



Department of Energy
Under Secretary for Nuclear Security
Administrator, National Nuclear Security Administration
Washington, DC 20585



May 14, 2021

Dr. James S. Peery
Laboratories Director
National Technology and Engineering Solutions of Sandia, LLC
Sandia National Laboratories
P.O. Box 5800, MS-0101
Albuquerque, NM 87185-0101

SSA-2021-01

Dear Dr. Peery:

The Department of Energy's (DOE) Office of Enterprise Assessments, Office of Enforcement has completed its investigation into the facts and circumstances associated with a security event involving the introduction of classified information into unapproved information systems and potential unauthorized disclosure of classified information at DOE's National Nuclear Security Administration (DOE/NNSA) Sandia National Laboratories (SNL) in Albuquerque, New Mexico. DOE provided the results of the investigation to National Technology and Engineering Solutions of Sandia, LLC (NTESS) in an investigation report, dated March 2, 2020. An enforcement conference was convened on September 23, 2020, with you and members of your staff to discuss the report's findings and NTESS's corrective actions and security improvement plans.

In January 2019, the Office of Enforcement received NTESS's completed inquiry, causal analysis, and corrective action plan relative to the subject incident of security concern (IOSC). The IOSC involved unmarked classified information residing on unclassified information systems, as well as improperly stored classified information in hardcopy form. The Office of Enforcement confirmed that this classified information was accessible by unauthorized individuals for an extended period. NTESS's classification review of the information involved in this security event determined it to be Confidential/Restricted Data. DOE's Office of Enforcement and DOE/NNSA consider this a preventable, security significant event that resulted from a lack of attention to classified information security requirements.

In accordance with 10 C.F.R. § 824.4(e), *Civil Penalties*, DOE's Office of Enforcement and DOE/NNSA have elected to resolve potential noncompliances with requirements enforceable under 10 C.F.R. Part 824, *Procedural Rules for the Assessment of Civil Penalties for Classified Information Security Violations*, and documented in the referenced investigation report, through execution of a Settlement Agreement.

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In deciding to enter into this Settlement Agreement, the Office of Enforcement and DOE/NNSA considered NTESS's thorough and credible inquiry, formal causal analysis, broad and comprehensive corrective actions, and history of prompt and transparent reporting of IOSCs.

DOE's Office of Enforcement reserves the right to re-open this investigation if DOE/NNSA later becomes aware that NTESS provided any false or materially inaccurate information. Further, if there is a recurrence of new classified information security deficiencies encompassing the noncompliant conditions identified in the Settlement Agreement, or a failure to expeditiously complete all action items prescribed in the Settlement Agreement intended to prevent recurrence of the identified issues, then DOE's Office of Enforcement may pursue additional enforcement activity. The Office of Enforcement and DOE/NNSA will continue to closely monitor NTESS's implementation of DOE classified information security requirements until the issues associated with this Settlement Agreement are fully resolved.

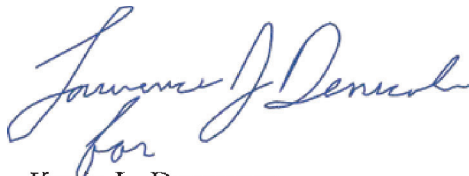
A signed copy of the Settlement Agreement is enclosed. Please sign and return it to the Office of Enforcement within one week from the date of receipt, in accordance with all instructions specified in the Settlement Agreement. By signing this Settlement Agreement, you agree to comply with all of the terms, including payment of the monetary remedy of \$152,000, specified in Section IV of the Settlement Agreement and in the manner prescribed therein.

If you have any questions concerning this Settlement Agreement, please contact Mr. Kevin Dressman at 301-903-4033, or your staff may contact Ms. Carrienne Zimmerman, Director, Office of Security Enforcement, at 301-903-8996.

Sincerely,



Charles P. Verdon
Acting Administrator
National Nuclear Security Administration



Kevin L. Dressman
Director
Office of Enforcement
Office of Enterprise Assessments

cc: Jeffrey Harrell, NNSA/SFO
Luis Velasquez, NNSA/SFO
Randy Castillo, NTESS