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Subject: Yellow Alert- International Shipments

Title: Yellow Alert- Mis-shipment to India

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Summary- Sandia National Laboratories (SNL) inadvertently shipped an export controlled non-operational telemetry system to India. The lessons learned are threefold 1) implement more rigorous administrative controls in shipping process; 2) improve internal management notification process; and 3) Integrate export control office with shipping office and property management office.

Discussion- On August 12, 1999, SNL inappropriately shipped via FedEx an export controlled ground station telemetry component from Albuquerque, NM to Mumbai (Bombay), India. At the time of the incident, the item intended to be shipped overseas (a water testing instrument) was not in the Shipping Department. However, another item (the telemetry component), with a similar shipping number, was awaiting domestic shipment for upgrade at the manufacturer. The shipping clerk apparently mixed up the two shipping documents and shipped the wrong item (telemetry component) to India. A week later, SNL shipping and traffic staff realized the error and began efforts to recover the item. The staff did not know that the item was export controlled and, therefore, their recovery efforts were pursued in a routine fashion through FedEx. On September 20, first and second level logistics supervisors were advised of the mis-shipment. At that time, and as the second level logistics supervisor agreed, the SNL Export Control staff then took ownership of efforts to recover the item, but also treated the recovery as a routine action. Twelve (12) weeks after the item was sent to India, FedEx advised SNL Export Control staff that return of the item could take several more months. On November 9, Export Control verbally informed SNL Senior Management of the issue and provided detailed information on November 11. On November 12, SNL verbally notified the US Department of Commerce (DOC) of the export violation. On November 15, SNL formally notified the Department of Energy of the export notification. On November 16, SNL formally notified the Department of Commerce. On November 17, SNL formed a crisis management team, comprised of Senior SNL Management and pertinent experts, to resolve the situation. The telemetry component was returned to SNL by FedEx on November 26.

Analysis- As a result of the mis-shipment to India, the following changes have been instituted in the export shipping process at Sandia National Laboratories. First, export material shipments and their paperwork will arrive in shipping together. No processing of either the paperwork or the material will commence until shipping has verified that the two are present. Formerly, as a courtesy to SNL customers, SNL shipping would occasionally process shipping paperwork prior to receipt of the material. In the particular instance of the water testing unit destined for India, shipping had received the paperwork but had NOT received the material. This disconnect was partially responsible for the shipping error. Second, throughout the course of processing a shipment, no international shipment will be separated at any time from its paperwork. Formerly, there were times in the process when the paperwork was separated from the material for

processing. Third, international shipments will be segregated from other shipments and will be externally identified as international shipments. This segregation and identification will assist shipping personnel to identify the shipment as a high risk shipment and will assist the careful processing of international shipments. Fourth, immediately prior to the packaging of any international material shipment, technically competent personnel will verify that the description on the paperwork corroborates the actual material being packaged. If such a practice had existed previously, then the discrepancy between the paperwork description "water testing unit" and the actual telemetry component being packaged would have been identified and corrected. Fifth, prior to giving the shipment to a carrier, export control personnel will perform a Quality Assurance check of the shipping paperwork and package labels to ensure no discrepancies exist. Sixth, shipping will require a "proof of delivery" receipt to be returned to Sandia National Laboratories in order to ensure that the material has indeed reached its correct destination safely. Such a receipt is currently required for other "high risk" items such as radioactive material or classified material. SNL will expand this requirement to cover international material shipments.

Resolution- 1) Institute shipping process controls listed above.
2) Identify appropriate notification process for future incidents; and
3) integrate export control office with shipping office and property management office.

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