Department of Energy
Washington, DC 20585

May 15, 2008

Dr. Thomas O. Hunter
President
Sandia Corporation
Sandia National Laboratories
P.O. Box 5800
Albuquerque, New Mexico 87185-0101

Dear Dr. Hunter:

In our recent dialogue with Dr. Al Romig, Mr. Michael Hazen and members of your staff, we discussed our reasons for sending this enforcement letter to Sandia Corporation; the purpose of this letter; and our concerns about the protection of classified information at the Sandia National Laboratories (SNL). Accordingly, this is not a formal enforcement action and imposes no requirements. We appreciate the laboratories' perspectives and your ongoing efforts to address these concerns.

Our concerns stem from an Office of Enforcement, within the Office of Health, Safety and Security analysis of 2007 security incidents across the Department of Energy (DOE), as reported in the Safeguards and Security Information Management System. The analysis consisted of reviewing each incident to determine whether the circumstances indicate a potential deficiency in the protection of classified information, such as classified e-mails sent by unapproved methods, failure to properly implement classified cyber security requirements, introduction of controlled articles into security areas where classified information was being processed or discussed, or improper handling and storage of classified information. The Office of Enforcement considered the classification level and category of the information involved, the approximate size of the site's classified holdings, and the number of employees possessing security clearances that could potentially process/handle classified information in determining the appropriate perspective and significance of reportable incidents.

Based on the analysis of the 2007 incidents, the Office of Enforcement concludes that the number of events involving classified e-mails sent by unapproved methods, failure to properly implement classified cyber security requirements, and improper handling and storage of classified information that occurred at SNL raises questions about the effectiveness of the Sandia Corporation's causal analysis process and the effectiveness of corrective actions taken to prevent recurrence.

The Department's enforcement program has used enforcement letters for potential nuclear safety violations for a decade. Enforcement letters will be used in the security enforcement program in a similar manner with the overarching goal of promoting

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improvements and correcting deficient conditions before a significant event or violation occurs. Additional information on the enforcement process and enforcement letters can be found in the *DOE Enforcement Process Overview*, dated December 2007, which can be found on the Office of Health, Safety and Security website under the Office of Enforcement at: http://www.hss.energy.gov/Enforce/EPO_1207.pdf.

The Office of Enforcement and the National Nuclear Security Administration recognize that the enforcement program is relatively new to the security community. Therefore, the Office of Enforcement is taking a number of steps to assist contractors in understanding and better implementing DOE's expectations for self-identifying noncompliances, reporting and categorizing incidents appropriately, trending incidents of security concern, implementing corrective actions that address the root causes of incidents, and assessing the effectiveness of corrective actions.

As one of these steps, the Office of Enforcement will conduct a series of program reviews of contractor regulatory compliance processes at major DOE sites. To reduce the impact on DOE sites, these program reviews will be integrated to address classified information security, nuclear safety, and worker safety and health during a single site visit. The first set of integrated program reviews will be performed at selected DOE sites in 2008. Currently, the Office of Enforcement is scheduled to perform an integrated program review at SNL in November 2008. For your information, the *DOE Enforcement Process Overview* document, mentioned above, contains our protocols for conducting these reviews.

No response to this letter is required. Should you have any questions, please contact me at (301) 903-2178 or have your staff contact Mr. Steve Crowe, Director, Office of Security Enforcement, at (301) 903-0107.

Sincerely,

Arnold E. Guevara
Director
Office of Enforcement
Office of Health, Safety and Security

cc: See attached list

SUBJ: To Thomas O. Hunter, Sandia National Laboratories, New Mexico,
From Arnold Guevara, Office of Enforcement, re: Enforcement Letter

cc: Mike Hazen, SNL
Steve Ward, SNL
All Enforcement Coordinators
Richard Azzaro, DNFSB
Patty Wagner, NNSA/SSO
Jo Loftis, NNSA/SSO
Don Brunell, NNSA/SSO
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Michael Kilpatrick, HS-1
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Martha Thompson, HS-40
Docket Clerk, HS-40
Steve Crowe, HS-43
Jeff Harrell, HS-50
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Barb Stone, HS-70
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