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I/A

Nuclear Fuel

4/1/90 - 3/31/91

August 8, 1991

Background.

The Nuclear Fuel Supply Grant of the Nuclear Materials Management Department (JMA) negotiates and administers contracts and related purchase orders with vendors for the purchase of nuclear fuel materials in all stages of production process. Invoices from vendors are received and authorized for payment by (JMA). JMA maintains records used to account for nuclear fuel material (in quantities) owned by FPC and held at various vendor sites.

Scope & Objectives.

To determine whether controls are in effect over transactions related to nuclear fuel purchases properly safeguard Company assets. Tests performed included the following:

- Ascertain the accuracy and completeness of all nuclear fuel transactions recorded in the Fuel Account Report.
- Ascertain payments made for purchase of nuclear fuel materials were in accordance with contract terms.
- Ascertain that nuclear fuel transactions were properly reflected on company's books.

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DECLASSIFIED

DOCUMENT NUMBER-DATE

07186 JUL -6 1992

PSC RECORDS/REPORTING

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Confirmation of Nuclear Fuel Inventories

- ~~ITA~~ sent confirmation to each supplier for inventory balance as of October 31, 1970. Vendor confirmation replies were satisfactorily reconciled to Nuclear Fuel Accountability Report.

Results - Good.

II. Purchase of U₂O₈ Conversion Enrichment + Fabrication Services

- Payments made for purchase of U₃O₈ conversion services were examined for accuracy and agreed to general ledger accounts.

A. Results - Good. I/Auditors noted - following -

The index values used in the price calculation were incorrect because they did not agree with the indexes published by the Bureau of Economic Analysis. Using the correct index value changed the unit price from 21.28 and 21.09 to 21.11 and 20.88 respectively. The difference in unit price charge to FPC represents overpayment to UG USA in units of 6800 + 8400 respectively.

B. Payments to UG USA

FPC did not transfer payment on invoice date April 5, 1971 until May 31, 1971. Payment was 28 days post due. Interest on this invoice was estimated to be \$500.

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Review of Internal Audit
for Fuel Audit 12 months ended 3/31/92

RC
5/12/92

3. Purchase of Engineering and Consulting Services

Invoices + receiving reports related to engineering + consult services were tested for proper approval, account distribution and mathematical accuracy.

Results Good.

4. Payments for removal of Spent Nuclear Fuel + High Level Waste

Invoices and receiving reports were checked for proper approval, account distribution and mathematical accuracy. Invoice rates were agreed to respective contract.

Results - Good.

AFWDC Calculations

12/00 AFWDC applications were judgmentally selected for testing. Computations were verified and the rates agreed to supporting documentation.

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Nuclear Fuel

4/1/90 - 3/31/91

August 2, 1991

Background.

The Nuclear Fuel Supply Group of the Nuclear Materials Mgmt Department (JMA) negotiates and administers contracts and related purchase orders with vendors for the purchase of nuclear fuel materials in all stages of production process. Invoices from vendors are reviewed and authorized to payment by JMA. JMA maintains records used to account for nuclear fuel material (in quantities) owned by FPC and held at various vendor sites.

Scope & Objectives.

To determine whether controls are in effect over those related to nuclear fuel purchases properly safeguard company assets. Tests performed included the following:

- Ascertain the accuracy and completeness of all nuclear fuel transactions recorded in the Fuel Account Report.
- Ascertain payments made for purchase of nuclear fuel materials were in accordance with contract terms.
- Ascertain that nuclear fuel transactions were properly reflected on company's books.

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Natural Gas
1/90 - 6/91

Audit Scope + Objectives

- evaluate the internal controls for procurement, transportation and accounting for natural gas transactions recorded during the period and ensure that natural gas transactions were conducted in accordance with respective contracts and/or purchase orders and were properly recorded in FPL's general ledger.

The audit included gas transactions recorded during the period 1/90 - 6/91 totaling 497 million.

Evaluation of Internal Controls for Natural Gas Transactions Including Spot Market Purchases.

- Segregation of duties internal control issue identified as follows: In the absence of Senior Analyst (Gas) or another Senior Fuel Analyst, one individual negotiated the price of purchased gas in spot market, initiated Requisitions and Purchase Authorizations, issued delivery orders, Authorized without documented management approval directly to spot purchase vendors, reviewed the related invoices and enter's payment/receiving report data in PALS.

Management Comments: Mgmt indicated that spot gas purchases and invoice processing functions are normally split between two positions, but that one position was vacant and

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.. a replacement is being sought, after 1/8/72 meeting
.. between Mgmt - I/A. Mgmt took action to address
.. problem. The Senior Administrative Spec. performs most
.. of invoice processing duties - Senior Fuel Analyst reviews
.. overall invoice package

Review of Natural Gas Invoices. -

.. Invoices for purchased - transportation with Citaw, FGT,
.. and Amoco were reviewed to determine compliance
.. with contracts.

I/A noted the following. Special Invoice from FGT
issued 3/10 - 4/01 resulting in credits to FPL
of \$1319 622. FPL Personnel are reviewing Special
Invoice and reviewing suppliers documents at FGT
home office to determine special invoices are based on
billing adjustments and supplier refunds and if any
interest amounts due. FPL were included in FGT
Special Invoice Calculations.

Reconciliation of Natural Gas Volumes. + Review of Natural Gas Accounting

I/A performed reconciliation to ensure that FPL was not
being billed for gas not received and billed volumes
were accurate. I/A findings indicated actual volume^{28%}
for billed volumes were within the 4% maximum variance
specified by FERC GAS Tariff

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AUDIT DISCLOSURE 2

SUBJECT: Straggler Car Log Not Maintained on a Continuous Basis.

STATEMENT OF FACTS:

St. John's River Park Plant (SJRPP) is a joint venture between FPL and Jacksonville Electric Authority (JEA) for construction and operation of two coal fired generation plants at St. John's River Park. SJRPP is responsible for the procurement of coal, transportation and related services. FPL Fuel Resources reviews copies of the coal invoices and related documents, and approves billing for FPL's 20% ownership of coal inventory.

An internal audit issued February 26, 1992 of the Fuel Resources for the period April 1, 1990 through September 30, 1991 revealed the following:

Rail cars that do not arrive with their unit train sets are called stragglers. At the Saint Johns River Power Plant (SJRPP) accounting office, straggler car receiving reports were not always being completed with tonnages. Also straggler car log at the plant is not being maintained on a continuous basis. Internal Auditors recommended that visual inspection of railcars load should be performed and reported on the receiving reports and that straggler cars that do not arrive within seven days should be investigated immediately.

OPINION:

Weakness in internal control over coal purchases can cause inaccurate reporting of coal costs in the fuel adjustment schedules.

COMPANY COMMENTS:

The completion of the Receiving Report, and its approval by Plant Management, signifies that coal has been received. The Report is initialed by plant coal handling personnel who observe the coal cars during unloading, and is approved by both the Operations Superintendent and the Plant Manager. Therefore a modification to the Receiving Report to note visual inspection of coal cars has taken place is considered to be redundant and unnecessary.

Regarding the Internal Auditor's concern that "straggler cars that do not arrive within seven days should be investigated immediately," currently, as soon as it is determined that straggler cars exist, an investigation is initiated. This investigation utilizes "Touch Trace" which is a telephone tracking system provided by the railroad (CSX Transportation) which lets the caller know where the rail car is located.

AUDIT DISCLOSURE 3

**SUBJECT: Verification of Invoice Quality
Diesel Oil Purchase**

STATEMENTS OF FACTS:

An internal audit issued October 16, 1991 of the Fuel Resources Department--Oil, for the period April 1, 1990 through September 30, 1991 revealed the following:

I. Verification of Invoice Quality.

Fuel Oil Specification Notices - Form 5352 prepared by Power Resources Test Laboratories Personnel were examined on a test basis to determine if the temperature and components content of fuel complied with the specification of the fuel oil contracts.

One of the forms selected had a Heat of Combustion Value lower than the required specification. The vendor contract stipulates that reimbursement for BTU's which did not comply with specifications of the contract would be based on a volume weighted quarterly average of fuel sold by the vendor. The Internal Auditors noted that the Quarterly Average Heat of Combustion Value Reports by contractor are not being prepared to document if FPL is due credits from vendors. The Internal Auditors recommended that Fuel Management prepares Quarterly Average Heat of Combustion Value Reports to determine if any monies are due to FPL. The Internal Auditors calculated the Average Heat combustion Value and found heat values exceeded the contracts specifications.

II. Diesel Oil Purchases

Eighty-three (83) or 73% of all Coastal Fuel Marketing invoices for purchasing of Diesel fuel indicated that FPL representatives were not using cash discounts offered by the vendor. Discounts totaled \$7,765.

OPINION:

- 1 Lack of testing of the Heat Combustion Value could result in overstatement of Fuel Expenses which could overstate the fuel adjustment.
- 2 Discounts lost on other contracts and over a continued period of time could become material and overstate fuel expenses and the fuel adjustment.

RECOMMENDATION:

The internal auditors recommendation should be followed and further testing should be done to determine if the controls over taking discounts is a more extensive problem.

COMPANY COMMENTS: Forthcoming.

