



**U.S. Department of Energy**  
NNSA Production Office  
Post Office Box 2050  
Oak Ridge, Tennessee 37831-8009



August 10, 2012

Mr. Darrel P. Kohlhorst  
President and General Manager  
Babcock & Wilcox Technical Services Y-12, LLC  
Post Office Box 8009  
Oak Ridge, Tennessee 37831-8288

Dear Mr. Kohlhorst:

**CONTRACT DE-AC05-00OR22800 (BABCOCK & WILCOX TECHNICAL SERVICES Y-12, LLC) - SHOW CAUSE NOTICE**

You are notified that the National Nuclear Security Administration (NNSA) considers the Plowshares incursion on July 28, 2012, in which trespassers were able to transverse the Perimeter Intrusion Detection Assessment System (PIDAS) that surrounds the 150 acre Y-12 National Security Complex (Y-12) Protected Area and reach the outer bounds of the Highly Enriched Uranium Materials Facility (Security Event) and the underlying causes which led to the Security Event, as endangering performance of NNSA Contract DE-AC05-00OR22800 (Contract) with Babcock & Wilcox Technical Services Y-12, LLC (B&W Y-12). The security mission in the Contract is integral to any and all mission operations and is a fundamental necessity in operating *all* aspects of the site. Such an integral and critical nature is evidenced by the initiation of the ongoing security stand down which resulted in the discontinuance of all nuclear operations with materials inside category I and II material areas for the indefinite future. Further, because our preliminary fact-findings reveal that contributing and direct causes of the Security Event include an inappropriate Y-12 cultural mind set, as well as a severe lapse of discipline and performance in meeting conduct of operations expectations, I am concerned that such issues may exist in other areas of Y-12 operations –and not just in the security program.

With respect to the Security Event itself, a number of preliminary observations, along with the responsible contractor, have been identified, including the following:

- A high number of primary assessment cameras were inoperable at the time of the event, to include a camera located in the fence zone that was penetrated by the protestors. (B&W Y-12)
- Despite receiving numerous alarms from the multi-layered sensor system in the fence line, the protective force failed to react to the protestors as they cut through the three fences. (G4S Government Solutions, Inc., d/b/a/ WSI-Oak Ridge)
- After the continued presence of numerous sensor alarms caused the protective force to respond with a vehicle patrol, it took excessive time for the patrol to arrive on scene. (G4S Government Solutions, Inc., d/b/a/WSI-Oak Ridge)

- Once they arrived on the scene the protective force failed to take appropriate steps to take control of the situation, a responding supervisor finally took control and removed the protestors. (G4S Government Solutions, Inc., d/b/a/ WSI-Oak Ridge)
- The plans and procedures for responding to multiple alarms from the same zone were inadequate. (B&W Y-12 and G4S Government Solutions, Inc., d/b/a/ WSI-Oak Ridge)
- Adequate compensatory measures were not put in place to cover the inoperable cameras and unnecessarily delayed the repair/replacement of the cameras. (B&W Y-12)
- Both contractors responsible for security at Y-12 failed to properly coordinate and integrate respective requirements to assure adequate security at the site. (B&W Y-12 and G4S Government Solutions, Inc., d/b/a/ WSI-Oak Ridge)

In addition, areas of concern have also been identified, to date, in the following general categories:

- Security Culture – planned work versus what is actually done on the ground
- Vulnerability assessment/Protective Force inter-connections
  - Planned performance expectations vs. actual performance expectations
  - Mechanisms in place to validate compensatory measures meet the objective
  - Analysis of critical system element failures
- Video assessment procedures
  - Immediate assessment
  - Back up assessment capabilities and response times
  - Use of Pan-Tilt Zoom cameras
- Perimeter alarm maintenance issues
  - Timely repair
  - Communication to protective force of system status
- Protective force response issues
  - Training for “lesser” threat response
  - Rules of engagement and use of force for the range of threats
- Poor shift change and leadership/management issues

Other events occurring since the July 28, 2012, Security Event, such as procedural noncompliances and unauthorized reassignment of compensatory measures, have demonstrated a serious breakdown in the security operations at Y-12, including a lack of leadership and significant tactical, procedural, training, and communication deficiencies. While it is acknowledged that some of these issues were under the responsibility of G4S Government Solutions, Inc., d/b/a/ WSI-Oak Ridge (WSI-OR) during the period of time it was a prime contractor to NNSA, that does not alleviate B&W Y-12’s own contractual obligations under the terms of its Contract. In addition, due to the assignment of the WSI-OR contract to B&W Y-12 as a subcontract, effective August 6, 2012, B&W Y-12 is now the single point of contact to respond to and correct all of these areas of concern.

While a comprehensive review and inspection is ongoing, our preliminary findings indicate that both B&W Y-12 and WSI-OR are in substantial violation of certain subject contract clauses, as well as certain DOE orders, and its own internal procedures and processes. Based upon

information currently in its possession, NNSA has reason to believe that B&W Y-12 and WSI-OR, separately and collectively, may have violated certain contractual provisions, including, but not limited to the following:<sup>1</sup>

B&W Y-12 Contract DE-AC05-00OR22800

Section C – Description/Specification/Work Statement Description of Work and Services, C.1(c) requires B&W Y-12 to “perform all necessary operational functions as well as management functions to manage a major industrial facility and perform the National Defense missions which are assigned to that facility,” and the expectation that that there be a culture of continuous improvement, an implementation of world class business practices, and “that the infrastructure and facilities are operationally safe, secure, compliant, and that an acceptable defined level of readiness is sustained to meet programmatic requirements.”

Section C – Description/Specification/Work Statement Description of Work and Services, C.2(e)(4)(iv) requires B&W Y-12 to “provide maintenance activities including coordinating and accomplishing new equipment and facility installations, custodial services, Y-12 NSC upkeep, grounds maintenance, rearrangements, modifications, and special project services for facilities, maintenance and repairs consistent with good management and safe maintenance practices and support to the Y-12 NSC infrastructure for all maintenance and service activities.”

Section C – Description/Specification/Work Statement Description of Work and Services, C.2(e)(5) requires B&W Y-12 to “provide overall management and operations of the safeguards and security activities and responsibilities including physical security.”

Section C. 4 - Work Standards requires B&W Y-12 to “comply with applicable federal, state, and local laws and regulations” and shall “manage and operate the Y-12 NSC for the DOE in a manner that ensures the safety of the public and the Y-12 NSC’s work force and instills public confidence. Further, B&W Y-12 is required to “conform to the requirements of all applicable DOE Orders and Directives which may establish management, technical, procedural or other standards, and specifications for Contractor work activities.”

Section I.51 52.236-8 OTHER CONTRACTS (APRIL 1984) requires B&W Y-12 to “fully cooperate with the other contractors” which “work at or near the site of the work under this contract.” Further, B&W Y-12 is required to “not commit or permit any act that will interfere with the performance of work by any other contractor.”

Section I.70, DEAR 952.204-2 SECURITY (MAR 2011) requires B&W Y-12 to “protect all other DOE property” and “comply with all security regulations and contract requirements of DOE as incorporated into the contract.”

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<sup>1</sup> It should be noted that this letter does not purport to address any fee issues associated with the Performance Evaluation Periods in which this Security Event occurred for B&W Y-12 and/or WSI-OR.

Section I.85, LAWS, REGULATIONS, AND DOE DIRECTIVES (DEC 2000 DEVIATION) requires B&W Y-12 to “comply with the requirements of applicable Federal, State, and local laws and regulations (including DOE regulations)” and “requirements of those Department of Energy directives, or parts thereof, and National Nuclear Security Administration Policy Letters identified in the contract’s section J Appendix entitled “List of Applicable Directives.”

WSI-OR CONTRACT DE-AC55-07NA25750

Section J, Attachment 1, STATEMENT OF WORK FOR THE Y-12 SITE OFFICE PROTECTIVE FORCE SECURITY SERVICES CONTRACT requires WSI-OR to “implement a DOE and NNSA policy driven paramilitary protective force program for the Y-12 National Security Complex.” In addition, WSI-OR is required to coordinate “with the site/facility management and operation or integration (M&O/I) and/or other contractors to accomplish the scope of work” in the WSI-OR contract.

Section J, Attachment 1, STATEMENT OF WORK FOR THE Y-12 SITE OFFICE PROTECTIVE FORCE SECURITY SERVICES CONTRACT requires WSI-OR to comply with DOE Order 470.4, *Safeguards and Security Program* (or its successor DOE Orders/Manuals).”

Section J, Attachment 1, STATEMENT OF WORK FOR THE Y-12 SITE OFFICE PROTECTIVE FORCE SECURITY SERVICES CONTRACT requires WSI-OR to:

- “Provide experienced, qualified, competent, and trained personnel.”
- Provide protective force which meet “performance, staffing, and operational requirements.”
- “Monitor security alarms, closed circuit television, communications equipment, and associated communications, and report malfunctioning or defective alarm components and system.”
- “Monitor security boundaries, fences, gates, and other protective devices and report any deficiencies.

Section H.04 OTHER GOVERNMENT CONTRACTORS (OCT 2004) requires WSI-OR to fully cooperate with such other contractors” and to “not commit or permit any act which will interfere with the performance of work by any other contractor.”

H.26 PROTECTION OF GOVERNMENT PROPERTY – MANAGEMENT OF HIGH RISK PROPERTY AND CLASSIFIED MATERIALS (MAY 2000) requires WSI-OR to “take all reasonable precaution, and such other actions as may be directed by the contracting officer, or in the absence of such direction, in accordance with sound business practice, to safeguard and protect government property in the contractor’s possession or custody.”

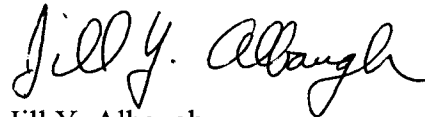
I.75 952.204-2 SECURITY (MAY 2002) requires WSI-OR to “protect other DOE property” and “comply with all security regulations and requirements of DOE in effect on the date of award.”

I.90 970.5204-2 LAWS, REGULATIONS, AND DOE DIRECTIVES (DEC 2000) requires WSI-OR to “comply with the requirements of applicable Federal, State, and local laws and regulations (including DOE regulations)” and “requirements of those Department of Energy directives, or parts thereof identified in the List of Applicable Directives (Section J, Attachment 3).”

Consequently, you are given 30 days to show cause why termination for default proceedings under I.64 FAR 52.249-6 TERMINATION (COST-REIMBURSEMENT)(MAY 2004) should not be instituted with respect to the B&W Y-12 contract. Your written response should address, among other things, the corrective actions necessary to achieve compliance with or, as may be appropriate, implementation steps toward an acceptable remedy and/or the corrective action results anticipated. Because B&W Y-12 now has responsibility for the protective force portion of the WSI-OR contract, please also include in your submittal corrective actions plans related to WSI-OR’s performance.

Please contact Mr. Steven C. Erhart, NNSA Production Office Manager at (865) 576-0752 if you have any questions.

Sincerely,



Jill Y. Albaugh  
Contracting Officer

cc:

T.P.D’Agostino, NA-1, FORS  
M. K. Lempke, NA-00, FORS  
R. B. Raines, NA-APM-10, FORS  
S.P. Turner, NA-GC, FORS  
J.F.Waddell, NA-APM-10, FORS  
S. C. Erhart, NPO-01, Y-12