

**GAO**

Testimony

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and Investigations, Committee on Energy  
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**NUCLEAR  
NONPROLIFERATION**

**DOE Needs to Reassess Its  
Program to Assist Weapons  
Scientists in Russia and  
Other Countries**

Statement of Robert A. Robinson, Managing Director  
Natural Resources and Environment





Highlights of [GAO-08-434T](#), testimony before the Subcommittee on Oversight and Investigations, Committee on Energy and Commerce, House of Representatives

## Why GAO Did This Study

During the decades before its dissolution, the Soviet Union produced a cadre of scientists and engineers whose knowledge and expertise could be invaluable to countries or terrorist groups trying to develop weapons of mass destruction (WMD). After the Soviet Union's collapse in 1991, many of these scientists suffered significant cuts in pay or lost their government-supported work. To address concerns about unemployed or underemployed Soviet-era weapons scientists, the Department of Energy (DOE) established the Initiatives for Proliferation Prevention (IPP) program in 1994 to engage former Soviet weapons scientists in nonmilitary work in the short term and create private sector jobs for these scientists in the long term. GAO was asked to assess (1) DOE's reported accomplishments for the IPP program, (2) DOE's exit strategy for the program, and (3) the extent to which the program has experienced annual carryovers of unspent funds and the reasons for any such carryovers.

In December 2007, GAO issued a report—*Nuclear Nonproliferation: DOE's Program to Assist Weapons Scientists in Russia and Other Countries Needs to Be Reassessed*, (GAO-08-189)—that addressed these matters. To carry out its work, GAO, among other things, analyzed DOE policies, plans, and budgets and interviewed key program officials and representatives from 22 Russian and Ukrainian institutes.

To view the full product, including the scope and methodology, click on [GAO-08-434T](#). For more information, contact Robert A. Robinson at (202) 512-3841 or [robinsonr@gao.gov](mailto:robinsonr@gao.gov).

## NUCLEAR NONPROLIFERATION

### DOE Needs to Reassess Its Program to Assist Weapons Scientists in Russia and Other Countries

#### What GAO Found

DOE has overstated accomplishments on the number of scientists receiving DOE support and the number of long-term, private sector jobs created. First, although DOE claims to have engaged over 16,770 scientists in Russia and other countries, this total includes both scientists with and without weapons-related experience. GAO's analysis of 97 IPP projects involving about 6,450 scientists showed that more than half did not claim to possess any weapons-related experience. Furthermore, officials from 10 Russian and Ukrainian weapons institutes told GAO that the IPP program helps them attract, recruit, and retain younger scientists and contributes to the continued operation of their facilities. This is contrary to the original intent of the program, which was to reduce the proliferation risk posed by Soviet-era weapons scientists. Second, although DOE asserts that the IPP program helped create 2,790 long-term, private sector jobs for former weapons scientists, the credibility of this number is uncertain because DOE relies on "good-faith" reporting from U.S. industry partners and foreign institutes and does not independently verify the number of jobs reported to have been created.

DOE has not developed an exit strategy for the IPP program. Officials from the Russian government, Russian and Ukrainian institutes, and U.S. companies raised questions about the continuing need for the program. Importantly, a senior Russian Atomic Energy Agency official told GAO that the IPP program is no longer relevant because Russia's economy is strong and its scientists no longer pose a proliferation risk. DOE has not developed criteria to determine when scientists, institutes, or countries should "graduate" from the program. In contrast, the Department of State, which supports a similar program to assist Soviet-era weapons scientists, has assessed participating institutes and developed a strategy to graduate certain institutes from its program. Even so, we found that DOE is currently supporting 35 IPP projects at 17 Russian and Ukrainian institutes where State no longer funds projects because it considers them to have graduated from its program. In addition, DOE has recently expanded the program to new areas. Specifically, DOE began providing assistance to scientists in Iraq and Libya and, through the IPP program, is working to develop projects that support a DOE-led international effort to expand the use of civilian nuclear power.

In every fiscal year since 1998, DOE carried over unspent funds in excess of the amount that the Congress provided for the program. Two main factors have contributed to this recurring problem—lengthy review and approval processes for paying former Soviet weapons scientists and delays in implementing some IPP projects.

In its recent report, GAO recommended, among other things, that DOE conduct a fundamental reassessment of the IPP program, including the development of a prioritization plan and exit strategy. DOE generally concurred with GAO's findings, but does not believe that the IPP program needs to be reassessed.

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Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the Department of Energy's (DOE) Initiatives for Proliferation Prevention (IPP) program, which seeks to engage former Soviet weapons scientists in nonmilitary work in the short term and create private sector jobs for these scientists in the long term. Specifically, my remarks are based on the report we issued in December 2007—*Nuclear Nonproliferation: DOE's Program to Assist Weapons Scientists in Russia and Other Countries Needs to Be Reassessed*.<sup>1</sup> This report is our second review of the IPP program. In 1999, we found significant problems with DOE's management of the IPP program and, as a result, we made several recommendations that DOE has implemented to improve the program.<sup>2</sup>

After the Soviet Union's collapse in 1991, many scientists and engineers with weapons of mass destruction (WMD) knowledge and expertise suffered significant cuts in pay or lost their government-supported work. To address concerns that these scientists would sell their expertise to terrorists or countries of concern, DOE began its IPP program in 1994. Through October 1, 2007, there were 929 draft, active, inactive, and completed IPP projects involving personnel at about 200 nuclear, chemical, and biological institutes in Russia and other countries. As of April 2007, DOE reported it had supplemented the salaries of over 16,770 scientists, engineers, and technicians and created 2,790 long-term, private sector jobs in Russia and other countries through the IPP program.

My testimony today will discuss (1) DOE's reported accomplishments for the IPP program, (2) DOE's exit strategy for the IPP program, and (3) the extent to which the IPP program has experienced annual carryover balances of unspent funds and the reasons for such carryovers. In conducting our review, we examined 207 of the 929 IPP projects. We

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<sup>1</sup>GAO-08-189 (Washington, D.C.: Dec. 12, 2007).

<sup>2</sup>See GAO, *Nuclear Nonproliferation: Concerns with DOE's Efforts to Reduce the Risks Posed by Russia's Unemployed Weapons Scientists*, GAO/RCED-99-54 (Washington, D.C.: Feb. 19, 1999). As a result of our 1999 review, DOE modified the IPP program by implementing requirements to (1) better categorize the weapons backgrounds of scientists participating in IPP projects; (2) review projects for potential dual-use technology; (3) limit funding for DOE national laboratories to no more than 35 percent for each IPP project; (4) eliminate basic research projects; (5) establish direct, tax-free payments to participating former Soviet scientists; and (6) institute audits conducted by the Defense Contract Audit Agency as a way of verifying proper transfer of IPP program funds and equipment.

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selected this sample of projects on the basis of a variety of factors, such as geographic distribution, representation of all participating U.S. national laboratories, and project costs. We interviewed key DOE and national laboratory officials and analyzed documentation, such as program guidance, project proposals, and financial information. We also interviewed officials from 15 Russian and 7 Ukrainian institutes and 14 U.S. companies that participate in the program. In addition, we analyzed program cost and budgetary information, interviewed knowledgeable officials on the reliability of these data, and determined that they were sufficiently reliable for the purposes of our review. We conducted this performance audit from October 2006 through December 2007 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## In Summary

DOE has overstated the number of WMD scientists receiving DOE support and the number of long-term, private sector jobs created. First, according to our analysis of 97 IPP projects involving about 6,450 scientists for whom we had complete payment information, more than half of the scientists paid by the program never claimed to have WMD experience. Furthermore, according to officials at 10 nuclear and biological institutes in Russia and Ukraine, IPP program funds help them attract, recruit, and retain younger scientists and contribute to the continued operation of their facilities. This is contrary to the original intent of the program, which was to reduce the proliferation risk posed by Soviet-era weapons scientists. For example, about 972 of the scientists paid for work on these 97 projects were born in 1970 or later, making them too young to have contributed to Soviet-era WMD efforts. Second, although DOE asserts that through April 2007, the IPP program had helped create 2,790 long-term, private sector jobs in Russia and other countries, we were unable to substantiate the existence of many of these jobs in our review of the projects DOE considers to be commercial successes. DOE relies on “good-faith” reporting and does not independently verify employment data it receives. Finally, DOE officials stated that the IPP program metrics are not sufficient to judge the program’s progress in reducing proliferation risks. However, DOE has not updated its metrics or set priorities for the program on the basis of a country-by-country and institute-by-institute evaluation of proliferation risks.

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DOE has not developed an exit strategy for the IPP program. Officials from the Russian government, Russian and Ukrainian institutes, and U.S. companies raised questions about the continuing need for the program. Importantly, a senior Russian Atomic Energy Agency official told us that the IPP program is no longer relevant because Russia's economy is strong and its scientists no longer pose a proliferation risk. However, DOE has not developed criteria to determine when scientists, institutes, or countries should "graduate" from the IPP program. In contrast, the Department of State, which supports a similar program to assist weapons scientists in Russia and other countries, has assessed participating institutes and developed a strategy—using a range of factors, such as an institute's ability to pay salaries regularly and to attract funding from other sources—to graduate certain institutes from its program. Even so, we found that DOE is currently supporting 35 IPP projects at 17 Russian and Ukrainian institutes where State no longer funds projects because it considers them to have graduated from its program and, therefore, no longer in need of U.S. assistance. Furthermore, DOE has recently expanded the program to include new countries and areas. According to a senior DOE official, this expansion was undertaken as a way to maintain the IPP program's relevance as a nonproliferation program. Specifically, DOE recently began providing assistance to scientists in Iraq and Libya and, through the IPP program, is working to develop projects that support the Global Nuclear Energy Partnership (GNEP)—a DOE-led international effort to expand the use of civilian nuclear power. DOE expanded the program's efforts without a clear mandate from the Congress and suspended parts of its IPP program guidance for projects in these new areas.

Regarding its management of IPP program funding, DOE has carried over unspent funds in excess of the amount that the Congress provided for the IPP program in every fiscal year since 1998. Two main factors have contributed to this recurring problem: (1) lengthy and multilayered review and approval processes by DOE and its contractors for paying former Soviet weapons scientists for IPP-related work and (2) long delays in implementing some IPP projects. DOE officials told us they are attempting to improve the program's financial oversight by developing a new program management system.

We recommended, among other things, that DOE comprehensively reassess the IPP program to help the Congress determine whether to continue to fund it. We believe this reassessment should include, at a minimum, a thorough analysis of the proliferation risk posed by weapons scientists in Russia and other countries, a well-defined prioritization

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strategy to effectively target the scientists and institutes of highest proliferation concern, more accurate reporting of program accomplishments, and a clear exit strategy for the program. DOE generally agreed with our recommendations to improve the overall management of the IPP program, noting that a number of changes were already under way, but DOE did not agree that it needs to reassess the IPP program. We continue to believe that the nature, scope, and volume of problems we identified during the course of our review necessitates a reassessment of the IPP program to ensure that limited program funds are directed to the scientists and institutes of highest proliferation risk.

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## Background

IPP project proposals are prepared and submitted to DOE by officials from the participating national laboratories.<sup>3</sup> Each national laboratory provides technical and financial oversight for a set of projects. An Inter-Laboratory Board (ILAB) serves as the primary coordinating body for the national laboratories involved in the program. Partnerships are formed by the national laboratories between U.S. companies—known as industry partners—and institutes in Russia and other countries. IPP project proposals are reviewed by DOE’s national laboratories, the IPP program office, and other agencies before they are approved for funding. Because the national laboratory prepares the proposal, the laboratory project manager is responsible for including, among other things, a list of intended participants and for designating the WMD experience for each participant. The proposed participants are assigned to one of the following categories: *Category I*—direct experience in WMD research, development, design, production, or testing; *Category II*—indirect WMD experience in the underlying technologies of potential use in WMD; or *Category III*—no WMD-relevant experience. After the project passes an initial review within the national laboratory, it is analyzed by the ILAB and its technical committees, which then forward the proposal to DOE for review. DOE, in turn, consults with State and other agencies on policy, nonproliferation, and coordination considerations. DOE’s IPP program office is responsible for making final decisions on all projects.

DOE requires that at least 65 percent of each IPP project’s funding be used as payments to individuals actually working on the project or to the

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<sup>3</sup>The 12 national laboratories that participate in the IPP program are the Argonne, Brookhaven, Idaho, Lawrence Berkeley, Lawrence Livermore, Los Alamos, Oak Ridge, National Renewable Energy, Pacific Northwest, Sandia, and Savannah River National Laboratories and the Kansas City Plant.

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participating institutes in payment for project-related supplies, equipment, and overhead. Because the IPP program is not administered through a government-to-government agreement, DOE distributes IPP funding through three tax-exempt entities to avoid paying foreign taxes. These organizations transfer funds directly to the personal bank accounts of IPP project participants. To receive payment, project participants must submit paperwork to these organizations indicating, among other things, whether they possess WMD experience.

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## DOE Has Overstated the IPP Program's Progress and Achievements

DOE has not accurately portrayed the IPP program's progress in the number of WMD scientists receiving DOE support and the number of long-term, private sector jobs created. Many of the scientists in Russia and other countries that DOE has paid through its IPP program did not claim to have WMD experience. Furthermore, DOE's process for substantiating the weapons backgrounds of IPP project participants has several weaknesses. In addition, DOE has overstated the rate at which weapons scientists have been employed in long-term, private sector jobs because it does not independently verify the data it receives on the number of jobs created, relies on estimates of job creation, and includes in its count a large number of part-time jobs that were created. Finally, DOE has not revised the IPP program's performance metrics, which are based on a 1991 assessment of the threat posed by former Soviet weapons scientists.

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## Many Scientists in Russia and Other Countries Who Did Not Claim Direct Experience with WMD Have Received Funds from DOE

A major goal of the IPP program is to engage former Soviet weapons scientists, engineers, and technicians, and DOE claims to have supplemented the incomes of over 16,770 of these individuals since the program's inception. However, this number is misleading because this figure includes both personnel with WMD experience and those without any WMD experience, according to DOE officials. We reviewed the payment records of 97 IPP projects, for which information was available and complete, and found that 54 percent, or 3,472, of the 6,453 participants in these projects did not claim to possess any WMD experience in the declarations they made concerning their backgrounds. We also found that DOE is not complying with a requirement of its own guidance for the IPP program—that is, each IPP project must have a minimum of 60 percent of the project's participants possessing WMD-relevant experience prior to 1991 (i.e., Soviet-era WMD experience). We found that 60 percent, or 58, of the 97 projects for which we had complete payment information did not meet this requirement.

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Finally, many IPP project participants that DOE supports are too young to have contributed to the Soviet Union's WMD programs. Officials at 10 of the 22 Russian and Ukrainian institutes we interviewed said that IPP program funds have allowed their institutes to recruit, hire, and retain younger scientists. We found that 15 percent, or 972, of the 6,453 participants in the payment records of the 97 projects we reviewed were born in 1970 or later and, therefore, were unlikely to have contributed to Soviet-era WMD efforts. While DOE guidance for the IPP program does not prohibit participation of younger scientists in IPP projects, DOE has not clearly stated the proliferation risk posed by younger scientists and the extent to which they should be a focus of the IPP program.

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## DOE's Process for Assessing IPP Project Participants' WMD Credentials Has Weaknesses

In 1999, we recommended that, to the extent possible, DOE should obtain more accurate data on the number and background of scientists participating in IPP program projects.<sup>4</sup> DOE told us that it has made improvements in this area, including developing a classification system for WMD experts, hiring a full-time employee responsible for reviewing the WMD experience and backgrounds of IPP project participants, and conducting annual project reviews. However, DOE relies heavily on the statements of WMD experience that IPP project participants declare when they submit paperwork to receive payment for work on IPP projects. We found that DOE lacks an adequate and well-documented process for evaluating, verifying, and monitoring the number and WMD experience level of individuals participating in IPP projects.

According to DOE officials, IPP projects are scrutinized carefully and subjected to at least 8, and in some cases 10, stages of review to assess the WMD experience of the project participants. However, we found limitations in DOE's process. Specifically:

- DOE has limited information to verify the WMD experience of personnel proposed for IPP projects because government officials in Russia and other countries are reluctant to provide information about their countries' scientists. For example, three national laboratory officials stated that it is illegal under Russian law to ask project participants about their backgrounds, and that instead they make judgments regarding the WMD experience of the project participants on the basis of their personal

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<sup>4</sup>[GAO/RCED-99-54](#).



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knowledge and anecdotal information.

- Some IPP project proposals may advance from the national laboratories to DOE with insufficient vetting or understanding of all personnel who are to be engaged on the project. Senior representatives at five national laboratories told us that they and their project managers do not have sufficient time or the means to verify the credentials of the proposed project participants.
- DOE does not have a well-documented process for verifying the WMD experience of IPP project participants, and, as a result, it is unclear whether DOE has a reliable sense of the proliferation risk these individuals pose. DOE's review of the WMD credentials of proposed project participants relies heavily on the determinations of the IPP program office. We examined the proposal review files that the program maintains, and we were unable to find adequate documentation to substantiate the depth or effectiveness of the program office's review of the WMD experience of proposed IPP project participants.
- Because it can be a matter of months or longer between development of an IPP project proposal and project implementation, the list of personnel who are actually paid on a project can differ substantially from the proposed list of scientists. For several IPP projects we reviewed, we did not find documentation in DOE's project files indicating that the department was notified of the change of staff or had assessed the WMD backgrounds of the new project participants. For example, one IPP project—to discover new bioactive compounds in Russia and explore their commercial application—originally proposed 27 personnel and was funded at \$1 million. However, 152 personnel were eventually paid under this project, and we did not find an updated list of the project personnel or any indication of a subsequent review by DOE in the IPP project files.

The limited information DOE obtains about IPP project participants and the limitations in DOE's review of the backgrounds of these individuals leave the IPP program vulnerable to potential misallocation of funds. We found several instances that call into question DOE's ability to adequately evaluate IPP project participants' backgrounds before the projects are approved and funded. For example, a National Renewable Energy Laboratory official told us he was confident that a Russian institute involved in a \$250,000 IPP project to monitor microorganisms under environmental stress was supporting Soviet-era biological weapons scientists. However, during our visit to the institute in July 2007, the Russian project leader told us that neither he nor his institute was ever involved in biological weapons research. As a result of this meeting, DOE

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canceled this project on July 31, 2007. DOE's cancellation letter stated that the information provided during our visit led to this action.

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## DOE Has Overstated the Number of Jobs Created By the IPP Program

Although a senior DOE official described commercialization as the “flagship” of the IPP program, we found that the program’s commercialization achievements have been overstated and are misleading. In its most recent annual report for the IPP program, DOE indicated that 50 projects had evolved to support 32 commercially successful activities. DOE reported that these 32 commercial successes had helped create or support 2,790 new private sector jobs for former weapon scientists in Russia and other countries.<sup>5</sup> In reviewing these projects, we identified several factors that raise concerns over the validity of the IPP program’s reported commercial success and the numbers of scientists employed in private sector jobs. For example:

- The annual survey instrument that the U.S. Industry Coalition distributes to collect information on job creation and other commercial successes of IPP projects relies on “good-faith” responses from U.S. industry partners and foreign institutes, which are not audited by DOE or the U.S. Industry Coalition. In 9 of the 32 cases, we found that DOE based its job creation claims on estimates or other assumptions. For example, an official from a large U.S. company told us that the number of jobs it reported to have helped create was his own rough estimate.
- We could not substantiate many of the jobs reported to have been created in our interviews with the U.S. companies and officials at the Russian and Ukrainian institutes where these commercial activities were reportedly developed. For example, officials from a U.S. company we interviewed claimed that 250 jobs at two institutes in Russia had been created, on the basis of two separate IPP projects. However, during our visit to the Scientific Research Institute of Measuring Systems in Russia to discuss one of these projects, we were told that the project is still under way, manufacturing of the product has not started, and none of the scientists have been reemployed in commercial production of the technology.

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<sup>5</sup>We found that DOE made a mathematical error in totaling the number of new jobs created and in migrating data from the U.S. Industry Coalition survey to the *Fiscal Year 2005 IPP Program Annual Report*. As a result, the actual total of new jobs that DOE should have reported is 2,780.

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## DOE Has Not Revised the IPP Program's Performance Metrics

The IPP program's long-term performance targets do not accurately reflect the size and nature of the threat the program is intended to address because DOE is basing the program's performance measures on outdated information. DOE has established two long-term performance targets for the IPP program—to engage 17,000 weapons scientists annually by 2015 in either IPP grants or in private sector jobs resulting from IPP projects, and to create private sector jobs for 11,000 weapons scientists by 2019. However, DOE bases these targets on a 16-year-old, 1991 National Academy of Sciences (NAS) assessment that had estimated approximately 60,000 at-risk WMD experts in Russia and other countries in the former Soviet Union. DOE officials acknowledged that the 1991 NAS study does not provide an accurate assessment of the current threat posed by WMD scientists in Russia and other countries. However, DOE has not formally updated its performance metrics for the IPP program and, in its fiscal year 2008 budget justification, continued to base its long-term program targets on the 1991 NAS estimate.

Moreover, DOE's current IPP program metrics do not provide sufficient information to the Congress on the program's progress in reducing the threat posed by former Soviet WMD scientists. The total number of scientists supported by IPP grants or employed in private sector jobs conveys a level of program accomplishment, but these broad measures do not describe progress in redirecting WMD expertise within specific countries or at institutes of highest proliferation concern. DOE has recognized this weakness in the IPP program metrics and recently initiated the program's first systematic analysis to understand the proliferation risk at individual institutes in the former Soviet Union. DOE officials briefed us on their efforts in September 2007, but told us that the analysis is still under way, and that it would not be completed until 2008. As a result, we were unable to evaluate the results of DOE's assessment.

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## DOE Has Not Developed an Exit Strategy for the IPP Program but Instead Has Expanded Efforts to New Areas

DOE has yet to develop criteria for phasing-out the IPP program in Russia and other countries of the former Soviet Union. Russian government officials, representatives of Russian and Ukrainian institutes, and individuals at U.S. companies raised questions about the continuing need for the IPP program, particularly in Russia, whose economy has improved in recent years. Meanwhile, DOE is departing from the program's traditional focus on Russia and other former Soviet states to engage scientists in new countries, such as Iraq and Libya, and to fund projects that support GNEP.

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Russian Government  
Officials, Russian and  
Ukrainian Scientists, and  
U.S. Industry  
Representatives  
Questioned the Continuing  
Need for the IPP Program

Officials from the Russian government, representatives of Russian and Ukrainian institutes, and individuals at U.S. companies raised questions about the continuing need for the IPP program. Specifically:

- A senior Russian Atomic Energy Agency official told us in July 2007 that the IPP program is no longer relevant because Russia's economy is strong and its scientists no longer pose a proliferation risk.
- Officials from 10 of the 22 Russian and Ukrainian institutes we interviewed told us that they do not see scientists at their institutes as a proliferation risk. Russian and Ukrainian officials at 14 of the 22 institutes we visited told us that salaries are regularly being paid, funding from the government and other sources has increased, and there is little danger of scientists migrating to countries of concern.
- Representatives of 5 of the 14 U.S. companies we interviewed told us that, due to Russia's increased economic prosperity, the IPP program is no longer relevant as a nonproliferation program in that country.

In economic terms, Russia has advanced significantly since the IPP program was created in 1994. Some of the measures of Russia's economic strength include massive gold and currency reserves, a dramatic decrease in the amount of foreign debt, and rapid growth in gross domestic product. In addition, the president of Russia recently pledged to invest substantial resources in key industry sectors, including nuclear energy, nanotechnology, and aerospace technologies. Many Russian institutes involved in the IPP program could benefit from these initiatives, undercutting the need for future DOE support.

In another sign of economic improvement, many of the institutes we visited in Russia and Ukraine appeared to be in better physical condition and more financially stable, especially when compared with their condition during our previous review of the IPP program. In particular, at one institute in Russia—where during our 1998 visit we observed a deteriorated infrastructure and facilities—we toured a newly refurbished building that featured state-of-the-art equipment. Russian officials told us that the overall financial condition of the institute has improved markedly because of increased funding from the government as well as funds from DOE. In addition, one institute we visited in Ukraine had recently undergone a \$500,000 renovation, complete with a marble foyer and a collection of fine art.

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## DOE Has Not Developed Criteria to Phase Out the IPP Program

DOE has not developed an exit strategy for the IPP program, and it is unclear when the department expects the program to have completed its mission. DOE officials told us in September 2007 that they do not believe that the program needs an exit strategy. However, they acknowledged that the program's long-term goal of employing 17,000 WMD scientists in Russia and other countries does not represent an exit strategy.

DOE has not developed criteria to determine when scientists, institutes, or countries should be "graduated" from the IPP program, and DOE officials believe that there is a continued need to engage Russian scientists. In contrast, State has assessed institutes and developed a strategy—using a range of factors, such as the institute's ability to pay salaries regularly and to attract external funding—to graduate certain institutes from its Science Centers program. We found that DOE is currently supporting 35 IPP projects at 17 Russian and Ukrainian institutes that State considers to already be graduated from its Science Center program and, therefore, no longer in need of U.S. assistance.

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## DOE Has Expanded Efforts to Iraq and Libya and Is Working to Support GNEP

DOE recently expanded its scientist assistance efforts on two fronts: DOE began providing assistance to scientists in Iraq and Libya, and, through the IPP program, is working to develop IPP projects that support GNEP. These new directions represent a significant departure from the IPP program's traditional focus on the former Soviet Union. According to a senior DOE official, the expansion of the program's scope was undertaken as a way to maintain its relevance as a nonproliferation program.

DOE has expanded the IPP program's efforts into these new areas without a clear mandate from the Congress and has suspended parts of its IPP program guidance for implementing projects in these new areas. Specifically:

- Although DOE briefed the Congress on its plans, DOE officials told us that they began efforts in Iraq and Libya without explicit congressional authorization to expand the program outside of the former Soviet Union. In contrast, other U.S. nonproliferation programs, such as the Department of Defense's Cooperative Threat Reduction program, sought and received explicit congressional authorization before expanding their activities outside of the former Soviet Union.

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- In Libya, DOE is deviating from IPP program guidance and its standard practice of limiting the amount of IPP program funds spent at DOE's national laboratories for project oversight to not more than 35 percent of total expenditures.
  - Regarding efforts to support GNEP, DOE has suspended part of the IPP program's guidance that requires a U.S. industry partner's participation, which is intended to ensure IPP projects' commercial potential.

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## The IPP Program's Large Balances of Unspent Program Funds Result from Multiple DOE and Contractor Reviews and Delays in Project Implementation

Since fiscal year 1994, DOE has spent about \$309 million to implement the IPP program but has annually carried over large balances of unspent program funds. Specifically, in every fiscal year from 1998 through 2007, DOE carried over unspent funds in excess of the amount that the Congress provided for the program in those fiscal years. For example, as of September 2007, DOE had carried over about \$30 million in unspent funds—\$2 million more than the \$28 million that the Congress had appropriated for the IPP program in fiscal year 2007. In fact, for 3 fiscal years—2003 through 2005—the amount of unspent funds was more than double the amount that the Congress appropriated for the program in those fiscal years, although the total amount of unspent funds has been declining since its peak in 2003.

Two main factors have contributed to DOE's large and persistent carryover of unspent funds: the lengthy and multilayered review and approval processes DOE uses to pay IPP project participants for their work, and long delays in implementing some IPP projects. DOE identified three distinct payment processes that it uses to transfer funds to individual scientists' bank accounts in Russia and other countries. These processes involve up to seven internal DOE offices and external organizations that play a variety of roles, including reviewing project deliverables, approving funds, and processing invoices. DOE officials told us that these processes were introduced to ensure the program's fiscal integrity and acknowledged the enormity of the problem that the lag time between the allocation of funds, placement of contracts, and payment for deliverables creates for the IPP program and told us they are taking steps to streamline their payment processes. In addition, Russian and Ukrainian scientists at 9 of the 22 institutes we interviewed told us that they experienced delays in payments ranging from 3 months to 1 year.

Delays in implementing some IPP projects also contribute to DOE's large and persistent carryover of unspent funds. According to officials from U.S. industry partners, national laboratories, and Russian and Ukrainian

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institutes, some IPP projects experience long implementation delays. As a result, project funds often remain as unspent balances until problems can be resolved. These problems include implementation issues due to administrative problems, the withdrawal or bankruptcy of the U.S. industry partner, and turnover in key project participants.

In part to address concerns about unspent program funds, DOE began implementing its Expertise Accountability Tool, a new project and information management system designed to better manage IPP projects' contracts and finances, in October 2006. According to DOE officials, the system will allow instant sharing of IPP project data between DOE and participating national laboratories. DOE officials believe that the system will allow the IPP program office to better monitor the progress of IPP projects at the national laboratories, including reviews of IPP project participants' WMD backgrounds and tracking unspent program funds.

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Mr. Chairman, this concludes my prepared statement. We would be happy to respond to any questions you or the other Members of the Subcommittee may have.

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## GAO Contact and Staff Acknowledgments

For further information about this testimony, please contact me at (202) 512-3841 or at [robinsonr@gao.gov](mailto:robinsonr@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Gene Aloise (Director), Glen Levis (Assistant Director), R. Stockton Butler, David Fox, and William Hoehn made key contributions to this statement.

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