UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D. C. 20555

April 24, 1987

Victoria Toensing, Esq.
Deputy Assistant Attorney General
Criminal Division
10th & Constitution Avenue, NW
Washington, DC 20530

Dear Ms. Toensing:

The attached report (Enclosure 1) is the result of an investigation conducted by the NRC Office of Investigations (OI) into an allegation that false statements were made to the NRC by the former Director of Nuclear Security (DNS) at the Detroit Edison Company's (DECo's) Fermi Power Plant, Unit 2 (Fermi).

Information developed during the investigation revealed that the DNS willfully furnished false information to an NRC inspector during an inspection the NRC was conducting on or about November 12, 1985.

Specifically, in June 1986, OI began to investigate an allegation which was based upon information provided by a DECo Nuclear Security Specialist (NSS) to a Region III (RIII) inspector during an inspection conducted at Fermi during November 12 through December 27, 1985. The NSS informed the inspector that Safeguards Information (SI) had been entered into DECo's Comprehensive Electronic Office (CEO) system under the direction of the DNS during the preparation of a written report submitted to the NRC regarding a security incident which had occurred at the plant on November 1, 1985. The NSS stated that the DNS was aware that the CEO system had an offsite transmission capability since he had access to the results of an inquiry as to why the CEO should not be used for SI and which had been completed by one of his own staff members on September 30, 1985. The results of the inquiry state that "the system is not self contained within the facility."

Subsequent to receiving the allegation from the NSS, an NRC Inspector confronted the DNS on or about November 12, 1985, and in response to an inquiry as to why the CEO was used for SI, he stated that he had been "unaware of the offsite transmission capability" of the system.

OI was able to corroborate the information provided by the NSS and also developed evidence indicating that the DNS was aware of the contents of the results of the inquiry into the use of the CEO system for SI shortly after its completion on September 30, 1985. The investigation also revealed that the Assistant DNS had warned the DNS, as confirmed by two other DECo employees, not to use the CEO in the preparation of the five day letter.
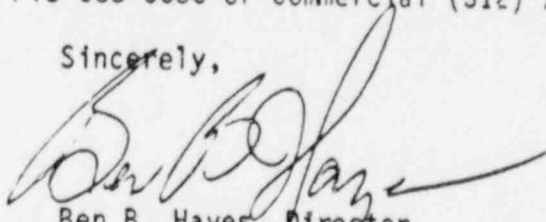
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SAFEGUARDS INFORMATION
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In view of the foregoing, OI was able to establish that the DMS as knowledgeable that there existed questions as to the suitability of using the CEO for processing SI, and that his statement to the inspector, which implies his lack of knowledge, was false and an attempt to mislead the NRC inspector.

Certain portions of the exhibits to this Report of Investigation contain SI of the type specified in 10 CFR 73.21 (Enclosure 2). Accordingly, those portions of the exhibits so identified should be withheld from public disclosure and handled in accordance with the applicable regulations.

Notwithstanding the potential regulatory violation, it is also important that the possible criminal violation of 18 U.S.C. 1001 be brought to your attention. Based upon the information provided above, we are forwarding the described report and supporting documentation, including sworn statements made to investigators, for whatever action you may deem appropriate. If there are any questions regarding this matter, fell free to contact Eugene T. Pawlik, Director, OI Field Office, RIII, on FTS 388-5686 or Commercial (312) 790-5686.

Sincerely,

Ben B. Hayes, Director
Office of Investigations

Enclosures:
1. Report of Investigation
   (Case No. 3-86-006)
   (UNCLASSIFIED SAFEGUARDS INFORMATION
2. 10 CFR 73.21

cc w/o encls:
Chairman Zech
Commissioner Roberts
Commissioner Asselstine
Commissioner Bernthal
Commissioner Carr
A. B. Davis, RIII
V. Stello, EDO (3)
E. Pawlik, OI:RIII
W. Parler, OGC