



UNITED STATES  
NUCLEAR REGULATORY COMMISSION

REGION III  
2443 WARRENVILLE ROAD, SUITE 210  
LISLE, ILLINOIS 60532-4352

June 29, 2018

MEMORANDUM TO: K. Steven West  
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 criteria outlined in MD 8.12, dated November 22, 2013. The evaluation was conducted in June 2018, by Cassandra Frazier, Financial Assurance Instrument Custodian (FAIC), Laura Cender, Health Physicist, and Frank Tran, 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 two Region III licensees, Dow Chemical Company and the Curators of the University of Missouri (which includes the research reactor), are currently secured and managed in NRC headquarters. Financial assurance for these organizations is required for the licenses issued by Region III and by NRC headquarters and has been consolidated into one FAI for each licensee. The auditors contacted the Financial Assurance Project Manager in the Division of Decommissioning, Uranium Recovery, and Waste Programs (DUWP) in NMSS, Reginald Augustus, to confirm these FAIs were current and secured. Mr. Augustus confirmed that original FAIs for Dow Chemical and the Curators of the University of Missouri are current and secured in fire-rated safes managed by the NMSS and NRR, respectively.

CONTACT: Patricia J. Pelke, MLB/DNMS  
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A third Region III licensee, Cardinal Health 414, LLC, has licenses issued by Region I (34-32780-02) and by Region III (34-29200-01MD). The FAI (Surety Bond) for the license issued by RIII is maintained and secured in Region III; however, the Standby Trust Agreement (STA) for both licenses is maintained and secured in Region I.

The auditors contacted DUWP and Region I to confirm that the two FAIs and one STA for the three licenses described above were current and secured appropriately. A copy of the respective document is maintained in the RIII safe for Dow Chemical Company, the Curators of the University of Missouri, and Cardinal Health 414, LLC.

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.

The auditors reviewed a recommendation identified in the last Annual Evaluation of Region III Financial Assurance Instrument Security Program report dated June 30, 2017. Based on further evaluation of this recommendation, which required the creation of Excel files to consolidate all of the financial assurance data and link this to a tracking tool, the Materials Licensing Branch determined the most accurate, efficient, and effective method to track and account for the FAI information is to continue the use of Word files. Based on this determination, I have closed the 2017 recommendation without further action.

Based on the results of this FAI evaluation, the auditors have the following recommendations to enhance the effectiveness of the FAI evaluation process. I have reviewed these recommendations and all of them will be implemented and/or completed prior to the next annual evaluation of the Region III financial assurance instrument security program.

1. Revise the current Financial Assurance Audit Checklist to add a checkbox for the certification of financial assurance for each licensee required to maintain a financial assurance instrument.
2. Revise the Financial Assurance Audit Checklist (which is used to conduct the annual evaluations) to include acceptable examples of each financial assurance instrument and supporting documents required to be maintained.
3. Require a two-person independent review of the FAIs during the annual evaluation. This will ensure the decommissioning financial assurance instrument and required supporting documentation in the safe for each licensee is current and complete and will eliminate the need for a comprehensive third party review of the results.

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

Enclosure:  
As stated

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DISTRIBUTION:

Darrell Roberts  
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DATE	6/27/2018		6/28/2018		6/28/2018		6/28/2018	6/29/2018	

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