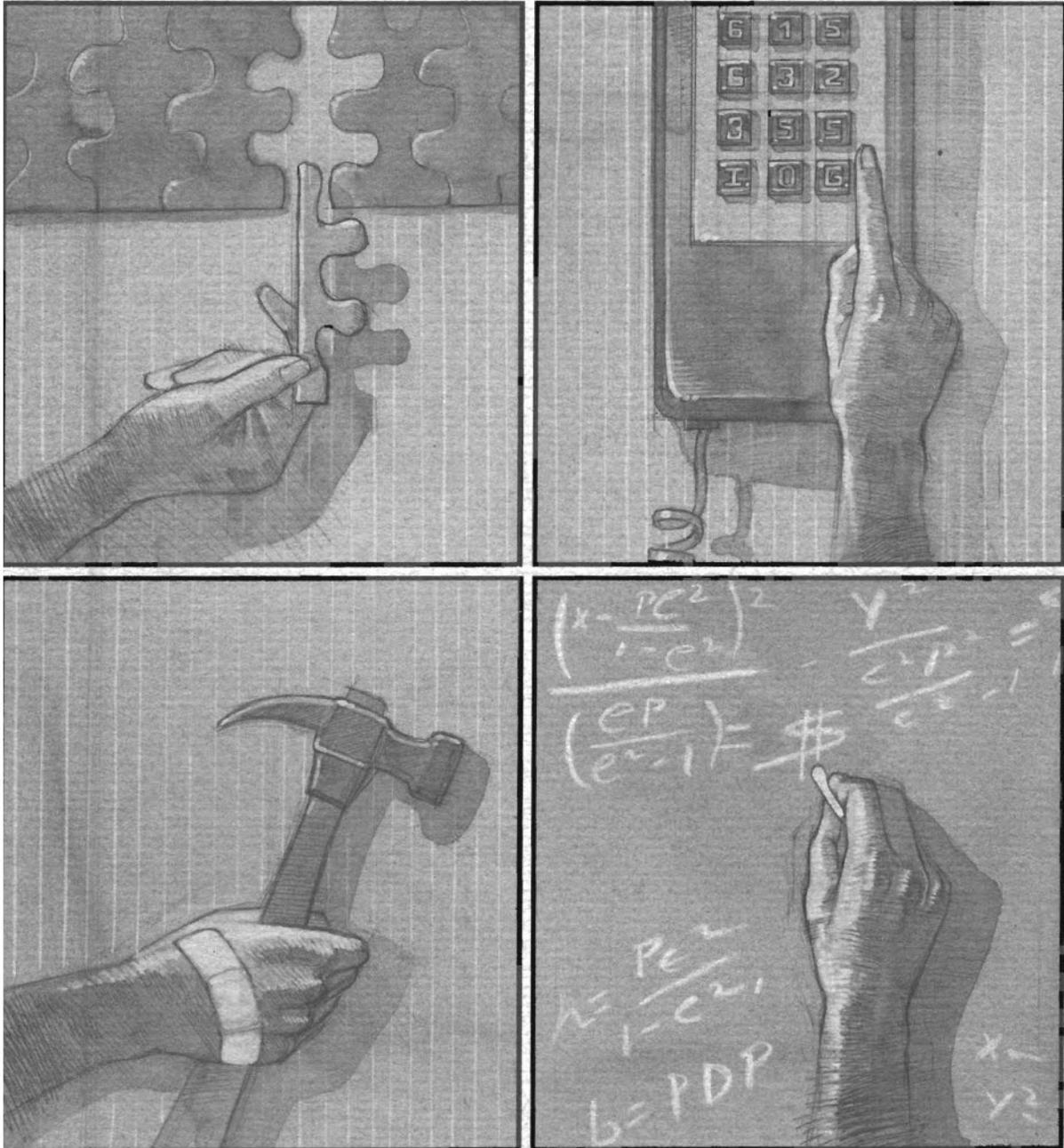


# TENNESSEE VALLEY AUTHORITY

## OFFICE OF THE INSPECTOR GENERAL

### SEMIANNUAL REPORT



OCTOBER 1, 1988 - MARCH 31, 1989



## TENNESSEE VALLEY AUTHORITY

---

400 West Summit Hill Drive, ET 4A 14 H-K  
Knoxville, Tennessee 37902

April 30, 1989

TO THE TVA BOARD OF DIRECTORS AND THE UNITED STATES CONGRESS:

This is the sixth Semiannual Report for the Office of the Inspector General (OIG). It summarizes our major activities and accomplishments from October 1, 1988 to March 31, 1989.

During this reporting period, we issued 24 final audit reports and identified more than \$7.7 million in questioned costs and \$22.5 million in funds that could be put to better use. We also issued 169 formal investigative reports and 6 project reports to TVA management and referred over 80 matters to federal or state prosecutors or other government officials. A number of our investigations--particularly those involving workers' compensation benefits--have demonstrated their cost-savings potential. For example, this report describes OIG investigations that may ultimately save TVA more than \$2.2 million in avoided workers' compensation benefits.

Because we focus on ways to improve TVA programs and operations, we may also identify instances of questionable conduct, needed improvements, or opportunities for positive change. However, any shortcomings identified in this report should not be viewed as characteristic of all TVA operations or as representative of TVA employees generally. Moreover, as a careful reading of this report will confirm, a significant number of our audits, investigations, and other activities reach conclusions that are generally favorable to TVA management and employees.

The cooperation and support of TVA managers and employees made possible many of the results documented in this report. This cooperation and support--coupled with the support of Members of Congress and the public--increase our effectiveness and ability to be a catalyst for positive change at TVA. We continue to draw strength and encouragement from this support and will continue to work to justify this trust.

Sincerely,

Norman A. Zigrossi  
Inspector General

**TENNESSEE VALLEY AUTHORITY**

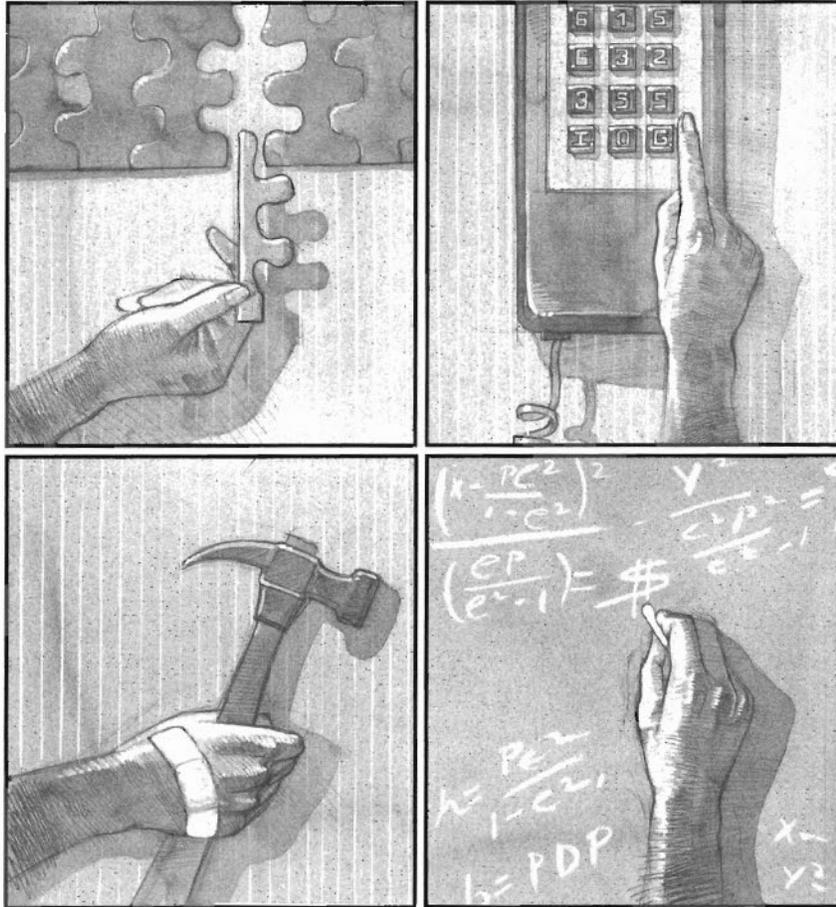
**OFFICE OF THE INSPECTOR GENERAL**

**Semiannual Report**

**October 1, 1988 - March 31, 1989**

**Report No. 6**

# CONTENTS



1	EXECUTIVE SUMMARY
3	TVA PROFILE
5	OFFICE OF THE INSPECTOR GENERAL
7	CHAPTER I - AUDITS
8	Audit Statistics
10	Audit Follow-up and Resolution
11	SPECIAL FEATURE--Audit Operations Supports TVA Attorneys
14	Summary of Significant Audits

---

19     **CHAPTER II - INVESTIGATIONS**

20             Investigative Caseload

20             Sources of Allegations

21             Classification of Investigations

22             Allegations in OIG Cases

23             Administrative and Disciplinary Actions

26             Investigative Referrals

27             Prosecutive Activities

29             SPECIAL FEATURE--Fraudulent Workers' Compensation Claims

31             OIG Completes Contract Monitoring Program

32             Other Representative Investigations

37     **CHAPTER III - OIG PROJECTS**

41     **CHAPTER IV - LEGISLATION AND REGULATIONS**

43     **CHAPTER V - OTHER OIG ACTIVITIES**

43             The OIG's Use of Subpoenas

45             The OIG Hotline

46             Freedom of Information Act Requests

47     **CHAPTER VI - THE OIG IN RETROSPECT**

**APPENDICES**

52             1.     List of Audit Reports Issued

55             2.     Glossary of Audit Terms

56             3.     Status of Management Decisions For Final Reports Issued

# EXECUTIVE SUMMARY

This is the OIG's sixth semiannual report and the last we will issue as a nonstatutory office. The Inspector General Act Amendments of 1988 created statutory Inspectors General for 33 federal entities including TVA. This report summarizes our major activities and accomplishments from October 1, 1988 to March 31, 1989. These activities and accomplishments are highlighted below.

## AUDITS

Our audits during the past six months have focused primarily on ways for TVA to use its funds more prudently, to recover unallowable contract costs, and to avoid unnecessary future costs. One of our more significant audits questioned \$4.4 million in costs under two TVA contracts for engineering and related services at the Browns Ferry Nuclear Plant. These questioned costs resulted from, among other things, the contractor's improper billing of labor charges. (TVA paid about \$42.6 million under these contracts during 1985-1987.) Our other significant audit activities are described below.

- We issued 24 final audit reports and identified more than \$7.7 million in questioned costs.
- We identified more than \$22.5 million in funds that could be put to better use.
- We have provided support to TVA's attorneys in connection with the litigation of contractor claims. During this reporting period, we provided such services in two lawsuits that were resolved favorably to TVA. Since the OIG's inception, we have provided litigation support services in 11 lawsuits in which TVA ultimately avoided over \$57 million in claimed costs.

---

## INVESTIGATIONS

- We opened 241 new cases and closed 308 cases, resulting in a caseload of 325 open cases on March 31, 1989.
- We issued 169 formal investigative reports and 6 special reports to TVA management.
- We recommended TVA management take administrative or disciplinary action in 79 of the 308 cases we closed. Based on these and prior recommendations, TVA management reprimanded 26 employees, suspended 2 employees, terminated 8 employees, and 9 other employees resigned. Further, our independent review of the actions TVA management has taken in response to our investigative recommendations shows that about 98 percent of the time management takes the action it reports it will take.
- We referred 82 matters to federal or state prosecutors, including 52 cases to U.S. Attorneys. These or prior referrals resulted in three indictments and two convictions during this reporting period.
- We issued 27 subpoenas, including 12 which were served in connection with investigations of federal workers' compensation fraud.
- Our Hotline received 151 calls--101 from TVA employees, 27 from former employees, and 23 from the general public.

# TVA PROFILE

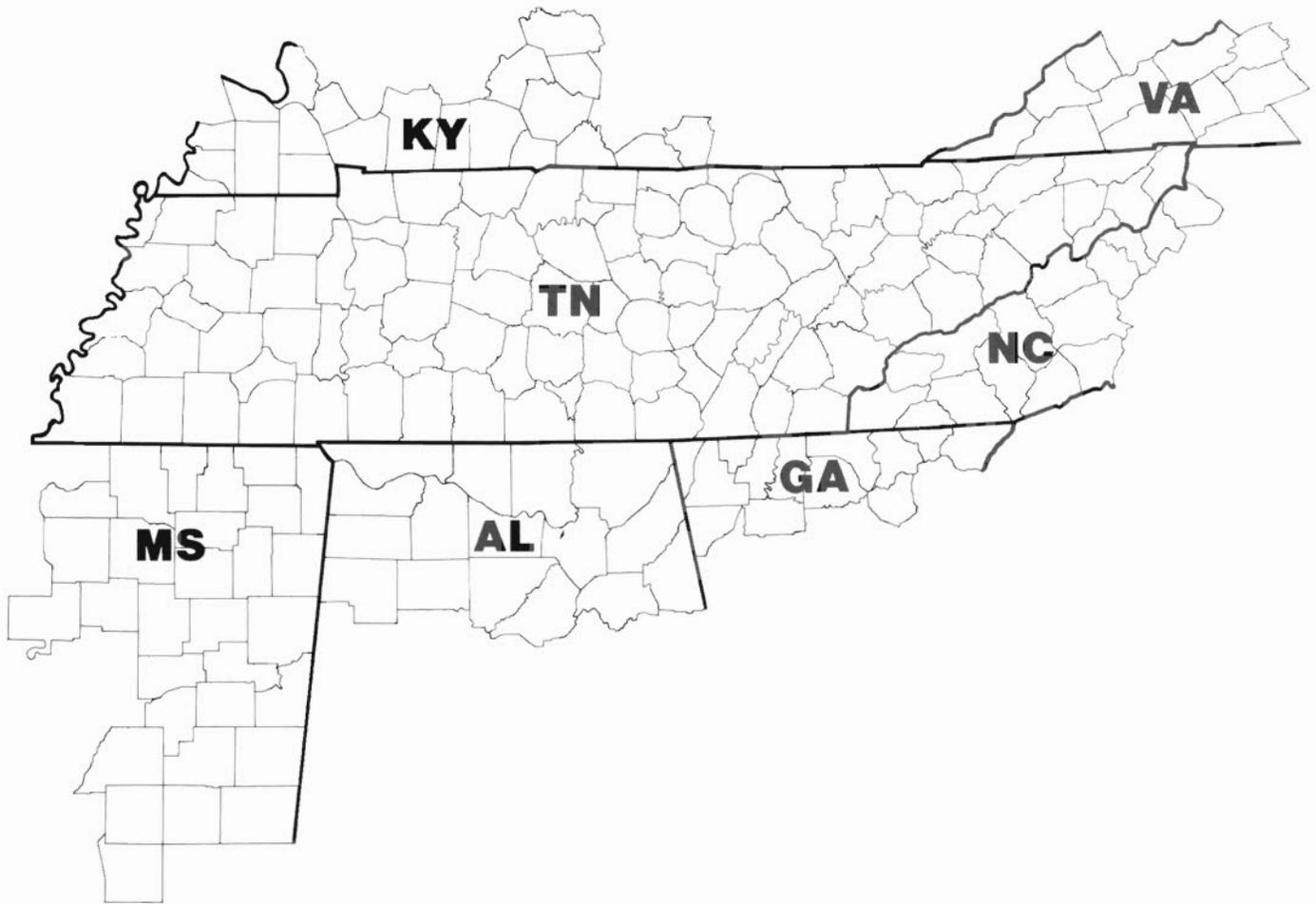
TVA is an independent corporate agency of the federal government. Congress established TVA in 1933 and charged it with developing and conserving the natural resources of the Tennessee Valley--a seven-state, 80,000 square-mile service area. The authors of the TVA Act designed "a corporation clothed with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

To achieve its broad 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 TVA's remaining programs are funded principally by congressional appropriations or other revenues. 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. TVA's three directors are Charles H. Dean, Jr.; John B. Waters; and Marvin T. Runyon, who became TVA's Board Chairman during February 1988.

TVA currently has approximately 25,600 employees. During 1988, TVA generated 95 billion kilowatt-hours of electricity. Its 1988 power revenues were \$5.3 billion, and its assets amounted to \$27 billion.

---

**TENNESSEE VALLEY REGION**



# OFFICE OF THE INSPECTOR GENERAL

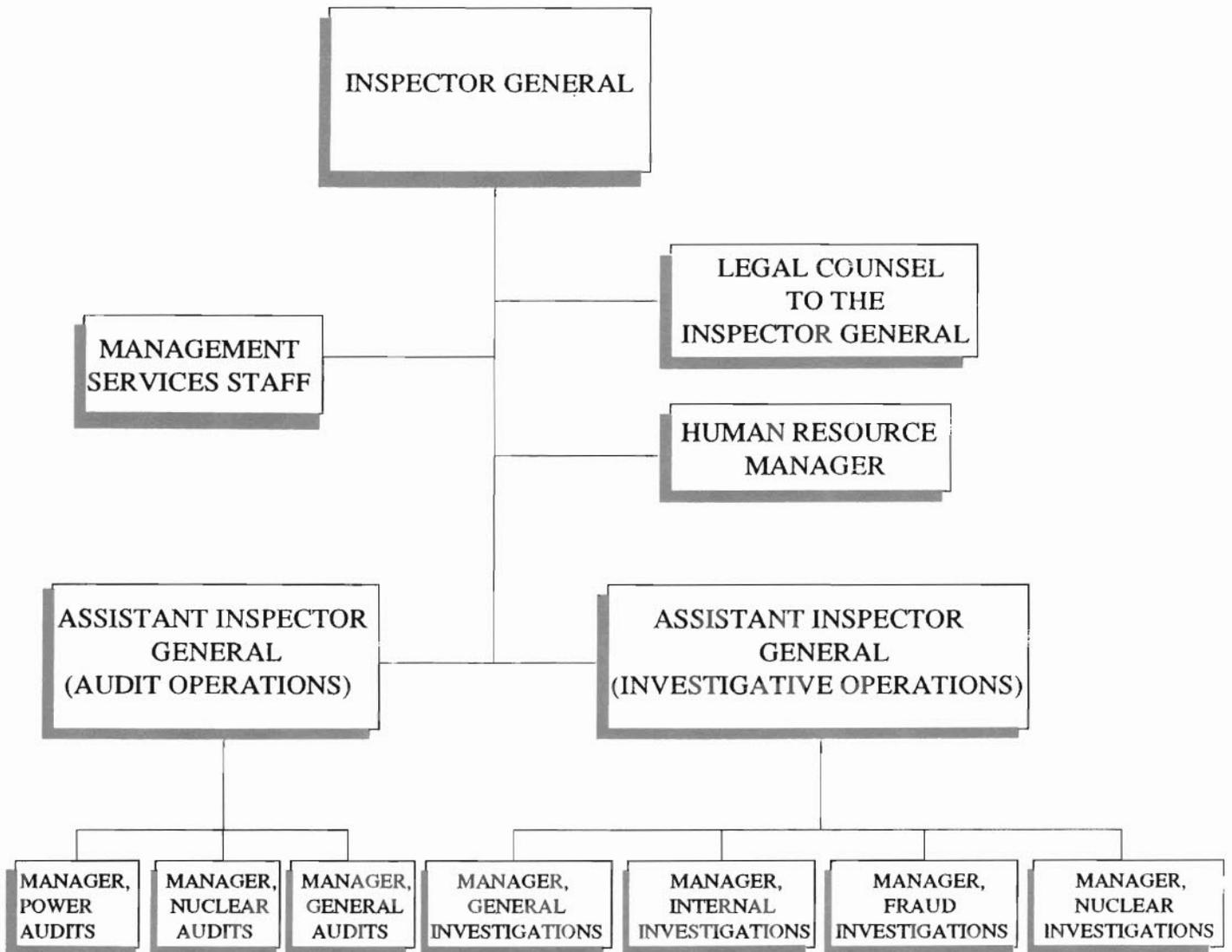
## OFFICE AUTHORITY

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 Board of Directors. The Inspector General reports matters to Congress through the semiannual report and interim reports.

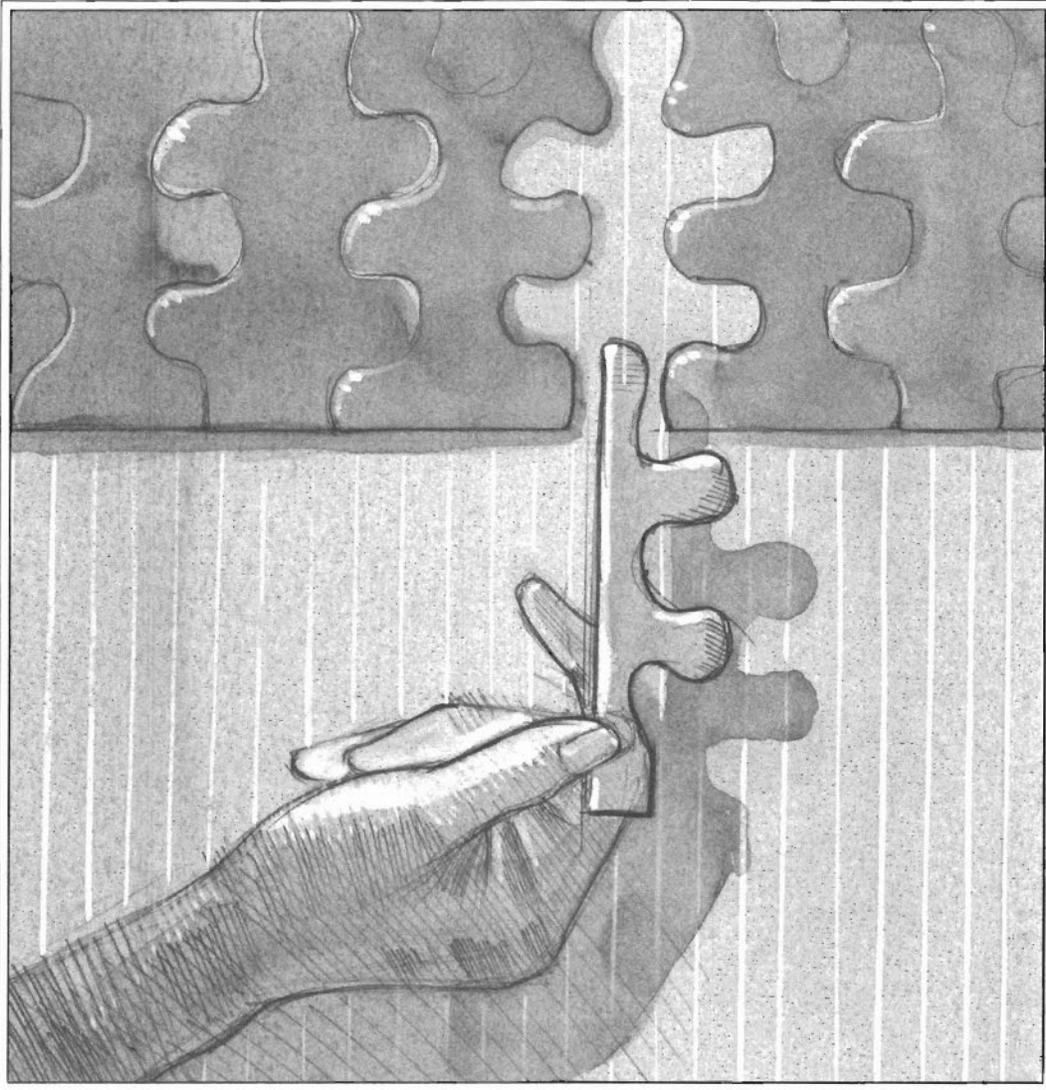
On October 18, 1988, President Ronald Reagan signed the Inspector General Act Amendments of 1988 into law. This law created agency-appointed Inspectors General for 33 federal entities including TVA. For the most part, this new law will not radically affect our operations. However, it does provide two important operating tools--permanent subpoena power and the authority to take sworn statements.

---

## OFFICE OF THE INSPECTOR GENERAL



# AUDITS



**D**uring this reporting period, Audit Operations issued 24 audit reports identifying more than \$7.7 million in questioned costs and more than \$22.5 million in funds that could be put to better use (see Appendix 1 for listings). We recommended, among other things, more effective ways to do business, better contract management, and changes in procedures to increase TVA's efficiency and effectiveness. Our audit activities are summarized below.

---

## AUDIT STATISTICS

### Status of Audit Projects

Carried Forward 10/1/88	39	
Started	40	
Postponed or Canceled	(7)	
Total Active Projects	72	
Less: Completed	(24)	
Total Projects in Progress 3/31/89		<u>48</u>

### Audit Results

Specific terms used to describe our audit results are defined in Appendix 2 of this report.

Audit Reports Issued: 24

Questioned Costs:

Unsupported Costs	\$3,101,965	
Other Questioned Costs	<u>4,670,837</u>	\$ 7,772,802
Funds to Be Put to Better Use		<u>22,590,169</u>
<b>TOTAL</b>		<u><u>\$30,362,971</u></u>

---

## Status of Audit Reports

	<u>Number of Reports</u>	<u>Questioned Costs (Dollars)</u>	<u>Number of Reports</u>	<u>Funds to Be Put to Better Use (Dollars)</u>
Without Management Decisions at 10/1/88	17	\$8,201,394	7	\$30,390,169
With Management Decisions Made 10/1/88-3/31/89	13	2,459,596	5	9,915,169
Without Management Decisions at 3/31/89	4	5,741,798	2	20,475,000
Without Final Actions Taken as of 3/31/89	7	5,894,215	5	29,108,637

The status of management decisions for audit reports we issued is reflected in Appendix 3.

We currently have no reports issued over a year ago for which management has not taken final action. Further, TVA management has made no significant management decisions on audit recommendations with which our office disagrees.

## AUDIT FOLLOW-UP AND RESOLUTION

OIG audits have made over 400 recommendations to TVA management since 1986. Management's responses to our recommendations and the status of those recommendations are described below.

<u>Status of Recommendations</u>	<u>Number of Recommendations</u>	<u>Questioned Costs (Dollars)</u>	<u>Funds to Be Put to Better Use (Dollars)</u>	<u>Total Dollars</u>
Made in Final Reports	431	55,451,594	123,669,357	179,120,951
Final Actions Taken	360	47,504,228	94,675,108	142,179,336
Final Actions Not Taken	71	5,894,215	29,108,637	35,002,852
Without Management Decisions	54	5,741,798	20,475,000	26,216,798
With Which Management Disagrees in Decision	2	-0-	1,932,000	1,932,000
With Which Management Agrees in Decisions	15	152,417	6,701,637	6,854,054

---

## OIG AUDIT OPERATIONS SUPPORTS TVA ATTORNEYS



*These OIG auditors supported TVA attorneys' litigation activities.*

OIG auditors are assisting TVA attorneys in connection with lawsuits pending against TVA. Our litigation support activities typically include:

1. Participation in pretrial discovery.
2. Expert evaluation of claimed damages and other disputed financial issues.
3. Providing findings and recommendations to TVA attorneys for use in settlement negotiations.
4. Preparation of expert witness reports.
5. Deposition and court testimony.

---

Audit Operations provides litigation support. This group includes several auditors who have had years of experience in providing audit support to TVA's attorneys. Experience is an important factor in doing this work and in effectively presenting findings to a judge or jury when serving as an expert witness. Although lawsuits may be settled outside the courtroom, auditors involved in litigation support must do their work in anticipation of trial. To be a credible expert witness, the auditor must be able to clearly and confidently convey the audit results to the judge and jury and to withstand the scrutiny of cross-examination.

Our assistance in the litigation process is beneficial to TVA in the following three ways.

1. Our reviews have contributed to a denial of or substantial reductions in the amount of damages awarded and paid to claimants.
2. TVA attorneys have used our work to negotiate the withdrawal of claims or reduction of damage demands.
3. We have provided auditing services which would be considerably more costly to TVA if performed by outside consultants commonly engaged as expert accounting witnesses.

Since 1986, we have provided litigation support services in 11 lawsuits in which we questioned \$42 million of \$68 million claimed. TVA ultimately avoided over \$57 million of these claimed costs. We are currently conducting reviews in connection with four other pending cases. During this reporting period, we provided litigation support services in two lawsuits that were resolved favorably to TVA. These two cases are described on the following page.

---

At TVA's General Counsel's request, we reviewed a \$2.9 million contract claim by a company that fabricated materials for the Hartsville and Phipps Bend Nuclear Plants. We questioned about \$1.8 million of the claim, and subsequently, the contractor reduced its claim to \$1.5 million. The court subsequently dismissed the company's claim.

**DISMISSED  
CLAIM SAVES  
\$2.9 MILLION**

Our audit of a \$224,600 claim by another contractor to provide decontamination of the Browns Ferry Nuclear Plant's reactor water cleanup system pumps questioned costs of \$40,590. We also suggested that TVA could reduce this claim by \$76,680 by purchasing the contractor's compact decontamination system. Subsequently, TVA settled the claim and purchased the decontamination equipment for a total of \$190,000. (TVA management estimated TVA could save about \$1 million over the next 10 years by using this equipment.)

**TVA MANAGE-  
MENT  
ESTIMATES  
FUTURE  
\$1 MILLION  
SAVINGS**



*"I feel fortunate to have had the experience of working with TVA's litigation attorneys and to have helped defend TVA."*

Harriet A. Miller,  
an Audit Operations  
Auditor

---

---

## SUMMARY OF SIGNIFICANT AUDITS

### **NUCLEAR POWER 'S EMERGENCY PURCHASES ARE NOT COST EFFECTIVE**

We reviewed 100 Nuclear Power “emergency” purchases (totalling \$15.4 million). These purchases were made during fiscal years 1987 and 1988. Our review revealed Nuclear Power did not use \$7.1 million (46.1 percent) of the material purchased within a reasonable time of the deadlines used to justify the purchases on an emergency basis. Our audit also revealed poor planning for certain purchases and failure to maintain an adequate inventory of some items. This resulted in routine use of emergency purchasing procedures and excessive air freight costs and expediting charges. We determined TVA could have saved over \$475,000 in interest at current rates if Nuclear Power had better controls and had not used emergency procurements for routine purchases. We recommended, among other things, improving the materials planning process, requiring the Vice President’s approval for emergency purchases, and developing a computerized inventory system. Nuclear Power senior management generally agreed with our findings and recommendations.

### **SOME KEY NUCLEAR POWER EMPLOYEES DO NOT MEET ALL OF THE REQUIREMENTS OF THEIR JOB DESCRIPTIONS**

We reviewed the qualifications of a sample of 100 statistically selected Nuclear Power employees in “key” positions--positions that could significantly affect nuclear plant safety or efficiency. Our review revealed that of the 100 employees, 28 did not meet the specific requirements of their positions, and of these 28, 4 provided false information regarding their qualifications, and 6 had questionable qualifications. However, the remaining 18 employees were probably qualified even though they did not meet the specific qualification requirements stated in their job descriptions. In addition, we could not determine in absolute terms whether any employees were qualified or unqualified since TVA had not validated the qualification requirements in these job descriptions.

---

Based on our sample results, we estimated TVA was spending from \$10 to \$30 million annually on employees with questionable qualifications or who provide false information.

We recommended that Nuclear Power (1) validate the minimum qualification requirements for all key positions; (2) assure that all validated qualification requirements are properly reflected in job descriptions; (3) establish equivalency criteria for defining acceptable deviations from established qualification requirements; (4) establish a policy and develop procedures for verifying education, prior work experience, and other qualification-related knowledge or skills; and (5) assess the 100 sample employees' qualifications against the newly established criteria to provide a basis for determining whether all remaining key employees' qualifications need to be assessed.

Nuclear Power acknowledged our findings and agreed to implement our recommendations.

We analyzed the use of \$5 million in funds Congress appropriated for a city's public waterline improvement project. The funds were placed with a major trust company for investment until needed to pay project costs. The funds were to be invested in securities of (or insured by) the U.S. Government. However, our audit disclosed the trustee made unauthorized investments of nearly \$4.4 million of the project funds in a trustee-managed portfolio of unsecured commercial notes during 1987-1988. The market value of these commercial notes declined and reduced the trust fund principal by more than \$212,000. Based on our recommendations, the city directed the trustee to replace the lost principal and interest of over \$181,000 that would have been earned had the investment been in U.S. securities. The trustee readily complied.

**TRUSTEE'S  
INVESTMENTS  
WERE NOT  
AUTHORIZED**

---

**OIG QUESTIONS  
SEVENTY  
PERCENT OF  
AGENCY'S  
COSTS**

We audited two contracts with an agency to provide offsite Radiological Emergency Plans for TVA's nuclear plants. Our audits questioned about \$1.2 million of the \$1.7 million paid to the state agency over a 19-month period. Most of the costs were questioned because the agency's records did not (1) distinguish between expenditures allocable to TVA and other funding sources and (2) include documentation supporting the composition and reasonableness of a 12.2-percent administrative fee designed to cover overhead costs related to salaries, fringe benefits, and supplies.

We recommended that Nuclear Power (1) review the questioned costs with the contractor and seek recovery of any portion of the costs which cannot be justified or adequately supported and (2) establish controls to avoid future problems.

Nuclear Power has agreed to investigate the findings and questioned costs identified in our report and request the agency to return reimbursements, as appropriate. Further, management plans to increase the agency's accountability for future expenditures of TVA funds.

**\$348,000 IN  
RECRUITMENT  
COSTS COULD  
HAVE BEEN  
SAVED**

We reviewed a TVA contract with a company which provided recruitment services for Nuclear Power and developed programs to train and retrain personnel. We questioned costs of \$6,835. TVA paid the company approximately \$1.1 million from April 1986 to January 1988. We estimated TVA could have saved \$348,000 by, among other things, limiting the company's recruitment services to hard-to-fill positions. TVA management generally agreed with our recommendations, and the contractor has agreed that \$6,835 was paid in error.

**\$4.4 MILLION  
QUESTIONED**

Our audit of two TVA contracts with a company to provide engineering and related support services at the Browns Ferry Nuclear Plant resulted in questioned costs of \$4,430,129. (TVA paid about \$42.6 million under these contracts during 1985 to 1987.) Our

---

review identified \$4,390,876 in ineligible costs based on the company's improper billing of labor charges, labor associated with off-site travel, per diem, and overtime. We also identified \$39,253 of unsupported costs which were not billed in accordance with the contract terms or which duplicated previously billed charges.

TVA management agreed with our report, and the company agreed to accept our finding of \$39,253 in unsupported costs. However, the company does not agree with our disallowance of \$4,390,876 in ineligible costs.

We audited TVA's contract with a corporation which provided air transportation services for TVA employees. Our audit identified questioned costs of \$12,652 and concluded TVA could have saved about \$125,000 by obtaining the services more economically.

**AIR TRAVEL  
WAS NOT  
COST  
EFFECTIVE**

We reviewed several TVA contracts with a company from 1985 through 1988 to provide personnel who performed clerical and computer services. Payments on the contracts totalled approximately \$15.5 million. The results of our audit were good news for TVA management. More specifically, our review indicated (1) invoices and payments were generally correct, (2) the company's employees had the required qualifications, and (3) TVA performed the majority of the required security clearances.

**COMPANY'S  
CONTRACTS  
ARE PROP-  
ERLY ADMINI-  
STERED**

We audited a TVA contract with a company for automatic data processing (ADP) analysis and programming support services. Our audit revealed no major problems and that the company provided the services called for in the contract. (TVA paid about \$1.2 million under the contract.) However, we recommended TVA grant security clearances to contract employees before allowing them to work on TVA's ADP systems.

**OIG NOTES  
CONTRACT  
COMPLIANCE**

---

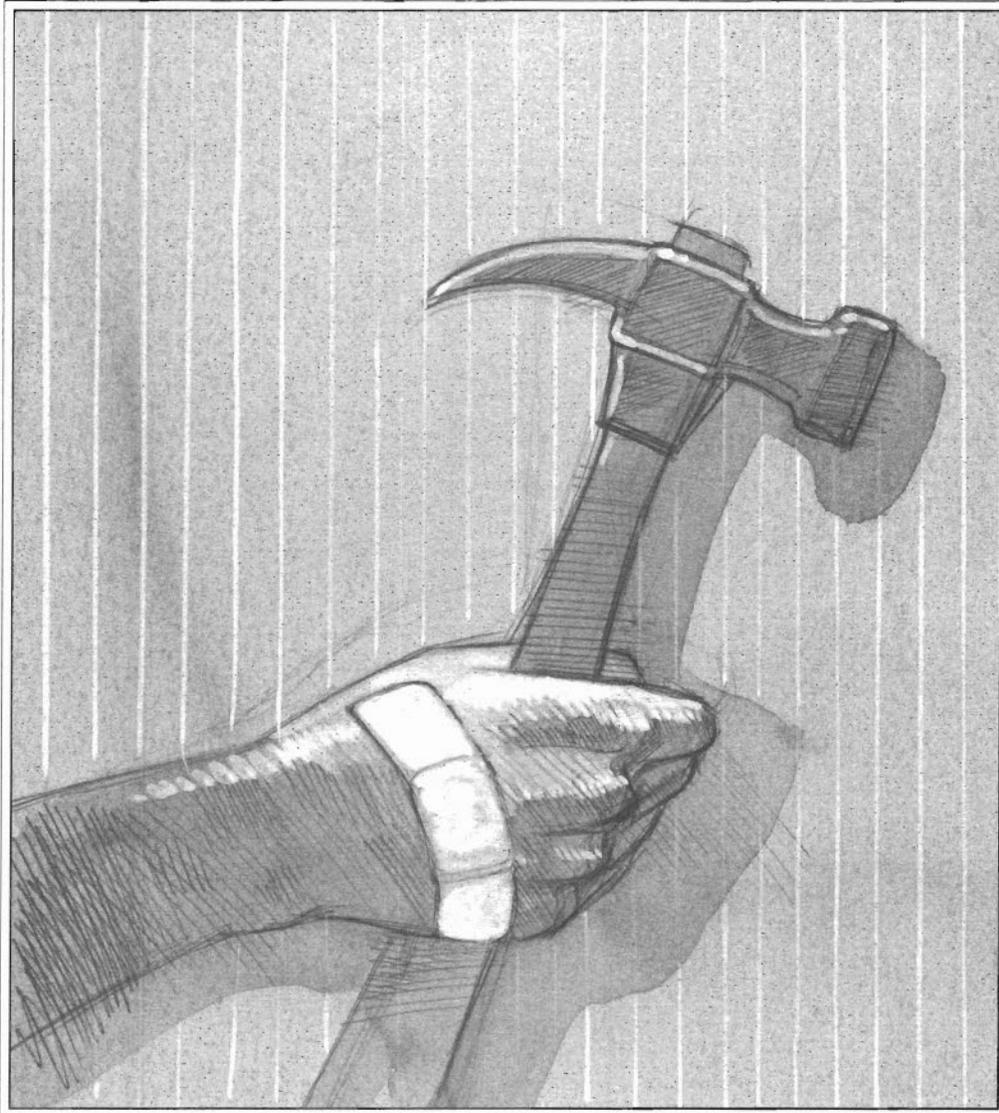
**IMPROVEMENTS NEEDED IN HOUSING ASSISTANCE CONTRACT** We reviewed TVA's contract with a company which provides housing assistance to relocated TVA employees. (The company helps eligible employees dispose of their houses when they are transferred to another duty station.) We recommended, among other things, that TVA (1) finalize contract guidelines for services the contractor would provide and (2) ensure that, in the future, similar guidelines are established within 60 days of the contract's effective date.

**COMPANY IS IN COMPLIANCE** We reviewed two contracts with a mining company to provide management services for TVA's uranium holdings in South Dakota and Wyoming. TVA paid about \$6 million under these contracts during 1987. Our review revealed generally positive results. More specifically, the company complied with the terms of its contract with TVA. However, we recommended the company correct six items relating to financial reporting and internal controls.

**REVENUE FROM SALES AUDIT** In our last semiannual report, we recommended the effective date of all future rate adjustments be the same for all directly served TVA customers. We explained that TVA's contracts with its power customers have varying effective dates for rate adjustments. Over the past 10 years, these varying dates have resulted in uneven distribution of costs among power customers.

Power has agreed that the effective date for future rate adjustments should be the same for TVA's directly served customers and distributors.

# INVESTIGATIONS



**D**uring this reporting period, our special agents completed over 300 investigations, made 82 referrals for prosecution or administrative action (including 52 cases referred to U.S. Attorneys), and obtained 3 indictments and 2 convictions. We also issued 169 formal investigative reports to TVA management.

A description of our overall investigative activities follows.

---

## INVESTIGATIVE CASELOAD

Investigations Carried Forward as of September 30, 1988	392
Investigations Opened this Reporting Period	241
Investigations Closed this Reporting Period	308
Total Investigations in Progress as of March 31, 1989	325

## SOURCES OF ALLEGATIONS

<u>Source of Allegation</u>	<u>Number of Cases</u>
OIG Hotline	60
Concerns Mailed In	15
Referrals from Other TVA Offices	30
Audit Referrals	5
TVA's Employee Concern Program	7
Congressional Inquiries	10
TVA Board	9
OIG Employee Applicants	7
OIG Special Agents	68
Other	<u>32</u>
<b>TOTAL</b>	<b>243</b>

Some allegations were from more than one source.

## CLASSIFICATION OF INVESTIGATIONS

<u>Classification of Cases</u>	<u>Number of Investigations</u>			
	<u>Carried Forward 9/30/88</u>	<u>Opened</u>	<u>Closed</u>	<u>In Progress 3/31/89</u>
1. Employee Misconduct	21	17	25	13
2. Employee Concern Program Matters	80	31	69	42
3. Misuse or Abuse of Government Property	9	12	13	8
4. Vehicle Operations	13	11	19	5
5. Substance Abuse	4	7	5	6
6. Personnel Matters	34	27	36	25
7. Terrorism and Sabotage	0	1	1	0
8. Discrimination & Harassment	4	7	7	4
9. Safety	0	0	0	0
10. Trades and Labor	2	1	3	0
11. Theft	22	15	24	13
12. Falsification of Records	42	19	20	41
13. Contract-Related Misconduct	20	36	12	44
14. Fraud and Waste	110	39	48	101
15. General Criminal Activities	2	0	1	1
16. Employment	12	7	13	6
17. Public Concerns	2	0	2	0
18. Board Concerns	1	3	3	1
19. Archaeological Resources	0	1	1	0
20. Special Projects	11	5	4	12
21. OIG Personnel Matters	2	2	2	2
22. Other	1	0	0	1
<b>TOTAL</b>	<b>392</b>	<b>241</b>	<b>308</b>	<b>325</b>

## ALLEGATIONS IN OIG CASES

Many of the 308 cases we completed this reporting period contained multiple allegations. More specifically, these 308 cases contained 542 separate allegations. Of these allegations, 355 (about two-thirds) were not substantiated, 136 were substantiated, and 51 were resolved with no determination made regarding the allegation. The following chart describes these allegations.

<u>Classification of Allegation</u>	<u>Total Number</u>	<u>Number Substantiated</u>	<u>Number Not Substantiated</u>
1. Employee Misconduct	53	16	37
2. Employee Concern			
Program Matters	104	32	59
3. Misuse or Abuse of Government Property	25	16	9
4. Vehicle Operations	26	6	10
5. Substance Abuse	9	0	6
6. Personnel Matters	102	24	73
7. Terrorism and Sabotage	1	0	1
8. Discrimination & Harassment	28	1	26
9. Safety	7	1	6
10. Trades and Labor	3	0	3
11. Theft	45	12	32
12. Falsification of Records	32	13	19
13. Contract-Related Misconduct	26	2	23
14. Fraud and Waste	56	9	46
15. General Criminal Activities	1	0	1
16. Employment Suitability	13	N/A	N/A
17. Public Concerns	2	0	2
18. Board Concerns	3	0	1
19. Archaeological Resources Protection	1	1	0
20. Special Projects	--	--	--
21. OIG Personnel Matters	--	--	--
22. Other	5	3	1
<b>TOTAL</b>	<b>542</b>	<b>136*</b>	<b>355*</b>

\*51 allegations were resolved but were not reportable as substantiated or unsubstantiated.

---

## ADMINISTRATIVE AND DISCIPLINARY ACTIONS

We recommended TVA management consider taking administrative or disciplinary action in 79 of the 308 cases we closed during this six-month reporting period. We recommended TVA management consider disciplinary action in connection with 109 employees and recommended other management action in many other instances.

OIG investigative reports frequently make recommendations to senior TVA managers. These managers, in turn, inform us of the actions they have taken or plan to take in response to our reports. We conducted a review to verify independently whether TVA management had, in fact, taken the actions they reported would be taken in response to our investigative reports.

**TVA MANAGE-  
MENT  
FOLLOWS  
THROUGH ON  
OIG REPORTS**

The results of our review were very positive for TVA. Based on the information gathered, we independently verified that management's responses were accurate about 98 percent of the time (i.e., they virtually always did what they said they would do.) In only about 2 percent of the cases did TVA management fail to do what they reported they would do.

This project included a review of actions taken as a result of 723 investigative reports that were issued from the OIG's inception through November 1988--a 31-month period.

---

Disciplinary Actions. During this reporting period TVA managers took the following disciplinary actions.

Terminations	8
Transfers	0
Demotions/Reassignments	1
Suspensions	2
Written Warnings	22
Oral Warnings	4
Reemployment Flagged	63
Resignations	<u>9</u>
TOTAL	109

These figures also contain disciplinary actions taken this reporting period based on reports we issued during previous reporting periods.

Examples of Actions Management Took. Described below are examples of disciplinary actions TVA management took in response to our investigative findings.

- TERMINATIONS**
- A project control engineer was terminated for falsifying his overtime report. The engineer claimed eight hours overtime when, in fact, he actually worked about three hours.
  - A Public Safety Officer was terminated for stealing TVA property. Our investigation revealed the officer repeatedly stole TVA gasoline and also stole a TVA tool. In addition, another officer received a written warning for not reporting employee misconduct.
  - A Watts Bar Nuclear Plant foreman was terminated for (1) gambling on TVA property, (2) failing to report his prior criminal convictions, and (3) harassing a female subordinate.

- 
- A radiochemical laboratory analyst was terminated for falsifying two TVA employment applications. The employee erroneously claimed he received a B.S. degree and inaccurately reported his grade point average.
  - An energy advisor was terminated for falsifying inspection documents. The advisor falsified the documents by certifying that various contractors' weatherization work met applicable standards when, in fact, the work was deficient.
  - Our investigation revealed a TVA ironworker failed to report his self-employment activities to the Office of Workers' Compensation Programs (OWCP) while he was receiving federal disability benefits for a work-related back injury. The employee (1) was involved in buying, restoring, and reselling vehicles; (2) engaged in activities inconsistent with his medical restrictions; and (3) intentionally falsified his TVA medical records by failing to report his previous back injuries. Subsequently, TVA terminated the ironworker for providing false information about his previous back injuries. OWCP is also reviewing the employee's claim for disability benefits.

- An assistant fossil plant manager was suspended for five days for repeatedly accepting free meals and golf outings from vendors' representatives and for creating the appearance that he approved of the acceptance of such entertainment and gifts. In addition, seven other plant employees received written warnings for accepting gifts and entertainment from vendors.
- A radiological laboratory analyst trainee was suspended for 30 days for unofficial use of a TVA vehicle. In addition, she received a written warning for allowing an unauthorized person to drive a TVA vehicle and improperly claiming per diem expenses.

## SUSPENSIONS

- 
- A Watts Bar Nuclear Plant (WBN) general foreman was suspended for seven days for directing a subordinate to make personal items for him and another WBN foreman.

#### RESIGNATIONS

- A senior Nuclear Power manager resigned after our investigation revealed he accepted two gifts from a subordinate. One of the gifts involved the subordinate arranging for the dismissal of the manager's \$69.25 speeding ticket through a Tennessee Highway Patrol (THP) officer. (Two THP officers were suspended for five days for their role in dismissing the supervisor's ticket.) The subordinate also admitted giving the supervisor a Christmas present worth \$50. The subordinate was demoted and reassigned.

#### WRITTEN WARNINGS

- A Power Engineering and Construction electrician foreman admitted he falsified a timesheet when he indicated he worked eight hours although he worked only four. TVA gave the foreman a written warning and adjusted his pay to recover the four hours of overtime he falsely claimed.
- A Hartsville Distribution Center (HDC) foreman and an HDC manager received a written warning for using HDC employees for personal reasons. The foreman admitted he instructed a subordinate to cut wood for the foreman's mantel. The foreman also admitted he brought his lawn mower engine to HDC to be repaired. The HDC manager acknowledged he instructed a subordinate to cut wood for personal purposes.

#### INVESTIGATIVE REFERRALS

We referred 82 matters to federal or state prosecutors and to other officials during this reporting period. These referrals are described below.

---

<u>Investigative Referrals</u>	<u>Subjects</u>
Cases referred to U.S. Attorneys	52
Cases referred to State prosecutors	4
Cases referred to and accepted by the FBI	3
Cases referred to the OIG's Audit Operations	1
Cases referred to other agencies for investigative or administrative action (e.g., questionable workers' compensation benefits)	<u>22</u>
<b>TOTAL</b>	<b>82</b>

## PROSECUTIVE ACTIVITIES

During this reporting period, we referred 52 cases to U.S. Attorneys for possible prosecution. The results of those referrals are described below.

Total Number of Subjects Referred	52
Cases Accepted	7
Cases Declined	48
Indictments	2
Convictions	1
Criminal Complaints Filed	4
Referrals Pending	31

These actions include the results of referrals made during previous reporting periods.

---

The indictments and convictions which occurred during this reporting period are described below.

- **Truck Driver Pleads Guilty to Stealing Government Property.** A truck driver pled guilty in federal court to the theft of diesel fuel destined for one of TVA's fossil plants. Our investigation determined that contaminated fuel (fuel containing water) was delivered to the plant and that the driver was responsible for removing some of the fuel and replacing it with water.
- **Former TVA Truck Driver Found Guilty of Receiving Stolen TVA Property.** A former TVA truck driver was sentenced to 15 years' imprisonment and fined \$5,000 after a jury found him guilty of burglary and receiving stolen TVA property. A Georgia sheriff's department arrested the truck driver on local burglary charges and subsequently found TVA material in his truck.
- **Two Former TVA Employees Indicted for Stealing Tools.** A federal grand jury indicted two former TVA employees for possessing stolen property and conspiring to possess stolen property after we recovered TVA tools at their businesses. (The tools had been stolen from a TVA nuclear plant.) In addition, a local grand jury indicted one of the former employees--currently a local Alabama city councilman--for selling a tractor which belonged to an Alabama county commission. During our investigation, we subpoenaed the subject's bank records which showed he sold the county's tractor for \$5,000.

- **Four Former Employees Charged with Submitting False Travel Vouchers.** Federal prosecutors filed felony complaints in federal court charging four former employees with submitting fraudulent travel vouchers to TVA. These individuals inflated their requests for travel reimbursement by submitting fraudulent lodging receipts to TVA.
- **A Flea Market Vendor Indicted for Possession of Government Property.** A state grand jury indicted a local flea market vendor after an OIG agent purchased TVA property--which was stolen from the Bull Run Fossil Plant--from him. The vendor was subsequently indicted for possession of stolen property.

## FRAUDULENT WORKERS' COMPENSATION CLAIMS

During fiscal year 1988, TVA spent more than \$47.5 million on Federal Employees' Compensation Act (FECA) benefits for employees with work-related injuries. During this reporting period, we continued working with the Department of Labor (DOL) to prevent fraud and abuse in connection with these FECA claims.



*"Our investigations of compensation fraud are producing positive results and saving TVA money."*

George Prosser,  
Fraud Investigations  
Manager

---

---

DOL's Office of Workers' Compensation Programs (OWCP) declared overpayments of more than \$146,900 in five cases we referred to them for action. In addition, our efforts may have saved TVA more than \$2.2 million in avoided disability benefits costs.

During this reporting period, we issued 26 formal investigative reports involving allegations that current or former TVA employees were improperly receiving federal disability benefits. We substantiated the allegations in 16 of these cases and reported our findings to OWCP for administrative action. Outlined below are examples of the workers' compensation cases we reported to OWCP during this reporting period and previously reported cases in which OWCP has taken administrative action.

- A former TVA mechanic failed to report his employment activities to OWCP while he was receiving disability benefits for a work-related injury. Subsequently, OWCP determined the mechanic was overpaid by more than \$11,000. The mechanic also entered a federal pretrial diversion program to avoid being indicted for making false statements to OWCP. As part of the program, the mechanic will be on probation for one year and required to reimburse TVA \$1,347.
- A former TVA employee who was receiving total disability benefits was capable of gainful employment. OWCP subsequently determined the employee was overpaid \$18,911 and terminated his benefits. This investigation resulted in avoided benefit costs of more than \$800,000 for TVA.
- A former TVA boilermaker who was receiving disability benefits refused to return to work in a position which was compatible with his qualifications and medical restrictions. OWCP subsequently disallowed the individual's claim for disability, resulting in a potential savings of more than \$600,000 to TVA.

- 
- We previously reported a former TVA ironworker pled guilty in federal court after our investigation revealed he worked while using false names and false social security numbers while simultaneously receiving disability benefits. During this reporting period, OWCP determined the former employee was overpaid \$73,576 and reduced his benefits. The reduction in this individual's benefits should result in future savings of more than \$550,000 for TVA.
  - During March 1989, OWCP determined a former TVA Nuclear Power employee was overpaid \$1,646 based on the fact he had returned to work and continued to receive total disability benefits. OWCP subsequently eliminated his benefits--an action which resulted in potential savings of more than \$200,000 for TVA.

## **THE OIG COMPLETES CONTRACT MONITORING PROGRAM**

During 1986, at the request of the Office of Government Ethics, we began monitoring the hiring of Nuclear Power managers to identify and prevent potential conflicts of interest. TVA's nuclear program employed loaned managers, advisors, and other contract employees from numerous companies. TVA implemented guidelines to avoid placing these individuals in TVA positions where they had, or appeared to have, a conflict between their own private financial interests (particularly of their parent companies) and the interests of TVA. During our monitoring program, we found no instances of actual conflicts of interest and were able to avoid potential conflict problems. During this reporting period, we concluded our monitoring program since TVA no longer uses the services of loaned managers or advisors.

---

## OTHER REPRESENTATIVE INVESTIGATIONS

Some of the other investigations we completed this reporting period are described below.

### CONTRACTOR EMPLOYEES SUBMIT FRAUDULENT CLAIMS

Our audit of a personal services contract revealed that contractor employees submitted fraudulent travel claims in connection with the services they provided. We subsequently investigated fraudulent lodging and furniture rental claims submitted by 10 of the contractor's employees. (TVA had hired 7 of these individuals as regular employees before the start of our investigation.) These fraudulent claims are outlined below.

1. One contractor employee claimed \$875 a month for lodging and furniture rental when, in fact, he paid about \$595 a month.
2. An employee's wife signed a fictitious name to weekly lodging receipts for \$140 although the employee's monthly rent was actually \$375.
3. Another contractor employee submitted receipts for four months lodging at a location where he had actually stayed for one week. This individual subsequently admitted he had claimed reimbursement for rental payments that were actually applied to purchase his residence.
4. One employee claimed \$750 a month for lodging, although he actually paid about \$450 a month.
5. One contractor employee purchased a blank invoice form and typed fraudulent receipts on his personal computer for furniture he did not rent. He estimated he received \$1,900 in overpayments based on these fraudulent receipts.
6. Another individual submitted fraudulent appliance rental receipts for furniture he actually purchased. He submitted the same receipt for \$265.47 for six months' rent on a range he actually purchased for \$265.47.

- 
7. An employee submitted weekly receipts for \$175 although his monthly rent was \$550.
  8. One employee claimed lodging expenses at a Huntsville, Alabama, condominium although he had moved to other lodging. For five months he also claimed \$25 a day more on his lodging receipts than he actually paid.
  9. Another individual claimed about \$19 a day more on his receipts than he actually paid for lodging during an eight-month period.
  10. Another employee claimed lodging expense for an apartment that did not exist and expenses for two months after he moved to other lodging.

Nuclear Power withheld \$56,839.73 from the contractor to cover the disallowed costs for these and other fraudulent travel claims. Our investigation of other fraudulent travel claims is continuing.

- A Power Training Center chief acknowledged he used TVA equipment to move his personal household property. The chief's organization issued four written warnings to the individuals involved in the incident.
- A contractor's employees made 4,592 minutes of unauthorized, long-distance telephone calls from TVA telephones. TVA will deduct the cost of the unauthorized calls (\$2,755.20) from the contractor's final payment.

**MISUSE OF  
GOVERNMENT  
EQUIPMENT**

---

**CONTRACT-RELATED MISCONDUCT**

- A former materials clerk tried to pay an overdue personal account for photography equipment with a TVA Field Purchase Order (FPO). In addition, the photography store's secretary-treasurer admitted participating in the clerk's scheme to use falsified FPOs to pay a personal account. TVA will include a copy of our report in the former employee's security file for consideration if this individual seeks reemployment with TVA. Further, TVA's Purchasing department will not invite this vendor to bid on future procurements.
- As alleged, a unit supervisor issued FPOs to a company his girlfriend operated. In addition, the supervisor issued or approved contracts with this same company. This investigation also revealed a former economist conducted outside business activities on TVA time and sold items to TVA through his own business.
- A Nuclear Power senior manager, acting against the advice of his senior contract administrator, directed TVA to pay \$4,512 to a contractor for services TVA did not receive. However, based on the OIG's findings, Nuclear Power, in consultation with TVA's General Counsel, withheld the \$4,512 payment to the contractor. The manager resigned following an OIG investigation of his misconduct.

**UNIFORMS**

- A former Nuclear Power official requested the emergency purchase of uniforms as well as cleaning services for the uniforms for Sequoyah Nuclear Plant (SQN) operators. Our investigation revealed the following information about this purchase.
  1. As of June 1988, TVA spent (1) more than \$89,000 to purchase blazers, jackets, sweaters, shirts, trousers, belts, and shoes for SQN's operators and (2) more than \$13,500 for cleaning services for this attire.

- 
2. A Nuclear Power manager initially justified the emergency purchase of the uniforms and related cleaning services by claiming the failure to have the uniforms and cleaning services available prior to SQN startup would jeopardize plant safety. However, contrary to this claim, our investigation revealed no evidence that failure to have the clothing and laundry services would jeopardize plant safety.
  3. The Nuclear Regulatory Commission does not require uniforms for nuclear plant operators, and TVA does not require the operators to wear the uniforms it purchased for them. However, about 95-98 percent of the operators do, in fact, wear the new uniforms.

- A senior Nuclear Power employee violated a TVA leave policy by inappropriately approving a resigning subordinate's request to take annual leave after his last day of active duty. The annual leave the subordinate took allowed him to remain a TVA employee for one year--thereby eliminating the need for him to repay a \$24,000 staffing arrangement he had previously received. (The subordinate was resigning from TVA after reading an OIG report on his misconduct.)

**PERSONNEL  
MATTERS**

- Our investigation revealed a number of management shortcomings by a former senior manager as well as instances where the manager took actions which resulted in or created the appearance of a conflict of interest. More specifically, the senior manager acted inappropriately when he:

**OTHER  
MISCONDUCT**

1. Created the appearance of favoritism by twice promoting the employee who recommended him for TVA employment.
2. Gave three employees staffing arrangements of up to \$8,000 while providing inadequate or incorrect justification for such payments.

- 
3. Intimidated an employee into accepting a transfer to the Watts Bar Nuclear Plant.
  4. Circumvented normal procurement procedures when he awarded a contract for recruiting services.

The manager resigned before we issued this report.

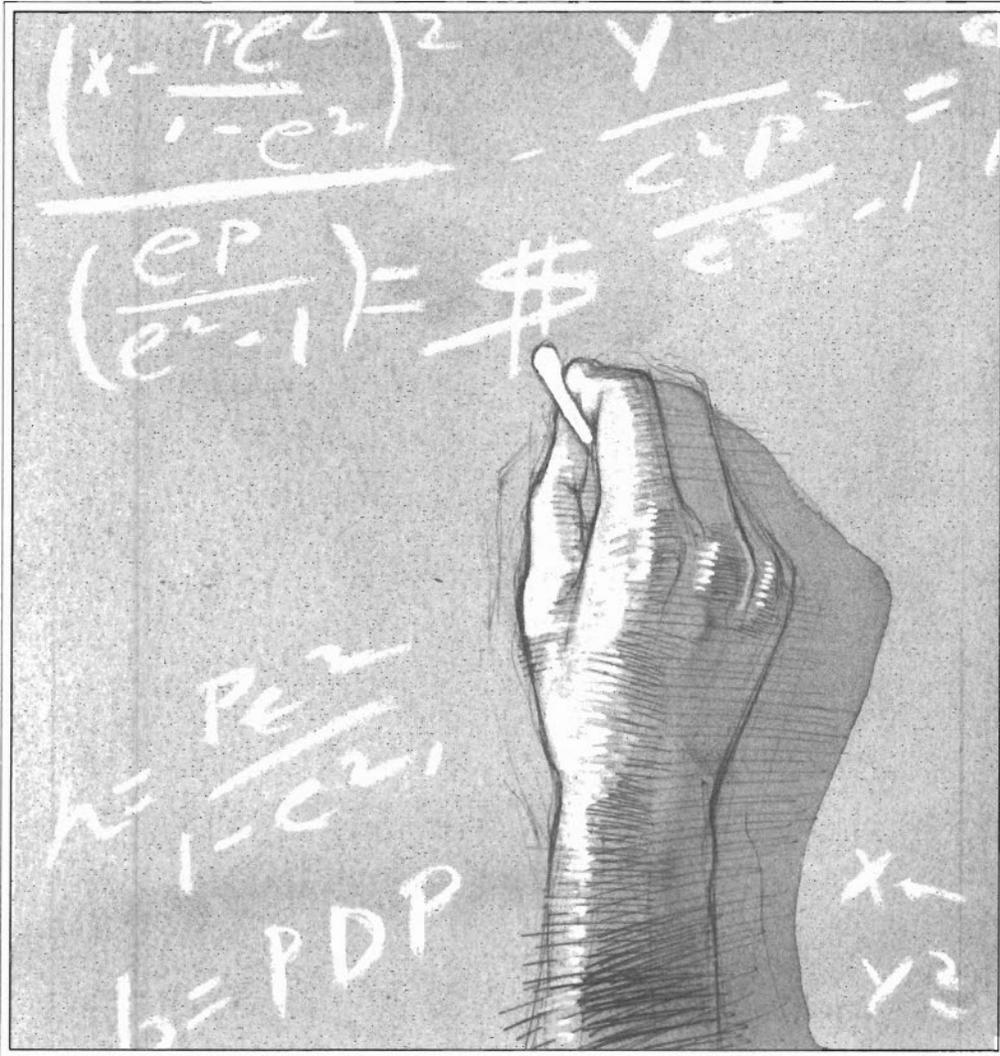
**SEXUALLY  
OFFENSIVE  
MATERIAL**

- A Public Safety Officer admitted using a TVA copier and mail services to send copies of a sexually explicit article to four female employees. The officer stated he sent the article as a practical joke.

**INAPPROPRIATE  
ABSENCE**

- Our investigation revealed that, as alleged, a Nuclear Engineering specialist took a week off from work and was not charged with any type of leave. This employee acknowledged he was not on compensatory time during his week-long absence, although he turned in a timesheet showing he had worked eight hours a day for five days.

# OIG PROJECTS



We issued several reports describing the results of OIG projects that we completed this reporting period. These reports presented the results of investigations of specific programs or activities and independent assessments of the effectiveness of various TVA programs. Some of the projects we completed this reporting period are described below.

Based on information developed during an investigation of alleged wrongdoing by participants in TVA's Physics Degree Program (PDP), the OIG initiated a review of the program itself. Our investigation revealed the following information.

**TVA'S  
PHYSICS  
DEGREE  
PROGRAM**

- 
1. PDP participants received full salary, overtime, incentives, and benefits while attending college to earn a baccalaureate degree in physics.
  2. The costs of the PDP since its inception in 1984--including compensation to the participants, travel and subsistence costs, and academic costs--total nearly \$6 million, including over \$600,000 for the first six months of 1988. At the time of this review, 23 individuals had completed the PDP, and 11 individuals were currently enrolled in the program.
  3. There has been no showing of a continuing need for the PDP, an assessment of its benefit to TVA, or a demonstration that it would be the most cost-effective means for acquiring degreed individuals or additional expertise for specific positions.

We recommended Nuclear Power discontinue the program unless program administration was improved, including controlling and reducing costs.

Nuclear Power management decided to continue the program but only after developing a sound business plan which would include, among other things:

1. A review of current program participants to determine who, if anyone, should continue and how costs can be minimized.
2. An evaluation of cost-effective alternatives such as onsite, after-hours classes for program participants.
3. The development of participant selection criteria.

During our investigation, we also identified several instances in which PDP participants submitted inaccurate travel claims and vouchers. Although our investigation of these falsified claims is continuing, the investigations we completed this reporting period are described below.

- 
- A nuclear manager admitted he submitted several travel vouchers to TVA which inaccurately claimed he stayed at his temporary lodging in Chattanooga, Tennessee, when he actually stayed at his Spring City, Tennessee, residence. Our investigation revealed that on 14 occasions when the manager claimed he was in Chattanooga in connection with the PDP, he had actually returned to the Watts Bar Nuclear Plant and was not in travel status.
  - Another nuclear manager submitted inaccurate travel vouchers in connection with his PDP participation. Specifically, he submitted 16 travel vouchers claiming he was in travel status in Chattanooga when he was actually working shifts at the Watts Bar Nuclear Plant, claiming overtime pay, and staying at home. This employee's travel expenses during his PDP participation amounted to more than \$29,500, including almost \$17,000 in lodging expenses alone.

We conducted a review to determine whether TVA is hiring employees with bogus college or postgraduate degrees--degrees from questionable educational institutions. (Such institutions are sometimes referred to as "diploma mills.") The results of our review were positive for TVA. Based on the information we gathered regarding approximately 59,500 individuals listed in TVA's Employee Information System (EIS), there was no evidence any current or former employee claimed a bogus college or postgraduate degree from one of the identified diploma mills.

**BOGUS  
DEGREES: NO  
PROBLEM AT  
TVA**

To conduct our project, we developed a list of about 600 known or suspected bogus educational institutions. We then matched our list of questionable institutions with educational information in the EIS. In those instances in which a legitimate school's name was similar to that of a bogus institution, we reviewed the employee's personal history record to determine whether the employee attended a legitimate institution or obtained a degree from a diploma mill.

---

**SUPERVISORY  
DIFFERENTIAL  
HAS LOW  
IMPACT ON TVA**

Our review of supervisory impact pay--pay given a TVA manager to assure the manager's pay is higher than that of his or her subordinates--was generally positive for TVA. Our review revealed TVA managers are generally complying with applicable TVA procedures. Our review revealed the cost of TVA's current impact pay policy is about \$177,000 annually. We recommended the Vice President, Human Resources, consider--in light of TVA's ongoing efforts to reduce its costs--whether revisions would be appropriate with respect to this pay policy.

**DEMOTIONS  
ARE  
GENERALLY IN  
COMPLIANCE  
WITH TVA  
PROCEDURES**

Our review of demotion-related pay adjustments was generally positive for TVA. Our review revealed that TVA managers are generally complying with applicable TVA procedures. More specifically, in 94 percent of the demotions we reviewed, TVA management correctly applied the applicable procedures. Our review also revealed TVA's policy of allowing a demoted manager's salary to exceed the maximum pay for the position to which the manager was demoted costs TVA more than \$385,000 annually. (However, TVA's implementation of a new classification system during March 1989 may have reduced the number of demoted managers whose salaries exceed the maximum pay for their current position.) We recommended, among other things, the Vice President, Human Resources, clarify the guidelines on when an employee's annual salary is allowed to exceed the maximum pay range for the position to which the employee is demoted.

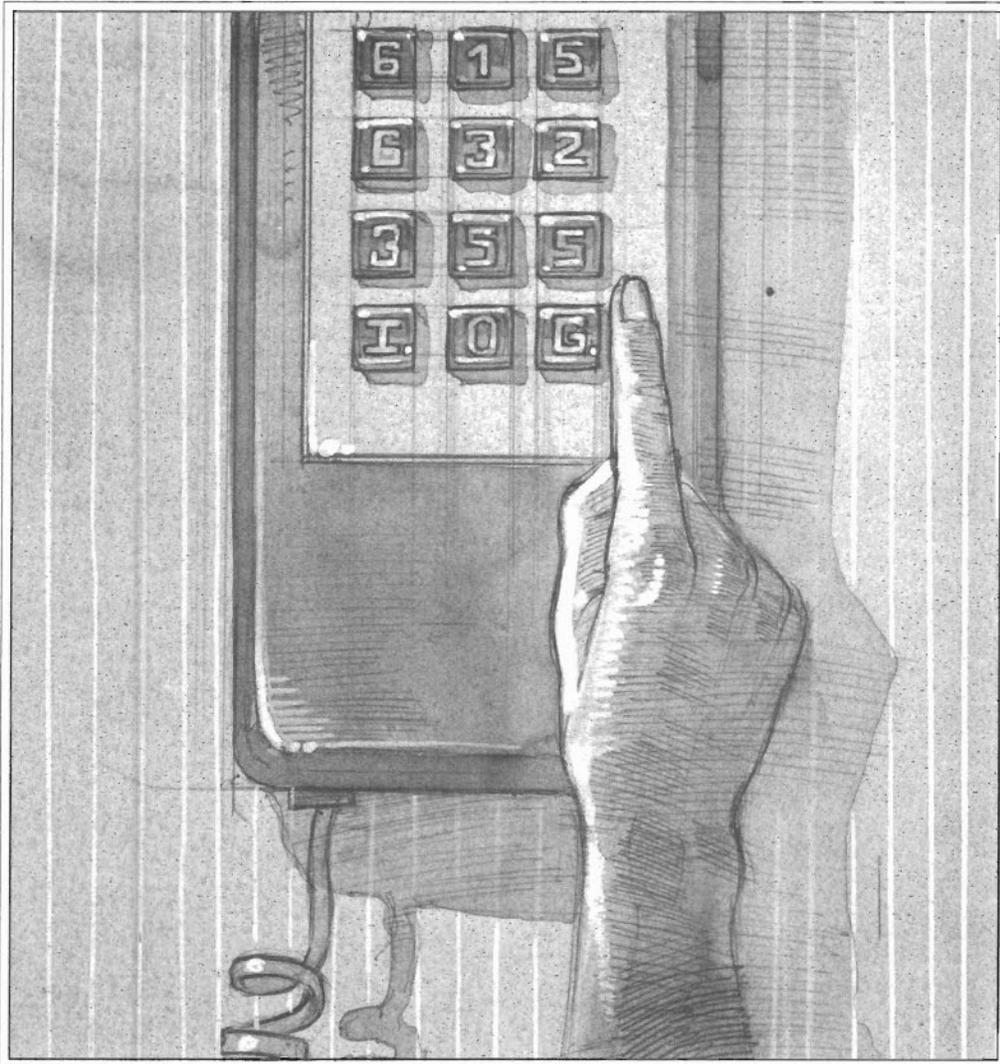
# LEGISLATION AND REGULATIONS

## NEW LAW PROVIDES COMMISSIONING OF TVA'S PUBLIC SAFETY PERSONNEL

During our review of TVA's Public Safety Service, we recommended that Corporate Services, the General Counsel, and Governmental and Public Affairs determine whether it would be appropriate for TVA to seek statutory law enforcement authority for its Public Safety Officers (e.g., statutory authority to carry firearms and make arrests). At the time of the review, safety personnel were deputized locally by county sheriffs. TVA drafted a legislative proposal for Tennessee to commission as "peace officers" TVA's public safety personnel (including Public Safety Officers, Nuclear Safety Officers, and the patrol for Land-Between-The-Lakes). The bill was passed and subsequently signed into law by the Governor of Tennessee.

The authorities provided to TVA peace officers commissioned under this statute are state-wide in scope. These law enforcement powers include the authority to (1) carry weapons while performing assigned TVA duties, (2) make arrests for public offenses against TVA officials or employees or committed in connection with TVA property, and (3) pursue and arrest (anywhere in the state) persons committing such offenses. In addition, under this law TVA is free to transfer its public safety personnel among sites in Tennessee without having to arrange for them to be redeputized when they change localities.

# OTHER OIG ACTIVITIES



## THE OIG'S USE OF SUBPOENAS

During this reporting period, we issued 27 subpoenas for documents. The subpoenas provided information for the following categories of investigations and audits.

Workers' Compensation Fraud	12
Falsification of Educational and Occupational Records	6
Falsified Travel Claims	5
Theft and Fraud Against the Government	3
Contract-Related Fraud	1

---

Several representative investigations in which subpoenas played an important role are described below.

- Three subpoenas sought bank records which must be obtained in strict compliance with the Right to Financial Privacy Act of 1978. The subject of the investigation challenged one of the subpoenas in federal court. However, the court denied the subject's motion to quash the subpoena and granted the OIG access to the bank records. The bank records indicated the subject sold a stolen county tractor. Subsequently, the county indicted him on theft charges.
- Five subpoenas produced information which indicated a recipient of federal workers' compensation benefits--who used false names and social security numbers to conceal the fact he was working while being paid federal disability benefits--earned unreported income while employed with four different businesses.
- A nuclear engineer submitted motel receipts which indicated he paid for 30 nights of hotel lodging in connection with a transfer. However, two subpoenas produced information that the engineer--who actually paid for only five nights of motel lodging--altered and forged the motel receipts. The engineer resigned as a result of our investigation.
- A principal nuclear engineer stated in his employment application that he had two undergraduate engineering degrees and a graduate business degree from three well-known educational institutions. However, our investigation revealed--through the use of subpoenas--that the engineer never attended any of the institutions. The engineer resigned as a result of our investigation.

## THE OIG HOTLINE

<u>Classifications</u>	<u>October 1988 to March 1989</u>	
	<u>Number of Calls</u>	<u>Percentage of Calls</u>
1. Employee Misconduct	11	7.3
2. Employee Concern Program Matters	12	8.0
3. Misuse/Abuse of Government Property	6	4.0
4. Vehicle Operations	9	6.0
5. Substance Abuse	4	2.6
6. Personnel Matters	44	29.0
7. Terrorism/Sabotage	0	0
8. Discrimination and Harassment	13	8.6
9. Safety	0	0
10. Trades and Labor	3	2.0
11. Theft	9	6.0
12. Falsification of Records	7	4.6
13. Contract-Related Misconduct	10	6.6
14. Waste and Fraud	18	12.0
15. General Criminal Activities	0	0
16. Employment Suitability Inquiries	0	0
17. Public Concerns	<u>5</u>	<u>3.3</u>
<b>TOTAL</b>	<b>151</b>	<b>100.0</b>

## WHO CALLED

October 1988 to March 1989

Employees	101	66.9%
Former Employees	27	17.9%
Public	23	15.2%

---

## FREEDOM OF INFORMATION ACT REQUESTS

During this reporting period, we received 27 Freedom of Information Act (FOIA) requests. These requests were from the following sources.

Complainants	13
Subjects	7
Third-party	4
News media	3

In connection with our processing of these FOIA requests, we reviewed and provided 36 investigative reports and 17 audit reports to TVA's Governmental and Public Affairs (which processes FOIA requests for TVA).

# THE OIG IN RETROSPECT

## OIG SAVES TVA MILLIONS IN FIRST THREE YEARS OF OPERATION

The OIG observed its third anniversary during this reporting period. Further, April 1989 marks the beginning of our existence as a statutory OIG as a result of the Inspector General Act Amendments of 1988. This beginning of a new era provides an occasion for a reflective look at our office during the past three years. Our more significant activities and accomplishments during the past three years are described below.

### AUDIT OPERATIONS

OIG's Audit Operations--which was restructured during the last reporting period to parallel TVA's new structure--continues to help TVA save money. During the past 3 years, we issued 141 audit reports and identified more than \$179 million in questioned costs and funds that could be put to better use. To date, TVA has recovered or more efficiently used over \$142 million because of our audits.

We currently have 55 auditors, including Audit Operations managers and the Assistant Inspector General for Audit Operations. Our auditors have a total of 446.5 years of audit experience. Our auditors include 25 certified public accountants and 9 certified internal auditors or certified information system auditors. In addition, 9 auditors--over 1 in 6--have more than one certification. We have 36 auditors who have college degrees in accounting while 19 have degrees in other disciplines, including business administration and finance. In addition, 13 auditors--nearly 25 percent--have advanced degrees.

---

Some of our more significant audits during the past three years are described below.

- An OIG-recommended change in TVA's accounting policies reduced TVA's need for future revenues by \$92 million.
- An OIG audit questioned \$6.1 million of a \$22.9 million claim that was filed on behalf of a TVA contractor and 12 subcontractors. Subsequently, the parties agreed to a \$5.6 million settlement of the entire \$22.9 million claim.
- An OIG audit questioned more than \$3.5 million in charges for mining operations at TVA's Camp Breckinridge properties. Subsequently, the contractor refunded about \$2 million to TVA.

## INVESTIGATIVE OPERATIONS

During the past 3 years, we completed 2,360 cases, issued 844 formal investigative reports, and administratively closed 1,305 cases. We referred 309 matters to U.S. Attorneys and state district attorneys for possible prosecution and obtained 43 indictments and 40 convictions. As a result of our investigations, TVA management terminated 110 employees, suspended 71 employees, and issued 82 written warnings.

The Hotline continues to be a major source of allegations of wrongdoing. During the past 3 years, we received 1,389 calls with the majority of calls dealing with personnel matters, employee misconduct, discrimination and harassment, and waste and fraud.

We currently have 37 special agents including the Investigative Operations managers and the Assistant Inspector General for Investigative Operations. Our special agents have a total of over

---

300 years of investigative experience--190 years of experience in the Federal Bureau of Investigation and 116 years with other federal or state law enforcement agencies. We have 19 investigators with college degrees in accounting, public administration, and business administration; and 17 investigators with degrees in other disciplines. Ten of these investigators also have advanced degrees.

Some of our more significant investigations during the past three years are described below.

- The U.S. Attorney obtained 28 indictments and 24 convictions in connection with our investigation of a scheme by TVA employees to submit false travel claims. In addition, the U.S. Attorney has filed felony complaints charging four additional TVA employees with submitting false claims in connection with the same scheme.
- A federal appeals court has affirmed a district court's ruling that our investigation of drug use by TVA nuclear plant employees was entirely appropriate. During our investigation, 28 employees at 2 TVA nuclear plants who were suspected of drug use were tested for the presence of either marijuana, cocaine, or amphetamines. The results of these tests indicated drug use by a significant number of those tested. Subsequently, TVA adopted a policy of random drug testing for employees with unescorted access at its nuclear facilities.
- Our investigation revealed a senior TVA manager, while considering retirement, improperly received confidential information about proposed (but unannounced) changes in TVA retirement benefits. The manager was able to increase his retirement benefits by nearly \$9,000 a year by simply delaying his retirement to take advantage of these benefit changes. At the same time, nearly 50 other TVA employees

---

retired without knowing about the proposed changes. Subsequently, the TVA Retirement System Board gave these employees the benefit of the changes in Retirement System rules.

- A non-TVA employee pled guilty in federal court after our investigation revealed she anonymously made 11 bomb threats against a TVA headquarters building. Each bomb threat required the evacuation of about 1,000 employees and cost TVA more than \$500,000. The individual was fined, sentenced to 1 year in prison with 8 months suspended, placed on 5 years probation, and required to perform 500 hours of community service.
- A former TVA employee was found guilty in federal court of receiving, concealing, and possessing stolen property after law enforcement personnel recovered more than \$5,000 worth of office equipment, furniture, and guns in his basement. The individual was placed on five years' probation.
- Our investigation revealed a senior TVA manager committed at least 25 violations of TVA's standards of conduct and ethical behavior. The manager resigned after we issued our report describing his misconduct.
- The Department of Labor (DOL) and TVA established procedures for coordinating their actions to prevent fraud and abuse in connection with Federal Employees' Compensation Act (FECA) claims. During the past 3 years, we completed 108 cases involving allegations that current or former employees were improperly receiving disability benefits. We have referred 46 matters to DOL's Office of Workers' Compensation Programs (OWCP) for their review and determination of whether the recipients' receipt of FECA benefits is proper. OWCP declared 10 individuals were overpaid \$268,522 and

---

either terminated or reduced compensation benefits for 8 individuals--resulting in potential savings of more than \$4 million for TVA. We have referred 16 matters to the U.S. Attorney for possible prosecution, and 2 former TVA employees have been convicted for filing false statements in connection with their FECA claims.

- A Public Safety Officer was terminated after our investigation revealed he (1) possessed and smoked marijuana while on duty, (2) left his duty post on numerous occasions, (3) disregarded his official duties by frequently taking women upstairs in a TVA office building after hours, and (4) provided false information to the OIG.
- During 1987, TVA paid its salary policy employees almost \$60 million in overtime. An OIG review revealed, among other things, that 545 employees were paid an average of \$20,000 each in overtime. Subsequently, TVA reduced its Power and Nuclear Power budget for overtime by \$33 million.

**INSPECTOR GENERAL REPORT ON AUDITS  
FOR THE SIX-MONTH PERIOD ENDING MARCH 31, 1989**

<u>DATE ISSUED</u>	<u>REPORT NUMBER</u>	<u>REPORT TITLE</u>	<u>QUESTIONED COSTS (DOLLARS)</u>	<u>UNSUPPORTED COSTS (DOLLARS)</u>	<u>FUNDS TO BE PUT TO BETTER USE (DOLLARS)</u>
10/24/88	88-0149	Review of Appalachian Regional Commission and Walker College - Contract Nos. TV-65082A, TV-65591A, TV-65131A, and TV-73403A			1,637
11/02/88	88-0175	Review of Manpower Temporary Services, Inc. - Contract Nos. TV-66815A, TV-70530A, TV-70547A, and TV-73403A			
11/07/88	88-142-7	Review of Power Toolroom Inventories for the Period October 1, 1987 through April 30, 1988			
11/08/88	88-0187	Review of American Technical Associates, Inc. - Contract Nos. TV-67903A, TV-72110A, and TV-74320A			
11/28/88	88-0177	Review of Bechtel North American Power Corp. - Contract No. 87NWC-38200A	12,652		
11/28/88	88-9-1-6	Review of Consultants & Designers, Inc. - Contract Nos. TV-6624A and TV-67873A	4,512		
11/30/88	87-0050	Review of Fluor Constructors, Inc. - Contract No. TV-65580A	100,098		

APPENDIX 1  
Page 2 of 3

<u>DATE ISSUED</u>	<u>REPORT NUMBER</u>	<u>REPORT TITLE</u>	<u>QUESTIONED COSTS (DOLLARS)</u>	<u>UNSUPPORTED COSTS (DOLLARS)</u>	<u>FUNDS TO BE PUT TO BETTER USE (DOLLARS)</u>
12/02/88	88-0179	Review of SMC Information Systems - Contract No. TV-70515A			
12/07/88	88-9-3-1	Review of Sargent & Lundy - Contract Nos. TV-68783A, TV-69885A, TV-70514A, TV-72103A, and TV-72180A	79,925	3,443	
12/21/88	88-0176	Review of Empire of America Relocation Services, Inc. - Contract No. TV-64444A			
01/12/89	88-0173	Review of Peppertree Fontana Village, Inc. - Contract No. TV-27427A			
01/20/89	88-0164	Review of P. N. Services, Inc. - Termination Claim on Contract No. 86-PMA-456078	40,590	10,841	
01/20/89	88-0174	Review of Silver King Mines - Contract Nos. 78P66-148567 and 81P67-163703			
01/26/89	87-0118	Review of General Electric Company - Contract Nos. TV-65899A and TV-66821A	4,430,129	39,253	
02/08/89	88-0165	Review of Nuclear Power Emergency Procurements for the Period October 1, 1986 through July 31, 1988			475,000
02/08/89	88-0178	Review of Martin Marietta Data Systems - Contract No. TV-66808A	14,901		

APPENDIX 1  
Page 3 of 3

<u>DATE ISSUED</u>	<u>REPORT NUMBER</u>	<u>REPORT TITLE</u>	<u>QUESTIONED COSTS (DOLLARS)</u>	<u>UNSUPPORTED COSTS (DOLLARS)</u>	<u>FUNDS TO BE PUT TO BETTER USE (DOLLARS)</u>
02/22/89	88-9-1-3	Review of Cincinnati Employment, Inc. - Contract No. TV-69322A	6,835		
02/28/89	88-0184	Review of Bristol Waterline Project Trust Fund - Contract No. TV67747A			181,532
03/07/89	88-0151	Review of Purchase and Interchange of Electricity			1,932,000
03/20/89	87-0117	Review of Nuclear Power Employee Qualifications			20,000,000
03/22/89	88-0161	Review of Stellar Manufacturing Co.- Claim on Contract 77K71-820116	1,827,475	1,827,475	
03/30/89	88-0159	Review of Fluor Constructors, Inc. - Contract No. TV-65580A	34,732		
03/30/89	88-0183	Review of Tennessee Emergency Management Agency - Contract No. TV-62311A and TV-73571A	1,220,953	1,220,953	
03/30/89	89-004N	Quality Assurance Review - Control Evaluation Letter No. 88-26			
<b>TOTAL</b>	<b>24</b>		<b>7,772,802</b>	<b>3,101,965</b>	<b>22,590,169</b>

---

## GLOSSARY OF AUDIT TERMS

The following defines the terms we used in reporting our audit statistics.

**Questioned Cost**--A cost the OIG has questioned because of an alleged violation of law, regulation, contract, or other agreement governing the expenditure of funds; such cost is not supported by adequate documentation; or the expenditure of funds for the intended purpose is unnecessary or unreasonable.

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

**Other Questioned Costs**--A cost the OIG has questioned for reasons other than lack of adequate documentation.

**Funds To Be Put To Better Use**--Funds the OIG has identified in an audit recommendation that could be used more efficiently by reducing outlays, deobligating program or operational funds, avoiding unnecessary expenditures, or taking other efficiency measures.

**Management Decision**--Management's evaluation of audit findings and recommendations and issuance of a final decision concerning management's response to such findings and recommendations.

**Final Action**--The completion of all management actions--that are described in a management decision--with respect to audit findings and recommendations. If management concluded no actions were necessary, final action occurs when a management decision is issued.

**INSPECTOR GENERAL REPORT ON AUDITS  
FOR THE SIX-MONTH PERIOD ENDING MARCH 31, 1989**

<u>STATUS OF MANAGEMENT DECISIONS FOR FINAL REPORTS ISSUED WITH DOLLARS</u>	<u>NUMBER OF REPORTS</u>	<u>QUESTIONED COSTS (DOLLARS)</u>	<u>UNSUPPORTED COSTS (DOLLARS)</u>	<u>NUMBER OF REPORTS</u>	<u>FUNDS TO BE PUT TO BETTER USE (DOLLARS)</u>
I. Audit reports <u>without</u> management decisions at <u>beginning</u> of period					
A. Audit reports issued in previous periods	<u>6</u>	<u>428,592</u>	<u>165,917</u>	<u>2</u>	<u>7,800,000</u>
B. Audit reports issued during the period	<u>11</u>	<u>7,772,802</u>	<u>3,101,965</u>	<u>5</u>	<u>22,590,169</u>
C. Total of A and B	<u>17</u>	<u>8,201,394</u>	<u>3,267,882</u>	<u>7</u>	<u>30,390,169</u>
II. Audit reports <u>with</u> management decisions made <u>during</u> the period					
A. Amounts agreed to by management	<u>12</u>	<u>2,231,661</u>	<u>2,004,233</u>	<u>4</u>	<u>7,983,169</u>
B. Amounts not agreed to by management	<u>3</u>	<u>227,935</u>	<u>-0-</u>	<u>1</u>	<u>1,932,000</u>
C. Total of A and B*	<u>13</u>	<u>2,459,596</u>	<u>2,004,233</u>	<u>5</u>	<u>9,915,169</u>

APPENDIX 3

Page 2 of 2

STATUS OF MANAGEMENT DECISIONS FOR FINAL REPORTS ISSUED WITH DOLLARS	NUMBER OF REPORTS	QUESTIONED COSTS (DOLLARS)	UNSUPPORTED COSTS (DOLLARS)	NUMBER OF REPORTS	FUNDS TO BE PUT TO BETTER USE (DOLLARS)
III. Audit reports <u>without</u> management decisions <u>at the end</u> of period (I.C less II.C.)	<u>4</u>	<u>5,741,798</u>	<u>1,263,649</u>	<u>2</u>	<u>20,475,000</u>
IV. Audit reports without management decisions more than six months after report issuance	<u>0</u>	<u>-0-</u>	<u>-0-</u>	<u>0</u>	<u>-0-</u>

\*The total number of reports differs from the sum of A and B when some reports contain both amounts agreed to and amounts disagreed to by management.

**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 audits, investigations, and related projects.

The OIG focuses on the prevention, identification, and elimination of (1) waste, fraud, and abuse; (2) violations of laws, rules, or regulations; and (3) inefficiencies in TVA programs and operations. One of the OIG's primary goals is to help TVA operate more effectively and economically by identifying ways to improve TVA's operations and to remove any impediments to those operations.

If you would like to report any matter 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 Outside Tennessee:**

1-800-323-3835