



UNITED STATES
NUCLEAR REGULATORY COMMISSION

REGION III
2443 WARRENVILLE RD. SUITE 210
LISLE, IL 60532-4352

June 30, 2016

MEMORANDUM TO: Cynthia D. Pederson,
Regional Administrator

THRU: John B. Giessner, Director */RA Christine Lipa Acting For/*
Division of Nuclear Materials Safety

FROM: Patricia J. Pelke, Chief */RA/*
Materials Licensing Branch
Division of Nuclear Materials Safety

SUBJECT: ANNUAL EVALUATION OF REGION III
FINANCIAL ASSURANCE INSTRUMENT SECURITY PROGRAM

In accordance with the U.S. Nuclear Regulatory Commission (NRC) Management Directive (MD) 8.12, entitled "Decommissioning Financial Assurance Instrument Security Program," the Division of Nuclear Materials Safety (DNMS) completed the required annual evaluation of the decommissioning financial assurance instrument (FAI) security program.

This evaluation of the FAI security program was performed using the revised MD 8.12, issued on November 22, 2013. The evaluation was conducted in June 2016, by Cassandra Frazier, Financial Assurance Instrument Custodian (FAIC), Frank Tran, Health Physicist, and Erin Kennedy, Health Physicist, and involved a review of 100 percent of the FAIs, which are secured in the fire-rated safe and are identified in the financial assurance inventory-controlled list.

There are 46 entries in Region III's financial assurance inventory-controlled list. Financial assurance instruments for three Region III licensees, GE Reuter Stokes, Dow Chemical Company and the Curators of the University of Missouri (which includes the research reactor), are currently held and managed in NRC headquarters. Financial assurance for these organizations is required for both licenses managed from Region III and from NRC headquarters and has been consolidated into one FAI for each licensee. The auditors

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contacted the Financial Assurance Project Manager in the Division of Decommissioning, Uranium Recovery, and Waste Programs (DUWP) in headquarters, Reginald Augustus, to confirm that these FAIs were updated and secured. Mr. Augustus confirmed that DUWP has Dow Chemical and GE Reuter Stokes original FAIs secured in a fire-rated safe. He also confirmed that NRR has the original FAI for the Curators of the University of Missouri appropriately secured.

A fourth RIII licensee, Cardinal Health 414, LLC, has licenses issued by Region I and Region III. The FAI (Surety Bond) for the license issued by RIII is maintained and secured here and the Standby Trust Agreement (STA) for both licenses is maintained and secured in Region I. Region I also maintains the FAI (Surety Bond) for the Cardinal Health 414, LLC license they issued, and the STA supports both FAIs submitted to Region I and Region III.

The auditors contacted DUWP and Region I and confirmed that the three FAIs and one STA for the four licenses described above were current and secured in a fire-rated safe. A copy of these documents for each of the four licensees is maintained in the RIII safe.

The evaluation involved the review of the security of decommissioning FAIs and the decommissioning financial assurance inventory-controlled list. Specific areas that the auditors evaluated included: (1) Security of the FAIs; (2) Security Container Check Sheet; (3) Key Access Control to the Safe; (4) Financial Assurance Inventory Log; (5) Financial Assurance Inventory-Controlled List; and (6) Web-Based Licensing (WBL) Information.

The auditors verified that all Region III FAIs were accounted for and properly secured. In addition, the auditors did not identify any issues that would impact the security of the FAIs 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 FAI security program.

The results of the evaluation are enclosed for your review. Additionally, the auditors reviewed all four recommendations listed in the last Annual Evaluation of Region III Financial Assurance Instrument Security Program report and concluded that all recommendations have been implemented. As a result of this audit, the auditors have the following recommendations:

1. For any license that currently does not have a Certification of Financial Assurance on file and the NRC is not currently reviewing a pending financial assurance amendment, the Materials Licensing Branch (MLB) staff will contact the licensee to request a Certification of Financial Assurance to be placed in the safe. Currently, there are six licenses that do not have Certification of Financial Assurance. Each of these licenses will be tracked on the MLB Weekly Priorities List until the Certification of Financial Assurance has been received.
2. For new licenses, it was recommended in the last audit report (ML15182A076) to enter financial assurance data into WBL after the financial assurance had been approved. Based on further evaluation, the auditors recommend to enter the financial assurance data for a new license into WBL when the financial assurance instrument is received by the Region to reflect the current status of the financial assurance instrument in the WBL system.

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These recommendations were discussed with me and have been implemented. MLB staff has contacted all six licensees in Recommendation 1 on June 22, 2016, and requested Certifications of Financial Assurance.

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

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Enclosure:
As stated

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