

OFFICE OF THE INSPECTOR GENERAL

9

SEMIANNUAL REPORT

9

OCTOBER 1, 1992 ~ MARCH 31, 1993

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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 inspections.

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, operations, or employees, you should write the Inspector General's office or call the OIG Hotline.

### **OIG Telephone Hotline**

Knoxville: **615-632-3550**

Toll-free: **1-800-323-3835**

Tennessee Valley Authority  
Office of the Inspector General  
400 West Summit Hill Drive  
Knoxville, Tennessee 37902



Tennessee Valley Authority, 400 West Summit Hill Drive, Knoxville, Tennessee 37902-1499

William L. Hinshaw, II  
Inspector General

April 30, 1993

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

This is our fourteenth semiannual report and the second since I became Inspector General. This report also marks the near completion of my first year on the job.

It has been a challenging and eventful year. I have repeatedly been impressed by the dedication and skill of the men and women of this office whose efforts are directed toward making TVA the best utility in North America and the most productive and effective agency in the federal government. We share these goals with all TVA managers and employees and with TVA's many friends and supporters in the Tennessee Valley, Congress, and elsewhere.

This reporting period saw significant changes within our office. We created a new operational unit—Inspections—which will increase our coverage of TVA's activities by conducting focused, quick turnaround reviews of TVA processes, programs, and organizational units. In conjunction with staffing Inspections using current Office of the Inspector General personnel, we reduced the number of departments from four to three for each of the other two units—Audits and Investigations.

This period also marked the conclusion of a major joint auditor-investigator project—a review of payments to TVA's employee medical insurance administrator. As a result of this review, TVA reached a settlement under which the administrator paid TVA over \$8 million.

We also issued 33 audit reports, completed 5 inspections, and closed over 200 investigative cases. These activities resulted in 33 individuals being referred to federal and state prosecutors and identification of nearly \$160 million in funds that could be put to better use and over \$17.5 million in questioned costs.

Based on these positive results and the strong support of TVA managers, employees and Congress, I anticipate even better results in the future. As always, our effectiveness depends in large measure on this support and the dedication and effort of our employees. We will continue to work to justify this trust and be faithful stewards of the responsibilities assigned to us.

Sincerely,

A handwritten signature in black ink that reads "William L. Hinshaw, II". The signature is written in a cursive style with a horizontal line at the end.

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OFFICE OF  
THE INSPECTOR  
GENERAL

SEMIANNUAL  
REPORT

OCTOBER 1, 1992  
THROUGH  
MARCH 31, 1993

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## ■ EXECUTIVE SUMMARY

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*This report summarizes the activities and accomplishments of the Office of the Inspector General (OIG) of the Tennessee Valley Authority (TVA) during the six-month period ending March 31, 1993. Some of these activities and accomplishments include the following.*

■

The OIG completed a series of audits and an investigation concerning TVA's medical insurance plan administered by a contractor. Based on those reviews, the administrator refunded \$8.37 million to TVA in a negotiated settlement.

■

Audits has completed a number of audits focused on preventive or corrective action in the early stages of a project, program, or contract. For example, two audits were conducted during the early phases of two contracts totaling \$480 million over a three-year period. These audits not only covered contract costs incurred, but also identified areas for potential improvement to help keep TVA's future costs down. Similarly, we issued 11 preaward reports which collectively identified over \$159 million in funds that could be used more effectively.

■

In the environmental area, we recently issued an audit report on TVA's efforts involving electric and magnetic fields (EMF). As we reported, TVA has taken positive steps to address the EMF issue, but additional opportunities exist for TVA to excel and become an environmental leader on this issue.

■

Investigative activities included use of search warrants, in conjunction with state and federal law enforcement authorities, to help (1) convict one former employee of theft of government property, and (2) recover about \$11,700 in stolen government property in another case.

■

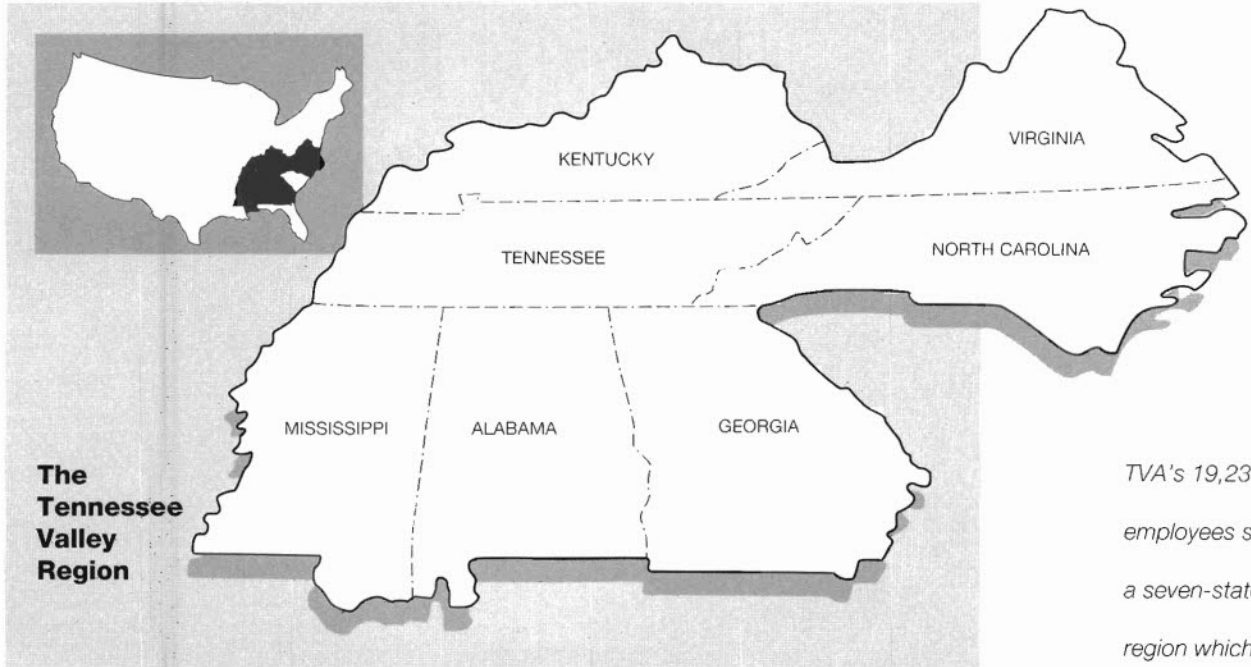
The OIG's efforts were recently recognized when George T. Prosser, the Assistant Inspector General for Investigations, was presented the Paul R. Boucher Public Service Award by the President's Council on Integrity and Efficiency for his efforts in detecting abuse in the workers' compensation program. This was the first time a representative of a non-presidentially appointed Inspector General's office received this award.

■

The OIG formed a new unit, Inspections, in order to expand OIG coverage of TVA programs by conducting focused reviews of limited scope in relatively short time-frames (30 to 90 days). This group will use small teams of employees with varied backgrounds and areas of expertise to review TVA activities to highlight efficient and effective processes and potential improvements.

## ■ TVA PROFILE

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*TVA's 19,235 employees serve a seven-state region which spans 80,000 square miles.*

TVA is an independent federal corporation 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 region spanning seven states—Alabama, Georgia, Kentucky, Mississippi, North Carolina, Tennessee, and Virginia.

TVA's 19,235 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.

A three-member Board of Directors, appointed by the President and confirmed by the Senate, heads TVA. The current directors are John B. Waters, Chairman, and William H. Kennoy; one position is vacant.

*When Congress enacted the Inspector General Act Amendments of 1988, TVA's OIG became 1 of 33 new statutory offices whose Inspector General is appointed by the agency head.*



Ted R. Ping, Assistant Inspector General for Audits



James B. Hall, Assistant Inspector General for Inspections



Richard P. Levi, Legal Counsel

## The OIG's New Managers

### **Ping Appointed Assistant Inspector General for Audits**

Ted R. Ping was named Assistant Inspector General for Audits, effective November 2, 1992. Ping is a 22-year veteran of the Federal Bureau of Investigation (FBI). Prior to coming to the OIG, he served as Chief of Accounting Operations for the FBI. Ping's FBI career included 14 years in various financial management functions where his responsibilities involved budgeting and accounting for the FBI. He had responsibility for the development, implementation, and maintenance of the FBI's automated accounting system which is recognized as one of the most advanced in the federal sector. His FBI career also included 8 years in FBI field offices in Macon, Georgia, and Miami, Florida. Prior to joining the FBI, Ping was employed by Exxon Company, USA,

where he performed auditing and accounting functions for 4 years. He is a native of Henderson, Texas, and holds a bachelor's degree in accounting.

### **Hall Appointed Assistant Inspector General for Inspections**

During October 1992, the OIG formed the Inspections unit and named James B. Hall as Assistant Inspector General for Inspections. Prior to joining our office in March 1986, Hall was an attorney in TVA's General Counsel's office and also at the Central Intelligence Agency. He has a distinguished background with extensive experience in federal legislation matters, communications law, and clandestine intelligence and espionage activities. In addition, he has introduced innovative management approaches within the OIG such as selecting employees through job simulations and implementing an objective

performance appraisal process linked to measurable indicators (e.g., cycle time and customer satisfaction). Hall received his law degree from The George Washington University.

### **Levi Appointed Legal Counsel**

During this reporting period, Richard P. Levi was appointed Legal Counsel. Prior to joining the OIG Legal Services staff in August 1989, Levi worked as a nuclear attorney in TVA's General Counsel's office. In addition, he previously worked as an attorney with the Nuclear Regulatory Commission. His background includes extensive experience in legal issues including investigations, enforcement, audits, and nuclear matters. During his time with the OIG, Levi has worked collaboratively with Audits and Investigations on their reports, in resolving legal questions, and as a key advisor in some of the OIG's major projects. He received his law degree from the University of North Carolina at Chapel Hill.

## **Office Authority**

The TVA Board of Directors administratively established the OIG during October 1985. 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.

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 also has investigative satellite offices in Chattanooga, Tennessee, and Huntsville, Alabama. The OIG functions through three operational units—Audits, Investigations, and Inspections. 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 fiscal year 1993 budget is about \$8.7 million and includes 143 budgeted positions.



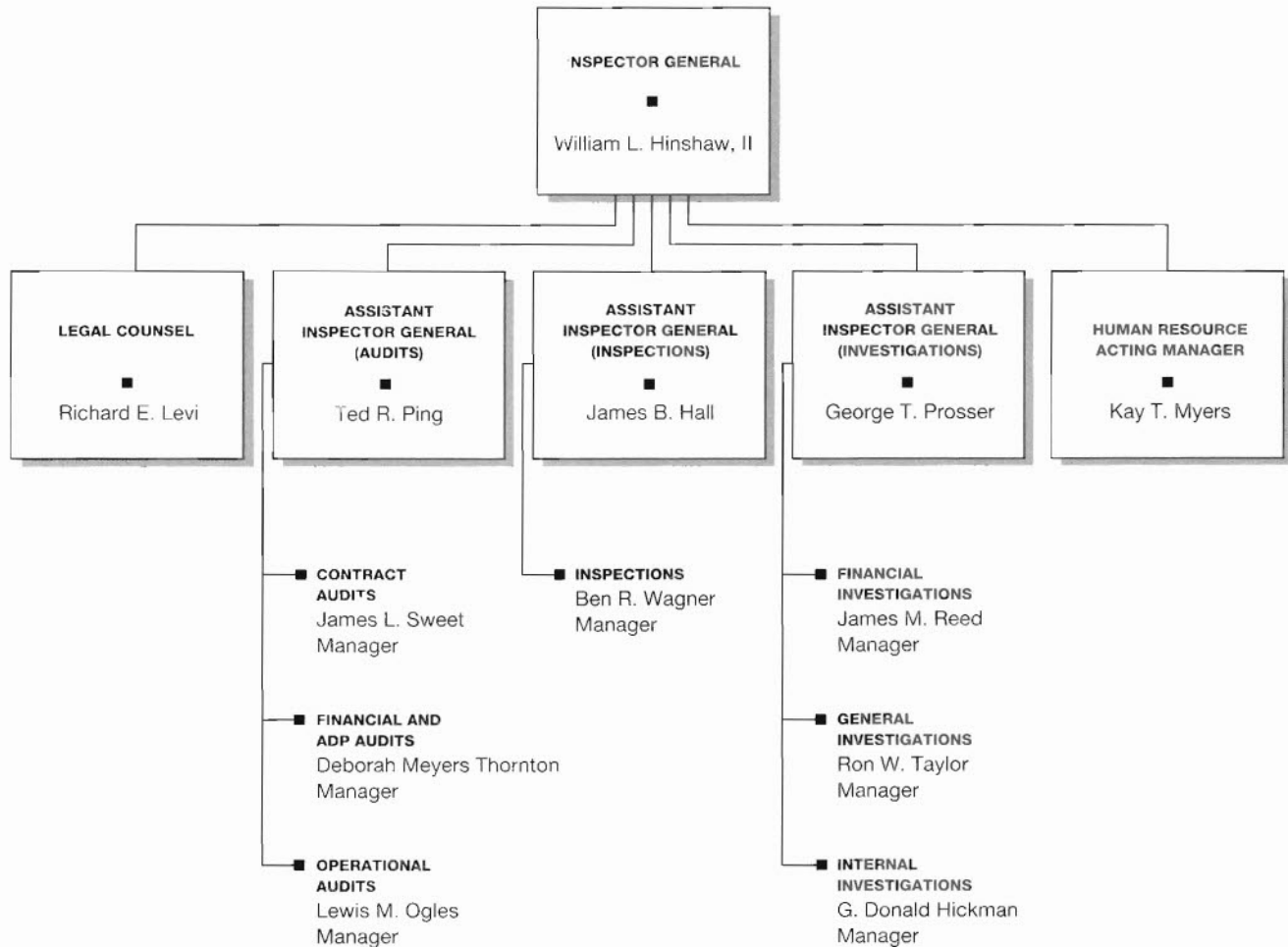
## Inspections Unit Formed

The third operational unit, Inspections, was formed this period and staffed with current OIG personnel. The work of the Inspections staff is expected to expand the OIG's coverage of TVA operations through focused reviews of limited scope in relatively short timeframes. In addition to such reviews, this unit is responsible for the

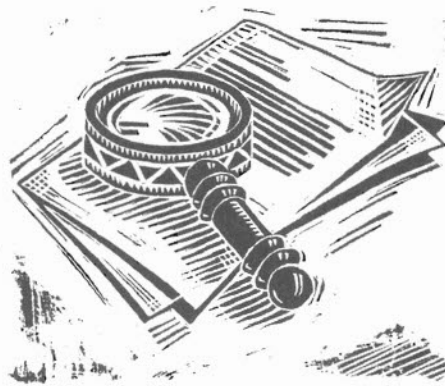
OIG's Hotline and coordinating quality initiatives and the business alignment process.

In conjunction with the staffing of Inspections, the number of departments for both Audits and Investigations was reduced from four to three as shown in the OIG organization chart.

### OFFICE OF THE INSPECTOR GENERAL



## OIG Auditors and Investigators Team Up to Trigger \$8.37 Million Recovery for TVA Medical Insurance Plan



During this reporting period, the OIG completed a series of audits and an investigation concerning TVA's medical insurance plan administered by a contractor. Our reviews provided direct benefits to TVA employees both through improved administration of TVA's medical insurance plan—thus helping reduce future costs—and through creation of a trust fund established from \$8.37 million the administrator refunded to TVA. This success was largely attributed to the teamwork shown within the OIG to complete the project. Audits and Investigations each contributed their particular expertise at each step of the process. In the future, we expect to use this type of joint effort more often in proactively addressing major program efforts where irregularities have been alleged.

Based on our reviews, TVA and the administrator negotiated a settlement under which the administrator refunded \$8.37

million to TVA. TVA placed this money in an interest-bearing account to be used to benefit employees by offsetting future increases in medical insurance costs. In addition, as a result of our reviews, TVA will also be receiving the benefit of other savings including hospital discounts and overcharge recoveries.

TVA management cooperated fully during our reviews and repeatedly asked for additional information and review of other areas. Working with management, we identified areas of potential improvement for TVA's administration of the plan, particularly in closer review of the administrator's costs and compliance with contract terms.

*Our reviews provided direct benefits to TVA employees both through improved administration of TVA's medical insurance plan and through creation of a trust fund established from \$8.37 million the administrator refunded to TVA.*



Audits and Investigations Team—(left to right) J.R. Studle, Ron Taylor, Brenda Hunter, Mike Duncan, Steve Summers, Laurantette Ford, Ben Wagner, Greg Jaynes.

TVA management agreed with our recommendations in these and other areas. Management's prompt and aggressive response to our findings should result in more effective administration of the medical insurance plan in the future.

The major components of overcharges involved hospital discounts as follows.

- TVA overpaid the administrator approximately \$9.5 million from 1981-89 because the administrator did not pass on to TVA (1) hospital discounts a subcontractor received and passed on to the administrator for Alabama claims and (2) a 2-percent mass purchasing

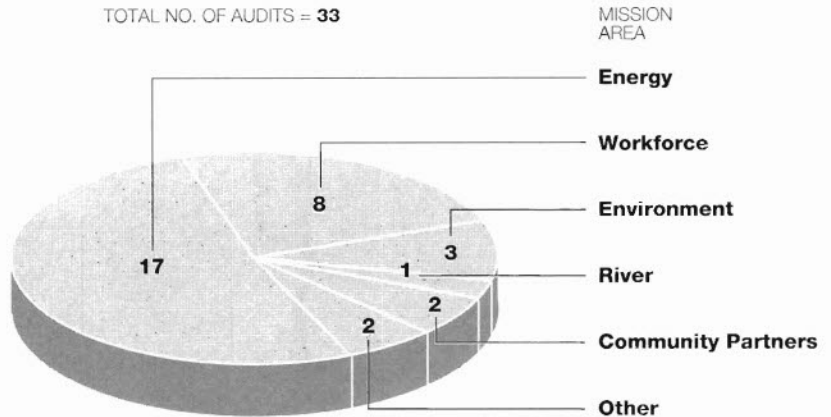
discount Tennessee hospitals gave the administrator. TVA advances money into a fund from which the administrator withdraws amounts to pay claims and its administrative fee. The administrator withdrew the amount of these discounts from the TVA fund and kept those monies.

- TVA overpaid the administrator approximately \$931,000 from July 1, 1981 through April 30, 1991, because the administrator retained hospital discounts for processed claims from other states. The administrator's internal documents reflect that the administrator decided to keep these discounts rather than forward them to TVA.

# AUDITS

Audits issued 33 audit reports which collectively identified over \$17.5 million in questioned costs and almost \$159.5 million in funds that could be put to better use (see Appendix 1 for listing). We continue to seek ways to work with TVA management to achieve total quality in the agency and assist TVA in meeting its strategic plan. A more detailed description of our audit activities follows.

## OIG AUDITS BY TVA MISSION AREA



## Audit Statistics

### STATUS OF AUDITS

Audits Carried Forward 10/1/92	41
Audits Started	19
Less: Audits Postponed or Canceled	- 6
Total Active Audits	54
Less: Audits Completed	- 33
Audits in Progress 3/31/93	21

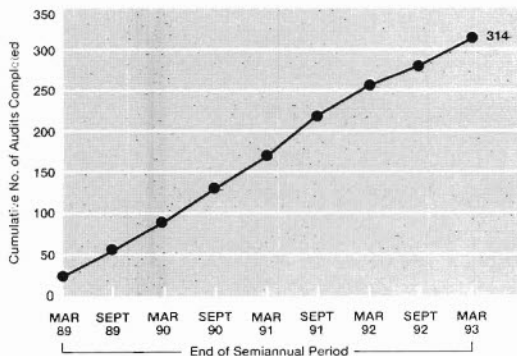
### AUDIT RESULTS

Final Audit Reports Issued: 33

#### QUESTIONED COSTS:

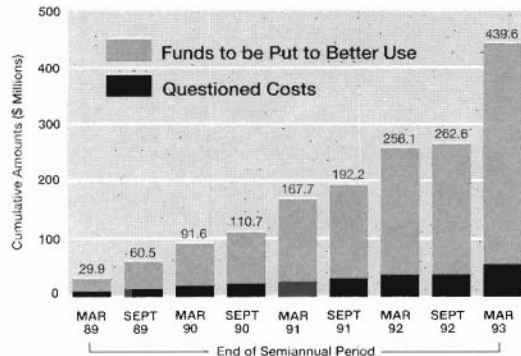
Unsupported Costs	\$ 415,695
Other Questioned Costs	17,137,328
<b>TOTAL QUESTIONED COSTS</b>	<b>\$ 17,553,023</b>
<b>FUNDS TO BE PUT TO BETTER USE</b>	<b>159,479,626</b>
<b>TOTAL</b>	<b>\$177,032,649</b>

### AUDIT STATISTICS SINCE OCTOBER 1, 1988



Since the passage of the Inspector General Act Amendments for 1988, the OIG has completed 314 audits.

### AUDIT RESULTS SINCE OCTOBER 1, 1988



TVA management has avoided or recovered \$152 million of the \$440 million recommended by the OIG.

**SPECIAL FEATURE****OIG Auditors Focus on Continuous Improvement**

*While “after-the-fact” reviews can be valuable, there is often more to be gained through prevention and early detection.*

Many of the audits completed this period are focused on the cooperative efforts of auditors and TVA management to emphasize preventive or corrective action in the early stages of a project, program, or contract. Historically, audit organizations have focused their efforts on completed activities. While such “after-the-fact” reviews can be valuable, there is often more to be gained through prevention and early detection. In addition to the medical insurance audits discussed on pages 9-10, the following examples demonstrate how our audit organization has been working with TVA management to achieve continuous improvement.

We audited two companies which have three-year contracts with TVA totaling over \$480 million for maintenance, modification, and construction services at TVA’s fossil and hydro plants. These audits were initiated in the contract’s early phases and covered costs incurred. However, they also identified important internal control and process weaknesses which would have inflated TVA’s future costs. For example, one audit found serious weaknesses in the contractor’s control of craft labor and in both TVA’s and the contractor’s control of tools and materials. The other audit identified areas for

improvement in the contractor’s electronic billing process. Both audits highlighted that TVA could more effectively use the contractors’ electronic billing data to monitor and analyze project costs. TVA management is working with both contractors to improve the reported control and process weaknesses.

Another audit focused on a \$28.4 million proposed procurement for the development of an integrated business information system. Concerns regarding the proposed procurement included contract justification, economic feasibility, and regulatory compliance. Prior to the contract execution, our audit found that TVA’s decision to contract the work was supportable. However, we expressed concerns to TVA management that the proposed single procurement might violate the Brooks Act. To ensure compliance with this law, TVA management modified its plan and awarded separate contracts for ADP equipment and project management services rather than proceed with a single procurement as originally proposed.

We plan to build on the foundation of these accomplishments and continue our efforts to help management achieve continuous improvement throughout TVA.



Electric and Magnetic Fields Audit Team—(left to right) Rick Taylor, John Bostick, Steve McGrew, Karen Boone

*We found  
TVA has taken  
positive steps to  
address the  
Electric Magnetic  
Fields issue;  
however,  
additional oppor-  
tunities for  
improvement  
exist.*

## Summary of Significant Audits

Other significant audits completed this period but not included elsewhere in this report are summarized below.

### **TVA's Efforts Involving Electric and Magnetic Fields Have Been Positive**

Prompted by growing health concerns, potential liability, and TVA's goal of being an environmental leader, we assessed TVA's activities related to electric and magnetic fields (EMF). We found TVA has taken positive steps to address the EMF issue; however, additional opportunities for improvement exist. Specifically, TVA should establish a written corporate EMF

policy and implementing procedures, proactively communicate its EMF policy and EMF issues to employees and the public, and proactively address the National Environmental Policy Act and the Occupational Safety and Health Act. TVA management generally agreed with our recommendations.

### **Contractor's \$472 Million Proposal Overstated in Excess of \$100 Million**

We audited a contractor's proposed costs of \$472 million for engineering services and suggested the contractor's proposed costs be reduced at least \$102.9 million by

(1) reducing excessive site overhead, escalation, and fee and (2) eliminating unsupported costs. Various alternatives were presented with the potential savings to TVA ranging from \$102.9 million to \$146.8 million. TVA management is currently negotiating this contract.

**TVA Takes Action to Prevent Fossil Plant Cost Overruns**

Representatives of the Tennessee Valley Congressional Caucus asked us to determine whether a TVA contractor incurred cost overruns at one of TVA's fossil plants. We subsequently expanded our audit to include the 1992 fall outage work performed at TVA's six western region fossil plants. We found the contractor incurred cost overruns totaling \$7.2 million or 13.4 percent of the \$53.5 million budgeted by TVA for construction and modification work. The cost overruns occurred primarily due to inadequate (1) supervision by the contractor and (2) planning by TVA and the contractor. TVA management and the contractor are taking action to resolve the findings.

**Proposal Included Questionable Overhead Costs of Almost \$17 Million**

TVA is purchasing engineering and procurement services in support of efforts to restart Browns Ferry Nuclear Plant (BFN).

We audited the contractor's proposal for a \$250 million supplement to the original contract. The proposed labor costs were inflated about \$8.1 million due to overstated overhead and project indirect costs. After the audit, TVA management advised us the contract value would increase to \$326 million. We reviewed the amended proposal and informed management that, as a result, questioned costs had increased to at least \$17 million. Management agreed with our findings and negotiated labor rate discounts and labor billing methods consistent with our recommendations.

**TVA Could Be Billed \$17.5 Million More Than Other Contractor Clients**

Our audit of a contractor's labor rate proposal found TVA could pay up to \$17.5 million more than other contractor clients would pay if a proposed minimum level of hours were not worked each year. Although the contractor discounted its rates for other clients without regard to a minimum level of hours worked, the contractor proposed to discount its rates to TVA only if a minimum level of hours were worked each year. TVA management has not notified us of final action taken on this audit.

**Contractor Overbilled  
TVA \$774,000 for Expenses  
at Browns Ferry**

At management's request, we reviewed nonlabor costs of \$10 million on a contract for personal services at BFN. We questioned \$417,000 in unsupported costs and \$357,000 in ineligible expenses that were not in compliance with contract terms. Management agreed with our findings and is taking corrective action.

**TVA's Reserve Fund for  
Decommissioning Could Be  
Reduced \$46 Million**

We analyzed the adequacy of TVA's reserve fund for decommissioning nuclear facilities. We concluded TVA could reduce its estimated requirements about \$46 million by changing its funding requirements date assumption from the plant closure date to the estimated expenditure date. TVA disagreed with our recommendation due to uncertainty over when the funds would be needed.

**Conflict of Interest Identified With  
Technology Brokering Program**

We audited a contractor's dual roles of administrator and cooperator for TVA's Technology Brokering Program. We determined that (1) the dual roles create an organizational conflict of interest, (2) TVA should improve the oversight and administration of the cooperative agreement, and

(3) TVA should clarify its ownership of equipment and furniture purchased by the contractor. TVA management essentially agreed with our findings.

**TVA Has Initiated Action to Comply  
With the Energy Policy Act of 1992**

The Congressional Committees on Governmental Affairs and Energy and Natural Resources suggested a review of whether TVA has the institutional mechanisms, personnel, and resources to comply with the energy reduction goals required by the Energy Policy Act of 1992 and Executive Order 12759. We found TVA did not have the institutional mechanisms in place to comply with the energy reduction goals. However, a TVA energy conservation committee has initiated a process to use in establishing the institutional mechanisms and allocating personnel and resources necessary to comply with these goals.

**TVA Complies With  
Lobbying Restrictions**

As required by law, we audited TVA's compliance with the Byrd Amendment restrictions on lobbying. We concluded that TVA is in substantial compliance with the law and implementing regulations.



## Audit Resolution and Follow-Up

Since the OIG's inception in 1986, we have made 1,264 recommendations in 382 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 Appendix 2. TVA management has made decisions on all the recommendations in reports which were issued over six months ago, except as described below.

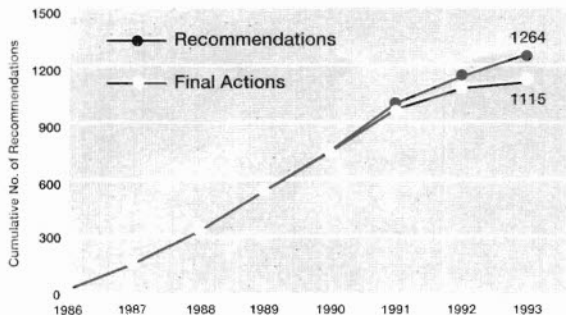
### UNRESOLVED AUDIT REPORTS WHICH WERE ISSUED PRIOR TO OCTOBER 1, 1992

Listed below are three audit reports which we issued before this reporting period began and for which no management decision has been made by March 31, 1993. However, we expect to report the management decision in our next semiannual report.

DATE ISSUED	REPORT TITLE	WHY MANAGEMENT DECISION HAS NOT BEEN MADE
03/20/92	Williams Power Corporation – Preaward – RFP GB-77793B	TVA management is negotiating to award this contract.
04/23/92	BCS (A Joint Venture) – Preaward – RFP GB-77793B	TVA management is negotiating to award this contract.
09/30/92	Ebasco Services, Inc. – Preaward – TV-82466V	TVA management is negotiating to extend this contract.

### STATUS OF FINAL ACTIONS ON OIG RECOMMENDATIONS

Total Recommendations = 1,264



During this reporting period, we received management decisions on 30 audit reports and notification of final actions on 41 audit reports. We are pleased to report that we have not had a significant disagreement with any management decision made during this reporting period. Appendix 7 contains TVA management's report on the status of final actions for audit reports with management decisions.

As the graph above indicates, TVA management has taken final action on 1,115 of the 1,264 OIG recommendations. Of the 149 recommendations on which TVA management has not taken final action, 40 were made more than a year ago.

## Introduction

During this period we formed the Inspections unit to complement our other two operations, Audits and Investigations. Prior to forming Inspections, we benchmarked other similar organizations within the Inspector General community and talked with various OIG customers. The goal of Inspections is to expand OIG coverage of TVA operations by conducting focused reviews of limited scope in relatively short timeframes (30 to 90 days). Our intent is to provide TVA management and other customers with timely and useful information which will facilitate process improvement goals.

To contribute to TVA's total quality effort, we plan to (1) work collaboratively with customers and stakeholders in defining inspection scopes and schedules and (2) provide customers with available information in a form that is most useful to them. Small teams of employees with varied backgrounds and areas of expertise will review TVA activities to highlight efficient and effective processes and potential improvements. We expect the teams to use various techniques for collecting and disseminating information such as telephone surveys, personal interviews, video-conferencing, questionnaires, graphic presentations, customer feedback, and computer analysis.



Inspections Supports TVA's Contract Improvement Team—(left to right) Susan Ridgell, Steve Summers, TVA Director William Kennoy, Jim McCarter

## Summary of Representative Inspections

During this reporting period we completed the following representative inspections.

### **Procurement Survey**

At the request of TVA management, we gathered information about the procurement process and organizational structure of a number of private sector entities and utilities with well-regarded procurement programs. Our review identified several key initiatives that contribute to a world class procurement function. The team presented its findings to the TVA Board Advisory Group as well as to a team of TVA employees who are working to improve TVA's procurement processes.

*The goal of Inspections is to expand OIG coverage of TVA operations by conducting focused reviews of limited scope in relatively short timeframes (30 to 90 days).*

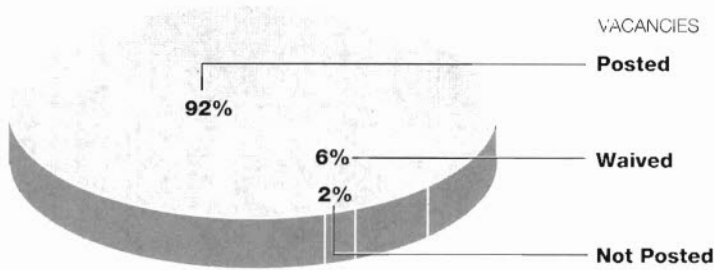
**Contracting Process**

We completed a quick review of the billing process used in TVA's major labor and services contracts. Inspections is providing additional details of controls used in TVA's contract administration to Director Kennoy and TVA's Contract Improvement Team.

**Printing and Graphics Services**

We issued four site specific reports on TVA's printing and graphics operations. The inspection team reported generally favorable conclusions concerning customer satisfaction and employee-management relations. Our conclusions were based on interviews with both employees and customers of these units. The team presented its findings to management and—for the first time in the OIG—to the employees during meetings with each work group.

**VACANCY POSTING COMPLIANCE**

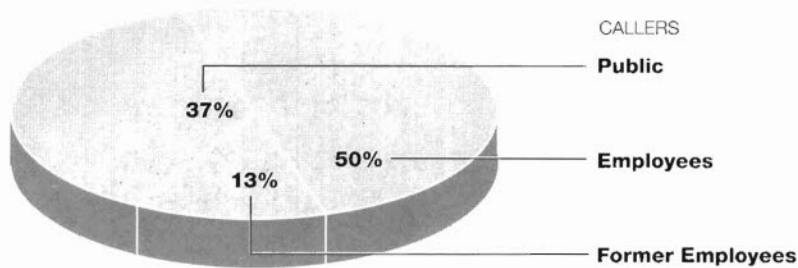


TVA management complied with the vacancy posting policy for 98% of manager and specialist vacancies.

**Vacancy Posting System**

At the request of TVA management, we conducted a review of TVA's compliance with and effectiveness of its policy to post all vacant manager and specialist positions. Our review determined (1) TVA management posted 92 percent of the vacant positions in accordance with the policy, (2) TVA management waived posting 6 percent of the positions in accordance with the policy, and (3) TVA employees overwhelmingly believe that posting increases awareness and opportunity.

**WHO CALLED**



**The OIG Hotline**

We received 131 Hotline calls from current and former TVA employees and the public as shown in the chart on the left. Our Hotline calls are classified by type of allegation and source in Appendix 4.

# INVESTIGATIONS

## Investigation Caseload

During this reporting period, our special agents closed 222 investigations. Over 60 percent of the closed cases concerned fraud and waste (51), contract-related misconduct (41), falsification of records (23), and employee concern program matters (21). A complete classification of open and closed investigations is contained in Appendix 5. We recommended TVA management consider administrative or disciplinary action in 67 of the closed cases and referred 33 subjects of 20 investigations to federal and state prosecutors for possible prosecution.

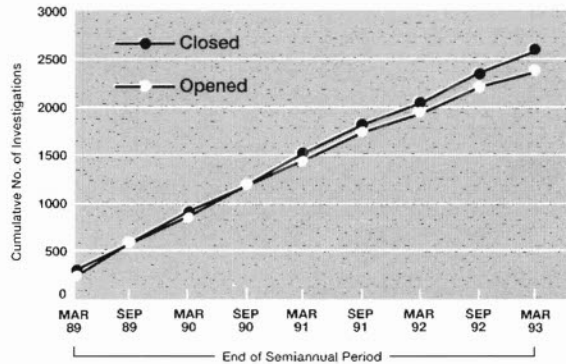
A more detailed description of our investigative activities follows.

### INVESTIGATION CASELOAD

Investigations Carried Forward as of 10/1/92 *	231
Investigations Opened This Reporting Period	154
Investigations Closed This Reporting Period	-222
<b>Total Investigations in Progress as of 3/31/93</b>	<b>163</b>

\* Adjusted from previous semiannual reports.

### INVESTIGATION CASELOAD SINCE OCTOBER 1, 1988



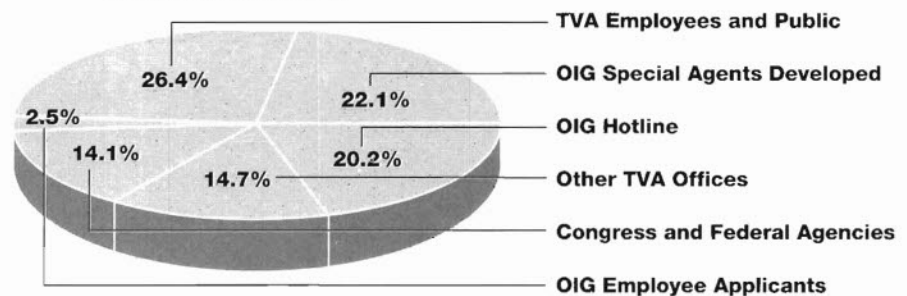
The OIG has completed almost 2,600 investigations since October 1, 1988.

## Source and Classification of Allegations

The 222 cases we closed this reporting period contained 227 allegations. Of these allegations, 131 (about 59 percent) were not substantiated, 58 were substantiated, and 38 were not resolved or were not reportable. The number and percentage of allegations from each of various sources are shown in the chart on the right and included in Appendix 6.

### SOURCES OF ALLEGATIONS\*

TOTAL ALLEGATIONS = 163



\*Some allegations were from more than one source.

**SPECIAL FEATURE**

**OIG Recognized With National Award!**

*The Paul R. Boucher Public Service Award serves as a recognition for the efforts of the entire OIG staff over the past seven years in becoming a quality IG organization.*



George T. Prosser, Assistant Inspector General for Investigations, receives Paul R. Boucher Public Service Award.

During this reporting period, the OIG won a national award for detecting fraud and waste in the government. George T. Prosser, Assistant Inspector General for Investigations, received the Paul R. Boucher Public Service Award by the President's Council on Integrity and Efficiency for his efforts in detecting abuse in the workers' compensation program.

This annual award was established during 1983 in memory of Boucher, the first Inspector General at the Small Business Administration. The presentation to the TVA OIG marks the first time a representative of a non-presidentially appointed

Inspector General's office received the award. The award serves as a recognition for the efforts of the entire OIG staff over the past seven years in becoming a quality IG organization. We are proud to have achieved this distinction in seven years and want to highlight some of our investigative accomplishments in addition to the health insurance investigation included in the Special Feature on pages 9-10.

Our investigative efforts have grown steadily since we were established during 1986. Our activities have included simple and complex cases covering a multitude of issues, including travel fraud, contract fraud, and nuclear issues. As we have gained more experience, we have expanded our proactive efforts and are beginning to look into new areas where we expect to produce even more significant results in preventing and detecting fraud. Our accomplishments to date include the following.

**OWCP Fraud and Abuse**

We have identified a significant number of cases of fraud in the workers' compensation program. To date, based on our investigations, the Office of Workers' Compensation Program (OWCP) has determined 94 individuals were

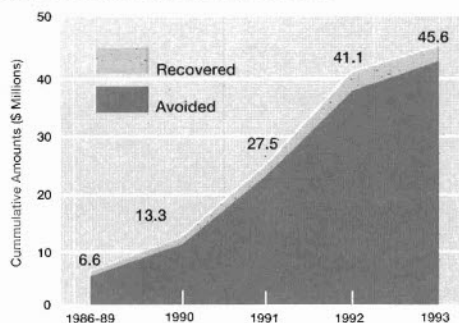
overpaid more than \$3.6 million. In addition, our efforts may have saved TVA about \$42 million in estimated long-term disability benefits costs.

Our efforts also have helped focus national attention on the need for improving the administration of workers' compensation at the federal level. In fact, we are working with an interagency work group, consisting of representatives from 15 different federal agencies, to address common problems with legislative flaws and administrative deficiencies in the Federal Employees' Compensation Act program. In addition, a national news service came to our office last year to obtain information about workers' compensation fraud for a news special which aired during October.

**Harassment in TVA's Nuclear Program**

In response to a request from TVA's Nuclear Power organization, during early 1990, the OIG began conducting parallel investigations with the Department of Labor (DOL) when individuals filed Section 210, Energy Reorganization Act, discrimination complaints with DOL. Our investigations are intended to provide TVA management with a prompt, objective look at the facts to help them in resolving the issues. We also have a Memorandum of Understanding with the Nuclear Regulatory Commission to coordinate our respective

**SAVINGS IDENTIFIED FROM OWCP INVESTIGATIONS**



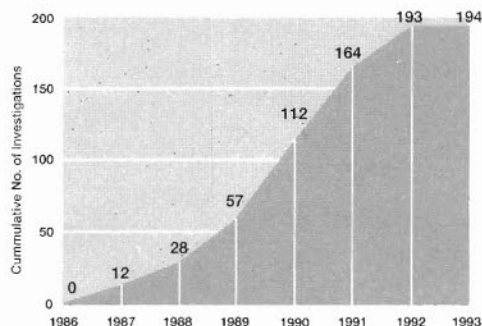
TVA can recover about \$3.6 million and avoid about \$42 million as a result of our identification of improper OWCP payments.

investigative activities. Because of TVA's rather unique status as a government agency and a nuclear licensee, we have developed some expertise rather unusual for OIGs. Our efforts in this area also have provided some assistance to the extensive efforts TVA has made to eliminate harassment in the nuclear program.

**Contractor Per Diem Fraud**

We conducted an extensive review of per diem payments to employees of several major TVA contractors. Our investigations disclosed an estimated

**SECTION 210 INVESTIGATIONS**



The percentage increase in the number of Section 210 investigations has consistently declined since 1988.

\$4.3 million in per diem payments and related travel costs were paid to contractor employees who were not entitled to those payments. Three individuals were convicted as a result of our investigations.

**TVA Employee Travel Fraud**

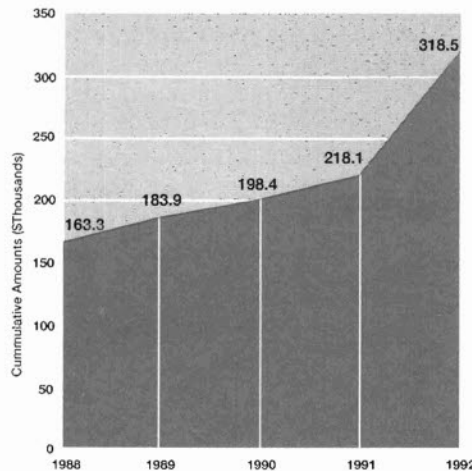
We have uncovered not only individual efforts to defraud TVA by submitting false vouchers, but schemes used by a number of TVA employees. The schemes included (1) submitting false hotel receipts, (2) fraudulently renting lodging from relatives, and (3) sharing an apartment and

then falsely claiming each roommate paid the entire cost of the apartment. One scheme resulted in 33 people being convicted and TVA recovering more than \$127,300.

**Ethics Regulations**

During 1986, at the request of the Office of Government Ethics, we began monitoring the hiring of Nuclear Power managers to identify and prevent potential conflicts of interest. At that time TVA employed loaned managers, advisors, and other contract employees from numerous companies. During our monitoring program, we found no instances of actual conflicts of interest and were able to avoid potential conflict problems. We ended our monitoring program because TVA stopped using the services of loaned managers and advisors.

**SAVINGS IDENTIFIED FROM TRAVEL VOUCHER FRAUD INVESTIGATIONS**



Special Agents uncovered TVA employee travel voucher fraud totaling about \$318,500 since October 1, 1988.

We continue to provide training to TVA employees on government ethics and our investigations reveal occasional violations by TVA employees. Violations include accepting meals from TVA contractors, doing business with companies in which the employee has an interest, and accepting items of value from TVA contractors. We will continue our efforts, in cooperation with the Designated Agency Ethics Official, to eliminate future violations by promoting an understanding of government ethics requirements.

## Summary of Representative Investigations

### Search Warrants Bring Results

Although we do not have the authority to unilaterally obtain search warrants, with the help of state and federal law enforcement authorities, we were able to obtain search warrants which helped us (1) convict one former employee of theft of government property and (2) recover about \$11,700 in stolen government property. These two cases are described below.

- A land use agent admitted he stole government property after a search of his residence revealed government property, including a \$3,500 lawnmower. The land use agent admitted he used his TVA-issued credit card and field purchase orders to steal government property. After the search, TVA terminated the land use agent. In addition, the land use agent pled guilty in state court to theft of government property and was sentenced to two years' probation and ordered to make about \$6,000 restitution to TVA.

- A nuclear plant materials clerk admitted he stole about \$11,700 worth of government property after a search of a building behind his house revealed numerous TVA tools and other equipment. The clerk acknowledged that one of his

responsibilities at TVA was to stock and etch identification marks on new TVA equipment and for the last three years he was able to steal some of the equipment before TVA identification marks were etched on them. Following the search, TVA suspended the clerk and he later resigned.

### Unauthorized Use of Telephones

We issued several reports this period dealing with the unauthorized use of TVA's telephone system. More specifically, our investigation revealed the following.

- TVA was charged \$75,114 for 1,637 unauthorized long-distance telephone calls from a TVA nuclear plant to almost 30 countries. The callers bypassed the blocks on TVA's telephones for international calls by using a service which the American Telephone & Telegraph Company provided without TVA's knowledge or consent.

- TVA was charged \$12,543 for 666 unauthorized calls to area code 900 numbers. TVA has placed blocks on its telephone lines at the locations experiencing these unauthorized calls.

### Destruction of Government Property

During this reporting period, a TVA transmission tower located in the Mississippi River was damaged. Customer Group



managers estimate the repair (or replacement) cost of the tower could range from \$2 to \$10 million. Although we cannot positively determine the cause of the damage, with the assistance of the United States Army Corps of Engineers and TVA's Resource Group's Engineering Laboratory, we found what appears to be a sunken barge at the foot of the tower. However, because of current river conditions in the immediate vicinity of the tower, we are presently unable to positively identify the object.

**Acceptance of Unauthorized Gratuities**

■ Our investigation revealed four managers, who were involved in the awarding of the contracts for TVA's Nuclear Visitor and Information Centers, accepted

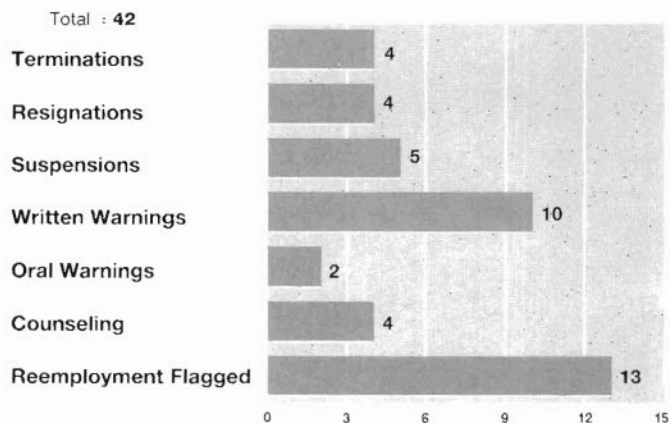
gratuities from contractors and subcontractors working on the project. The gratuities included meals for the employees and spouses, a golf outing, and mementos from the golf outing. In addition, we determined three of the managers also submitted travel claims for some meals paid by the contractors.

**Theft of Government Property**

■ During this reporting period, we investigated the alleged theft of scaffolding from a TVA fossil plant. However, since the plant had no inventory of its scaffolding, we could not determine what, if anything, had been stolen. Based on our investigation, TVA management improved its inventory controls at all fossil plants, including marking all TVA plant tools and scaffolding as TVA property.

Administrative and Disciplinary Actions

**ADMINISTRATIVE AND DISCIPLINARY ACTIONS**



We recommended TVA management consider administrative or disciplinary action in 67 of the 222 cases we closed during this period. Based on these and prior recommendations, TVA managers took administrative and disciplinary actions in response to our investigative findings as depicted in the chart on the left.

Examples of terminations and resignations that occurred as a result of our investigative findings are described below.

**Terminations**

■ Nuclear Power management terminated a nuclear plant clerk for knowingly making false statements to OWCP about his self-employment activities. The clerk failed to report to OWCP that he co-owned a business. Subsequently, OWCP determined the clerk was overpaid \$2,151.

■ Fossil and Hydro Power management terminated an electrician for submitting false travel vouchers.

■ A TVA contractor terminated a fitter working at a TVA nuclear plant and suspended a welder for two weeks after our investigation revealed they falsified documents.

**Resignations**

■ A nuclear plant laborer resigned after our investigation revealed he made false allegations against another employee and provided false information to the OIG.

■ An electrician resigned after our investigation revealed he tampered with the evidence of an August 1992 theft of TVA copper wire. In addition, the electrician made numerous false statements to TVA and the OIG.

■ A TVA project manager resigned after our investigation revealed he accepted gratuities from a TVA contractor and submitted travel claims for meals paid for by the contractor.

**Investigative Referrals and Prosecutive Results**

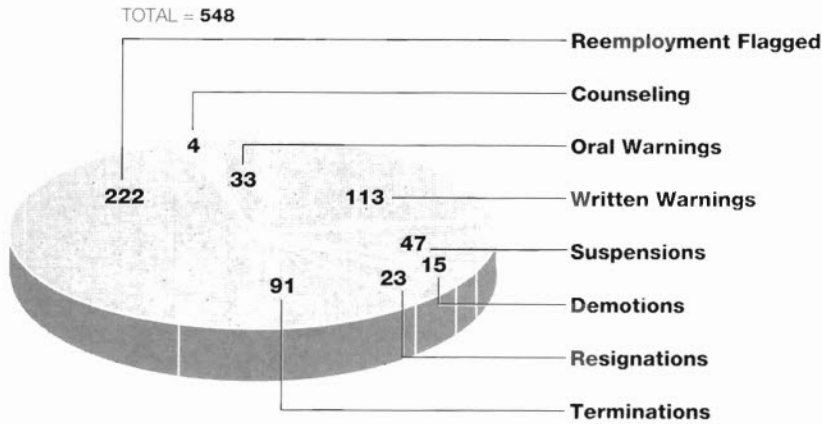
We referred 21 matters, involving 34 subjects, to federal and state prosecutors and other officials during this reporting period. The prosecutive results obtained from these referrals and others pending from prior periods are shown in the following table along with descriptions of several convictions.

Investigative Referrals	Subjects	Results This Period
Subjects referred to U.S. Attorneys	30	3 convictions 21 declinations
Subjects referred to State or local agencies	3	3 convictions
Cases referred to other agencies for investigative or administrative action	1	OWCP declared \$208,765 in overpayments and saved TVA more than \$6.8 million in estimated long-term workers' compensation costs.
TOTAL	34	

**Convictions**

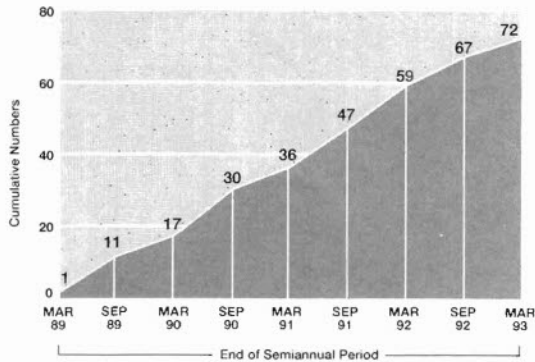
■ A former TVA contractor employee pled guilty in federal court to mail fraud charges and was sentenced to two years' probation and required to perform 100 hours of

**ADMINISTRATIVE AND DISCIPLINARY ACTIONS SINCE OCTOBER 1, 1988**



TVA management has taken at least 548 administrative and disciplinary actions in response to OIG recommendations since October 1, 1988.

**CONVICTIONS SINCE OCTOBER 1, 1988**



OIG investigations led to 72 convictions since October 1, 1988.

community service. In addition, the former contractor is required to make restitution of more than \$8,400 to his former employer.

■ A former Nuclear Power laborer pled guilty in federal court to submitting false travel vouchers to TVA and was sentenced to 24 months' probation. He is also required to make restitution to TVA of more than \$1,100.

■ A former TVA engineering associate was sentenced to three years' probation and fined \$2,000 for making false statements to TVA. The former employee submitted false reports on instruments used at TVA nuclear power plants.

■ A juvenile pled guilty in a state juvenile court to destruction of government property. The juvenile and an adult vandalized a TVA transmission tower in Loudon County, Tennessee, causing a subsequent power outage. The outage resulted in losses of more than \$200,000 to TVA and other industries in the area. The juvenile was sentenced to one year's probation and required to pay \$600 restitution to TVA. The adult's case will be presented to a state grand jury for possible indictment.

## Legislative and Regulatory Reviews

The Inspector General Act provides that Inspectors General shall review existing and proposed legislation and regulations so as to make recommendations, as appropriate, to their entities' management and the Congress concerning the impact of these items on the economy and efficiency of programs and operations, and the prevention and detection of fraud and abuse.

To expand the OIG's role in meeting this obligation, we initiated new procedures during this reporting period to ensure we consider the impact of proposed and enacted laws and regulations, both at the state and federal level. Legislation and regulations we reviewed during this period included the National Energy Policy Act of 1992, the revised Standards of Ethical Conduct issued by the Office of Government Ethics, the proposed Government Performance and Results Act (S.20), the Nuclear Regulatory Commission Classification of Statutory Authority for Purposes of Criminal Enforcement, and the Program Fraud Civil Remedies Act (PFCRA). The following illustrates our efforts in this area.

■ We worked collaboratively with TVA management in considering whether TVA would benefit from coverage under the PFCRA. We determined that being covered by PFCRA could help TVA reduce the incidence of fraud against it. However, we also determined that to be beneficial, PFCRA would have to be adapted to TVA's special circumstances, i.e., TVA's General Counsel would handle PFCRA litigation and TVA would keep any monies collected. Based on our review, the TVA Board agreed that TVA should seek legislation placing TVA under PFCRA and adapting PFCRA to TVA's particular needs.

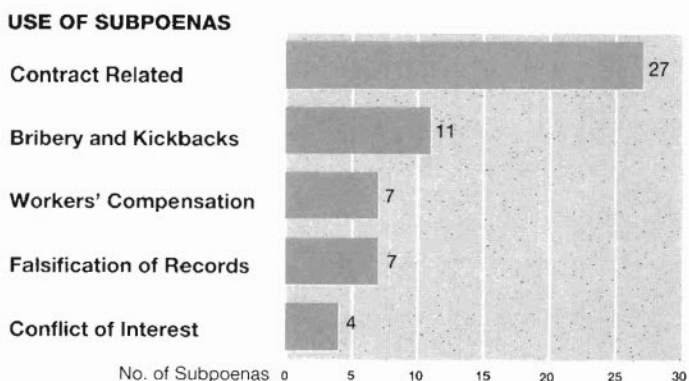
■ We reviewed S.20 and agree with its purpose in requiring federal agencies to prepare and submit strategic plans, annual performance plans, and annual performance results. We believe TVA already has taken significant steps in these areas. However, we believe it would be inappropriate to subject TVA's strategic planning decisions to regulation by the Office of Management and Budget (OMB), which has no responsibility for ensuring the long-term reliability and affordability of the electric power supply for TVA customers. Accordingly, we suggest that TVA, like the Postal Service, be excluded from OMB control.

*We initiated new procedures during this reporting period to ensure we consider the impact of proposed and enacted laws and regulations, both at the state and federal level.*

**SPECIAL FEATURE**

The OIG’s Use of Subpoenas—Past and Present

During this reporting period, the OIG issued 56 subpoenas for documents. These subpoenas sought information in connection with ongoing investigations as shown in the chart below.



Prior to the enactment of the Inspector General Act Amendments of 1988, provisions in TVA’s annual appropriation bill authorized the OIG to issue subpoenas. During the last five years, we have issued 352 subpoenas.

Subpoenas have been an invaluable tool in gathering essential information. Some of the areas in which subpoenas played an important role are outlined below.

**Workers’ Compensation Fraud.**

Almost 40 percent of our subpoenas have been in connection with allegations of workers’ compensation fraud. Through these subpoenas, we have obtained thousands of documents which have included financial, tax, and personnel records. These documents helped us substantiate numerous instances in which workers’ compensation recipients have, among

other things, earned income which they failed to report to OWCP.

**TVA Medical Insurance Plan.**

During our review of the TVA medical insurance plan, we issued six subpoenas to the administrator seeking records related to its administration of the plan for TVA employees. In response to these subpoenas, we received over 20,000 documents. This project ultimately resulted in a settlement with the administrator under which TVA received over \$8 million.

**Contractor Per Diem Fraud.**

Our use of subpoenas helped substantiate instances where employees of major TVA contractors claimed per diem benefits to which they were not entitled. More specifically, we verified from subpoenaed financial records that employees did not, as they claimed, pay rent for dwellings they indicated were their permanent residences.

**Misrepresentation of Educational Background.**

During investigations of allegations employees provided false information about their educational backgrounds to TVA, we issued subpoenas to educational institutions seeking the employees’ purported transcripts and other records. The absence of the requested transcripts in the records of the educational institutions substantiated instances where employees misrepresented their backgrounds to TVA.

## ■ APPENDICES

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**Appendix 1**

Page 1 of 3

**OIG AUDIT REPORTS ISSUED DURING  
THE SIX-MONTH PERIOD ENDING MARCH 31, 1993**

DATE ISSUED	REPORT NUMBER	REPORT TITLE	QUESTIONED COSTS	UNSUPPORTED COSTS	FUNDS TO BE PUT TO BETTER USE
10/30/92	92-035S	Performance Controls Company – Contract TV-83440V	\$ 13,032		
10/30/92	92-072S	Bechtel Corporation - Preaward Proposal to Supplement Contract TV-83425V – BFN Units 1 and 3			\$ 16,927,434
11/13/92	92-060O	Employee Transition Program			
11/25/92	92-024O	Environmental Quality Staff Review			
11/30/92	90-042G	TVA's Health Benefits Plan	14,865,000		
11/30/92	91-041G	TVA's Health Benefits Plan	413,200		
11/30/92	91-046G	TVA's Health Benefits Plan	1,437,400		
11/30/92	92-078C	Fish and Wildlife Associates, Inc. - Preaward			8,303
12/07/92	92-050O	Nuclear Plant Decommissioning Fund			
12/08/92	92-025O	Tennessee Center for Research and Development			
12/10/92	92-079F	Science Applications International Corporation – Preaward			320,531
12/30/92	92-040S	JMGR, Inc. – Preaward			42,838
12/30/92	92-067S	Marriott Corporation – Contract 91NQG-86584B			
12/30/92	92-080S	Global Power Company – Preaward – G-UB-MK Constructors' Subcontractor			

**Appendix 1**

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**OIG AUDIT REPORTS ISSUED DURING  
THE SIX-MONTH PERIOD ENDING MARCH 31, 1993**

<b>DATE ISSUED</b>	<b>REPORT NUMBER</b>	<b>REPORT TITLE</b>	<b>QUESTIONED COSTS</b>	<b>UNSUPPORTED COSTS</b>	<b>FUNDS TO BE PUT TO BETTER USE</b>
01/11/93	93-001S	Harza Engineering Company - Preaward			\$ 1,448,000
01/13/93	92-039C	Ebasco Services, Inc. - Contract TV-82466V	\$ 7,648		
01/21/93	92-073C	Electronic Billings for G-UB-MK Partnering Agreements 92PGN-77052E-03 & 04			
01/27/93	92-046F	Beech River Watershed Development Authority -- Contract TV-75181A			
02/02/93	93-009O	TVA Compliance With the Byrd Amendment, Public Law No. 101-121, Section 319 (31 U.S.C. 1352)			
02/04/93	92-016P	TVA's Electric and Magnetic Fields Activities			
02/04/93	93-005S	Performance Controls Corporation -- Preaward -- BFN Project Controls			494,500
02/26/93	93-008S	B & W Nuclear Service Company -- Preaward -- Bellefonte NP			17,515,000
03/17/93	92-066O-02	BCBS of Tennessee's Cash Pay Procedures and Controls			
03/22/93	92-068F	Coopers & Lybrand -- Contract TV-82913V	19,074	\$ 12,628	



**Appendix 1**

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**OIG AUDIT REPORTS ISSUED DURING  
THE SIX-MONTH PERIOD ENDING MARCH 31, 1993**

DATE ISSUED	REPORT NUMBER	REPORT TITLE	QUESTIONED COSTS	UNSUPPORTED COSTS	FUNDS TO BE PUT TO BETTER USE
03/26/93	92-044C	FD Engineers & Constructors, Inc. -- Contracts 92PGN-77052E-01 and 92PGN-77052E-02	\$ 23,669	\$ 1,067	
03/29/93	93-013C	Gilbert/Commonwealth, Inc. -- Preaward -- Bellefonte NP			\$ 1,100,000
03/29/93	93-002S	ACandS Inc. -- Preaward -- G-UB-MK Constructors' Subcontractor			
03/30/93	93-004S	Stone & Webster Engineering Corp. -- Preaward -- Bellefonte NP			121,623,000
03/31/93	92-069F	Integrated Business System Procurement			
03/31/93	91-077N	Bechtel North American Power Corporation -- Contract TV-83425V	774,000	402,000	
03/31/93	93-012P-01	Construction and Modification Cost Overruns at TVA's Western Region Fossil Plants			
03/31/93	92-083O	Opportunities for Improving Information Services ADP Procurement Process			
03/31/93	93-017P	Compliance with the Energy Audit Act of 1992			
TOTAL	33		\$17,553,023	\$415,695	\$159,479,626

## Appendix 2

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### OIG'S REPORT ON MANAGEMENT DECISIONS FOR THE SIX-MONTH PERIOD ENDING MARCH 31, 1993

AUDIT REPORTS	NUMBER OF REPORTS	QUESTIONED COSTS	UNSUPPORTED COSTS
A. For which no management decision has been made by the commencement of the period	1*	\$ 839,000	\$ 0
B. Which were issued during the reporting period	8	17,553,023	415,695
Subtotals (A+B)	9	\$18,392,023	\$415,695
C. For which a management decision was made during the reporting period	8**	18,163,354	274,628
(i) Dollar value of disallowed costs	6	9,445,738	274,628
(ii) Dollar value of costs not disallowed	5	8,717,616	0
D. For which no management decision has been made by the end of the reporting period	2***	\$ 228,669	\$141,067
E. For which no management decision was made within six months of issuance	0	\$ 0	\$ 0

\* These numbers differ from the prior report's ending totals because of a misclassification of funds in the prior report.

\*\* 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.

## Appendix 2

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### OIG'S REPORT ON MANAGEMENT DECISIONS FOR THE SIX-MONTH PERIOD ENDING MARCH 31, 1993

AUDIT REPORTS	NUMBER OF REPORTS	FUNDS TO BE PUT TO BETTER USE
A. For which no management decision has been made by the commencement of the period	5 *	\$ 5,582,042
B. Which were issued during the reporting period	9	159,479,626
Subtotals (A+B)	14	\$165,061,668
C. For which a management decision was made during the reporting period	6 **	18,201,926
(i) Dollar value of recommendations that were agreed to by management	6	17,854,082
(ii) Dollar value of recommendations that were not agreed to by management	3	347,844
D. For which no management decision has been made by the end of the reporting period	8	\$146,859,742
E. For which no management decision was made within six months of issuance	3	\$ 4,679,242

\* These numbers differ from the prior report's ending totals because of a misclassification of funds in the prior report.

\*\* 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.

## Appendix 3

Page 1 of 1

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### 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 Cost**

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.

## Appendix 4

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### CLASSIFICATION OF OIG HOTLINE CALLS

	CLASSIFICATION OF CALL	NUMBER OF CALLS	PERCENT OF TOTAL CALLS
1	Employee Misconduct	16	12.2
2	Employee Concern		
	Program Matters	5	3.8
3	Misuse or Abuse of		
	Government Property	5	3.8
4	Vehicle Operations	15	11.5
5	Substance Abuse	2	1.5
6	Personnel Matters	33	25.2
8	Discrimination and		
	Harassment	7	5.3
9	Safety	1	0.8
11	Theft	6	4.6
12	Falsification of Records	7	5.3
13	Contract-Related		
	Misconduct	11	8.4
14	Waste and Fraud	14	10.7
15	General Criminal		
	Activities	2	1.5
17	Public Concerns	5	3.8
20	Special Projects	1	0.8
23	Environmental Matters	1	0.8
<hr/>			
	TOTAL	131	100.0

	CLASSIFICATION OF CALLER	NUMBER OF CALLERS	PERCENT OF TOTAL CALLERS
	Public	49	37.0
	Employees	66	50.0
	Former Employees	17	13.0
<hr/>			
	TOTAL	131	100.0

**Appendix 5**

Page 1 of 1

**CLASSIFICATION OF INVESTIGATIONS**

CLASSIFICATION OF INVESTIGATIONS		NUMBER OF INVESTIGATIONS			
		CARRIED FORWARD 10/1/92	OPENED	CLOSED	IN PROGRESS 3/31/93
1	Employee Misconduct	5	9	11	3
2	Employee Concern Program Matters	28	16	21	23
3	Misuse or Abuse of Government Property	2	4	5	1
4	Vehicle Operations	1	4	3	2
5	Substance Abuse	1	3	2	2
6	Personnel Matters	12	9	18	3
7	Terrorism and Sabotage	0	0	0	0
8	Discrimination and Harassment	4	5	6	3
9	Safety	2	1	2	1
10	Trades and Labor	0	0	0	0
11	Theft	20	11	17	14
12	Falsification of Records	24	34	23	35
13	Contract-Related Misconduct	54	17	41	30
14	Fraud and Waste	62	26	51	37
15	General Criminal Activities	1	0	1	0
16	Employment Suitability	4	4	8	0
17	Public Concerns	0	1	1	0
18	Board Concerns	1	0	1	0
19	Archaeological Resources Protection	0	1	0	1
20	Special Projects	6	3	4	5
21	OIG Personnel Matters	0	0	0	0
22	Other	0	0	0	0
23	Environmental Matters	3	4	4	3
24	Destruction of Government Property - Miscellaneous	1	2	3	0
TOTAL		231	154	222	163

## Appendix 6

Page 1 of 1

### SOURCE OF ALLEGATIONS RECEIVED THIS PERIOD

SOURCE OF ALLEGATION*	NUMBER OF ALLEGATIONS	PERCENTAGE OF TOTAL ALLEGATIONS
TVA Employees and Public	43	26.4
OIG Special Agents Developed	36	22.1
OIG Hotline	33	20.2
Other TVA Offices	24	14.7
Congress and Federal Agencies	23	14.1
OIG Employee Applicants	4	2.5
<b>TOTAL</b>	<b>163</b>	<b>100.0</b>

\* Some allegations were from more than one source.

### CLASSIFICATION OF ALLEGATIONS IN INVESTIGATIONS CLOSED THIS PERIOD

CLASSIFICATION OF ALLEGATION	NUMBER OF ALLEGATIONS		
	TOTAL	SUBSTANTIATED	NOT SUBSTANTIATED
1 Employee Misconduct	11	0	10
2 Employee Concern Program Matters	22	5	10
3 Misuse or Abuse of Government Property	6	4	2
4 Vehicle Operations	3	1	1
5 Substance Abuse	3	1	2
6 Personnel Matters	26	1	13
7 Terrorism and Sabotage	0	0	0
8 Discrimination and Harassment	6	0	4
9 Safety	2	0	2
10 Trades and Labor	0	0	0
11 Theft	17	5	8
12 Falsification of Records	25	13	11
13 Contract-Related Misconduct	40	4	28
14 Fraud and Waste	53	19	33
15 General Criminal Activities	1	1	0
16 Employment Suitability	0	0	0
17 Public Concerns	1	0	1
18 Board Concerns	1	0	1
19 Archaeological Resources Protection	0	0	0
20 Special Projects	3	1	1
21 OIG Personnel Matters	0	0	0
22 Other	0	0	0
23 Environmental Matters	4	0	4
24 Destruction of Government Property - Miscellaneous	3	3	0
<b>TOTAL</b>	<b>227</b>	<b>58</b>	<b>131*</b>

\* Thirty-eight allegations were either (1) resolved but not reportable as substantiated or unsubstantiated, or (2) not substantiated but recommendations were made.



Tennessee Valley Authority, 400 West Summit Hill Drive, Knoxville, Tennessee 37902-1499

John B. Waters  
Chairman, Board of Directors

May 4, 1993

TO THE UNITED STATES CONGRESS:

We are providing TVA's Report on Final Actions on Inspector General audit recommendations, in keeping with Section 5(b) of the Inspector General Act of 1978, as amended.

TVA is dedicated to serving the Nation and the Tennessee Valley region. We welcome the efforts of the Inspector General's office as we continue to fulfill this purpose.

Sincerely,

A handwritten signature in black ink that reads "John B. Waters". The signature is written in a cursive, flowing style.

John B. Waters

Enclosure



## Appendix 7

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### **TVA MANAGEMENT'S REPORT ON FINAL ACTIONS FOR THE SIX-MONTH PERIOD ENDING MARCH 31, 1993**

The following Tables I and II summarize final action taken by management on OIG 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 for which final action has not been taken one year from the date a management decision was made.

TABLE 1  
**DISALLOWED COSTS**  
(In Thousands)

<b>AUDIT REPORTS</b>	<b>NUMBER OF REPORTS</b>	<b>AMOUNTS AGREED BY MANAGEMENT</b>
For which final action by management had not been taken by 9/30/92	18	\$ 5,086
On which management decisions were made from 10/1/92 through 3/31/93	8	9,446
Subtotal	26	\$14,532
Less:		
For which final action was taken by management from 10/1/92 through 3/31/93		
(a) Amounts that were recovered by management	11*	9,794
(b) Amounts that were not recovered by management	12*	2,406
For which management has taken no final action by 3/31/93	10*	\$ 2,332

\* 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)

<b>AUDIT REPORTS</b>	<b>NUMBER OF REPORTS</b>	<b>AMOUNTS AGREED BY MANAGEMENT</b>
For which final action by management had not been taken by 9/30/92	1	\$ 1,140
On which management decisions were made from 10/1/92 through 3/31/93	6	17,854
Subtotal	7	\$19,294
Less:		
For which final action was taken by management from 10/1/92 through 3/31/93		
(a) Dollar value of recommendations implemented by management	5 *	927
(b) Dollar value of recommendations that management decided should not or could not be implemented	1 *	0
For which management has taken no final action by 3/31/93	2 *	\$18,367

\* The number of reports will differ from the arithmetic total when final action for an audit includes both recommendations which were implemented and recommendations which were not implemented.

**Appendix 7**

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

<b>AUDIT REPORT NUMBER</b>	<b>DATE ISSUED</b>	<b>DISALLOWED COSTS</b>	<b>FUNDS PUT TO BETTER USE</b>	<b>EXPLANATION OF FINAL ACTION NOT TAKEN</b>
Cancelled Nuclear Capital Projects 89-034N	7/19/90	N/A	N/A	The only remaining issue will be closed with the implementation of TVA's new automated time and attendance system currently being developed.
Associated Project Analysts 90-029P	9/28/90	\$130	N/A	A tentative resolution with the contractor has been reached.
Tennessee Elk River Development Agency 89-065G	3/21/91	N/A	N/A	Audit resolution pending a change of contract.
M. H. Sturdivant and Associates, Inc. 89-001N	5/21/91	260	N/A	Efforts to collect funds have been unsuccessful to date. If an agreement with the contractor cannot be reached, a decision will be made on whether or not to pursue through legal means.
Workers' Compensation Chargeback 90-060P	6/27/91	222	N/A	TVA has fully implemented all recommendations. Final closing pending completion of actions by the U.S. Dept. of Labor, Office of Workers' Compensation.

**Appendix 7**

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

<b>AUDIT REPORT NUMBER</b>	<b>DATE ISSUED</b>	<b>DISALLOWED COSTS</b>	<b>FUNDS PUT TO BETTER USE</b>	<b>EXPLANATION OF FINAL ACTION NOT TAKEN</b>
Alabama Elk River Development Agency 91-024G	9/23/91	N/A	N/A	Audit resolution pending a change of contract.
Personal Services Contract Language 91-079P	10/18/91	N/A	N/A	Issues will be resolved with a contract modification.
MPR Associates 91-034P	12/16/91	1	N/A	Closure pending confirmation and settlement of over/under billings.
City of Soddy-Daisy 91-066P	12/24/91	N/A	\$1,440	Resolution pending execution of a contract.
TOTALS		\$616	\$1,440	

N/A – Not Applicable

NOTE: This table excludes three reports in judicial appeal according to the reporting guidelines of the Inspector General Act.

## Appendix 8

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### OIG REPORTING REQUIREMENTS

Information required by the Inspector General Act of 1978, as amended, is included in this semiannual report as indicated below.

Section 4(a)(2) —	Review of Legislation and Regulations	Page 27
Section 5(a)(1) —	Significant Problems, Abuses, and Deficiencies	Pages 9-10 Pages 12-15 Pages 20-24
Section 5(a)(2) —	Recommendations with Respect to Significant Problems, Abuses, and Deficiencies	Page 16 Pages 24-25
Section 5(a)(3) —	Recommendations Described in Previous Semiannual Reports on Which Corrective Action Has Not Been Completed	Appendix 7
Section 5(a)(4) —	Matters Referred to Prosecutive Authorities and the Prosecutions and Convictions That Have Resulted	Pages 25-26
Sections 5(a)(5) — and 6(b)(2)	Summary of Instances Where Information Was Refused	
Section 5(a)(6) —	Listing of Audit Reports	Appendix 1
Section 5(a)(7) —	Summary of Significant Audits	Pages 13-15
Section 5(a)(8) —	Status of Management Decisions for Audit Reports Containing Questioned Costs	Appendix 2
Section 5(a)(9) —	Status of Management Decisions for Audit Reports Containing Recommendations That Funds Be Put to Better Use	Appendix 2
Section 5(a)(10) —	Summary of Unresolved Audit Reports Issued Prior to the Beginning of the Reporting Period	Page 16
Section 5(a)(11) —	Significant Revised Management Decisions	**
Section 5(a)(12) —	Significant Management Decisions With Which the Inspector General Disagreed	***

\* There were no instances where information or assistance was unreasonably refused or not provided.

\*\* There were no significant revised management decisions.

\*\*\* There were no significant management decisions with which the Inspector General disagreed.

# ■ HIGHLIGHTS

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

	FOR SEMIANNUAL REPORTING PERIODS ENDING				
	MAR 31, 1993	SEPT 30, 1992	MAR 31, 1992	SEPT 30, 1991	MAR 31, 1991
<b>BUDGET</b> (In Millions of Dollars)	8.7	8.7	8.7	8.7	8.7
<b>STAFFING POSITIONS</b>	143	145	145	147	147
<b>AUDITS</b>					
AUDITS IN PROGRESS					
Carried Forward	41	31	31	42	68
Started	19	37	42	46	29
Postponed or Canceled	(6)	(3)	(4)	(8)	(15)
Completed	(33)	(24)	(38)	(49)	(40)
In Progress At End of Reporting Period	21	41	31	31	42
QUESTIONED COSTS	\$ 17,553,023	\$ 395,626	\$ 21,414,285	\$ 13,209,022	\$ 6,225,240
FUNDS PUT TO BETTER USE	159,479,626	6,487,413	58,157,137	20,066,663	53,586,092
<b>INVESTIGATIONS</b>					
INVESTIGATION CASELOAD					
Carried Forward	231	280	309	314	385
Opened	154	274	197	289	261
Closed	(222)	(313)	(226)	(294)	(332)
In Progress At End of Reporting Period	163	241	280	309	314
ADMINISTRATIVE AND DISCIPLINARY ACTIONS					
Recommended (# of Investigations)	67	72	48	72	81
Actions Taken (# of Subjects)	42	59	50	63	65
INVESTIGATIVE REFERRALS TO FEDERAL AND STATE PROSECUTORS (# of Subjects)					
	33	31	33	60	62
PROSECUTIVE ACTIVITIES (# of Subjects)					
Indictments	0	4	7	3	1
Convictions	6	11	12	8	5
<b>HOTLINE CALLS</b>	131	165	207	197	228

OFFICE OF THE INSPECTOR GENERAL OF THE TENNESSEE VALLEY AUTHORITY

400 WEST SUMMIT HILL DRIVE

KNOXVILLE, TENNESSEE 37902-1499