

**UC docked for lapses at nuke lab;
U.S. slashes school's fee, says 'missing' disks never existed**
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By Keay Davidson

The U.S. Department of Energy has clobbered the University of California with a nearly \$6 million punishment for mismanagement of Los Alamos National Laboratory after what officials now say was a wild-goose chase in search of "missing" secret computer disks that never existed.

UC's failures to control its classified disks "are absolutely unacceptable and the University of California must be held accountable for them," Linton Brooks, administrator of the National Nuclear Security Administration, said in a statement Friday.

Brooks said UC would be paid only \$2.9 million for its annual management of the New Mexico nuclear weapons lab, two-thirds less than the usual \$8.7 million fee -- a \$5.8 million reduction. It's the biggest fee cut ever ordered for a national lab.

UC officials reacted contritely to the punishment. The Associated Press quoted UC spokesman Chris Harrington as saying, "We got walloped. Unfortunately, we deserve this."

"But what we have done is correct the problems and put the right system in place so that we don't have to take this type of hit again," Harrington added.

On Friday, Brooks confirmed something that department officials had previously suggested but not confirmed -- that the "missing" disks never existed at all.

The confusion, he said, occurred because lab officials had created bar codes for the disks but not the disks themselves. The FBI has separately confirmed this finding, Brooks' statement said.

"The weaknesses revealed by this incident are severe and must be corrected," said an Energy Department report issued by Brooks.

The multimillion-dollar fee cut climaxes a Los Alamos scandal that has been unfolding since 2002. The incident might cost UC its power to run the prestigious lab where the atomic bomb was born in 1945. The university system may face competition for the next lab contract once the present contract expires in September.

"This is the first time they've (UC) ever been whacked" so severely by the Energy Department, for which UC has managed the lab since World War II, said Pete Stockton, a spokesman for the independent Project on Government Oversight in Washington, D.C., a frequent critic of the national labs.

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"We feel they should be whacked a lot more" because of the cost of the half-year shutdown of the lab triggered by the search for the missing disks, Stockton added. He also said he isn't yet convinced that the missing disks never existed, as the Energy Department and FBI now say.

Since 2002, the lab had been rife with security, safety and managerial scandals. Its director and other high officials were fired or forced out, and a retired admiral, George "Pete" Nanos, was brought in to clean up the mess.

In July 2004, Nanos learned that lab officials couldn't locate two computer disks that were thought to contain highly classified weapons information. For this and other reasons, including a near-disaster in which a lab employee's eye was injured by a laser, Nanos ordered a near-complete shutdown of lab operations.

While the FBI and other federal investigators turned the lab upside down trying to find the two disks, 12,000 Los Alamos employees from janitors to nuclear bomb designers were taken off their regular chores and required to sit through training sessions to boost their security- and safety-consciousness.

At staff meetings, Nanos chewed out staff members and called certain employees "butt-heads" and "cowboys," employees said and Nanos' office later confirmed. In September, he fired four employees and forced another to resign.

The situation was an especially anxious one for UC officials: Amid the brouhaha, Congress and Energy Department officials decided that all future contracts for running the lab must be open to outside competitors. Previously, UC had run the lab without competition.

The prolonged lab shutdown -- which, among other things, caused Los Alamos scientists and engineers to miss deadlines for various federal projects -- probably cost the taxpayers around \$1 billion, Stockton said. Most lab operations have resumed operations, but not all.

The UC Board of Regents still hasn't decided whether to compete for the next Los Alamos contract. The regents are likely to vote on the matter within the next several weeks, when the Energy Department is expected to issue the final version of its contract specifications for the Los Alamos job.

Energy Department officials have indicated they hope to announce the winner of the new contract by early this summer.

Who will compete is anyone's guess. UC officials received good news on Jan. 14, when The Chronicle reported that the University of Texas had opted not to compete for the Los Alamos contract. Texas had widely been viewed as UC's most serious academic competitor for the job, not only because of UT's size but because of its political connections to the Bush administration. Chronicle news services contributed to this report. E-mail the author at kdavidson@sfchronicle.com.