



OFFICE OF THE INSPECTOR GENERAL



SEMIANNUAL REPORT



APRIL 1, 1993 ~ SEPTEMBER 30, 1993



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 call the OIG Hotline or write the Inspector General's office.

#### OIG 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

October 30, 1993

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

This is our fifteenth semiannual report. During this reporting period, we began reviewing our operations to ensure we are acting in ways consistent with the Report of the National Performance Review --"From Red Tape to Results: Creating a Government that Works Better & Costs Less." We are pleased to report that both TVA and the OIG already are traveling the road to reinvent government.

TVA recently adopted three goals--put employees first, establish environmental leadership, and maintain competitive rates. Our efforts to work with TVA management to achieve these goals include soliciting TVA input for audits and inspections, improving programs and preventing problems, loaning employees to management for specific assignments, and obtaining feedback from customers. The generally positive feedback received this period coupled with a continued decrease in resources shows we are successfully focusing our attention on doing more quality work with less.

This report was intentionally shortened and emphasizes results from our work used by management to improve TVA operations. Based on the continuing strong support of TVA managers, employees, and Congress, I anticipate even better results and more innovation in the future. We will continue to pursue our objective of being a "catalyst for excellence" while justifying the trust and responsibilities placed upon us.

Sincerely,

A handwritten signature in black ink, appearing to read "William L. Hinshaw, II". The signature is written in a cursive style with a long horizontal flourish extending to the right.

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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 September 30, 1993.*

■

Upon reviewing the Report of the National Performance Review (NPR) on reinventing government, we found that many of our activities and TVA's practices are already consistent with the NPR proposals. Our efforts include listening to customers, streamlining operations, empowering employees and giving them the tools to do their jobs, and working collaboratively with management.

■

Our audit activities ranged from reviewing TVA's internal controls in areas such as contractor performance evaluation and insurance administration to auditing contracts and claims. As reflected in the appendices, over \$11.5 million in questioned costs and \$0.6 million in funds which could be put to better use were identified in the 25 audits we completed. Significantly, management agreed with a high percentage of those questioned costs and funds which could be put to better use. Perhaps of longer-term importance, management continues to work with us to improve TVA controls and processes to prevent questioned costs before they occur.

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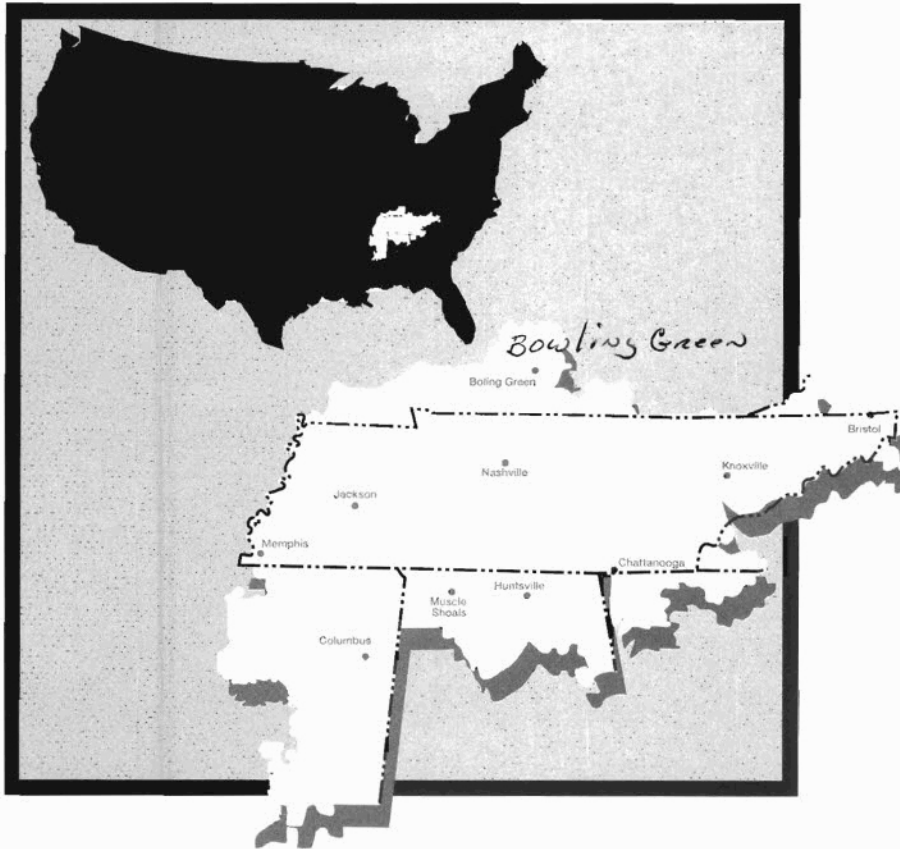
In the Inspections area, we continued our efforts to be responsive to customer requests for focused reviews of limited scope in relatively short time frames. We completed 16 inspections concerning topics such as contract administration controls, selection procedures, personnel security programs, and costs of consultants. We continue to receive positive feedback about our Inspections program, and the number of management requests for inspections is increasing.

■

Investigative activities included becoming involved in protecting archaeological resources, identifying six vendors who were engaged in product substitution by selling rebuilt or surplus valves to TVA, and investigating harassment allegations. The prosecutive results this period were, among others, a Clean Water Act conviction for dumping medical waste into a TVA lake, three workers' compensation indictments, and five convictions for theft.

## ■ TVA PROFILE

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*TVA's 18,988 employees serve an 80,000-square-mile region spanning seven states.*

TVA is an independent federal corporation 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 18,988 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 TVA's other programs

are funded by congressional appropriations and other revenues.

A three-member Board of Directors heads TVA. On July 14, 1993, Craven Crowell and Johnny H. Hayes were sworn in as Directors, joining Director William H. Kennoy.

Crowell is TVA's eleventh Chairman and will serve a nine-year term. Hayes will fill the remaining three years of the Board directorship left vacant following the resignation of former TVA Chairman Marvin Runyon (currently the Postmaster General).

## Office Authority

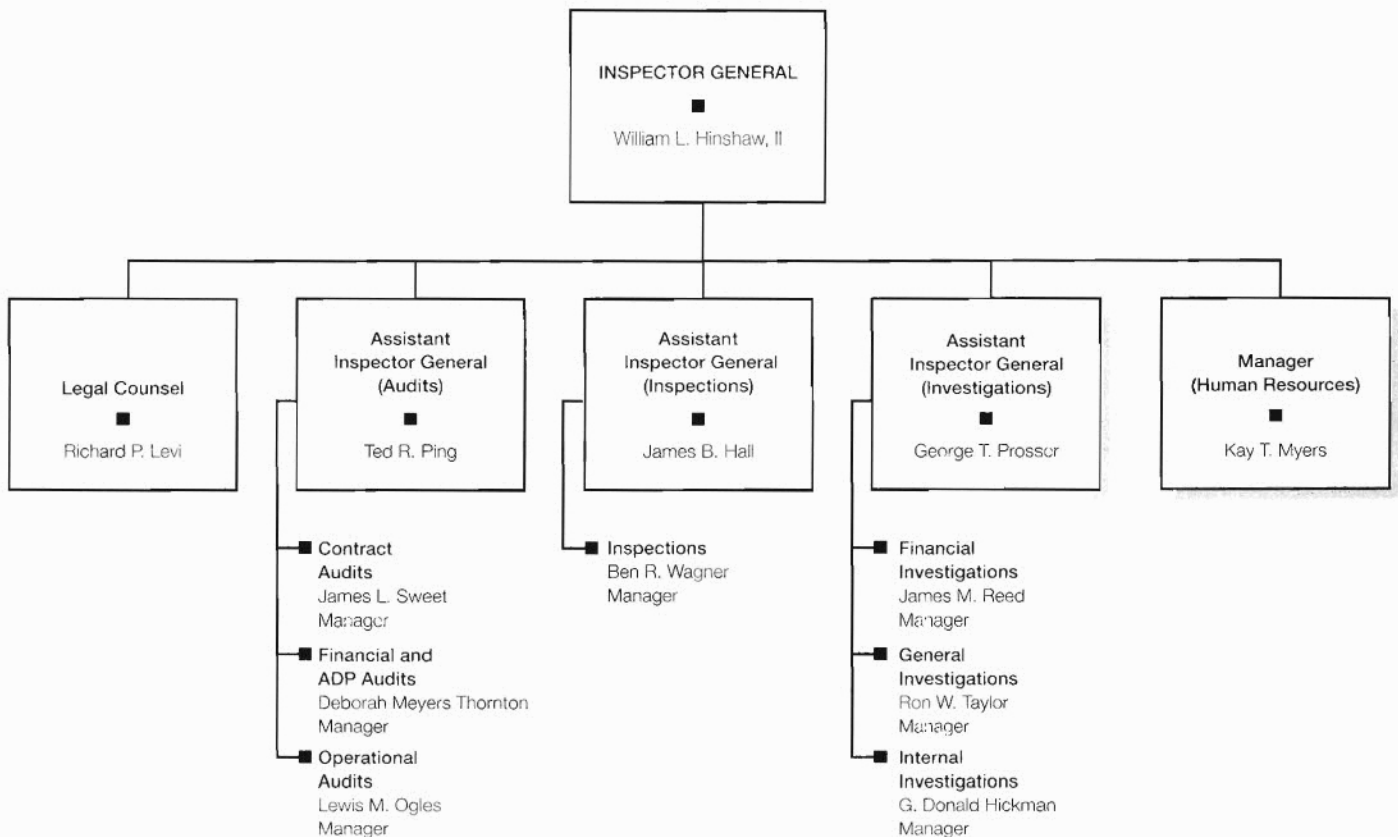
The TVA Board of Directors administratively established the OIG during October 1985. During its initial years of operation, the OIG operated much like its statutory counterparts. When Congress enacted the Inspector General Act Amendments of 1988, TVA's OIG became 1 of 33 new statutory offices whose Inspector General (IG) was appointed by the agency head. TVA's IG is independent and subject only to the general supervision of the Board of Directors.

## Staffing and Budget

The OIG's offices are in the TVA headquarters in Knoxville, Tennessee. The OIG also has investigative satellite offices in Chattanooga and Memphis, Tennessee, and Huntsville, Alabama. The OIG functions through three operational units-Audits, Inspections, and Investigations.

The OIG's fiscal year 1993 budget is about \$8.7 million and includes 143 positions.

### OFFICE OF THE INSPECTOR GENERAL



## The National Performance Review - OIG Initiatives

The NPR – “From Red Tape to Results: Creating a Government that Works Better & Costs Less” – contains a wide-ranging variety of proposals to make the federal government work better. TVA has already undertaken similar initiatives to achieve its strategic objectives. To respond to TVA’s changing environment, the OIG is also conducting activities in ways that are compatible with the NPR’s proposals. Some of the OIG’s ongoing efforts are highlighted below.

### Listening to Customers

- Solicit TVA input to assure our audit and inspection activities are aligned with TVA’s strategic and business plans.
- Obtain questionnaire feedback from Inspections’ customers concerning our performance.
- Set and monitor certain cycle times.

### Streamlining Operations

- Use multi-disciplined teams to promote innovative ways to improve operations.
- Compare OIG business processes and practices with those of other OIGs.
- Continue a net reduction in OIG resources without sacrificing quality.

### Empowering Employees and Giving Them the Tools to Do Their Jobs

- Use employee input to develop work simulations for selecting candidates most likely to succeed in their jobs.
- Enhance productivity through automation, e.g., lap top computers and related training for OIG employees who travel regularly.
- Conduct attitude surveys, peer evaluations, and subordinate appraisals in which employees anonymously rate the performance of their supervisors.

### Working Collaboratively With Management

- Work with TVA managers to rid TVA’s workers’ compensation system of fraud and abuse, resulting in saving TVA millions of dollars and leading to similar efforts at other federal agencies.
- Provide service to management, including preaward audits, litigation support, and personnel support for specific TVA projects.
- Provide quality responses to customers to encourage requests for our services.

*The NPR contains a variety of initiatives to make the government work better and cost less.*



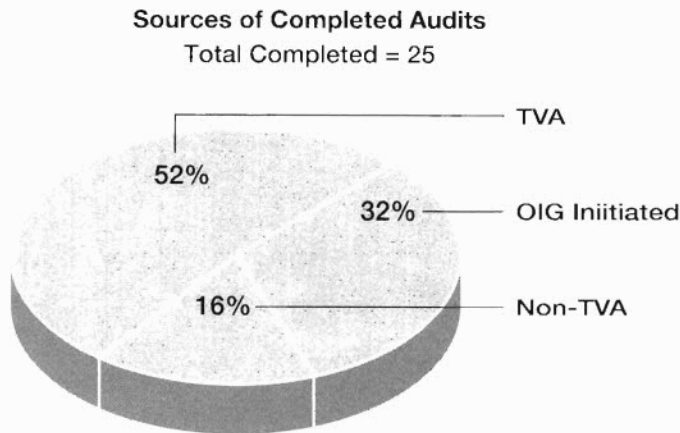
## ■ AUDITS

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*Audits involve extensive or in-depth reviews with convincing support and, as appropriate, recommendations for improving TVA operations.*

We issued 25 audit reports which collectively identified over \$11.5 million in questioned costs and about \$0.6 million in funds which could be put to better use (see Appendix 1).

To assure adequate audit coverage and simultaneously provide timely information to TVA management, we selected the 25 completed audits from various sources as depicted in the chart below.



Audits involve extensive or in-depth reviews with convincing support and, as appropriate, recommendations for improving TVA operations. In addition, they are conducted in accordance with government auditing standards.

We continue to seek ways to perform our audit work more efficiently and effectively, such as:

- Improved presentation of oral and written audit results;
- Specific recommendations to improve TVA operations; and
- Quicker discontinuance of audits when resources can be used to greater advantage on other audits or projects.

## Summary Of Representative Audits

### **Audit Prompts Extensive Improvement in Administering Retirees' Medical Insurance**

At the request of TVA management, we assessed the adequacy of the process for administering the medical insurance plan for retirees and eligible dependents. Enrollment applications and subsequent changes were often incomplete and/or included errors. In accordance with our recommendations, TVA management reported that they made extensive internal process improvements to document procedures and reconcile records. Efforts are ongoing to address automation deficiencies and unreliable information.

**TVA's Contractor Performance Evaluation Process Found to Be "Best In Class"**

We benchmarked TVA's contractor performance evaluation process to that of other utilities and found TVA's process to be one of the "best-in-class." Furthermore, TVA used the performance evaluations to improve contractor performance and to award fees. Most utilities used performance evaluations only as a screening device for future contracting. During our review, we obtained views from TVA officials on potential improvements of the evaluation process and summarized those views for management information and consideration.

**TVA Used Audit Results to Settle Claims of Coal Supplier**

At the request of the Vice President of Fossil Fuels, we audited \$13.7 million of price adjustment claims totaling \$37.2 million by a company that supplied coal to TVA during the period 1977 through 1991. Our audit questioned a total of \$10.2 million consisting of \$6.3 million of the claims audited plus an additional \$3.9 million of payments previously made by TVA. TVA effectively implemented all our recommendations and settled all outstanding claims by paying the company \$4 million.

**State Agencies Implemented Audit Recommendations for Automation Improvements**

We reviewed the use of accounting automation in the state agencies which receive TVA funding through contractual agreements. As recommended, two of these watershed development agencies purchased and implemented accounting software for a relatively small investment. The improvements are expected to:

- Reduce annual audit costs;
- Increase efficiency in performance of accounting functions; and
- Increase the availability of financial information to management.

**TVA Avoided Over \$500,000 Using Preaward Audit**

Our efforts to work with management to avoid unnecessary expenditures included a preaward audit of the labor rates for an engineering contract at Watts Bar Nuclear Plant. We found that TVA could avoid about \$546,000 on the \$7,750,000 Watts Bar contract extension by lowering the rates to reflect the contractor's forecasted 1993 business activity. TVA used our findings in negotiations to avoid the full amount questioned.

*Our audit activities ranged from reviewing TVA's internal controls in areas such as contractor performance evaluation and insurance administration to auditing contracts and claims.*

## ■ INSPECTIONS

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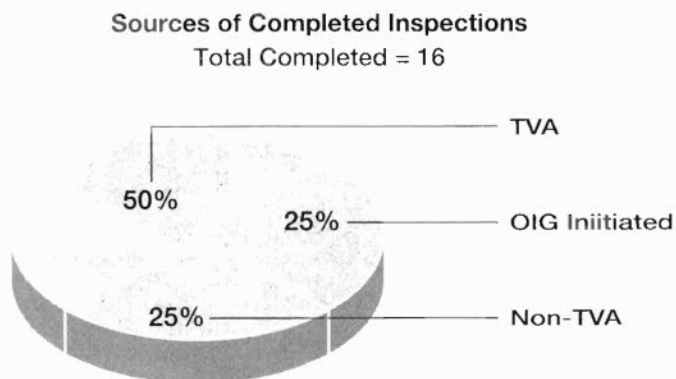
*Through the use of multi-disciplined teams, we reviewed TVA activities to highlight efficient and effective processes and potential areas for improvements.*

As reported last period, we formed an Inspections unit. Our goal is to expand OIG coverage of TVA operations by conducting focused reviews of limited scope in relatively short time frames (30 to 90 days).

This period, we completed work on 16 inspections (see Appendix 3 for listing) and several other special projects. We made oral and written presentations to customers and provided information for improving various management processes and practices. About one-half of these inspections were initiated on the basis of requests from TVA management as shown in the chart below.

Our efforts this period to work cooperatively with TVA management and others to improve operations included providing information on a broad spectrum of subjects, such as:

- Contract administration controls and cost of consultants;
- Selection procedures for a fossil plant training program and representation of women and minorities in contractor workforces;
- Personnel security programs of TVA nuclear contractors and guidelines for unescorted access to nuclear facilities used by TVA and other utilities; and
- Views of Public Safety Officers about plant management, morale, and plant security at TVA fossil plants.



The Inspections unit is in its infancy but has received very positive feedback from customers on the usefulness of its work. After only nine months of operation, we are experiencing an upward trend of TVA management requests for inspections. We plan to continue to monitor the unit's effectiveness and to follow up our inspections to determine how the information we provided was ultimately used to TVA's advantage.

**SPECIAL FEATURE**

**OIG Becomes Involved in Protecting Archaeological Resources**

TVA is the designated caretaker for over one million acres of public lands. TVA archaeologists estimate there are thousands of sites on public lands in the Tennessee Valley region exceedingly rich in archaeological resources. In fact, TVA has a greater density of archaeological sites in the Valley region than all the other federal land management agencies combined.

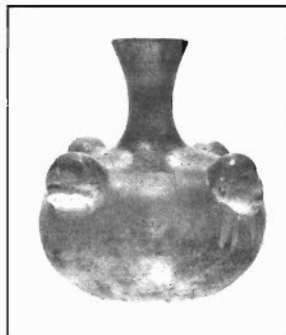
The looting and destruction of archaeological sites has become a major problem. The destruction of these sites is occurring across jurisdictional boundaries of public land administered by various federal land management agencies.

Under the Archaeological Resources Protection Act of 1979 (ARPA), TVA and other federal land management agencies are required to take steps to protect these archaeological resources. To help stop the destruction of archaeological sites, the OIG and TVA have joined a federal interagency task force to investigate violations of ARPA in the southeast area of the United States.

Thus far, we have identified diggers, collectors, and links to commercial dealers in the Valley region who reportedly are purchasing artifacts removed illegally from federal lands. Recently, a TVA Public Safety Service (PSS) officer was caught digging for civil war artifacts on National Park Service land. Subsequently, the officer pled guilty in federal court and was fined \$2,698. PSS management also terminated the officer.

The two artifacts pictured below are from the Mississippian period (1200-1500 A.D.) and were excavated from Tennessee sites. The estimated value of the bottle is \$9,000 and the stone pipe, \$50,000.

*TVA has a greater density of archaeological sites in the Valley region than all the other federal land management agencies combined.*

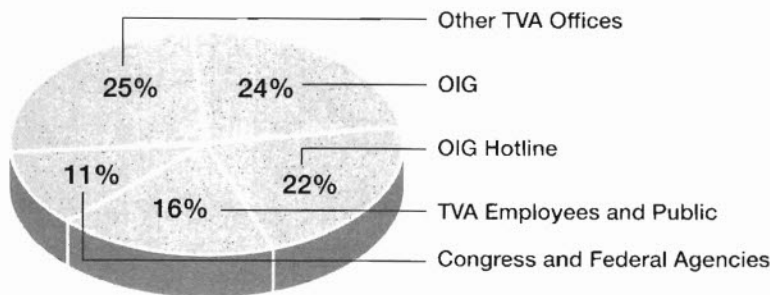


The artifact at left is a painted water bottle with alternating modeled skulls and living heads from a site in Hamilton County, and at right is a stone pipe from a site in Roane County.

Our investigative efforts continue to focus on preventing and identifying fraud, waste, and abuse. This period, we closed 127 cases containing 132 allegations. We substantiated 38 of these allegations or almost 29 percent. The sources of the allegations are shown in the chart below.

**Sources of Allegations**

Total Allegations = 132



### Summary of Representative Investigations

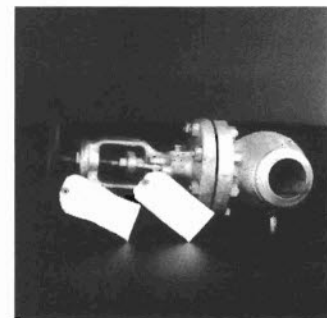
**Bogus Valves Result In Replacement and Conviction**

We completed our investigation of allegations that vendors sold rebuilt or surplus valves as new valves to TVA. The vendors' contracts with TVA required them to supply "new" valves. However, we determined that six TVA vendors engaged in product substitution by selling 416 rebuilt or surplus valves to TVA. These valves cost TVA a total of \$204,199 and, more importantly, can create a potentially unsafe condition.

Examples of substituted valves included the following:

- Rebuilt valves with counterfeit manufacturer tags.
- Used valves painted to conceal wear, rust, corrosion, or lubrication.
- Unused obsolete valves of unknown origin, many over 15 years old.
- Valves bearing welds, remachined surfaces, and "maverick" parts.

To date, one company has replaced over \$55,000 worth of valves, three other companies have agreed to replacement of or credit for the substituted valves, and one company has yet to settle TVA's claim of \$81,000 paid for 144 bogus valves. One individual, a former Knoxville manager for one of the companies, pled guilty in federal court to one count of making false claims against TVA. He was placed on three years' probation, required to make restitution to TVA for more than \$7,000, and fined \$10,000.



A used valve concealing rust and corrosion creates a potentially unsafe condition.

**OIG Assists TVA in Making Employees Feel Free to Raise Concerns**

A nuclear plant senior manager resigned after the OIG found the manager violated TVA regulations concerning harassment. The manager had terminated (and later rehired and demoted) a subordinate who raised a safety concern but did not keep the manager informed about the concern. TVA subsequently settled the U.S. Department of Labor (DOL) complaint.

This case illustrates our practice of investigating allegations filed with DOL under Section 211 of the Energy Reorganization Act. At TVA management's request, we investigate such cases to provide factual and independent information to help ensure employees feel free to raise concerns.

To assist in resolving these cases, we also provide DOL and the Nuclear Regulatory Commission (NRC) access to our files on request. Our actions are consistent with the Memorandum of Understanding we have with the NRC, which recognizes the potentially overlapping statutory responsibilities of the OIG and NRC.

**Investigative Referrals and Prosecutive Results**

We referred 42 matters, including 42 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 Appendix 4.

**Indictments**

A workers' compensation recipient and his wife were indicted by a federal grand jury for (1) making false statements to the Office of Workers' Compensation Programs (OWCP) and the Social Security Administration (SSA) and (2) conspiring to defraud the government.

A former TVA boilermaker was indicted by a federal grand jury for falsely making statements to TVA and OWCP that he had never sustained a back injury or filed a disability claim. We found that he had an extensive history of back-related problems and was receiving total disability benefits. The boilermaker alleged a back injury and filed for benefits after working three weeks for TVA.

*We investigate Section 211 allegations to provide factual and independent information to help TVA provide employees with an atmosphere conducive to raising concerns.*

### Convictions

The former owner of a dental clinic in Georgia pled guilty in federal court to violating the Clean Water Act. The former owner was seen during January 1993 throwing garbage bags full of potentially infectious dental and other medical wastes such as human teeth, bloody gauze, and hypodermic needles, into the Nickajack Lake.

Three individuals pled guilty in federal court to stealing copper wire from a TVA powerline in Todd County, Kentucky. The individuals were sentenced to various terms of probation. In another case, a former PSS officer pled guilty in federal court to stealing copper wire from the Hartsville Nuclear Distribution Center, his work location.

A former nuclear plant materials clerk was sentenced to three years' probation and fined \$1,000 for stealing government property. The employee admitted he stole about \$11,700 worth of government property after a search of a building behind his house revealed various TVA tools and equipment. The employee resigned during our investigation.

A former TVA engineering aide pled guilty in federal court to fraudulently submitting claims for advance travel payments when he did not travel. The former employee forged his supervisor's signature on 30 requests for advance travel payments. He was placed on five years' probation and six months' home detention. In addition, he was ordered to make restitution of \$26,650 to TVA and fined \$2,000. TVA management terminated the employee during our investigation.

## ■ LEGISLATIVE AND REGULATORY REVIEWS

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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 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.

During this reporting period, we considered the impact of various proposed laws and regulations. Our reviews included the following.

- We continued our efforts to seek coverage for TVA under the Program Fraud Civil Remedies Act (PFCRA). We believe 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.

- We reviewed H.R. 1900, the Privacy for Consumers and Workers Act. That bill would impose various limitations and procedural restrictions on electronic monitoring of current, former, and "leased" employees. We have some concerns that the bill, as drafted, could be interpreted as placing certain restrictions on OIG investigations.

- We also reviewed S. 622 and H.R. 2970, which would, for the first time, make federal corporations such as TVA subject to a "prohibited personnel practice" intended to protect "whistleblowers." We agree with the concerns expressed by TVA management regarding whether this legislation is necessary and whether it would reduce the effectiveness and efficiency of TVA's independent personnel system.

*Our review of legislation and regulations concerning their impact on TVA operations and the prevention and detection of fraud, waste, and abuse is an ongoing OIG responsibility.*



## ■ APPENDICES

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**Appendix 1**

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**OIG AUDIT AND SPECIAL REPORTS ISSUED DURING  
THE SIX-MONTH PERIOD ENDING SEPTEMBER 30, 1993**

The following Tables I and II summarize final audit and special reports issued by the OIG from April 1 through September 30, 1993. A special report concerns an inquiry which was more narrowly focused than expected if an audit had been conducted or an audit which was discontinued for more beneficial assignment of resources to other audits or projects.

TABLE I  
AUDIT REPORTS

DATE ISSUED	REPORT NUMBER	REPORT TITLE	QUESTIONED COSTS	UNSUPPORTED COSTS	FUNDS TO BE PUT TO BETTER USE
04/16/93	93-006F	Automation of Accounting Functions at Watershed Agencies			
04/26/93	92-081C	ENSR Consulting and Engineering - Contract TV-83260V	\$ 18,815	\$ 17,962	
05/06/93	93-021C	McCarty, Holsaple, and McCarty Inc. - Preaward			\$ 15,300
05/10/93	93-019C	Bullock, Smith and Partners - Preaward			24,400**
05/18/93	91-012N	Bechtel Corporation - Contract TV-72163A	77,676	1,445	
06/17/93	93-023C	King and Johnson Architects Inc. - Preaward			50,000
06/24/93	93-012P-02	Accounting for Major Construction and Modification Expenditures			
07/02/93	92-066O-01	Blue Cross/Blue Shield Retirees Premium Payments			
07/06/93	93-035C	Stone and Webster Engineering Corporation - Preaward			546,000
07/08/93	92-021C	Digital Engineering, Inc. - Contract TV-83423V	712,476*		
07/08/93	93-028C	Volunteer Supply Company Inc. - Preaward			

Appendix 1

TABLE I  
AUDIT REPORTS

DATE ISSUED	REPORT NUMBER	REPORT TITLE	QUESTIONED COSTS	UNSUPPORTED COSTS	FUNDS TO BE PUT TO BETTER USE
07/08/93	93-034C	Fluor Daniel Engineers and Constructors, Inc. - Insurance Costs			
07/30/93	92-058O	Concern Resolution Program			
08/30/93	93-027P	Alternatives to TVA's Travel Cost Reimbursement System			
08/31/93	92-077O	Gilbert Commonwealth, Inc. - Employee Qualifications			
08/31/93	93-012P-03	TVA's Contractor Assessment Process			
09/14/93	93-020P	Aircraft Management			
09/22/93	92-027F	Bechtel Mileage Cost	\$ 47,194*		
09/22/93	93-016C	Stone and Webster Engineering Corporation - Contract 91NMB-80847D		322	
09/22/93	93-030P	Calculation of Subscriber Co-Payment Liability			
09/27/93	91-074P	R&F Coal Company Contract 77P-42-77 - Claim	10,189,303	\$ 3,489,093	
09/27/93	92-006N	Gilbert Commonwealth, Inc. - Contract TV-72370A	507,791		
09/30/93	92-045F	Peabody Coal Company Price Adjustments*	(41,921)	(41,921)	

\* Credits to contractor exceeded questioned costs.

**Appendix 1**

TABLE I  
AUDIT REPORTS

DATE ISSUED	REPORT NUMBER	REPORT TITLE	QUESTIONED COSTS	UNSUPPORTED COSTS	FUNDS TO BE PUT TO BETTER USE
09/30/93	93-015C	United Engineers and Constructors Inc. - Contract 90P2S-79058B	\$ 3,965		
09/30/93	93-041F	Public Safety Services Vending Machine Operations	949		
TOTAL	25		\$11,516,570*	\$ 3,466,579	\$ 635,700**

TABLE II  
SPECIAL REPORTS

DATE ISSUED	REPORT NUMBER	REPORT TITLE	COMMENTS
04/09/93	93-905C	Shell Synthetics Proposed Contractual Rates	Limited scope review
04/13/93	93-907F	Time and Material On-Site Hardware and Maintenance and Support Services Contract	Limited scope review
05/03/93	93-909F	Case 90-ERA-60	Limited scope review
05/25/93	93-026P	Contracting with Debarred Vendors	Discontinued audit
06/07/93	93-910C	Advanced Integrated Technology	Limited scope review
08/31/93	93-911C	Elevator Services Contracting Process	Limited scope review

\* Questioned costs for unreasonable or unnecessary expenditures are not recoverable for audit reports:

92-021C	\$465,220
92-027F	<u>46,134</u>
	\$511,354

\*\*This figure includes \$24,400 identified in preaward audits of proposals for contracts that were not subsequently awarded.

**OIG'S REPORT ON MANAGEMENT DECISIONS FOR THE SIX-MONTH PERIOD ENDING SEPTEMBER 30, 1993**

The following Tables I and II summarize management decisions made by TVA management on recommendations contained in final audit reports. The tables reflect amounts which were questioned and recommended to be put to better use and track the disposition of these amounts through management decision.

TABLE I  
TOTAL QUESTIONED AND UNSUPPORTED COSTS

AUDIT REPORTS	NUMBER OF REPORTS	QUESTIONED COSTS	UNSUPPORTED COSTS
A. For which no management decision has been made by the commencement of the period	2	\$ 78,669*	\$ 1,067*
B. Which were issued during the reporting period	10	11,516,570	3,466,579
Subtotals (A + B)	12	\$11,595,239	\$ 3,467,646
C. For which a management decision was made during the reporting period	8**	\$10,605,822	\$ 3,467,646
1. Dollar value of disallowed costs	8	\$10,290,825	3,459,423
2. Dollar value of costs not disallowed	4	314,997	8,223
D. For which no management decision has been made by the end of the reporting period	6***	\$ 989,417	\$ 0
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 numbers because of a data entry error in the prior report.

\*\*The total number of reports differs from the sum of C.1 and C.2 when the same reports contain both costs disallowed and not disallowed 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.

TABLE II  
FUNDS TO BE PUT TO BETTER USE

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	8	\$128,168,567* *
B. Which were issued during the reporting period	4	635,700
Subtotals (A + B)	12	\$128,804,267
C. For which a management decision was made during the reporting period	11**	\$128,754,267
1. Dollar value of recommendations that were agreed to by management	10	104,955,005
2. Dollar value of recommendations that were not agreed to by management	5	23,799,262
D. For which no management decision has been made by the end of the reporting period	1	\$ 50,000
E. For which no management decision was made within six months of issuance	0	\$ 0

\* This number differs from the prior report's ending number because of a data entry error in the prior report.

\*\* The total number of reports differs from the sum of C.1 and C.2 when the same reports contain both recommendations agreed to and not agreed to by management.

## Appendix 3

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### OIG'S INSPECTIONS COMPLETED DURING THE SIX-MONTH PERIOD ENDING SEPTEMBER 30, 1993

DATE COMPLETED	REPORT NUMBER	REPORT TITLE
04/14/93	93-504I	Fossil Operations Public Safety Officers
05/06/93	93-506I	TVA's Labor and Services Contract Administration Process
05/17/93	93-507I	Nuclear Contract Personnel Security Procedures
07/09/93	93-513I	Disciplinary Actions
07/15/93	93-516I	Browns Ferry Nuclear Plant Toolroom Controls
07/15/93	93-509I	Environmental Compliance
07/19/93	93-524I	Terminations for Theft
07/29/93	93-514I	Cumberland Fossil Plant Operations and Maintenance Selection Process
08/06/93	93-521I	Adjudication Criteria for Nuclear Utilities Located in Region II
08/19/93	93-532I	Confrontational Situation Tracking
08/24/93	93-518I	TVA's Use of Consultants
09/03/93	93-515I	Minority and Women-Owned Business Goal Setting
09/17/93	93-517I	Contractor Compliance with Equal Employment Opportunity and Affirmative Action Programs
09/17/93	93-538I	TVA Settlements 1988-1993
09/30/93	93-520I	Management Actions in Response to OIG Investi- gative Reports
09/22/93	93-541I	TVA Consulting

**Appendix 4**

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**INVESTIGATIVE REFERRALS AND PROSECUTIVE RESULTS**

INVESTIGATIVE REFERRALS	SUBJECTS	RESULTS THIS PERIOD
Subjects referred to U.S. Attorneys	38	6 Indictments 8 Convictions 15 Declinations
Subjects referred to state or local agencies	0	
Subjects referred to other agencies for investigative or administrative action	4	OWCP declared \$261,132 in overpayments and saved TVA more than \$2.38 million in estimated long- term workers' compensation costs.
<b>TOTAL</b>	<hr/> 42	





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

Craven Crowell  
Chairman, Board of Directors

October 26, 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 recently established three goals--to put employees first, to establish environmental leadership, and to maintain competitive rates. We welcome the Inspector General's efforts in helping us attain these goals.

Sincerely,

A handwritten signature in cursive script that reads "Craven Crowell".

Craven Crowell

Enclosure

**TVA MANAGEMENT'S REPORT ON FINAL ACTIONS FOR THE SIX-MONTH PERIOD ENDING SEPTEMBER 30, 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 contains the explanations by audit report for final actions not taken within one year of the management decision dates.

TABLE I  
DISALLOWED COSTS

AUDIT REPORTS	NUMBER OF MANAGEMENT	AMOUNTS AGREED BY REPORTS (Thousands)
A. For which final action by management had not been taken by 3/31/93	10	\$ 2,472
B. On which management decisions were made from 4/1/93 through 9/30/93	8	10,291
Subtotal (A + B)	18	\$12,763
C. For which final action was taken by management from 4/1/93 through 9/30/93		
1. Amounts that were recovered by management	8*	10,673
2. Amounts that were not recovered by management	3*	149
D. For which management has taken no final action by 9/30/93	8*	\$ 1,941

\* 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

AUDIT REPORTS	NUMBER OF MANAGEMENT	AMOUNTS AGREED BY REPORTS (Thousands)
A. For which final action by management had not been taken by 3/31/93	2	\$ 18,367
B. On which management decisions were made from 4/1/93 through 9/30/93	11	104,955
Subtotal (A + B)	<u>13</u>	<u>\$123,322</u>
C. For which final action was taken by management from 4/1/93 through 9/30/93		
1. Dollar value of recommendations implemented by management	10	120,833
2. Dollar value of recommendations that management decided should not or could not be implemented	3	2,489
D. For which management has taken no final action by 9/30/93	0	\$ 0

TABLE III  
EXPLANATIONS FOR FINAL ACTIONS NOT TAKEN

AUDIT REPORT NUMBER	DATE ISSUED	DISALLOWED COSTS (Thousands)	FUNDS PUT TO BETTER USE (Thousands)	EXPLANATION FINAL ACTION NOT TAKEN
Tennessee Elk River Development Agency 89-065G	3/21/91	N/A	N/A	Audit resolution pending a change of contract.
Polychlorinated Biphenyls 90-023P ✓	2/28/91	N/A	N/A	Actions taken to date have addressed many of the audit issues. Final resolution expected prior to April 1994.
Technology Brokering Program 91-076G	3/31/92	N/A	N/A	TVA is currently evaluating whether or not to continue this program.
Chargeback of Workers' Compensation 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.
Degree Tuition Reimbursement Program 91-073P	6/15/92	N/A	N/A	Policy revision should close all outstanding audit issues. Implementation pending discussion of new policy with labor unions.

N/A - Not Applicable

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

## Appendix 6

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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 15
Section 5(a)(1) — Significant Problems, Abuses, and Deficiencies	Pages 8-13
Section 5(a)(2) — Recommendations With Respect to Significant Problems, Abuses, and Deficiencies	Pages 8-13
Section 5(a)(3) — Recommendations Described in Previous Semiannual Reports on Which Corrective Action Has Not Been Completed	Appendix 5
Section 5(a)(4) — Matters Referred to Prosecutive Authorities and the Prosecutions and Convictions That Have Resulted	Pages 11, 13, and 14 Appendix 4
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 Particularly Significant Audits	Pages 8-9
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	**
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 unresolved audit reports.

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

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

## ■ HIGHLIGHTS

	FOR SEMIANNUAL REPORTING PERIODS ENDING				
	SEPT 30, 1993	MAR 31, 1993	SEPT 30, 1992	MAR 31, 1992	SEPT 30, 1991
<b>BUDGET</b> (Millions)	\$ 8.7	\$ 8.7	\$ 8.7	\$ 8.7	\$ 8.7
<b>STAFFING POSITIONS</b>	143	143	145	145	147
<b>AUDITS</b>					
AUDITS IN PROGRESS					
Carried Forward	21	41	31	31	42
Started	34	19	37	42	46
Canceled	(3)	(6)	(3)	(4)	(8)
Completed	(25)	(33)	(24)	(38)	(49)
In Progress	27	21	41	31	31
AUDIT RESULTS (Thousands)					
Questioned Costs	\$ 11,517	\$ 17,543	\$ 396	\$21,414	\$14,186
Disallowed by TVA	10,291	9,586	1,204	2,491	9,652
Recovered by TVA	10,673	9,794	170	1,179	2,395
Funds to Be Put to Better Use	\$ 636	\$140,788	\$ 6,487	\$58,157	\$19,090
Agreed to by TVA	\$104,955	17,854	1,715	56,090	10,555
Realized by TVA	120,833	927	1,365	54,748	32,320
<b>INVESTIGATIONS</b>					
INVESTIGATIONS IN PROGRESS					
Carried Forward	163	231	280	309	314
Opened	99	154	274	197	289
Closed	(127)	(222)	(313)	(226)	(294)
In Progress	135	163	241	280	309
ADMINISTRATIVE AND DISCIPLINARY ACTIONS					
Recommended (# of Cases)	35	67	72	48	72
Actions Taken (# of Subjects)	44	42	59	50	63
INVESTIGATIVE REFERRALS TO FEDERAL AND STATE PROSECUTORS (# of Subjects)					
	38	33	31	33	60
PROSECUTIVE ACTIVITIES (# of Subjects)					
Indictments	6	0	4	7	3
Convictions	8	6	11	12	8
<b>HOTLINE CALLS</b>	178	131	165	207	197

OFFICE OF THE INSPECTOR GENERAL OF THE TENNESSEE VALLEY AUTHORITY

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