

TVA RESTRICTED INFORMATION



Memorandum from the Office of the Inspector General

September 15, 2020

[REDACTED]
Diane T. Wear

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EMPLOYEE MISCONDUCT
WASTE & FRAUD: EMBEZZLEMENT
OIG FILE NO. 20-0181

This investigation stems from a Tennessee Valley Authority (TVA) Office of the Inspector General (OIG) audit of TVA's Purchasing Card Transactions from October 1, 2017 through September 30, 2019. OIG Financial and Operational Audit staff identified irregular transactions for the TVA Purchasing Card assigned to [REDACTED]. More specifically, [REDACTED] TVA Purchasing Card was used to make rental payments to [REDACTED] - an apartment complex located at [REDACTED]. Information in TVA's People Lifecycle Unified System (PLUS) database shows [REDACTED] resides at the [REDACTED] complex.

The TVA Standard Programs and Processes (SPP) that provide the basis for TVA's Purchasing Card Program are TVA-SPP-04.003 (TVA VISA Purchasing Card Procedure) and TVA-SPP-13.043 (TVA Purchasing Card Usage). Both of these policies stipulate purchases that violate TVA's ethical conduct standards, i.e. personal purchases, are explicitly prohibited on the TVA Purchasing Card. They also state that misuse of the TVA Purchasing Card may result in disciplinary action up to and including termination of employment and prosecution where fraud is evident. The TVA VISA Purchasing Card Procedure establishes that the TVA Purchasing Card is to be used solely for purchasing appropriate goods and services for TVA. It ensures all cardholders understand the allowed and disallowed uses of the TVA Purchasing Card.

TVA's Purchasing Card Usage policy establishes a Purchasing Card Program which provides TVA organizations with a mechanism to make small-dollar purchases for materials and services when it is determined to be the best procurement method. In order to promote compliance with this policy, each TVA organization assigns an approving official to each cardholder to review and approve Purchasing Card transactions and other documentation within TVA's Integrated Credit Card Solutions (ICCS) system. It also establishes annual training requirements.

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In some instances where TVA property is misused for private or personal gain, federal and state criminal law provisions may be implicated. Under federal law, Title 18, United States Code §641 (18 USC 641), assigns criminal liability to whoever embezzles, steals, purloins, or knowingly converts to his or her use the property of the United States. Similarly, the Tennessee Code Annotated, Title 39, Chapter 14, §103 (TCA §39-14-103) establishes state criminal liability when a person intentionally deprives the owner of property, or the possession or use of that property without the owner's consent.

██████████ TVA Purchasing Card transactions occurring January 2015 through May 2020 were reviewed for this investigation. Nine separate instances were identified where the card was used to make unauthorized rental payments to ██████████. ██████████ is an apartment complex located at ██████████. Information in TVA's PLUS database, shows ██████████ resides in apartment ██████████ complex. The total amount paid to ██████████ during this time period totaled \$8,733.50.

In TVA's ICCS system, ██████████ documented in the Transaction Description section that she used the TVA Purchasing Card in error when she made her rental payments to ██████████ for August and October 2017, and for July and September 2019. In reviewing TVA's Expense Reimbursement System (ERS), ██████████ only reimbursed TVA for two of these erroneous transactions to ██████████. These two repayments occurred in September 2017, in the amount of \$970.00, and in October 2019, in the amount of \$970.50. The total reimbursement made to TVA by ██████████, totaled \$1,940.50.

During her interview with the OIG, ██████████ stated she routinely kept her TVA Purchasing Card in her wallet, along with her personal bank cards and credit cards. For all nine of the erroneous payments, ██████████ claims she pulled the TVA Purchasing Card out of her wallet by accident when she made her monthly rental payment to ██████████. ██████████ stated she intends to repay TVA the money she owes for her erroneous use of the TVA Purchasing Card. The amount of rent paid by TVA and not returned by ██████████ for unauthorized rental payments to ██████████, is \$6,793.00.

In documentation obtained from ██████████, three instances were identified where ██████████ authorized a credit card payment for her monthly rent using the TVA Purchasing Card. This paperwork required ██████████ to list the card type, the name on the card, the card billing address, the card number, the card expiration date, and the card CVV number. On these 3 occasions, ██████████ listed the card billing address as ██████████. During this time period, ██████████ completed six other forms to pay her rent, and always listed her home address as the billing address when she used her personal credit card. This form, authorizing payment of ██████████ monthly rent, was left in a drop box at the ██████████ business office. According to ██████████ management, ██████████ routinely left her monthly rental payment in the office drop box, or called in and provided her payment information.

██████████ attempted to pay her July 2019 rent by check; however, she received a notice from ██████████ on July 10, 2019 that her check was returned by her bank due to "Insufficient Funds," and was asked to pay her rent within 24 hours. On July 11, 2019, ██████████ paid her rent using her TVA Purchasing Card.

Card Usage policy requires that all cardholders and approving officials must complete the online Purchasing Card Training within TVA's Learning Management System (LMS), on an annual basis to retain cardholder and approving official status.

A review of ██████████ LMS training records showed she only took the Purchasing Card Training on one occasion: July 6, 2020. The approving official for ██████████ card took the Purchasing Card Training on two occasions: January 6, 2016 and July 16, 2020. Neither ██████████, nor her approving official, took the required Purchasing Card Training during the annual period when the unauthorized transactions occurred.

Also required by the TVA Purchasing Card Usage policy, cardholders are responsible for verification of the monthly statements within the ICCS system. The policy states the cardholder will provide a description of each transaction, allocate each transaction to the appropriate account code and upload all supporting documentation for each transaction. A Lost Receipt Form 27277 will be completed when a receipt is not available. Finally, the cardholder will certify the verification is complete and accurate within ICCS.

After the cardholder has certified his or her verification of the monthly statement within ICCS, the approving official will be able to review and approve the monthly statement. The statement approval is completed by the approving official assigned to the cardholder in ICCS. Prior to approving the monthly statement, the approving official must review each transaction and description to ensure compliance with TVA policies and procedures. The approving official verifies all receipts are attached and accurate with all codes correctly charged. Once the approving official is satisfied the statement is accurate and the documentation is complete, the approving official certifies approval of the purchasing card statement within ICCS.

As required by Sarbanes-Oxley Control K.2.100653, to reduce the risk of unauthorized purchasing card charges, the cardholder's approving official reviews and approves the statement electronically in ICCS monthly for all cards. Evidence of review is maintained electronically in ICCS. This includes review and approval of assigned project and task account information, as well as the transactions on the monthly statement. ICCS notifies cardholders and approving officials for unapproved statements. As appropriate, the card administrator will suspend cards if transactions have not been approved in a timely manner.

According to TVA's policy, the card administrator will suspend cards for 30 days when the cardholder does not complete the Purchasing Card statement reconciliation in a timely manner. If the cardholder violates this more than twice, Disbursement Services reserves the authority to cancel the cardholder's Purchasing Card for noncompliance.

In reviewing ██████████ Purchasing Card transactions within ICCS, we identified multiple months where ██████████ failed to upload her transaction receipts to reconcile the corresponding Purchasing Card statements. These occurred every month between June 2018 and January 2019, June 2019 and July 2019, and September 2019 and November 2019. Consequently, these transactions were not approved by ██████████ approving official. ██████████ approving official was also the approver for seven other Purchasing cardholder's during this same time period. However, for all seven of these cardholder's there were no unapproved Purchasing Card statements during this same time period.

The evidence supports a finding that ██████████ improperly and intentionally used her TVA Purchasing Card for her personal benefit by presenting the TVA Purchasing Card to the ██████████ apartment complex for rental payments on nine separate occasions between

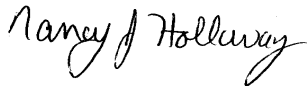
August 2017 and October 2019. TVA documentation in ICCS shows these transactions totaled \$8,733.50. However, ██████████ did reimburse TVA for two of these unauthorized transactions through ERS for a total of \$1,940.50. The outstanding balance still due TVA for ██████████ unauthorized transactions is \$6,793.00.

Based on our investigative findings, we recommend the following:

- Corporate Accounting take steps to collect the outstanding balance of \$6,793.00 for ██████████ unauthorized transactions paid to ██████████.
- TVA Transmission Management consider pursuing disciplinary action in adherence to TVA-SPP-11.316, Employee Discipline for ██████████ actions in the unauthorized use of her TVA Purchasing Card.
- Transmission and Power Supply ensure that all cardholders and approving officials are up to date on their annual Purchasing Card Training.
- Disbursement Services take measures to ensure cardholders and the cardholder's approving official are regularly notified when Purchasing Card statement reconciliation/approval is not done on a monthly basis. As appropriate, the card administrator should also consistently suspend or cancel an employee's purchasing card for repeated noncompliance. This is a requirement of Sarbanes-Oxley Control K.2.100653.

We would appreciate being informed within 30 days of your determination and of any action taken as a result of this memorandum. In addition, if you decide to take documented action, we would appreciate your sending a copy of the relevant information to this office for our file.

This memorandum has been designated "TVA Restricted" in accordance with TVA-SPP-12.002, TVA Information Management Policy. Accordingly, it should not be disclosed further without the prior approval of the Inspector General or her designee. In addition, no redacted version of this memorandum should be distributed without notification to the Inspector General of the redactions that have been made.



Nancy J. Holloway
Assistant Inspector General
(Investigations)

██████████
cc: Douglas H. Bailey, Jr.
Janda E. Brown
Janet D. Jones
Jill M. Matthews
Sherry A. Quirk
David P. Wheeler
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