



# OFFICE OF THE INSPECTOR GENERAL

U.S. NUCLEAR REGULATORY COMMISSION  
DEFENSE NUCLEAR FACILITIES SAFETY BOARD

## Audit of NRC's Decommissioning Financial Assurance Instrument Inventory

OIG-18-A-09  
February 8, 2018



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**UNITED STATES**  
**NUCLEAR REGULATORY COMMISSION**  
WASHINGTON, D.C. 20555-0001

**OFFICE OF THE  
INSPECTOR GENERAL**

February 8, 2018

**MEMORANDUM TO:** Victor M. McCree  
Executive Director for Operations

**FROM:** Dr. Brett M. Baker */RA/*  
Assistant Inspector General for Audits

**SUBJECT:** AUDIT OF NRC'S DECOMMISSIONING FINANCIAL  
ASSURANCE INSTRUMENT INVENTORY  
(OIG-18-A-09)

Attached is the Office of the Inspector General's (OIG) audit report titled *Audit of NRC's Decommissioning Financial Assurance Instrument Inventory*.

The report presents the results of the subject audit. Following the January 18, 2018, exit conference, agency staff indicated that they had no formal comments for inclusion in this report.

Please provide information on actions taken or planned on each of the recommendations within 30 days of the date of this memorandum. Actions taken or planned are subject to OIG followup as stated in Management Directive 6.1.

We appreciate the cooperation extended to us by members of your staff during the audit. If you have any questions or comments about our report, please contact me at (301) 415-5915 or Eric Rivera, Team Leader, at (301) 415-7032.

Attachment: As stated



# Office of the Inspector General

U.S. Nuclear Regulatory Commission  
Defense Nuclear Facilities Safety Board

OIG-18-A-09

February 8, 2018

## Results in Brief

### Why We Did This Review

As part of its regulatory function, the U.S. Nuclear Regulatory Commission (NRC) issues licenses for nuclear materials and regulates the decommissioning of material sites. Material licensees must provide financial assurance for decommissioning costs before they receive nuclear material or begin site operations. They must also maintain that funding throughout the duration of site operations.

In June 2016, OIG issued an audit report on NRC's Decommissioning Funds Program. During that audit, OIG auditors were not able to examine the original financial instruments maintained by the agency because the safe containing the instruments was inaccessible. As a result, the audit had a scope limitation which informed the decision to perform this audit.

The audit objectives were to determine whether (1) the Office of Nuclear Material Safety and Safeguards Inventory List of financial instruments accurately accounts for the actual original financial instruments in the safe, and (2) the financial instruments are properly handled, safeguarded, and accurately inventoried in a timely manner.

### *Audit of NRC's Decommissioning Financial Assurance Instrument Inventory*

#### What We Found

The original signed decommissioning financial instruments are properly safeguarded in a fire-proof safe, however, opportunities exist to improve management of the program. Specifically, the Inventory List of financial instruments contains incomplete information and does not accurately account for the instruments in the safe. Additionally, evaluations of the financial instruments are inconsistently documented and there is no requirement for follow-up to ensure discrepancies are corrected. Furthermore, there is no methodology to ensure files are consistently organized. This happened because agency guidance is outdated, segregation of duties is lacking, and there is no detailed procedural guidance for the Office of Nuclear Reactor Regulation (NRR) evaluation. As a result, there is a risk that the necessary documents will not be identified timely to draw upon the financial instrument in an efficient and effective manner, leading to a delay in making funds available for decommissioning. Additionally, public confidence in NRC's ability to appropriately manage the decommissioning financial instruments may be diminished.

#### What We Recommend

This report makes a recommendation to update guidance to reflect current practices.

Agency management stated their general agreement with the finding and recommendation in this report.

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## ABBREVIATIONS AND ACRONYMS

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ADAMS	Agencywide Document Access and Management System
AFAIC	Alternate Financial Assurance Instrument Custodian
CFR	Code of Federal Regulations
DUWP	Division of Decommissioning, Uranium Recovery, and Waste Programs
FAIC	Financial Assurance Instrument Custodian
FSME	Office of Federal and State Materials and Environmental Management Programs
INVENTORY LIST	Financial Assurance Inventory – Controlled List
MD	Management Directive
NMSS	Office of Nuclear Material Safety and Safeguards
NRC	U.S. Nuclear Regulatory Commission
NRR	Office of Nuclear Reactor Regulation
OIG	Office of the Inspector General

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## I. BACKGROUND

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### **Overview of NRC's Material Decommissioning Financial Assurance**

As part of its regulatory function, the U.S. Nuclear Regulatory Commission (NRC) issues licenses for nuclear materials and regulates the decommissioning<sup>1</sup> of material sites. Material licensees must provide financial assurance<sup>2</sup> that funds for the cost of decommissioning will be available when needed before they receive nuclear material or begin site operations and further that they must maintain that funding throughout the duration of site operations. NRC's financial assurance requirements are envisioned to ensure that a suitable mechanism for financing the decommissioning of licensed facilities is in place in the event that a licensee is unable or unwilling to complete decommissioning. Financial instruments such as a surety bond or parent company guarantee provided to NRC by material licensees is the tangible means by which the agency achieves financial assurance.

### **Types of Decommissioning Financial Assurance Instruments**

NRC allows various types of decommissioning financial assurance instruments including letters of credit, surety bonds, performance bonds, parent company guarantees, trust funds, self-guarantees, and statements of intent. Licensees are required to provide NRC with the signed original financial instrument.

As of November 2017, there were 38 NRC-specific material licensees with financial instruments in the safe maintained for this purpose by the Office

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<sup>1</sup> Decommission means to remove a facility or site safely from service and reduce residual radioactivity to a level that permits (a) release of the property for unrestricted use and termination of the license; or (b) release of the property under restricted conditions and termination of the license. (Title 10 Code of Federal Regulations, Section 50.2, Definitions.)

<sup>2</sup> Financial assurance is a guarantee, or other financial arrangement, provided by a licensee that funds for decommissioning will be available when needed. This is in addition to the licensee's regulatory obligation to decommission its facilities.

of Nuclear Material Safety and Safeguards (NMSS).<sup>3</sup> There were 47 file folders containing licensee signed original financial assurance instruments. The agency's Financial Assurance Inventory – Controlled List (Inventory List) includes 55 current financial instruments totaling approximately \$3 billion. (See Table 1.)

**Table 1: Current Financial Instruments on the Inventory List<sup>4</sup>**

<b>NRC's Decommissioning Financial Assurance Instrument Type:</b>	<b>Totals</b>	<b>Total Value (\$ Millions)</b>
Letter of Credit	28	\$619
Parent Company Guarantee	4	\$632
Self-Guarantee	3	\$53
Statement of Intent	4	\$1,234
Bonds	16	\$503
<b>Total Current Financial Instruments</b>	<b>55</b>	<b>\$3,041</b>

Source: OIG Analysis of the NMSS Inventory List

### Agency Guidance

Management Directive and Handbook 8.12 (MD 8.12), *Decommissioning Financial Assurance Instrument Security Program*, dated November 2013, provides NRC staff with guidance for ensuring that financial instruments, submitted as financial assurance for decommissioning by material licensees, provide reasonable assurance that financial resources for decommissioning will be available when needed. This MD describes the proper handling and safeguarding of financial instruments, the appropriate signature authority for drawing on financial instruments, and the procedures for regularly reviewing the financial instrument inventory. MD 8.12 also states that financial instruments must be returned to licensees if licensees replace their current financial instrument with an alternative financial instrument, if licenses are terminated, or if financial assurance is no longer required.

NUREG-1757, Volume 3, Revision 1, *Consolidated Decommissioning Guidance: Financial Assurance, Recordkeeping, and Timeliness*, dated February 2012, provides examples demonstrating compliance with the financial assurance, recordkeeping, and timeliness requirements. It also

<sup>3</sup> NRC Regional Offices also have financial instruments at their locations. This audit focused only on the financial instruments held at Headquarters in the NMSS safe.

<sup>4</sup> Current financial instruments on the Inventory List, as of August 2017.

provides evaluation criteria for the different types of financial assurance mechanisms to determine if they are complete.

### **NMSS Roles and Responsibilities**

NMSS is responsible for safeguarding and accounting of the signed original financial assurance instruments submitted by licensees. The instruments must be stored in a fire-rated safe, defined as having at least a fire rating of 350 degrees for 1 hour; a fire-rated box, defined as having at least a fire rating of 350 degrees for 1 hour, and placed in a safe; or a security container (safe) for classified information as approved by the NRC Division of Facilities and Security. Furthermore, the instruments must be stored in an organized manner so that they can be readily retrieved.

The NMSS financial assurance instrument custodian (FAIC) is responsible for ensuring that financial assurance instruments are properly secured and maintaining the financial instrument inventory and logs. The FAIC electronically maintains the Inventory List and a log for each file folder in the safe listing the contents of the folder. The log is also kept in hard copy inside each file folder. The alternate financial assurance instrument custodians (AFAIC) are responsible for assisting the FAIC. The manager of the FAIC is responsible for performing, or appointing a designee to perform, annual verifications of the decommissioning financial assurance instrument security program and reporting the results to the NMSS office director.

### **Annual and Biennial Evaluations**

The FAIC, AFAICs, or manager of the FAIC and AFAICs, annually conducts a 100 percent evaluation of each financial instrument in the safe. The Inventory List is used to perform the evaluation in order to systematically verify that the instruments on the Inventory List are in the safe and the information related to the instruments is correct, current, and complete. The manager of the FAIC prepares a report providing the results of the evaluation, identifying any discrepancies, and recommending actions to correct the discrepancies. The report is transmitted to the NMSS office director via a cover memorandum, briefly describing the review.

In addition, the Office of Nuclear Reactor Regulation (NRR), Division of Inspection and Regional Support, Financial Analysis and International Projects Branch<sup>5</sup> financial analysts are required to perform a biennial evaluation of 25 percent of the financial assurance instrument files. If any major concerns are identified, NRR will evaluate an additional 25 percent of the files at its discretion. Results of the evaluation are reported to the Deputy Director, Division of Decommissioning, Uranium Recovery and Waste Programs (DUWP), NMSS, with a copy to the DUWP Division Director as well as the Director of NMSS. The report should be marked as controlled and transmitted via a cover memorandum briefly describing the review. The cover memorandum should be made publicly available.

### **Previous OIG Audit**

OIG conducted an *Audit of NRC's Decommissioning Funds Program* (OIG-16-A-16) that included a review of NRC's oversight of the decommissioning funds of both reactors and materials. The audit report was issued in June 2016. During that audit, OIG was not able to verify the accuracy of the Inventory List of material licensee decommissioning financial instruments maintained by NMSS because the safe containing the original signed financial instruments was inaccessible due to a lock malfunction. The safe was inaccessible for approximately 1.5 months and the financial instruments received during that time were put in NMSS' Division of Material Safety, State, Tribal, and Rulemaking Programs safeguards safe. As a result, the audit had a scope limitation which informed the decision to perform this audit.

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## **II. OBJECTIVES**

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The audit objectives were to determine whether (1) NMSS' Inventory List of financial instruments accurately accounts for the actual original financial instruments in the safe, and (2) the financial instruments are properly handled, safeguarded, and accurately inventoried in a timely manner.

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<sup>5</sup> As of October 1, 2017, this Division and Branch were renamed the Division of Licensing Projects, Financial Projects Branch under NRR. This Branch is still responsible for performing the biennial evaluation.

Appendix A of this report contains information on the audit scope and methodology.

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### III. FINDING

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NRC generally handles and safeguards financial instruments in a proper manner; however, there are opportunities for improvement in the management of the inventory. In addition, NMSS' Inventory List of financial instruments does not accurately account for the financial assurance instruments in the safe.

#### **Inconsistent Oversight of Decommissioning Financial Instruments Inventory**

The decommissioning financial instruments are properly safeguarded in a fire-proof safe; however, opportunities for improvement exist in the following areas:

- The Inventory List contains incomplete information and does not accurately account for the financial instruments in the safe.
- Evaluations of the financial instruments are inconsistently documented and there is no requirement for follow-up to ensure identified discrepancies are corrected.
- There is no filing methodology to ensure files are consistently organized.

This happened because agency guidance is outdated and does not reflect current practices and segregation of duties is lacking. As a result, there is a potential risk that the necessary documents will not be identified timely to draw upon the financial instrument to fund the standby trust<sup>6</sup> in an efficient and effective manner, leading to a delay in funding availability for decommissioning. Additionally, public confidence in NRC's ability to appropriately manage the decommissioning financial instruments may be diminished.

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<sup>6</sup> A standby trust fund is established to receive funds from a financial instrument in the event that the NRC draws on such instruments. A standby trust fund must accompany each financial instrument, because the NRC lacks the authority to retain funds directly from a surety or bank. Instead, the funds are deposited in the standby trust fund and used at the direction of the NRC.

## ***What Is Required***

Federal standards and agency guidance provide a framework for oversight and safeguarding of financial instruments.

### **Federal Standards**

The Government Accountability Office *Standards for Internal Control in the Federal Government*, dated September 2014, defines internal control as a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance the objectives of an entity will be achieved. These standards state that management has the responsibility for documenting internal control responsibilities of the organization in agency policies and evaluating and documenting the results of ongoing monitoring and separate evaluations to identify internal control issues. Additionally, management is responsible for evaluating and documenting any internal control issues and determining appropriate corrective actions for internal control deficiencies on a timely basis.

### **Agency Guidance**

MD 8.12 provides guidance for performing the NMSS annual evaluation of the financial instruments in the safe. The MD states the person performing the evaluation will use the Inventory List to systematically verify whether the instruments provided on the Inventory List are in the safe and whether the information related to the instruments is correct, current, and complete. The MD also lists 21 specific steps to complete the 100 percent evaluation.

For the NRR biennial evaluation, the MD states that NRR must conduct a 25 percent review of the decommissioning financial instrument files, and if any major concerns are identified, NRR shall evaluate an additional 25 percent of the files at its discretion. The MD does not list specific steps for NRR to complete its evaluation.

Additionally, MD 8.12 describes the need to file the instruments in an organized manner so they can be easily retrieved. The MD also states the Inventory List and the evaluation reports are required to be marked as

controlled, with "OFFICIAL USE ONLY – PROPRIETARY INFORMATION" and "OFFICIAL USE ONLY – SENSITIVE INTERNAL INFORMATION" at the top and bottom of each page. Further, the cover memoranda are required to be made publicly available in the Agencywide Document Access and Management System (ADAMS), and therefore cannot contain any non-public information. Lastly, MD 8.12 states that superseded and cancelled instruments must be returned to the licensee.

NUREG 1757, Volume 3, Revision 1 contains guidance for determining whether a financial instrument satisfies requirements for providing adequate financial assurance. Appendix A of this NUREG contains checklists to ensure the financial instrument includes all documentation for it to be considered complete.

NMSS Office Instruction, *Procedures for Reviewing, Tracking and Maintaining NRC's Documentation of Decommissioning Financial Assurance Reviews and Financial Instruments for Materials Licensees*, dated March 2017, includes a provision for the master inventory to be maintained electronically. It further states the Inventory List is to be updated and printed with each change, and a hardcopy is to be stored in the safe.

## ***What We Found***

Multiple opportunities exist for NRC to improve the Inventory List and recordkeeping in the safe. Specifically,

- NRC's Inventory List contains incomplete information and does not accurately account for the instruments in the safe.
- Evaluations of the financial instruments in the safe are inconsistently documented and there is no requirement for follow-up to ensure discrepancies are corrected.
- Folders in the safe are inconsistently organized.

## **Inventory List Incomplete and Inaccurate**

The Inventory List includes incomplete and inaccurate information for the financial instruments. OIG auditors found that several entries on the Inventory List contained missing or inaccurate information when compared to the financial instruments that were in the safe. For example, several financial instruments had missing or inaccurate dollar amounts on the Inventory List, and many of the instruments were missing or had inaccurate issuance dates. OIG also identified four licensees with inadequate financial assurance<sup>7</sup> in the safe, and three folders where the license has been terminated. Although the financial reviewers were aware of the licensees with inadequate financial assurance, neither the Inventory List nor the folder itself was marked as such.

Most file folders in the safe contained current financial instruments as well as those that were superseded and canceled,<sup>8</sup> and other supporting documentation. OIG confirmed that financial instruments highlighted as current on the Inventory List were in the safe. Results of OIG's comparison of the Inventory List to the financial instruments in the safe are shown in Table 2.

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<sup>7</sup> Inadequate financial assurance includes two instances of there being no current financial instrument, one instance where the licensee is undergoing bankruptcy, and one instance where the parent company did not pass the required financial test. There are other financial safeguards in place that limit the risk to the Government. NMSS financial assurance reviewers were aware the licensees did not have financial assurance.

<sup>8</sup> When a licensee replaces one financial instrument with another, the initial instrument is considered superseded; when a license is terminated, NRC marks the financial instruments canceled.

**Table 2: Exceptions Found During OIG's Comparison of the Inventory List to the Financial Instruments in the Safe**

<b>Exception Description</b>	<b>Number of Exceptions</b>
<b>No financial assurance</b>	4
<b>Terminated license but licensee still on Inventory List and instrument in safe</b>	3
<b>Financial instrument dollar amount blank or inaccurate - non-current instrument</b>	14
<b>Financial instrument dollar amount blank or inaccurate - current instrument</b>	6
<b>Financial instrument issuance date is blank or inaccurate - non-current instrument</b>	10
<b>Financial instrument issuance date is blank or inaccurate - current instrument</b>	3
<b>Amendments/endorsements missing</b>	3
<b>Provider blank or inaccurate - non-current instrument</b>	2
<b>Provider blank or inaccurate - current instrument</b>	3
<b>Typographical errors (other than dollar amounts) - non-current instrument</b>	6
<b>Typographical errors (other than dollar amounts) - current instrument</b>	4
<b>Financial instrument number missing - non-current instrument</b>	3
<b>Financial instrument number missing - current instrument</b>	2
<b>Documents in file but not on Inventory List</b>	6
<b>Date placed in safe inaccurate on Inventory List</b>	1
<b>Duplicate on Inventory List - same license number different entries</b>	1
<b>On Inventory List as one name but file folder has different name</b>	1

Source: OIG Analysis

## **Evaluations Need Improvement**

NRC's evaluations of the financial instruments in the safe are inconsistently documented and there is no requirement for follow-up to ensure the items identified as discrepancies are corrected.

### Inconsistent Supporting Documentation

NMSS and NRR evaluations contain inconsistent supporting documentation. OIG auditors requested documentation to support the conclusions in both the NMSS and NRR evaluation reports. The NMSS evaluator stated there were notes electronically typed onto the Inventory List in red, and handwritten notes on the financial instruments in the safe, however, there was no consolidated list of identified discrepancies. The NRR evaluators provided a handwritten table with the names of the licensees randomly selected for evaluation and corresponding information. None of the supporting documentation provided to OIG auditors indicated what steps were completed or what, if any, discrepancies were identified.

### No Documentation and Follow-up of Discrepancies

Documentation and follow-up of the discrepancies identified during the NMSS or NRR evaluations does not occur. OIG auditors interviewed the NRR evaluators. One of the NRR evaluators stated that they reported findings to an NMSS financial assurance reviewer through a telephone conversation. The NMSS evaluator stated that when discrepancies were identified, the financial assurance reviewers were notified. If the financial assurance reviewers provided an appropriate verbal justification for the discrepancy, the evaluator put the document back and no further action was taken (i.e., the discrepancy was not documented or included in the evaluation report). Consequently, OIG auditors could not follow-up on either evaluation to determine if the identified discrepancies were corrected because there was no documented support showing specific detail of the discrepancies.

## No Consistent File Methodology

Files in the safe and on the Inventory List are not maintained in a consistent manner. OIG auditors found inconsistencies as shown below:

- **Inconsistent Filing Method.** Some records are filed by licensee and contain multiple material sites' financial instruments in one file, while other records are filed by site despite having the same licensee.
- **Duplicative and Inaccurate Entries on Inventory List.** A licensee (United States Department of Commerce) with the same license number is on the Inventory List twice, once filed alphabetically under "C" (Commerce) and once filed alphabetically under "U" (United States). The documents listed under "C" were correct and matched what was in the safe. The documents listed under "U" were incorrect. Additionally, one file on the Inventory List was found under a different name in the safe.
- **Copy of Inventory List Not Kept in Safe.** There was not a hardcopy of the Inventory List in the safe. Rather, the Inventory List was kept electronically only.
- **Inventory List and Evaluation Report Not Marked According to Guidance.** The Inventory List was not marked in accordance with MD 8.12 which requires it to be marked controlled at the top and bottom of each page. The NRR evaluation report was also not marked in accordance with MD 8.12, and the cover letter was not made publicly available in ADAMS.

## *Why This Occurred*

### **Outdated Guidance Does Not Reflect Actual Practices**

Guidance related to oversight of the financial instruments is outdated and does not reflect actual practices, segregation of duties is not maintained, and there is no detailed procedural guidance for the NRR evaluation.

#### Outdated Guidance

Guidance is outdated and does not reflect actual practices. Specifically,

- There is no definition of what is to be kept in the file or safe.
- There is no filing methodology for the safe (by licensee, site, license, or instrument).
- Supporting documentation of evaluations is not required.
- There are no procedures for the NRR evaluation or written expectations that NRR should perform the same procedures NMSS does.
- There is no requirement for follow-up actions to correct discrepancies identified in the evaluations. Also, if the financial analyst resolves an issue identified by the evaluator, it does not get reported as a discrepancy.
- Guidance is not specific as to under what circumstances markings are to be included.

Additionally, guidance does not specify how the NRR evaluation is initiated. Specifically, whether NMSS requests NRR to complete the evaluation or if NRR self-initiates the evaluation. Also, there is no schedule or due date for NMSS or NRR evaluations. Further, MD 8.12 still refers to the Office of Federal and State Materials and Environmental Management Programs (FSME) as the responsible office to safeguard and account for the financial instruments although FSME and NMSS merged October 5, 2014. Lastly, MD 8.12 refers to the License

Tracking System which no longer exists. It was replaced by Web-based Licensing, which was implemented in August 2012.

### Segregation of Duties

NMSS does not maintain necessary segregation of duties when conducting the annual evaluation. Because of limited resources, the person conducting the evaluation is also the main point of contact for maintaining the Inventory List.

### No Procedural Guidance for NRR Evaluations

MD 8.12 does not specify the steps involved for evaluating 25 percent of the financial assurance instrument files to complete the NRR evaluations as it does for the NMSS evaluations. There is no procedural guidance for the NRR evaluation or written expectations that NRR should perform the same procedures NMSS does. NRR's October 2016 evaluation report stated the evaluator used guidance in MD 8.12, MD 12.1 (*NRC Facility Security Program*, dated September 2011), and NUREG 1757, Volume 3, to complete the evaluation. The report did not describe the steps taken.

## ***Why This Is Important***

### **Risk of Inefficiencies, Inadequacies and Decreased Public Confidence**

Without current, accurate and complete files, there is an increased risk that the necessary documents will not be identified timely to draw upon the financial instrument to fund the standby trust in an efficient and effective manner, leading to a delay in funding availability for decommissioning. An independent and accurate evaluation of NRC's financial instrument inventory enhances NRC's regulatory function and increases public confidence in NRC's oversight ability.

**Recommendation:**

OIG recommends the Executive Director for Operations

1. Update guidance to reflect current practices, including, but not limited to:
  - A. Define what is to be kept in the files and/or safe and implement the guidance.
  - B. Define the filing methodology for the safe (e.g., by licensee, site, license, or instrument).
  - C. Require supporting documentation of completion of every step in the NMSS and NRR evaluations.
  - D. Describe procedural steps for NRR to complete the evaluations or state expectations for NRR to complete the same steps as NMSS.
  - E. Require written follow-up from the NMSS and NRR evaluations by the auditee to the evaluator, to ensure any identified discrepancies are corrected.
  - F. Require NMSS and NRR evaluation reports and the Inventory List to be marked OUO, as appropriate.
  - G. Require segregation of duties between the person in NMSS who maintains the Inventory List and the person who completes the annual evaluation.

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## **IV. AGENCY COMMENTS**

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After reviewing a discussion draft, agency management provided comments that have been incorporated into this report, as appropriate. As a result, agency management stated their general agreement with the results of this report and opted not to provide formal comments for inclusion in this report.

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## OBJECTIVES, SCOPE, AND METHODOLOGY

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### Objectives

The audit objectives were to determine whether (1) NMSS' Inventory List of financial instruments accurately accounts for the actual original financial instruments in the safe, and (2) the financial instruments are properly handled, safeguarded, and accurately inventoried in a timely manner.

### Scope

The audit focused on assessing the management of NMSS' material decommissioning financial assurance instruments at NRC headquarters. OIG conducted this performance audit from August 2017 through November 2017 at NRC headquarters in Rockville, Maryland. Internal controls related to the audit objective were reviewed and analyzed. Throughout the audit, auditors considered the possibility of fraud, waste, and abuse in the program.

### Methodology

To accomplish the audit objectives, OIG reviewed relevant laws, regulations, and guidance for this audit, including

- Title 10 Code of Federal Regulations (CFR), Part 40.36 and Part 30.35, *Financial Assurance and Recordkeeping for Decommissioning*,
- Government Accountability Office's *Standards for Internal Control in the Federal Government*, dated September 2014,
- Management Directive and Handbook 8.12, *Decommissioning Financial Assurance Instrument Security Program*, dated November 2013,
- NUREG-1757, Volume 3, Revision 1, *Consolidated Decommissioning Guidance Financial Assurance, Recordkeeping, and Timeliness*, dated February 2012, and

- NMSS Office Instruction, *Procedures for Reviewing, Tracking and Maintaining NRC's Documentation of Decommissioning Financial Assurance Reviews and Financial Instruments for Materials Licensees*, dated March 2017.

OIG also reviewed OIG's 2016 report, *Audit of NRC's Decommissioning Funds Program* (OIG-16-A-16). OIG reviewed and analyzed past NMSS annual evaluations and past NRR biennial evaluations of the decommissioning financial assurance instrument security program and inventory.

OIG interviewed staff from NRR and NMSS. OIG also completed a 100 percent review of NMSS' Inventory List which included cross-checking it against the hardcopy files of the signed original financial assurance instruments in the safe. Additionally, OIG used Audit Command Language data analytics software to sample 15 of 50 licensee site files and performed an in-depth analysis of the completeness and accuracy of these files.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The audit was conducted by Eric Rivera, Team Leader; Terri Cooper, Audit Manager; and Jenny Cheung, Senior Auditor.

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## TO REPORT FRAUD, WASTE, OR ABUSE

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Address: U.S. Nuclear Regulatory Commission  
Office of the Inspector General  
Hotline Program  
Mail Stop O5-E13  
11555 Rockville Pike  
Rockville, MD 20852

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## COMMENTS AND SUGGESTIONS

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If you wish to provide comments on this report, please email OIG using this [link](#).

In addition, if you have suggestions for future OIG audits, please provide them using this [link](#).