

Office of the Inspector General of the Tennessee Valley Authority

Semiannual Report **1991**
April 1-September 30





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

Norman A. Zigrossi
Inspector General

October 31, 1991

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

This is our eleventh semiannual report to Congress. It highlights our activities and accomplishments from April 1 to September 30, 1991.

TVA is continuing to improve the way it does business. TVA's total quality initiative is well underway, and TVA has embarked on a program to become a clear leader in quality and efficiency, both in the electric utility industry and federal government. We are supporting this process by focusing on our customers' needs and working on issues that are important to TVA management and employees as well as the public.

To help TVA operate more effectively, we are continuing to concentrate our audit activities on TVA's contracting process. More specifically, our contract-related work this reporting period accounted for 84 percent of the audit reports we issued. These 41 contract-related audits identified over \$12.5 million in questioned costs and \$19.8 million in funds that could be put to better use.

Our investigations have also demonstrated their cost-saving potential. For example, our investigations of fraudulent workers' compensation claims may ultimately save TVA more than \$4.9 million in avoided long-term costs. During the last 6 months, we also referred 54 cases to the Department of Justice for possible prosecution. During this same period, federal prosecutors obtained eight convictions based on our investigations.

In pursuit of our goal to improve TVA, we also identified instances of questionable conduct and needed improvements. However, the shortcomings identified in this report should not be viewed as characteristic of TVA as a whole. To the contrary, many of our conclusions are favorable to TVA management and employees. For example, during this reporting period over half of the allegations we investigated were not substantiated.

The dedication of our staff, coupled with the support of Congress, TVA managers, and employees makes possible many of the results documented in this report. We want to continue to make a difference and join others in making TVA the best utility in North America and the most productive and effective agency in the federal government.

Sincerely,

A handwritten signature in black ink, appearing to read "N. A. Zigrossi".

CONTENTS

1	EXECUTIVE SUMMARY
3	TVA PROFILE
5	OFFICE OF THE INSPECTOR GENERAL
7	AUDITS
7	Audit Statistics
8	SPECIAL FEATURE—OIG Refocusing to Support TVA's Contracting Processes
9	Summary of Significant Audits
14	Audit Resolution and Follow-Up
19	INVESTIGATIONS
19	Investigative Caseload
19	Sources of Allegations
20	Classification of Investigations
21	Allegations in OIG Cases
22	Administrative and Disciplinary Actions
23	Investigative Referrals
24	Prosecutive Activities
25	SPECIAL FEATURE—OIG Helping TVA Management on Significant Complex Issues
27	Other Representative Investigations
29	LEGISLATION
29	Inspector General Testifies Before Senate Education and Labor Subcommittee
31	OTHER OIG ACTIVITIES
31	The OIG Hotline
32	The OIG's Use of Subpoenas
33	The OIG's Freedom of Information Act Requests
33	OIG Human Resource Activities
35	APPENDICES
37	1. Inspector General Audit Reports Issued During the Six-Month Period Ending September 30, 1991
40	2. Glossary of Audit Terms
41	3. TVA Management's Report on Final Actions for the Six-Month Period Ending September 30, 1991

This semiannual report summarizes our activities and accomplishments during the six-month period which ended September 30, 1991. These activities and accomplishments are outlined below.

AUDITS

We issued 49 audit reports which identified over \$13.2 million in questioned costs and \$20 million in funds that could be put to better use. A few of our audit activities are highlighted below.

- Eighty-four percent of the audit reports we issued were contract-related. More specifically, 41 of our 49 reports involved some phase of the contracting process (e.g., auditing or reviewing requests for proposals, contractors' proposals, TVA's contract administration, contractor's cost records, and selected areas of contractor performance). Collectively, these 41 audits identified over \$12.5 million in questioned costs and \$19.8 million that could be put to better use.
- We questioned \$1.3 million of a \$2.17 million claim which a contractor filed under a contract to install four precipitators at a TVA fossil plant. Following our audit and extensive negotiations between TVA management and the contractor, the parties settled the claim for \$850,000.
- Our audit of over \$58 million in charges from the Office of Workers' Compensation Programs (OWCP) revealed OWCP did not effectively monitor claimant's status and made errors in disbursing and collecting funds. We identified over \$650,000 in questioned costs related to these charges, including payments to deceased claimants and failure to recover funds from third parties.

INVESTIGATIONS

Investigations of allegations of fraud and waste, including allegations about falsification of records, theft, and contract-related misconduct, comprised a significant amount of our investigative caseload this reporting period. Some of our more significant investigative accomplishments are outlined below.

- We opened 289 cases and closed 294 cases, resulting in a caseload of 309 open cases as of September 30, 1991.
- We issued 138 formal investigative reports to TVA management.

- We recommended TVA management take administrative or disciplinary action in 72 of the 294 cases we closed. Based on these and prior recommendations, TVA management terminated 11 employees, suspended 5 employees, and reprimanded 12 others.
- We referred 81 matters to federal or state prosecutors and other government officials, including 59 subjects to United States Attorneys. These and prior referrals resulted in eight convictions and three indictments during this reporting period.
- Our hotline received 197 calls—99 from TVA employees, 26 from former employees, and 72 from the general public.
- We issued 62 subpoenas for documents in connection with OIG investigations.
- Our investigation of fraud in connection with Federal Employees' Compensation Act (FECA) benefits continues to save TVA money. More specifically, OWCP declared overpayments of more than \$292,000 based on 17 cases we referred to them for action. These investigations may have saved TVA more than \$4.9 million over the long term in estimated avoided disability benefits.

TVA is an independent federal corporation 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 24,800 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 other 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; John B. Waters; and William H. Kennoy. Mr. Kennoy, TVA's newest director, was confirmed by the Senate on April 16, 1991.

TENNESSEE VALLEY REGION



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.

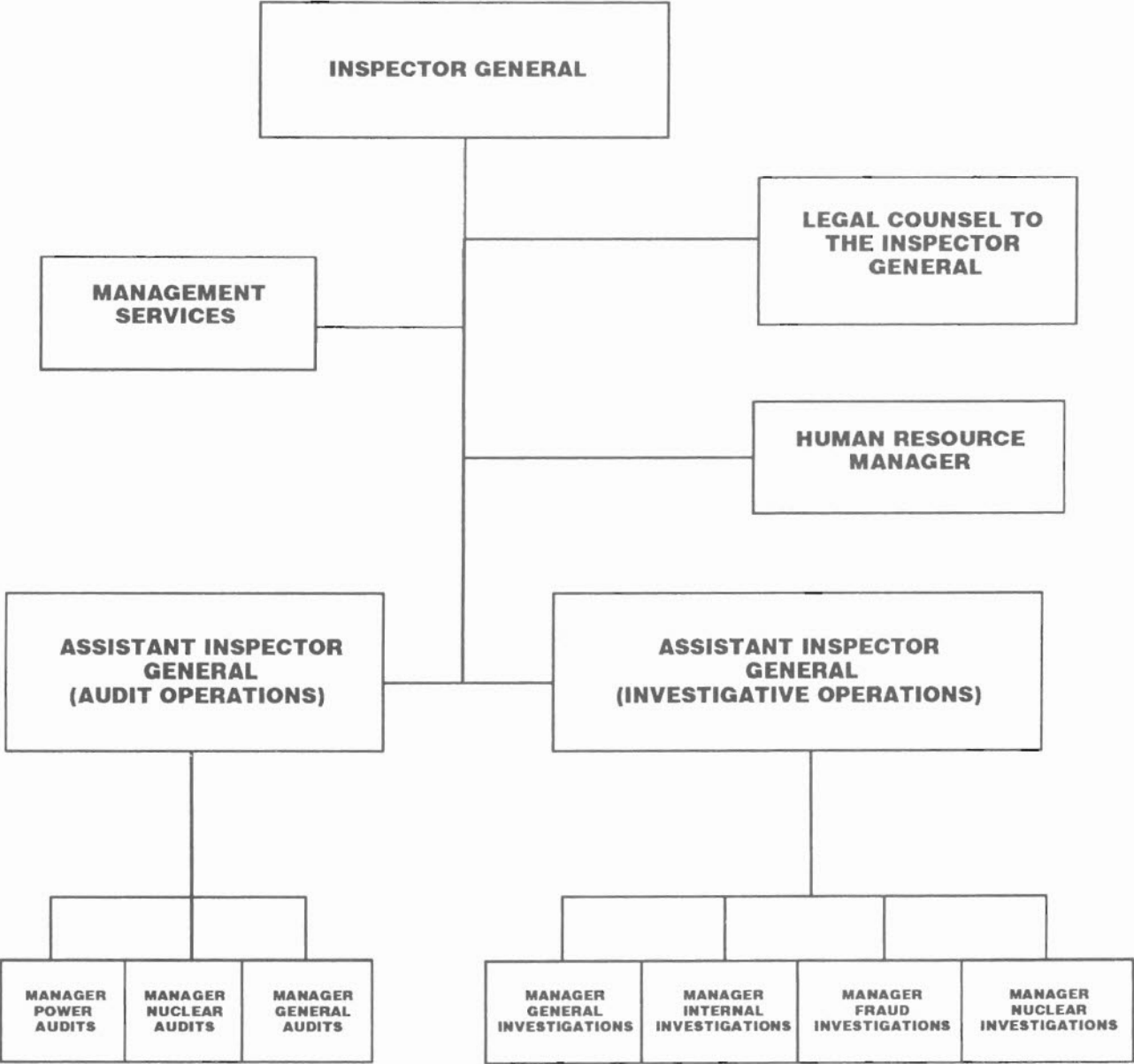
TVA's Inspector General is independent and subject only to the general supervision of the Board of Directors. The Inspector General reports matters to Congress through semiannual reports and interim reports.

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 1991 budget is approximately \$3.7 million and includes 147 budgeted positions.

OFFICE OF THE INSPECTOR GENERAL



This reporting period, we issued 49 audit reports which collectively identified over \$13.2 million in questioned costs and \$20 million in funds that could be put to better use (see Appendix 1 for listings). We refocused our audits to support TVA's changing needs, and consequently, more than 80 percent of the audit reports we issued involved some phase of TVA's contracting process. These audits accounted for over \$12.5 million of the questioned costs and \$19.8 million of the funds that could be put to better use. A more detailed description of our audit activities follows.

AUDIT STATISTICS**Status of Audit Projects**

Audit Projects Carried Forward 4/1/91	42
Audit Projects Started	46
Less: Audits Postponed or Cancelled	<u>(8)</u>
Total Active Audit Projects	80
Less: Audit Projects Completed	<u>(49)</u>
Audit Projects in Progress 9/30/91	31

Audit Results

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

Audit Reports Issued: 49

Questioned Costs:

Unsupported Costs	\$ 2,737,981
Other Questioned Costs	<u>10,471,041*</u>
Total Questioned Costs	\$13,209,022
Funds to Be Put to Better Use	<u>20,066,663</u>
TOTAL	\$33,275,685

* Of this figure, \$8,738,055 is not recoverable.

SPECIAL FEATURE—OIG REFOCUSING TO SUPPORT TVA'S CONTRACTING PROCESSES

The OIG's involvement in the contracting process is expanding and refocusing to support TVA's changing needs.

As we have previously reported, the OIG has been actively involved in all phases of the contracting cycle. This includes audits and reviews of TVA's Requests for Proposals, contractors' proposals, TVA's contract administration, contractors' cost records, and selected areas of contractor performance. It also includes audit support to TVA management for contract-related claims, including those which result in litigation.

Prior to the current reporting period, our contract-related work accounted for about 41 percent of all audit reports issued. That figure rose to 84 percent during this reporting period when 41 of our 49 audit reports involved some phase of the contracting process.

These 41 audits identified over \$12.5 million in questioned costs and \$19.8 million that could be put to better use. Of the questioned amount, \$10.6 million resulted from audits of contracts and TVA's administration of those contracts and \$1.9 million resulted from our review of contract claims and litigation. The \$19.8 million consisted of \$10.6 million we identified in preaward audits and \$9.2 million that resulted from our reviews of contractor performance. (Significant individual audits issued during this reporting period are discussed later in this report.)

We expect this trend toward more contract-related audits to continue because of TVA decisions regarding plant operation and facilities maintenance and to phase out its major construction activities (i.e., TVA's decision to use specialized private contractors for construction projects such as the completion of nuclear plants and facility modifications required to comply with statutes such as the Clean Air Act).

Although we anticipate a heavy contract-related work load, we expect our audit emphasis to shift. Based on TVA's plan for fewer but larger contracts, we will need to allocate less of our resources to preaward audits and more resources to post-award activities. Accordingly, we plan to perform more cost-incurred audits and audits that address selected areas of contractor performance. In addition, we plan to conduct more audits during the initial stages of TVA's major contracts. We believe these earlier reviews, which are conducted while the contract is ongoing rather than at its completion, will provide TVA management with timely information about contract compliance and alert them to potential waste, fraud, or abuse in time for them to take preventive actions. These actions should contribute to TVA's effort to hold power rates constant and be the very best electric utility in North America.

"During this reporting period, 41 of our 49 audit reports involved some phase of the contracting process."

SUMMARY OF SIGNIFICANT AUDITS

Audit Helped TVA Save \$1.3 Million

TVA management asked us to audit claims filed by a contractor under a contract to install four precipitators at the Colbert Fossil Plant. The claims, totaling \$2,171,681, were associated with access facilities (i.e., stairways, ladders, platforms, and walkways) used to test, inspect, and maintain the precipitators. We questioned \$1,310,912 of the claimed costs. The parties had agreed to resolve the claims through a mediation procedure known as a mini-trial, but following our audit and extensive negotiations between TVA management and the contractor, settled all outstanding issues for \$850,000.

Litigation Support Provided to TVA's Attorneys

We audited damage and delay claims of \$1,352,164 (excluding interest) filed by a fire protection contractor at the Browns Ferry Nuclear Plant (BFN). In cooperation with TVA's trial attorneys, we determined the contractor overstated its claims by \$545,522. The lawsuit was tried in U.S. District Court but was ultimately settled for \$650,000 (including interest).

Watershed Agency Audit Identifies Needed Improvements

TVA has a contract with a state watershed development agency (agency) for the development of a demonstration rural village. Our audit of the agency's financial statements determined the statements were fairly presented for the fiscal years ending September 30, 1988 and 1989. However, we had the following findings related to this contract:

- Management and accounting controls needed improvement.
- Potential interest income of \$10,000 was foregone because the agency did not properly invest trust funds.
- Funds totaling \$17,588 were put to better use as a result of our efforts to resolve outstanding issues between the agency and TVA on a prior contract.
- Certified Public Accounting firms could provide improved accounting services through the use of automated systems at a lower cost than the current manual system.

We also performed a program audit of the agency's rural village project. We found the project had not achieved its primary goals, and as a result, funds of more than \$4.7 million are underemployed and could be put to better use. We recommended that TVA and the agency determine an alternative use of project funds. We suggested alternatives and stated that, in our opinion, the most feasible alternative was to use the funds for area development projects other than rural villages. Although

TVA management generally agreed with our recommendations, the agency disagreed with our conclusions. They acknowledged, however, that lot sales in the rural village had not met expectations.

Audit of OWCP Charges Questions \$650,000

Our audit of charges from OWCP totaling over \$58 million for the year ending June 30, 1990, revealed OWCP did not effectively monitor claimants' status and made errors in disbursing and collecting funds. We identified over \$650,000 in questioned costs related to these charges. Our findings included payments to deceased claimants (\$83,745), errors related to payments (\$277,600), failure to recover overpayments to claimants (\$222,100), and failure to recover funds from third parties (\$69,800). We also found there were few controls in place to monitor claims effectively or detect these types of errors. TVA management agreed with our findings and recommendations and agreed to improve its processes for monitoring claims and detecting errors.

Preaward Audit Reports Continue to Produce Benefits for TVA

During this reporting period, we issued ten preaward audit reports. These reports collectively identified over \$10.6 million in funds that could be used more effectively. Five of these reports related to TVA's nuclear power program (\$10.2 million), three reports related to fossil plant construction and maintenance (\$0.4 million), and two reports related to environmental activities. All of these reports provided TVA management with suggestions for clarifying contract provisions and with additional information for use in negotiating and administering the contracts.

Cost Audits Identify Areas for Future Contract Savings

We issued reports involving four contracts with a contractor providing engineering and related services to TVA's nuclear power program. (TVA paid over \$160 million related to these contracts.) Of the costs we reviewed, we estimated TVA paid about \$6.7 million in unreasonable and unnecessary costs due to shortcomings in its contracting processes or practices. In addition, we concluded the contractor complied with the terms of the contracts except for \$309,354 in overbillings and \$58,542 in unsupported costs. The contractor agreed to issue TVA credits totaling \$116,004 but disagreed with the other questioned costs. TVA management stated (1) the current contracting processes and procedures should prevent inappropriate payments in future contracts and (2) appropriate action would be taken to recover overbillings and unsupported costs.

Audit of Contract to Maintain Railway Cars Produces Questioned Costs

In September 1984, TVA contracted with a firm to inspect and maintain 198 TVA railway cars used to deliver coal to the Bull Run Fossil Plant. We audited costs of \$1,647,636 paid from the contract's inception through December 31, 1989, and questioned \$142,089. The company agreed with \$106,893 of the questioned costs, and TVA will attempt to recover the remaining \$35,196 in questioned costs and negotiate other improvements in the contractor's documentation and material costing system.

Contractor's Travel and Living Expenses Questioned

We issued reports involving four contracts with a contractor providing engineering and related services to TVA's nuclear and fossil power plants. (TVA paid over \$34.7 million under these contracts.) We concluded the contractor complied with the terms of the contracts except for \$657,005 in questioned costs, including \$253,258 questioned but unresolved from a previous OIG investigation. In summary, the questioned costs included (1) temporary living expenses and other travel costs totaling \$487,853; (2) labor costs totaling \$173,638; and (3) subcontract costs totaling \$4,486. Management is negotiating a settlement with the contractor on temporary living expenses and stated it would take appropriate action on the remaining items.

Audits Identify Issues in TVA's Health Benefits Program

As part of our ongoing review of TVA's health benefits program, we issued two reports concerning (1) retirees' contributions to the TVA plan and (2) the effectiveness of the preferred provider organization plans. TVA management generally agrees with our findings which are summarized below.

- In the last two years, TVA paid medical claims and related administrative fees totaling over \$322,000 for ineligible retirees plus about \$184,000 for retirees who appear ineligible. In addition, the TVA Retirement System did not contribute to the TVA medical plan about \$839,000 in retiree premium payments and used the payments to, among other things, refund to retirees premiums paid for periods of ineligibility. However, no efforts were made to recover claims and expenses the TVA plan paid in the last two years for ineligible retirees.

- The insurance carrier properly applied discounts and usual, customary, or reasonable amounts to processed claims but has no means to detect a physician's breach of Tennessee Preferred Network (a preferred provider organization plan) contract terms. The insurance company's calculation of patient liability is misleading, and when compared to other utilities, TVA's average cost per employee appears higher.

Management has taken action to resolve some findings and is preparing a final action plan to resolve the others.

Auditors Assess TVA Damages From Defective Equipment

TVA attorneys requested our assistance to quantify the damages TVA sustained to repair and replace defective induced-draft fan wheels supplied for the Cumberland Fossil Plant. TVA filed three separate breach of contract claims against the supplier in U.S. District Court—one of which entailed correction of the defective fan wheels. We determined that TVA incurred costs of \$858,376 to repair and replace the fan wheels. Before the trial, the parties agreed to settle all three claims for \$1,350,000.

Review of TVA's Tuition Reimbursement Program

We reviewed TVA's tuition reimbursement policy and concluded the policy (1) is beneficial to TVA and its employees and (2) compares favorably with policies at other utilities, federal agencies, and Malcolm Baldrige National Quality Award winning companies. However, TVA's policy has been applied inconsistently, and we observed isolated cases of potential fraud, waste, and abuse which have been referred to Investigative Operations. Because of these cases, we conducted a further review of TVA tuition reimbursements for duplicate payments to employees and found duplicate payments occurred in only 28 of 8,700 instances. Since the amount of duplicate payments was small, we concluded additional controls to prevent future duplicate payments would not be warranted. Our reports also provided information for management's consideration to improve the policy.

Audit Questions Almost \$3 Million

Our audit of two contracts for services related to documentation of nuclear procedures identified over \$0.9 million in unsupported and ineligible costs and over \$2 million in unnecessary costs. Some of the questioned costs dealt with payroll charges, markups for indirect costs, travel-related expenses, and employee qualifications. The \$2 million in unnecessary costs involved costs that could have been avoided through more thorough contracting procedures and stronger contract administration. Management is taking action to seek recovery where appropriate.

Potential Savings in Transportation Costs for Contractors

Transportation costs can be reduced if contractors are required to book their airline transportation and car rentals through TVA's central travel agency. We did not estimate the total savings for all contractors. However, for two of the largest Nuclear Power contracts we estimated the savings would total about \$4.1 million over the life of the contracts, including related interest costs.

Audit Questions Employees' Qualifications

Four audits of contractors employees' qualifications showed some instances where the contractors' records failed to document employees' qualifications/certifications or that the qualifications met the contractor's job requirements. After being notified about these documentation deficiencies, the contractors provided supporting evidence in all except one case. In that case, we questioned \$23,395 in salary and travel expenses for an employee who was not shown to possess the required qualifications. We also questioned \$33,315 of duplicated costs that resulted from having to reinspect defective welds that one of the contractors failed to identify as defective.

Potential Savings of \$4.1 Million Identified

TVA entered into a contract that included a temporary living cost reimbursement rate of \$45 per day. Although that rate was the same as provided in a previous contract with the same contractor, it was \$10 per day more than the contractor proposed for the current contract. The additional \$10 per day will cost TVA about \$1.8 million in contract costs plus \$2.3 million in interest costs over the plant depreciation period. Based on our recommendations, TVA agreed to make appropriate contract modifications consistent with industry-wide standards.

Improvements in the Planning Process Can Increase Efficiency

As a result of our audit of the efficiency of BFN Unit 2 restart effort, we recommended that TVA develop controls and procedures requiring documented cost analyses for all future construction, modification, and maintenance work. The significance of this recommendation was the opportunity to improve the planning process for startup work at other nuclear units based on lessons learned at BFN Unit 2. TVA management concurred with our findings and has already taken actions in relation to our recommendations.

AUDIT RESOLUTION AND FOLLOW-UP

Since the OIG's inception, we have made 1,008 recommendations in 300 final audit reports to TVA management. The status of those reports for which management decisions were not made before this reporting period is shown in the charts in this section. TVA management has made decisions on all the recommendations in reports which were issued over six months ago, except as described below.

UNRESOLVED AUDIT REPORTS WHICH WERE ISSUED PRIOR TO APRIL 1, 1991

Listed below are six audit reports which we issued before this reporting period began and for which no management decisions were made by September 30, 1991. However, we expect to report the management decisions in our next semiannual report.

DATE ISSUED	REPORT TITLE	WHY MANAGEMENT DECISION HAS NOT BEEN MADE
11/09/90	Dames & Moore – Preaward – RFP RD-10-90	Contract is expected to be executed in the near future.
12/11/90	TVA Health Benefits Program – Subrogation, COB, Work-Related Claims	TVA management is considering various options to resolve the outstanding issues.
12/19/90	CDM Federal Programs Corporation Preaward – RFP QB-79481B	Contract is expected to be executed in the near future.
01/25/91	General Electric Company Contract TV-73040A	TVA has negotiated with GE, and we are awaiting results.
02/28/91	Polychlorinated Biphenyls	TVA management is considering various options to resolve the outstanding issues.
03/21/91	Tennessee Elk River Development Agency – Contract TV-50000A	TVA management is preparing a response to the remaining issues.

During this reporting period, we received management decisions on 47 audit reports and notification of final actions on 57 audit reports. Some of the more significant actions are listed below.

- Our review of a \$6.6 million contract proposal identified \$1.7 million of unnecessary labor costs and associated interest costs. Based on our audit findings, the contractor reduced its proposal by \$1.1 million. The contractor also agreed to reduce the labor burden for salaried personnel by about 52 percent for all hours worked in excess of 41,600 per year. Based on the estimated labor hours per year, TVA should save an additional \$806,400 over the full term of the contract. The total cost avoidance/savings is over \$1,865,500.
- In response to our audit of the fiscal year 1990 Workers' Compensation Chargeback, TVA management reported they will (1) monitor OWCP's actions regarding recovering \$79,000 in compensation payments OWCP inappropriately made to a deceased claimant, (2) monitor OWCP overpayments, and (3) follow up with OWCP regarding other questionable payments.

Further, TVA management reported taking action to (1) develop a system to identify and initiate action to stop payments to deceased claimants, (2) develop a computerized case monitoring system which will aid in detecting multiple payments of the same bill and other erroneous payments, and (3) review the accuracy of OWCP's calculations relating to all long-term cases.

- The TVA Board of Directors approved a proposed settlement of \$636,000 with a contractor who provided services at a TVA nuclear plant during June 1991. The settlement related to \$2,190,553 in costs we questioned under three contracts with the firm. The limited probability of success through litigation led TVA management to seek the compromise settlement which was executed with the contractor during July 1991.
- We reviewed draft language proposed for five contracts. Based on our recommendations, TVA management clarified and strengthened contract language on (1) exclusion of direct reimbursed costs from indirect markups and fees, (2) determination of fee amounts, (3) establishment of overtime rates, and (4) provisions for adjusting certain imprecise rates. Management also provided contracting officials the authority to remove contractor employees or subcontractors and to increase the ceiling price on tasks under appropriate circumstances.

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, 1991**

	Number of Reports	Dollar Value	
		Questioned Costs	Unsup- ported Costs
A. For which no management decision has been made by the commencement of the period	6	2,451,555	719,418
B. Which were issued during the reporting period	16	13,209,022	2,737,981
Subtotals (A + B)	22	15,660,577	3,457,399
C. For which a management decision was made during the reporting period	17*	14,230,248	3,332,982
(i) Dollar value of disallowed costs	13	9,652,144	1,958,379
(ii) Dollar value of costs not disallowed	7	4,578,104	1,374,603
D. For which no management decision has been made by the end of the reporting period	9**	1,430,329	124,417
Reports for which no management decision was made within six months of issuance	4	667,040	76,370

* 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.

** The total number of reports differs from the difference of (A + B) and C when the same reports contain *both* recommendations with management decisions and without management decisions.

**INSPECTOR GENERAL ISSUED REPORTS WITH
RECOMMENDATIONS THAT FUNDS BE PUT TO
BETTER USE FOR THE SIX-MONTH PERIOD
ENDING SEPTEMBER 30, 1991**

	Number of Reports	Dollar Value
A. For which no management decision has been made by the commencement of the period	9	7,996,413
B. Which were issued during the reporting period	15	20,066,663
Subtotals (A + B)	24	28,063,076
C. For which a management decision was made during the reporting period	14*	11,088,300
(i) Dollar value of recommendations that were agreed to by management	13	10,674,851
(ii) Dollar value of recommendations that were not agreed to by management	4	413,449
D. For which no management decision has been made by the end of the reporting period	10	16,974,776
Reports for which no management decision was made within six months of issuance	2	50,000

* 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.

INVESTIGATIONS

During this reporting period, our special agents completed 294 investigations, referred 54 cases involving 59 subjects to United States Attorneys for prosecution, and obtained 3 indictments and 8 convictions. We issued 138 formal investigative reports to TVA management.

A description of our overall investigative activities follows.

INVESTIGATIVE CASELOAD

Investigations Carried Forward as of	
March 31, 1991	314
Investigations Opened This Reporting Period	289
Investigations Closed This Reporting Period	<u>294</u>
Total Investigations in Progress as of	309
September 30, 1991	

SOURCES OF ALLEGATIONS

Source of Allegation*	Number of Cases
OIG Hotline	63
Concerns Mailed In	19
Referrals From Other TVA Offices	40
Audit Referrals	34
TVA's Employee Concern Program	11
Congressional Inquiries	7
OIG Employee Applicants	3
OIG Special Agent Developed	62
Other	<u>51</u>
TOTAL	290

* Some allegations were from more than one source.

CLASSIFICATION OF INVESTIGATIONS

Classification of Cases	Number of Investigations			
	Carried Forward 3/31/91	Opened	Closed	In Progress 9/30/91
1 Employee Misconduct	22	15	25	12
2 Employee Concern Program Matters	38	34	51	21
3 Misuse or Abuse of Government Property	5	7	8	4
4 Vehicle Operations	9	19	19	9
5 Substance Abuse	2	2	2	2
6 Personnel Matters	15	23	27	11
7 Terrorism and Sabotage	0	0	0	0
8 Discrimination and Harassment	3	5	8	0
9 Safety	0	0	0	0
10 Trades and Labor	0	0	0	0
11 Theft	23	19	19	23
12 Falsification of Records	29	53	26	56
13 Contract-Related Misconduct	34	22	24	32
14 Fraud and Waste	115	71	67	119
15 General Criminal Activities	1	3	2	2
16 Employment Suitability	0	3	3	0
17 Public Concerns	0	0	0	0
18 Board Concerns	0	1	1	0
19 Archaeological Resources Protection	0	1	0	1
20 Special Projects	10	8	7	11
21 OIG Personnel Matters	2	0	0	2
22 Other	0	0	0	0
23 Environmental Matters	1	2	1	2
24 Destruction of Govern- ment Property - Miscellaneous	5	1	4	2
TOTAL	314	289	294	309

ALLEGATIONS IN OIG CASES

Many of the 294 cases we completed this reporting period contained multiple allegations. More specifically, these 294 cases contained 380 separate allegations. Of these allegations, 208 (about 55 percent) were not substantiated, 137 were substantiated, and 35 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	43	23	20
2 Employee Concern			
Program Matters	77	14	53
3 Misuse or Abuse of Government Property	10	7	3
4 Vehicle Operations	21	4	3
5 Substance Abuse	3	0	3
6 Personnel Matters	33	1	31
7 Terrorism and Sabotage	0	0	0
8 Discrimination and Harassment	11	2	8
9 Safety	0	0	0
10 Trades and Labor	0	0	0
11 Theft	26	12	14
12 Falsification of Records	27	22	5
13 Contract-Related Misconduct	39	16	23
14 Fraud and Waste	72	32	36
15 General Criminal Activities	2	0	2
16 Employment Suitability	5	N/A	N/A
17 Public Concerns	0	0	0
18 Board Concerns	1	1	0
19 Archaeological Resources Protection	0	0	0
20 Special Projects	4	0	4
21 OIG Personnel Matters	0	0	0
22 Other	0	0	0
23 Environmental Matters	1	0	1
24 Destruction of Government Property – Miscellaneous	5	3	2
TOTAL	380	137	208*

* Thirty-five 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 72 of the 294 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.

Terminations	11
Suspensions	5
Written Warnings	9
Oral Warnings	3
Reemployment Flagged	32
Resignations	<u>3</u>
TOTAL	63

Examples of Actions Management Took

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

Terminations

- Three employees were terminated for submitting false travel claims in connection with their transfers from one nuclear plant to another.
- A clerk-word processor who is receiving federal disability benefits was terminated for failing to report her self-employment activities to OWCP.
- A TVA electrician was terminated after he was indicted in state court for stealing TVA copper. Subsequently, the electrician entered a pretrial agreement in which the charges will be dropped if he has no other criminal convictions and stays away from TVA property for a specified period of time.

Suspensions

- A TVA elevator inspector was suspended 30 days for misuse of a TVA vehicle.
- A nuclear plant fire protection operator was suspended for 14 days for falsifying his military orders.
- A TVA composing machine operator was suspended for ten days for misusing TVA telephones.
- A nuclear plant custodian was suspended five days for gambling at a nuclear plant.

Written Warnings

- A hydro plant supervisor received a written warning for making inappropriate racial remarks in the workplace.
- A nuclear plant manager received a written warning for intimidating and harassing a Quality Assurance evaluator. The manager intimidated and harassed the evaluator by pulling his access badge to a TVA nuclear plant because of a report the evaluator wrote concerning the nuclear plant.
- A TVA clerk received a written warning for using a TVA fax machine for personal purposes.

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	59	8 convictions 3 indictments
Subjects referred to and accepted by the FBI	1	
Subjects referred to State prosecutors	1	1 pretrial agreement
Cases referred to other agencies for investigative or administrative action	<u>20</u>	OWCP declared \$292,697 in over-payments and saved TVA more than \$4.9 million in estimated 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 54 cases involving 59 subjects to United States Attorneys for possible prosecution. The results of those referrals follow.*

Total Number of Subjects in Cases We Referred	59
Subjects Accepted	18*
Subjects Declined	61*
Indictments	3
Convictions	8
Referrals Pending	9

* 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.

- A federal grand jury indicted a former TVA laborer who is receiving federal disability benefits for (1) making false statements to OWCP about his employment activities and (2) using someone else's social security number. The former employee used his wife's social security number to conceal his employment activities.
- A federal grand jury indicted a former TVA laborer for submitting false travel vouchers in connection with his 1989 transfer from one nuclear plant to another.
- A former TVA welder who was receiving federal disability benefits pled guilty in federal court and was sentenced to four months in jail and three years' probation for failing to report his employment activities to OWCP. More specifically, the former welder earned more than \$200,000 working for 27 different companies and attempted to conceal his activities by working under false names and social security numbers.
- Three former TVA employees pled guilty in federal court for submitting fraudulent travel vouchers. Two of the former employees were each sentenced to 24 months' probation and required to make restitution to TVA.
- A TVA carpenter who is receiving federal disability benefits entered a pretrial diversion program to avoid being prosecuted for providing false information to OWCP about his employment activities.
- Two former TVA managers who were earlier convicted in federal court for conspiring to defraud TVA were sentenced to seven and eight months in prison, respectively. In addition to their sentences, one of the former managers was fined \$2,000 and required to make restitution of \$4,377 to TVA while the other manager was fined \$3,000 and required to make restitution of \$6,506 to TVA.

SPECIAL FEATURE—OIG HELPING TVA MANAGEMENT ON SIGNIFICANT COMPLEX ISSUES

Since the OIG's inception, we have been working closely with TVA management to accommodate their specific requests for investigations. Our goal is to provide management information in a timely manner which they can use in deciding what, if any, action to take regarding a problem situation. Occasionally, management requests we investigate significant complex issues which require more than a normal investigation. For example, the following five significant situations represent incidents in which TVA management specifically requested our help.

- Customer Group management requested our assistance in the investigation of the causes of the shooting death of a TVA program administrator. (The administrator was shot and killed while talking to a landowner about TVA reclearing its right-of-way on the landowner's farm.) Two weeks after the shooting, we issued a report which identified several contributing factors to the shooting. We could not conclude that this shooting was readily preventable because there were a number of high risk factors which no one could have known, including the extent of the landowner's irrationality. Since our investigation, the OIG, at management's request, has provided training to Customer Group employees on how to handle contacts with potentially dangerous persons, including situations involving weapons.
- TVA management asked us to investigate allegations involving a TVA Public Safety Officer. Our investigation revealed the officer (1) used cocaine with two other individuals and was later arrested that same evening for driving under the influence of an intoxicating substance, (2) made false statements and provided a false report to TVA about his drug use, and (3) admitted he had an alcohol problem and used illegal drugs. Subsequently, management terminated the officer.
- During an employment background investigation of a TVA manager, we received allegations that the manager made inappropriate remarks to TVA employees. The manager resigned following our investigation.

"Our goal is to provide management information in a timely manner."

- At Nuclear Power management's request, we investigated allegations involving the 1987 cable test program at one of TVA's nuclear plants. We conducted our investigation simultaneously with the Nuclear Regulatory Commission (NRC) investigation of the same issue. In our May 1991 report, we did not substantiate the specific allegations that Nuclear Power management (1) has known since 1987 that the worst case conduits were not selected during the cable test program and (2) prevented TVA employees from resolving the issues. However, Nuclear Power confirmed (1) there were significant errors in one portion of a draft 1987 calculation documenting the selection of the worst case conduits and (2) the calculations associated with the 1987 test program were prepared in draft but never issued in final. We found management lapses both in not (1) finalizing and issuing these calculations during 1987 and (2) issuing them upon discovery during 1989 that they were unissued. The NRC has not advised TVA of the results of its investigation.
- Nuclear Power management requested we investigate two incidents in which marijuana was reportedly found at a TVA nuclear plant. Although a small amount of marijuana was discovered inside the nuclear plant on at least one occasion, our investigation revealed no evidence which would identify the person(s) responsible for bringing the substance inside the plant's protected area. Further, although there were a number of shortcomings in the way Nuclear Security Service (NSS) handled the evidence and coordinated forensic laboratory testing, our investigation revealed no evidence that any TVA employees intentionally destroyed evidence or attempted to conceal from the NRC or more senior TVA management what they believed was a reportable event. Based on our investigation, Nuclear Power management implemented several administrative changes to improve NSS's handling of similar situations in the future.

OTHER REPRESENTATIVE INVESTIGATIONS

Some of our other significant investigations are described below.

Workers' Compensation Investigations Save Millions

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 \$292,000 in 17 cases we referred to them for action. Further, our efforts may have saved TVA more than \$4.9 million over the long term in estimated avoided disability benefits. (Some of OWCP's decisions were on cases we referred to them during previous reporting periods.)

The majority of the cases we refer to OWCP deal with former TVA employees who fail to report their employment or self-employment activities. For example, during this reporting period, in 11 cases we substantiated allegations that former or current TVA employees who were receiving benefits for work-related injuries failed to report their employment activities to OWCP. The employment activities, which they failed to report, included, among other activities, (1) cattle farming, (2) drug dealing, (3) cockfighting, (4) buying and selling horses, and (5) working in either their own business or a relative's business. Two of our representative cases are outlined below.

- As alleged, a TVA instrument mechanic who was receiving federal disability benefits made false statements to OWCP when he failed to report he operated a company which arranged hunting and fishing trips and outdoor vacations. Subsequently, a federal grand jury indicted him for failing to report his employment activities and TVA management terminated the mechanic.
- As alleged, a former TVA electrician who was receiving federal disability benefits made false statements to OWCP when he failed to report he was a minister. Our investigation revealed the minister preached services on Sundays and Wednesdays and was actively involved in the maintenance of the church. During a five-year period, he earned more than \$69,900 in "love offerings" which he failed to report to OWCP.

Intimidation and Harassment Investigations

We completed 17 cases involving alleged violations under Section 210 of the Energy Reorganization Act. In one case, we determined that a Nuclear Power manager intimidated and harassed a former nuclear inspector when he issued the employee a marginal service report rating. In the other 16 cases, we determined there was no misconduct on the part of TVA management. In addition, the Department of Labor (DOL), which determines whether a Section 210 violation occurred, has initially ruled in favor of TVA in six of these cases. DOL has initially ruled that Section 210 violations did occur in one case and has not made a decision in the remaining ten cases we completed this reporting period, including the case in which we found misconduct.

Falsification of Records

We investigated the alleged falsification of nuclear Quality Assurance records. Our investigation revealed four former ironworker foremen falsified Weld Data Sheets for welds in a TVA nuclear plant drywell. More specifically, the foremen falsely indicated they visually inspected the weld fit-up prior to the welding. In addition, three of the former foremen also falsified other documents associated with their purported inspections in the drywell.

Sexual Harassment Charges

A TVA steamfitter did not, as alleged, sexually harass a contractor's representative. However, the steamfitter, who is authorized to prepare field purchase orders, directed less business to the contractor after the sexual harassment allegedly began. In addition, our investigation revealed the steamfitter (1) frequently made inappropriate, sexually suggestive remarks to TVA employees and vendor representatives and (2) intentionally caused and allowed TVA to be overbilled for supplies from a contractor.

Fraudulent Travel Vouchers

As alleged, a TVA supervisor submitted fraudulent travel vouchers to TVA. More specifically, the supervisor submitted travel vouchers showing he paid \$8,965 in lodging expenses for renting a trailer. However, he only paid \$1,750 in rent for that trailer. In another case, a TVA machinist submitted fraudulent travel vouchers claiming \$510 in lodging expenses to which he was not entitled. Similarly, during this reporting period, our investigation revealed a TVA foreman claimed mileage expenses on days he rode with someone else to the job site. Subsequently, TVA management gave the foreman a written warning and required him to reimburse TVA for the mileage expenses he improperly received.

INSPECTOR GENERAL TESTIFIES BEFORE SENATE EDUCATION AND LABOR SUBCOMMITTEE

During April 1991, the Inspector General testified before a subcommittee of the Senate Education and Labor Committee about this office's experience investigating alleged abuses of FECA. His testimony is highlighted below.

- TVA recognizes the importance of its most important asset—people. However, the TVA ratepayers have the right to expect that the FECA program is well administered and free from abuse.
- During fiscal year 1990, TVA paid nearly \$60 million for workers' compensation and about 90 percent of this figure was for former employees on the long-term disability roll. (About two-thirds of those on the long-term disability roll receive total disability compensation.)
- Only about 11 percent of TVA's annual FECA costs are for short-term injuries.
- While investigating specific cases, we have encountered problems that have also been identified by others. For example, the Government Accounting Office has studied FECA and concluded, among other things, that (1) FECA's high compensation level provides insufficient financial incentive for injured employees to return to work, (2) many FECA beneficiaries have, in effect, retired with substantial economic advantages, and (3) employee's free choice of physician leads to program abuse.
- The FECA system is essentially nonadversarial, and the agency that administers FECA—OWCP—has a tendency to resolve doubts about entitlement in the claimant's favor. For example, during fiscal year 1990, TVA employees filed 1,447 claims. OWCP accepted all but 6.7 percent of these claims.
- TVA's current workers' compensation costs are excessive. With nearly 2,300 individuals on the long-term benefits roll, TVA is close to having one former employee on long-term disability for every ten employees.
- We are helping TVA management reduce unnecessary FECA costs by investigating questionable claims. To date, we have referred 113 investigations to OWCP. These investigations have resulted in recoverable or avoided costs of \$1.8 million in overpayments, \$560,000 in annual compensation costs, and \$17.6 million in potential long-term costs.
- We have referred 60 cases to the Department of Justice for possible prosecution. Eight cases have been successfully prosecuted, and ten are pending prosecution.

LEGISLATION

"We are helping TVA management reduce unnecessary FECA costs by investigating questionable claims."

- We are working with other agencies and OWCP to try to improve the FECA program. For example, during January 1990 we sponsored a conference of employing agencies to exchange information about the program. Representatives of the five largest users of the FECA program attended.
- Agency interest, Inspector General action, and OWCP efforts to improve are not the entire answer. More fundamental problems increase the FECA program's vulnerability to fraud and abuse. These problems arise because of certain provisions in the FECA statute and because of the way OWCP administers the program.

THE OIG HOTLINE

We received 197 Hotline calls, and about 64 percent of those calls were from current and former TVA employees. Of those calls, 48 were about personnel matters—a category which constituted over 24 percent of all calls we received. Our Hotline activities follow.

OTHER OIG ACTIVITIES

Classifications	April 1, 1991 – September 30, 1991	
	Number	Percentage
1 Employee Misconduct	23	11.7
2 Employee Concern		
Program Matters	7	3.6
3 Misuse or Abuse of		
Government Property	5	2.5
4 Vehicle Operations	26	13.2
5 Substance Abuse	5	2.5
6 Personnel Matters	48	24.4
7 Terrorism and Sabotage		
8 Discrimination and		
Harassment	11	5.6
9 Safety	1	0.5
10 Trades and Labor	3	1.5
11 Theft	14	7.1
12 Falsification of Records	8	4.1
13 Contract-Related		
Misconduct	9	4.6
14 Fraud and Waste	18	9.1
15 General Criminal		
Activities		
16 Employment Suitability		
17 Public Concerns	16	8.1
20Z Special Projects		
24A Destruction of Government		
Property	<u>3</u>	<u>1.5</u>
TOTAL	197	100.0
Who Called		
Employees	99	50.3
Former Employees	26	13.2
Public	<u>72</u>	<u>36.5</u>
TOTAL	197	100.0

THE OIG'S USE OF SUBPOENAS

During this reporting period, we issued 63 subpoenas for documents. Sixty-two of the subpoenas were issued in connection with investigations, while one of the subpoenas related to an OIG audit. The investigative subpoenas we issued sought information related to the following topics:

Workers' Compensation Fraud	43
Travel, Per Diem, Retirement System, or Other Fraud	5
TVA Employees' Acceptance of Gifts and Gratuities From Contractors	5
Contract-Related Misconduct	2
TVA's Health Benefits	6
Harassing Telephone Calls	1

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

- We issued one subpoena seeking access to the bank records of a workers' compensation benefits recipient who allegedly operated a lawn care business. In accordance with the Right to Financial Privacy Act of 1978, we notified the investigative subject that we were seeking this access. Subsequently, the subject challenged our subpoena in a federal district court. However, the federal judge decided the OIG had a legitimate law enforcement interest in obtaining the records and granted our access to them.
- One subpoena we issued sought the bank records of a TVA employee who submitted travel claims seeking reimbursement for renting a camper from his son. However, the records we subpoenaed indicated the employee did not rent the camper but, instead, obtained a loan to purchase the camper and made the loan payments.
- During our investigation that TVA contractors' employees submitted fraudulent per diem claims, one of the employees claimed his daughter lived in his permanent residence and he paid the apartment's rent. Another of the employees claimed her permanent residence was an apartment she rented from her parents. However, bank records we subpoenaed indicated the two employees did not make the apartments' rental payments as they claimed, substantiating the allegations they submitted fraudulent per diem claims.
- We issued one subpoena seeking an airline's records in connection with our investigation of allegations two TVA employees accepted a trip to Las Vegas, Nevada, from a TVA contractor.

THE OIG'S 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 1990 to September 1991) we processed 38 FOIA requests. These included, among others, requests from subjects and complainants, media requests, and requests 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 this reporting period, the OIG administrative analyst responsible for reviewing and preparing the OIG's responses to FOIA requests participated in a task force with other TVA organizations to review TVA's FOIA policies, procedures, and practices and to recommend improvements. The task force's work resulted in implementation of a new process which decentralizes responsibility to certain organizations and streamlines coordination efforts. We anticipate this new process will reduce cycle time and increase customer satisfaction.

OIG HUMAN RESOURCE ACTIVITIES

The OIG had significant accomplishments in the human resource area during fiscal year 1991. Employee focus group recommendations regarding pay/promotion, communication, and equal employment opportunity and affirmative action were reviewed and implemented when possible. Descriptions of some of our more significant activities follow.

- **Human Resource Advisory Council (HRAC).** We established the HRAC to provide advice and input to the human resource manager on topics such as employee training, employee recognition, and other human resource activities. HRAC members are OIG employees and managers who were selected by their peers.

- **Employee Recognition Program.** We implemented an Employee Recognition Program to recognize and reward employees who embody and exemplify the vision and values of the OIG. Employees are to be recognized, both individually and in teams, for demonstrating commitment to the OIG's values: Independence, Innovation, Integrity, People, Quality, and Service.
- **Training to Other TVA Employees.** OIG employees conducted training courses for other TVA employees on topics such as prevention of harassment and intimidation, situational leadership, and handling confrontational situations.
- **Subordinate Appraisal System.** The OIG implemented a subordinate appraisal system which allows employees to provide anonymous performance feedback to their manager.
- **Assessments As a Selection Tool.** The OIG strengthened its selection process when it began using assessments of managerial potential of candidates for management positions. The assessment results also provide developmental feedback to the individual candidates.
- **Selection Process for Entry-Level Positions.** We initiated new selection processes for entry-level auditor and special agent positions. Under this new process, the applicant must, among other things, (1) complete a work simulation of the vacant job and (2) be interviewed by a panel of employees.
- **OIG Employee Training.** The OIG provided each of its employees an average of 73 hours of training during fiscal year 1991. The OIG spent approximately \$376 per employee for training fees. Training ranged from technical topics such as automated data processing courses, statistical sampling, and advanced interviewing techniques to skills such as team building, leadership, and communication skills.

APPENDICES

**INSPECTOR GENERAL AUDIT REPORTS ISSUED DURING
THE SIX-MONTH PERIOD ENDING SEPTEMBER 30, 1991**

DATE ISSUED	REPORT NUMBER	REPORT TITLE	QUESTIONED COSTS (DOLLARS)	UNSUPPORTED COSTS (DOLLARS)	FUNDS TO BE PUT TO BETTER USE (DOLLARS)
04/24/91	91-025P	Fluor Constructors International, Inc. – Preaward			
05/10/91	91-011P	Peabody Coal Company – Contract 69P-87-T1	\$58,966	\$37,821	
05/14/91	90-030P	Resource Group Funds On Deposit With Others			
05/15/91	90-063P	Mansour Guity v. TVA	2,604		
05/21/91	89-001N	M. H. Sturdivant & Associates, Inc. Contracts TV-69323A and TV-73027A	2,973,765*	848,191	
05/28/91	89-071P	Progressive Materials and Technologies, Inc.	545,522	247,615	
06/04/91	91-043G	Dimensional Technologies, Inc. – Contract TV-77191A			
06/10/91	90-036P	Corbin Railway Service Company	128,315		\$13,774
06/14/91	90-041G	Alabama Elk River Development Agency – Contract TV-42893A October 1, 1987– September 30, 1989	10,000*		
06/17/91	91-010G	Certification of Vouchers			
06/25/91	91-050N	Ebasco Services, Inc. – Contract TV-72101A Employee Qualifications			
06/26/91	91-029N	Award of Temporary Living Cost Reimbursement Rate – Contract TV-82466V			4,100,000
06/27/91	90-060P	Workers' Compensation Chargeback	653,272	222,000	
07/01/91	88-0182-33	EG&G Intertech, Inc. – Employee Certifications and Qualifications Contract TV-74326A	23,395	23,395	
07/01/91	91-017G	TVA Compliance With the Prompt Payment Act – Late Payments			250,000
07/02/91	91-027G	Chickamauga Marina, Inc. – Contract TV-45195A – Commercial Lease Agreement			
07/02/91	91-028G	Watts Bar Resort – Contract TV-45157A – Commercial Lease Agreement			
07/02/91	91-039P	Stone & Webster Engineering Corp. – Preaward			564,626
07/25/91	91-044G	Ocoee River Trust Fund – Contract TV-63501A			

**INSPECTOR GENERAL AUDIT REPORTS ISSUED DURING
THE SIX-MONTH PERIOD ENDING SEPTEMBER 30, 1991**

DATE ISSUED	REPORT NUMBER	REPORT TITLE	QUESTIONED COSTS (DOLLARS)	UNSUPPORTED COSTS (DOLLARS)	FUNDS TO BE PUT TO BETTER USE (DOLLARS)
07/29/91	91-030N	Opportunities for Reducing Transportation Costs in TVA Contracts			4,065,886
07/29/91	91-053N	Construction Completion Services for Watts Bar Unit 1 - Preaward			2,310,880
07/29/91	91-060N	Ebasco Services, Inc. - Contract TV-72164A -Employee Qualifications			
07/30/91	90-058P	Sargent & Lundy Engineers - Contract TV-69885A, TV-72103A & TV-72180S	395,453		
07/30/91	91-051P	TVA's Tuition Reimbursement			17,870
07/31/91	91-004N	Contract Terms - On-Call Environmental Services for Water Quality Resources			
07/31/91	91-040P	Stone & Webster Engineering Corp. - Preaward - Widows Creek			384,900
07/31/91	91-047G	Mesa Associates, Inc. - Preaward			44,054
08/05/91	91-054P	Merits of Decentralizing Contract Services			
08/08/91	91-058N	Performance Controls Co. - Preaward			311,024
08/15/91	89-051P-03	Stone & Webster Engineering Corp. - Contract TV-69324A	5,850,011*		
08/16/91	91-003P	American Standard v. TVA - Contract 79K38-823898			<u>120,079</u>
08/16/91	91-016G	TVA Health Benefits Program - TVA Retirement System Retirees' Contributions to the TVA Medical Plan			839,000
08/19/91	89-051P-04	Stone & Webster Engineering Corp. - Contract TV-72102A	1,058,823*	17,296	
08/19/91	90-064P	Sargent & Lundy Engineers - Contract TV-72102A	16,131		
08/20/91	89-051P-06	Stone & Webster Engineering Corp. - Contract TV-73035A	75,107*	437	
08/21/91	91-056G	Alabama Elk River Development Agency - Contract TV-42893A - Accounting Services			
08/26/91	91-006G	TVA Health Benefits Program - Preferred Provider Cost Effectiveness			
08/30/91	91-036G	Review of TVA Contracts with the United States Agency for International Development			

**INSPECTOR GENERAL AUDIT REPORTS ISSUED DURING
THE SIX-MONTH PERIOD ENDING SEPTEMBER 30, 1991**

DATE ISSUED	REPORT NUMBER	REPORT TITLE	QUESTIONED COSTS (DOLLARS)	UNSUPPORTED COSTS (DOLLARS)	FUNDS TO BE PUT TO BETTER USE (DOLLARS)
09/16/91	88-182N-11	DOE - Employee Qualifications and Certifications - Interagency Agreement TV-68345A	33,315		
09/16/91	91-042P	Flakt, Inc. - Review of Access Claims	1,310,912	1,310,912	
09/16/91	91-055G	Metcalf & Eddy, Inc. - Preaward			
09/16/91	91-069P	Tuition Reimbursement Duplicate Payments			18,200
09/16/91	91-059G	TVA Cafeteria at the Muscle Shoals Reservation October 1, 1989-June 30, 1991			
09/23/91	91-024G	Alabama Elk River Development Agency - Results of the Elkmont Rural Village Project			
09/26/91	91-065P	Stone & Webster Engineering Corp. - Preaward			6,705,121
09/27/91	89-051P-05	Stone & Webster Engineering Corp. - Contract TV-72165A	73,431	30,314	
9/30/91	89-070N	Scheduling for Browns Ferry Nuclear Plant Restart			
9/30/91	91-063N	Browns Ferry Nuclear Plant - Compliance With NRC Workhour Guidelines			
9/30/91	91-072N	Ebasco Services, Inc. - Preaward			321,249
TOTAL	49		\$13,209,022	\$2,737,981	\$20,066,663

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

Report Number	
89-001N	\$2,038,519
90-041G	10,000
89-051P-03	5,600,000
89-051P-04	1,017,536
89-051P-06	<u>72,000</u>
	\$8,738,055

** A contract was not awarded to the respondent to this request for proposal.

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

Marvin Runyon
Chairman, Board of Directors

TO THE UNITED STATES CONGRESS:

We have enclosed TVA's Report on Final Actions on Inspector General audit recommendations, as required by Section 5(b) of the Inspector General Act of 1978, as amended.

We welcome the efforts of the Inspector General's office as TVA embraces the values of service, quality, and change.

Best regards,

A handwritten signature in black ink that reads "Marvin Runyon". The signature is written in a cursive style with a long, sweeping underline.

Enclosure

**TVA MANAGEMENT'S REPORT ON FINAL ACTIONS FOR THE
SIX-MONTH PERIOD ENDING SEPTEMBER 30, 1991**

The following Tables I and II summarize final action taken by management on Inspector General (IG) audit reports. The tables reflect amounts which were agreed to by management and track the disposition of these amounts through final action. Table III lists audit reports which final action has not been taken one year from the date a management decision was made.

**TABLE I
DISALLOWED COSTS
(In Thousands)**

	No. of Reports	Amounts Agreed by Management
IG audit reports for which final action by management had not been taken by 4/1/91	14	\$6,027
IG audit reports on which management decisions were made from 4/1/91 through 9/30/91	13	2,963
Subtotal	27	8,990
Less:		
IG audit reports for which final action was taken by management from 4/1/91 through 9/30/91		
(a) Amounts that were recovered by management	7*	2,395
(b) Amounts that were not recovered by management	8*	1,964
(c) Amounts classified by the IG as unrecoverable	2*	20
IG audit reports for which management has taken no final action by 9/30/91	13*	4,611

* The number of reports will differ from the arithmetic total when final action for an audit includes both recovery and nonrecovery of amounts.

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

	No. of Reports	Amounts Agreed by Management
IG audit reports for which final action by management had not been taken by 4/1/91	10	\$31,961
IG audit reports on which management decisions were made from 4/1/91 through 9/30/91	14	10,675
Subtotal	24	42,636
Less:		
IG audit reports for which final action was taken by management from 4/1/91 through 9/30/91		
(a) Dollar value of recommendations completed by management	16	32,320
(b) Dollar value of recommendations that management decided should not or could not be implemented	1	284
IG audit reports for which management has taken no final action by 9/30/91	7	10,032

**TABLE III
DOLLAR VALUE
(In Thousands)**

Audit Report Number	Date Issued	Disallowed Costs	Funds Put to Better Use	Explanation Final Action Not Taken
Revenue from Energy Sales 87-030N 10	9/23/88	N/A	6,700	TVA has committed to take recommended action when negotiating power contract amendments with all distributors.
Coal Inventory 89-054P	12/12/89	N/A	N/A	The final outstanding item involves a reclassification of certain coal from inventory to a capital asset. The amounts to reclassify at each fossil plan are currently being calculated.
Gilbert Commonwealth 89-049G	5/17/90	71	N/A	TVA has negotiated a settlement with the contractor. Closeout expected by December 1991.
EG&G Intertech 88-182N 31	6/20/90	65	N/A	This audit has not been resolved because of subsequently identified issues. Resolution anticipated by February 1992.
Cancelled Nuclear Capital Projects 89-034N	7/19/90	N/A	N/A	Planned action for resolution completed. Closeout pending automation upgrade to ensure continuing enforcement of actions taken.
TOTALS		<u>\$136</u>	<u>\$6,700</u>	

N/A – Not Applicable

**TENNESSEE VALLEY AUTHORITY
OFFICE OF THE INSPECTOR GENERAL
400 West Summit Hill Drive
Knoxville, Tennessee 37902**

H O T L I N E

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.

If you want to report any matter involving TVA programs or employees, you should write the Inspector General's office or call the OIG Hotline.

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