



## Department of Energy

Washington, DC 20585

September 3, 2014

Mr. Terry B. Chalker  
Director, Contracts  
Babcock and Wilcox Technical Services, Y-12, LLC  
c/o Babcock and Wilcox Technical Services Group, Inc.  
2016 Mt. Athos Road  
Lynchburg, Virginia 24504

Dear Mr. Chalker:

This letter serves as notification that the Office of Enforcement, within the Department of Energy's (DOE) independent Office of Enterprise Assessments, will conduct an investigation into the facts and circumstances related to a security event at the National Nuclear Security Administration Production Office's Y-12 National Security Complex (Y-12) that was discovered in June 2014, concerning the potential mishandling and unauthorized access to classified information. On June 25, 2014, Babcock and Wilcox Technical Services, Y-12, LLC (B&W Y-12) reported the security event in the Department's Safeguards and Security Information Management System under 14JUN12-NPOY12-578-SA-IP.5-001.

The Office of Enforcement will conduct an investigation pursuant to the authority set forth in 10 C.F.R. § 824.5, *Investigations*. The Office of Enforcement recognizes that the Management and Operating (M&O) contract (No. DE-AC05-00OR22800) awarded to B&W Y-12 terminated June 30, 2014. However, B&W Y-12 was the responsible M&O contractor for establishing work practices that led to the discovery of this security event. A document request will be provided separately via e-mail. Your assistance to ensure delivery of the documents to our office by September 16 is appreciated.

Consolidated Nuclear Security, LLC (CNS) also received a notice of intent to conduct an investigation. The onsite investigation at Y-12 is scheduled for October 6 through 9, 2014, and will include interviews of the current M&O contractor personnel employed by CNS.

Under the Major Fraud Act (MFA), as amended, 41 U.S.C. § 4310, this investigation may be a proceeding commenced by the United States that relates to a violation of, or the failure to comply with, a Federal regulation. Costs incurred in connection with such a proceeding are subject to the reimbursement restrictions of the MFA implemented at 48 C.F.R. § 31.205-47. As a result, any costs incurred by B&W Y-12 that are directly attributable to supporting DOE's investigation, subsequent to receipt of this letter, should be tracked and segregated from other potentially allowable costs.



If you have any questions concerning this letter, please contact me at (301) 903-7707, or your staff may contact Mr. Steven G. Crowe, Director, Office of Security Enforcement, at (301) 903-0107.

Sincerely,

A handwritten signature in cursive script that reads "Steven C. Simonson".

Steven C. Simonson  
Director  
Office of Enforcement  
Office of Enterprise Assessments

cc: Steve Erhart, NA-NPO