



~~OFFICIAL USE ONLY – SECURITY-RELATED INFORMATION~~

UNITED STATES
NUCLEAR REGULATORY COMMISSION
REGION II
245 PEACHTREE CENTER AVENUE NE, SUITE 1200
ATLANTA, GEORGIA 30303-1257

June 6, 2016

Steven Toelle
Director, Regulatory Affairs
American Centrifuge Operating, LLC
Two Democracy Center
6901 Rockledge Drive
Suite 800
Bethesda, MD 20817-1818

SUBJECT: AMERICAN CENTRIFUGE OPERATING, LLC, CENTRUS HEADQUARTERS FACILITY, NUCLEAR REGULATORY COMMISSION INSPECTION REPORT NUMBER 70-7004/2016-401 AND NOTICES OF VIOLATION

Dear Mr. Toelle:

This letter refers to the information security inspection conducted on May 5, 2016, at the CENTRUS headquarters facility in Bethesda, MD. The purpose of this inspection was to determine whether activities authorized under the license were conducted safely, securely and in accordance with Nuclear Regulatory Commission (NRC) requirements. The enclosed report presents the results of this inspection. These results were discussed with you and members of your staff at an exit meeting held on May 5, 2016.

During the inspection, the NRC staff examined activities conducted under your license as they related to protection of classified information and to confirm compliance with the Commission's rules and regulations, and with the conditions of your license. Areas examined during the inspections are identified in the enclosed report. Within these areas, the inspections consisted of selected examination of procedures and representative records, observations of activities, and interviews with personnel.

Based on the results of the inspections, the NRC has determined that two Severity Level IV violations of NRC requirements occurred. These violations were evaluated in accordance with the NRC Enforcement Policy. The current Enforcement Policy is included on the NRC's Web site at (<http://www.nrc.gov/about-nrc/regulatory/enforcement/enforce-pol.html>). The violations are cited in the enclosed Notices of Violation. The violations and the circumstances surrounding them are described in detail in the subject inspection report.

The first violation associated with the failure to properly mark classified drafts and working papers is being cited in the enclosed NOV because the NRC identified the violation.

The enclosure contains Sensitive Unclassified Non Safeguards Information (Security-Related Information). Upon separation, this cover letter is DECONTROLLED.
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You are required to respond to the first violation and should follow the instructions specified in the enclosed NOV when preparing your response. If you have additional information that you believe the NRC should consider, you may provide it in your response to the NOV. The NRC review of your response to the NOV will also determine whether further enforcement action is necessary to ensure compliance with regulatory requirements.

The second violation associated with the processing of classified information on an automatic data processing system that was not approved by the cognizant security agency is being cited in the enclosed NOV because the NRC identified the violation. The NRC has concluded that information regarding the reason for the violation, the corrective actions taken and planned to correct the violation and prevent recurrence, and the date when full compliance will be achieved, is already adequately addressed in the enclosed inspection report. Therefore, you are not required to respond to the NOV unless the description herein does not accurately reflect your corrective actions or position. In that case, if you choose to provide additional information, you should follow the instructions specified in the enclosed NOV.

In accordance with Title 10 of the *Code of Federal Regulations* (10 CFR) 2.390, "Public inspections, exemptions, requests for withholding," of the NRC's "Agency Rules of Practice and Procedure," a copy of this letter will be available electronically for public inspection in the NRC Public Document Room, or from the Publicly Available Records (PARS) component of NRC's Agencywide Documents Access and Management System (ADAMS); accessible from the NRC Web site at <http://www.nrc.gov/reading-rm/adams.html> (the Public Electronic Reading Room).

The material enclosed herewith contains Security-Related Information associated with the Classified Information Security safeguards program at the CENTRUS Headquarters Facility, and in accordance with 10 CFR 2.390(d)(1), its disclosure to unauthorized individuals could present a security vulnerability. Therefore, the material in the enclosure will not be made available electronically for public inspection in the NRC Public Document Room, or from the NRC's Agencywide Documents Access and Management System (ADAMS); accessible from the NRC Web site at <http://www.nrc.gov/reading-rm/adams.html>.

S. Toelle

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Should you have any questions concerning this report, please contact Leonard Pitts at 404-997-4708, or via e-mail to leonard.pitts@nrc.gov.

Sincerely,
/RA/

Marvin D. Sykes, Chief
Projects Branch 1
Division of Fuel Facility Inspection

Docket No. 70-7004
License No. SNM-2011

Enclosures:

- ~~1. Notice of Violation~~
- ~~2. Notice of Violation~~
- ~~3. NRC Inspection Report Number 70-7004/2016-401
w/Attachment: Supplementary Information~~

cc: (See page 4)

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Marvin D. Sykes, Chief
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Docket No. 70-7004
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- 3. ~~NRC Inspection Report Number 70-7004/2016-401~~
w/Attachment: ~~Supplementary Information~~

cc: (See page 4)

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S. Toelle

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