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I/A

Nuclear Fuel

4/1/90 - 3/21/91

August 8, 1991

## Background.

The Nuclear Fuel Supply Group of the Nuclear Materials Management Department negotiates and administers contracts and releases 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 JMM. JMM maintains records used to account for nuclear fuel materials (in quantities) owned by FPC and held at various vendor sites.

## Scope &amp; Objectives.

To determine whether controls are in effect over transactions related to nuclear fuel purchased priorly subsequent Company assets. Tests performed included the following:

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

PSC-94-0895

DECLASSIFIED

DOCUMENT NUMBER-DATE  
07186 JUL-6 1992  
PSC RECORDS/REPORTING

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Confirmation of Nuclear Fuel Inventory  
and confirmation to each supplier for inventory  
balance as of October 31, 1990 Vendor confirmation letter  
were calibrating memo to Nuclear Fuel Accountability  
Review

Products - Goods.

II Purchases of U235 Conversion Enrichment + Tritium Sealed  
Payments made for purchase of U235 conversion services  
was examined for accuracy and agreed to general ledger  
accounting.

A. Reacto - Goods. I/Indirect notes - Following -

The index values used in the price calculation were  
incorrect because they did not agree with the  
indexes published by the International Economic  
Analysis. Using the correct index values charged the  
unit price from 21.29 and 21.09 to 21.11 and  
20.88 respectively. The difference in unit  
price charge to EPR represents overpayment to UC  
USA in amount \$800 + \$400 = \$1200

B. Payments to UG USA

UG did not transfer payment on invoice date April 5 1995  
until May 31, 1995. Payment was 28 days past due  
Interest on this invoice was estimated to be \$500

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Review of Standard Accts  
for the first 12 months ended 31/12/92

AC  
S/12/92

(7)

Purchases of Engineering and Consulting Services  
Invoices & receiving reports related to engineering & consulting  
services were taken for proper approval, account  
distribution and malpractice assessment.

Remote Gains

4 Payments for removal of Spent Nuclear Fuel & High  
level waste

Invoices and receiving reports were checked for  
proper approval, account distribution and  
malpractice assessment. Invoice rates were  
agreed to respective contract  
parties - (see).

T.A.F.U.D.C. Calabria

12/90 NEUDC applications were judgementsally evaluated  
for debts. Computations were verified and the rates  
agreed to sufficient documentation.

P3

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## Confirmation of Nuclear Fuel Inventory

- I/A sent confirmation to each supplier for inventory balance as of October 31, 1990. Vendor confirmation letters were counterchecked/reconciled to Nuclear Fuel Accountability Report.

Results - Good.

## II Purchase of U2O8 Conversion Enrichment + Isotope Services

- Payments made for purchase of U2O8 conversion services were examined for accuracy and agreed to general ledger accounts.

### A. Results - Good. I/Auditor 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 prices from 21.28 and 21.09 to 21.11 and 20.88 respectively. The difference in unit price charge to FPL represents overpayment to UC USA in amounts of \$800 + \$400 respectively.

### B. Payments to UG USA:

FPL did not transfer payment on invoice date April 5 1991 until May 31, 1991. Payment was 28 days past due. Interest on this invoice was estimated to be \$500

P2

P3

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

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5/12/77

### 3. Purchases of Engineering and Consulting Services

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

Ramakrishna Goud

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 · Calendar —

12/00 AEADS applications were judgementally selected for testing. Computations were verified and the rates agreed to sufficient documentation.

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THE WALTER LATHAM COMPANY (708) 445-8787

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I/A

Nuclear fuel

4/1/90 - 3/31/91

August 8, 1991

.. Background.

.. The Nuclear Fuel Supply Group of the Nuclear Materials  
.. Mgmt Department (JMH) negotiates and administers contracts and  
.. related purchase orders with vendors for the purchase  
.. of nuclear fuel materials in all stages of production pro-  
.. cesses from vendors are reviewed and authorized to  
.. payment by JMH. JMH 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 purchased properly safeguard  
.. Company assets. Tests performed included the following:

- .. - Ascertain the accuracy and completeness of all nuclear  
.. fuel transaction records in the fuel account, Report.
- .. - Ascertain payments made for purchases of nuclear  
.. fuel materials were in accordance with contract terms.
- .. - Ascertain that nuclear fuel transaction 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 transaction recorded during the period and

ensure that natural gas transaction were conducted in accordance with respective contracts and/or purchase orders and were properly recorded in FPL's general ledger.

The audit included gas transaction 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) another Senior Fuel Analyst had negotiated the price of purchased gas in spot market initiated Requisitions and Purchase Authorizations, issued delivery at work Authorizations without documentation. management approved directly to spot purchase vendors, review the the related invoices and enter's payment / receiving report data in PHLS.

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

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.. a replacement is being sought). After 1/8/82 meeting between Agent - I/A. Agent took action to address problem. The Senior Administrative Spec. performs most critical financial procedures duties + Senior Fuel Analyst reviews overall invoice package.

## Review of Natural Gas Invoices. -

Invoices for purchases + transportation with Cetex, FGT, and Amoco were reviewed to determine compliance with contracts.

I/A noted the following. Special invoices from FGT issued 3/10 - 4/11 resulting in credits to FPC of \$1319 622. FPC Personnel are reviewing Special Invoices and reviewing supplier documents at FGT home office to determine special invoices are based on billings adjustments and supplier refunds and if any interest amounts due FPC were included in FGT Special Invoice Calculations.

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

I/A performed reconciliation to ensure that FPC was not being billed for gas not received and billed volumes were accurate. I/A findings indicated actual versus <sup>28%</sup> gas billed volumes were within the 4% maximum variance specified by FERC GAC Tariff.

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## Natural Gas Accounting

A review of judgmentally selected gov transactions for the month of Sept. 1990, Jan 1991, and May 1991 indicated that LFAES amounts per property posted to the G/L

## Natural Gas Metering:

FPL is exercising contractual right to withdraw monthly calibration C.O. testing of FCT. N  
finding Good.

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## **AUDIT DISCLOSURE 2**

**SUBJECT:** Straggler Car Log Not Maintained on a Continious 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 realted 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 continious 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 initiated 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.

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**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.

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FPL

Review of Quality Adjustments  
follow-up next audit

RG  
6/12/92

Review of Quality Adjustments will be followed-up,  
in the next audit.

**AUDIT DISCLOSURE:**

**SUBJECT: Review of Quality Adjustments**

**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 Department-Coal, for the period April 1, 1990 through September 30, 1991 revealed the following:

Coal contracts stipulate that quality adjustments will be made quarterly based on the weighted average of quality components(BTU's, Sulfur and Ash). No controls are in place to ensure that the sample received by SJRPP, sample from the mine and referee sample are from the same shipment. As a result, SJRPP has been sampling coal when received(site sample) at SJRPP and performing quality analysis. These results are compared to the sample mailed to SJRPP by the mine. During the audit period only 51% of the shipments delivered to SJRPP were site sampled.

**OPINION:**

Quality affects the price of coal and therefore can have an effect on the fuel adjustment amount.

**RECOMMENDATION:**

Procedures should be implemented to ensure that the sample received by SJRPP, sample from the mine and referee sample are from the same shipment.

**COMPANY COMMENTS:**

There are procedures already in place concerning the comparison of the various different samples. Section 7.4 of SJRPP-FP 104 "Procedures for Verifying Quality and Quantity of Coal" specifies the statistical limits for comparison of the proximate analysis of the mine and plant samples, based on American Society for Testing and Material (ASTM) standards (see attached). As long as the proximate analysis of the mine sample and the plant sample is within the statistical limits defined in the procedure, the samples are considered statistically similar. If the statistical limits are violated, then the referee sample is sent to an independent lab for proximate analysis. Therefore, no additional actions are deemed necessary.

Regarding the concern that "only 51% of shipments delivered to SJRPP were site sampled", management noted in the Audit Report that site sampling is conducted and used as an additional indicator of supplier performance. Site samples are taken whenever operation of plant permits. The site sampler was not designed to sample all coal received at the site. Please note that, during the period covered by the Audit Report, a substantial number of the trains - 51% - were indeed sampled at the site. In addition, SJRPP's analysis of these site samples has not indicated any problems with supplier performance.