procedures of the United States Government with respect to the export of technologies and technical information with potential military applications to countries and entities of concern. Section 1204 of the NDAA for FY 2001 amended Section 1402(b) and requires the Inspectors General to include in each annual report the status of the implementation or other disposition of recommendations that have been set forth in previous annual reports under Section 1402(b).

An interagency working group, comprised of representatives from the Offices of Inspector General (OIG) of the Departments of Commerce, Defense, Energy, State, and the Treasury selected automated export licensing systems used to process export license applications as the topic for the FY 2002 annual review. As part of its review, the interagency group attempted to determine if Defense's Office of U.S. Export Systems (USXPORTS) Program Management was establishing a common electronic interface to connect the automated export licensing systems of various Federal agencies.

The purpose of our inspection was to determine the adequacy of Energy's current automated system for processing export license applications. The objectives were to: (1) determine whether the Proliferation Information Network System (PINS), which contains Energy's Export Information System (EIS), provides sufficient

capability to support export licensing activities by the Office of Export Control Policy and Cooperation (ECPC Office),¹ and (2) review actions by Energy in support of the USXPORTS Program Management Office. We also sought to determine the status and disposition of recommendations in our annual report for FY 2000, which was issued in March 2000, concerning our inspection of Energy's export license process for foreign national visits and assignments.²

OBSERVATIONS AND CONCLUSIONS

We concluded that the PINS automated system is adequate to support the ECPC Office in fulfilling its responsibilities regarding the review of export license applications. We found that access to PINS is limited and that data in PINS is secure. We also found that PINS contains helpful features to assist in the license application review process and provides an adequate audit trail for assessing Energy's performance in reviewing export license applications.

Regarding Energy's interface with other agencies, we concluded that improvements are needed in communication between Energy and State regarding export license applications referred by State to Energy for review. We found that Energy does not have access to information maintained by State regarding final disposition (i.e., approval/denial of license applications and the purchase and/or shipment of commodities) of export license applications for munitions commodities. Although communication between Energy and Commerce appears adequate, Energy does not receive information regarding the purchase and/or shipment of the commodity. We determined that information about the actual shipment of a commodity will be available in the Automated Export System (AES), which is being developed jointly by the U.S. Customs Service (Customs) at Treasury and the U.S. Census Bureau (Census) at Commerce. We concluded that Energy should coordinate with Treasury, which is the lead agency for the development of AES, to obtain access to AES when available.

We also concluded that, although Energy has provided support to the USXPORTS Program Management Office when requested, Energy has not had a significant role in the development of the USXPORTS automated system. We noted that the USXPORTS Program Management Office has not sought active participation from Energy in

¹ The ECPC Office, formerly the Office of Nuclear Transfer and Supplier Policy, is in Energy's National Nuclear Security Administration. It is located within the Office of Arms Control and Nonproliferation, Office of Defense Nuclear Nonproliferation.

² This report is entitled "*Inspection of the Department of Energy's Export License Process for Foreign National Visits and Assignments*," DOE/IG-0465, March 2000. Our annual report for FY 2001, entitled "*Inspection of the Department of Energy's Role in the Commerce Control List and the U.S. Munitions List*," INS-O-01-03, March 2001, did not contain any recommendations.

the development of a common electronic interface among Federal agencies for reviewing export license applications since April 2001.

With regard to the six open recommendations in prior reports prepared in accordance with the provisions of Section 1402(b) of the NDAA for FY 2000, one recommendation has been administratively closed, while five recommendations remain open pending issuance of an Energy order regarding foreign visits and assignments. When issued, we will assess the responsiveness of the order to our recommendations, and determine whether the remaining recommendations should be closed. Details about the open recommendations can be found in Appendix B.

BACKGROUND

Energy's review of export license applications for nuclear dual-use³ and munitions commodities is based upon U.S. statutes, regulations, and Executive Orders governing export controls.

The principal legislative authorities governing the export control of nuclear dual-use commodities are the Export Administration Act of 1979 (EAA), as amended (50 U.S.C. 2401 et seq.), and the Nuclear Non-Proliferation Act of 1978, as amended (22 U.S.C. 3201 et seq.). The EAA expired in 1994. However, the provisions of the EAA have been continued and amended through Executive Orders. Most recently, Executive Order 13222, dated August 17, 2001, "Continuation of Export Control Regulations," extended the authority and applicability of the EAA.

Commerce uses the Export Administration Regulations (EAR) (15 CFR Part 730 et seq.) to implement the EAA. Per the EAR, Commerce refers export license applications for dual-use commodities to Energy for review if the commodity is controlled for nuclear nonproliferation reasons. Energy has 30 days to review the application and provide a recommendation to Commerce regarding approval, approval with conditions, or denial of the license application.

Section 38 of the Arms Export Control Act (22 U.S.C. 2778) authorizes the President to control the export and import of defense articles and defense services (munitions commodities). State administers export controls on all munitions pursuant to the International Traffic in Arms Regulations (22 C.F.R. Part 120 et seq.) and reviews the pertinent export license applications. Although State is not required to refer applications to Energy, State

³ Some controlled commodities are designated as "dual-use," that is, goods and technologies that have both civilian and military uses. The U.S. Government designates some dual-use commodities as "nuclear dual-use" items, which are controlled for nuclear nonproliferation purposes.

routinely refers applications for nuclear-related munitions commodities to Energy for review.

The Energy OIG has issued four reports pertaining to the export licensing process. These reports were part of interagency efforts by the OIGs of several Federal agencies to examine the adequacy of the U.S. export controls to protect against the transfer of sensitive technical information and technologies to countries and entities of concern. These reports are: *“Inspection of the Department of Energy’s Role in the Commerce Control List and the U.S. Munitions List,”* INS-O-01-03, March 2001; *“Inspection of the Department of Energy’s Export License Process for Foreign National Visits and Assignments,”* DOE/IG-0465, March 2000; *“The Department of Energy’s Export Licensing Process for Dual-Use and Munitions Commodities,”* DOE/IG-0445, May 1999; and *“Report on Inspection of the Department’s Export Licensing Process for Dual-Use and Munitions Commodities,”* DOE/IG-0331, August 1993.

Details of Findings

PINS Features

Assist Export

License Reviews

PINS is a web-based computer system utilized by the ECPC Office to meet Energy's requirements and deadlines for reviewing export license applications referred to Energy by other agencies. PINS came on line in 1993 and was fully operational in 1994. PINS is designed to track weaponization and proliferation activities, which include export licensing activities, and incorporate this information with intelligence information. The EIS is the system within PINS that tracks export license applications. PINS includes a classified e-mail system to facilitate information exchange on export control and nuclear nonproliferation issues and a search engine facilitating access to current reference materials, such as Energy and Federal regulations, international treaties, State cables, technical information, and nonproliferation studies conducted by Energy laboratories. Collectively, PINS contains data on about 100,000 export license cases reviewed by Energy from the late 1970s to date.

A variety of display features and search functions are included in PINS to assist in the review of export cases. For example, the "case clock" screens prioritize each export case being reviewed according to the elapsed time within the 30-day timeframe allotted for Energy's review. The font and color on the screens change as the end of the 30-day timeframe nears and changes again when the 30 days are exceeded. Also, information that can be obtained from the case listings include security classification levels; the name of the ECPC Office licensing officer; the case type; the end-user country or countries; and the name of the end user. In addition, the EIS search functions can produce lists of cases having common criteria, such as the same end user, the same text in a description, or similar case numbers. Customized searches based upon user-selected criteria can be conducted and saved for future use.

PINS is frequently upgraded to improve the export license application review process. For example, the search functions and available reference sources in PINS have been expanded since the Energy OIG issued its report in May 1999 on the Department's export licensing process. Also, data provided by the Nuclear Suppliers Group⁴ concerning export license denials by Group members and information on proposals, such as joint projects between Energy and nations of the former Soviet Union, have been incorporated into the PINS reference materials. In addition, the ability to perform keyword searches of EIS data has been incorporated into PINS. Currently, an effort is underway to

⁴ The Nuclear Suppliers Group is comprised of 39 member countries and sets controls on nuclear material, equipment, and technology unique to the nuclear industry, and dual-use items that have both nuclear and non-nuclear commercial and military applications.

determine how to standardize names within PINS to avoid variances in individual/company names such as “IBM,” “I.B.M.,” and “International Business Machines.”

PINS Access Limited and Data Protected

Energy has established detailed procedures to limit access to the PINS classified databases and to protect the information contained in the databases. PINS is classified at the “SECRET/RESTRICTED DATA” level and is therefore subject to limited access on a need-to-know basis.⁵ The system is password protected to ensure access by only specified Energy and Energy contractor personnel. All communication lines between servers are protected with National Security Agency approved NES and STU-III units. Terminals are located in secure areas at Energy Headquarters and at the sites that participate in the review of export cases. PINS can be accessed by ECPC Office personnel at Energy Headquarters and by authorized users at Energy laboratories/facilities (laboratories) that assist in the license review process. These laboratories include Los Alamos National Laboratory (Los Alamos), Lawrence Livermore National Laboratory (Livermore), Pacific Northwest National Laboratory, Sandia National Laboratory-New Mexico, Argonne National Laboratory (Argonne), the East Tennessee Technology Park at Oak Ridge (Oak Ridge), and the Savannah River Site.

We reviewed data security, and whether comments or recommendations can be changed once entered into PINS. We determined that although PINS users are permitted to view, extract, and print information from the PINS server, users do not have the ability to change or delete data or recommendations. Access by Energy and Energy contractor personnel to PINS and the EIS is restricted to ensure that users can only access screens and functions that relate to their roles in the reviewing process. For example, the ECPC Office Team Leader, who has the authority for final approval or denial of Energy’s recommendations, can access PINS subsystems that cannot be accessed by a contractor who performs license application reviews at an Energy laboratory. Also, ECPC Office licensing officers can only access the approval screens related to the specific export cases that they have the authority to review. In addition, the ECPC Office Team Leader for Licensing Operations has access to final approval screens, which cannot be accessed by other ECPC Office licensing officers.

⁵ Restricted Data concerns such things as the design, manufacture or utilization of nuclear weapons or the production of special nuclear materials.

PINS Recently Reaccredited

As a classified automated system, PINS must comply with current Energy security guidelines regarding the contents of and access to classified computer systems. These security guidelines are found in DOE Order 471.2A, "Information Security Program," dated March 27, 1997; DOE Manual 471.2-2, "Classified Information Systems Security Manual," dated August 3, 1999; and the "DOE Headquarters Facilities Master Security Plan," dated January 1995 (Change 8, May 1999). These guidelines were promulgated to ensure the protection and control of classified and sensitive information contained in Energy's classified computer systems. To be compliant with these guidelines, every classified information system at Energy must be reviewed and accredited by a designated Energy official. Following the initial accreditation, the systems are reviewed and reaccredited at least once every three years. According to ECPC Office and Los Alamos officials, PINS was reaccredited as a classified system in June 2001.

License Application Review Process

Export license applications referred to Energy by Commerce and State, once entered into PINS, are processed in a similar manner. Energy's process for reviewing export license applications received from Commerce regarding dual-use commodities, which represents the majority of export license applications reviewed by Energy, is shown in Figure 1 below. Energy also processes export license applications for munitions commodities. These are provided by State in a manner similar to applications received from Commerce, except that the applications are not transmitted electronically. The license applications are entered into PINS by Los Alamos.

An ECPC Office licensing officer is assigned responsibility for reviewing each license application received by Energy. The licensing officer determines which laboratory or laboratories will review the application. Typically, there are two types of reviews conducted for each license application: a review of the technical aspects of the application and a review of the commodity's end-use and the end-user. Livermore is the only laboratory that performs reviews of the end-user. The ECPC Office licensing officer will usually designate one of the laboratories with access to PINS to conduct the primary analysis of the application based upon the laboratory's expertise. For example, Oak Ridge has machine tool expertise and will typically perform the technical reviews of machine tool-related applications. However, if they have an interest, any of the laboratories with access to PINS may enter comments in PINS to the ECPC Office licensing officer. Upon completion of their analyses, the laboratories enter the results of their reviews into PINS. While the laboratories are conducting

their analyses, the ECPC Office licensing officer also conducts a review of the license application and enters his/her comments into PINS.

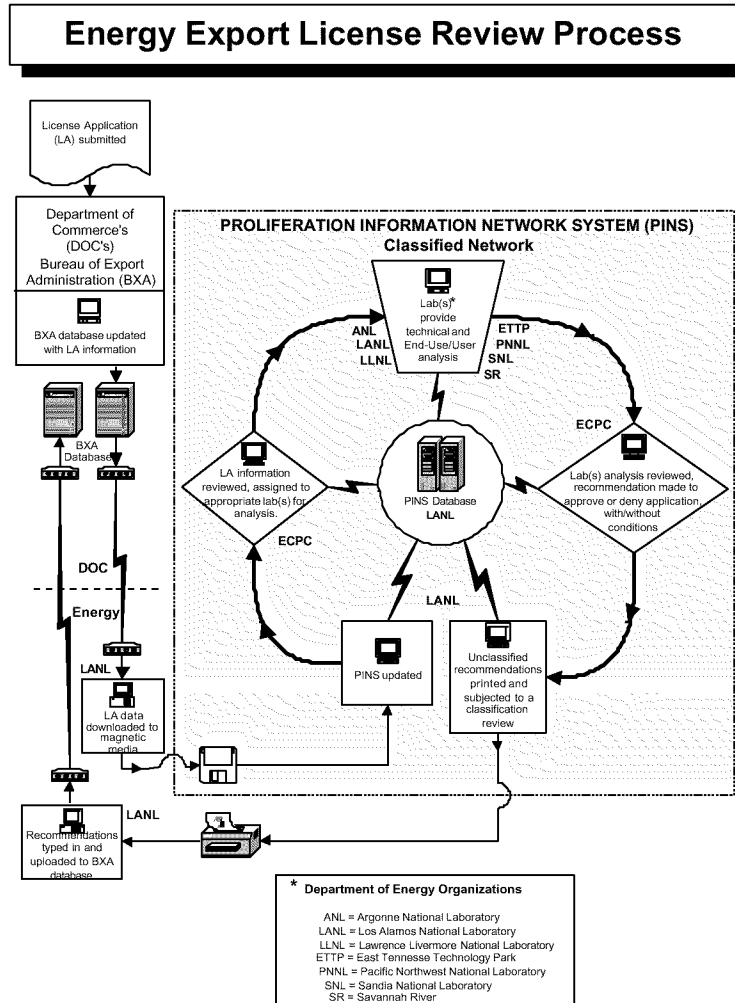


FIGURE 1

After all comments are entered into PINS, the ECPC Office licensing officer reviews the comments and reconciles any differences of opinions between the laboratories and between the laboratories and the ECPC Office. The ECPC Office licensing officer prepares a recommendation to either deny the license, approve the license, or approve the license with conditions. He/she can choose from a template of commonly used recommendations or create a case-specific recommendation. The ECPC Office Team Leader reviews the recommendation and, when approved, transmits the recommendation to Los Alamos to be downloaded from PINS and transmitted to the referring agency.

**PINS Does Not
Electronically
Interface With
Other Agencies**

There is no electronic interface between PINS, which is a classified automated system, and other Federal agencies. As discussed previously, the export license applications, which are unclassified, are received by Energy from other agencies and entered into PINS by Los Alamos. When Energy completes its review of the license application, Energy's recommendations, which are unclassified, are downloaded from PINS by Los Alamos and transmitted to the referring agency.

**Interface With
Commerce**

Within Commerce, the Bureau of Export Administration (BXA) refers export license applications for dual-use commodities to Energy for review. The applications are sent electronically from BXA's unclassified database, the Export Control Automated Support System (ECASS), to a terminal maintained by Los Alamos. Due to the classified nature of PINS and the unclassified nature of ECASS, the two systems cannot have a common interface. Therefore, to access the export license application data in ECASS, Los Alamos downloads the data from ECASS onto a "clean" disk and uploads the information from the disk into PINS where it can be processed in a classified environment. Energy's final recommendations regarding the license application are printed from PINS and reviewed for possible classified material. When the classification review is completed, the printed information is typed into an unclassified system, formatted, and uploaded into ECASS.

Communication between Commerce and Energy officials on export license applications appears adequate. ECPC Office officials told us that Commerce is responsive in getting information to them, while BXA officials said that, in general, Energy's responses to applications referred by Commerce are timely. We were informed that Commerce is currently developing a successor system to ECASS, entitled the Electronic Supporting Documentation (ESD) system. A Los Alamos official informed us that Energy would be able to retrieve data from ESD in a similar manner as data is currently being retrieved from ECASS.

The 1993 OIG report on Energy's export licensing process contained a recommendation that Energy coordinate with Commerce to ensure access by Energy to information within Commerce regarding the final disposition (i.e., approval/denial of license applications and the purchase and/or shipment of commodities). Although Energy currently receives information from Commerce regarding the approval/denial of export license applications referred by Commerce, Energy does not receive information regarding the purchase and/or shipment of the

commodity. This information would assist Energy in its analysis and assessment of potential proliferation concerns related to the license application. We were told that Commerce currently does not receive purchase/shipment information from Customs. According to Treasury officials, AES being developed jointly by Customs and Census will contain data about the actual shipment of a commodity. Treasury is the lead agency for the development of AES and has indicated that Energy will be able to access AES in the future.

Interface With State

Although State is not required to refer export license applications for munitions commodities to Energy for comment, State has routinely referred these license applications to Energy. However, Energy does not have electronic access to State for the purpose of reviewing the license applications. Within State, the Office of Defense Trade Controls (DTC) refers the export license applications to Energy in hard-copy format. The applications from State are scanned or typed into PINS and, once entered into PINS, are processed in the same manner as a license application for a dual-use commodity referred by Commerce. After the ECPC Office completes its review, Energy's recommendations are included in a letter prepared by Los Alamos and mailed to State.

Although an electronic interface does not exist between Energy and State for the purpose of reviewing export license applications, ECPC Office officials told us that they do not perceive this as a major problem. They said that Energy receives only a small number of license applications from State and it requires only about 45 minutes to enter an application into PINS. We were told by a DTC official that State referred only 22 applications to Energy for review during the period FY 1997 through FY 2000.

ECPC Office officials told us, however, that communications between Energy and State concerning export license applications for munitions commodities could be improved. ECPC Office officials stated that they are contacted by State officials only when there is a problem regarding a license application. They said that State officials rarely respond to letters and telephone calls from Energy regarding the license applications. The ECPC Office still does not receive data from State regarding the final disposition of munitions cases, which was the focus of a prior OIG recommendation. We were told by a DTC official that their current focus is not with State's interaction and electronic connectivity with Energy, rather DTC is focused on improving connectivity between State and Defense. The DTC official said that there currently are no plans for changing how State interacts

with Energy in the review of license applications for munitions commodities. ECPC Office officials said that they do not see an electronic interface being established between State and Energy in the foreseeable future.

Interface With Other Agencies

Energy does not receive export license applications from other Federal agencies for review. However, there are interactions between Energy and other Federal agencies concerning export license applications. For example, ECPC Office licensing officials rely upon trade reports prepared by the Central Intelligence Agency (CIA) for intelligence information about a potential importer. Energy officials access the trade reports through a classified network, Intelink, which was developed by the CIA. We understand that, with the exception of Argonne,⁶ Intelink can be accessed at all the Headquarters and field sites that have access to PINS. Livermore officials use Intelink to assist their intelligence analysis of importers as part of their end-user review of license applications in PINS.

ECPC Office officials said they do not need to exchange data with Defense or Treasury for the purpose of reviewing license applications. They also said that they rarely exchange data on license applications with the Nuclear Regulatory Commission (NRC). ECPC Office officials said, however, that NRC sometimes provides Energy with observations about license applications, which they plan to add into PINS in the future.

PINS Provides Adequate Audit Trail

We reviewed whether Energy's process for reviewing export license applications leaves a reliable audit trail for addressing Energy's performance. We determined that considerable information regarding each license application is retained in PINS. According to an ECPC Office official, everything that is done regarding a license application is captured in the case history in PINS for each license application. Each license application history, for example, contains dates that Energy received the application for review and subsequently provided its recommendation to Commerce; comments by Energy analysts who reviewed the application; comments by the ECPC Office licensing officer; and Energy's recommendation, including a description of any conditions on the license.

PINS Funding

According to an ECPC Office official, the obligated funds for the development, maintenance, and staffing for the PINS database at Energy Headquarters and the associated laboratories for FY 2000 was \$3,826,505, and for FY 2001 was \$3,817,043. These amounts

⁶ Access to Intelink is through an Energy Field Intelligence Element (FIE). A FIE is not located at Argonne.

do not include carryover funds of \$431,800 from FY 1999 to FY 2000 and \$432,700 from FY 2000 to FY 2001. The projected funding for FY 2002 is \$3,477,000, although \$4,317,000 was requested by the national laboratories. Figures on projected funding for FY 2003 and FY 2004 are not available. The ECPC Office official stated that due to budget shortfalls, even the projected funding is not attainable without reprogramming funds in FY 2002.

**OIG Recommendations
Led to Improvements**

At least three recent changes to the export license application review process in PINS were the result of previous Energy OIG recommendations. According to an ECPC Office official, the ECPC Office licensing officer reviewing an application now incorporates the basis for his/her approval or denial of an application into PINS for future reference. We were also told that the licensing officer's superior is now reviewing the prepared recommendations as a second check and performs the final sign-off on a recommendation in PINS before it is sent to the referring agency. In addition, Energy now electronically receives supporting documents and information from Commerce concerning an export license application.

**Energy Interface
With USXPORTS**

In an effort to improve the way the Federal Government processes export license applications, the USXPORTS Program Management Office at Defense is attempting to develop an automated system that the entire Federal Government, including Energy, can access to expedite the license application review process. The primary Federal agencies involved in the development of such a system are Defense, Commerce and State. As of October 2001, plans for the USXPORTS automated system have not been finalized.

ECPC Office officials told us that they supported the concept of a new centralized export licensing system that could save substantial time and money for Government and industry. Energy officials attended meetings of the USXPORTS working group from October 2000 through April 2001, and have demonstrated PINS on two occasions for the USXPORTS Program Management Office. However, ECPC Office officials said that there has been minimal contact with Energy by USXPORTS Program Management Office officials since April 2001, except for periodic emails received by the ECPC Office. An ECPC Office official told us in October 2001 that the ECPC Office was attempting to initiate a meeting with the USXPORTS Program Management Office to discuss possible future involvement by Energy in the USXPORTS automation initiative.

ECPC Office officials characterized the working group meetings by the USXPORTS Program Management Office as “one sided.” They said that the meetings primarily consisted of USXPORTS Program Management Office officials providing general briefings without asking the attendees from other agencies for their input. They also said that Energy received no feedback from the USXPORTS Program Management Office regarding the two PINS briefings. A USXPORTS representative told us that there is no specific role for Energy in the USXPORTS initiative at this time. He said that except for Defense, Commerce and State, Energy and other agencies are taking a “wait and see” attitude towards USXPORTS until issues such as the classification level of the planned database have been decided. As of October 2001, no decision has been made as to the classification level of the proposed USXPORTS automated system.

ECPC Office officials told us that many of the existing systems for processing export license applications, such as ECASS at Commerce, are unclassified. They said, however, that because of the type of data in PINS, i.e., “SECRET/RESTRICTED DATA,” PINS could not be changed to an unclassified system and could not be openly accessed by other agencies. Therefore, regardless of the classification of the proposed USXPORTS automated system, ECPC Office officials said that PINS must remain a classified system.

ECPC Office officials said that if the proposed USXPORTS automated system was classified at the “SECRET” level it could be possible to provide an interface with PINS. They said that the data in PINS classified as “RESTRICTED DATA” represents a small amount of export data at Energy and could possibly be compartmentalized into a “stand-alone” system, which would allow access by other agencies to the “SECRET” data in PINS.

ECPC Office officials perceive the planned USXPORTS automated system as a duplication of existing systems and databases. They expressed concern about not only whether other agencies will contribute to the USXPORTS system, but also whether the USXPORTS Program Management Office is bringing together all the appropriate agencies in the development process. According to ECPC Office officials, a new or expanded export licensing system would put a further strain on the ECPC Office’s budget for new hardware and software, as well as impact staff workspace.

We subsequently learned that during a meeting on October 18, 2001, the USXPORTS Program Management Office was offered the use of the PINS architecture and consultations with Los Alamos and the University of New Mexico on the use of the EIS application software and the database manager, ORACLE. We understand that the USXPORTS Program Management Office is interested in evaluating PINS capabilities against its (USXPORTS') requirements document. We were told that USXPORTS Program Management Office officials understand they would have to reimburse Los Alamos and the University of New Mexico for any support provided.

We were told by an ECPC Office official that in Energy's opinion, the USXPORTS project would benefit greatly from the technical expertise and experience gained by Los Alamos and the University of New Mexico in developing, maintaining, and improving PINS over the last eight years. According to the ECPC Office official, this cooperation would greatly enhance the plan of the USXPORTS Program Management Office to create a state-of-the-art interconnected, interagency export control system in a timely manner.

RECOMMENDATIONS

Information maintained by Commerce, State, and Treasury on the final disposition of export license applications could assist Energy laboratories in providing assessments and analyses of the nuclear capabilities and developments of proliferant countries.

Therefore, we recommend that the Assistant Deputy Administrator for Arms Control and Nonproliferation:

1. Coordinate with the Departments of Commerce and Treasury to ensure access by Energy to information within the Automated Export System regarding the purchase and/or shipment of commodities under an approved export license, and develop guidelines for Energy's access to the information.
2. Coordinate with the Department of State to:
 - a. Improve communications regarding reviews of export license applications for munitions commodities, and
 - b. Ensure access by Energy to information maintained by State regarding final disposition (i.e., approval/denial of license applications and the purchase and/or shipment of commodities) of export license applications and develop guidelines for Energy's access to the information.

**MANAGEMENT
COMMENTS**

Management generally concurred with our recommendations.

Appendix A

SCOPE AND METHODOLOGY

We conducted the fieldwork portion of our review during the period of April 2001 to October 2001 at the Department of Energy (Energy) Headquarters. We interviewed officials from the Headquarters Office of Export Control Policy and Cooperation (ECPC Office), which is in the Office of Arms Control and Nonproliferation, Office of Defense Nuclear Nonproliferation, National Nuclear Security Administration. The ECPC Office is responsible for developing the Department's export control guidance and maintaining applicable databases. In addition, we interviewed Energy contractor officials from Los Alamos National Laboratory, Lawrence Livermore National Laboratory, and the University of New Mexico regarding export control database concerns. We also collected pertinent data from Federal and contractor personnel affiliated with the Departments of Defense, State, Commerce, the Treasury, and the Central Intelligence Agency.

We reviewed applicable laws, Executive orders, regulations, and Energy guidance regarding the automated system used by Energy for reviewing export license applications.

As part of the FY 2002 export control review by an interagency working group comprised of representatives from the Offices of Inspector General of Energy, Defense, Commerce, State, and the Treasury, we also: (1) reviewed the adequacy of the current system used by Energy for export license processing; (2) determined the age of Energy's system and its viability; (3) determined requirements including required information assurance standards for Energy and interagency exchange of export data; and (4) determined if Energy has programmed funds to operate and maintain a Federal licensing system for FY 2004 and the out years.

This inspection was conducted in accordance with the "Quality Standards for Inspections" issued by the President's Council on Integrity and Efficiency.

Appendix B

STATUS OF RECOMMENDATIONS FROM PRIOR REPORTS

Section 1204 of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2001, amended Section 1402(b) of the NDAA for FY 2000 to require the Inspectors General to include in each annual report the status of the implementation or other disposition of recommendations that have been set forth in previous annual reports under Section 1402(b). The report entitled, “*Inspection of the Department of Energy’s Role in the Commerce Control List and the U.S. Munitions List,*” (INS-O-01-03), March 2001, did not contain recommendations.

The following is the current status of recommendations in the report entitled, “*Inspection of the Department of Energy’s Export License Process for Foreign National Visits and Assignments,*” (DOE/IG-0465), March 2000. Recommendations 1 and 4 were previously reported as closed.

Regarding Recommendation 2, we recommended that the Department ensure that a proposed revision of the Energy Notice concerning unclassified foreign visits and assignments include the principal roles and responsibilities for hosts of foreign national visitors and assignees.

The Department has reported that the recommendation is consistent with the current and ongoing Energy initiative to update and clarify foreign visit and assignment policy. The Department further reported that the new draft Energy Order 142.X, “Unclassified Visits and Assignments by Foreign Nationals,” includes the principal roles and responsibilities for hosts of foreign national visitors and assignees. The Department reported that the completion of this recommendation is deferred because publication of this order was halted in March 2001 as part of a six-month hiatus of publishing all security-related orders. The Department reported that the halt and six-month hiatus are in response to the National Nuclear Security Administration (NNSA) and the Energy Office of Science (SC) review of all outstanding security-related orders, policies, notices, procedures, and processes.

Current Status: This recommendation remains open pending issuance of the Energy Order.

Regarding Recommendation 3, we recommended that the Department include a requirement for Energy and Energy contractor officials to enter required foreign national visit and assignment information into the Foreign Access Records Management System (FARMS), or a designated central data base, in a complete and timely manner.

The Department has reported that a new Energy-wide information system, the Foreign Access Centralized Tracking System (FACTS), has been developed and implemented. The Department further advised that draft Energy Order 142.X includes the requirement for all sites to enter required foreign national visit and assignment information into FACTS, in a complete and timely manner. We determined that because this recommendation duplicates recommendation 8, we consider recommendation 3 to be closed.

Current Status: This recommendation is closed. However, we will track this issue under Recommendation 8.

Regarding Recommendation 5, we recommended that the Department ensure that the requirements in the revised Energy Notice for unclassified foreign national visits and assignments are clearly identified and assigned to responsible officials or organizations.

The Department has reported that draft Energy Order 142.X includes clear identification of requirements and assignments to responsible officials or organizations. The Department reported that the completion of this recommendation is deferred because publication of this order was halted in March 2001 as part of a six-month hiatus of publishing all security-related orders. The Department reported that the halt and six-month hiatus are in response to the NNSA/SC review of all outstanding security-related orders, policies, notices, procedures, and processes.

Current Status: This recommendation remains open pending issuance of the Energy Order.

Regarding Recommendation 6, we recommended that the Department ensure that guidance issued by the Nuclear Transfer and Supplier Policy Office (now the Office of Export Control Policy and Cooperation) to advise hosts of their responsibilities regarding foreign nationals includes the appropriate level of oversight to be provided by the host during the period of the visit or assignment.

The Department has reported that draft Energy Order 142.X includes the principal roles and responsibilities for hosts of foreign national visitors and assignees. The Department reported that the completion of this recommendation is deferred because publication of this order was halted in March 2001 as part of a six-month hiatus of publishing all security-related orders. The Department reported that the halt and six-month hiatus are in response to the NNSA/SC review of all outstanding security-related orders, policies, notices, procedures, and processes.

Current Status: This recommendation remains open pending the issuance of the Energy Order.

Regarding Recommendation 7, we recommended that the Department revise the Energy policy regarding foreign national visits and assignments to ensure that consistent information is being maintained by Energy sites regarding foreign nationals visiting or assigned to work at the site.

The Department has reported that draft Energy Order 142.X requires development of consistent information and input into FACTS. Actions are underway to implement standard templates to upload historical information from Energy sites' legacy systems into FACTS. The Department reported that the completion of this recommendation is deferred because publication of this order was halted in March 2001 as part of a six-month hiatus of publishing all security-related orders. The Department reported that the halt and six-month hiatus are in response to the NNSA/SC review of all outstanding security-related orders, policies, notices, procedures, and processes.

Current Status: This recommendation remains open pending the issuance of the Energy Order.

Regarding Recommendation 8, we recommended that the Department require that all Energy sites having foreign national visitors or assignees enter information regarding the visits or assignments into FARMS, or a designated central Energy database.

The Department has reported that FACTS has been developed and implemented and that draft Energy Order 142.X includes the requirement for all sites to enter required foreign national visit and assignment information into FACTS, in a complete and timely manner. The Department reported that the completion of this recommendation is deferred because publication of this order was halted in March 2001 as part of a six-month hiatus of publishing all security-related orders. The Department reported that the halt and six-month hiatus are in response to the NNSA/SC review of all outstanding security-related orders, policies, notices, procedures, and processes.

Current Status: This recommendation remains open pending the issuance of the Energy Order.

CUSTOMER RESPONSE FORM

The Office of Inspector General has a continuing interest in improving the usefulness of its products. We wish to make our reports as responsive as possible to our customers' requirements, and, therefore, ask that you consider sharing your thoughts with us. On the back of this form, you may suggest improvements to enhance the effectiveness of future reports. Please include answers to the following questions if they are applicable to you:

1. What additional background information about the selection, scheduling, scope, or procedures of the inspection would have been helpful to the reader in understanding this report?
2. What additional information related to findings and recommendations could have been included in the report to assist management in implementing corrective actions?
3. What format, stylistic, or organizational changes might have made this report's overall message more clear to the reader?
4. What additional actions could the Office of Inspector General have taken on the issues discussed in this report which would have been helpful?
5. Please include your name and telephone number so that we may contact you should we have any questions about your comments.

Name _____ Date _____

Telephone _____ Organization _____

When you have completed this form, you may telefax it to the Office of Inspector General at (202) 586-0948, or you may mail it to:

Office of Inspector General (IG-1)
Department of Energy
Washington, DC 20585

ATTN: Customer Relations

If you wish to discuss this report or your comments with a staff member of the Office of Inspector General, please contact Wilma Slaughter at (202) 586-1924.

This page intentionally left blank.

The Office of Inspector General wants to make the distribution of its reports as customer friendly and cost effective as possible. Therefore, this report will be available electronically through the Internet at the following address:

U.S. Department of Energy Office of Inspector General Home Page
<http://www.ig.doe.gov>

Your comments would be appreciated and can be provided on the Customer Response Form attached to the report.