



U.S. Department of Energy
Office of Inspector General
Office of Audits and Inspections

Management Alert

Review of Internal Controls for
Protecting Non-Public Information at
the Federal Energy Regulatory
Commission



Department of Energy
Washington, DC 20585

April 9, 2014

**MEMORANDUM FOR THE ACTING CHAIRMAN, FEDERAL ENERGY
REGULATORY COMMISSION**

Gregory H. Friedman
FROM: Gregory H. Friedman
Inspector General

SUBJECT: Management Alert: Review of Internal Controls for Protecting
Non-Public Information at the Federal Energy Regulatory
Commission

BACKGROUND

In March 2014, the Department of Energy (Department) Office of Inspector General initiated a review of internal controls for protecting non-public information at the Federal Energy Regulatory Commission (Commission). The review was initiated in response to an alleged leak of modeling studies exposing certain power grid vulnerabilities and of non-public information relating to the investigation of the April 2013 attack on the Pacific Gas and Electric Company's Metcalf substation located just south of San Jose, California. Information regarding the alleged leak was communicated to us by the Commission's Designated Agency Ethics Official. Further, we received a letter from the Chairwoman and Ranking Member of the Senate Energy and Natural Resources Committee requesting that we review the same matter.

IMMEDIATE CONCERN

The Department's subject matter experts have confirmed that at least one electric grid-related presentation created by Commission staff should have been classified and protected from release at the time it was created. Based on preliminary information, we determined that the presentation was accessible to, and in specific instances, was viewed and handled by Commission employees who may not have had personnel security clearances and thus, were not fully aware of their obligation to protect the information. Similarly, the document was reported to have been maintained on portable electronic equipment and transmitted via unsecured means. Finally, the document, and/or the essence of its contents, may, in whole or in part, have been provided to both Federal and industry officials in unclassified settings. The methods used in creating and distributing this document led us to the preliminary conclusion that the Commission may not possess adequate controls for identifying and handling classified national security information.

As you are aware, the materials in question raise concerns with the security and integrity of our Nation's critical energy infrastructure, including the Nation's power grid. We are especially concerned with reports that the document that was not properly classified and may currently be stored on unclassified Commission servers, as well as on current and former Commission employees' desktop computers, laptops, portable electronic devices, and copiers. These are the main reasons for the urgency of this management alert.

RECOMMENDATIONS

Although the analysis on which this alert is based is preliminary, we have concluded that the Commission should take immediate action to ensure that the information referred to in this management alert is afforded maximum protection. Consequently, we recommend that the Acting Commission Chairman:

1. Move immediately to protect the information in question by identifying and securing any/all source data, studies and modeling material, including supporting reports and presentations. The search for such information should be comprehensive, including hard copy data and information stored or transmitted via email and all electronic systems which contain relevant information. In the case of electronic data, all systems (to include copiers, client computers, handheld and/or tablets as well as email and other servers) containing data related to or supporting the information should be taken out of service and segregated from unclassified networks until the actions taken in Recommendation 2 are complete.
2. Immediately seek assistance from appropriate program/staff offices within the Department of Energy, or any other Federal entity with appropriate original classification authority in this matter, to ensure that the information in question and any associated source material, reports and/or presentations are properly classified and secured. As necessary, assistance should also be obtained to ensure that any required remedial action is completed expeditiously (i.e. computer/electronic device sanitizing, secure storage of any information deemed to be classified, etc.).
3. Ensure that all current and former handlers of the material are fully apprised and acknowledge their duty to protect all classified information.
4. Segregate and secure all classified information discovered during the searches conducted pursuant to Recommendation 1 in an approved classified repository. Such data should also be made available to Office of Inspector General employees engaged in the on-going review.

PATH FORWARD

Please advise us of the actions the Commission plans to take with regard to the recommendations. The Office of Inspector General's review is ongoing.

We appreciate your cooperation in this matter.

MANAGEMENT REACTION

Federal Energy Regulatory Commission (Commission) Acting Chairman LaFleur indicated to us that she has reviewed the management alert and has instructed Commission staff to implement its recommendations promptly, and to give them top priority.