



U.S. Department of Energy
Office of Inspector General
Office of Inspections and Special Inquiries

Inspection Report

Internal Controls for Excessing and
Surplusing Unclassified Computers at
Los Alamos National Laboratory




Department of Energy

Washington, DC 20585

July 26, 2006

MEMORANDUM FOR THE SECRETARY

FROM:


Gregory H. Friedman
Inspector General

SUBJECT:

INFORMATION: Inspection Report on "Internal Controls for Excessing and Surplusing Unclassified Computers at Los Alamos National Laboratory"

BACKGROUND

The Department of Energy's Los Alamos National Laboratory conducts a broad range of research, including efforts to ensure the safety and reliability of the United States' nuclear stockpile, prevent the spread of weapons of mass destruction, and protect the Nation from terrorist attacks. Computers are used extensively at the Laboratory. When Los Alamos determines it has excess computer equipment, and that equipment is not claimed for use elsewhere in the Federal Government or by state agencies or other organizations, it is to be disposed of as scrap or sold at auction. Under Department policy, computer equipment must be sanitized before it is released to any outside organization. Laboratory procedures require that hard drives be removed before any computers are sold.

In August 2005, an Apple MAC G4 computer excessed by Los Alamos was sold at auction. Subsequently, it was revealed that the computer still had its hard drive intact and contained unclassified Laboratory documents. We initiated an inspection to determine if Los Alamos had complied with internal controls applicable to excessing and surplusing the computer.

RESULTS OF INSPECTION

We concluded that Los Alamos had not complied with its own and Department internal controls when excessing and surplusing the Apple MAC G4. This resulted in the unauthorized release of a computer hard drive containing Laboratory documents on matters such as budget, time and attendance, and unclassified procedures for transmitting classified information. Specifically, Los Alamos had not, as required:

- Sanitized the hard drive prior to processing the computer as excess/surplus; and,
- Removed the hard drive prior to transferring the computer for sale at auction.

The Apple MAC G4 was excessed with seven other computers. The internal control failures relating to excessing and surplusing the Apple MAC G4 raised concerns as to whether the hard drives for the seven other computers were sanitized and removed prior to being sent to auction.



Given the potential sensitivity of the data residing in the Department's systems, including its unclassified systems, it is important that formal excessing procedures be carefully followed throughout the complex. Consequently, we recommended several corrective actions intended to enhance security over personally identifiable data at Los Alamos. We believe, however, that these recommendations have application at other Department of Energy facilities.

Recent events concerning the loss of personal information by Government agencies have highlighted the need to protect sensitive information and take timely followup actions when that information may have been compromised. In the case of the Apple MAC G4, we conducted a preliminary review of the contents of its hard drive and identified individuals' names but no other personal identifiers. This data has been forwarded to Department officials under separate cover for their consideration and action. We also contacted the buyers of the seven other computers excessed at the same time. Although they all stated that the computers they purchased did not have hard drives, there is no assurance that this was the case. For example, we noted that one of the computers was sold at a significantly higher cost than the other computers. Therefore, the Department may wish to take further steps regarding these computers.

MANAGEMENT REACTION

In responding to a draft of this report, management concurred with the report recommendations and indicated that actions have been taken that meet the intent of the recommendations. Management's comments are provided at Appendix B of the report. We found management's comments to be responsive to our report recommendations.

Attachment

cc: Deputy Secretary
Administrator, National Nuclear Security Administration
Under Secretary of Energy
Under Secretary of Science
Chief of Staff
Director, Office of Security and Safety Performance Assurance
Manager, Los Alamos Site Office
Director, Policy and Internal Controls Management (NA-66)
Director, Office of Internal Review (CF-1.2)
Audit Liaison, Los Alamos Site Office

INTERNAL CONTROLS FOR EXCESSING AND SURPLUSING UNCLASSIFIED COMPUTERS AT LOS ALAMOS NATIONAL LABORATORY

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Overview

INTRODUCTION AND OBJECTIVE

The Department of Energy's (DOE's) Los Alamos National Laboratory (LANL) is one of the largest multidisciplinary science institutions in the world. The primary national security missions of LANL are to help ensure the safety and reliability of the Nation's nuclear stockpile, prevent the spread of weapons of mass destruction, develop strategies to mitigate global threats, and protect the United States from terrorist attacks. LANL is managed by the University of California for the Department's National Nuclear Security Administration (NNSA).

Computers are used extensively in the full range of operations at LANL, to include the processing of classified and unclassified information. In accordance with DOE Property Management Regulations, when computer equipment is no longer needed or becomes old or obsolete, LANL program officials may determine that the equipment is excess to their needs. Excess equipment should be screened to determine if it can be utilized by other Laboratory or Federal organizations. If the excess equipment is not claimed, it becomes surplus to DOE and should be offered through donation to State agencies and other organizations. If the surplus equipment is not claimed, it should be disposed of as scrap or sold at auction.

Under DOE policy, computer equipment that is declared surplus must be sanitized before it is released to any outside organization. In addition, the Property Management Manual for LANL's property disposal subcontractor requires that hard drives be removed before any computers are sold.

On August 13, 2005, an Apple MAC G4 computer declared excess by LANL was sold at an Albuquerque auction house to a local television station employee. On August 25, 2005, the television station reported that the computer hard drive contained LANL documents. A follow-on report suggested that some of those documents were marked as being classified. We subsequently determined that this was not the case, but that the computer had been released from the Laboratory with a hard drive that contained unclassified LANL documents. As a result, we initiated an inspection to determine if LANL had complied with internal controls applicable to excessing and surplusing the Apple MAC G4.

OBSERVATIONS AND CONCLUSIONS

We concluded that LANL did not comply with internal controls applicable to excessing and surplusing the Apple MAC G4. This resulted in the unauthorized release of a computer hard drive containing LANL documents on matters such as budget, time and attendance, and unclassified procedures for transmitting classified information. Specifically, we found that LANL had not:

- Sanitized the hard drive, as required, prior to processing the computer as excess/surplus; and,
- Removed the hard drive, as required, prior to transferring the computer for sale at auction.

The Apple MAC G4 was excessed in June 2005, along with seven other computers. In light of the internal control failures relating to excessing and surplusing the Apple MAC G4, we concluded that there was no assurance that the hard drives for the seven other computers were sanitized prior to their being processed as excess equipment. Because they had already been sold and turned over to the purchasers, we were unable to determine whether the seven computers still contained their hard drives when they were sent to auction. We did, however, inspect a sample of other LANL computers awaiting sale at the Albuquerque auction house. We did not find evidence that these computers still contained hard drives.

Details of Findings

CRITERIA

DOE N 205.12, "CLEARING, SANITIZING, AND DESTROYING INFORMATION SYSTEM STORAGE MEDIA, MEMORY DEVICES, AND OTHER RELATED HARDWARE," which was in effect at the time the Apple MAC G4 was declared excess, stated that DOE, including NNSA, contractors must ensure that no unauthorized information can be retrieved from unclassified DOE computer equipment that is to be transferred or declared surplus. The Contractor Requirements Document (CRD) for DOE N 205.12 stated that systems or equipment declared surplus or donated to outside organizations must be sanitized. Further, it stated that individuals sanitizing computer equipment must, at a minimum, affix a label that: (1) describes the equipment; (2) provides a statement indicating that the equipment has been cleared and/or sanitized in accordance with DOE N 205.12; and (3) contains the date, the printed name, and the signature of the individual certifying that the process has been successfully completed. In addition, the CRD required the certifier to prepare separate documentation recording the same information and the contractor to maintain this documentation for a minimum of 5 years. The successor directive to DOE N 205.12 contains similar requirements.

LANL's Property Management Manual, Chapter 14, "Excess and Salvage Property," states that the users of unclassified computing equipment must sanitize excess/salvage computers. The manual states that the computer users are required to delete files containing sensitive, personal, or proprietary data. In addition, LANL's property disposal subcontractor's Property Management Manual states the subcontractor will sanitize computers intended for reissue either internally or externally. In addition, this manual states that the subcontractor "shall not sell any computers/laptops with hard-drives in them."

SANITIZATION PROCESS

We found that LANL had not sanitized the Apple MAC G4 hard drive, as required, prior to processing the computer as excess/surplus. Specifically, we determined that the hard drive of the Apple MAC G4 sold at the Albuquerque auction house in August 2005 had not been sanitized as required by DOE and LANL policy. The hard drive contained LANL documents on matters such as budget, time and attendance, and unclassified internal procedures for transmitting classified information. Further, because of the breakdown in internal controls, there was no assurance that the hard drives for seven other computers excessed at the same time as the Apple MAC G4 had been sanitized prior to disposal.

The Apple MAC G4 had been used in an unclassified LANL Training Facility. The LANL official responsible for disposal of property at this facility had declared the computer excess to the facility's needs. In June 2005, a LANL "Excess/Salvage Equipment Request Form" was prepared, indicating that the Apple MAC G4, along with seven other computers, had been sanitized by this official. However, LANL could not produce the documentation required by DOE N 205.12 with the date, the printed name, and the signature of the person certifying that the process had actually been completed for all eight computers. Further, the signatures and dates required on the excess salvage form certifying that "there is no reason not to release this property to the general public" were left blank.

The LANL official recalled declaring the computer equipment excess, but had no specific recollection or record showing that the computer hard drives had been sanitized. Since the computers had already been sold at auction, we could not determine whether the required labels had been affixed to the computers verifying that they were sanitized.

We also determined that although all eight computers were reusable and that the Apple MAC G4, in particular, was a good candidate for reutilization within the Laboratory, the computers were erroneously identified in LANL's Excess Property Information System as "salvage." Salvage was defined as property that is obsolete, disassembled, or damaged to an extent that it could not be used for its original purpose. Had the computers been properly identified, they might have had a continuing useful life at the Laboratory.

HARD DRIVE REMOVAL

We found that LANL had not removed the Apple MAC G4 hard drive, as required, prior to transferring the computer for sale at auction. We were unable to determine whether the other seven computers still contained hard drives when they were sent to auction. This was due to the fact that the equipment had already been sold and was in the possession of the purchasers.

On July 5, 2005, after the Apple MAC G4 was not claimed for reutilization internally, it was picked up by the LANL property disposal subcontractor. On July 7, 2005, this computer was sent to auction with a sticker attached to the central processing unit stating "HARD DRIVE REMOVED."

According to a subcontractor spreadsheet that documented the auction lot number, the property barcode, the serial number, the

model, and the manufacturer, the computer's hard drive was removed before it was sent to auction. The spreadsheet was initialed by the subcontractor employee responsible for assuring that hard drives were removed before computers were sent to auction. The employee stated that his initials on the spreadsheet indicated that either he had removed the hard drive or the hard drive had already been removed when he inspected the computer before sending it to the auction house.

With regard to the Apple MAC G4 in question, the subcontractor employee could not recall whether he removed the hard drive or if it had already been removed before it was picked up by the LANL property disposal subcontractor. He speculated that the Apple MAC G4 may not have contained a hard drive when it was received by the property disposal subcontractor. The employee also speculated that it was possible that the Apple MAC G4 may have had a second hard drive that had not been identified at the time the computer was sent to auction.

There is a box on the "Excess/Salvage Equipment Request Form" that can be checked to indicate "Hard drive removed." We examined the form and determined that the box had not been checked to indicate that the hard drive of the Apple MAC G4 had been removed. In addition, we found no evidence that the Apple MAC G4 had a second hard drive.

Although the seven computers excessed with the Apple MAC G4 were not available for examination, we inspected a sample of other LANL computers awaiting sale at the Albuquerque auction house. We did not find evidence that these computers still contained hard drives.

RECOMMENDATIONS

The Department has experienced a number of instances throughout the complex wherein computers and related hardware have been disposed of inappropriately. Given the potential sensitivity of the data residing in the Department's systems, even the unclassified systems, it is important that excessing procedures be carefully followed. Consequently, we recommend that the Manager, Los Alamos Site Office, ensures that:

1. All computers declared excess/salvage are sanitized according to DOE and LANL policy.
2. All computer hard drives are removed prior to any sale of surplus computer equipment, as required by local procedures.
3. The condition codes used for excess/salvage property are accurately input to LANL's Excess Property Information System, so that the potential for reuse at the Laboratory is maximized.

**MANAGEMENT
COMMENTS**

In comments on a draft of this report, NNSA concurred with our recommendations and stated that the draft report was consistent with the observations and findings of the Laboratory's internal audit team. NNSA stated that actions have been taken that meet the intent of our recommendations.

**INSPECTOR
COMMENTS**

We found management's comments to be responsive to our report recommendations.

Appendix A

SCOPE AND METHODOLOGY

We conducted the majority of our fieldwork from August 2005 through September 2005. Our review included interviews with DOE officials from the NNSA Service Center and the Los Alamos Site Office, officials from LANL Property Management, and subcontractor employees. We also reviewed applicable policies and procedures regarding property management.

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

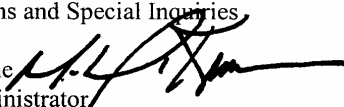


Department of Energy
National Nuclear Security Administration
Washington, DC 20585



June 15, 2006

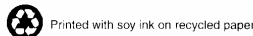
MEMORANDUM FOR Alfred K. Walter
 Assistant Inspector General
 for Inspections and Special Inquiries

FROM: Michael C. Kane 
 Associate Administrator
 for Management and Administration

SUBJECT: Comments to LANL Controls Over Excess
 Computers Draft Report; S05IS044/2006-17827

The National Nuclear Security Administration (NNSA) appreciates the opportunity to review the Inspector General's (IG) draft report, "Internal Controls for Excessing and Surplus Unclassified Computers at Los Alamos National Laboratory." We understand that the IG conducted this inspection because under Departmental policy, computer equipment that is declared surplus must be sanitized before it is released to any outside organization. On August 13, 2005, a computer declared excess by the Laboratory was sold at an auction house to a local television station employee. The television station subsequently reported that the computer hard drive contained Laboratory documents.

It was our observation that the draft report is consistent with the observations and findings of the Laboratory's internal audit team. At the time of the original incident and the subsequent reporting, the Laboratory implemented corrective actions to ensure the security of all computers released by the Laboratory. Immediately after being informed of the original incident, the Laboratory suspended the support service subcontractor's authority to release computers outside of the Laboratory. A document review was conducted with the results provided to the IG. The Laboratory instructed the subcontractor to conduct a full review of all computers housed at the excess facility and at the auction house in Albuquerque, NM. As noted in the report, no additional computers with hard-drives were found. The subcontractor was then allowed to restart its computer excess operations based on authorization from the Laboratory's Chief Information Officer who, in conjunction with the Laboratory's Security Division and the Property Management Group, developed and issued guidance on the sanitization or removal and disposal of the hard-drives prior to their being excessed. Part of this guidance required the subcontractor to ensure that all hard-drives are removed



Appendix B (continued)

prior to public release and further to implement a two person hard-drive check and signature process for all documentation related to the removal of hard-drives.

Since October, our indications are that the revised program is working based on random checks of computers tagged for resale.

Therefore, while NNSA agrees with the recommendations, we believe actions have been taken that meet the intent of the recommendations. This position was also presented to the Inspector during May.

Should you have any questions about this response, please contact Richard Speidel, Director, Policy and Internal Controls Management.

cc: Edwin Wilmot, Manager, Los Alamos Site Office
David Boyd, Senior Procurement Executive
Karen Boardman, Director, Service Center

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