

November 4, 2014

NOTE

FROM: Christopher Ryder, Licensing Project Manager

SUBJECT: Regulatory Requirements and Guidance of the American Institute of Certified Public Accountants

Date and Time

September 22, 2014

11:00 am (eastern)

Participants

NRC	Pennsylvania State University
Christopher Ryder ^(a)	Jeff Leavey ^(a)
Augustus Reginald ^(b)	Jody Murawski ^(c)
	Jessica Chen ^(d)

Notes

- a. Licensing Project Manager
- b. Technical Reviewer
- c. Controller
- d. Deloitte and Touche, Independent Auditor

Background

Pennsylvania State University (PSU) submitted an annual certification of financial assurance (Ref. 1) to demonstrate their continued eligibility to use the self-guarantee to assure adequate funds for decommissioning. The U.S. Nuclear Regulatory Commission (NRC) staff requested additional information (RAI) (Ref. 2). PSU responded to the RAIs as Reference 3.

Regulatory changes that became effective in 2012 require an opinion about the off-balance sheet transactions. Guidance from the American Institute of Certified Public Accountants (AICPA) prohibits such opinions. The NRC staff acknowledged the discontinuity between requirements and AICPA guidance. The NRC staff wanted to explore what information the independent account for PSU would be willing to provide.

C. Ryder began the discussion by stating that a summary of the conference call would be placed on the docket. The participants are not bound in anyway by statements made during the call.

Discussion

PSU is a non-profit university that issues bonds and uses a self-guarantee for financial assurance of decommissioning; the licensee is required to provide a bond rating to pass the required financial test in Title 10 of the *Code of Federal Regulations* (10 CFR) Part 30 to Appendix E. 10 CFR Part 30, Section II.(C) (1) requires, in part, that a licensee's independent certified public accountant must compare the data used by the licensee in the financial test, which is derived from the independently audited, year-end financial statements for the latest fiscal year, with the amounts in such financial statement. The accountant must evaluate the

licensee's off-balance sheet transactions and provide an opinion on whether those transactions could materially adversely affect the licensee's ability to pay for decommissioning costs.

The NRC staff inquired if the independent auditor would be willing to make a statement about the dollar-amount of the off-balance sheet transactions, without giving an *opinion*, or giving a report. The statement could be another form, such as a letter. J. Chen explained that a *letter* is considered a *report* and a *report* is considered to be an *opinion*. Giving a dollar amount of the off-balance sheet transactions is tantamount to giving an opinion.

Furthermore, the off-balance sheet transactions are not examined. The information requested by the NRC regulation is outside the scope of the standard audit procedures that are used by the accountants in their independent report of financial statement.

Closing Remarks

C. Ryder emphasized that the apparent discrepancy between the NRC regulation and the AICPA guidance is an issue for the NRC staff to resolve.

Follow-Up Actions

Given the position discussed by the independent auditor, the NRC staff will have to determine how the proceed with completing the annual certification.

References

1. Joseph J. Doncsecz, Pennsylvania State University, "Audited Financial Statements – Year Ending June 30, 2013, Self-Guarantee Agreement and Standby Trust Agreement", December 20, 2013. ADAMS accession number ML14015A387.
2. Letter from C. Ryder, U.S. Nuclear Regulatory Commission, to J. Leavey, Pennsylvania State University, "Request For Additional Information - Annual Certification Of Financial Assurance (Technical Assignment Control Number L33304)", April 24, 2014. ADAMS accession number ML14108A126.
3. Letter from J. Leavey, Pennsylvania State University, Reply to NRC Request for Additional Information letter dated April 24, 2014 (TAC L33304). ADAMS accession number ML14204A621.
4. Title 10 of the *Code of Federal Regulations* (10 CFR), Part 30, Appendix E.