



Highlights of [GAO-06-723](#), a report to the Chairman, Committee on Energy and Natural Resources, U.S. Senate

U.S. ENRICHMENT CORPORATION PRIVATIZATION

USEC's Delays in Providing Data Hinder DOE's Oversight of the Uranium Decontamination Agreement

Why GAO Did This Study

Prior to the 1998 privatization of the U.S. Enrichment Corporation (USEC), the Department of Energy (DOE) transferred about 45,000 metric tons of natural uranium to USEC to, among other things, be enriched to fulfill USEC's nuclear fuel contracts. About 9,550 metric tons were subsequently discovered to be contaminated with technetium, a radioactive metal, at levels exceeding the specification for nuclear fuel. Although DOE has not admitted liability, DOE and USEC have entered into agreements under which USEC is decontaminating the uranium. DOE has compensated USEC for its decontamination costs in several ways, including using proceeds from sales of government-owned clean uranium. GAO was asked to examine (1) USEC's progress in decontaminating uranium and (2) DOE's oversight of USEC's decontamination activities. A forthcoming GAO legal opinion will address DOE's legal authority to transfer clean uranium to USEC for sale and use the proceeds to compensate USEC for its decontamination services.

What GAO Recommends

GAO recommends that DOE (1) clarify with USEC the department's oversight role in the uranium decontamination agreement and (2) report to the Congress on, among other things, USEC's progress in decontaminating uranium and its costs. DOE agreed with our recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-06-723.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Gene Aloise at (202) 512-3841 or aloisee@gao.gov.

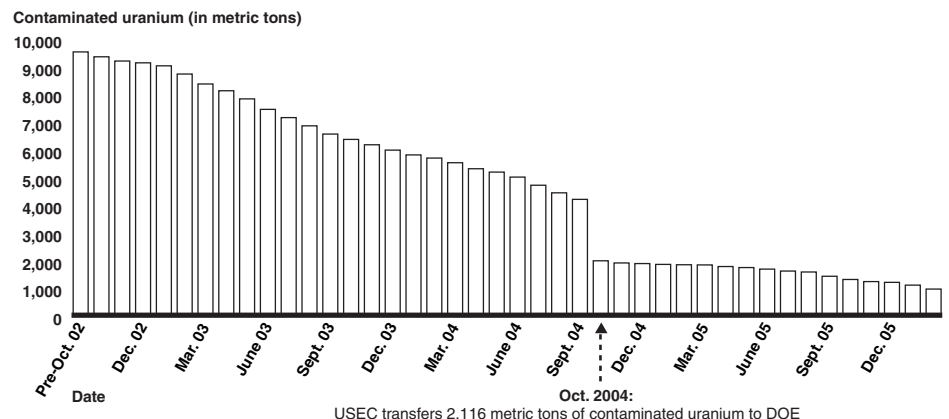
What GAO Found

As of February 28, 2006, USEC reported that about 10 percent of the contaminated uranium that DOE transferred to the corporation prior to privatization remains to be decontaminated, or about 960 metric tons of the 9,550 contaminated metric tons transferred. DOE estimates USEC will finish decontaminating this uranium by the end of December 2006. Through the end of February 2006, USEC has invoiced DOE for a total of about \$152 million in decontamination costs.

DOE takes several steps to oversee USEC's uranium decontamination activities. DOE reviews monthly USEC reports that detail, among other things, the corporation's decontamination progress and costs. In addition, DOE, through the Defense Contract Audit Agency (DCAA), audits USEC to verify that USEC's actual costs match the amount DOE paid to the corporation and are in accordance with the provisions of the uranium decontamination agreement.

However, DOE has had difficulties completing some of its oversight because of USEC's delays in providing financial data and other information. DOE officials told us that USEC sometimes takes up to 6 months before responding to its inquiries about the corporation's monthly reports. As a result, DOE has some concerns about whether USEC consistently conducts decontamination work in a cost-effective manner. DCAA has also experienced significant delays obtaining USEC financial data that it requires for its annual audit of USEC's costs. DOE uses these data to verify that USEC's actual decontamination costs match what DOE paid USEC. Until DCAA's audits are complete, DOE cannot be certain whether the compensation it provided to USEC matches USEC's actual decontamination costs. As a result, USEC may need to repay money to the government or DOE may owe additional money to USEC upon completion of these audits. In addition, the Congress has not received information to assist in the appropriations process on the progress and costs of decontamination.

USEC's Inventory of Technetium-Contaminated Uranium, June 2002 through February 2006



Source: GAO presentation of USEC data.