



UNITED STATES
NUCLEAR REGULATORY COMMISSION

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

June 28, 2019

MEMORANDUM TO: Darrell J. Roberts
Regional Administrator

THRU: David L. Pelton, Director */RA by Christine Lipa 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 from June 3, 2019 through June 21, 2019, by Cassandra Frazier, Financial Assurance Instrument Custodian (FAIC), Sara Forster, Alternate FAIC (AFAIC), and Laura Cender, 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 FAIs for Dow Chemical and the Curators of the University of Missouri are current and secured by NMSS and NRR, respectively.

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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 three recommendations identified in the last Annual Evaluation of Region III Financial Assurance Instrument Security Program report dated June 29, 2018 (Accession No. ML18183A492). These recommendations suggested: (1) adding a review of the certifications of financial assurance along with the instruments; (2) revising the audit checklist to include sample financial instrument elements; and (3) requiring a 2-person independent review of the FAIs. Based on further evaluation and implementation of these recommendations, the Materials Licensing Branch determined, respectively, (1) that a column would be added to the financial assurance audit checklist to include review of certification; (2) that the examples of financial assurance instruments would be compiled based on guidance in NUREG 1757, Volume 3, revision 1; and (3) the two-person independent review would be effectively and efficiently used to complete the audit. These recommendations have been completed and were implemented during this audit. As a result of these actions, I have closed the 2018 recommendations.

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. Add a sign-out/sign-in sheet to the inside front cover of each licensee's FAI file, to include documents added to or removed from a specific FAI file. This will provide a history of any new financial instruments that have been accepted, such as standby trust agreements, any supporting documentation, as well as any financial instruments that have been cancelled and returned.
2. Revise the Financial Assurance Inventory Controlled List (CIL) to replace the field title "Date Place in Safe" with "Date Approved" for consistency with the financial assurance information maintained in the Web-Based Licensing (WBL) system.

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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:

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