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February 11, 1997

EA 97-040

Daniel Verzel
President
CERAC, Inc.
P.O. Box 1178
Milwaukee, WI 53201

SUBJECT: NRC INSPECTION REPORT NO. 040-08805/96001(DNMS)

Dear Mr. Verzel:

This refers to the routine inspection conducted on December 18 and 20, 1996, at the CERAC, Inc. facility in Milwaukee, Wisconsin. The purpose of the inspection was to determine whether activities authorized by the license were conducted safely and in accordance with NRC requirements. At the conclusion of the onsite inspection, the inspection findings were discussed with you and members of your staff. This also refers to numerous conversations with your staff regarding followup inspection effort through January 23, 1997. At the conclusion of the inspection, our inspection findings were discussed further during a telephone contact with Dr. Mitchell Colton on January 23, 1997.

Areas examined during the inspection are identified in the report (Enclosure 1). Within these areas, the inspection consisted of a selective examination of procedures and representative records, observations, independent measurements, and interviews with personnel.

Based on the inspection results, seven apparent violations were identified and are being considered for escalated enforcement action in accordance with the "General Statement of Policy and Procedure for NRC Enforcement Actions" (Enforcement Policy), NUREG-1600 (Enclosure 2).

These apparent violations are of significant concern because of your failure to control licensed material to insure the public health and safety. Specifically, you did not properly evaluate and insure effluents released from your facility would not expose occupational workers and members of the general public to radiation levels in excess of NRC regulations. Because the apparent violations are being considered for escalated enforcement, no Notice of Violation is presently being issued for these inspection findings. In addition, please be advised that the number and characterization of the apparent violations described in the enclosed inspection report may change as a result of further NRC review.

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An open predecisional enforcement conference to discuss the apparent violations and other inspection findings has been scheduled for February 26, 1997, at 1:00 p.m. (CDT) in the Region III Office, 801 Warrenville Road, Lisle, Illinois. The decision to hold a predecisional enforcement conference does not mean that the NRC has determined that violations have occurred or that enforcement action will be taken. This conference is being held to obtain information to enable the NRC to make an enforcement decision, such as a common understanding of the facts, root causes, missed opportunities to identify the violations sooner, corrective actions, significance of the issues and the need for lasting and effective corrective action.

In presenting your corrective actions, you should be aware that the promptness and comprehensiveness of your actions will be considered in assessing any civil penalty for the apparent violations. The guidance in the enclosed NRC Information Notice 96-28, "Suggested Guidance Relating to Development and Implementation of Corrective Action," may be helpful (Enclosure 3).

In particular, during the conference we expect you to address your plans to: (1) evaluate all radiological effluent releases from your facility; (2) control licensed material from unauthorized access; and (3) prevent similar violations from occurring in the future.

This conference is an opportunity for you to point out any errors in our inspection report and for you to provide any information concerning your perspectives on: (1) the severity of the violations, (2) the application of the factors that the NRC considers when it determines the amount of a civil penalty that may be assessed in accordance with Section VI.B.2 of the Enforcement Policy, and (3) any other application of the Enforcement Policy to this case, including the exercise of discretion in accordance with Section VII. This conference will be open to public observation in accordance with the Commission's trial program as discussed in the enclosed excerpt from the Enforcement Policy (Enclosure 2). Although not required, we encourage you to provide your comments on how you believe this conference, open to public observation, may have affected your presentation and your communications with the NRC.

After the predecisional enforcement conference, you will be advised by separate correspondence of the results of our deliberations on this matter. No response to the apparent violations is required at this time.

D. Verzel

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In accordance with 10 CFR 2.790 of the NRC's "Rules of Practices," a copy of this letter and its enclosures will be placed in the NRC Public Document Room (PDR).

Sincerely,

Original signed by Roy J. Caniano (for)

Cynthia D. Pederson, Director
Division of Nuclear Materials Safety

License No. SMB-1402
Docket No. 040-08805

Enclosures: As stated (3)

cc w/encls: M. Colton, Ph.D.,
Radiation Safety Officer

bcc w/encls: Office of Enforcement
J. Goldberg, OGC
D. Cool, NMSS
T. Simmons, RIII
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*See Previous Concurrence

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In accordance with 10 CFR 2.790 of the NRC's "Rules of Practices," a copy of this letter and its enclosure^s will be placed in the NRC Public Document Room (PDR).

Sincerely,

Original Signed by Roy J. Caniano

Cynthia D. Pederson, Director
Division of Nuclear Materials Safety

License No. SMB-1402
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