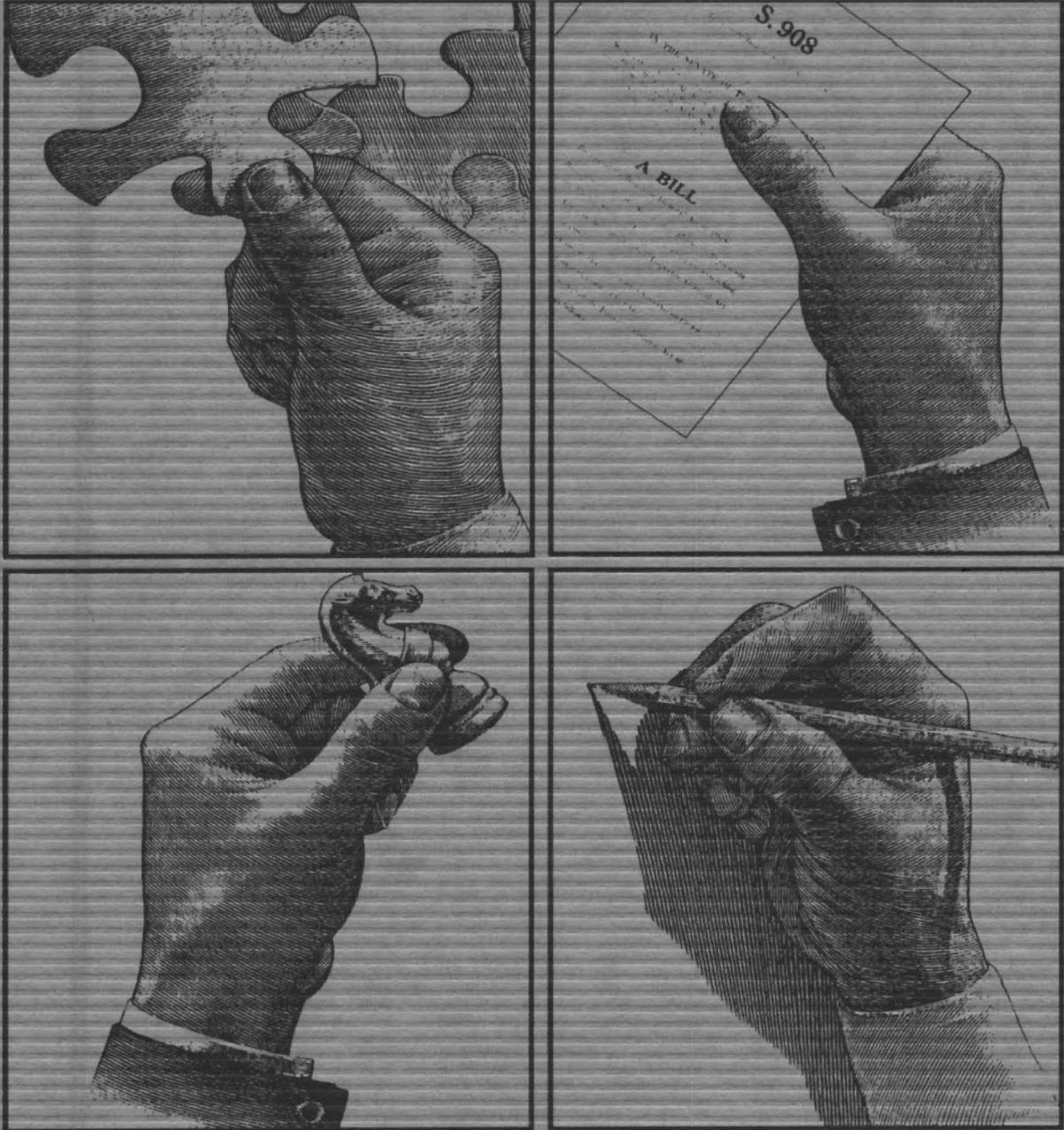


# TENNESSEE VALLEY AUTHORITY

## OFFICE OF THE INSPECTOR GENERAL SEMIANNUAL REPORT



APRIL 1, 1988 - SEPTEMBER 30, 1988

**TENNESSEE VALLEY AUTHORITY  
OFFICE OF THE INSPECTOR GENERAL**

400 West Summit Hill Drive  
Knoxville, Tennessee 37902

The Office of the Inspector General (OIG) is an independent organization charged with reporting to the Tennessee Valley Authority (TVA) Board of Directors and Congress on the overall efficiency, effectiveness, and economy of all TVA programs and operations. The OIG meets this responsibility by conducting and supervising audits, investigations, and related projects.

The OIG's audits and investigations focus on (1) the prevention, identification, and elimination of waste, fraud, and abuse; (2) violations of law, rules, or regulations; and (3) misconduct, mismanagement, and inefficiencies in TVA programs and operations.

If you want to report fraud, waste, mismanagement, or misconduct involving TVA programs or employees, you should write to the Inspector General's office or call the OIG Hotline.

**OIG TELEPHONE HOTLINE**

**Knoxville** (615) 632-3550

Toll-free in:

**Tennessee** 1-800-423-3071

Toll-free in:

**Alabama, Arkansas,  
Georgia, Kentucky,  
Mississippi, Missouri,  
North Carolina, Virginia**

1-800-323-3835

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October 31, 1988

TO THE TVA BOARD OF DIRECTORS AND THE UNITED STATES CONGRESS

This is the fifth Semiannual Report for the Office of the Inspector General (OIG). It summarizes our major OIG activities and accomplishments from April 1, 1988 to September 30, 1988.

This six-month period saw major changes at TVA. In mid-May, a corporate reorganization was announced which was designed to improve TVA's overall efficiency and ability to operate in a competitive business environment. During June, a major reduction in force was announced with a goal of reducing TVA's workforce by 7,500. The Board of Directors voted in August to keep power rates at current levels and also announced their commitment to keeping rates stable for three years. The entire Agency, including the OIG, has focused during this reporting period on identifying "A New Way of Doing Business."

There were a number of significant accomplishments this reporting period. We opened 308 new cases, closed 494 investigations, and referred 73 matters to Federal and state prosecutors. The United States Court of Appeals for the Sixth Circuit affirmed a district court's ruling that our investigation of alleged drug use by Sequoyah Nuclear Plant employees (which we reported last April) was entirely appropriate. We issued 39 audit reports and identified over \$7 million in questioned costs. Moreover, TVA management accepted our audit recommendations over 86 percent of the time.

In our last semiannual report, we described our investigation of a major travel voucher fraud scheme involving Nuclear Quality Assurance employees. As a result of that investigation, TVA terminated 28 employees, a Federal Grand Jury in-

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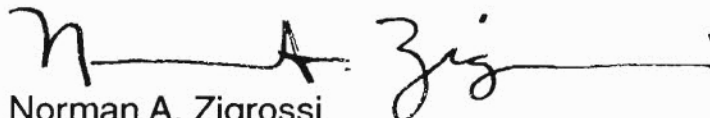
dicted 27 individuals, and 24 persons pled guilty to submitting fraudulent travel vouchers. Twenty-four former employees have been ordered by a Federal Judge to make restitution to TVA.

The investigations of drug use and travel fraud were difficult for the OIG and for TVA and its employees. It is regrettable there has been so much disruption in TVA and in the lives of those individuals who were the subjects of these investigations. However, the principle underlying those cases--that the Government must have a trustworthy, unimpaired workforce--is immutable.

A significant development occurred just prior to our issuing this report. On October 18, 1988, President Reagan signed the Inspector General Act Amendments of 1988 into law. This new law created agency-appointed Inspectors General for 33 Federal entities including TVA. The OIG is now responsible, as a matter of law, for virtually all of TVA's internal audit and investigative activities. For the most part, this new law will not radically affect the OIG's operations. However, we welcome the permanent subpoena power and the authority to take sworn statements.

As we complete a reporting period marked with change and challenges, the OIG is committed to helping TVA find "New Ways of Doing Business" that will promote integrity and efficiency and benefit our ratepayers and taxpayers.

Sincerely,

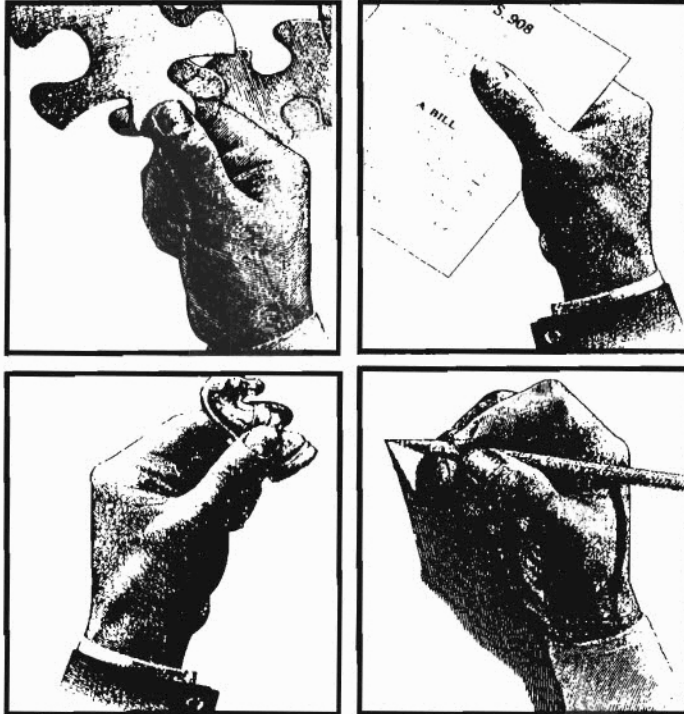
A handwritten signature in black ink, appearing to read "Norman A. Zigrossi". The signature is written in a cursive style with a horizontal line extending to the right.

Norman A. Zigrossi  
Inspector General

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# EXECUTIVE SUMMARY

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This is the fifth Semiannual Report by TVA's Office of the Inspector General (OIG). The report summarizes the OIG's activities and accomplishments during the six-month period which ended September 30, 1988. These activities and accomplishments are described below.

## INVESTIGATIONS

Investigations of allegations of fraud and waste--including allegations about falsification of records and theft--comprised a significant amount of our investigative caseload. Our more significant investigative accomplishments are described below.

- ◆ We opened 308 new cases and closed 494 cases resulting in a caseload of 385 open cases on September 30, 1988.
- ◆ We recommended TVA management take administrative or disciplinary action in 113 of the 494 cases we closed. Based on these and prior recommendations, TVA management reprimanded 41 employees, suspended 9 employees, and terminated 52 others.
- ◆ We referred 73 matters to prosecutorial and other officials, including 59 cases we referred to United States Attorneys.
- ◆ We issued 193 Reports of Administrative Inquiry to TVA management.
- ◆ The Inspector General testified--about the OIG Hotline--before the Senate Subcommittee on Government Efficiency, Federalism, and the District of Columbia. Our Hotline, which received 221 calls during the period covered by this report, continues to be our primary source of allegations for cases opened.

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- ◆ The United States Court of Appeals for the Sixth Circuit affirmed a Federal district court's ruling that our investigation of alleged drug use by Sequoyah Nuclear Plant employees was entirely appropriate.

## AUDITS

In our largest single audit activity this reporting period, we questioned \$6.1 million of a contractor's \$22.9 million delay claim that was filed on behalf of the contractor and 12 subcontractors. When the contractor, who was the general contractor for TVA's Chattanooga Office Complex, filed suit in Federal court, we communicated our audit findings to TVA management for consideration during settlement negotiations. Subsequently, the parties agreed to a \$5.6 million settlement of the entire \$22.9 million claim. Other significant audit activities are described below.

- ◆ We issued 39 audit reports and identified more than \$7 million in questioned costs.
- ◆ TVA management has agreed with more than 86 percent of our audit recommendations.
- ◆ TVA management has implemented more than 68 percent of our recommendations, resulting in more than \$137 million in avoided costs.

## OTHER OIG ACTIVITIES

During April 1988, Grant Thornton auditors and Charles L. Dempsey (the former Inspector General of the Department of Housing and Urban Development) reported the results of their review of our operations to the TVA Board of Directors. The report concluded the OIG--after being in operation for only two years--compared "favorably with other Federal OIG's of long standing."



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During this reporting period, we completed a supplement to the OIG's investigators' handbook. The supplement provides detailed guidance for investigating various offenses within our jurisdiction and includes an item-by-item description of 62 offenses we may investigate.

We issued 35 subpoenas--26 in connection with investigations and 9 in connection with audits--which were served in 8 states and the District of Columbia.

# TVA AGENCY PROFILE

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TVA is an independent corporate agency of the Federal Government. TVA was established by Congress in 1933 and broadly charged with developing and conserving the natural resources of the Tennessee Valley--a seven-state, 80,000 square-mile service area. The authors of the TVA Act designed "a corporation clothed with the power of government but possessed of the flexibility and initiative of private enterprise."

To achieve its mission, TVA is involved in producing and distributing electric power and in agricultural, economic, and natural resource development. Revenues from power sales fund the power system, and remaining programs are funded principally by Congressional appropriations. Corporate responsibility is vested in a three-member Board of Directors who are appointed by the President and confirmed by the Senate. Directors are appointed for nine-year terms, and the President designates one director as Chairman.

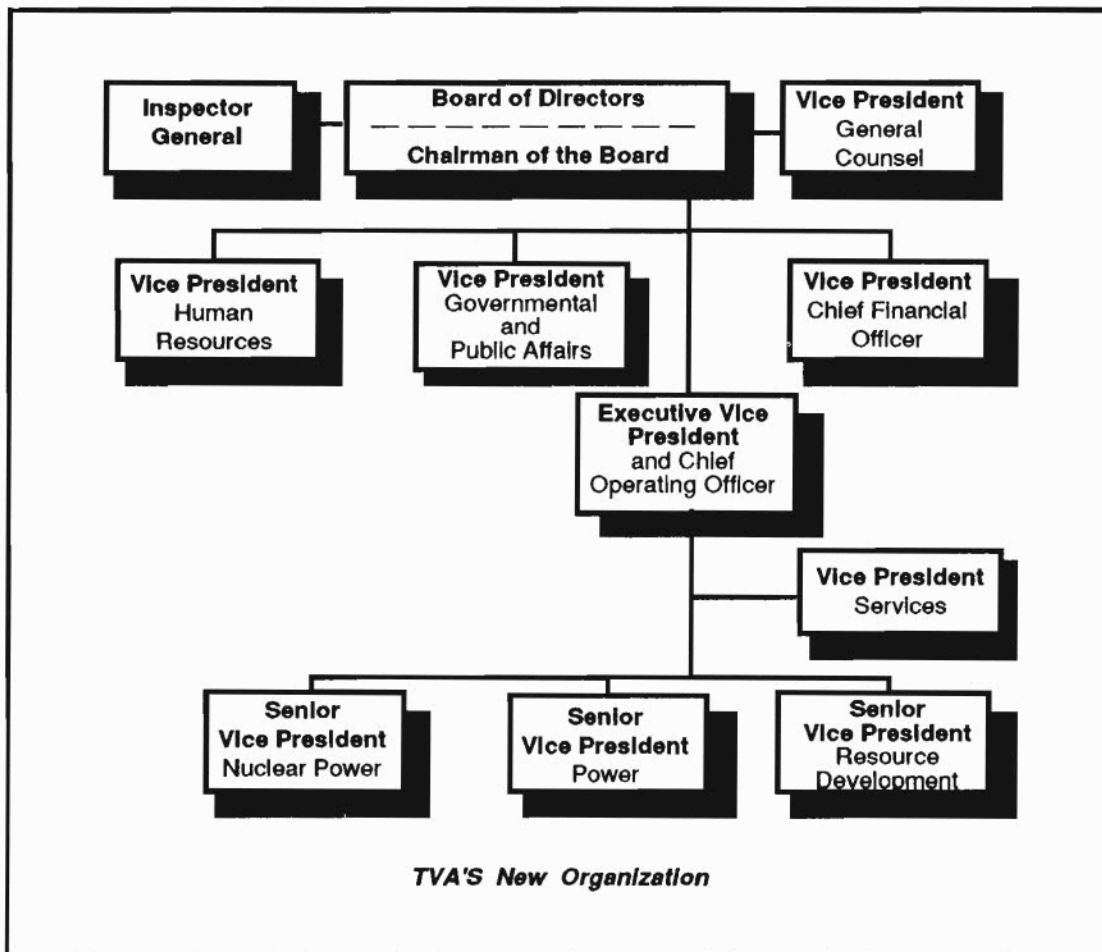
Marvin Runyon became TVA's Board Chairman during February 1988. In mid-May, Chairman Runyon announced a corporate reorganization designed to decrease the number of top management positions and improve efficiency and reduce overhead costs. Chairman Runyon announced an overall intention "to ensure that TVA survives and prospers in today's competitive business environment."

During June, Chairman Runyon announced a number of cost-saving measures to eliminate power rate increases for three years and improve services in TVA's federally funded programs. One economy measure was to downsize TVA's workforce of approximately 33,000 by 7,500 employees by September 30, 1988. During August, the TVA Board voted to keep power rates

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at current levels. According to Runyon, "We are fundamentally restructuring TVA and getting it in shape for the future."

To accomplish its long-term goals, the TVA Board has instituted an ongoing management improvement effort to identify "A New Way of Doing Business." The OIG has played an important role in this effort and will continue its mission to improve TVA and safeguard the taxpayers' and ratepayers' interests.

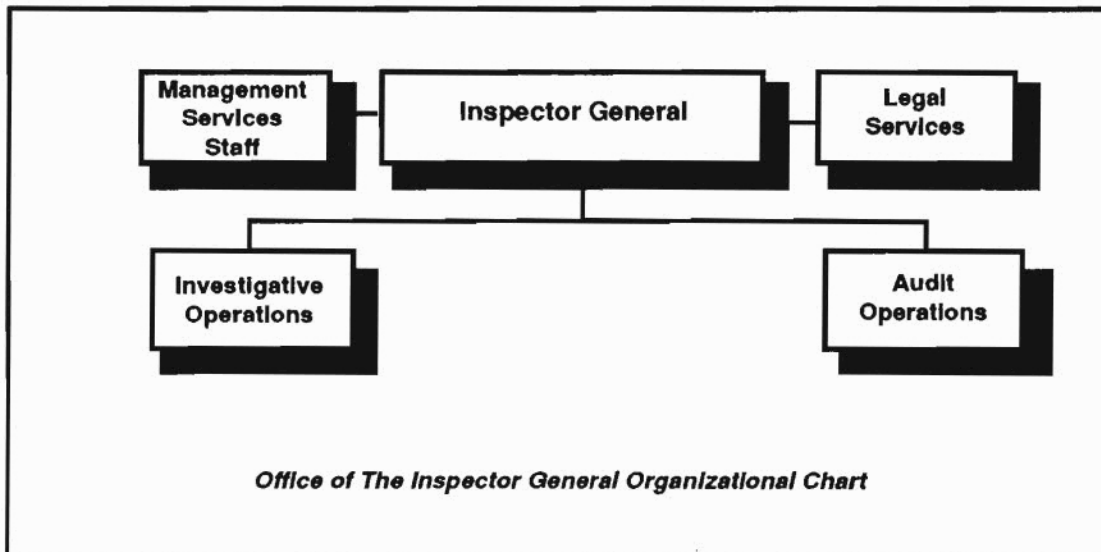


# TVA OFFICE OF THE INSPECTOR GENERAL

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## Office Authority

The TVA Board of Directors established the OIG (during October 1985) to address employee concerns, increase public trust, and promote TVA's cost-effective operation. As provided in the resolution creating the OIG, the OIG's duties and authority are virtually the same as those of Inspectors General established under the Inspector General Act of 1978. TVA's Inspector General is an independent official subject only to the general supervision of the TVA Board of Directors. The Inspector General may report matters to Congress through the semiannual report and interim reports.



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## The OIG's New Managers

### **YELVINGTON APPOINTED ASSISTANT IG OF INVESTI- GATIVE OPERATIONS**

During June 1988, James H. Yelvington was appointed Assistant Inspector General of Investigative Operations. Before joining the OIG, he was employed as a Special Agent with the Federal Bureau of Investigation (FBI). His most recent FBI assignments were as Deputy Assistant Director, Administrative Services Division, Washington, D.C.; Special Agent in Charge (SAC) of the Criminal Division, New York Office; and SAC of the Louisville, Kentucky, Office.

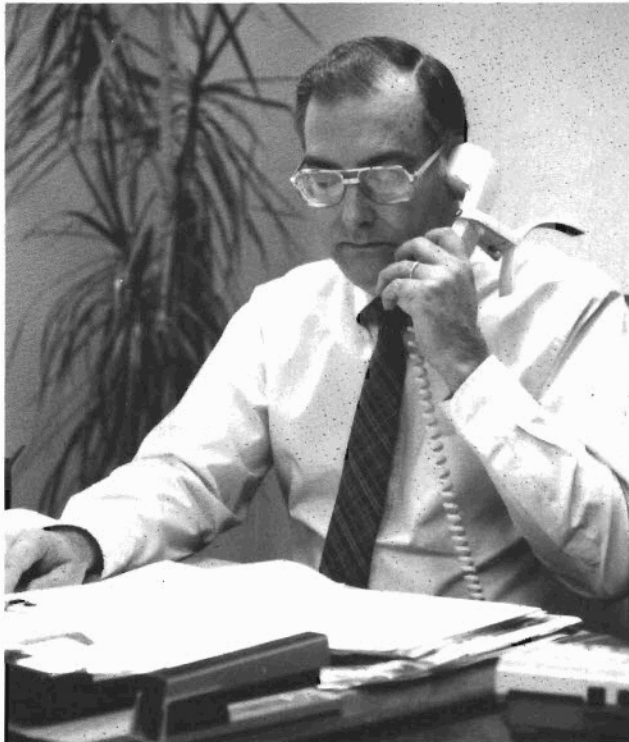


As a Deputy Assistant Director of the FBI, Yelvington managed the Bureau's centralized personnel program. As SAC, Criminal Division, New York Office, he was in charge of all criminal investigative programs and criminal investigative personnel in the greater New York metropolitan area. His investigative and managerial experience is primarily in the area of white-collar crime, with emphasis on corruption and fraud.

As Assistant Inspector General, Yelvington is responsible for supervising and directing investigative activities dealing with allegations of misconduct, fraud, waste, abuse, and employee concerns. He supervises 41 investigators working in 4 departments.

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During May 1988, H. Ernest Woodby was appointed Assistant Inspector General of Audit Operations. Before joining the OIG, he was employed as a Special Agent with the FBI. His last FBI assignment with the Bureau was in Wisconsin as the Special



Agent in Charge of the Milwaukee Office. Woodby also managed the FBI's centralized budget for 13 headquarters offices and 59 field offices.

**WOODBY  
APPOINTED  
ASSISTANT IG  
OF AUDIT  
OPERATIONS**

As Assistant Inspector General, Woodby is responsible for supervising and directing all audit activities related to TVA's programs. One of the first tasks in his new role was overseeing the reorganization of Audit Operations--a

reorganization that reflected and paralleled TVA's new organizational structure.

Audit Operations is staffed with 56 auditors who are assigned to 3 Departments. Thirty-five of these auditors are professionally certified as public accountants, internal auditors, and information systems auditors. Five others are certified in related fields. The recommendations of this group have saved TVA ratepayers millions of dollars since the OIG's inception.

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**BOLEJACK  
APPOINTED  
OIG DEPUTY  
LEGAL  
COUNSEL**

The OIG has recently created the position of Deputy Legal Counsel to help handle the increased workload and responsibilities of the Legal Counsel's staff. Bonnie Bolejack has been selected for this new position and is responsible for a variety of legal matters, supervising other attorneys and analysts on the Legal Counsel's staff, and serving (along with the Inspector General) as the OIG's primary contact with the news media.

Ms. Bolejack has a distinguished background generally as well as experience in matters of particular importance to the OIG. Prior to her selection as Deputy Legal Counsel, she was a senior OIG attorney. She also has extensive experience in labor relations and personnel matters and served as a unit



supervisor (policies and procedures) in TVA's Division of Personnel and as a litigation attorney in TVA's General Counsel's office. While in the Division of Personnel, she developed a comprehensive Supervisor's Handbook that is widely used in TVA and covers personnel, labor relations, and Equal Employment Opportunity matters.

# FRAUD ON THE ROAD

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Fraud and Waste--including falsification of records and theft--comprised a significant amount of our investigative caseload and was the basis for a major audit report issued this reporting period. Allegations of falsified travel vouchers were particularly prevalent.



*The Travel Voucher Investigative Team*

According to an audit report we issued this reporting period, TVA paid more than \$27 million during fiscal year 1987 for employee travel and processed more than 88,300 travel vouchers. OIG auditors also reviewed the administration of TVA's travel policies and regulations and reviewed selected travel vouchers of TVA and contractor employees. These auditors, as well as TVA managers and employees, referred information on alleged travel abuses to OIG investigators for further investigation.



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We investigated 14 cases this reporting period involving falsified TVA travel vouchers. Several cases involved multiple subjects, and we determined 19 individuals submitted falsified travel vouchers to TVA. These cases involved travel vouchers that were falsified in various ways, including falsified lodging receipts; falsified mileage; trips that, in fact, were not taken; and false claims of being in official travel status when, in fact, the employee was not traveling.

The following summaries describe representative travel voucher falsifications in greater detail.

**EMPLOYEES  
SUBMIT  
FALSIFIED  
LODGING  
RECEIPTS**

We identified nine Nuclear Quality Assurance employees and one former employee who were involved in a scheme to submit fraudulent travel vouchers to TVA. These employees inflated their requests for travel reimbursement by submitting fraudulent lodging receipts to TVA. The amount of fraudulent overpayments to these individuals varied, but the total amount was more than \$38,300.

The general scheme these employees used involved several variations which are outlined below.

1. Some employees shared an apartment, divided the total rental charge, and then obtained receipts which falsely showed that each roommate paid the entire cost of the apartment.
2. Some employees stayed at one facility and then obtained receipts from an entirely different facility, which falsely showed they paid amounts which were higher than their actual out-of-pocket expenses.

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3. Other employees purchased their own receipt books and had the apartment complex manager sign receipts for lodging, which falsely showed they paid amounts which were higher than their actual out-of-pocket expenses.

As a result of this investigation, TVA terminated two Nuclear Quality Assurance employees. TVA management is still determining the appropriate action to take on the remaining seven employees we identified. In addition, one individual pled guilty in Federal court to submitting falsified lodging receipts to TVA. Our investigation of additional falsified travel vouchers is ongoing.

In our last semiannual report, we reported that 28 Nuclear Quality Assurance employees and 2 former employees were also involved in the same scheme to submit fraudulent lodging receipts to TVA. As a result of our investigation, TVA terminated the 28 employees. A Federal Grand Jury indicted 27 of these individuals--24 of them pled guilty to submitting fraudulent travel vouchers, and 3 indictments were dismissed.

A Federal Judge has ordered the 24 former employees to make restitution to TVA and placed each individual on probation ranging from 3 to 24 months. The amount of restitution to TVA is more than \$89,000.

An engineering aide admitted he submitted at least 10 fraudulent travel vouchers (totalling over \$1,000) to TVA while he was temporarily assigned to the Sequoyah Nuclear Plant. The employee admitted he paid \$350 a month for an apartment and then submitted inflated receipts which falsely showed he paid \$750 per month.

**ENGINEERING  
AIDE  
ADMITS FRAUD**

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**ENGINEERING  
ASSOCIATE  
ADMITS  
FALSIFICATION**

A Watts Bar Nuclear Plant engineering associate admitted he submitted at least 22 fraudulent travel vouchers to TVA and received \$1,850 in overpayments. The engineering associate rented an apartment for \$87.50 per week and received an inflated receipt for \$175 per week which he then submitted to TVA for reimbursement. When the employee resigned, we recommended TVA withhold the amount of overpayment from his separation pay.

**EMPLOYEE  
SEEKS PAY FOR  
USE OF TVA  
VEHICLE**

A manager in a TVA District Office falsified his travel voucher (totalling \$213) when he claimed he drove his personal vehicle on official business when, in fact, he drove a TVA vehicle.

**EMPLOYEES  
BILL TVA FOR  
FREE LODGING**

An employee in Occupational Health and Safety resigned after our investigation revealed he submitted falsified travel vouchers (totalling \$761) to TVA. The employee falsely claimed he paid for four nights of lodging when, in fact, the lodging was free. (In our last semiannual report, we reported another Occupational Health and Safety employee falsely claimed he paid for six nights of lodging which were actually free. This employee also resigned during this reporting period.)

An Assistant Site Representative in Nuclear Power's Employee Concern Program admitted he submitted falsified travel vouchers to TVA. The employee falsely claimed he paid \$150 for five nights of hotel lodging which were actually free. The employee resigned and has reimbursed TVA for the overpayment.

The United States Attorney declined to prosecute these three employees in favor of administrative remedies by TVA.

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An engineering associate temporarily assigned to the Watts Bar Nuclear Plant inappropriately sought reimbursement for mileage on the days he rode to the plant as a passenger in a carpool with other employees. As a result, TVA paid the engineering associate more than \$1,200 for mileage claims to which he was not entitled. The United States Attorney declined to prosecute this employee in favor of administrative remedies (recovery of the overpayments) by TVA.

**EMPLOYEE BILLS  
TVA FOR FREE  
RIDES**

A former mid-level TVA manager resigned after our investigation revealed she submitted six falsified travel vouchers (totalling \$2,645). The manager submitted falsified travel vouchers when she claimed: (1) she drove her personal car on official business when, in fact, she traveled with other TVA employees in a TVA car; (2) she drove her personal car on official business when she actually drove a TVA car; (3) she left early in the morning for various destinations when she actually left several hours later; and (4) she drove her personal car on a trip she did not take. Our investigation of this employee's falsification of additional travel vouchers is continuing, and to date, there is considerable evidence this employee may have engaged in a pattern of travel fraud over a protracted period of time.

**EMPLOYEE BILLS  
TVA FOR BOGUS  
TRIPS**

An employee in Nuclear Power admitted she submitted eight falsified travel vouchers (totalling \$474). The employee paid \$17.85 a day for a motel room and, subsequently, submitted inflated receipts which falsely showed she paid \$27 a day. The employee has resigned. The United States Attorney has declined to prosecute the employee in favor of administrative remedies by TVA.

**EMPLOYEE  
SUBMITS  
INFLATED  
LODGING  
RECEIPTS**

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**EMPLOYEE  
BILLS TVA  
FOR HIS  
TIME OFF**

A Nuclear Power supervisor falsified three travel vouchers when he claimed he was in official travel status when, in fact, he took compensatory time off and was not working. The supervisor has resigned.

# THE OIG IN CONCERT

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The President's Council on Integrity and Efficiency (PCIE) charges Inspectors General with coordinating their activities both internally and externally with other Government organizations in order to assure the effective and efficient use of available resources. TVA's OIG--as a participatory but unofficial member of the PCIE--believes in and applies this principle in its day-to-day operations. Outlined below are examples of our coordinated investigative efforts that were completed during this reporting period.



*OIG Workers' Compensation Project Team at work.*

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## Office of Workers' Compensation Programs

During this reporting period, TVA and the Department of Labor (DOL) finalized the procedures for coordinating their activities to prevent fraud and abuse in Federal Employees' Compensation Act claims. TVA and DOL share information and resources in all investigations of TVA workers' compensation claims. Upon completion of an OIG investigation, we provide an investigative report to the Office of Workers' Compensation Programs (OWCP) for their review. In turn, OWCP provides the OIG with a written summary of the administrative actions they take on TVA claims.

Outlined below are examples of significant workers' compensation cases we reported to OWCP during this reporting period and cases (previously reported to OWCP) in which OWCP has taken administrative action.

- ◆ Our investigation revealed that following OWCP's evaluation of a former TVA employee's wage earning capacity, the employee earned a bachelor's degree in social work and attended graduate school. The employee admitted working about half time as a graduate trainee while she was in graduate school and that she did not disclose her earned income to OWCP. OWCP is reviewing the employee's claim to determine if an overpayment exists and if the employee's wage earning capacity has changed as a result of her obtaining a bachelor's degree.
- ◆ A former TVA carpenter admitted he has not reported his self-employment and income to OWCP since 1981. The former employee admitted he cut and sold firewood for

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profit, worked on at least four construction projects, cleared land, and worked as a heavy equipment operator while receiving Federal disability benefits. OWCP is reviewing the employee's claim to determine if an overpayment exists and if the employee should receive future disability benefits.

- ◆ Our investigation revealed a former TVA boilermaker is performing volunteer work which is inconsistent with his disability-related work restrictions. The former employee works for a local law enforcement agency as a volunteer deputy and receives no salary. However, the employee's duties included transporting prisoners, patrolling, standing guard, and dog handling--activities that are inconsistent with his work restrictions. OWCP is reviewing the employee's claim to determine if he is capable of engaging in additional types of gainful employment.
- ◆ A TVA steamfitter receiving Federal disability benefits admitted he did not consistently report his self-employment activities and income to OWCP. The employee failed to report his operation of a radiator and welding service. OWCP subsequently determined he was overpaid \$6,084.
- ◆ In our last semiannual report, we reported that a former TVA employee's work activities for the last six years included very strenuous physical labor and lifting, pushing, and pulling of heavy equipment. Our investigation also revealed the employee had driven racing cars for several years after his work-related injury. During July 1988, OWCP terminated the employee's compensation based on their finding that his TVA injury no longer prevented him from working as a steamfitter. The termination of the em-



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ployee's compensation represents a potential savings of approximately \$400,000 for TVA.

## **Federal Bureau of Investigation**

- ◆ The OIG conducted concurrent joint investigations with the Federal Bureau of Investigation (FBI) and the State of Tennessee Department of Revenue of the alleged theft of diesel fuel destined for TVA's Paradise Fossil Plant. The OIG's investigation determined that contaminated fuel (fuel containing water) was delivered to the plant. However, there was no evidence that TVA employees were involved in this theft. To the contrary, some of the fuel was stolen from the trucks (and replaced with water) by trucking company employees before they made their delivery to TVA. The Federal Grand Jury has indicted the truck driver who delivered the contaminated fuel to the plant for the theft from an interstate shipment of diesel fuel. The FBI is continuing its efforts to develop evidence concerning the owner of the truck that made the delivery. In addition, the company that had the contract to deliver the fuel has paid TVA \$13,100 for damages caused by the contaminated fuel.
- ◆ The FBI reported to the OIG that vandals burglarized and vandalized the Normandy Dam Reservation Maintenance Building. The estimated value of the property stolen (including two vehicles and some tools) was \$11,000. The estimated damage to the TVA property was \$15,000. Six people, including three juveniles, admitted they burglarized and vandalized the TVA property. As part of their sentences, a judge ordered two of the individuals to each pay

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\$1,750 in restitution to TVA. (None of the six individuals are TVA employees.) TVA's General Counsel is considering pursuing a civil action in an attempt to recover the cost of the damage to TVA property.

## **General Services Administration**

- ◆ The General Services Administration (GSA) investigated a carpet manufacturer which allegedly defrauded the Government by selling carpet which did not meet fire safety standards to Government agencies. GSA informed the OIG of its investigation and that TVA had purchased some carpet from the manufacturer. However, the OIG's investigation revealed that the carpet TVA purchased met TVA's fire safety standards.

## **State of Tennessee**

- ◆ The Tennessee Bureau of Investigation provided to the OIG a tape recording and surveillance notes concerning a meeting between a TVA Public Safety Officer and a private citizen. The OIG's investigation revealed the Public Safety Officer--while in uniform, on duty, and on TVA-leased property--possessed and used marijuana during his meeting with the private citizen. In addition, the OIG's investigation revealed the Public Safety Officer disregarded his official duties and left his duty post on numerous occasions to meet with women in a TVA building. The Public Safety Officer was terminated.

## **Local Police Department**

- ◆ The Scottsboro Police Department in Scottsboro, Alabama, traced the origin of harassing telephone calls to the

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Bellefonte Nuclear Plant switchboard. Bellefonte management requested OIG assistance, and as a result of an OIG investigation, a TVA engineering associate admitted making harassing calls from his TVA telephone. The OIG provided the Scottsboro Police Department with the employee's statement, and the police department subsequently arrested the employee and charged him with one count of harassing communications.

## TVA Organizations

### OIG IDENTIFIES WINDFALL PAYMENTS

In order to help reach TVA's goal of eliminating 7,500 employees by the end of fiscal year 1988, TVA offered special incentives to induce TVA employees to take voluntary reductions in force (RIFs). One extra benefit was double severance pay--eight days' pay for each year of eligible TVA service.

We became concerned that subjects of our investigations might volunteer for a RIF and collect double severance pay and unemployment benefits rather than stay and possibly face termination for cause (and lose their entitlement to severance pay and unemployment compensation). To minimize the likelihood that this could happen, we crossmatched prospective RIFs with OIG's investigative subjects. The purpose was to identify each case where there was substantial evidence an employee was guilty of an offense (e.g., theft and fraud cases).

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Our Investigative Services Unit checked the names of employees subject to a RIF--both voluntarily and involuntarily--against the investigative subject files in our computerized case tracking system. Specifically, we checked:

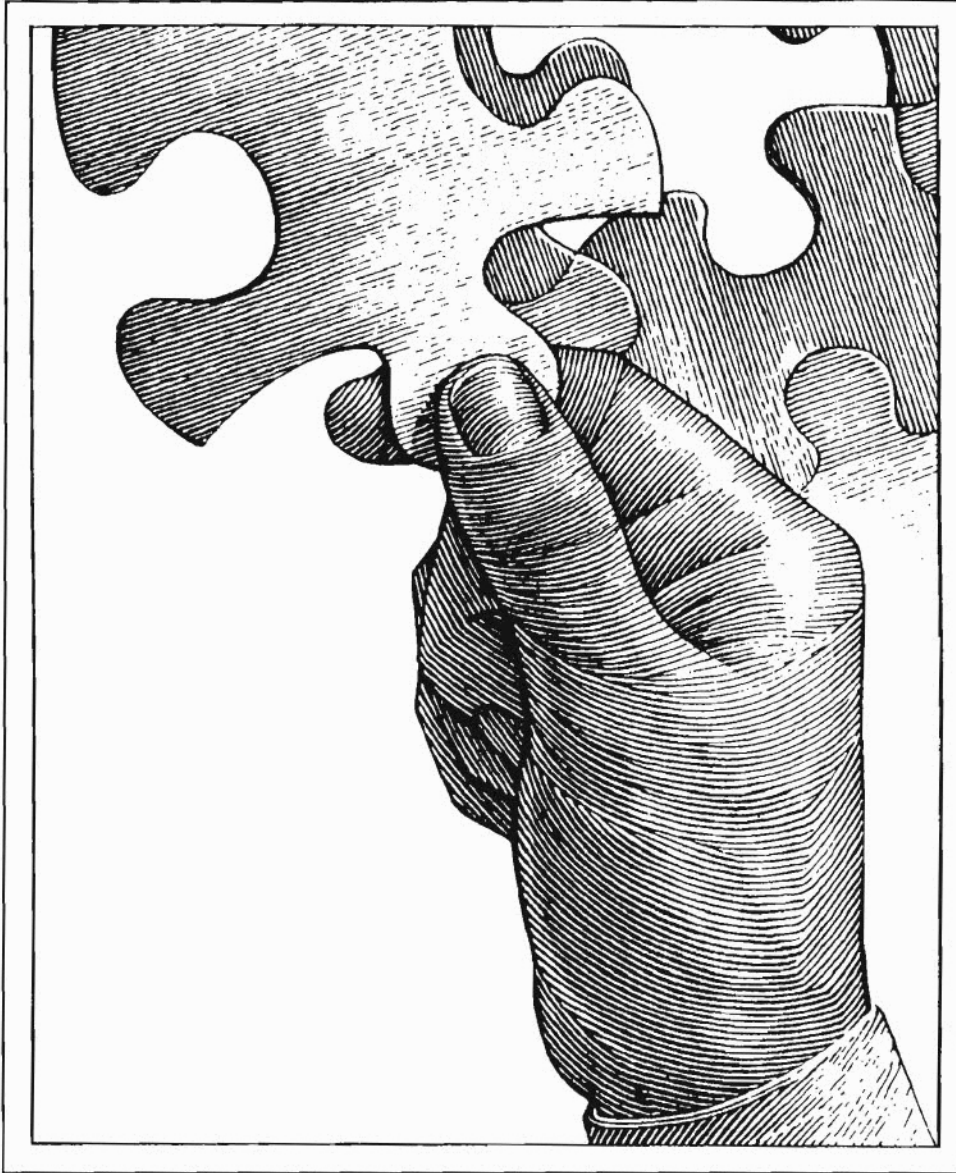
- ◆ 1,852 employees under involuntary RIF notices; and
- ◆ 1,806 employees volunteering for RIF.

We reported a number of crossmatches to the TVA managers who were responsible for RIF decisions. For example:

- ◆ An agricultural economist who was under investigation for conflicts of interest resigned before the effective date of his voluntary RIF--saving TVA \$19,576 in severance pay;
- ◆ An Employee Concern Site Representative who had admitted travel fraud was denied a voluntary RIF--saving TVA \$12,385 in severance pay;
- ◆ A Nuclear Quality Assurance manager who engaged in travel fraud was denied a voluntary RIF--saving TVA \$11,076 in severance pay;
- ◆ A Public Safety Service lieutenant who engaged in racial harassment, intimidation, and generally poor management, resigned instead of taking a voluntary RIF--saving TVA \$6,803 in severance pay; and
- ◆ A mid-level manager engaged in travel fraud was not involuntarily RIF'd. The manager subsequently resigned--saving TVA \$17,375 in severance pay.

# INVESTIGATIONS

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**D**uring this reporting period, we completed 494 investigations, made 73 referrals for prosecution (including 59 cases referred to U.S. Attorneys), obtained 28 indictments and 24 convictions, and issued 193 formal investigative reports to TVA management.

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Our inventory of open cases decreased nearly 33 percent. This change was the net result of closing 494 cases and opening 308 new cases.

Our overall investigative achievements for this reporting period are reflected in the following statistical summaries and summaries of significant cases.

## THE INVESTIGATIVE CASELOAD

|   |            |
|---|------------|
| Investigations Carried Forward as of March 31, 1988       | 571        |
| Investigations Opened This Reporting Period               | 308        |
| Investigations Closed This Reporting Period               | <u>494</u> |
| Total Investigations In Progress as of September 30, 1988 | 385        |

## SOURCES OF ALLEGATIONS

| <u>Source of Allegation</u>      | <u>Number of Sources</u> |
|----------------------------------|--------------------------|
| OIG Hotline                      | 84                       |
| Concerns Mailed In               | 16                       |
| Referrals from Other TVA Offices | 52                       |
| Audit Referrals                  | 4                        |
| TVA's Employee Concern Program   | 16                       |
| Congressional Inquiries          | 11                       |
| TVA Board                        | 7                        |
| OIG Employee Applicants          | 56                       |
| OIG Special Agents               | 50                       |
| Quality Technology Company       | 0                        |
| Other                            | <u>20</u>                |
| TOTAL                            | 316                      |

## CLASSIFICATION OF INVESTIGATIONS

| Classification of Cases                    | Number of Investigations   |            |            |                        |
|--|----------------------------|------------|------------|------------------------|
|  | Carried Forward<br>3/31/88 | Opened     | Closed     | In Progress<br>9/30/88 |
| 1. Employee Misconduct                     | 33                         | 18         | 30         | 21                     |
| 2. Employee Concern<br>Program Matters     | 164                        | 42         | 125        | 81                     |
| 3. Misuse-Abuse of<br>Government Property  | 18                         | 10         | 19         | 9                      |
| 4. Vehicle Operations                      | 27                         | 28         | 41         | 14                     |
| 5. Substance Abuse                         | 2                          | 5          | 3          | 4                      |
| 6. Personnel Matters                       | 48                         | 24         | 38         | 34                     |
| 7. Terrorism and<br>Sabotage               | 1                          | 0          | 1          | 0                      |
| 8. Discrimination &<br>Harassment          | 21                         | 3          | 20         | 4                      |
| 9. Safety                                  | 5                          | 0          | 5          | 0                      |
| 10. Trades and Labor                       | 7                          | 2          | 7          | 2                      |
| 11. Theft                                  | 26                         | 19         | 23         | 22                     |
| 12. Falsification of<br>Records            | 49                         | 36         | 43         | 42                     |
| 13. Contract Related<br>Misconduct         | 25                         | 16         | 21         | 20                     |
| 14. Fraud and Waste                        | 111                        | 41         | 48         | 104                    |
| 15. General Criminal<br>Activities         | 4                          | 0          | 2          | 2                      |
| 16. Employment Suitability                 | 11                         | 56         | 55         | 12                     |
| 17. Public Concerns                        | 3                          | 1          | 2          | 2                      |
| 18. Board Concerns                         | 4                          | 3          | 6          | 1                      |
| 19. Archaeological<br>Resources Protection | 2                          | 0          | 2          | 0                      |
| 20. Special Projects                       | 8                          | 4          | 2          | 10                     |
| Other                                      | 2                          | 0          | 1          | 1                      |
| <b>TOTAL</b>                               | <b>571*</b>                | <b>308</b> | <b>494</b> | <b>385</b>             |

\* Adjustments were made to number in progress as of 3/31/88.

## ALLEGATIONS IN OIG CASES

Many of the 494 cases we completed this reporting period contained multiple allegations. More specifically, these 494 closed cases contained 722 separate allegations. Of these allegations, 486 (about two-thirds) were not substantiated while 236 were substantiated. The following chart describes these allegations.

|     | Classification of Allegations       | Total Number | Number Substantiated | Number Not Substantiated |
|-----|-------------------------------------|--------------|----------------------|--------------------------|
| 1.  | Employee Misconduct                 | 92           | 39                   | 53                       |
| 2.  | Employee Concern                    |              |                      |                          |
|     | Program Matters                     | 197          | 59                   | 138                      |
| 3.  | Misuse-Abuse of Government Property | 59           | 40                   | 19                       |
| 4.  | Vehicle Operations                  | 28           | 2                    | 26                       |
| 5.  | Substance Abuse                     | 8            | 4                    | 4                        |
| 6.  | Personnel Matters                   | 82           | 5                    | 77                       |
| 7.  | Terrorism and Sabotage              | 1            | 0                    | 1                        |
| 8.  | Discrimination & Harassment         | 47           | 10                   | 37                       |
| 9.  | Safety                              | 8            | 1                    | 7                        |
| 10. | Trades and Labor                    | 8            | 1                    | 7                        |
| 11. | Theft                               | 48           | 19                   | 29                       |
| 12. | Falsification of Records            | 49           | 26                   | 23                       |
| 13. | Contract-Related Misconduct         | 29           | 10                   | 19                       |
| 14. | Fraud and Waste                     | 52           | 12                   | 40                       |
| 15. | General Criminal Activities         | 2            | 0                    | 2                        |
| 16. | Employment Suitability              | 0            | 0                    | 0                        |
| 17. | Public Concerns                     | 2            | 1                    | 1                        |
| 18. | Board Concerns                      | 6            | 4                    | 2                        |
| 19. | Archaeological Resources Protection | 2            | 2                    | 0                        |
| 20. | Special Projects                    | 1            | 0                    | 1                        |
|     | Other                               | 1            | 1                    | 0                        |
|     | <b>TOTAL</b>                        | <b>722</b>   | <b>236</b>           | <b>486</b>               |



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## **ADMINISTRATIVE AND DISCIPLINARY ACTIONS**

We recommended that TVA management consider taking administrative or disciplinary action in 113 of the 494 cases we closed during this six-month reporting period. We recommended TVA management consider disciplinary action in connection with 101 employees and recommended other management actions in an additional 97 instances.

Effective April 15, 1988, TVA's penalty for theft was changed to termination. Previously, TVA's disciplinary options for theft included a range of penalties--a written warning to termination for a first offense; a 7-day suspension to termination for a second offense; and a 30-day suspension to termination for further offenses. Under the new policy, employees found guilty of theft or attempted theft of TVA property or the property of others are terminated.

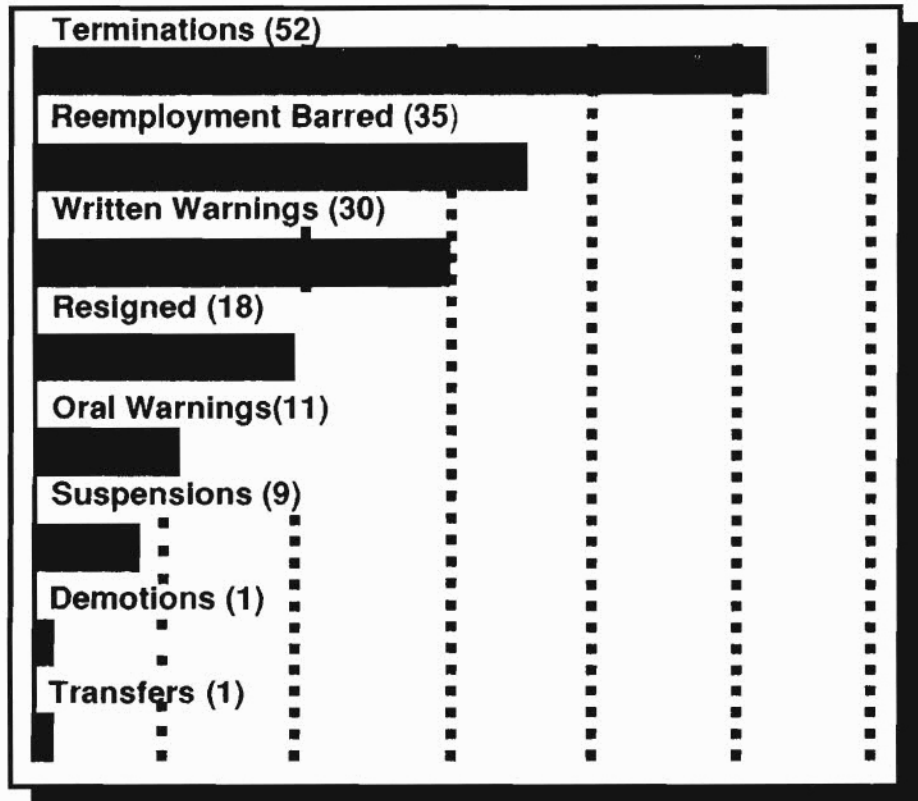
### **TVA CHANGES ITS PENALTY FOR THEFT**

TVA's senior managers believe this new disciplinary policy will deter theft and eliminate the problems caused by inconsistent application of disciplinary measures for theft.

Disciplinary actions management took on the basis of our investigations are described below.

|                         |           |
|-------------------------|-----------|
| Terminations            | 52        |
| Transfers               | 1         |
| Demotions/Reassignments | 1         |
| Suspensions             | 9         |
| Written Warnings        | 30        |
| Oral Warnings           | 11        |
| Reemployment Flagged    | 35        |
| Resignations            | <u>18</u> |
| TOTAL                   | 157       |

Disciplinary actions reported may be the results of reports we issued to management during previous reporting periods.



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**Examples of Actions Management Took**--Examples of disciplinary actions TVA management took in response to our investigative findings are described below.

- ◆ A Public Safety Officer was terminated for (1) possessing and smoking marijuana while on duty, (2) leaving his duty post on numerous occasions, (3) disregarding his official duties by taking women upstairs in a TVA office building after hours on numerous occasions, and (4) providing false information to the OIG. In addition, another Public Safety Officer received a 30-day suspension because he failed to report his coworker's misconduct and withheld information from OIG investigators.
- ◆ A Public Safety Officer was terminated after our investigation revealed he sexually harassed a female concession operator in a TVA building by making sexually suggestive remarks to her. In addition, the officer also made sexually suggestive remarks to a female TVA employee.
- ◆ A nuclear power plant electrician was terminated for falsifying TVA employment documents. The electrician falsified three TVA employment applications by omitting information regarding a criminal conviction and incarceration.
- ◆ A security specialist received an additional suspension for 14 days following our OIG investigation of his alleged misconduct. This employee admitted he did not have an associate's degree as he had claimed on a TVA employment application. Although the employee received a 30-day suspension while our investigation was pending because of this falsification, our investigation revealed the employee falsified other entries on his employment applica-

## **TERMINATIONS**

## **SUSPENSIONS**

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tion and made false statements to nuclear power managers who inquired about his false description of his educational qualifications.

- ◆ An administrative assistant in Nuclear Power was suspended for three days and required to make restitution to TVA for falsifying her overtime reports.

## INVESTIGATIVE REFERRALS

We referred 73 cases to prosecutorial and other officials during this reporting period.

| <u>Investigative Referrals</u>  | <u>Number</u> | <u>Total Subjects</u> |
|---|---------------|-----------------------|
| Cases referred to U. S. Attorneys for prosecutorial decisions               | 59            | 132                   |
| Cases referred to State or local agencies for prosecutorial decisions       | 2             | 3                     |
| Cases referred to and accepted by the FBI                                   | 1             |                       |
| Cases referred to other TVA organizations                                   | 3             |                       |
| Cases referred to other agencies for investigative or administrative action | <u>8</u>      |                       |
| TOTAL   | <u>73</u>     |                       |

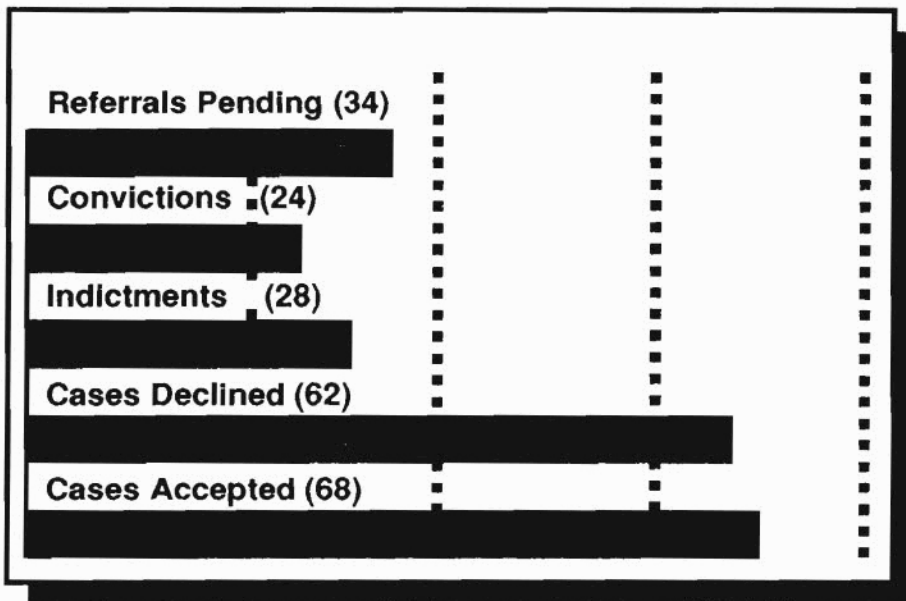
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## PROSECUTORIAL ACTIVITIES

During this reporting period, we referred 59 cases to U.S. Attorneys for possible prosecution.

|                          |     |               |
|--------------------------|-----|---------------|
| Total Number of Subjects | 132 |               |
| Cases Accepted           | 68  |               |
| Cases Declined           | 62  | (96 subjects) |
| Indictments              | 28  |               |
| Convictions              | 24  |               |
| Referrals Pending        | 34  |               |

Numbers reported may be the results of referrals we made during previous reporting periods.



*Prosecutorial Activities*

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## SIXTH CIRCUIT COURT OF APPEALS UPHOLDS OIG DRUG INVESTIGATION

The United States Court of Appeals for the Sixth Circuit has affirmed a Federal district court's ruling that our investigation of alleged drug use by Sequoyah Nuclear Plant employees was appropriate.

In the district court litigation, TVA nuclear plant employees (including Public Safety Officers assigned to the plant) and the Public Safety and Security Employees Union sued the Inspector General, other senior TVA officials, and OIG investigators for alleged violations of their constitutional rights. In ruling in the OIG's favor (and rejecting all of the complainants' contentions), the district court concluded that:

- ◆ There was an "ample basis" for the OIG's finding of a "reasonable suspicion" of drug use with respect to each employee who was investigated and requested to undergo drug testing;
- ◆ The drug testing was "reasonable in both its inception and its scope";
- ◆ The OIG investigators "did take care during their investigation to ensure that [others] were not made aware that the plaintiffs were the targets of a drug investigation"; and
- ◆ The OIG investigators operated "only with considered legal advice based upon those legal precedents available at the time, including the decision of this court in [case name omitted] the [OIG's] actions were consistent with the Fourth Amendment."

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When interviewed about the Sixth Circuit's decision, TVA's Inspector General made the following comment.

"This is an important decision for TVA and my office. In addition to challenging TVA's basic right to conduct drug tests of its employees, the plaintiffs made a number of very serious allegations about the manner in which OIG employees proceeded during our investigation. I was always confident that our investigators had acted lawfully. I am pleased the court affirmed Judge Edgar's decision that none of the plaintiff's rights were violated and that the drug tests were reasonable."

## OTHER SIGNIFICANT CASES

A senior Nuclear Power supervisor resigned after our investigation revealed he had falsely described his work experience and had falsely claimed he would soon receive a Ph.D.--his third college degree--from a California university. More specifically, he made false statements (1) on the resume he submitted to TVA, (2) on his TVA employment application, (3) to the TVA supervisors who interviewed him, and (4) to OIG investigators. In addition, the supervisor tried to hinder our investigation of his alleged falsification of his educational qualifications and work experience. The supervisor's misconduct is outlined below.

- ◆ On the October 1986 resume he submitted to TVA, he falsely claimed he would receive his Ph.D. within three months. However, when we interviewed him eight months later, he then claimed he had completed only 50 percent of his Ph.D. classwork. Our investigation revealed he had completed only 20 percent of the required coursework for

**NUCLEAR  
MANAGER  
DOES NOT GET  
THIRD DEGREE**

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a Ph.D. and was not even enrolled in the California university (1) when he wrote the resume, (2) when TVA interviewed him for a TVA position, or (3) when the OIG interviewed him about his educational qualifications. In fact, he had not been a student for several months when he wrote his resume and had only completed two Ph.D. classes, failed another class, and had withdrawn from three others.

- ◆ During his interview for a TVA position, he told TVA managers he only needed to complete his dissertation to be awarded a Ph.D. (i.e., his coursework was purportedly completed). In addition, four TVA managers listed his purported Ph.D. in the Interview Record they prepared in connection with his TVA interview. Subsequently, TVA hired the supervisor and cited his experience and “education accomplishments” as justification for paying him a \$6,000 staffing arrangement.
- ◆ While we were trying to confirm the supervisor’s claim regarding his Ph.D., he tried to hinder our investigation by instructing the California university--where he supposedly would receive his Ph.D.--not to release his graduate academic records to TVA. In addition, after we began our investigation, the supervisor arranged to obtain a Ph.D. from a correspondence school which does not have a campus, does not offer classroom instruction, and instead, offers various degrees by mail.
- ◆ In his resume, the supervisor also claimed he was a “consultant” to a California university, although he later claimed the job was only a “co-op” assignment he worked on while a student. However, the university reported they had



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never employed the supervisor, and his transcript contains no reference to any “co-op” assignments.

After reading our draft report of his misconduct, the supervisor submitted written comments that contained additional false and misleading statements about his educational and work-related experience.

- ◆ TVA personnel at a fossil plant falsified at least 13 reports to a TVA contractor in order to avoid additional charges to TVA. The officials who were involved in or aware of the falsification of the reports included the (1) plant manager, (2) power plant operations supervisor, (3) power plant results section supervisor, and (4) yard operations supervisor. However, plant management did not, as alleged, deny an employee a merit raise because he objected to the practice of falsifying the reports.
- ◆ A laboratory analyst at the Browns Ferry Nuclear Plant falsified two TVA employment applications when he misrepresented his educational qualifications. The employee claimed he received a B.S. degree when, in fact, he lacked sufficient college credits to graduate.
- ◆ A Browns Ferry Nuclear Plant contract employee admitted he claimed 42 hours of overtime he did not work. His firm terminated him, subtracted the falsified overtime payments from his paycheck, and reimbursed TVA.
- ◆ A painter at the National Fertilizer Development Center (NFDC) admitted that his supervisors directed him to paint personal signs for other TVA employees on TVA time. The painter admitted he spent about 280 hours

**FALSIFICATION  
OF RECORDS**

**MISUSE OF  
GOVERNMENT  
PROPERTY**

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(seven workweeks) of TVA time from 1980 to 1986 working on personal projects. In addition, 18 former or current NFDC employees admitted the painter painted personal signs for them at work. Eleven employees received written warnings, and two supervisors received two-day suspensions for their misconduct.

- ◆ A Power System Operations (PSO) electrician admitted he used a TVA truck to transport 20 bushels of sweet potatoes to the PSO complex in Tupelo, Mississippi, and subsequently sold the potatoes to his coworkers. Our investigation also revealed the electrician misused his sick leave in connection with two afternoon medical appointments. The electrician acknowledged that on these two days he worked as a Ticketing Commissioner in a local election.
- ◆ An engineering associate admitted making unauthorized long-distance telephone calls from the Sequoyah Nuclear Plant. Our investigation revealed the employee made 53 such calls. During the course of the investigation, we also determined the employee had falsified his TVA employment application and another personnel-related document. The employee reimbursed TVA for the costs of the long-distance calls.
- ◆ Our investigation revealed a Browns Ferry Nuclear Plant supervisor (1) made numerous unauthorized long-distance telephone calls, (2) instructed his subordinates to type personal letters for him, and (3) had his subordinates accompany him repeatedly on househunting trips that were taken on TVA time.

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- ◆ As alleged, a former Fossil and Hydro Power employee used a TVA vehicle to commute between his residence and his official duty station.
  - ◆ A Browns Ferry Nuclear Plant group leader acted inappropriately when he instructed his secretary to prepare his church's financial statements during work hours on TVA equipment.
  - ◆ A Watts Bar Nuclear Plant foreman (1) harassed a sub-journeyman painter, (2) gambled on TVA premises, and (3) failed to disclose his prior criminal convictions on two TVA employment applications.
  - ◆ A mid-level manager in Power asked a female TVA clerical employee to have sex with him. Our investigation revealed that the manager also made a sexually oriented comment to another female employee.
  - ◆ There was insufficient evidence the owner of an insulation company paid a TVA energy advisor to approve the company's deficient home weatherization work. However, the evidence did indicate the energy advisor falsified inspection documents by certifying that various contractors' weatherization work met applicable standards when, in fact, the work had major or minor deficiencies.
  - ◆ A vendor substituted an inferior grade of packing material for the material specified in a contract for TVA's Cumberland Fossil Plant (CFP). The Plant Manager stated that due to the inferior packing material, CFP had to frequently repack the plant's suction strainers at a cost of \$1,000 per

**HARASSMENT  
AND  
INTIMIDATION**

**CONTRACT-  
RELATED  
MISCONDUCT  
AND  
SHORTCOMINGS**

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repair. TVA is seeking to recover \$18,000 in damages from the vendor.

- ◆ A contract for reactor water cleanup pump parts involved needless expense for TVA. After paying \$153,000 to the contractor for expediting the delivery date on a \$614,000 contract by only three weeks, TVA (1) delayed accepting the delivery of the equipment until weeks after the original (*i.e.*, unexpedited) delivery date, (2) delayed installing any of the expedited equipment, and (3) decided to place two-thirds of the equipment into long-term storage in a TVA warehouse.
- ◆ A nuclear plant foreman, who owns a private sod business, admitted he sold sod to a private contractor who re-sold the sod to the nuclear plant the next day. Furthermore, the foreman (1) regularly transacted private business with the contractor, (2) recommended the contractor as a TVA bidder on the sod contract, and (3) prepared the purchase request which resulted in TVA business (sod purchases by the nuclear plant) for the contractor.
- ◆ An employee in Fossil and Hydro Power and 11 employees at a TVA fossil plant, including the plant manager and assistant plant managers, acknowledged they repeatedly accepted free meals and participated in free golfing outings sponsored by vendors' representatives.
- ◆ A TVA manager admitted soliciting TVA business on behalf of her private computer graphics business while she was a TVA employee.

**OTHER  
EMPLOYEE  
MISCONDUCT**

- 
- ◆ A Manpower Temporary Services, Inc., employee at TVA's Nuclear Training Center worked only three or four days before TVA dismissed her for poor job performance. However, while she worked at TVA she apparently gained access to personnel information about a TVA employee, and subsequently, she opened and used various credit accounts using the TVA employee's identity.

Our review of the overtime paid to salary policy employees during 1987 revealed the following significant findings.

## **OVERTIME REVIEW**

1. TVA paid almost \$60 million in overtime to 60 percent of its 20,764 salary policy employees during 1987. These employees worked 2.8 million hours of overtime--the equivalent of about 1,350 man-years.
  - ◆ Of this \$60 million in overtime, about \$18 million was paid to management employees and about \$41.5 million was paid to nonmanagement employees.
  - ◆ About three-fourths of the 1987 overtime (approximately \$45 million) was paid to employees in Nuclear Power.
  - ◆ Seventy-five salary policy employees earned more than a TVA Board member.
  - ◆ 545 employees were paid overtime payments which averaged over \$20,000 each.
2. The TVA manager who received the greatest amount of overtime pay for 1987 worked in Nuclear Power and received about \$46,000 for working 1,640.5 hours of

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overtime. This employee earned a total of \$93,983.58 for the year (regular pay plus overtime).

3. The salary policy nonmanagement employee who received the greatest amount of overtime pay for 1987 also worked in Nuclear Power and was paid about \$41,000 for working 1,508 hours of overtime. This employee earned a total of \$76,823.26 for the year.

In addition, TVA paid more than \$10 million in overtime to these employees during January and February 1988. If this rate of payments continued, TVA would pay more than \$62 million in overtime by the end of 1988.

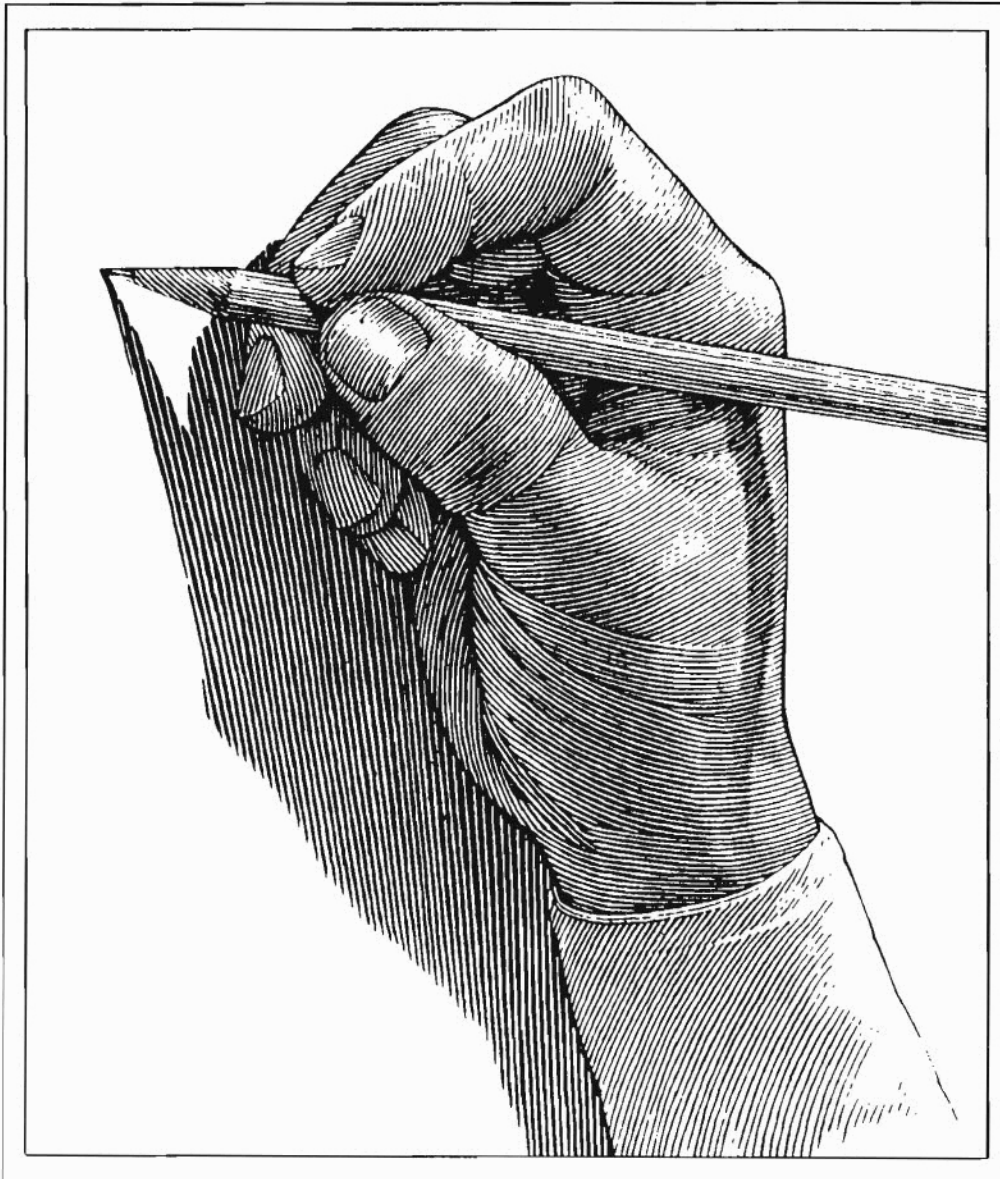
We recommended that the TVA Board of Directors consider whether the General Manager, in cooperation with other senior TVA officials, should review TVA's overtime policies and practices for salary policy employees. In connection with such a review, we recommended the General Manager consider, among other things:

1. Whether the excessive use of overtime is productive and cost-effective;
2. Whether there is sufficient monitoring and control of the payment of overtime to salary policy employees; and
3. Whether any temporary restrictions on the payment of overtime should be imposed, pending the completion of the review of TVA's overtime policies and procedures.

Subsequently, TVA reduced its Power and Nuclear Power overtime budget for fiscal year 1989 by \$33 million--from \$77 million for fiscal year 1988 to \$44 million for 1989.

# AUDITS

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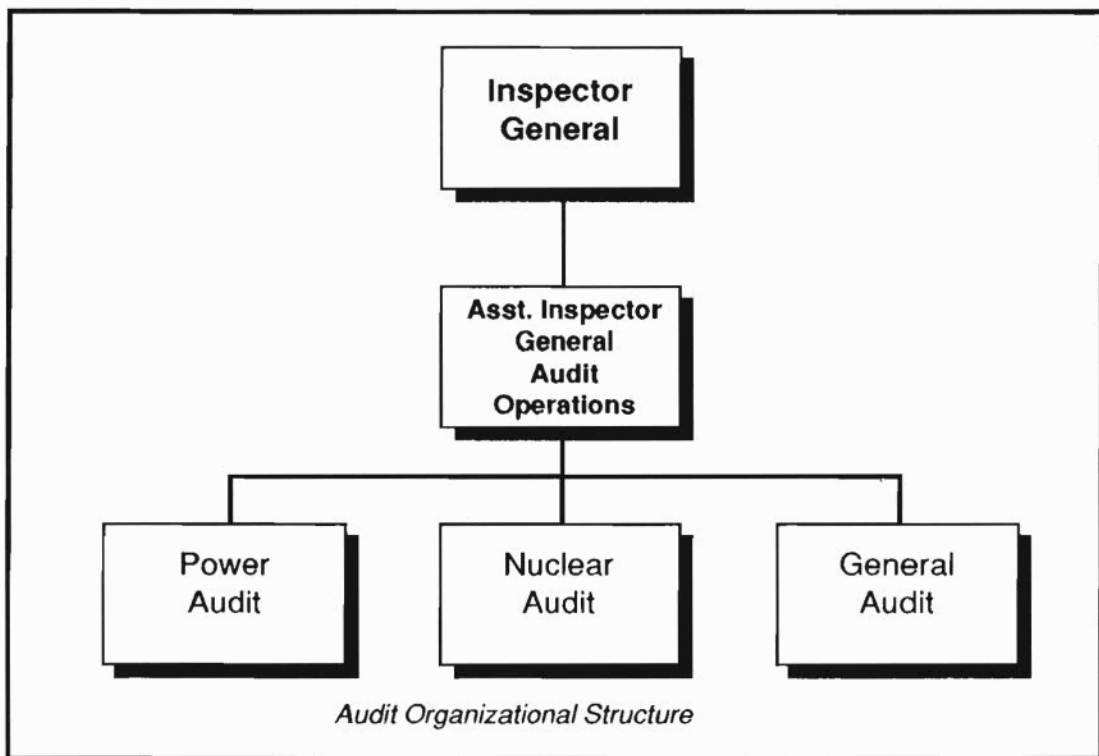


**D**uring the past six months, the OIG issued 39 audit reports (see appendix for listing) and identified more than \$7 million in questioned costs. To date, TVA has realized more than \$137 million in avoided costs because of OIG audits.

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**AUDIT  
OPERATIONS  
REORGANIZED**

During the past six months, the Inspector General restructured the Division of Audit--and renamed it Audit Operations--to parallel TVA's new structure. Under the old format, the Division of Audit had four branches for auditing TVA's financial, contracts, information, and general management systems. Under the new structure, Audit Operations--consisting of Power Audit, Nuclear Audit, and General Audit--parallels TVA's three major programs. Power Audit and Nuclear Audit primarily handle audits in TVA's Power and Nuclear Power Programs. General Audit handles audits in Resource Development (TVA's appropriated programs) and in the other TVA organizations that provide corporate support functions.





The new structure generally makes each new audit unit responsible for conducting the audits of a major TVA component, thereby controlling and more carefully focusing and coordinating all of the audit work that affects that component. In addition, each auditor now has an opportunity to (1) perform various types of audits--financial, contract, and performance; and (2) develop a more in-depth knowledge of a major TVA program. OIG managers will also be able to reassign auditors more readily to accommodate the workload because the auditors will not only be trained but will also be experienced in conducting various types of audits.

## AUDIT STATISTICS

### A. Status of Audit Projects

|   | Number           |
|---|------------------|
| Audit Projects Carried Forward 03/31/88 | 53               |
| Audit Projects Postponed or Canceled    | (16)             |
| Audit Projects Started                  | <u>41</u>        |
| Total Active Audit Projects             | 78               |
| Audit Projects Completed                | <u>(39)</u>      |
| Audit Projects in Progress 9/30/88      | <u><u>39</u></u> |

### B. Audit Results

|                            | Cost                        |
|----------------------------|-----------------------------|
| Audit Reports Issued (39)  |                             |
| Questioned Costs: (Note 1) |                             |
| Ineligible Costs           | \$1,495,591                 |
| Unsupported Costs          | <u>5,553,554</u>            |
| Total questioned costs     | \$7,049,145                 |
| Other Savings              | <u>93,878,707</u>           |
| Total Dollar Savings       | <u><u>\$100,927,852</u></u> |

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| C. <b>Status of Audit Reports</b> (Note 1)                      | Number of Reports   |                     | Total      |
|---|---------------------|---------------------|------------|
|   | 4/1/86 -<br>3/31/88 | 4/1/88 -<br>9/30/88 |            |
| Audit Determination Was Not<br>Made                             | 6                   | 13                  | 19         |
| Audit Determination Was Made/<br>Audit Resolution Did Not Occur | 16                  | 7                   | 23         |
| Audit Resolution Occurred                                       | <u>56</u>           | <u>19</u>           | <u>75</u>  |
| Total Audit Reports Issued                                      | <u>78</u>           | <u>39</u>           | <u>117</u> |

Note 1. These statistics use the following definitions:

**Audit Determination**--Management's evaluation of an audit report's findings and recommendations, including management's final response to the audit, including any corrective actions.

**Audit Resolution**--Management's completion of all necessary corrective actions.

**Ineligible Cost**--A cost the OIG has questioned because of an alleged violation of law, regulation, contract, or other agreement governing the expenditure of funds.

**Unsupported Cost**--A cost the OIG has questioned because of a lack of adequate documentation at the time of the audit.

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## AUDIT FOLLOW-UP AND RESOLUTION

The following summarizes the audit recommendations the OIG has made to management since its inception and management's responses to those recommendations.

|   | <u>Number</u> | <u>Dollar Savings</u> |
|---|---------------|-----------------------|
| Total Recommendations Made:   | 338           | \$140,654,403         |
| Total Recommendations Implemented   | 231           | 137,657,153           |
| Total Recommendations Not Implemented                                     | 107           | 2,997,250             |
| Recommendations not Implemented With Which Management Agrees              | 61            | 1,460,245             |
| Corrective Action Plans Not Received                                      | 42            | 1,528,592             |
| Recommendations With Which Management Does Not Agree                      | 2             |                       |
| Referred to Division of Investigations<br>No Response Presently Requested | 2             | 8,413                 |

## SUMMARY OF SIGNIFICANT AUDITS

The general contractor for TVA's Chattanooga Office Complex filed a \$22.9 million delay claim for the contractor and 12 subcontractors. TVA began occupying the complex in 1985 after delays which the contractor attributed to TVA. The contractor's portion of the claim totalled approximately \$10 mil-

**OIG AUDITS  
HELP TO  
SETTLE  
CONTRACTOR'S  
CLAIM**

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lion. During this semiannual period, we questioned over \$5.5 million in the areas of materials and field overhead, labor, subcontractor change orders, home office overhead, profit, claim preparation and consulting costs, interest, and building permit costs. We also questioned \$0.6 million of a subcontractor's \$2.4 million claim in connection with the office complex's air handling system and duct work installation.

Total costs questioned during this period (\$6.1 million) were classified as unsupported (\$4.9 million) and ineligible (\$1.2 million). Unsupported costs lacked proof or documentation, and ineligible costs were contrary to a contractual or other governing agreement.

The contractor filed suit in Federal court for its consolidated \$22.9 million claim. We communicated our audit findings to TVA management for consideration during settlement negotiations. Subsequently, the parties agreed to a \$5.6 million settlement of the entire \$22.9 claim.

**NUCLEAR  
POWER  
CONTRACTOR  
FAILS  
TO DOCUMENT  
CLAIM**

An insulation contractor claimed \$350,400 for alleged obstruction (forced delays) in completing a contract at the Watts Bar Nuclear Plant. Our audit determined the contractor's \$115,000 reimbursement request for labor costs was improperly documented and a \$235,400 claim for unabsorbed fixed site costs (rentals, manager's salary, and maintenance) was also unsupported.

On the basis of our findings, we recommended that Purchasing disallow the entire claim and refer it to TVA's General Counsel for a legal review.

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A review of TVA's Ridesharing Program for fiscal year 1987 disclosed that the administration of the vanpool program by both TVA and the Energy Conservation and Vanpool Demonstration Program Committee (Committee) needed improvement.

**IMPROVEMENTS  
NEEDED IN THE  
ADMINISTRA-  
TION OF  
TVA'S RIDE-  
SHARING  
PROGRAM**

TVA operates its ridesharing program--which consists of the vanpool program, the commuter bus ticket program, and the handicap parking program--through contractual arrangements with the Committee and various bus lines in the Knoxville and Chattanooga areas. TVA's obligations under these contracts are to provide technical advice and financial support in the form of subsidies to program participants. TVA's subsidy for fiscal year 1987 was \$1.2 million.

Our draft report included a recommendation that TVA management review the vanpool program and redetermine rider fares, TVA payments, and total TVA investments in the program. TVA subsequently announced that ridesharing subsidies would end, thereby avoiding an annual cost of about \$1.1 million for the vanpool program. However, the vanpool program will continue with TVA providing administrative support costing about \$250,000 during fiscal year 1989.

The OIG also recommended, among other things, that the vanpool program could be improved by:

- ◆ Improving competition in connection with the purchase of vanpool vehicles (for example, when the Committee used a bid process to purchase 91 new vans for \$1.5 million, the requests for bids were sent to only Dodge dealers--thereby limiting competition);

- 
- ◆ Improving the composition of the membership of the Committee; and
  - ◆ Ensuring that decisions made at all Committee meetings are properly documented.

**TVA TRAVEL IS  
NOT COST  
EFFECTIVE**

During fiscal year 1987, TVA paid \$27 million for employee travel and processed more than 88,300 travel vouchers. An OIG review concluded TVA needs to improve both its travel policies and efforts to assure cost-effective travel.

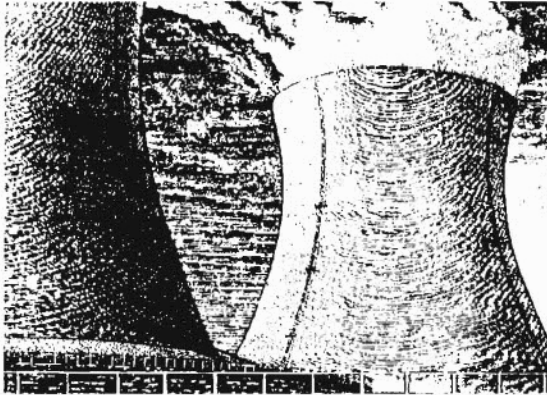
Specifically, TVA did not have written policies to regulate adequately:

- ◆ The maximum number of days an employee may remain on extended temporary duty (TDY) at the same location; and
- ◆ The maximum lodging rate that will be paid to an employee on extended TDY at the same location.

Our audit revealed that managers and supervisors have not taken adequate measures to ensure their subordinates' travel was prudent and cost effective. This has resulted in excessive travel costs that could have been avoided by more prudent travel and better supervisory review of travel plans and claims. Outlined below are examples of the excessive travel costs that our review disclosed.

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## Excessive Travel Costs For Employees on Extended TDY



A review of the travel claims of 14 employees on TDY at TVA's nuclear plants revealed the following.

1. Eight employees were on TDY for 11 to 17 months. They were allowed to commute daily from their homes to their temporary assignment and were paid more than \$32,000 to commute more than 167,000 miles--an average of over 20,000 miles each. They also received more than \$127,000 in overtime pay--an average of nearly \$16,000 each--which included an average of two hours per day for commuting time.
2. The other six employees stayed overnight near the TDY sites for 12 to 35 months, and they received more than \$190,000 in travel payments. Five of these employees, including four who were single, were allowed to rent two- and three-bedroom apartments--accommodations that were clearly in excess of their needs.

One of these employees rented a three-bedroom house during May 1985. During October 1986, he bought a three-bedroom house 1.6 miles from his rented house. However, he continued to live in the rented house and receive TDY benefits from TVA. Overall, this employee re-

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ceived more than \$54,000 for travel expenses during his TDY assignment.

Another employee had been on TDY at the Sequoyah Nuclear Plant for 22 months. At the beginning of his TDY, he gave up his apartment in Knoxville (his official duty station) and moved his wife and children to a three-bedroom apartment near the TDY site. Although the second apartment, in reality, became his residence, TVA continued to pay this employee over \$23,000 for temporary quarters at the TDY site.

## **Excessive Apartment Rental Rates**

At least one apartment complex in Chattanooga, Tennessee, may be taking advantage of TVA's laxity in reviewing travel vouchers for cost effectiveness. This complex was charging TVA employees on temporary assignment about \$1,100 a month to rent two-bedroom apartments, while a nearby complex charged approximately \$700 a month--about one-third less. We estimate that around 120 TVA employees rent apartments in this higher-priced complex. If TVA limited reimbursement to a rental rate of \$700 per month, it could save from \$575,000 to \$850,000 annually.

Based on the results of this review, we made the following recommendations to TVA management.

1. Develop a written policy which specifies the conditions under which employees will be allowed to remain on extended TDY. This policy should (a) establish the maximum number of days an employee may be on TDY at one site; (b) limit the amounts an employee may be reimbursed for



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house, apartment, and furniture rental; (c) require a cost-benefit analysis for all employees attending extended educational programs; and (d) obtain a group of apartments by contract if an identifiable number of employees will be expected to rent apartments in the same general area while on a temporary assignment.

2. Establish TVA-wide written policies that require pretravel cost-benefit analyses to ensure that employees make the most cost-effective travel arrangements.

Our review of ground transportation costs for TVA employees disclosed that:

1. TVA could have saved \$486,107 in 1987 if the reimbursement rate for employees who used a privately owned vehicle (POV) for official travel had been lowered to the cost of operating a TVA vehicle; and
2. Since 1981, the use of POVs for official travel has increased by 125 percent, while the use of TVA vehicles has decreased by 19 percent.

We recommended, among other things, that the TVA Board of Directors consider reimbursing employees for POV use at TVA's fleet operation cost (a lower rate) and prohibiting the use of POVs when TVA vehicles are available.

We audited a contract for obtaining construction support services for TVA's nuclear power plants. We questioned costs totalling \$193,121 because of irregularities related to the travel vouchers of 22 contractor employees. We also noted that TVA paid \$5,842 in interest to the contractor because TVA did not promptly process two invoices. We rec-

**TVA  
EMPLOYEES'  
USE OF  
PERSONAL  
AUTOS  
INCREASES**

**CONTRACTOR  
HAS  
IRREGULAR  
TRAVEL  
VOUCHER  
CLAIMS**

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ommended TVA withhold \$193,121 pending completion of the investigation and resolution of these costs. We also recommended that TVA assess the adequacy of controls implemented by the contractor to avoid such irregularities in the future.

**TVA CAN SAVE  
\$100,000 BY  
PAYING  
PROMPTLY**

We reviewed the implementation of corrective action plans that management submitted in response to our 1987 audit report on the timeliness of TVA's bill payment process. That report covered the processes TVA used to assure that bills were paid in accordance with the Prompt Payment Act of 1982. We found that implementing these plans should reduce TVA's penalty payments during fiscal year 1988 by about \$100,000. However, because late payment penalties remain significant--approximately \$417,000 for fiscal year 1988--we recommended monthly monitoring of the payment process and requested we be informed in six months of the effectiveness of procedural improvements.

**TVA'S NUCLEAR  
INSURANCE  
ACTIVITIES ARE  
IN COMPLIANCE**

Operating nuclear power plants exposes TVA to potential risks--property loss and liability in the event of a nuclear incident. TVA is also subject to potential losses due to more conventional perils such as fire, wind, and explosion. To minimize these risks and comply with licensing requirements, TVA secures and maintains nuclear liability and property insurance. TVA paid approximately \$9.6 million in insurance premiums during fiscal year 1987.

Our review of TVA's nuclear insurance activities for October 1985 through February 1988 indicated TVA is complying with applicable laws and regulations. However, TVA's internal controls could be improved by (1) executing a formal contract with the insurance broker, (2) amending "pool" insurance

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policies to allow premium payments through the broker but not prior to a specified due date, (3) maintaining all original contract documents in proper files, and (4) recording premium payments for the correct contract number.

We audited a TVA contract with a company to operate an overland coal-moving beltline from TVA's Camp Breckinridge properties to a barge-loading facility in Uniontown, Kentucky. Of about \$5 million TVA paid to this company from November 1985 through December 31, 1986, we questioned \$10,556. The company has agreed to repay the questioned costs to TVA.

**COMPANY TO  
REPAY  
QUESTIONED  
COSTS**

Our audit of a contract under which TVA obtained engineering, design, and architectural services questioned \$113,609 of \$737,405 paid to the contractor.

**CONTRACTOR  
OVERBILLS  
TVA \$113,609**

The contractor billed TVA \$27,554 in ineligible costs--which included billing TVA for per diem costs that were higher than the contractor actually paid its employees, billing TVA for costs that were not covered by the contract, and billing TVA twice for certain costs. Costs totalling \$86,055 were unsupported by the contractor.

We audited a contract under which TVA obtained engineering services, purchasing services, and financial support for TVA's Atmospheric Fluidized Bed Combustion Demonstration Plant and recommended TVA recover approximately \$68,500 in indirect costs paid to the contractor. We also recommended TVA consider cost limits for the contractor's equipment and materials purchases and requiring written TVA approval for purchases which exceed those limits.

**COMPANY  
OVERBILLS TVA  
FOR INDIRECT  
COSTS**

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**REVENUE  
FROM ENERGY  
SALES  
AUDIT--OTHER  
RECOMMENDA-  
TIONS**

In our last semiannual report, we described our recommendation to change TVA's accounting policy to recognize unbilled electricity sales. As we reported at that time, TVA management implemented our recommendation and recorded about \$92 million in unbilled sales. This audit contained two other significant recommendations.

We recommended the TVA Board approve significant accounting policies before their implementation. As our audit demonstrated, such changes are of major importance because they ultimately affect ratepayers and bondholders.

We also recommended the effective date of all future rate adjustments be the same for all TVA customers. Presently, TVA's contracts with its power customers contain provisions which have resulted in varying effective dates for rate increases and decreases. These varying dates resulted in 75 percent of the customers collectively paying about \$6.7 million more for September 1987 power than the other customers.

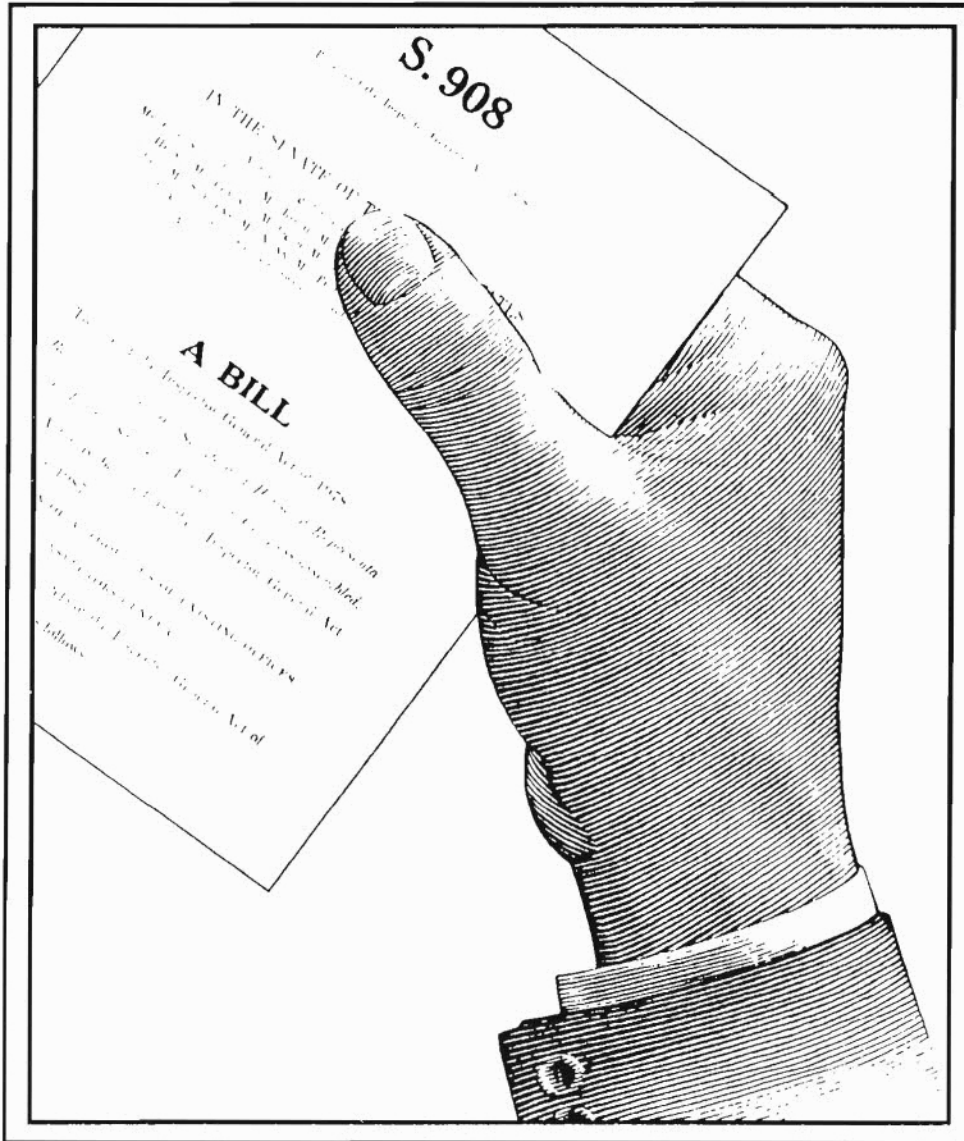
**TVA  
RETIREMENT  
SYSTEM**

Previous semiannual reports have identified the TVA Retirement System (TVARS) Board of Directors' objections to a full-scope OIG audit of TVARS as an unresolved audit matter. These objections remain unresolved.

While this audit issue is unresolved, it is important to note that the TVARS Board has cooperated with our investigation of allegations of misconduct and wrongdoing involving TVARS.

# LEGISLATIVE AND REGULATORY REVIEWS

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## PRESIDENT SIGNS S. 908 INTO LAW

On October 18, 1988, the President signed the Inspector General Act Amendments of 1988 into law (Public Law No. 100-504). Among other things, this new law establishes Offices of

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the Inspector General in 33 “designated Federal entities,” including TVA.

The major provisions of Public Law No. 100-504 that are of particular interest to the OIG are highlighted below.

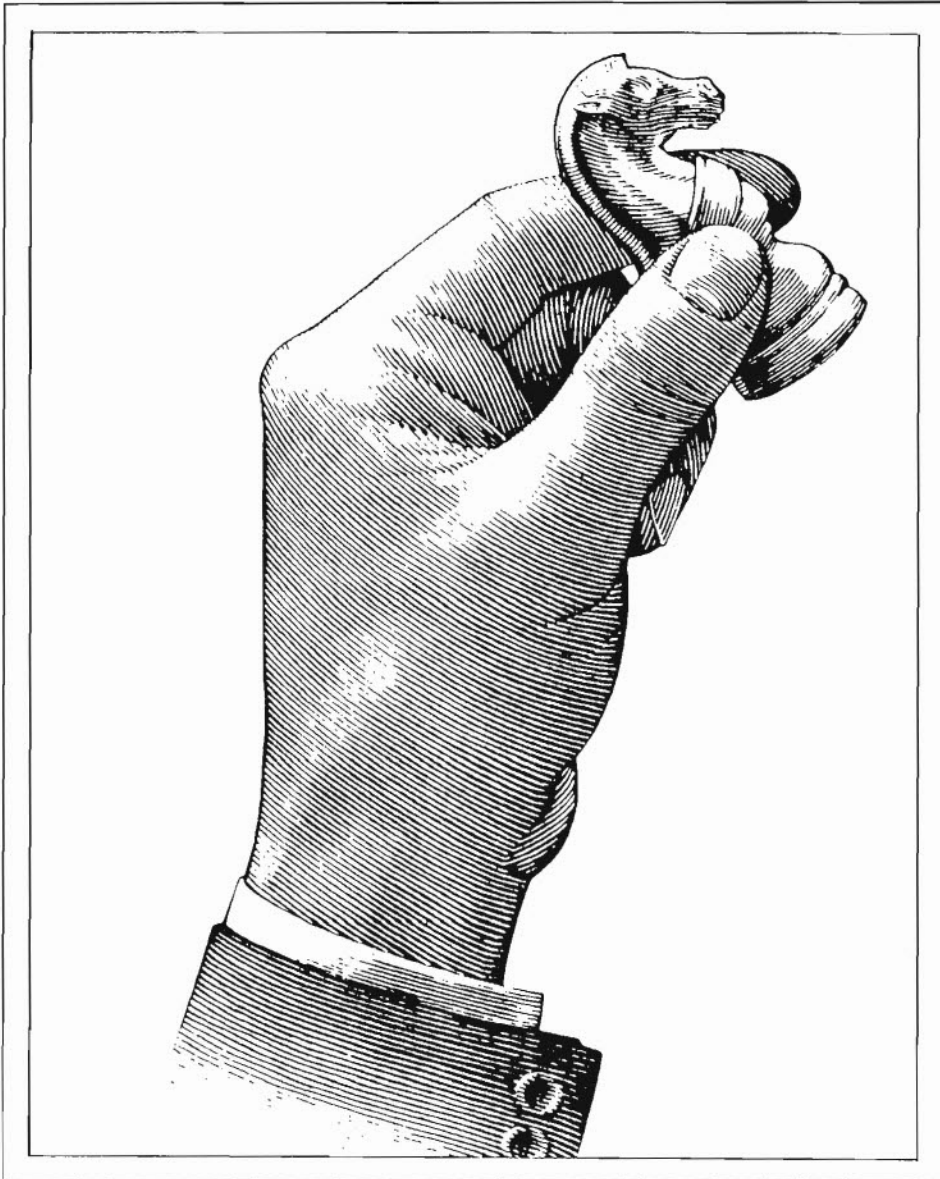
- ◆ An “Office of the Inspector General” is established within TVA by statute.
- ◆ The Board of Directors is required to transfer to the OIG the internal audit and investigatory responsibilities they determined were “properly related” to the OIG’s functions. However, audits and investigations that were an “integral part” of a TVA program would not be transferred to the OIG.
- ◆ The Board of Directors is prohibited from assigning any program operating responsibilities to the OIG.
- ◆ The Inspector General must be appointed by the Board of Directors.
- ◆ The Inspector General is required to report directly to the Board of Directors and may not be supervised by any other TVA officer or employee.
- ◆ The Board of Directors is prohibited from preventing the Inspector General from carrying out any audit or investigation or from issuing any subpoena.
- ◆ If the Inspector General is removed from office or transferred, the Board of Directors must notify both houses of Congress and explain the reasons for such removal or transfer.

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- ◆ The OIG is required to carry out the duties and responsibilities that are described in sections 5, 6, 7, and 8 of the Inspector General Act of 1978. These sections describe, among other things, the role of Inspectors General, their audit and investigative responsibilities, and their responsibility to provide semiannual reports to Congress.
  - ◆ The OIG is authorized to issue subpoenas for documents and take sworn statements.
  - ◆ The Board of Directors is required to submit to the Office of Management and Budget and each house of Congress a one-time report on their implementation of the Act's requirements. This report is due on October 31, 1989.

For the most part, this new law will not radically affect the OIG's operations. Under the Board of Director's resolution establishing the OIG, the OIG is already required to function much like a statutory Office of the Inspector General. However, this new law may require additional changes and, moreover, would give the OIG the power to take sworn statements and permanently authorize the OIG to subpoena documents.

# OTHER OIG ACTIVITIES

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**T**he OIG is involved in other activities that help fulfill the OIG's overall objectives. A description of a number of these activities is presented below.



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## GRANT THORNTON REVIEW OF THE OIG

During April 1988, Grant Thornton auditors and Charles L. Dempsey (the former Inspector General of the Department of Housing and Urban Development) reported the results of

***"The OIG's overall organization is 'carefully crafted for effective and efficient operations; it compares favorably with organizational arrangements at other IG offices."***

their review of the OIG's operations to the Board of Directors. The report concluded the OIG--after being in operation for only two years--compared "favorably with other Federal OIG's of long standing." The report's authors were "particu-

larly impressed with the OIG's consistency in maintaining its independence and the positive reaction of . . . staff of selected members of the Tennessee Valley Congressional delegation to the IG and his approach."

The report compared the OIG's operations against 74 guidelines or standards and concluded the OIG "well applied" 57 of these standards. The report also noted that improvements could be made in connection with 17 guidelines. The areas of improvement included:

- ◆ 2 guidelines governing administrative functions;
- ◆ 5 guidelines governing investigative activities; and
- ◆ 10 guidelines governing audit activities.

In addition, the report described three overall areas that needed "further attention." These areas included additional liaison with TVA management; efficiency and effectiveness (with respect to OIG audits); and the overall quality of the semiannual report and audit reports.

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During and following the Grant Thornton-Charles L. Dempsey evaluation, we have taken action to address these three general areas as well as the standards that were identified as areas of potential improvement. For example, with respect to the three general areas, we have:

- ◆ Continued to describe the OIG's activities to TVA managers and employees--including OIG-sponsored briefings at a number of TVA locations;
- ◆ Continued to provide ethics and conduct training to TVA employees and managers--training which includes a description of the OIG's role in TVA;
- ◆ Made significant management and organizational changes in the Audit Group;
- ◆ Hired an outside consultant who has provided report-writing training to all OIG investigators and auditors; and
- ◆ Assigned overall responsibility for preparing the semiannual report to the OIG's Legal Counsel's staff.

The report also included the following favorable comments about specific OIG activities.

- ◆ The qualifications of OIG investigators "are impressive." A number of the investigators "have more than one degree . . . about half the investigators are former FBI agents; [and] most of the others have had extensive law enforcement experience."

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- ◆ The OIG has placed “great emphasis” on professional care in its investigative work and a Federal court decision upholding the OIG’s actions in a drug testing matter “demonstrates that OIG investigators have the ability, training, and supervision necessary to conduct effective investigations while carefully protecting the rights of those involved.”

***"A Federal court decision upholding the OIG's actions in a drug testing matter demonstrates that OIG investigators have the ability, training, and supervision necessary to conduct effective investigations while carefully protecting the right of those involved."***

The OIG has combined its quality assurance and investigative report-preparation activities in its legal services operation. Trained analysts, using the investigative file, prepare investigative reports using a standard format.

Audit workpapers were “well organized” and properly documented the work performed and evidence gathered. There was a “marked

improvement in the quality of the workpapers since the establishment of the OIG as compared to the workpapers prepared by its predecessor organization.”

- ◆ The OIG’s overall organization is “carefully crafted for effective and efficient operations; it compares favorably with organizational arrangements at other IG offices.”

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## THE OIG INVESTIGATORS' HANDBOOK

During this reporting period, we completed a major project designed to support our investigative efforts--the development of a supplement to the OIG investigators' handbook. This supplement provides detailed guidance for investigating various offenses within our jurisdiction and includes an item-by-item description of 62 offenses we may investigate. The project was a collaborative effort between the OIG's Legal Services staff and the managers of Investigative Operations.

At the beginning of the project, investigative managers identified the major subject matter classifications for our investigations. These classifications were then segmented into discrete units dealing with one major violation. For example, the general subject of misuse of Government property was divided into units dealing with unauthorized use of telephones, misuse of mail services, unofficial use of Government vehicles, theft of Government property, and unauthorized use of Government time or property.

Each topical unit follows a generic format and provides the following information:

- ◆ Statement of the general rule and any exceptions (including underlying legal bases, e.g., statutes, regulations, TVA policies);
- ◆ Elements of the offense;
- ◆ Hypothetical examples of the offense;
- ◆ Applicable penalties;

- 
- ◆ Special considerations, e.g., aggravating and mitigating circumstances;
  - ◆ Related topics; and
  - ◆ Potential areas of factual inquiry that OIG investigators should take into account when conducting an investigation of the particular offense.

Each unit was developed after OIG attorneys conducted in-depth research into the applicable statutes, regulations, policies, and case law. The supplement will be continuously updated.

## OIG TRAINING ACTIVITIES

The following is a brief description of training we have offered this past six months.

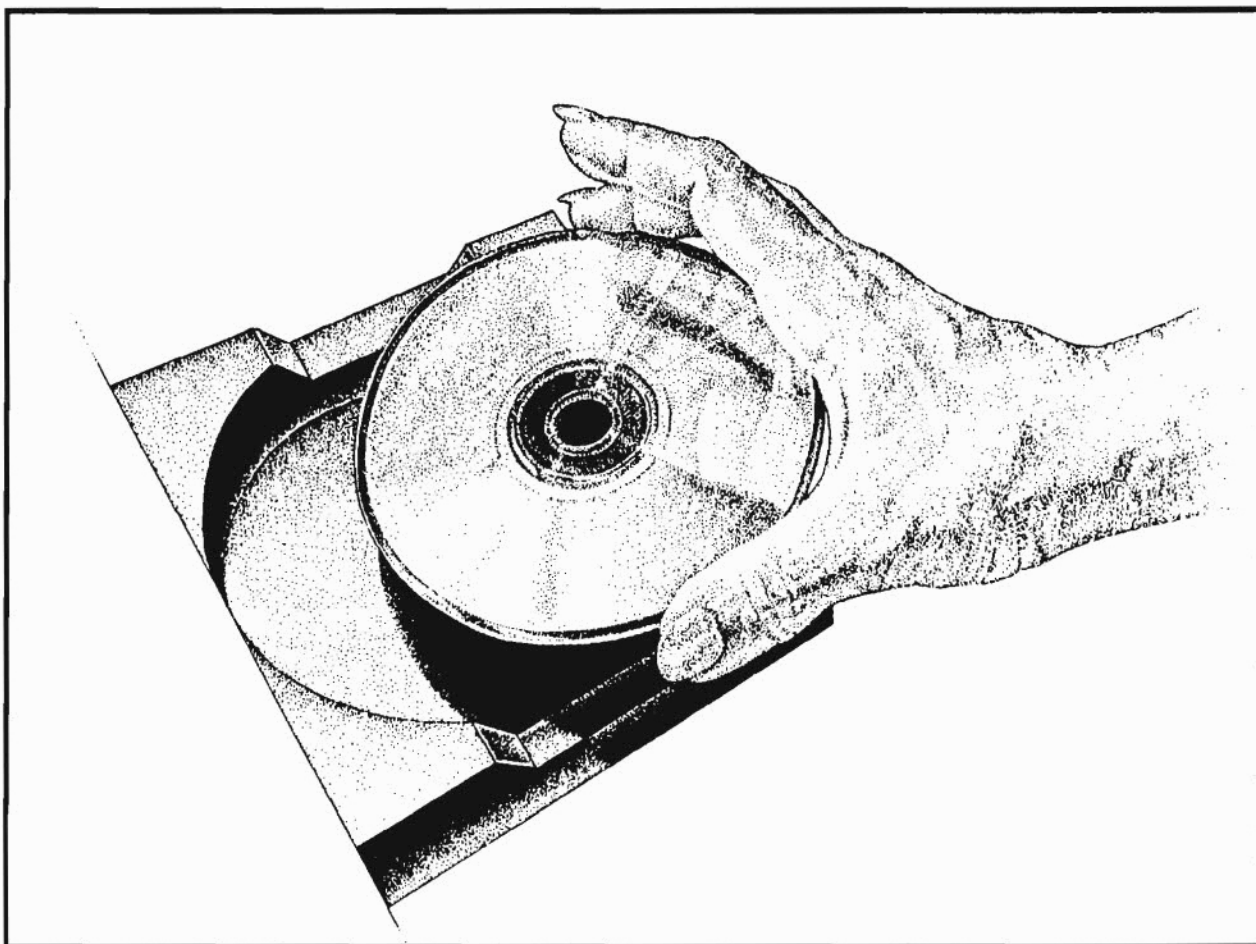
1. **Interviewing Techniques - University of Delaware.**  
This training focused on increasing our investigators' abilities to:
  - ◆ Interpret the nonverbal signals of others;
  - ◆ Increase their ability to understand what others mean rather than just what they say;
  - ◆ Develop rapport more effectively and reduce resistance inherent in the interviewing process and promote truth-telling on the subject's part;

- 
- ◆ Understand the underlying style of others that controls their decisionmaking, thinking, and behavior;
  - ◆ Recognize changes in behavior that forecast shifts in attitude and imminent disclosures;
  - ◆ Be able to identify nonverbal indicators of deception and recognize resistance; and
  - ◆ Understand the limitations of making judgments or interpretations based on isolated movements or gestures.
2. **Contract Auditing** - This training was conducted by the USDA Graduate School. This training focused on the key principles of contract auditing--knowledge of Federal acquisition regulations and cost accounting standards, the procurement process, distribution of costs, quantitative audit techniques, and the methods used to audit cost proposals and overheads.
  3. **Practical Statistical Sampling for Auditors (Basic Course)** - This training was conducted by the USDA Graduate School. This training focused on basic statistical sampling principles, concepts, and procedures.
  4. **Practical Statistical Sampling for Auditors (Intermediate Course)** - This training was also conducted by the USDA Graduate School. It was a follow-up to the USDA basic course and covered more intensely the major elements of the basic course.

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## OFFICE AUTOMATION IN THE OIG

The OIG uses office automation equipment, software, and communications capabilities to support its overall mission. OIG investigators, auditors, and legal and administrative staffs rely on personal, departmental, and mainframe computers to develop their cases or projects, analyze the information obtained, and report their findings.



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Early in our first year of operation, the Inspector General decided that the OIG should automate its operations where practical and efficient. An office automation plan was prepared to meet both immediate and long-term automation goals. This plan called for personal computers or workstations for all OIG staff, full implementation of electronic mail, and development of OIG information systems.

From the beginning, a limited number of computers were available; however, we now provide every staff member with access to a departmental or personal computer. The personal computers run not only stand-alone programs but are also linked to the OIG's minicomputer. The departmental computers are also linked to this minicomputer. Through telecommunications, all OIG employees also have access to the TVA mainframe computer.

Increased access to computers has led to the increased use of electronic mail. Each OIG employee is connected not only to our electronic mail network, but also to the corporate TVA electronic mail network which covers a seven-state region. The use of electronic mail has played an important role in paper reduction in the OIG. Within the office, electronic mail is not only used for everyday interoffice messages but is also used to communicate official documents that were previously being reproduced many times, such as office policy memorandums and bulletins.

During the past three years, we have developed a variety of information systems to support OIG activities. A description of these automated systems is outlined below.



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- ◆ A system that tracks investigative cases from the time the case is opened until it is closed.
  - ◆ A system that tracks audits and audit recommendations until management has implemented all corrective actions.
  - ◆ A system that provides current training and experience data on every OIG employee.
  - ◆ A system that provides a computerized indices of names, places, and things in relation to an investigative case or audit.
  - ◆ A system that tracks an investigative file as it moves through the various OIG departments.
  - ◆ A system that logs and tracks incoming and outgoing OIG mail.

These systems will be continually refined and modified to reflect changes within the OIG. Other systems will be developed as new needs are identified. All system development and modification is done with the goal of providing the OIG with a fully integrated Office Automation System.

## **THE OIG'S USE OF SUBPOENAS**

During this reporting period, the OIG issued 35 subpoenas--26 in connection with investigations and 9 in connection with audits. Subpoenas were served in 8 states and the District of Columbia.

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The major operational areas in which the subpoenas were issued were:

- ◆ Travel Voucher Fraud 15
- ◆ Employee Qualifications 10
- ◆ Workers' Compensation Fraud 5
- ◆ Waste and Fraud/General 5

We issued six subpoenas to financial institutions which required strict compliance with Public Law 95-630--the Right to Financial Privacy Act of 1978. This statute requires notice to the customer that the customer's financial records have been subpoenaed, thereby giving the customer an opportunity to challenge the subpoena in court prior to the release of the financial records.

One investigative subject challenged our subpoenas for her financial records. We had issued five subpoenas for the financial records of a mid-level TVA manager in connection with her alleged falsification of her travel claims. After the first two subpoenas were served, the manager filed a motion in Federal court to prevent the two banks from releasing her financial records. During June 1988, the court denied her motion, and the banks released the subpoenaed records to the OIG.

Using the records provided by the financial institutions and other evidence (including cancelled checks, credit card charges, and automated bank teller withdrawals), we were able to pinpoint the actual whereabouts of the TVA manager during periods she falsely claimed to be on official business and for which she improperly obtained travel and per diem payments. After the mid-level manager reviewed our draft investigative report which detailed at least six instances of travel fraud, she resigned.

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## THE OIG HOTLINE

| Classifications                           | April 1, 1988 - September 30, 1988 |                     |
|---|------------------------------------|---------------------|
|   | Number of Calls                    | Percentage of Calls |
| 1. Employee Misconduct                    | 24                                 | 10.9                |
| 2. Employee Concern<br>Program Matters    | 9                                  | 4.1                 |
| 3. Misuse Abuse of<br>Government Property | 12                                 | 5.4                 |
| 4. Vehicle Operations                     | 45                                 | 20.4                |
| 5. Substance Abuse                        | 4                                  | 1.8                 |
| 6. Personnel Matters                      | 50                                 | 22.6                |
| 7. Terrorism/Sabotage                     | 0                                  | 0                   |
| 8. Discrimination &<br>Harassment         | 16                                 | 7.2                 |
| 9. Safety                                 | 0                                  | 0                   |
| 10. Trades and Labor                      | 12                                 | 5.4                 |
| 11. Theft                                 | 12                                 | 5.4                 |
| 12. Falsification of Records              | 9                                  | 4.1                 |
| 13. Contract-Related Misconduct           | 6                                  | 2.7                 |
| 14. Waste and Fraud                       | 19                                 | 8.6                 |
| 15. General Criminal Activities           | 0                                  | 0                   |
| 16. Employment Suitability                | 0                                  | 0                   |
| 17. Public Concerns                       | 3                                  | 1.4                 |
| TOTAL                                     | <u>221</u>                         | <u>100.00</u>       |

### Who Called

|                  |           |             |
|------------------|-----------|-------------|
| Employees        | 153       | 69.2        |
| Former Employees | 21        | 9.5         |
| Public           | <u>47</u> | <u>21.3</u> |
|                  | 221       | 100.00      |

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During April 1988, Norman Zigrossi, our Inspector General, testified before the Senate Governmental Affairs Subcommittee on Government Efficiency, Federalism, and the District of Columbia, at the request of Senator Jim Sasser--Chairman of the Subcommittee.

**INSPECTOR  
GENERAL  
TESTIFIES  
BEFORE  
SENATE  
SUBCOMMITTEE**

The Inspector General's comments are outlined below.

- ◆ One of his first priorities as TVA's Inspector General was to establish the OIG Hotline, which began operation February 26, 1986, a little less than one month after he reported to TVA. He ensured TVA employees became quickly aware of the Hotline through newspaper and television coverage, articles in TVA's internal newspaper, and the distribution of thousands of OIG Hotline calling cards throughout TVA.
- ◆ The Hotline averaged 40 complaints per month during its first two years.
- ◆ The three largest categories of calls to the Hotline involved personnel matters, waste and fraud, and TVA's nuclear program.
- ◆ Less than 50 percent of Hotline calls result in an OIG investigation and represent approximately 20 percent of our total investigative caseload.
- ◆ We are currently conducting 73 investigations that began with a Hotline call, and we have completed investigations in another 52 such cases.

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**OIG REP  
ATTENDS  
HOTLINE  
WORKING  
GROUP  
MEETING**

- ◆ To date, we have referred 15 matters to U.S. Attorneys that resulted from investigations that began with Hotline calls.

A member of our Hotline staff attended a meeting of the Hotline Working Group of the President's Council of Integrity and Efficiency (PCIE), which was held in Washington, D.C.

The PCIE Hotline Working Group was established as part of the PCIE Training Subcommittee to focus on issues of importance to hotline operators and evolved from the PCIE Hotline Survey and efforts to promote standardization among agency hotlines.

# APPENDIX

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## AUDIT REPORTS ISSUED

| <b>Report Number</b> | <b>Report Title</b>  | <b>Date Issued</b> |
|----------------------|--|--------------------|
| 87-0009-01-703       | Review of Cooperative Agreements<br>Office of Natural Resources &<br>Economic Development  | 6/24/88            |
| 87-0009-01-704       | Review of Cooperative Agreements<br>Office of Agricultural &<br>Chemical Development   | 6/24/88            |
| 87-0009-01-501       | Review of Procurement Contracts<br>Purchasing  | 9/30/88            |
| 87-0009-01-705       | Cooperative Agreements<br>Nuclear Power and Power  | 9/28/88            |
| 87-0009-02-302       | Review of Personal Services and<br>Consulting Contracts<br>Office of Nuclear Power   | 4/05/88            |
| 87-0009-02-303       | Review of Personal Services and<br>Consulting Contracts<br>Office of Power   | 7/15/88            |
| 87-0009-02-304       | Review of Personal Services and<br>Consulting Contracts<br>Offices Other Than Power and<br>Nuclear Power                         | 9/15/88            |
| 87-0030-010          | Revenue from Energy Sales<br>Fiscal Year Ending<br>September 30, 1987  | 9/23/88            |
| 87-0056              | Blount Brothers Corporation<br>Contract No. 81K51-826976   | 6/20/88            |
| 87-0061              | Blount Brothers Corporation<br>Contract No. 81K51-826976<br>Review of Subcontractor<br>Delay Claim,<br>The Waldinger Corporation | 6/29/88            |

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| <b>Report Number</b> | <b>Report Title</b>  | <b>Date Issued</b> |
|----------------------|--|--------------------|
| 87-0079              | Summary of Financial and Compliance Audits for The Fiscal Year Ending September 30, 1987                                     | 5/25/88            |
| 87-0103              | George P. Reintjes Company, Inc.<br>Contract No. 85P 56-969323<br>Review of Claim for Unabsorbed Costs and Efficiency Losses | 9/16/88            |
| 87-0113              | North Brothers Company<br>Contract 76K72-820594<br>Review of Claim for Overhead and Obstruction Costs                        | 5/23/88            |
| 87-0119              | Enercon Services, Inc.<br>Review of Costs Incurred   | 6/7/88             |
| 88-0006-01           | Bear Creek Development Agency<br>TV-64000A   | 6/24/88            |
| 88-0006-02           | Tellico Reservoir Development Agency<br>Contract TV-64000A   | 6/24/88            |
| 88-0006-03           | Beech River Watershed Development Authority<br>Contract TV-39487A  | 7/08/88            |
| 88-0006-04           | Tennessee Elk River Development Agency<br>Contract TV-50000A   | 6/20/88            |
| 88-0009-01-002       | Interim Audit of Daniel International Corporation<br>Contract TV-69838A  | 7/29/88            |
| 88-0009-03-005       | Ross/Fowler P. C.<br>Contract TV-72346A  | 9/30/88            |
| <del>88</del> -0123  | Coal Procurement Procedures<br>Fiscal Years 1976 through 1987  | 7/11/88            |

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| <b>Report Number</b> | <b>Report Title</b>   | <b>Date Issued</b> |
|----------------------|---|--------------------|
| 88-0126              | Follow-Up Audit of Employee Concern Programs  | 8/08/88            |
| 88-0128              | Duke Engineering & Services, Inc.<br>Contract TV-65607A<br>Proposed 160-MW Atmospheric Fluidized Bed Combustion Demonstration | 6/10/88            |
| 88-0130              | Peabody Coal Company<br>Contract 69P-87-T1<br>Review of Overhead Beltline Costs Incurred                                      | 7/02/88            |
| 88-0131              | Review of Complaint by Erman-Howell Division Regarding Sales Inquiry V1-SIR1787   | 4/05/88            |
| 88-0132              | Review of the Accounting Information System   | 7/08/88            |
| 88-0133              | Review of Nonrated, Accountable Construction Equipment  | 7/21/88            |
| 88-0135              | Review of Office of Agricultural & Chemical Development Revenues  | 5/05/88            |
| 88-0136              | Review of Office of Natural Resources & Economic Development Revenues   | 7/20/88            |
| 88-0138              | Review of Section 13 Payments for Fiscal Year 1988  | 9/22/88            |
| 88-0139              | Review of Surplus Sales Cancelled Nuclear Plants  | 5/04/88            |
| 88-0140              | Review of TVA Travel Administration   | 8/30/88            |

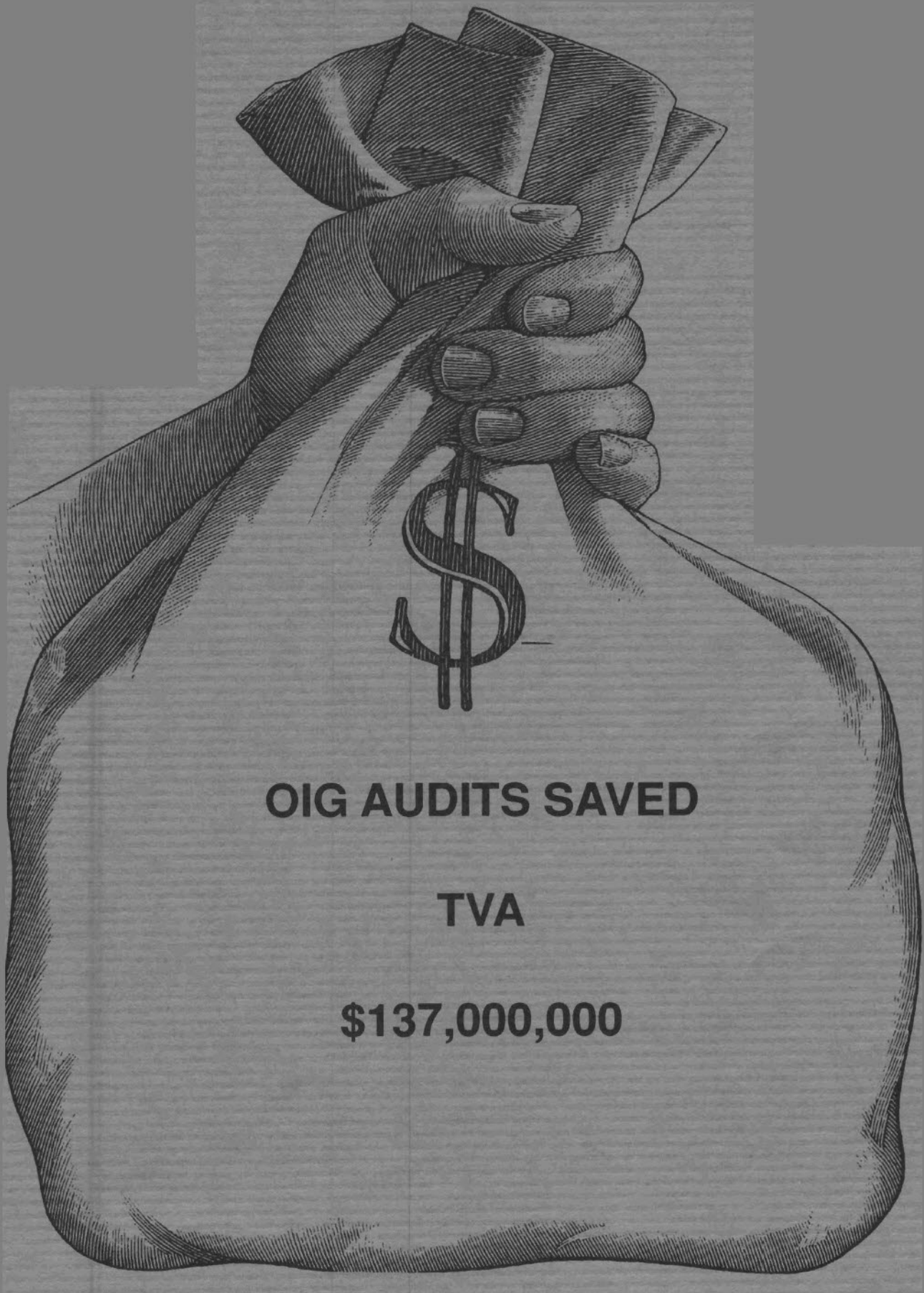
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| <b>Report Number</b> | <b>Report Title</b>  | <b>Date Issued</b> |
|----------------------|--|--------------------|
| 88-0142-12           | Review of Nuclear Insurance  | 8/26/88            |
| 88-0141              | Review of Ridesharing for Fiscal Year 1987   | 8/17/88            |
| 88-0152              | Review of Ground Transportation Costs (TVA Vehicles)   |                    |
| 88-0153              | Meigs County, Tennessee, Mitigation Funds Contracts TV-42223A, TV-49696A, and TV-53272A        | 8/04/88            |
| 88-0158              | Review of Nuclear Power Plant Restart Cost Reclassifications                                   | 8/01/88            |
| 88-0167              | Review of Reimbursement of Professional Fees For Calendar Year 1987                            | 7/13/88            |
| 88-0169              | Prompt Payment Act Review of Implementation of Corrective Action Plans for Prior Audit 88-0029 | 8/30/88            |

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**OIG AUDITS SAVED**

**TVA**

**\$137,000,000**