



OFFICE OF THE INSPECTOR GENERAL

SEMIANNUAL REPORT

APRIL 1, 1990 - SEPTEMBER 30, 1990

TENNESSEE VALLEY AUTHORITY

OFFICE OF THE INSPECTOR GENERAL

Semiannual Report

April 1, 1990 - September 30, 1990



TENNESSEE VALLEY AUTHORITY

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

October 31, 1990

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

This is our ninth semiannual report to Congress. It summarizes our significant activities from April 1 to September 30, 1990.

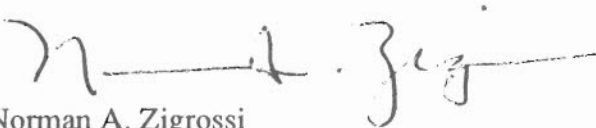
TVA is continuing to take aggressive steps to improve the way it does business. We are supporting this process by, among other things, working on issues that are important to TVA management and employees and assuring that all of our activities contribute to TVA's goals.

Allegations of fraud continue to constitute a significant percentage of the allegations we investigate. While such allegations are not representative of the way TVA or its vendors do business, our investigations have resulted in 6 indictments and 13 convictions during this reporting period. In another area, our continued focus on eliminating workers' compensation fraud may have saved TVA more than \$3.4 million over the long term in avoided disability benefits.

Our emphasis on preaward audits—an area in which we provide valuable direct support to TVA management—is continuing to save TVA money and identify opportunities for positive change. We are encouraged by TVA management's response to our audit recommendations. More specifically, since the office's inception, we have made over 750 audit recommendations, and management has made decisions on virtually all of our audit reports.

We appreciate the support of TVA management and employees and will continue to work to justify this trust. We want to continue to make a difference and join others in making TVA the very best utility in North America and the most productive and effective agency in the federal government.

Sincerely,



Norman A. Zigrossi
Inspector General

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EXECUTIVE SUMMARY

This semiannual report summarizes our activities and accomplishments during the six-month period which ended September 30, 1990. These activities and accomplishments are summarized below.

INVESTIGATIONS

More than half of the cases we closed this reporting period involved investigations of fraud--including theft, falsification of records, and workers' compensation fraud. Our activities in these areas resulted in our referring 57 cases involving 74 subjects to United States Attorneys for prosecution. During this reporting period, we obtained 6 indictments and 13 convictions. Additional investigative activities are highlighted below.

- We opened 267 new cases and closed 325 cases resulting in a caseload of 385 open cases at September 30, 1990.
- We issued 95 formal investigative reports to TVA management. We recommended TVA management consider taking administrative or disciplinary action in 66 of the 325 cases we closed this 6-month reporting period. Disciplinary actions management took during this reporting period--based on our investigative reports--include 11 terminations, 1 demotion, 4 suspensions, and 15 written warnings.
- We referred 81 matters to federal or state prosecutors and other government officials, including 57 cases to United States Attorneys. These and prior referrals resulted in 6 indictments and 13 convictions during this reporting period.
- Due primarily to our continued commitment to reduce fraud in connection with Federal Employees' Compensation Act (FECA) benefits, the Office of Workers' Compensation Programs (OWCP) declared overpayments of more than

\$287,000 in 11 cases we referred to them for action. Further, our actions may have saved TVA more than \$3.4 million over the long term in avoided disability benefits.

- Our OIG Hotline received 229 calls--146 from TVA employees, 30 from former employees, and 53 from the general public.

AUDITS

We issued 39 audit reports which identified over \$9.4 million in questioned costs and \$54.7 million in funds that could be put to better use. Since our inception, we have made over 750 audit recommendations to TVA management, and TVA management has made decisions on all reports, except 3, which are over 6 months old. Some of our audit activities are described below.

- Our audit of a contractor's proposal for providing engineering support to Nuclear Power questioned over \$2.5 million of the \$10.8 million proposed for the base scope and over \$7.3 million of the \$29.3 million proposed for the alternative optional scope. Nuclear Power subsequently awarded a contract for the base scope, resulting in contract costs being reduced by \$1.9 million of the \$2.5 million questioned.
- We supported one of TVA's strategic goals--to provide environmental leadership--by performing preaward audits of various environmental consulting firms' proposals. The six preaward audit reports which we issued identified over \$476,000 in funds which could be used more effectively.
- We are pleased to report that several of our audit findings in connection with our audits and reviews of various TVA operations and programs were favorable, including the following.

1. Our review of TVA's Materials Management System (MAMS) concluded MAMS provides reasonable assurance that materials-related transactions are fairly reported in accordance with management authorizations. However, we noted several site-specific internal weaknesses at one or more plants. TVA management is responding positively to our audit and has corrected some of the site specific internal control weaknesses we identified.
2. Our review of TVA's Residential Energy Service Program, which provides low-interest loans to residential consumers for energy-related home improvements, indicates the program is administered in accordance with legal requirements and TVA policies. However, we determined that several controls, which safeguard TVA's assets in the program, could be strengthened.

TVA PROFILE

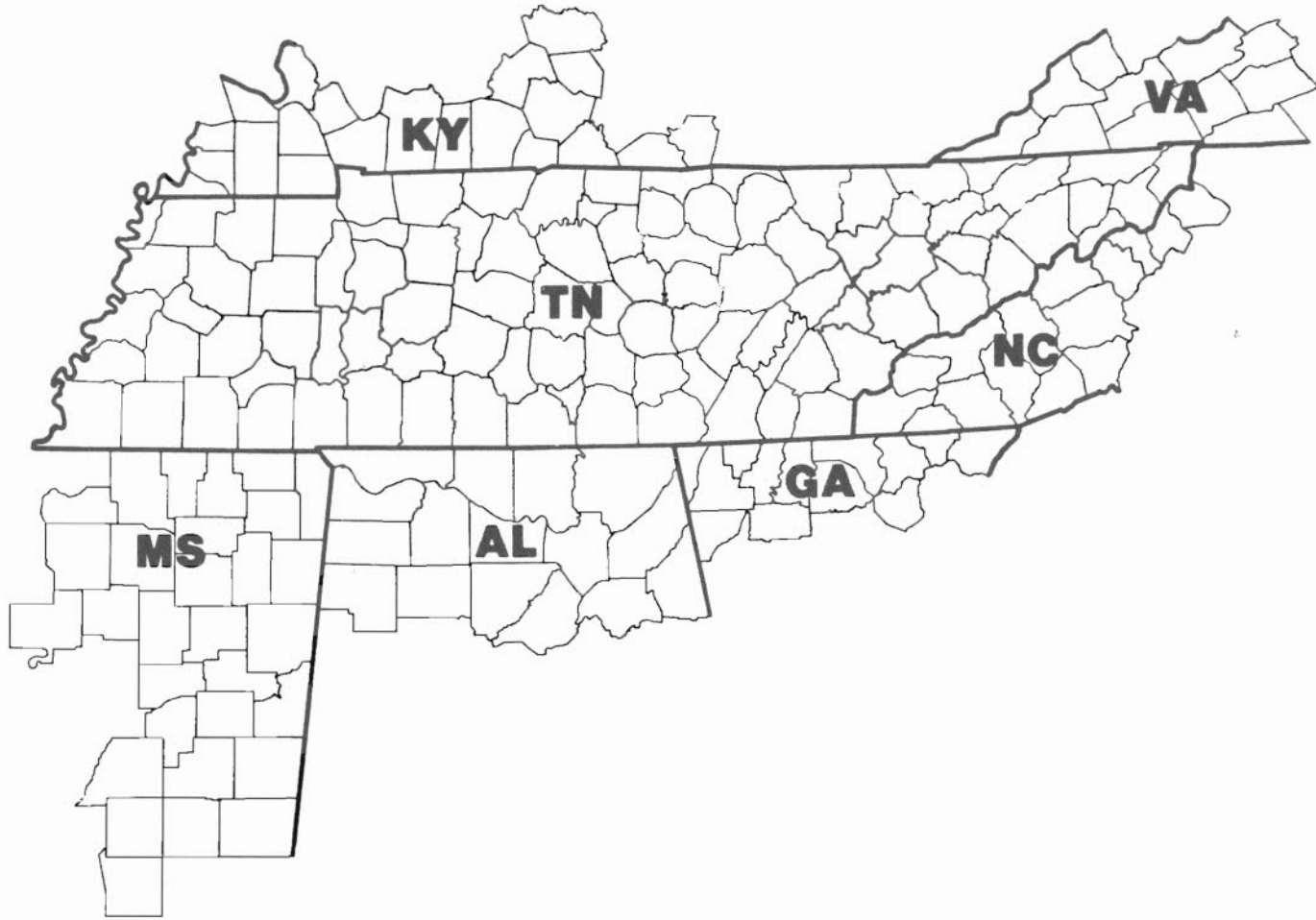
TVA is an independent corporate agency of the federal government which was established by Congress in 1933. TVA is responsible for developing and conserving the natural resources of the Tennessee River Valley, an 80,000 square-mile area spanning seven states--Alabama, Georgia, Kentucky, Mississippi, North Carolina, Tennessee, and Virginia.

TVA's approximately 28,000 employees are involved in economic, natural resource, and agricultural development and in the production of low-cost electricity. The power system is funded exclusively by power sales and borrowings, and TVA's remaining programs are funded by congressional appropriations and other revenues.

TVA is directed by a three-member Board who are appointed by the President and confirmed by the Senate. TVA's directors are Marvin T. Runyon, Chairman, and John B. Waters. TVA's third director, Charles H. Dean, Jr., served until his nine-year term expired on May 18, 1990. Mr. Dean's position is currently vacant.

During this spring, TVA committed itself to five goals for the 1990s: (1) environmental leadership, (2) economic growth for the Tennessee Valley region, (3) excellence in service to TVA customers, (4) improvements in the quality of work life for employees, and (5) excellence in nuclear operations.

TENNESSEE VALLEY REGION



OFFICE OF THE INSPECTOR GENERAL

OFFICE AUTHORITY

The TVA Board of Directors administratively established the OIG during October 1985 to address employee concerns, increase public trust, and promote TVA's cost-effective operation. As provided in the Board resolution that created the OIG, the OIG's duties and authority were virtually the same as those of Inspectors General established under the Inspector General Act of 1978. During our initial years of operation, the OIG operated much like its statutory counterparts and exercised subpoena powers that were granted by a provision in TVA's annual appropriations bill. When Congress enacted the Inspector General Act Amendments of 1988, TVA's OIG became 1 of 33 new statutory offices whose Inspector General was appointed by the agency head. Under these amendments, the OIG's duties and authorities were, by force of law, virtually the same as offices with a presidentially appointed Inspector General.

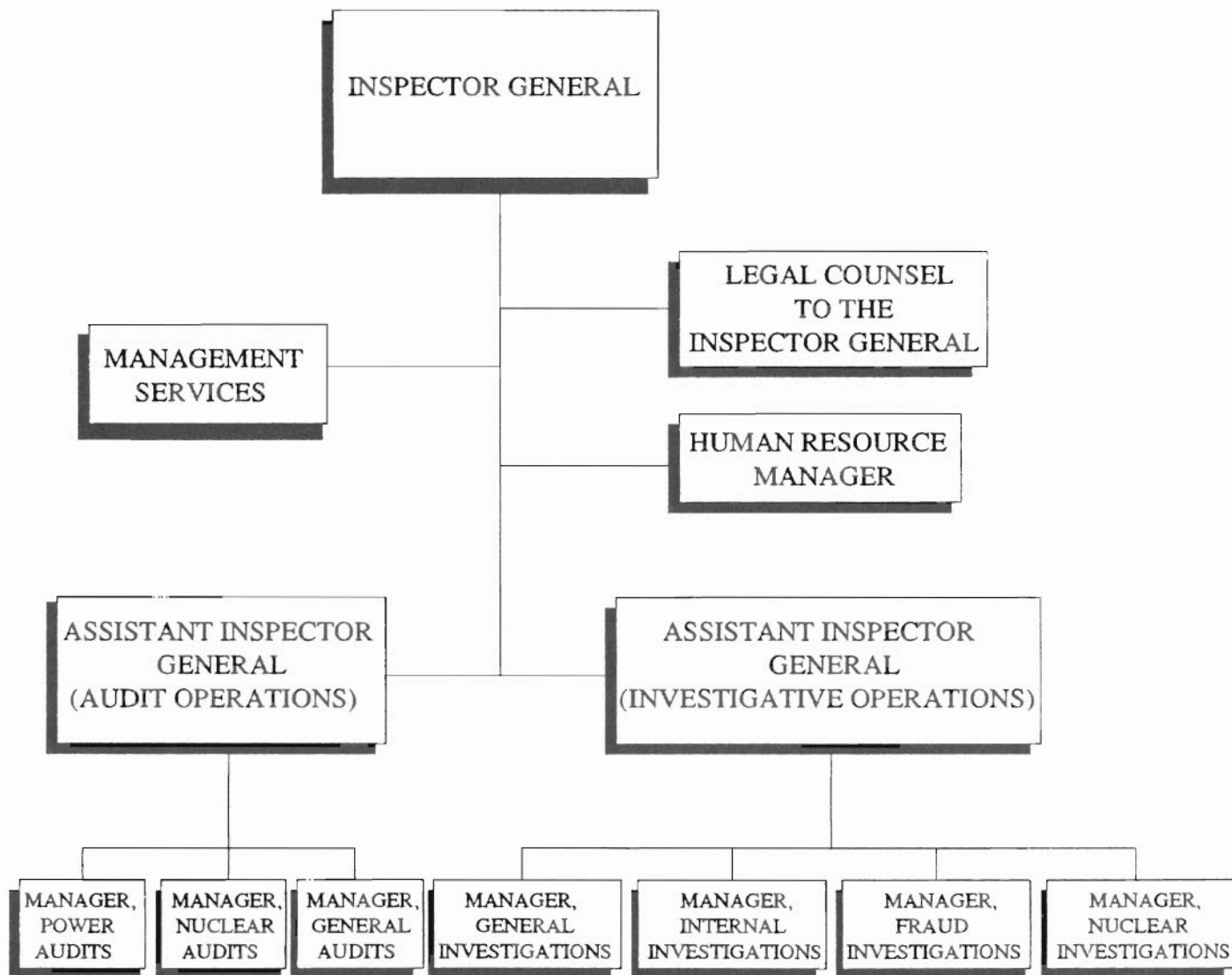
TVA's Inspector General is independent and subject only to the general supervision of the Board of Directors. The Inspector General reports matters to Congress through semiannual reports and interim reports.

STAFFING AND BUDGET

The OIG's offices are in the TVA headquarters in Knoxville, Tennessee. The OIG functions through two operational units--Audits and Investigations. Each unit is headed by an Assistant Inspector General. Additionally, the OIG has a Legal Counsel who provides legal advice in connection with matters of particular significance to the OIG.

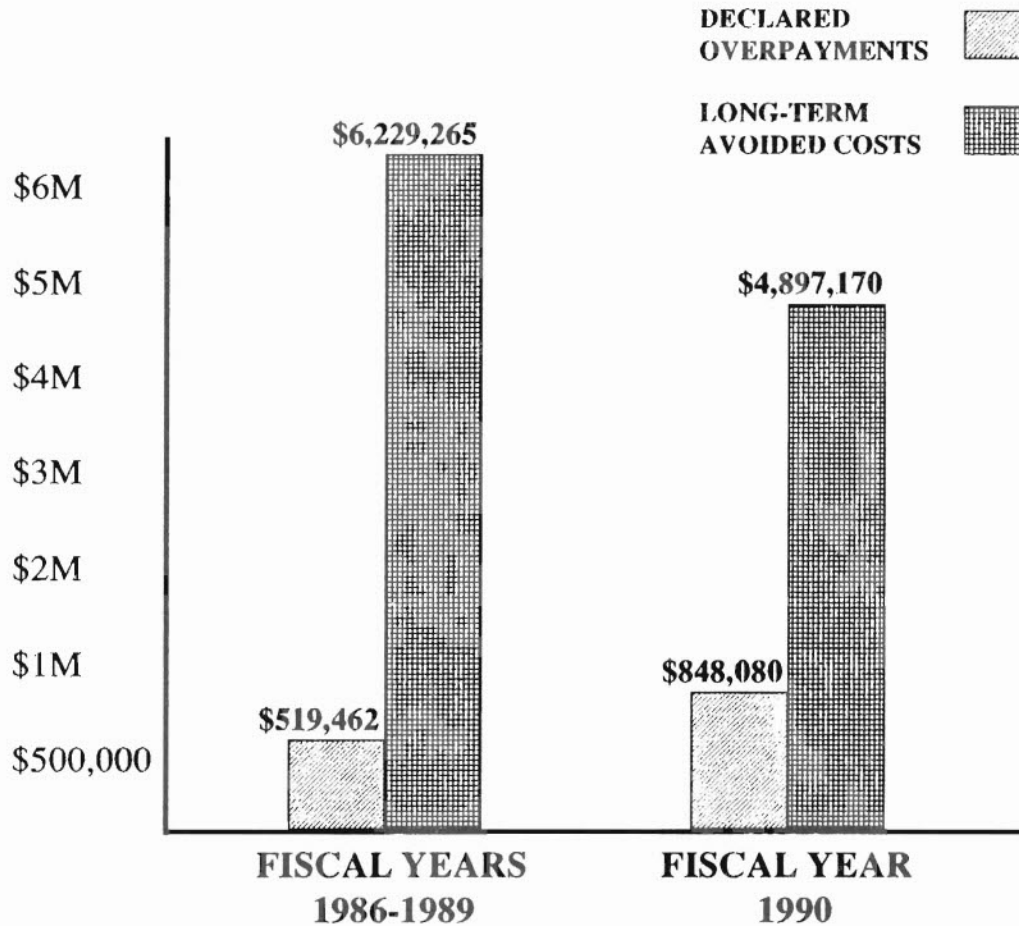
The OIG's approved fiscal year 1990 budget is approximately \$8.9 million and includes 155 budgeted positions.

OFFICE OF THE INSPECTOR GENERAL



INVESTIGATIONS

WORKERS' COMPENSATION FRAUD INVESTIGATIONS COSTS AVOIDED OR RECOVERED*



*These figures reflect prior period adjustments.

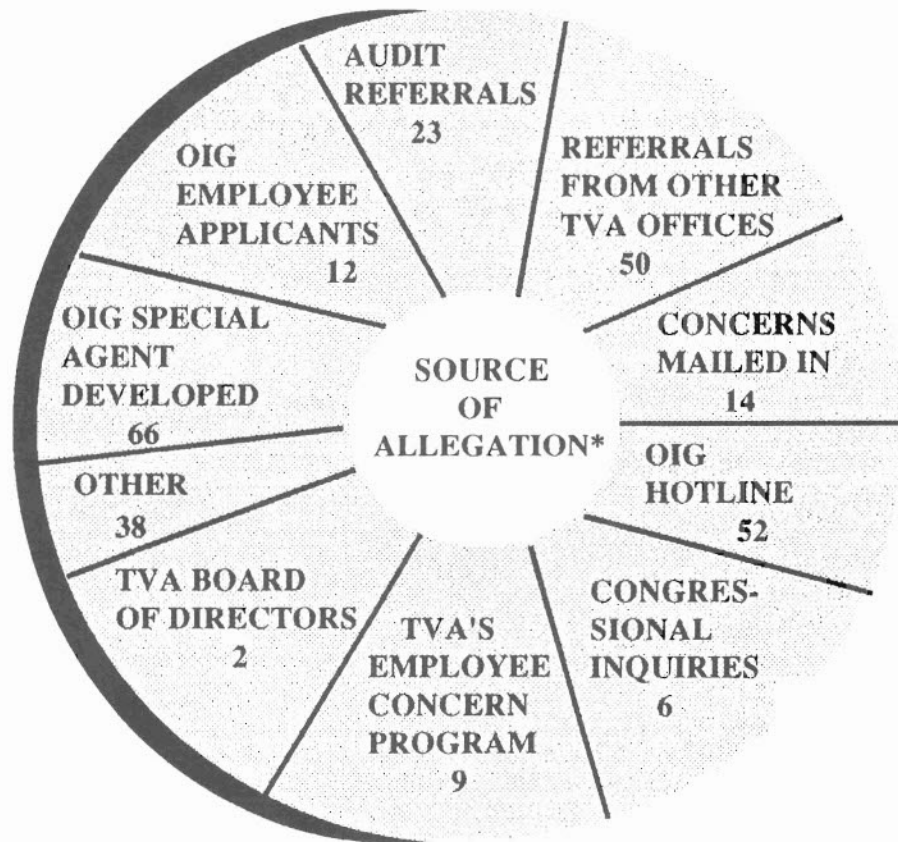
During this reporting period, our special agents completed 325 investigations, referred 57 cases involving 74 subjects to United States Attorneys for prosecution, and obtained 6 indictments and 13 convictions. We issued 95 formal investigative reports to TVA management.

A description of our overall investigative activities follows.

INVESTIGATIVE CASELOAD

Investigations Carried Forward as of March 31, 1990	443
Investigations Opened This Reporting Period	267
Investigations Closed This Reporting Period	325
Total Investigations in Progress as of September 30, 1990	385

SOURCES OF ALLEGATIONS



*Some allegations were from more than one source.

CLASSIFICATION OF INVESTIGATIONS

Classification of Cases	Number of Investigations			
	Carried Forward 3/31/90	Opened	Closed	In Progress 9/30/90
1 Employee Misconduct	14	33	13	34
2 Employee Concern Program Matters	49	27	39	37
3 Misuse or Abuse of Government Property	3	12	3	12
4 Vehicle Operations	5	18	12	11
5 Substance Abuse	3	1	1	3
6 Personnel Matters	22	12	21	13
7 Terrorism and Sabotage	0	1	0	1
8 Discrimination and Harassment	1	5	3	3
9 Safety	0	0	0	0
10 Trades and Labor	0	1	1	0
11 Theft	14	24	9	29
12 Falsification of Records	112	63	114	61
13 Contract-Related Misconduct	40	11	18	33
14 Fraud and Waste	149	41	61	129
15 General Criminal Activities	3	2	4	1
16 Employment Suitability	2	11	12	1
17 Public Concerns	2	0	2	0
18 Board Concerns	0	1	1	0
19 Archaeological Resources Protection	0	0	0	0
20 Special Projects	17	2	7	12
21 OIG Personnel Matters	2	0	0	2
22 Other	0	1	0	1
23 Environmental Matters	5	0	4	1
24 Destruction of Government Property - Miscellaneous	<u>0</u>	<u>1</u>	<u>0</u>	<u>1</u>
TOTAL	443	267	325	385

ALLEGATIONS IN OIG CASES

Many of the 325 cases we completed this reporting period contained multiple allegations. More specifically, these 325 cases contained 425 separate allegations. Of these allegations, 245 (about 58 percent) were not substantiated, 140 were substantiated, and 40 were not resolved or were not reportable. The following chart describes these allegations.

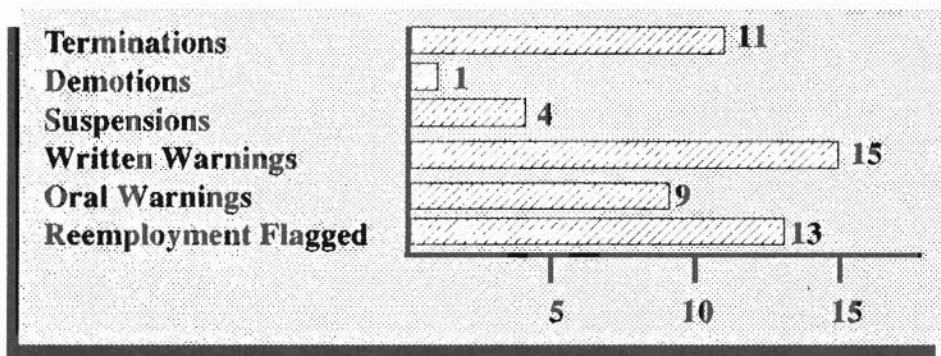
Classification of Allegation		Total Number	Number Substantiated	Number Not Substantiated
1	Employee Misconduct	18	9	9
2	Employee Concern			
	Program Matters	72	9	58
3	Misuse or Abuse of Government Property	3	1	2
4	Vehicle Operations	15	2	3
5	Substance Abuse	1	1	0
6	Personnel Matters	28	4	19
7	Terrorism and Sabotage	0	0	0
8	Discrimination and Harassment	4	1	2
9	Safety	0	0	0
10	Trades and Labor	1	0	1
11	Theft	10	3	7
12	Falsification of Records	132	64	64
13	Contract-Related Misconduct	28	8	20
14	Fraud and Waste	85	34	50
15	General Criminal Activities	4	2	1
16	Employment Suitability	13	N/A	N/A
17	Public Concerns	2	0	2
18	Board Concerns	1	0	1
19	Archaeological Resources Protection	0	0	0
20	Special Projects	4	2	2
21	OIG Personnel Matters	0	0	0
22	Other	0	0	0
23	Environmental Matters	4	0	4
24	Destruction of Government Property - Miscellaneous	<u>0</u>	<u>0</u>	<u>0</u>
	TOTAL	425	140*	245*

*Forty allegations were not resolved or were not reportable as substantiated or unsubstantiated.

ADMINISTRATIVE AND DISCIPLINARY ACTIONS

We recommended TVA management consider taking administrative or disciplinary action in 66 of the 325 cases we closed during this 6-month reporting period.

Administrative and Disciplinary Actions Management Took. During this reporting period, TVA managers took the following administrative and disciplinary actions in response to our investigative findings.



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

- A TVA engineering associate was terminated after our investigation revealed he falsified his TVA employment application. More specifically, the associate overstated his educational qualifications on his TVA employment application and in a subsequent statement concerning his application. **TERMINATIONS**
- A TVA shift supervisor and a TVA fossil trainee were terminated for stealing TVA property. More specifically, our investigation revealed the supervisor stole a power saw, flashlights, and tools and the trainee stole other TVA equipment.

INVESTIGATIONS

- TVA's Transmission System Construction management (1) terminated 3 employees (2) suspended 3 employees for 30 days and (3) issued warning letters to 2 employees after our investigation revealed the employees failed to report criminal convictions or charges to TVA on their employment documents or at a subsequent time.
- A TVA machinist foreman was terminated for trying to steal TVA materials from a TVA reservation.

SUSPENSIONS

- A Public Safety Service (PSS) officer was suspended for ten days after our investigation revealed he removed items from a fossil plant storeroom after it was closed for the day. Further, another PSS officer received a written warning for informing his coworker (the officer under investigation) about the OIG's investigation.

WRITTEN WARNINGS

- A Workers' Compensation and Rehabilitation Department counselor received a written warning after our investigation revealed she took action (1) to secure a job with her husband's company for one of her rehabilitation clients and (2) to obtain OWCP's reimbursement for the salary her husband paid the client.
- A TVA Lineman Foreman and a Fossil and Hydro Engineering Manager received written warnings after our investigation revealed (in separate investigations) that (1) the foreman accepted a favor from a TVA contractor and (2) the manager accepted a gift from a contractor.
- A Transmission and Customer Services technician received a written warning after our investigation revealed he secretly recorded a telephone conversation with a Power district manager.

INVESTIGATIVE REFERRALS

We referred 81 matters to federal or state prosecutors and to other officials during this reporting period. These referrals are described below.

Investigative Referrals	Subjects	Results This Period*
Subjects referred to U.S. Attorneys	74	6 Indictments 8 Convictions
Subjects referred to State prosecutors	1	3 Criminal Complaints Filed and 5 Convictions
Subjects referred to and accepted by the FBI	1	
Cases referred to other agencies for investigative or administrative action	<u>5</u>	OWCP declared \$287,745 in overpayments and saved TVA more than \$3.4 million in long-term workers' compensation costs.
TOTAL	81	

*Some results are from referrals that were made during prior reporting periods.

PROSECUTIVE ACTIVITIES

During this reporting period, we referred 57 cases involving 74 subjects to U.S. Attorneys for possible prosecution. The results of those referrals are described below.*

Total Number of Subjects in Cases We Referred	74
Subjects Accepted	20
Subjects Declined	55
Indictments	6
Convictions	8
Referrals Pending	17

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

Some of the indictments and convictions which occurred during this reporting period are described below. The indictments and convictions involving workers' compensation claims are described in a separate section.

- Three non-TVA employees pled guilty in city court to theft after our investigation revealed they stole at least 8,480 pounds of TVA transmission wire and resold it to local scrap metal companies. Subsequently, the three men each received an 11 months and 29 days suspended sentence and were required to make restitution to TVA. In addition, another non-TVA employee was arrested for stealing approximately 1,000 pounds of TVA transmission wire. Subsequently, a plea agreement was reached with this individual and he was placed in a pretrial diversion program.

- An International Business Representative for the International Association of Machinists and Aerospace Workers was found guilty in federal court of one count of malicious destruction of government property. Our investigation revealed the representative paid two individuals to cut down TVA transmission lines which crossed his property. This destruction of TVA property resulted in approximately \$8,500 in damages. The representative will be sentenced during December 1990.
- A juvenile and two non-TVA employees were arrested by Alabama police officers after they broke into a TVA vehicle and stole some surveying equipment. (The equipment was subsequently returned to TVA undamaged.) One of the adults pled guilty in circuit court to four counts of breaking and entering a motor vehicle. He was sentenced to two and a half years in prison on each count to run concurrently. The juvenile was sent to a detention center, and the other adult's trial is pending.
- A federal grand jury indicted a TVA employee on two counts of theft of government property after more than \$38,000 worth of TVA property was recovered from his residence.
- A former mid-level TVA manager was indicted by a federal grand jury on seven counts of filing false travel vouchers. More specifically, our investigation revealed the former 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; and (3) she left early in the morning for various destinations when she actually left several hours later.
- A former TVA laborer pled guilty in federal court to filing a false statement with the Tennessee Department of Employment Security in order to obtain unemployment benefits. The laborer

reported he was unemployed when, in fact, he was working. He was sentenced to 30 days in prison and placed on 1 year probation. He was also ordered to make restitution.

- A former PSS officer pled guilty in state court to filing a false police report. The officer claimed that unidentified individuals fired three shots at him causing him to wreck his personal vehicle. Subsequently, he claimed he fired three shots at the individuals. However, contrary to the officer's statements, there was no evidence the officer fired at anyone or that anyone fired at him. Rather, he shot his own truck and pushed it into a culvert. The officer, who resigned during the course of the investigation, was placed on probation and fined.
- A former TVA supervisor was convicted in federal court after our investigation revealed he submitted fraudulent travel vouchers to TVA. The former employee inflated his requests for travel reimbursement by submitting fraudulent lodging receipts to TVA. He was placed on one-year probation and ordered to make restitution to TVA.

SPECIAL FEATURE

FRAUD INVESTIGATIONS LEAD TO CONVICTIONS

During this reporting period, we continued our efforts to reduce fraud in connection with FECA benefits for employees with work-related injuries. Because of our efforts, OWCP declared overpayments of more than \$287,000 in 11 cases we referred to them for action. Further, our efforts may have saved TVA more than \$3.4 million over the long term in avoided disability benefits.

In addition, during this reporting period, five individuals were convicted in federal court and one entered a pretrial diversion program after our investigations revealed they made false statements to OWCP in connection with their receipt of federal disability benefits. These convictions are described below, along with two other cases which we referred to OWCP.

- A former TVA machinist pled guilty in federal court after our investigation revealed he failed to report his self-employment activities to OWCP. (Our investigation revealed the machinist owned and operated three businesses while receiving federal disability benefits.) He was placed on four years' probation, including three months' confinement at a community correction center and three months' confinement at home. In addition, he was ordered to pay \$38,860 in restitution.

- A former TVA electrician pled guilty in federal court to two counts of using a false social security number to obtain employment. Our investigation revealed that in addition to using false social security numbers to obtain employment at five companies, the former electrician also (1) reported to OWCP that he was not employed, when in fact, he worked for at least five different companies; and (2) used an alias and false social security number to obtain unemployment benefits from the state of Tennessee.

Further, during this reporting period, OWCP determined the former electrician was overpaid more than \$131,000 in disability compensation.

- A former TVA electrician pled guilty in federal court after our investigation revealed he failed to report to OWCP that he was self-employed as a refrigeration and heating and air conditioning contractor. He was sentenced to ten months in prison and placed on four years' probation. In addition, he was ordered to pay restitution of \$71,541.
- A former TVA equipment operator pled guilty in federal court for making a false statement in connection with his receipt of federal disability benefits. Our investigation revealed the former equipment operator failed to report to OWCP that he was self-employed as a farm laborer.
- A former TVA ironworker pled guilty in federal court after our investigation revealed he failed to report to OWCP that he worked for over five years at full-time jobs. In addition, these jobs required strenuous manual labor, although the former ironworker was purportedly disabled and receiving total disability benefits. He was placed on three years' probation.
- A former TVA Public Safety Officer was indicted after our investigation revealed he failed to report his employment activities to OWCP. Subsequently, the former officer entered into a pretrial diversion program to avoid being prosecuted. Under the program, he was sentenced to 18 months' probation and agreed to make restitution of \$14,888.
- During this reporting period, OWCP disallowed a former TVA manager's claim for compensation after our investigation revealed he made numerous false statements during a hearing to determine if his disability was related to his previous

work-related injury. More specifically, during the hearing the manager claimed he had no previous back injuries except for a minor injury he sustained in a plane crash and another minor injury. However, our investigation revealed the manager was involved in seven previous plane crashes.

Further, during the hearing, the manager claimed he had been unable to work since his termination from TVA because he could not bend, lift, or stand without pain. However, the day before the hearing, we observed the manager working outdoors, including chopping a stump with an ax and picking up wooden boards. Further, we observed the manager painting his house. Subsequently, OWCP disallowed the manager's claim, resulting in potential long-term savings of more than \$514,000 to TVA.

- A former TVA welder who is receiving federal disability benefits failed to report his employment activities to OWCP. More specifically, between 1979 and 1989, the former employee earned more than \$200,000 working for 27 different companies. However, he (1) reported only some of his employment activities during 1980 and 1981 and (2) did not report any employment activities during 1982-1989. Further, he worked for several of these companies using an alias and/or a different social security number.

OTHER REPRESENTATIVE INVESTIGATIONS

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

**MISUSE OF
TVA
TELEPHONES**

- **Laborer Uses TVA Telephones to Place Gambling Bets.** A TVA laborer admitted using TVA telephones, while at work, to conduct “friendly” gambling and betting activities. (Management also investigated the laborer’s conduct at work.) Subsequently, he received a written warning for (1) using TVA telephones to place bets, (2) insubordination toward his foreman and manager, and (3) being disruptive at work.

**CONTRACTOR
PER DIEM
CLAIMS**

- **Contractors Owe TVA More Money.** In previous semiannual reports, we reported that we questioned more than an estimated \$4.4 million in connection with our review of per diem payments and related travel costs under various TVA nuclear contracts. During this reporting period, we issued two follow-up reports of our review of additional documentation the contractors submitted to support their claims for entitlement. As a result of our review, we questioned over \$54,000 more in payments to one of these contractors.

**MISUSE OF
LEAVE**

- **Nuclear Inspector Works While On Sick Leave.** A Nuclear Inspector worked at his personal construction company while on two months’ sick leave from TVA. Our investigation also revealed the employee’s construction business had previously impaired his TVA work performance.

**FALSIFICATION
OF RECORDS**

- **Nuclear Power Employees Submit Fraudulent Travel Claims.** Our investigation revealed that four Nuclear Power employees intentionally provided false information to TVA in connection with their transfers from the Browns Ferry Nuclear Plant to the Sequoyah Nuclear Plant. Further, these four employees claimed their families had relocated to Tennessee

when they were transferred, and accordingly, they were eligible to receive the maximum miscellaneous expense allowance. However, our investigation revealed their families had not moved.

- **A TVA Laborer Submits Fraudulent Travel Voucher.** A TVA laborer admitted (1) his family did not relocate from Alabama to Tennessee as claimed on his travel voucher, (2) he only incurred a \$30 expense for moving his furniture to Tennessee rather than the \$650 expense he claimed on his voucher, and (3) he did not occupy his temporary quarters during one weekend, although he claimed those expenses on his voucher.
- **Investigation Reveals No Harassment.** Although our investigation revealed some evidence a TVA clerk sexually harassed a temporary employee, a preponderance of the evidence does not show that she considered the clerk's actions unwelcome or offensive when they occurred. However, the clerk made false statements to the OIG in connection with our investigation of his misconduct. Subsequently, the clerk received a written warning for making false statements to the OIG.
- **Senior Manager Violates TVA Regulations.** A former senior Nuclear Power manager violated TVA regulations when (1) he harassed and intimidated a former Nuclear Power specialist who had raised issues directly to the Chairman of the TVA Board of Directors and to the Senior Vice President of Nuclear Power and (2) he declined a subordinate manager's offer to give the specialist a job because the specialist had raised such concerns.
- **Investigation Reveals No Misconduct Involved in TVA's Role in Recent Flooding.** Our investigation revealed no evidence (1) of any employee misconduct in connection with TVA's actions during the February 16, 1990, flooding of

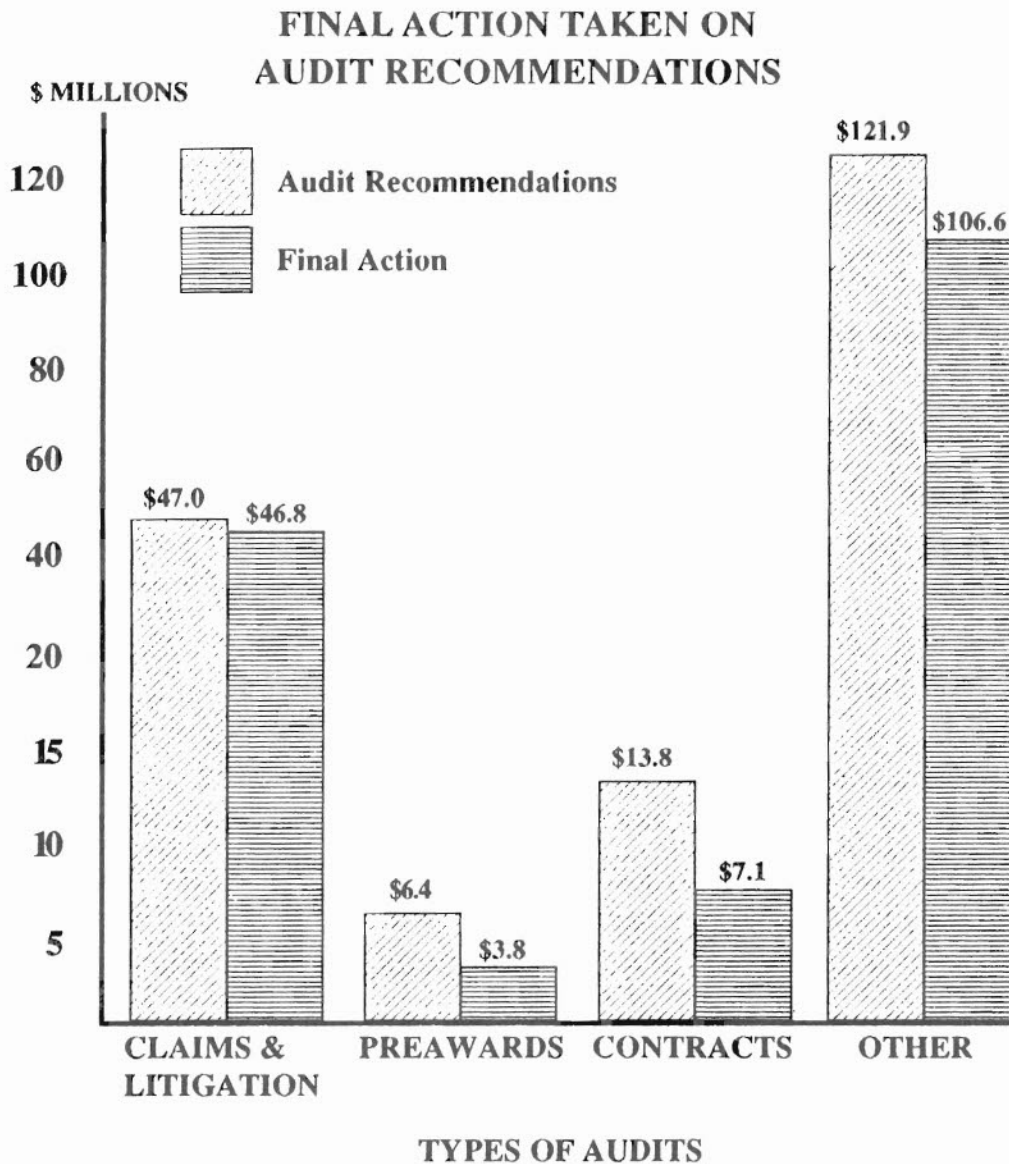
*SEXUAL
HARASSMENT*

*OTHER
MISCONDUCT*

Copperhill, Tennessee, and McCaysville, Georgia; or (2) that TVA's actions increased the severity of the flood. However, some members of the public were under the erroneous impression that (1) the Blue Ridge Dam's (BRD) emergency warning system was designed to provide flood warnings, (2) water releases from BRD aggravated the flooding in their communities, and (3) TVA hydro personnel at Ocoee Dam No. 1 would, upon request, provide flood warnings. Subsequently, TVA is revising its Dam Safety Program at all hydro locations and planning to meet with state and local agencies to ensure they understand TVA's program.

- **Investigation Results in Savings to TVARS.** During an investigation of employees who are receiving both TVA Retirement System (TVARS) and FECA benefits, we determined that six TVA retirees were receiving higher monthly payments than the normal special service pension. (The special service pension is paid in lieu of a disability pension when an employee elects to receive FECA benefits.) Subsequently, TVARS determined it overpaid these six individuals more than \$111,000 and stopped their overpayments, resulting in potential long-term savings of more than \$799,000 to TVARS.

AUDITS



This reporting period, we issued 39 audit reports which collectively identified over \$9.4 million in questioned costs and \$54.7 million in funds that could be put to better use (see *Appendix 1* for listings). In addition, we are continuing to emphasize preaward audits—audits which provide both immediate and long-term benefits to TVA. A more detailed description of our audit activities follows.

AUDIT STATISTICS

Status of Audit Projects

Audit Projects Carried Forward 4/1/90	65	
Audit Projects Started	46	
Less: Audits Postponed or Cancelled	<u>(4)</u>	
Total Active Audit Projects		107
Less: Audit Projects Completed		<u>(39)</u>
Audit Projects in Progress 9/30/90		<u><u>68</u></u>

Audit Results

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

Audit Reports Issued: 39

Questioned Costs:

Unsupported Costs	\$2,030,246	
Other Questioned Costs	<u>7,433,235*</u>	
Total Questioned Costs		\$9,463,481
Funds to Be Put to Better Use		<u>54,770,424</u>
TOTAL		<u><u>\$64,233,905</u></u>

* Of this figure, \$6,210,717 is not recoverable.

SPECIAL FEATURE
OIG AUDITS SUPPORT TVA STRATEGIC GOAL FOR
ENVIRONMENTAL LEADERSHIP

One of TVA's strategic goals--a goal which will shape TVA's future in the 1990s--is to provide environmental leadership by solving environmental problems in innovative ways and demonstrating to others how environmental challenges can be met. During the past six months, we supported this goal by actively assisting TVA's Resource Development organization in connection with three environmental assessment activities.

More specifically, Resource Development asked us to perform preaward audits of various environmental consulting firms' proposals--proposals submitted in response to TVA's three Requests for Proposals on the following environmental topics:

- Power program compliance with current and proposed air quality laws and regulations, including the Clean Air Act and other applicable requirements.
- Power program compliance with current and proposed water quality laws and regulations.
- Various activities conducted by TVA's National Fertilizer and Environmental Research Center (NFERC).

During this reporting period, we issued six preaward audit reports on these topics: three reports on firms that have contracted with TVA to provide air quality support and three reports on firms whose contracts for technical support at NFERC are currently being negotiated. Taken collectively, these audits identified over \$476,000 in funds which could be used more effectively. These funds are categorized below:

- Salary costs totaling \$232,000
- Fees totaling \$172,000
- Indirect costs totaling \$72,000

In addition, we are currently working on three other NFERC preaward audits and six water quality preaward audits which will be described in our next semiannual report.

SUMMARY OF SIGNIFICANT AUDITS

CONTRACTOR'S PROPOSED COSTS OVERSTATED BY 25 PERCENT

About one-fourth of the estimated costs included in a contractor's proposal for providing engineering support to Nuclear Power were questionable. More specifically, we questioned over \$2.5 million of the \$10.8 million proposed for the base scope, and we questioned over \$7.3 million of the \$29.3 million proposed for the alternative optional scope. By avoiding the questionable costs, TVA could also avoid related interest costs of \$117,000 for the base scope or \$342,000 for the optional scope.

Nuclear Power subsequently awarded a contract for the base scope. Nuclear Power's negotiations resulted in contract costs being reduced by \$1.9 million of the \$2.5 million questioned.

CONTRACT NOT EXTENDED

At Nuclear Power's request, we performed a preaward audit of a contractor's proposed costs to extend a current contract. (The contractor was providing support services in connection with Nuclear Power inventory management.) Our audit indicated that the contractor's labor rates were overstated by as much as 25 percent. Nuclear Power management subsequently decided not to extend the contract and asked that we audit the contractor's charges under its two current TVA contracts.

Our contract audit questioned costs totaling \$116,000. More specifically, we questioned--primarily because of inadequate recordkeeping--costs related to the contractor's composite labor rates, mileage, labor costs, and living expenses. TVA management agrees with our findings, while the contractor generally does not; accordingly, audit resolution is pending.

We audited costs of nearly \$54 million that one contractor charged for providing engineering services to Nuclear Power under two contracts. Over 80 percent of these charges were for labor, travel, and per diem living expenses. (Our audit did not address whether the contractor's personnel were entitled to per diem living expenses since that issue was the focus of an OIG investigation.)

***AUDIT OF
COSTS OF
\$54 MILLION
REVEALS FEW
PROBLEMS***

We are pleased to report that our audit findings were favorable. More specifically, we found that (1) the contractor's charges were, except for three relatively minor findings, consistent with the contracts; and (2) Nuclear Power administered the two contracts substantially in compliance with TVA policies.

The questioned costs totaled \$71,243 or about one-seventh of one percent of the total costs audited. Nuclear Power management has agreed to recover \$30,159 based on two undisputed audit findings and will negotiate with the contractor regarding \$41,084 (which involves an interpretation of contract language).

We reviewed a contract with a company that assisted Nuclear Power in resolving various nuclear licensing issues. This audit followed an OIG preaward audit of this company's proposal to extend its TVA contract.

***SUBCON-
TRACTOR
COSTS
QUESTIONED***

Our audit questioned costs of approximately \$130,000, primarily due to the contractor's ineligible markups on subcontractor costs and certain subcontractor labor costs.

The contractor disagreed with the majority of our findings. However, TVA management agreed the questioned costs are not allowable. Since TVA intends to negotiate a settlement with the company, resolution of this audit is pending.

***\$1 MILLION
CHARGE
QUESTIONED***

We audited a contract with a company to furnish and install insulation at a nuclear site. This audit followed an OIG review of the contractor's claim for support labor and included the contractor's revised and subsequent claims.

Our audit questioned costs totaling over \$1 million, including certain amounts TVA paid and other costs the contractor claimed. More specifically, we questioned the contractor's unsupported labor costs, overbillings for certain labor and escalation costs, claimed costs for support labor which exceeded the contractor's actual costs, and other unsupported costs.

The contractor agreed with some questioned overbillings we identified and offered credits for those costs. However, the contractor disagreed with our questioned costs regarding labor and support labor, as well as all other questioned costs. Final resolution of this audit is pending.

***STATE
AGENCIES
CLAIMED
\$1.4 MILLION
IN UNSUP-
PORTED
COSTS***

In an audit of contracts with two state agencies for radiological services, we questioned costs of \$1.4 million claimed over a four-year period. The questioned costs consisted primarily of unsupported time charges to the contracts. (Because of the lack of timesheets, it was not possible for us to determine the portion of these costs which were properly chargeable to the contracts.) We also identified \$0.5 million of funds that could be put to better use.

Nuclear Power has recovered about \$43,000 and is pursuing recovery of an additional \$70,000. Nuclear Power also has (1) implemented procedures for electronically transferring funds to the agencies which will save about \$19,000 annually and (2) decreased

the contractors' 1990 budgets by about \$172,000 (i.e., 19 percent). Further, Nuclear Power is taking other actions which will save additional amounts.

We audited \$5.8 million of a contractor's costs for engineering and related support services at a TVA nuclear plant. We questioned about \$300,000 of these costs--\$185,000 because the contractor could not justify its selection of billing rates from the range of billing rates provided by the contract and \$115,000 for staff who falsified their employment applications.

ALTERNATIVES COULD HAVE SAVED MILLIONS

TVA had lower cost alternatives for obtaining these services. For example, TVA could have saved about \$1.1 million by using a competitively priced Job Shop contract. Alternatively, TVA could have saved even more--about \$2.3 million--by using TVA employees to perform the services. Further, TVA could have avoided costs of about \$1.3 million with better contract terms covering extended temporary assignments, staff qualifications, and excess profits.

The contractor did not concur with our findings but did not submit any documentation to justify the questionable costs. Nuclear Power considered the \$185,000 of questioned labor billing rate costs to be within an acceptable range and stated that Nuclear Power staff accepted the billing rates when individuals began working under the TVA contract. Nuclear Power also stated that the individuals who falsified their employment applications produced work products that TVA accepted and used. Therefore, Nuclear Power decided that TVA had no contractual basis for recovering the \$115,000.

AUDITS

PROMPT ACTION TAKEN TO FOLLOW UP ON WELD PROBLEM

We reviewed the sampling procedures a contractor used to reexamine certain nuclear plant construction welds. In summary, (1) the contractor's sampling program was adequate and accepted by the Nuclear Regulatory Commission, (2) TVA considered the concerns the contractor identified, and (3) the contractor or TVA considered whether weld problems noted for the plant's Unit 1 were applicable to Unit 2 and, with one exception (regarding a slugged weld problem), ensured corrective action when appropriate. (In response to our audit, Nuclear Power remedied the one exception by promptly supplying missing documentation and including the issue in their tracking system.)

COST- EFFECTIVE TRAVEL

We reviewed Nuclear Power's travel administration as a follow-up to our previous TVA-wide audit on this same topic. (Our earlier audit revealed a need for improved TVA policies and efforts to ensure cost-effective travel.) Our recent review of Nuclear Power's travel administration also revealed the need for improvement in this area. More specifically, our Nuclear Power audit indicated a need for:

- Accurate reporting to senior Nuclear Power managers of the number of employees on extended temporary duty (TDY) assignments.
- Conducting cost analyses which determine the most economical travel methods before Nuclear Power employees are placed on extended TDY assignments.
- Properly documenting the justification of extended TDY assignments.
- Emphasizing the prudent expenditure of travel funds.

We recommended, among other things, that Nuclear Power ensure that required cost analyses are performed and justification for extended TDY assignments are properly documented. We are pleased to report that TVA and Nuclear Power management are in the process of implementing our recommendations.

TVA's Residential Energy Services Program (RESP) provides low-interest loans to residential consumers for energy-related home improvements. (TVA estimates that this conservation program reduces power consumption in the valley region by about 2.2 billion kilowatt-hours annually.)

*TVA'S RESI-
DENTIAL
ENERGY
SERVICES
PROGRAM*

Our review indicated RESP's loan program is administered in accordance with legal requirements and TVA policies. However, while controls do exist to safeguard TVA's assets in the program, our audit revealed that these controls could be strengthened by:

- Requiring distributors to document their efforts to locate debtors.
- Obtaining sufficient personal information to perform adequate credit reviews on loan applicants.
- Requiring authentication of each loan applicant's signature and holding distributors responsible for any losses incurred due to invalid signatures.
- Holding distributors responsible for any loans deemed uncollectible and for which repayment agreements cannot be found.

In addition, we found that transactions regarding this program are properly reported in TVA's financial statements and were appropriately authorized except for approximately \$1 million we identified that could be put to better use. Reporting deficiencies could be improved by:

- Ensuring TVA's accounting records and the distributors' records are reconciled for all accounts annually.
- Ensuring distributors submit monthly reports on a timely basis and comply with the program agreement.
- Collecting any excess funds due TVA and documenting any future decisions not to collect such funds.
- Reinstating loans that were erroneously written off.

TVA management has agreed to revise program guidelines and to reconcile program records annually. In addition, TVA management has reinstated loans that were inappropriately written off and is implementing some additional controls. Final resolution of other recommendations we made is pending.

***MATERIALS
TRANSACTIONS
FAIRLY
REPORTED***

TVA's Materials Management System (MAMS) supports a number of materials-related activities (primarily in Power and Nuclear Power), including identification of material, procurement, receiving, and inventory management.

Our review concluded MAMS provides reasonable assurance that materials-related transactions are fairly reported in accordance with management authorizations. While such transactions are generally processed in a complete, accurate, and timely manner, we noted some conditions that may adversely affect overall inventory control. In our view, TVA could improve these conditions by:

- Identifying, controlling, and consistently handling direct charge and expense materials.
- Reconciling TVA's general ledger materials inventory balance with MAMS records and assigning responsibility for this function.

- Conducting a complete physical inventory of the storeroom at one nuclear plant that had significant variances with MAMS and reconciling all such variances.
- Evaluating the storeroom at another nuclear site to assess its failure to process documents into MAMS and determine if proper internal controls can be performed.

In addition, we noted several site specific internal control weaknesses, including weaknesses at one or more plants. These weaknesses affected timely document processing, adequate materials storage, restricting storeroom access, and adequate separation of duties.

While complete audit resolution is pending, we are pleased to report that management is responding positively to our audit. More specifically, TVA management (1) is implementing plans to manage and control direct charge materials, (2) is modifying MAMS capabilities to include direct charge and expense material, (3) has made progress in reconciling inventory balances, and (4) is correcting variances and document backlogs at the nuclear sites. Management has also corrected some of the site-specific internal control weaknesses we identified.

On August 30, 1988, we informed the TVA Board of Directors that (i) TVA Retirement Systems' (TVARS) assets significantly exceeded its liabilities and (2) a reduced TVA contribution rate to TVARS would not materially affect its soundness. (Since fiscal year 1979, TVA's annual contribution rate had been 11.5 percent of employees' pay.)

LOWER CONTRIBUTION RATE TO TVARS

One of our recommendations was that an independent actuary review TVARS' assets and liabilities. The independent actuary recommended that explicit (rather than implicit) assumptions be used to determine the value of TVARS' liabilities. Subsequently,

TVARS adopted the use of explicit assumptions and requested a reduced contribution rate of 6.55 percent for fiscal year 1990 (the request identified four alternative rates ranging from 0 to 6.55 percent). The TVA Board of Directors approved the recommended rate of 6.55 percent.

We reviewed the financial status of TVARS' defined benefit plan as of September 30, 1989, and the appropriateness of TVA's fiscal year 1990 contributions to TVARS. According to TVARS' financial statements and actuarial reports, the fair market value of TVARS' assets exceeded its estimated accrued liabilities by about \$485 million. In our opinion, this balance was sufficient to ensure the soundness of TVARS and the payment of approved benefits, even if TVA made no contributions during fiscal year 1990.

Reducing TVA's fiscal year 1990 contribution rate (from 11.5 percent to 6.55 percent of employees' pay) decreased TVA's payments to TVARS by \$33 million during that fiscal year and will allow TVA to annually avoid interest costs of \$2.8 million.

We recommended that TVA and TVARS consider four changes in TVA policies and TVARS rules which could result in (1) additional significant cost avoidance by TVA and (2) greater assurance that sufficient funds will always be available to fund approved retirement benefits. TVA management adopted one change (reducing the frequency of TVA's contributions to TVARS from weekly to semiannually) on April 1, 1990. This change will enable TVA to avoid interest costs of about \$0.94 million annually. However, TVA and TVARS did not believe the other three changes were appropriate.

The TVA Board approved a contribution rate to TVARS of 6.67 percent for fiscal year 1991, thus achieving additional annual savings when compared to the 11.5 percent rate that was used during fiscal years 1979-1989.

At the request of Nuclear Power, we reviewed the disposition of those TVA employees who had previously worked on the 40 capital projects that Nuclear Power had either cancelled or postponed during December 1988 and January 1989. In summary, our audit indicated the following.

***NO
SIGNIFICANT
DECREASE
IN LABOR***

- The cancellation or postponement of these various projects did not significantly reduce the labor requirements for those projects because (1) management decisions were misinterpreted, (2) multiple organizations were involved in each project, and (3) few individuals had full-time assignments on a single project.
- Nuclear Power's time reporting system did not provide sufficient information for management to monitor the reassignment of TVA employees.
- Management and accounting practices caused incorrect charges to capital project accounts and prevented accurate monitoring and control over these accounts.

Nuclear Power has initiated the corrective actions we recommended.

In a limited review of Nuclear Power's Employee Concern Program (ECP), we concluded (1) the elapsed time required for handling employee concerns had decreased, (2) investigative conclusions were properly documented, (3) employee confidentiality was handled in accordance with ECP's procedures, (4) publicizing investigative results would be beneficial, and (5) ECP tracking of corrective actions could be improved.

***REVIEW OF
EMPLOYEE
CONCERN
PROGRAM***

Nuclear Power agreed to implement a program to increase employee awareness of ECP's investigative results and accomplishments. However, Nuclear Power stated ECP's tracking

system was established to supplement existing systems, and therefore, it would be an unnecessary duplication of effort for ECP to track (or verify the tracking of) concerns being tracked by other management systems.

AUDIT RESOLUTION AND FOLLOW-UP

Since the OIG's inception, we have made over 750 audit recommendations to TVA management. The status of management decisions on such recommendations is shown in the charts in this section. TVA management has made decisions on all final audit reports (containing recommendations) which were issued over six months ago, except for three. These three audit reports are described below.

UNRESOLVED AUDIT REPORTS WHICH WERE ISSUED PRIOR TO APRIL 1, 1990

Listed below are the audit reports which we issued before this reporting period began and for which no management decision has been made by September 30, 1990. However, we expect management decisions during October 1990, and we will report the results in our next semiannual report.

DATE ISSUED	REPORT TITLE	WHY MANAGEMENT DECISION HAS NOT BEEN MADE
02/28/90	90-009G - Stone & Webster Engineering Corporation - Preaward - RFP QF-76766T	Contract has been negotiated and we are awaiting results of negotiations.
03/21/90	90-017N - Bechtel North American Power Corporation Preaward - Contract TV-72163A	Contract negotiations have not been completed.
03/30/90	90-022P - Sargent & Lundy Engineers - Preaward - Contract TV-72103A	Contract negotiations have not been completed.

We are pleased to report that we have not disagreed with any final management decision made during this reporting period. *Appendix 3* contains TVA management's report on the status of final actions for audit reports with management decisions.

**INSPECTOR GENERAL ISSUED REPORTS WITH
QUESTIONED COSTS FOR THE SIX-MONTH
PERIOD ENDING SEPTEMBER 30, 1990**

	Number of Reports	Dollar Value	
		Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the period	5	6,029,714	2,242,931
B. Which were issued during the reporting period	13	9,463,481	2,030,246
Subtotals (A+B)	18	15,493,195	4,273,177
C. For which a management decision was made during the reporting period	12*	14,131,474	3,873,215
(i) Dollar value of disallowed costs	11	6,350,169	2,334,681
(ii) Dollar value of costs not disallowed	3	7,781,305	1,538,534
D. For which no management decision has been made by the end of the reporting period	6	1,361,721	399,962
Reports for which no management decision was made within six months of issuance	0	0	0

* The total number of reports differs from the sum of C.(i) and C.(ii) when the same reports contain both costs disallowed and not disallowed.

**INSPECTOR GENERAL ISSUED REPORTS WITH
RECOMMENDATIONS THAT FUNDS BE PUT
TO BETTER USE FOR THE SIX-MONTH
PERIOD ENDING SEPTEMBER 30, 1990**

	Number of Reports	Dollar Value
A. For which no management decision has been made by the commencement of the period	15	16,375,766
B. Which were issued during the reporting period	22	54,770,424
Subtotals (A+B)	37	71,146,190
C. For which a management decision was made during the reporting period	25*	9,879,364
(i) Dollar value of recommendations that were agreed to by management	24	7,931,854
(ii) Dollar value of recommendations that were not agreed to by management	9	1,947,510
D. For which no management decision has been made by the end of the reporting period	12	61,266,826
Reports for which no management decision was made within six months of issuance	3	14,138,414

* The total number of reports differs from the sum of C.(i) and C.(ii) when the same reports contain both recommendations agreed to and not agreed to by management.

AUDIT UPDATE--COSTS AVOIDED BECAUSE OF PRE- WARD AUDITS

TVA organizations award contracts to various companies for office products, equipment, and personal services (such as engineering and laboratory services). Many of these contracts, which range from \$2,000 to \$190 million, provide for fixed hourly billing rates. Therefore, reviews of these contract proposals are often necessary to ensure that the contractor's proposed costs are both reasonable and necessary.

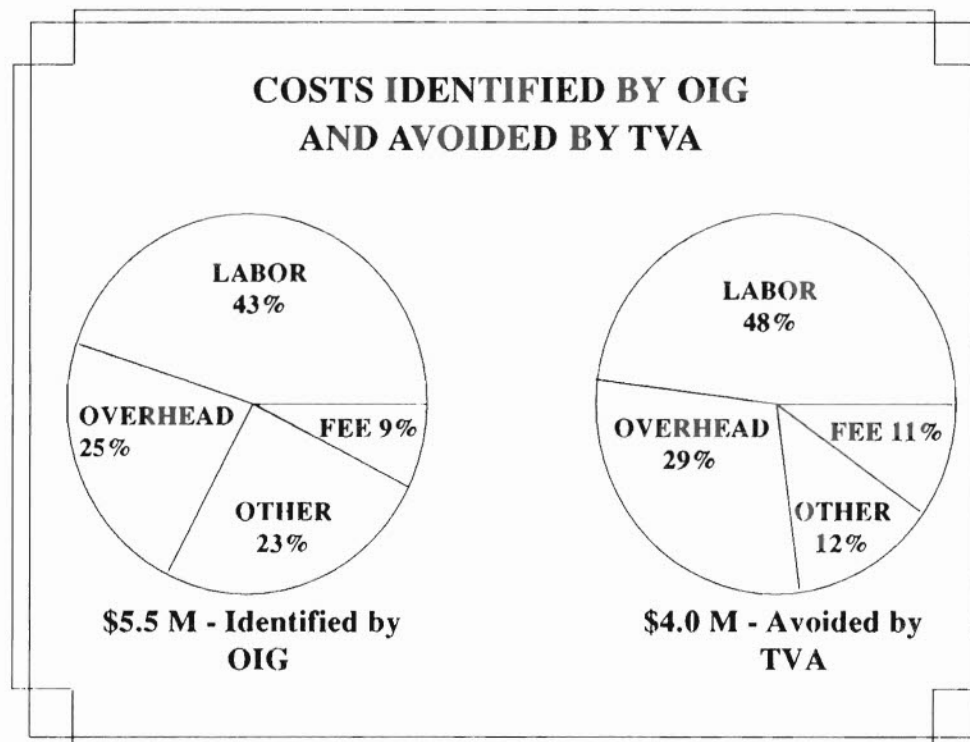
We provide direct assistance to TVA management by performing preaward audits which assist contract administrators in evaluating proposed TVA contracts. These preaward audits provide two significant benefits for TVA. The immediate benefit is that, in many cases, our preaward audit findings will help TVA negotiate a price lower than the contractor's original proposal. In addition, contract language may be refined, thereby preventing future costly misunderstandings or inconsistent interpretations of contract terms.

Since we began performing preaward audits in June 1989, we have reviewed 46 contract proposals totaling \$512 million. To date, we have identified \$67.9 million of proposed costs which we consider inappropriate for inclusion in TVA contracts. These inappropriate costs include those which cannot be supported by the contractor as being reasonable, necessary, or applicable to the TVA contracts.

TVA management has resolved findings in 28 of our 46 preaward audit reports. (These 28 reports identified \$5.5 million of costs we considered unnecessary.)

In connection with these 28 audit reports, TVA has, through negotiations, reduced the contractors' proposed costs by \$4 million. As shown in the chart below, these costs were in four general cost

areas: labor, overhead, fee, and other (i.e., general and administrative, travel, computer, subcontractor, and other direct charges).



Based on our findings and for other reasons, TVA rejected 6 of the 46 contract proposals with costs totaling over \$216.8 million. (In these proposals, we identified about \$38.1 million in funds which could be put to better use.)

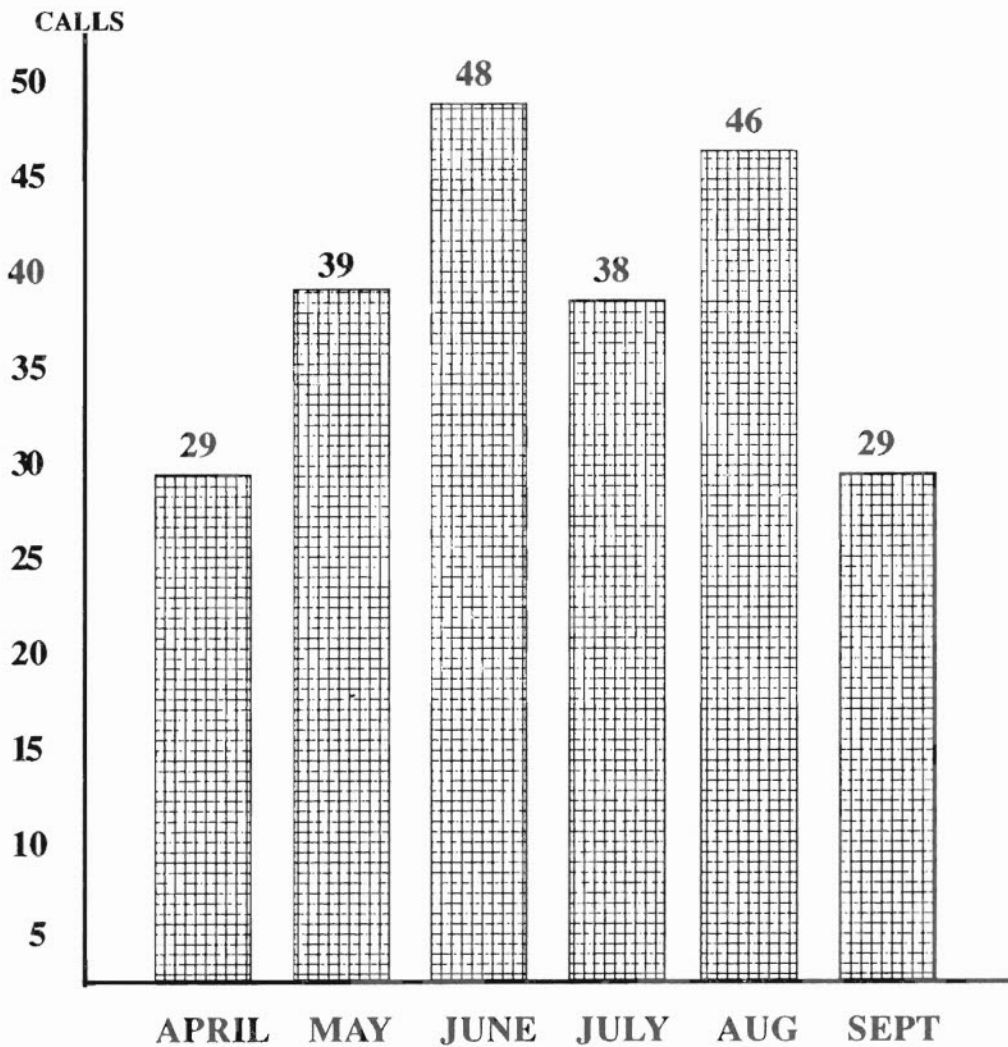
The potential for avoiding expenditure of an additional \$24.3 million exists with respect to the remaining 12 contract proposals. Currently, TVA management is negotiating with contractors to reduce the proposed costs.

The benefits from our preaward audits extend beyond immediate cost savings. In response to our suggestions, management is

refining contract language, primarily in the areas of labor, overhead, and travel. Other contract language improvements focus on employee qualifications, task assignment clauses, and audit rights, among other things. By including these improvements in future contracts and amendments to existing contracts, TVA will avoid additional costs, misunderstandings, and inconsistent interpretations of contract terms.

OTHER OIG ACTIVITIES

OIG HOTLINE SUMMARY APRIL 1990 - SEPTEMBER 1990



FREEDOM OF INFORMATION ACT REQUESTS

All OIG employees are responsible for properly protecting information in accordance with applicable laws including the Privacy Act of 1974. Nonemployees and employees whose request for information is not connected with their official duties (e.g., complainants and subjects of our investigations) must make a written Freedom of Information Act (FOIA) request for our records.

The second greatest category of TVA records requested under the FOIA are records maintained by the OIG. This last fiscal year (October 1989 to September 1990), we processed 35 FOIA requests. These included, among others, requests from subjects and complainants, media requests, and requests from TVA contractors for audit work papers. We coordinated the release of these records with TVA's Communications staff (which has primary responsibility for developing FOIA policies, receiving and processing requests, and making decisions about the release of information) and TVA's General Counsel's office (which provides legal interpretations of the FOIA, conducts legal reviews of certain types of FOIA requests, and handles FOIA litigation).

During the previous reporting period, the OIG completed a collaborative project with other TVA organizations with major FOIA responsibilities to review FOIA policies, procedures, and practices and to recommend improvements. As a result of this collaborative project, the OIG streamlined its internal FOIA processing procedures during this reporting period. More specifically, we (1) use electronic mail communications, instead of written communications, to inform responsible OIG staff of the request and what documents are responsive; (2) placed the responsibility for processing the request to the lowest possible level (i.e., descriptive indexer who maintains the file and administrative analyst who analyzes the records for releasability); and (3) developed standard forms for transmitting the information to other TVA organizations and the requester.

We anticipate our new procedures will serve as a model for other TVA organizations who committed to work together to expedite TVA's FOIA process as much as possible

THE OIG'S USE OF SUBPOENAS

During this reporting period, we issued 12 subpoenas for documents. All of the subpoenas were issued in connection with OIG investigations and sought information related to the following topics.

Workers' Compensation Fraud	9
Travel Voucher Fraud	1
False Health Insurance Claims	1
Theft of Government Property	1

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

- We issued one subpoena during our investigation of allegations a federal workers' compensation recipient operated a booking agency for hunting and fishing expeditions and earned unreported income.
- Another subpoena sought a TVA employee's telephone records in connection with our investigation of allegations the employee stole more than \$100,000 worth of TVA property. The telephone records provided leads to additional witnesses who supported the theft allegations. Subsequently, a federal grand jury indicted the employee on two counts of theft of government property.
- In response to our subpoena, a bank provided information indicating a TVA employee received a bank loan and made loan payments for the purchases of a motor home and later a camping trailer. However, during fiscal year 1989 alone, the employee submitted travel vouchers and receipts indicating he

OTHER OIG ACTIVITIES

paid his brother approximately \$10,000 in rental fees for the use of the motor home or camping trailer while in TVA travel status.

- We issued a subpoena to a clinical psychologist while investigating allegations a TVA employee submitted fraudulent health insurance claims for fictitious visits to a counseling center.

OIG EMPLOYEE INVOLVEMENT

Our employees continue to be involved in other activities which help to fulfill the OIG's overall objectives--particularly in the areas of employee awareness and employee development. A description of some of our activities within the OIG, within TVA, and outside TVA during this fiscal year follows.

INVOLVEMENT WITHIN THE OIG

During this reporting period--in response to the results of an OIG employee survey--OIG employees focused on finding ways to (1) increase OIG employee involvement and awareness, (2) enhance employee development and recognition, and (3) demonstrate the organization's commitment to equal employment opportunity and affirmative action. We established focus groups designed to look at three areas in the office--Communications, Equal Opportunity, and Pay and Promotions. OIG management has implemented some of the focus groups' recommendations and is considering others for possible implementation.

OIG INVOLVE- MENT WITHIN TVA

The OIG conducts a number of informational activities which increase TVA employees' awareness of their responsibility to prevent, detect, and report instances of fraud, waste, and abuse. In addition, OIG employees participate on committees within TVA designed to improve employee communications and develop training for TVA managers. Examples of some of our involvement during this reporting period are described below.

- **Maintaining a Work Environment Free of Intimidation and Harassment/Discrimination.** The OIG, in connection with TVA's General Counsel's office and ECP, developed a management orientation course to inform managers about intimidation and harassment in the workplace.

The OIG's presentation focuses on the OIG policies, organization, and function in connection with the investigation of misconduct and intimidation and harassment/discrimination. The first session was presented during August 1989, and to date, approximately 658 managers and supervisors have attended 31 sessions.

- **Orientation to Nuclear Supervision.** During this reporting period, selected employees at Chattanooga and the Browns Ferry Nuclear Plant received OIG training on ethics and conduct as part of their orientation to nuclear supervision course.
- **TVA's Management Training Program.** TVA has begun a new required training program for all supervisory managers, represented salary policy supervisors, and trades and labor foremen. An objective of the training program is to provide managers and supervisors skills to change to a management style which, among other things, increases use of individual judgment, decisionmaking and accountability, and promotes team-building. Two OIG employees (the Deputy Legal Counsel and the Nuclear Investigations Manager) began receiving training during this reporting period, and they will provide portions of the management training program for TVA's Corporate and Resource Development managers.
- **Communication's Employee Roundtable.** Our Deputy Legal Counsel participates in the Communication's Employee Roundtable which is designed to improve communications within TVA.

**OIG INVOLVE-
MENT OUTSIDE
TVA**

During this reporting period, the OIG participated in several activities involving the training of special agents for Inspectors General offices and development of new Inspectors General offices. Our involvement in some of these activities are described below.

- **Inspector General Basic Training Program Curriculum Conference Review.** Our Nuclear Investigations Manager participated in a curriculum review of the three-week basic training course for Inspector General special agents offered at the Federal Law Enforcement Training Center (FLETC) in Glynco, Georgia. The review focused on the effectiveness of the program and ways to improve the training. Also, during this reporting period, an OIG special agent presented training on employee conduct investigation as part of the three-week basic training course.
- **Advanced White Collar Crime Training Program Curriculum Development Conference.** A senior special agent in Fraud Investigations, along with representatives from federal and state agencies, participated in a conference to help design a new training program for white collar crime at FLETC. The program will be for experienced investigators and available to all law enforcement agencies who use FLETC for training.
- **President's Council On Integrity and Efficiency (PCIE).** During this reporting period, the OIG's Legal Counsel, Deputy Legal Counsel, and an OIG special agent participated in PCIE's retreat for new Inspectors General offices. Our representatives presented information on the OIG's investigative operations.

THE OIG HOTLINE

April 1, 1990 - September 30, 1990

Classification of Cases	Number of Calls	Percentage of Calls
1 Employee Misconduct	25	10.9
2 Employee Concern		
Program Matters	22	9.6
3 Misuse or Abuse of		
Government Property	7	3.1
4 Vehicle Operations	18	7.9
5 Substance Abuse	2	0.9
6 Personnel Matters	63	27.5
7 Terrorism and Sabotage	1	0.4
8 Discrimination and		
Harassment	18	7.9
9 Safety	2	0.9
10 Trades and Labor	6	2.6
11 Theft	4	1.7
12 Falsification of Records	4	1.7
13 Contract-Related		
Misconduct	11	4.8
14 Fraud and Waste	26	11.4
15 General Criminal Activities		
16 Employment Suitability		
17 Public Concerns	14	6.1
20 Special Projects	<u>6</u>	<u>2.6</u>
TOTAL	229	100.0

WHO CALLED

Employees	146	63.8
Former Employees	30	13.1
Public	<u>53</u>	<u>23.1</u>
TOTAL	229	100.0

APPENDICES

**INSPECTOR GENERAL AUDIT REPORTS ISSUED DURING
THE SIX-MONTH PERIOD ENDING SEPTEMBER 30, 199**

Date Issued	Report Number	Report Title	Questioned Costs (Dollars)	Unsupported Costs (Dollars)	Funds to Be Put to Better Use (Dollars)
04/10/90	90-004P	Peabody Coal Company - Contract 69P-87-T1	20,170**		
04/10/90	90-031N	Ebasco Services, Inc. - Preaward - Contract TV-80539V			
04/10/90	90-019N	Combustion Engineering, Inc. - Preaward - Contract TV-73031A			7,326,329
04/10/90	88-188N	BCP Technical Services, Inc. - Contract TV-67403A	2,652,318*	185,211	
04/19/90	90-013G	Part 21, Inc. - Preaward - Contract TV-78016A			541,270
04/26/90	90-026P-01	Stone & Webster Engi- neering Corp. - Preaward - Contract TV-73035A			181,090
04/26/90	89-014N	State of Alabama - Contract TV-62313A	1,444,430	1,444,430	374,228
05/17/90	89-046G	Nuclear Power Travel Administration	68,479*		
05/17/90	89-049G	Gilbert/Commonwealth, Inc. - Contracts TV-72370A and TV-73030A	71,243	643	
06/04/90	90-049G	Sigma Research Corpora- tion - Preaward - RFP RD-06-90			15,145

APPENDIX 1

Page 2 of 5

Date Issued	Report Number	Report Title	Questioned Costs (Dollars)	Unsupported Costs (Dollars)	Funds to Be Put to Better Use (Dollars)
06/07/90	90-010G	Lockwood Greene Engineers, Inc. - Preaward - RFP QF-76766T			15,133
06/15/90	90-016G	Faison Office Products Company - Preaward - RFP 90BFJ-00029B			128,000
06/20/90	88-182N-31	EG&G Intertech, Inc. - Contracts TV-66809A, TV-68799A, TV-69420A, TV-73798A, TV-74326A, TV-74957A, and 88-NSA-40143B	64,951		
06/27/90	90-050G	ENSR Consulting and Engineering - Preaward - RFP RD-06-90			5,944
06/27/90	89-010P	Materials Management System			
06/28/90	90-055P	Stone & Webster Engi- neering Corp. - Preaward - RFP for Peak Load Labor for Modification and Maintenance Support			975,054
07/10/90	89-002N-01	Basic Energy Technology Associates, Inc. - Contract TV-71143A	26,300*		
07/13/90	90-056N	Bechtel North American Power Corp. - Preaward - RFP for Peak Load Labor for Modification and Maintenance Support			

Date Issued	Report Number	Report Title	Questioned Costs (Dollars)	Unsupported Costs (Dollars)	Funds to Be Put to Better Use (Dollars)
07/19/90	90-059P	Stone & Webster Engineering Corp. - Preaward - RFP 2S-79004B			504,090
07/19/90	89-034N	Cancelled and Postponed Nuclear Capital Projects			
07/19/90	89-024N	Management of Cash - TVA's Contribution to TVA Retirement System - FY 1990	3,780,169*		3,801,811
08/03/90	90-052G	KBN Engineering and Applied Sciences, Inc. - Preaward - RFP RD-06-90			1,362
08/10/90	90-038G	Part 21, Inc. - Contracts TV-76691A and TV-78016A	116,547	104,892	
08/15/90	89-053P-01	General Electric Company - Contract TV-69197A	41,005**	1,913	
08/15/90	89-069N	Employee Concern Program			
08/22/90	90-003P-01	Power Conservation Loans			1,015,229
08/24/90	88-182N-32	EG&G Intertech, Inc. - Contract TV-74326A Statistical Sampling			
08/24/90	90-051G	Gilbert/Commonwealth, Inc. - Preaward - RFP for Peak Load Labor for Modification and Maintenance Support			1,025,723

APPENDIX 1

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Date Issued	Report Number	Report Title	Questioned Costs (Dollars)	Unsupported Costs (Dollars)	Funds to Be Put to Better Use (Dollars)
08/29/90	89-051P-01	Stone & Webster Engineering Corp. - Contract TV-68702A	42,022	2,778	190,000
09/05/90	90-057G	Watts Bar Utility District - Contract TV-66961A			
09/17/90	90-061N	Bechtel North American Power Corp. - Preaward - Engineering Services			36,334,349
09/19/90	90-070G	ENSR Consulting and Engineering - Preaward - RFP RD-10-90			205,000
09/28/90	90-029P	Associated Project Analysts - Contract TV-73042A	129,723		
09/28/90	90-072G	Woodward-Clyde Federal Services - Preaward - RFP RD-10-90			30,000
09/28/90	90-077N	United Engineers & Constructors, Inc. - Preaward - Proposal 2S-79058B			355,680
09/28/90	90-069P	Environmental Science & Engineering, Inc. - Preaward - RFP RD-10-90			219,000
09/28/90	90-076P	Stone & Webster Engineering Corp. - Preaward - RFP 82003C			32,987

Date Issued	Report Number	Report Title	Questioned Costs (Dollars)	Unsupported Costs (Dollars)	Funds to Be Put to Better Use (Dollars)
09/28/90	90-081P	MPR Associates, Inc. - Preaward - Project Management at Bellefonte Nuclear Power Plant			1,493,000
09/28/90	89-045P	Manville Sales Corporation - Contract 80K52-825640	<u>1,006,124**</u>	<u>290,379</u>	
TOTAL	39		<u><u>\$9,463,481</u></u>	<u><u>\$2,030,246</u></u>	<u><u>\$54,770,424</u></u>

* Questioned costs for unreasonable or unnecessary expenditures are not recoverable, as follows.

Audit Report No. 88-188N	\$2,335,769
89-046G	68,479
89-002N-01	26,300
89-024N	<u>3,780,169</u>
	<u><u>\$6,210,717</u></u>

** Questioned costs do not include the following amounts due the contractor:

Audit Report No. 90-004P	\$ 1,922
89-053P-01	25,772
89-045P	<u>16,408</u>
	<u><u>\$44,102</u></u>

GLOSSARY OF AUDIT TERMS

The terms we use in reporting our audit statistics are defined below.

Questioned Cost. A cost we have 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 we have questioned because of a lack of adequate documentation at the time of the audit.

Other Questioned Costs. A cost we have questioned for reasons other than lack of adequate documentation.

Funds to Be Put to Better Use. Funds we have identified in an audit recommendation that could be used more efficiently by reducing outlays; improving TVA, contractor, or grantee operations; avoiding unnecessary expenditures noted in preaward contract audits; deobligating program or operational funds; or taking other efficiency measures.

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

Disallowed Cost. A questioned cost that management, in a management decision, has sustained or agreed should not be charged to TVA.

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



Tennessee Valley Authority, 400 West Summit Hill Drive, Knoxville, Tennessee 37902

Board of Directors

October 24, 1990

TO THE UNITED STATES CONGRESS:

Attached is TVA's report on final actions on Inspector General recommendations for which management decisions have been made, as required by Section 5(b) of the Inspector General Act of 1978, as amended.

TVA's major goal for the 1990s is to become the most competitive electric utility in North America and the most efficient and productive agency in federal service. With the continued efforts of the Inspector General's Office, the dedication of TVA's management, and the strong support of our employees, the TVA Board is confident that our agency will achieve this goal.

Best regards,

A handwritten signature in black ink that reads "Marvin Runyon". The signature is written in a cursive, flowing style.

Marvin Runyon
Chairman

Enclosure

DEFINITION OF TERMS

Amounts Questioned By OIG. A cost that is questioned by the OIG because of:

1. An alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds.
2. A finding that at the time of the audit, such cost is not supported by adequate documentation.
3. A finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

Amounts Recommended By OIG. A recommendation by the OIG that funds could be put to better use if management took actions to implement and complete the recommendation, including:

1. Reductions in outlays.
2. Deobligation of funds from programs or operations.
3. Withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds.
4. Costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor or grantee.
5. Avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements.
6. Any other savings which are specifically identified.

Disallowed Cost. A cost questioned by the OIG that management agreed should not be charged to TVA.

Amounts Agreed By Management. The evaluation and concurrence by management, in a management decision, of an OIG audit finding, including actions concluded to be necessary.

Final Action. The completion of all actions that management has concluded, in a management decision, are necessary with respect to the OIG audit findings.

TABLE I
DISALLOWED COSTS*
(In Thousands)

		No. of Reports	Amounts Questioned By OIG	Amounts Agreed By Management (Disallowed)
OIG audit reports for which final action by management had not been taken by 4/1/90:				
87-077P	MH Sturdivant		\$ 61	\$ 8
87-119P	Enercon		114	114
88-183N	Tn. Emergency Management		20	20
88-009P 03	Sargent & Lundy		76	29
89-016P	Enercon		<u>106</u>	<u>106</u>
		5	377	277
OIG audit reports on which management decisions were made during the reporting period:				
88-188N 10	BCP Technical Services		7	7
89-052P	NEC Inc.		2,025	2,025
89-051P 02	Stone & Webster		3	3
88-188N	BCP Technical Services (Note 1)		2,652	5
90-004P	Peabody Coal		20	20
89-014N	State of Alabama (Note 2)		1,444	91
89-049G	Gilbert Commonwealth		71	71
88-182N 31	EG&G Intertech		65	65
89-024N	Cash Man. - Retirement (Note 3)		3,780	0
89-046G	Nuc. Power Travel		68	68
89-044P	Peabody Coal		2,276	2,276
89-064P	Young Sales		<u>1,719</u>	<u>1,719</u>
		12	14,130	6,350
Subtotal		17	14,507	6,627

TABLE I
DISALLOWED COSTS*
(In Thousands)

		No. of Reports	Amounts Questioned By OIG	Amounts Agreed By Management (Disallowed)
Less:				
OIG audit reports for which final action was taken by management from 4/1/90 through 9/30/90:				
(a) Amounts that were recovered by management (through collection offset, property in lieu of cash, or by other means):				
88-188N 10	BCP Technical Services		7	7
89-051P 02	Stone & Webster		3	3
88-188N	BCP Technical Services (Note 1)		316	5
90-004P	Peabody Coal		<u>20</u>	<u>20</u>
		4**	<u>346</u>	<u>35</u>
(b) Amounts not recovered by management:				
89-024N	Cash Man. - Retirement (Note 3)	1**	3,780	0
(c) Amounts classified by the OIG as unrecoverable (Note 4):				
88-188N	BCP Technical Services (Note 1)		2,336	0
89-046G	Nuc. Power Travel		<u>68</u>	<u>68</u>
		2**	<u>2,404</u>	<u>68</u>

TABLE I
DISALLOWED COSTS*
(In Thousands)

		No. of Reports	Amounts Questioned By OIG	Amounts Agreed By Management (Disallowed)
OIG audit reports for which management has taken no final action by 9/30/90:				
87-077P	MH Sturdivant		\$ 61	\$ 8
87-119P	Enercon		114	114
88-183N	Tn. Emergency Management		20	20
88-009P 03	Sargent & Lundy		76	29
89-016P	Enercon		106	106
89-052P	NEC Inc.		2,025	2,025
89-049G	Gilbert Commonwealth		71	71
88-182N 31	EG&G Intertech		65	65
89-014N	State of Alabama (Note 2)		1,444	91
89-044P	Peabody Coal		2,276	2,276
89-064P	Young Sales		<u>1,719</u>	<u>1,719</u>
		11**	\$ 7,977	\$ 6,524

* Differences between Amounts Questioned By OIG and Amounts Agreed By Management which exceed \$100,000 are explained in notes to these tables.

** The number of reports shown will differ from the arithmetic total when for a particular report the action taken satisfies more than one situation.

TABLE II
RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE*
(In Thousands)

		No. of Reports	Amounts Recommended By OIG	Amounts Agreed By Management
OIG audit reports for which final action by management had not been taken by 4/1/90:				
87-030N	10 Revenue from Energy Sales		\$ 6,700	\$ 6,700
87-117N	Employee Qualifications		20,000	20,000
88-149P	Appalachian Regional Comm.		2	2
88-182N	30 Accident Investigations		576	576
89-033G	Leases and Charges for Offices		7,900	7,900
89-035G	Vehicle Utilization		<u>4,340</u>	<u>4,340</u>
		6	39,518	39,518
OIG audit reports on which management decisions were made during the reporting period:				
90-021P	EQE Engineering Preaward		112	79
90-018N	Ebasco Service Preaward		234	171
90-014N	Impell Preaward		123	103
90-006G	Gresham, Smith Preaward		5	5
89-019P	Power Service Shops (Note 5)		432	72
90-026P	Stone & Webster Preaward		76	68
90-034P	Stone & Webster Preaward		99	99
90-032P	Harza Engineering Preaward		34	34
90-033G	Gilbert Commonwealth Preaward		155	155
90-012G	Wyle Laboratories Preaward		139	139
90-037N	Digital Engineering Preaward		369	369
90-013G	Part 21, Inc. Preaward		541	541
89-014N	State of Alabama		374	374

TABLE II
RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE*
(In Thousands)

		No. of Reports	Amounts Recommended By OIG	Amounts Agreed By Management
90-026P 01	Stone & Webster Preaward		181	181
90-049G	Sigma Research Preaward		15	15
90-010G	Lockwood Greene Preaward		15	15
90-016G	Faison Office Products Preaward		128	72
90-050G	ENSR Consulting Preaward		6	6
90-059P	Stone & Webster Preaward		504	504
90-052G	KBN Engineering Preaward		1	1
90-003P 01	Power Conservation Loans (Note 6)		1,015	739
90-051G	Gilbert Commonwealth Preaward (Note 7)		1,026	0
89-024N	Cash Man. - Retirement		3,802	3,802
90-076P	Stone & Webster Preaward		<u>33</u>	<u>33</u>
		24	9,419	7,577
	Subtotal	30	48,937	47,095

Less:

OIG audit reports for which final
action was taken by management
from 4/1/90 through 9/30/90:

(a) Dollar value of
recommendations completed
by management:

90-021P	EQE Engineering Preaward	112	79
90-018N	Ebasco Service Preaward	234	171
90-014N	Impell Preaward	123	103
90-006G	Gresham, Smith Preaward	5	5
89-019P	Power Service Shops (Note 5)	432	72
90-026P	Stone & Webster Preaward	76	68
90-034P	Stone & Webster Preaward	99	99

TABLE II
RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE*
(In Thousands)

		No. of Reports	Amounts Recommended By OIG	Amounts Agreed By Management
90-032P	Harza Engineering Preaward		34	34
90-033G	Gilbert Commonwealth Preaward		155	155
90-012G	Wyle Laboratories Preaward		139	139
90-037N	Digital Engineering Preaward		369	369
90-013G	Part 21, Inc. Preaward		541	541
90-026P 01	Stone & Webster Preaward		181	181
90-049G	Sigma Research Preaward		15	15
90-010G	Lockwood Greene Preaward		15	15
90-016G	Faison Office Products Preaward		128	72
90-050G	ENSR Consulting Preaward		6	6
90-052G	KBN Engineering Preaward		1	1
89-024N	Cash Man. - Retirement		3,802	3,802
90-076P	Stone & Webster Preaward		<u>33</u>	<u>33</u>
		20	6,500	5,960
 (b) Dollar value of recommendations that management decided should not or could not be implemented:				
88-149P	Appalachian Regional Comm.		2	2
90-051G	Gilbert Commonwealth Preaward (Note 7)		<u>1,026</u>	<u>0</u>
		2	1,028	2
 OIG audit reports for which management has taken no final action by 9/30/90:				
87-030N 10	Revenue from Energy Sales		\$ 6,700	\$ 6,700
87-117N	Employee Qualifications		20,000	20,000
88-182N 30	Accident Investigations		576	576

TABLE II
RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE*
(In Thousands)

		Amounts Recommended By OIG	Amounts Agreed By Management
	No. of Reports		
89-033G	Leases and Charges for Offices	7,900	7,900
89-035G	Vehicle Utilization	4,340	4,340
89-014N	State of Alabama	374	374
90-059P	Stone & Webster Preaward	504	504
90-003P 01	Power Conservation Loans (Note 6)	<u>1,015</u>	<u>739</u>
	8	<u>\$41,409</u>	<u>\$41,133</u>

* Differences between Amounts Recommended By OIG and Amounts Agreed By Management which exceed \$100,000 are explained in notes to these tables.

TABLE III

The following lists information on audit reports which final action by management has not been taken within one year from the date a management decision was made.

Audit Report Number	Date Issued	DOLLAR VALUE (IN THOUSANDS)		Explanation Final Action Not Taken
		Disallowed Costs	Funds Put to Better Use	
MH Sturdivant 87-077P	10/27/87	8	N/A	Resolution of this audit will be combined with a related audit currently in draft form.
Enercon 87-119P	6/7/88	114	N/A	TVA was unable to resolve the subject audit within the previously established timeframe (June 1990). Issues raised in a related audit are also being addressed. Audit resolution expected by January 1991.
Revenue from Energy Sales 87-030N 10	9/23/88	N/A	6,700	TVA has committed to take necessary action when negotiating power contract amendments with all distributors in 1991. Audit resolution expected by October 1991.
Sargent & Lundy 88-009P 03	12/7/88	29	N/A	The contractor has provided additional supporting information which is currently under review. Audit resolution expected by January 1991.

TABLE III

Audit Report Number	Date Issued	DOLLAR VALUE (IN THOUSANDS)		Explanation Final Action Not Taken
		Disallowed Costs	Funds Put to Better Use	
Nuc. Power Emergency Procurements 88-165G	2/8/89	N/A	N/A	Final management action is expected by February 1991.
Inventories— Hartsville Nuclear Plant 89-005G	6/2/89	N/A	N/A	Certain recommendations made in the audit report have been incorporated into daily operations. Others are in the implementation process. Final action expected by February 1991.
Determining and Reporting Coal Quality 89-003P	9/8/89	N/A	N/A	Audit resolution is a continuing effort and much has been accomplished to date. While efforts are progressing satisfactorily, the remaining work prevents TVA from closing out all audit findings at this time.
	Totals	<u>151</u>	<u>6,700</u>	

NOTES TO STATISTICAL TABLES

1. OIG audit report No. 88-188N, BCP Technical Services, Inc., questioned costs of \$2,652,000. Of this total, \$2,336,000 was classified by the OIG as unrecoverable and represents an estimate of amounts TVA could have avoided if services contracted for would have been performed in-house. Additionally, there was \$312,000 questioned which management determined was permissible under the contract. The remaining questioned costs were recovered.
2. OIG audit report No. 89-014N, State of Alabama, questioned costs of \$1,444,000 as being unsupported. This represents most amounts paid during the audit period to the Alabama Emergency Management Agency (AEMA) by TVA under an open-ended contract. While the audit report does not suggest that all amounts questioned be recovered, it does recommend that management review the questioned costs and recover any portion which cannot be justified or adequately supported. Management has done so and has identified approximately \$91,000 it intends to recover. The remaining questioned costs were deemed allowable under terms of the contract. Additionally, recommendations that funds be put to better use totaling \$374,000 were made. These recommendations include (a) TVA advance funds to AEMA on a more frequent basis and thus avoid interest costs and (b) cost studies be performed to determine the most economical way of doing business. Both TVA and the affected state and local agencies have adjusted business practices to incorporate the recommendations made in the audit report.
3. OIG audit report No. 89-024N, Management of Cash - TVA's Contribution to the TVA Retirement System, questioned costs of \$3,780,000. This item reflects an OIG estimate of interest costs which could be avoided if TVA would reduce its contribution rate to the TVA retirement system. Management evaluated the recommendation and concluded that the current contribution rate was necessary.
4. Costs which are in this category are classified by the OIG as unrecoverable. No final action is necessary.

5. OIG audit report No. 89-019P, Power Service Shops, had recommendations that funds be put to better use totaling \$432,000. Of this amount, \$360,000 related to a recommendation that the Power Service Shops include certain costs (depreciation) in the billing rate for services provided. Management concluded that it was inappropriate to include depreciation in the shop rates. However, this recommendation may be addressed in the future.
6. OIG audit report No. 90-003P 01, Power Conservation Loans, had recommendations that funds be put to better use totaling \$1,015,000. Of this amount, \$1,000,000 represents an OIG estimate of previously advanced TVA funds which were being held by a power distributor. The audit report recommended that these funds be returned. Management concurs with the audit report but has estimated the amounts outstanding to be approximately \$740,000.
7. OIG audit report No. 90-051G, Gilbert Commonwealth Preaward, had recommendations that funds be put to better use totaling \$1,026,000. Subsequent to audit fieldwork, management decided not to award a contract for the services originally intended. However, information contained in the audit report will be used in any future contract negotiations with this company for other services.

NOTES

**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 want 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

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1-800-423-3071

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