

June 23, 2005

MEMORANDUM TO: James L. Caldwell, Regional Administrator

THRU: Marc L. Dapas, Director, Division of Nuclear Materials Safety (DNMS)
/Gary L. Shear acting for RA/

FROM: Patricia J. Pelke, Chief, Materials Licensing Branch, DNMS
/RA/

SUBJECT: ANNUAL EVALUATION OF DECOMMISSIONING FINANCIAL ASSURANCE INSTRUMENT SECURITY

In accordance with NRC Management Directive 8.12, entitled "Decommissioning Financial Assurance Instrument Security Program," DNMS has conducted the required annual evaluation of decommissioning financial assurance instruments for calendar year 2005. The evaluation was conducted by Kevin Null, Alternate Financial Assurance Instrument Custodian (AFAIC), and consisted of a 100 percent evaluation of each financial assurance instrument (FAI) secured in the fire-rated safe, as identified in the financial assurance inventory-controlled list (CIL).

The annual evaluation involved the review of specific areas regarding the decommissioning financial assurance instrument security program. Specific areas the auditor evaluated include: (1) Financial Assurance Instruments Security; (2) Security Container Check Sheet; (3) Safe Key Security; (4) Financial Assurance Inventory Log; (5) Financial Assurance Inventory-Controlled List; and (6) Licensing Tracking System (LTS) Information. The auditor verified that all Region III materials financial assurance instruments were accounted for and properly secured. In addition, the auditor did not identify any issues that would impact the security of the financial instruments or the agency's ability to draw on the funds for decommissioning purposes. The evaluation did not disclose any deficiencies in the implementation of the decommissioning financial assurance instrument security program.

The report lists the three issues identified by the auditor and recommended corrective actions. Corrective action has been taken in all but one case. The auditor identified two minor administrative issues that involved the maintenance of data in the LTS, and one issue where a license was terminated; however, the financial assurance instrument was not canceled and returned to the licensee. The licensing branch will cancel and return the financial instrument to the licensee, and amend the CIL no later than July 30, 2005. The results of the evaluation are attached for your review.

I have reviewed the results of this financial assurance instrument security annual evaluation with both the FAIC and the auditor, the AFAIC, and I am confident that the program is being conducted in accordance with Management Directive 8.12, "Decommissioning Financial Assurance Instrument Security Program."

Please contact me if you have any questions regarding this audit and/or the associated corrective actions to address the audit findings.

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ATTACHMENT

EVALUATION REPORT OF REGION III DECOMMISSIONING FINANCIAL ASSURANCE INSTRUMENT SECURITY PROGRAM PERFORMED BY THE ALTERNATE FINANCIAL ASSURANCE INSTRUMENT CUSTODIAN (AFAIC)

June 2005

Evaluation Conducted by Kevin G. Null, AFAIC

Purpose

To verify that the financial assurance instruments (FAI) are properly accounted for and safeguarded;

To verify that the Inventory-Controlled List, including all information contained therein, is valid, current, and complete;

To verify that the instruments in the safe are the original executed documents or there is an acceptable replacement copy;

To verify that the Licensing Tracking System (LTS) has correct and updated information; and

To confirm that an FAI has been provided for all material licensees required to maintain financial assurance.

Scope

The security of the FAIs was evaluated, including verification of the Security Container Check Sheet, Inventory Log and key access control to the safe. A 100 percent evaluation was performed of each FAI secured in the Region III fire-rated safe. The evaluation included review of the following: 61 individual files in the safe containing approved FAIs; the FAI Inventory-Controlled List; the Financial Assurance Inventory Log; and the LTS information for approved instruments.

Evaluation Procedures

The procedures described in Management Directive 8.12, (revised April 3, 1998) for annual evaluations of the Decommissioning Financial Assurance Security Program were followed.

Findings

SECURITY OF THE FINANCIAL ASSURANCE INSTRUMENTS

All 61 financial assurance instruments listed on the Financial Assurance Inventory-Controlled List were accounted for and properly secured in a fire-rated safe. The instruments were stored in an organized manner and could be readily retrieved.

SECURITY CONTAINER CHECK SHEET

Management Directive 8.12 requires that the security of the safe be verified each work day and that the verification be documented on the Security Container Check Sheet (Standard Form 702). Security Container Check Sheets were reviewed for the period of July 1, 2004, through June 3, 2005. All of the daily verifications were appropriately documented.

KEY ACCESS CONTROL TO THE SAFE

Access to the safe is limited to the Financial Assurance Instrument Custodian (FAIC), Alternate Financial Assurance Instrument Custodian (AFAIC), and two FAIC managers, designated by the Regional Administrator. The designated individuals have been assigned keys to the safe and are responsible for properly managing the key and assuring the security of the instruments. The auditor verified individual key assignments and key accountability with each of the designated individuals.

FINANCIAL ASSURANCE INVENTORY LOG

The Inventory Log contained appropriate documentation to confirm that financial assurance instruments were properly tracked and accounted for when removed from and returned to the safe.

FINANCIAL ASSURANCE INVENTORY-CONTROLLED LIST

The auditor confirmed that all instruments secured in the safe were properly accounted for. All entries in the Inventory-Controlled List were accounted for in the safe. The auditor identified one financial instrument that was listed in the Inventory-Controlled List and secured in the safe that should have been canceled and returned to the licensee when the license was terminated in March 2005. This will be corrected by July 30, 2005. The licensee, Maxim Technologies, is identified in the Enclosure.

LICENSING TRACKING SYSTEM (LTS) INFORMATION

There were two minor administrative errors identified in the LTS data print-out, which are described in the Enclosure. The administrative staff has corrected these errors. The auditor performed a 100 percent audit of the administrative actions and determined that the errors have been corrected.

Enclosure

1. Maxim Technologies, Inc.
License Number 24-17152-02

Issue: The LTS did not list the financial assurance instrument that was being held in the safe for Maxim Technologies. Subsequent follow-up determined that the license was terminated on March 9, 2005; however the reviewer that terminated the license neglected to coordinate the cancellation and return of the financial instrument to the licensee with the FAIC.

Recommended Action: The instrument should be canceled and returned to the licensee and the financial assurance CIL amended to delete the entry for this licensee. In addition, at the next scheduled Materials Licensing Branch meeting, the staff should be reminded to check the LTS worksheet for the status of the financial assurance prior to license termination and coordinate FA instrument cancellation and return with the FAIC.

[Note: Corrective action will be completed by July 30, 2005]

2. IUPUI/Indiana University Medical Center
License Number 13-02752-03

Issue: The amount of financial assurance for IUPUI/Indiana University Medical Center is incorrectly listed in the LTS as \$97,000,000. It should be \$970,000.

Recommended Action: Correct LTS information. **[NOTE: Corrective action has been completed]**

3. ATK Ordnance & Ground Systems
License No. SUB-971

Issue: This license was terminated on June 2, 2004, and the financial assurance was canceled and returned to the licensee. However, the LTS was not updated to remove the financial assurance information from the inactive database of financial assurance documents.

Recommended Action: Update LTS inactive database information. **[NOTE: Corrective action has been completed]**