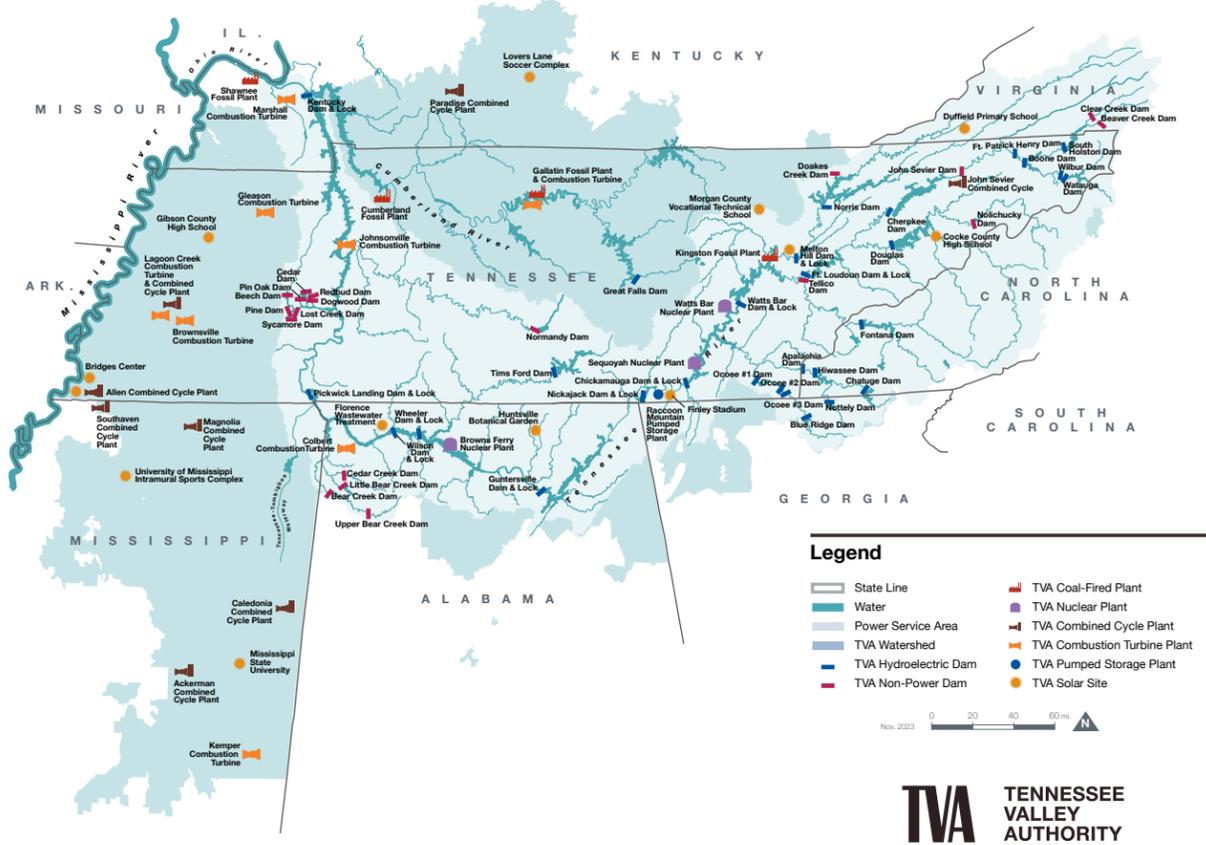


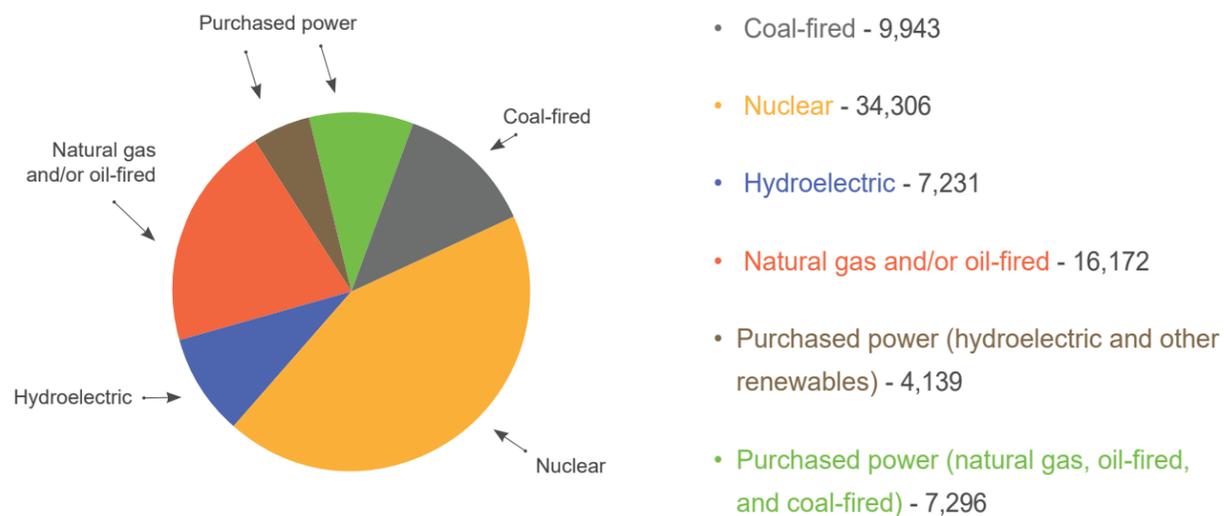


Office of the Inspector General  
**TENNESSEE VALLEY AUTHORITY**  
Semiannual Report  
October 1, 2023 - March 31, 2024

# TVA Locations



**Total Power Supply by Generating Source  
Six Months Ended March 31, 2024<sup>(1) (2)</sup>**  
(in millions of kilowatt hours)



<sup>1</sup> For additional detail, see TVA's 10-Q for the period ended March 31, 2024.

<sup>2</sup> Generation from TVA-owned renewable resources (nonhydroelectric) is less than one percent for the period shown and therefore is not represented in the chart above. Purchased power contains the majority of TVA's nonhydroelectric renewable energy supply.

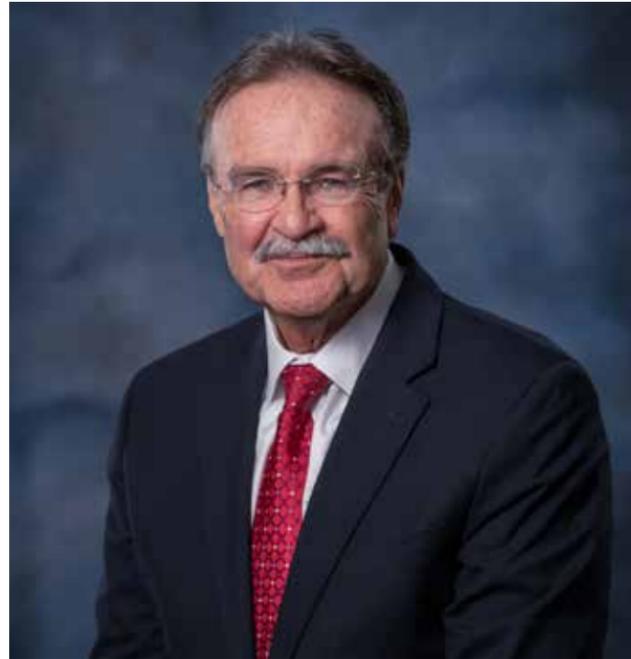
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# MESSAGE FROM THE INSPECTOR GENERAL

I am pleased to present our report for the period October 1, 2023, to March 31, 2024. Serving in our oversight role, the Office of the Inspector General (OIG) continues to identify risks to operations, ways to save or recover money, make recommendations to improve operations, and prevent and detect fraud, waste, and abuse. In this semiannual period, our audit, evaluation, and investigative activities identified more than \$13 million in questioned costs; recoveries, fees, and fines; waste/other monetary loss; and opportunities for Tennessee Valley Authority (TVA) to improve its programs and operations. Below are highlights of our work this period.

- Five contract compliance audits identified potential overbillings of \$2.1 million.
- An audit of TVA's Pandemic Relief Credit determined better controls were needed to ensure the Time of Use portion of the credit was passed to local power company customers.
- An audit of early payment discounts on vendor invoices found TVA was not receiving all available discounts.
- An evaluation of TVA's compliance with Section 26a of the TVA Act regarding management of obstructions affecting the Tennessee River system found TVA's oversight is not adequate to ensure the Section 26a permit process is effective.
- An evaluation of TVA's preemployment investigation and onboarding processes found TVA was not always performing preemployment suitability and onboarding steps in a timely manner.



- An evaluation of TVA's Radiological Respiratory Protection Program found selected respiratory requirements we reviewed were being performed as required at TVA's nuclear plants.
- Our investigative results include six indictments/informations, two convictions, a pretrial diversion, and recoveries to TVA or other entities totaling about \$200,000.

Since its beginning in 1933, TVA has relied on its ability to build significant generation assets to electrify the Tennessee Valley. Today, TVA is facing many challenges to meet growing electricity demand while balancing reliability and low rates. In the next 4 years, TVA is expected to spend at least \$18 billion to build generation and upgrade transmission assets, making this the next large construction period in TVA history. Learn more about these evolving challenges in our Emerging Risk Brief.



Our audit and evaluation teams are organized around key risk areas in TVA, including contracts, cybersecurity, financial, and operational. As TVA is evolving to meet challenges now and in the future, we too are evolving to provide additional oversight and insight of these evolving risk areas. In October, we realigned one of our evaluations groups to focus on TVA major capital project management. This allows us to provide more direct focus on TVA's capital project management processes and the planned \$18 billion spend.

I am proud of the work our office has completed in this semiannual period and grateful for our team's commitment to do work that can help make TVA better.

A handwritten signature in black ink that reads "Ben R. Wagner". The signature is fluid and cursive.

**Ben R. Wagner**  
Inspector General

# EMERGING RISK BRIEF

*TVA has a deep and rich history of building power generating assets to electrify the Tennessee Valley. At its inception, river systems were harnessed and electricity was provided by TVA built dams. As industry and populations grew, TVA kept pace with the increasing power demands with massive construction programs, including the building of 11 coal-fired power plants during the 1950s and 1960s and six nuclear power units in the 1970s and 1980s. TVA's ability to provide low-cost electricity while facing changing circumstances and expectations with an increasingly diverse portfolio has served the people of the Valley well for the past 90 years.*

TVA is entering another period of major construction of new generating assets and upgrades to its transmission system. Today, there are several converging factors that will challenge TVA once again in its mission to provide low-cost, reliable electricity. Looking ahead over the next 20 years, TVA is facing:

- **The need to significantly increase its generation capacity to meet future demand.** The increasing demand is partly due to a large influx of new people and industry to the Valley. The Tennessee Valley population is growing at a rate faster than the national average. Additionally, during the past five years, the Valley has seen over \$45 billion in capital investment in new and expanding businesses in TVA's seven-state service area. With forecasts showing growth continuing, it is projected that the TVA system may need to double by 2050, which is roughly the equivalent of 32 new nuclear units or 128 small modular reactors.
- **A transmission system that needs significant upgrades.** TVA's current transmission system must be updated to decrease congestion and increase capacity to handle the growing demand and changing generation portfolio. TVA is not unlike other utilities facing this challenge. According to United States (U.S.) Department of Energy, "Much of the U.S. electric grid was built in the 1960s and 1970s. While the system has been improved with automation and some emerging technologies, our aging infrastructure is struggling to meet our modern electricity needs, such as renewable energy sources and growing building and transportation electrification." TVA is planning to spend \$3 billion in transmission upgrades through 2028.

- **Increased environmental regulations to reduce carbon emissions.** In response to increased environmental regulations, TVA is on a path to close all of its coal-fired power plants by 2035. While there is a significant push to replace the coal-fired power plants with clean generation sources, limitations with solar and wind generation technology have resulted in TVA investing in additional gas generation while increasing its portfolio of renewable sources rather than replacing with all renewable energy. Additional environmental regulations are expected that will require costly modifications to and reduced output from the gas generation fleet to capture carbon.
- **Increasing competition for resources to support capital projects.** The TVA Board of Directors (Board) has approved \$18 billion for new generation assets and upgrades to the transmission system over the next four years. Significant additional investment will be needed over the next 20 years if projections of the need to double the TVA system hold true. Talent, vendors, and materials needed to build new generation and upgrade transmission systems are already in short supply, and the competition for these resources is only expected to increase. The result could be higher costs, longer build schedules, and a less experienced workforce to bring new generation online.

Blue Ridge Dam

- **Increasing financial pressures.** To fund new generation and transmission upgrades, TVA primarily obtains its funds through the issuance of debt and revenue from electricity sales. Currently, TVA has about \$10 billion remaining under its Congressional mandated \$30 billion debt limit. While TVA's planned \$18 billion of investment for new generation and transmission upgrades should meet the short-term needs through 2028, demand projections suggest there will be significantly more investment needed beyond 2028. TVA will need some combination of an acceptable debt limit by Congress, rate changes, and/or alternative ways to finance future builds.

As these converging factors come together—building new generation capacity, upgrading transmission systems, complying with increasing environmental regulations, competing for needed resources, and increasing financial pressures—TVA's ability to plan for and manage these challenges will determine how well TVA is able to deliver low-cost, reliable power in the future.



# NOTEWORTHY EVENT

The Council of the Inspectors General on Integrity and Efficiency (CIGIE) was established to address integrity, economy, and effectiveness issues that transcend individual government agencies and aid in the establishment of a professional, well-trained, and highly skilled workforce across the 73 Offices of Inspectors General.

To recognize the impactful work of federal Inspectors General, CIGIE conducts an annual awards process where individual OIGs submit nominations for outstanding work performed. TVA OIG received a CIGIE Award of Excellence during a ceremony conducted at the Ronald Reagan Building in Washington, D.C., on December 7, 2023. Our Evaluations team member Chris Sheets was recognized for his Respiratory Protection Program (RPP) evaluation.

Due to the risk of employee exposure to toxic vapors, gases, dust, or oxygen deficiency, we performed an evaluation of TVA's RPP at nonnuclear facilities. The objective of this evaluation was to determine if selected respiratory protection procedures were being performed at nonnuclear facilities. We found numerous deficiencies in

the program. These findings are significant because TVA's respiratory protection procedures were designed to both comply with Occupational Safety and Health Administration requirements and defend employees from exposure to toxic vapors, gases, dust, or oxygen deficiency. Our recommendations provided insight to TVA on areas to improve so that employees are not exposed to hazardous conditions or placed in working environments for which they are not adequately protected. Our recommendations also addressed the potential for employees performing job duties that require respiratory protection without meeting current fitness standards.

"I am very proud of the impactful work performed by our office. We are committed to providing independent, objective, and fact-based oversight of TVA. This project recognized by CIGIE is a demonstration of our constant focus to detect and prevent fraud, waste, and abuse; and promote economy, effectiveness, and efficiency for TVA. This is our mission of service to the 10 million people of the Tennessee Valley," stated Ben Wagner, Inspector General.

## CHRIS SHEETS

TENNESSEE VALLEY AUTHORITY  
OFFICE OF THE INSPECTOR GENERAL

### Respiratory Protection Program Evaluation

In recognition of the auditor's significant achievement in identifying noncompliant respirator requirements and delinquencies in medical evaluations.



# EXECUTIVE OVERVIEW

*As TVA embarks on building new generation assets to handle the projected short- and long-term electricity demand, it is critical they approach these capital projects with efficiency and effectiveness. While TVA has a long history of working with partners to construct generation assets, completing these capital projects on-time and on-budget will be critical to reliably meeting electricity demand and being good stewards of the ratepayers funds. Our office has adjusted to fall in step with TVA's intensified focus on capital projects to offer value-add insights as they navigate this next era of asset expansion.*



## AUDITS

Our audit organization includes three departments that focus on contract audits, financial and operational audits, and information technology (IT) audits. During this reporting period, these teams completed nine audits that identified more than \$2.9 million in questioned costs.

Our audits included five compliance audits of contracts with expenditures totaling \$187 million related to (1) steam generator replacement services; (2) pharmacy benefits management services; (3) optical ground wire and hardware accessories; (4) vegetation management, initial clearing, and maintenance of TVA transmission

line rights-of-way; and (5) industrial cleaning services. Additionally, we completed audits of TVA's pandemic recovery credit, continuity of operations plans, a follow-up audit of TVA's early payment discounts on vendor invoices, and applied agreed-upon procedures related to TVA's 2023 Winning Performance/Executive Annual Incentive Plan (WP) measures.

In addition to our audit work, we monitored the audit of TVA's Fiscal Year (FY) 2023 financial statements by an external auditor.

The Audits section begins on page 20 of this report.



Watauga Lake

## EVALUATIONS

Our Evaluations organization includes two groups, one of which focuses on TVA operations and one on project management processes. During this reporting period, our teams completed five evaluations that identified more than \$9.7 million in questioned costs. These included evaluations of Section 26a permit management, health and safety committees, preemployment investigation and onboarding processes, radiological respiratory protection, and an Organizational Effectiveness evaluation of Technology and Innovation’s Technology Portfolio Management business unit. The Evaluations section begins on page 26 of this report.

## INVESTIGATIONS

During this reporting period, we opened 58 cases and closed 61. Our investigations have resulted in six informations/indictments, two convictions, a pretrial diversion, and recoveries to TVA or other entities. The Investigations section begins on page 30 of this report.

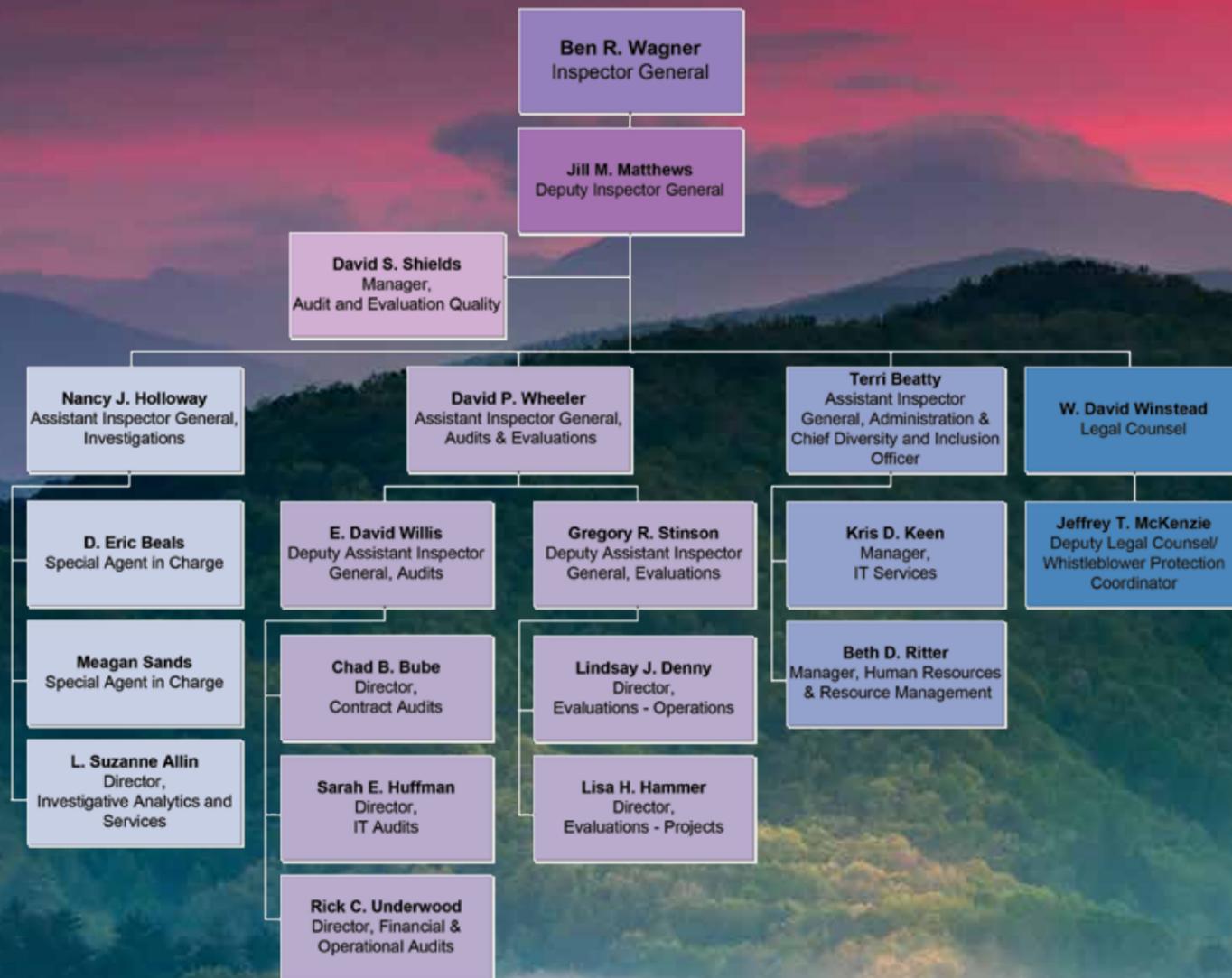
### STATISTICAL HIGHLIGHTS

*October 1, 2023 – March 31, 2024*

Audit Reports Issued	9
Evaluations Completed	5
Questioned Costs	\$12,652,809
Questioned Costs Agreed to by TVA	\$12,652,809
Questioned Costs Recovered by TVA	\$516,806
Funds to be Put to Better Use	\$0
Savings Realized by TVA	\$54,290,000
Investigations Opened	58
Investigations Closed	61
Recoveries/Fines/Fees	\$193,060
Projected Savings	\$331,970
Waste/Other Monetary Loss	\$212,728
Criminal Forfeiture Ordered	0
Civil Forfeiture Ordered	0
Criminal Actions	9
Administrative Actions (Number of Subjects)	2

# ORGANIZATION

Since 1985, the OIG has worked to help TVA become better. Through our audits, evaluations, and investigations, we provide TVA management, the TVA Board, and Congress with an independent look at the economy, efficiency, and effectiveness of TVA programs and help prevent and detect fraud, waste, and abuse. Over the years, the OIG has helped TVA save or recover millions of dollars and recommended numerous program improvements. We credit our success to the efforts of our hardworking and talented staff and the professional responsiveness of TVA management to our recommendations.



## TVA OIG OFFICE LOCATIONS

The OIG has a work philosophy of being in the right place at the right time to do the best work possible. We support that philosophy by encouraging our OIG employees to work where they can be most effective whether that is in one of our physical offices, in the field, or in one of our virtual offices that enable our employees to telework from home or while traveling.

The OIG has strategically located its offices within the Tennessee Valley. We are headquartered in TVA's Knoxville Office Complex overlooking the downtown area. The OIG has field offices in Chattanooga, Tennessee, where members of Evaluations-Operations, Evaluations-Projects, and Financial and Operational Audits departments and several special agents are located. Special agents are also located in Nashville, Tennessee, and Huntsville, Alabama. Additionally, we have office locations at Watts Bar Nuclear Plant in Spring City, Tennessee, and Sequoyah Nuclear Plant in Soddy Daisy, Tennessee. Staff work in these locations as needed. As of March 31, 2024, the OIG had a total staff of 100 employees.

## ADMINISTRATION

**The Administration team** works closely with the Inspector General (IG), Deputy IG, and Assistant IGs to support the day-to-day operations of the OIG and to develop policies and procedures designed to drive and enhance productivity, quality, and compliance, all of which help achieve office goals. Responsibilities include personnel administration, budget and financial management, purchasing and contract services, facilities coordination, training-event coordination, strategic planning, communications facilitation, and IT support.

## AUDITS AND EVALUATIONS

**The Audits and Evaluations teams** perform a wide variety of engagements designed to promote positive change and provide assurance to TVA stakeholders. Based upon the results of these engagements, the Audits and Evaluations organizations make recommendations to enhance the effectiveness and efficiency of TVA programs and operations.

The organizations use an impact- and risk-based approach to develop an annual work plan. In developing the plan, the OIG considers TVA's strategic plans, major management challenges, TVA's enterprise risk management process, and other input from TVA management. This planning model also evaluates each potential engagement from the standpoint of materiality (i.e., costs or value of assets), potential impact, sensitivity (including public and congressional interest), and the likelihood it will result in recommendations for cost savings, recovery of dollars, or process improvements. The result of the OIG Audits and Evaluations planning process is a focus on the issues of highest impact and risk to TVA.

These issues vary depending on the objectives of the project. The graphic on page 18 shows some representative examples of issues our audit and evaluation projects are commonly designed to identify.

## TYPES OF AUDIT & EVALUATION ISSUES



**The Audits team** conducts performance audits of TVA programs and operations, providing insight into TVA's overall fiscal and operational health. The organization is made up of three departments—Contract Audits, Financial and Operational Audits, and IT Audits. The Audits organization performs its work in accordance with *Government Auditing Standards*.

- Contract Audits has lead responsibility for contract compliance audits and preaward examinations. In addition, this department performs audits of TVA contracting processes.
- Financial and Operational Audits is responsible for performing audit work mandated by legislation, agreed-upon procedures, as well as risk-based audits associated with TVA financial and operational activities. The work stems largely from mandated activities, review of TVA's business-risk environment, consideration of emerging issues, and requests. This department also provides oversight of the TVA external auditor's compliance with professional standards.

- IT Audits has lead responsibility for audits relating to the security of TVA's IT infrastructure, application controls, and general controls associated with TVA systems. This department also performs operational audits of the effectiveness of IT-related functions.

**The Evaluations team** assesses both operational and management oversight of projects across TVA to ensure objectives and operational functions are achieved effectively and efficiently. This organization is made up of two departments—one focusing on TVA operations and one on project management and oversight. This organization performs its work in accordance with *Quality Standards for Inspection and Evaluation* as prescribed by the CIGIE.

- Evaluations-Operations performs both comprehensive reviews and more limited-scope policy and program reviews to monitor compliance and assess the efficiency and effectiveness of operations.
- Evaluation-Projects performs risk-based evaluations focusing on the effectiveness and efficiency of planning and project management.

## INVESTIGATIONS

**The Investigations team** focuses on proactive and reactive efforts to uncover fraud, waste, and abuse in TVA programs and operations. This organization performs its investigations in accordance with the *Quality Standards for Investigations* as prescribed by CIGIE, applicable U.S. Attorney General Guidelines, and other guiding documents. OIG special agents maintain liaisons with federal and state prosecutors and notify the U.S. Department of Justice whenever the OIG has reason to believe there has been a violation of federal criminal law. Special agents partner with other investigative agencies and organizations on special projects and assignments, including interagency law enforcement task forces on terrorism, the environment, health care, and public corruption. The graphic below shows the major categories of investigations.

## LEGAL

**The OIG Legal Counsel team** monitors existing and proposed legislation and regulations that relate to the mandate, operations, and programs of the OIG and TVA. Additionally, this team provides legal advice as needed for administrative, audit, evaluation, and investigative projects. OIG attorneys serve as ethics officials, providing OIG employees guidance on government ethics and standards of conduct. The TVA Whistleblower Protection Coordinator is also a part of this team and provides information regarding the statutory protections against retaliation for all TVA employees.

## MAJOR CATEGORIES OF INVESTIGATIONS



# SUMMARY OF REPRESENTATIVE AUDITS

During this semiannual reporting period, the TVA OIG audit organization completed nine audits. This work identified more than \$2.9 million in questioned costs for TVA to recover. We also identified several opportunities for TVA to improve the effectiveness and efficiency of its programs and operations.

## CONTRACT AUDITS

During this semiannual period, we completed five compliance audits of contracts with expenditures totaling \$187 million. These audits identified potential overbillings of \$2.1 million. Highlights of our completed compliance audits follow.

- We audited \$29.2 million in craft labor costs and \$23 million in project closeout fees billed by a contractor for providing steam generator replacement services. In summary, we determined the project closeout fee was billed in accordance with the contract terms. However, we determined the contractor overbilled TVA \$386,227 in craft labor costs, including (1) \$361,467 in ineligible workers' compensation insurance costs, (2) \$20,635 in ineligible craft incentive bonus costs, and (3) \$4,125 in unsupported craft labor costs. TVA management agreed with our findings and subsequently recovered the \$386,227 in overbilled costs.
- We audited \$95.8 million in costs billed by a contractor for pharmacy benefits management services. The services included (1) claims processing and administration services in accordance with TVA's plan design, (2) access to a broad, nationwide pharmacy network for eligible plan participants, and (3) network administration, formulary management, utilization management, and customer support services. In summary, we determined:
  - The contractor overbilled TVA \$1,291,051 in maintenance medication refill claims that were in excess of the contract's three 30-day supply refill limits for maintenance medications.
  - The contractor billed TVA \$20,078 in duplicate claim costs.

We recommended TVA management take action to (1) recover \$1,311,129 in unallowable and duplicate claim costs and (2) verify the contractor has controls in place to prevent excessive 30-day supply refills. TVA management concurred there was room for improvement in the manner in which claims are adjudicated and stated they would take action to achieve our recommendations.

- We audited \$29.5 million in costs billed by a contractor under two contracts for optical ground wire and hardware accessories. In summary, we determined:
  - The contractor did not provide credits totaling \$307,320 for returned steel reels. Additionally, TVA did not have a process in place to track and provide oversight of steel reel returns.
  - The contractor overbilled TVA \$72,025, including (1) \$43,903 because the contractor did not always use the most cost-effective unit rate available and (2) \$28,122 because the contractor sometimes used unit rates that were in excess of the contracts' pricing schedules.

In addition, due to the contracts' similar scopes of work, we compared the contracts' terms and pricing schedules for consistency and noted several opportunities to improve the contract language and the administration of the contracts. Specifically, the contracts (1) lacked detailed language to differentiate the scopes of work between the two contracts and (2) contained inconsistent pricing schedules.

TVA management agreed with our recommendations to (1) recover \$379,345 in overbilled costs and (2) review discrepancies between the two contracts and adjust the contract language and rates accordingly.

- We audited \$16.5 million in costs billed by a contractor for providing vegetation management, initial clearing, and maintenance of TVA transmission line rights-of-way. In summary, we determined the costs billed by the contractor generally complied with the contract, except for \$3,853 in overbilled labor costs due to ineligible premium overtime pay. TVA management agreed with our finding and subsequently recovered the \$3,853 in overbilled costs.

- We audited \$16 million in costs billed by a contractor for industrial cleaning services provided under two contracts. In summary, we determined the contractor overbilled TVA \$21,157 in travel costs, including (1) \$14,033 for ineligible daily commuting costs and (2) \$7,124 in unsupported per diem costs. In addition, we identified opportunities to improve contract administration by TVA. Specifically, we found:

- Pricing schedules for one of the contracts were missing and could not be provided by TVA. As a result, we were unable to determine whether \$12.97 million in labor, equipment, and travel costs billed to TVA were in compliance with the contract's pricing schedules or TVA's Project Maintenance and Modification Agreement.
- TVA could have saved an estimated \$12,082 in fuel surcharges by stipulating the use of a fuel adjustment index more closely aligned with TVA's service region.
- Both contracts contained contradictory compensation terms and may not have conveyed the parties' intent regarding travel and temporary living allowance reimbursements.
- Invoice packages submitted to TVA for approval did not contain all of the required supporting documentation or match the costs billed.

TVA management generally agreed with the findings and stated they would take action to address our recommendations to (1) recover overbilled amounts, (2) ensure proper contract documentation is maintained, (3) revise contract terms where needed, and (4) reinforce the importance of reviewing invoices and supporting documentation prior to approving invoices for payment.

## FINANCIAL AND OPERATIONAL AUDITS

During this semiannual period, Financial and Operational Audits completed audits of TVA's pandemic recovery credit, continuity of operations plans, and a follow-up audit of TVA's early payment discounts on vendor invoices. In addition to our audit work, we monitored the audit of TVA's FY 2023 financial statements by an external auditor and applied agreed-upon procedures related to TVA's 2023 WP measures.

### Pandemic Recovery Credit

On August 20, 2020, in response to the coronavirus (COVID-19) pandemic, TVA created the Pandemic Relief Credit (PRC) to provide a measure of relief to local power companies (LPCs), industries, businesses, and people of TVA's seven-state service region. Relief was provided in the form of a 2.5 percent credit to LPCs and directly served customers' demand and nonfuel energy charges. In August 2021, TVA extended the 2.5 percent credit through FY 2022. TVA subsequently extended the 2.5 percent credit through FY 2023. Through July 2023, TVA had issued about \$630 million in PRCs.

We performed an audit of the PRC due to the amount of credits issued to LPCs and issues identified in a previous audit of pandemic-era credits.<sup>1</sup> Our audit objective was to determine if adequate controls were in place to ensure the PRCs were calculated and utilized in accordance with TVA Board approval. Our audit scope was the \$449,227,369 of credits issued under the PRC for the period October 2020 through September 2022.

We determined some controls were adequate to ensure PRCs were calculated and utilized in accordance with TVA Board approval. Specifically, controls were adequate to ensure (1) PRCs were calculated accurately and (2) LPCs that elected to pass the standard service portion of the credit to their customers did so in a nondiscriminatory manner. However, we determined the control in place to ensure the Time of Use (TOU) portion of the credit that was passed to LPC customers was inadequate. Specifically, the control for testing whether the LPC was passing the credit to the TOU customers was to ask LPC personnel if the credit was passed on to the customers. Due to the inadequacy of the control, TVA was not aware that one of the 25 LPCs we tested had not passed the majority of the credits to their end-use TOU customers totaling about \$420,000.

In addition, since the standard service portion of the credit did not have to be passed on to LPC customers, the cash positions of LPCs could be increased by the PRC. We determined 44 LPCs had surplus cash in excess of the TVA Board's previously established 33 percent cash ratio threshold and noted 36 of these had not passed the standard service portion of the credit on to their end-use customers.

We made three recommendations to TVA management related to ensuring TOU customers receive the proper credits and identifying and working with LPCs with excess surplus cash. TVA management provided ongoing and planned actions related to (1) ensuring TOU customers receive the proper credits and (2) reviewing how TVA evaluates cash ratios and what appropriate oversight is required to align with TVA's regulatory objectives.

## Continuity of Operations Plans

Continuity of operations (COOP) is an effort within the executive office of the President of the United States and individual federal executive departments and agencies to ensure that mission essential functions continue to be performed during disruption of normal operations. Mission essential functions are a limited set of agency-level functions that are directly related to accomplishing the mission of the organization and must be continued throughout, or resumed rapidly after, a disruption of normal activities.

We audited TVA's COOP plan due to the operational risks that could result from noncompliance with federal continuity guidance and/or inadequate COOP plan implementation. Our audit objective was to determine if TVA's COOP plan complies with applicable laws, regulations, and executive orders and has been adequately implemented. Our audit scope included the TVA COOP plans and applicable laws, regulations, and executive orders implemented as of December 31, 2022.

<sup>1</sup> Audit 2022-17346, Back to Business Credit Program, September 14, 2022.

We determined TVA's COOP plan generally complies with applicable laws, regulations, and executive orders and has been adequately implemented. However, we identified three instances in which TVA's COOP plan is not currently in compliance with federal continuity directive guidance, including:

- Annual COOP training for TVA employees is not currently required.
- COOP program essential records are not adequately maintained.
- One organization's COOP plan does not include a defined review cadence to ensure timely updates.

Additionally, we determined COOP program guidance does not address TVA's information management policy.

We made four recommendations to TVA management, including three to improve TVA's COOP program compliance and one to align COOP program guidance with TVA's information management policy. TVA management provided actions TVA plans to take to address each of our recommendations.

## Early Payment Discounts on Vendor Invoices Follow-Up

We scheduled an audit of TVA's management of early payment discounts on vendor invoices as a follow up to audit 2017-15500, *Early Payment Discounts on Vendor Invoices*, dated May 30, 2018, where we reported TVA missed 19 percent of all early payment discount opportunities. Our audit objective was to determine if early payment discounts are appropriately managed by TVA. Our audit scope included invoices from Supply Chain contracts and purchase orders with greater than \$1 million in spend in any one FY from October 1, 2020, through September 30, 2023.

We found TVA's management of early payment discounts could be improved as \$826,252 (18 percent) of all available discounts (totaling \$4,687,130) were not taken during the audit period. Based on our analysis and interviews with relevant personnel, we determined some personnel were often unaware of important aspects of how to manage (1) early payment discount terms, (2) invoices sent by vendors after the discount period expired, and (3) invoices sent by vendors before materials are received. Additionally, we noted TVA Supply Chain maintains dashboards that could be used to help management identify training needs.

We made three recommendations to TVA management to take action to (1) provide personnel with additional information related to the management of early payment discounts, (2) require vendors to submit invoices within a defined number of days of the expected date of material receipt, and (3) consider using early payment discount data as an evaluation tool for performance and training needs.

TVA management provided actions TVA plans to take to address each of our recommendations.

## Oversight of the FY 2023 Financial Statement Audit

TVA contracted with an independent public accounting firm to audit TVA's consolidated balance sheet as of September 30, 2023, and the related consolidated statements of operations, comprehensive income (loss), changes in proprietary capital, and cash flows for the year then ended. This also included the audit of TVA's internal control over financial reporting as of FY-end. Additionally, the firm also reviewed TVA's FY 2023 interim financial information filed on Form 10-Q with the Securities and Exchange Commission. The contract required the work be performed in accordance with *Government Auditing Standards*. Our monitoring of their work disclosed no instances where the firm did not comply, in all material respects, with these standards.

## Agreed-Upon Procedures for TVA FY 2023 Performance Measures

TVA's Winning Performance/Executive Annual Incentive Plan (WP) is a performance management program designed to promote teamwork, focus on continued high performance, and motivate and reward employees for achieving strategic objectives and critical success factors. We applied agreed-upon procedures requested and agreed to by TVA management solely to assist management in determining the validity of the WP measures for FY ended September 30, 2023. TVA management is responsible for the WP measures data provided. In summary, we found:

- The FY 2023 WP goals for the enterprise measures were properly approved.
- The FY 2023 goals (target) for the corporate multiplier measures were properly approved.
- Actual FY to-date results for the enterprise measures agreed with the underlying support, without exception.
- Actual FY to-date results for the corporate multiplier measures agreed with the underlying support, without exception.
- The FY 2023 WP payout percentage provided by the Business Planning and Analysis organization on November 6, 2023, was mathematically accurate and agreed with the OIG's recalculation.



# SUMMARY OF REPRESENTATIVE EVALUATIONS

Evaluations performs both comprehensive reviews and more limited-scope policy and program reviews to monitor compliance and assess the efficiency and effectiveness of operations. During this semiannual reporting period, our Evaluations teams completed five evaluations that identified more than \$9.7 million in questioned costs. The evaluations included reviews of (1) Section 26a permit management, (2) health and safety committees, (3) preemployment investigation and onboarding processes, (4) radiological respiratory protection, and (5) an Organizational Effectiveness evaluation of Technology and Innovation's Technology Portfolio Management business unit.

## Section 26a Permit Management

Section 26a of the TVA Act requires TVA's approval prior to construction, operation, or maintenance of any dam, appurtenant works, or other obstruction affecting navigation, flood control, or public lands or reservations across, along, or in the Tennessee River and its tributaries. Title 18, Code of Federal Regulations (CFR), Part 1304.1–1304.412, *Approval of Construction in the Tennessee River System and Regulation of Structures and Other Alterations* (18 CFR §§1304.1–1304.412) contains regulations related to the application process and information on what is allowable under a Section 26a permit. Additionally, 18 CFR §§1310.1–1310.3, *Administrative Cost Recovery*, requires applicants pay TVA fees for its review of Section 26a permit applications. TVA's Natural Resources group has also established a series of stewardship guidelines to provide guidance for effective, consistent management of TVA reservoir land and natural resources that includes the Section 26a permit process.

Due to a concern identified in public comments prior to a TVA Board meeting, as well as concerns reported to the OIG EmPowerline®, we performed an evaluation to determine if Section 26a permits were being effectively managed. We determined Section 26a permits were not being managed effectively by TVA. Specifically, we found:

- TVA is not complying with requirements to recover all the associated cost of permits in accordance with 18 CFR §1310.3. When costs associated with processing Section 26a permits are not recovered from applicants, TVA's ratepayers are effectively subsidizing the Section 26a permitting process.

- TVA's oversight of the Section 26a permit process is inadequate. The oversight concerns are related to TVA: (1) performing minimal compliance oversight; (2) not providing oversight to ensure violations and encroachments are addressed in a timely or consistent manner; and (3) inconsistently documenting permit noncompliances as violations and encroachments.
- Instances of noncompliance with 18 CFR §§1304.1–1304.412 related to permit application requirements and multiple instances of poor recordkeeping.

TVA management provided actions taken or planned to address our recommendations related to cost recovery, oversight of the permit process, permit application requirements, and recordkeeping.

## Health and Safety Committees

Due to the importance of monitoring the performance of TVA's Safety Program, we performed an evaluation of TVA's health and safety committees (HSC).<sup>2</sup> The objective of our evaluation was to determine if HSCs were effectively monitoring the remediation of identified safety concerns. We determined TVA HSCs are generally effective at monitoring the remediation of identified safety concerns. However, there were limited instances when safety concerns were not monitored or remediation plans were not established. In addition, we found some HSCs were not following requirements to meet at least quarterly and maintain meeting minutes. TVA management agreed with our findings and provided actions taken or planned to address our recommendations to (1) coordinate the resolution of identified safety issues and (2) reiterate HSC requirements.

## Preemployment Investigation and Onboarding Processes

The Immigration Reform and Control Act of 1986 (IRCA) prohibits employers from hiring any individual, including a U.S. citizen, for employment in the U.S. without verifying his or her identity and employment authorization on Form I-9.<sup>3</sup> Additionally, 8 CFR §274a.2, *Verification of Identity and Employment Authorization*, reiterates that within three business days of the hire, an employer must complete the "Employer Review and Verification" section on the Form I-9 and sign the attestation with a handwritten or electronic signature. Due to the risk of unauthorized individuals accessing TVA facilities or systems, we conducted an evaluation of TVA's preemployment investigation and onboarding processes. Our objective was to determine if TVA was performing preemployment suitability and onboarding steps necessary for access in a timely manner.

We found TVA was allowing access to TVA facilities while not always performing preemployment suitability and onboarding steps in a timely manner. Specifically, we determined that the Form I-9, for 381 of 1,571 personnel (24 percent) hired between October 1, 2021, and June 30, 2023, was either not completed in a timely manner or never completed in accordance with the IRCA and 8 CFR §§274a.1-274a.14. However, according to TVA Police and Emergency Management personnel, physical access should have been revoked but was not because Human Resources and Administration does not notify them when the I-9 threshold is exceeded. Additionally, we identified opportunities to strengthen TVA Standard Programs and Processes (SPP) to better align with federal requirements. TVA management provided actions taken or planned to (1) address compliance with federal laws and regulations related to Form I-9 and (2) ensure TVA SPP mirrored federal requirements.

## Radiological Respiratory Protection Program

Title 10, CFR, Part 20, requires that occupational radiation exposure be maintained as low as reasonably achievable. TVA's Nuclear Power Group (NPG) SPP 05.10, *Radiological Respiratory Protection Program*, establishes TVA Nuclear's policy to minimize the uptake of radioactive material and internal radiation exposure through a respiratory protection program. Due to the risk of employee exposure to airborne radioactive materials and industrial/chemical airborne hazardous materials, we conducted an evaluation to determine if selected respiratory requirements from NPG-SPP-05.10 were performed at nuclear plants.

We found the selected respiratory requirements we reviewed for NPG-SPP-05.10 were being performed as required at TVA's nuclear plants. Specifically, we found (1) training and medical evaluations were completed as required and (2) all plants were meeting requirements for appraising the effectiveness of their SPPs.

## Organizational Effectiveness

During this semiannual reporting period, we completed an evaluation of TVA's Technology and Innovation's (T&I) Technology Portfolio Management (TPfM) business unit to identify factors that could impact their organizational effectiveness. The mission of T&I is to deliver secure, reliable, compliant, and innovative technology solutions to improve the safety and productivity of the workforce and enhance the performance of TVA assets. The TPfM organization is responsible for leading technology investments, executing T&I and enterprise projects, driving optimization through the prioritization of technology investments for TVA, and managing partnerships with vendors to maximize the value for TVA. In addition, TPfM establishes and maintains relationships with vendors providing products and services to the T&I organization and reviews vendor performance.

Interviews with TPfM personnel revealed positive interactions and trust between coworkers within TPfM. However, we identified issues that included engagement risk in one group that affected morale. We also identified opportunities to improve (1) performance of the T&I mission pertaining to role clarity and execution and (2) collaboration and communication with business partners.

TVA management agreed with our recommendations to improve (1) engagement risk in one group, (2) role clarity and execution, and (3) collaboration and communication needs of business partners.



Gallatin Fossil Plant

<sup>2</sup> A function of the HSC is to monitor the performance of the agency-wide safety program.

<sup>3</sup> Form I-9 is used to verify the identity and employment authorization of individuals hired for employment in the U.S. Form I-9 has been the foundation of the verification process since 1986 when employers began verifying the employment authorization and identity of new hires under IRCA.

# SUMMARY OF REPRESENTATIVE INVESTIGATIONS

*During this reporting period, we opened 58 cases and closed 61. Our investigations have resulted in criminal and administrative outcomes. Highlights of investigative accomplishments follow.*

## **Investigation Identifies Contractor Welding Quality Control Issues Resulting in \$331,970 in Potential Cost Savings and \$212,728 in Waste and Lost Opportunity at Hydroelectric Plants**

TVA OIG received a concern alleging misconduct, to include procedural violations directed by construction contractor supervision regarding welding work conducted on piping at TVA hydro facilities in the Southwest region. Specific concerns alleged failure to utilize proper welding procedures and failure to install insulators within the unit in violation of job requirements. The matter was pursued administratively, resulting in contractor rework, associated cost savings to TVA, and process improvements.

Due to operational and safety concerns, TVA plant and regional management were alerted immediately. Further investigation by TVA management, contractor management, and TVA OIG uncovered multiple defective piping welds within Wheeler Hydroelectric (WEH) Unit 5, WEH Unit 6, and Guntersville Hydroelectric (GUH) Unit 3 Raw Cooling Water Systems. TVA management concluded the contractor failed to establish clear expectations of work quality for contractor personnel and establish an acceptable level of quality control. In addition, the contractor failed to provide adequate oversight. The investigation established the contractor had quality control policy/processes in place; however, they were not followed.

In response, TVA and contractor management have taken multiple corrective actions. TVA management made a business decision to use a different vendor for the majority of future TVA hydro facility work. Additionally,

the contractor is required to perform 100 percent Quality Control checks for prefabrication and onsite work at all TVA facilities. The contractor will be required to uniquely identify each weld such that they can be attributed to a specific welder.

The investigation substantiated that insulators were not installed in one area of WEH Unit 5. It is estimated that catching this failure saved TVA approximately \$300,000 in repairs that would have been necessary if the unit was damaged over time from operating without these insulators. Failure to install the insulators was attributed to lack of quality control and oversight.

Timely TVA action and associated rework at WEH 5 and WEH 6 was conducted during existing outages, resulting in an estimated cost savings of \$31,970 in potential lost generation for repair times. Combined with an estimated \$300,000 in potential cost savings for addressing missing insulators as previously referenced, TVA potentially saved approximately \$331,970. Further, \$212,728 in waste and lost opportunity was identified in the form of lost generation and welding rework cost to TVA.

## **Owner of Company Pleads Guilty to Defrauding TVA EnergyRight® Program**

The OIG completed an investigation into Anthony Gigliotti, Chief Executive Officer (CEO) and owner of Autonomic Software, Inc. (Autonomic), who was alleged to have submitted fraudulent invoices resulting in the receipt of TVA energy efficiency incentive funds. TVA's EnergyRight® program offers a variety of incentives to entities who purchase and install energy saving technologies.

Autonomic is a software company specializing in computer power management systems. Their software consisted of commercial off-the-shelf software that had been modified by Autonomic to run on school networks, with the goal of saving energy by turning off computers not in use. The modified software was then sold to school systems around the country through rebate programs offered by various energy companies and utilities. Autonomic was interested in participating in the TVA EnergyRight® for Business and Industry program. Autonomic was aware the TVA EnergyRight® program contract rules clearly stated there had to be a material cost to a school system for Autonomic to be eligible for the incentive program, with the incentive being capped at 70 percent of the total material cost of their software. Autonomic submitted applications for the program to TVA, installed their power management software in Rutherford County (Tennessee) school systems, and then submitted copies of the school systems' invoices to TVA for payment of the incentive. Based on the invoices, TVA believed Rutherford County Schools actually incurred a cost for the software, and in turn, TVA paid Autonomic \$301,963. However, the investigation determined the Rutherford County School System did not pay for the software, never received any invoices from Autonomic, and were told by Autonomic the software would be installed at no cost to them. As CEO, Mr. Gigliotti oversaw the outreach to the Rutherford County School System in Tennessee to persuade them to use Autonomic to install power management software.

Mr. Gigliotti pled guilty to 18 U.S.C. §641, *Theft of Public Money*; charged against him in a superseding information filed in February 2024. In this, Mr. Gigliotti agreed he knowingly submitted fraudulent invoices on behalf of his company, Autonomic, for purposes of receiving TVA EnergyRight® incentive payments. Sentencing is set for July 2024.

## Investigation Identifies Over \$89,000 In Fraudulent Temporary Living Allowance Payments to Contract Employee

In 2015, the TVA OIG initiated an investigative special project of the Temporary Living Allowance (TLA) program at TVA's Watts Bar Unit 2 (WBN2) construction project. The project was initiated to determine the risk of fraud in the TLA program, which paid out approximately \$19 million of government monies to hundreds of transient, contractor-based employees. Several contract employees were flagged for further inquiry, which led to some TLA funds being recouped as well as several criminal indictments and guilty pleas. One of the applicants flagged for further inquiry was a former (now retired) field weld engineer and weld inspector employed by a TVA contractor who had submitted six annual TLA applications to TVA while he was employed at the WBN2 construction project from May 2010 through January 2016.

The TVA OIG investigation revealed that, while the employee initially qualified for the TLA program at WBN2, he became ineligible because (1) the employee sold his qualifying permanent residence in December 2011 and did not timely acquire a new qualifying residence, and (2) his only qualifying dependent, his spouse, moved to the employee's temporary residence near the WBN2. Each of these actions, independently, made the employee no longer eligible for the TLA program. The contractor was unaware the employee's spouse was living with him at this temporary residence; however, the contractor was aware the employee sold his permanent residence without timely acquiring a new one, and as a result, the contractor informed the employee that he was no longer eligible and removed him from the program.

In March of 2012, the employee purchased a new permanent residence and asked the contractor to allow him to resume participating in the TLA program. The contractor initially refused. However, at the employee's repeated insistence, the contractor submitted a re-application for

the TLA program without informing TVA it was previously determined that the employee was no longer eligible for the TLA program and initially refused to allow him to re-apply from 2012 through 2016. The employee falsified his eligibility for TLA on all four of those annual applications, totaling approximately \$89,223 in payments to him that he was not eligible to receive.

This matter was initially referred for criminal prosecution. In October 2019, the employee was indicted by a Tennessee Grand Jury on the felony charge of Theft of Government Property in violation of Tennessee Code Annotated 39-14-103. After a long series of judicial delays due to Covid-19 and other related issues, in November 2023, a newly elected District Attorney determined the case should be handled civilly or administratively and dismissed the case from the criminal courts. TVA OIG referred the matter to TVA who will attempt to recover \$89,223 from the contractor.

## Pandemic Response Accountability Committee Task Force Cases

The Pandemic Response Accountability Committee (PRAC) was established to serve the American public by promoting transparency and facilitating coordinated oversight of the federal government's COVID-19 pandemic response. The PRAC's 20-member Inspectors General identify major risks that cross program and agency boundaries to detect fraud, waste, abuse, and mismanagement in the more than \$5 trillion in COVID-19 spending, including spending via the Paycheck Protection Program (PPP) and Economic Injury Disaster Loan (EIDL) program. TVA OIG participates on the PRAC Task Force.

### PRAC Investigations Result in Four Indictments

During the course of separate TVA OIG PRAC Task Force related investigations, four individuals were identified as receiving PPP funds under fraudulent representation. The PPP is a form of financial assistance provided as part of the Coronavirus Aid, Relief, and Economic Security Act passed in March 2020 for purposes of providing emergency financial assistance to millions of Americans suffering the economic hardships caused by the COVID-19 pandemic. A review of the four subjects' PPP applications revealed they

all claimed to own Sole Proprietorships. They certified on their applications that their businesses were in operation prior to their applications, and the funds would be used to support their ongoing operations. As part of the application, the four individuals also provided a 2020 Schedule C in support of their businesses. As a result of these applications, the four individuals received PPP loans totaling approximately \$102,450. However, the investigation revealed no data in support of the businesses they claimed to own, and a review of applicable tax documents for the subjects revealed no Schedule Cs were on file with the Internal Revenue Service.

As a result of the TVA OIG investigations, in January and February 2024, three individuals were charged with one count of 18 U.S.C. §1001, *False Statements*, and one count of 18 U.S.C. §1343, *Wire Fraud*, and one individual was charged with two counts of 18 U.S.C. §1001, *False Statements*, and two counts of 18 U.S.C. §1343, *Wire Fraud*, detailing they all did willfully and knowingly make a materially false, fictitious, and fraudulent statement and representation in the submission of their PPP loan applications.

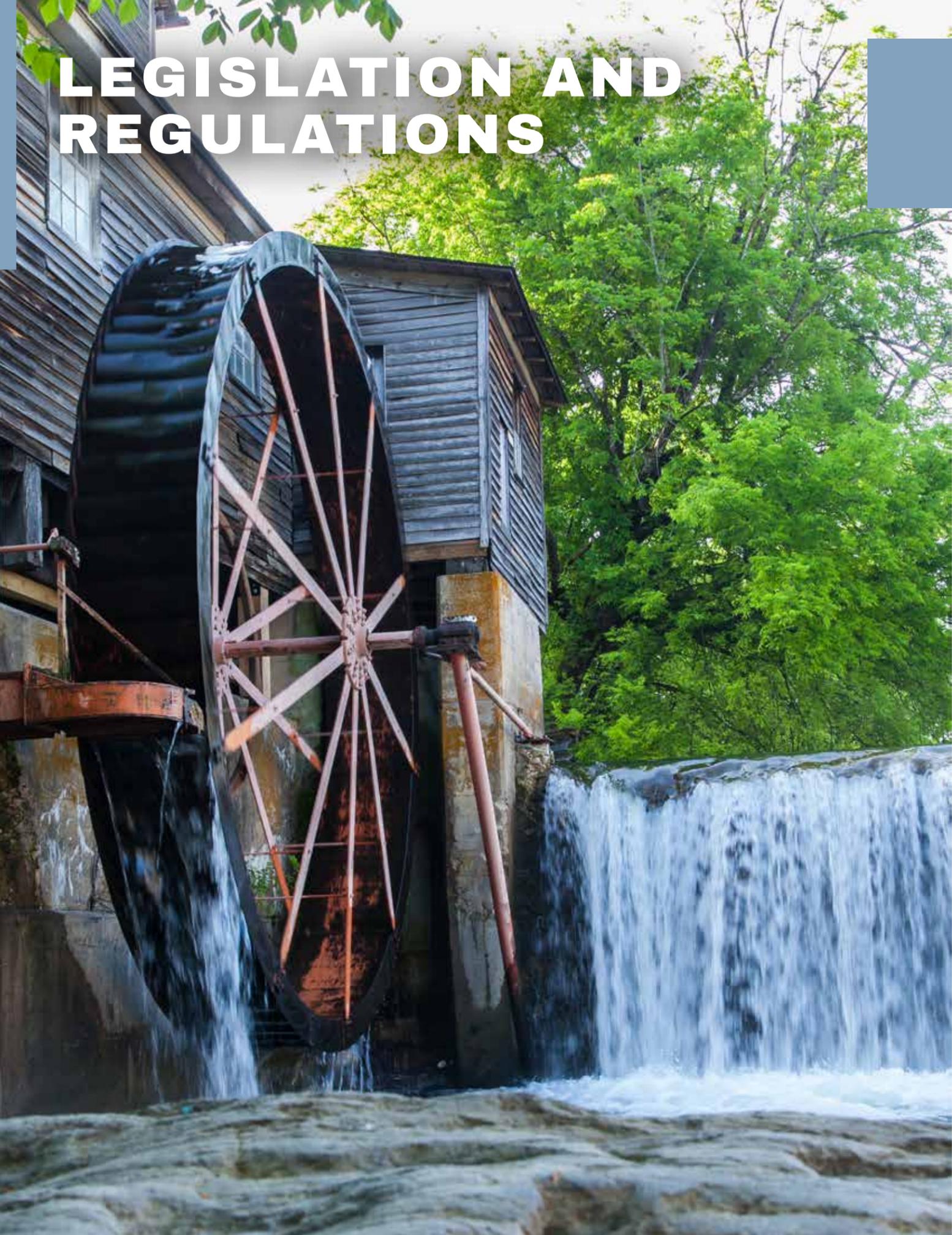
### Sentencing in Three PRAC Cases

In November 2023, two additional individuals were sentenced for PRAC-related cases. One individual was sentenced to six months of home detention, three years of probation, and was ordered to pay \$53,212 in restitution. A second individual was initially sentenced to three months of home detention, three years of probation, and was ordered to pay \$38,088 in restitution. The individual subsequently violated those terms, and in December 2023, the court revoked the individual's probation and ordered the individual be incarcerated for a period of five months followed by thirty-six months supervised release, that they participate in the Substance Abuse Intervention Program, and pay the original \$38,088 in restitution. In January 2024, a third individual was ordered to pay \$23,780.

# LEGISLATION AND REGULATIONS

*In this section of our semiannual report, it is our intent to address only current and pending legislation which relates to the economy or efficiency of TVA operations when we have recommendations or comments to make to Congress regarding the legislation. At times, we may direct recommendations to general positions and issues, particularly when there are multiple bills dealing with the issue. At other times, we anticipate making recommendations relating to particular statutes and bills and their particular wording.*

During this reporting period, we are not making any recommendations to Congress regarding current or pending legislation.



### INDEX OF REPORTING REQUIREMENTS UNDER THE INSPECTOR GENERAL ACT

REPORTING	REQUIREMENT	PAGE OR APPENDIX
Section 4(a)(2)	Review of legislation and regulations.	34-35
Section 5(a)(1)	Description of significant problems, abuses, and deficiencies relating to the administration of programs and operations of the establishment and associated reports and recommendations for corrective action made by the Office of the Inspector General.	20-33
Section 5(a)(2)	Identification of each recommendation made before the reporting period, for which corrective action has not been completed, including the potential costs savings associated with the recommendation.	Appendix 3
Section 5(a)(3)	Summary of significant investigations closed during the reporting period.	30-33
Section 5(a)(4)	Identification of the total number of convictions during the reporting period resulting from investigations.	Appendix 4
Section 5(a)(5)	Information regarding each audit, inspection, or evaluation report issued during the reporting period, including (a) a listing of each audit, inspection, or evaluation; (b) if applicable, the total dollar value of questioned costs (including a separate category for the dollar value of unsupported costs) and the dollar value of recommendations that funds be put to better use, including whether a management decision had been made by the end of the reporting period.	Appendix 2
Section 5(a)(6)	Information regarding any management decision made during the period with respect to any audit, inspection, or evaluation issued during a previous reporting period.	Appendix 3
Section 5(a)(7)	Information described under Section 804(b) of the Federal Financial Management Improvement Act of 1996.	Not Applicable
Section 5(a)(8)	Appendix containing the results of any peer review conducted by another Office of the Inspector General during the reporting period; or if no peer review was conducted within that reporting period, a statement identifying the date of the last peer review conducted by another Office of the Inspector General.	Appendix 7
Section 5(a)(9)	List of any outstanding recommendations from any peer review conducted by another Office of the Inspector General that have not been fully implemented, including a statement describing the status of the implementation and why implementation is not complete.	None
Section 5(a)(10)	List of any peer reviews conducted of another Office of the Inspector General during the reporting period, including a list of any outstanding recommendations made from any previous peer review (including any peer review conducted before the reporting period) that remain outstanding or have not been fully implemented.	None
Section 5(a)(11)	Statistical table showing (a) the total number of investigative reports issued during the reporting period; (b) the total number of persons referred to the Department of Justice for criminal prosecution during the reporting period; (c) the total number of persons referred to state and local prosecuting authorities for criminal prosecution during the reporting period; and (d) the total number of indictments and criminal informations during the reporting period that resulted from any prior referral to prosecuting authorities.	Appendix 4

INDEX OF REPORTING REQUIREMENTS UNDER THE INSPECTOR GENERAL ACT  
(CONTINUED)

REPORTING	REQUIREMENT	PAGE OR APPENDIX
Section 5(a)(12)	Description of the metrics used for developing the data for the statistical tables under Section 5(a)(17).	Appendix 5
Section 5(a)(13)	Report on each investigation conducted by the Office where allegations of misconduct were substantiated involving a senior government employee <sup>1</sup> or senior official (as defined by the Office) if the establishment does not have senior government employees.	None
Section 5(a)(14)	Detailed description of (a) any instance of whistleblower retaliation, including information about the official found to have engaged in retaliation; and (b) what, if any, consequences the establishment actually imposed to hold the official accountable.	None
Section 5(a)(15)	Information related to interference by the establishment, including (a) a detailed description of any attempt by the establishment to interfere with the independence of the Office, including (i) with budget constraints designed to limit the capabilities of the Office, and (ii) incidents where the establishment has resisted or objected to oversight activities of the Office or restricted or significantly delayed access to information, including the justification of the establishment for such action; and (b) a summary of each report made to the head of the establishment under Section 6(c)(2) during the reporting period.	None
Section 5(a)(16)	Detailed descriptions of the particular circumstances of each (a) inspection, evaluation, and audit conducted by the Office that is closed and was not disclosed to the public; and (b) investigation conducted by the Office involving a senior government employee that is closed and was not disclosed to the public.	None

<sup>1</sup> Pursuant to Section 5(a)(13) of the IG Act, as amended, which gives discretion to the OIG to make determinations where an Agency does not have "Senior Government employees," senior managers are those categorized as Officer/Executive in the TVA pay bands and others by exception, based on their responsibilities.

OIG AUDIT REPORTS • ISSUED DURING THE SIX-MONTH PERIOD ENDED MARCH 31, 2024

Report Number and Date	Title	Questioned Costs	Unsupported Costs	Funds Put To Better Use
<b>CONTRACT AUDITS</b>				
2023-17429 11/28/2023	The Steam Generating Team, LLC - Contract No. 11144 - Craft Labor and Project Closeout	\$386,227	\$4,125	\$0
2023-17404 11/29/2023	Express Scripts, Inc. - Contract No. 11023	1,311,129	0	0
2023-17402 12/18/2023	America Fujikura Ltd. dba AFL Telecommunications LLC - Contract Nos. 15270 and 12674	379,345	0	0
2023-17418 12/20/2023	HJM Forest Resource Management Services, LLC - Contract No. 15243	3,853	0	0
2023-17413 01/11/2024	USA Debusk, LLC - Contract Nos. 12042 and 17143	33,239	7,124	0
<b>FINANCIAL AND OPERATIONAL AUDITS</b>				
2023-17414 10/19/2023	Pandemic Recovery Credit	\$0	\$0	\$0
2023-17467 11/13/2023	Agreed-Upon Procedures for TVA Fiscal Year 2023 Performance Measures	0	0	0
2023-17415 12/06/2023	Continuity of Operations Plan	0	0	0
2023-17442 03/12/2024	Early Payment Discounts on Vendor Invoices Follow-Up	826,252	0	0
<b>TOTAL AUDITS (9)</b>		<b>\$2,940,045</b>	<b>\$11,249</b>	<b>\$0</b>

OIG EVALUATION REPORTS • ISSUED DURING THE SIX-MONTH PERIOD ENDED MARCH 31, 2024  
(CONTINUED)

Report Number and Date	Title	Questioned Costs	Unsupported Costs	Funds Put To Better Use
<b>EVALUATIONS</b>				
2023-17409 11/14/2023	Section 26a Permit Management	\$9,712,764	\$0	\$0
2023-17410 01/05/2024	Health and Safety Committees	0	0	0
2023-17416 01/09/2024	TVA Preemployment Investigation and Onboarding Processes	0	0	0
2023-17439 02/16/2024	Radiological Respiratory Protection Program	0	0	0
<b>ORGANIZATIONAL EFFECTIVENESS</b>				
2023-17430 10/12/2023	Organizational Effectiveness - Technology Portfolio Management	\$0	\$0	\$0
<b>TOTAL EVALUATIONS (5)</b>		<b>\$9,712,764</b>	<b>\$0</b>	<b>\$0</b>

Note: A summary of or link to the full report may be found on the OIG's Web site at <https://oig.tva.gov>.

RECOMMENDATIONS INCLUDED IN A PREVIOUS SEMIANNUAL REPORT AND AWAITING IMPLEMENTATION

At the end of the semiannual period, final corrective action was not complete on 36 recommendations associated with 4 audit and 7 evaluation reports issued in a prior period. Presented below for each audit and evaluation are the report number, date, and title, along with a brief description of action management agreed to take to resolve the open recommendation, including the date management expects to complete final action and potential cost savings. (Report numbers followed by an "\*" indicates management decision was received during this semiannual period.)

Audit Report Number and Date	Report Title and Actions Agreed to by Management to Resolve Recommendations
2023-17424 05/16/2023	<b>Small Modular Reactor Technology Collaboration Agreement (TCA) - Rate Review</b> TVA agreed to pursue amending the TCA to correct the ambiguity associated with the indirect cost recovery rate to prevent potential overbillings in the future. TVA expects to complete final action by May 16, 2024.
2023-17403 09/11/2023	<b>Robert E. Lamb, Inc. - Contract No. 13659</b> TVA agreed to (1) enter into negotiations to recover (a) \$47,674 in ineligible subcontractor costs, (b) \$15,784 in ineligible travel costs, and (c) \$4,233 in labor rate billing errors. In addition, TVA will revise the existing contract to include long-term living allowances as appropriate. TVA expects to complete final action by September 11, 2024.
2023-17405 09/26/2023	<b>Load Not Served (LNS) Winning Performance Measure</b> TVA agreed to (1) perform quarterly access reviews to identify individuals that no longer need access to the system which stores LNS data (the Service Interruption Database) and (2) document management's monthly review and approval of data entered into the Service Interruption Database. TVA expects to complete final action by September 26, 2024.
2023-17423* 09/26/2023	<b>2023 Federal Information Security Modernization Act</b> TVA agreed to (1) develop, implement, and communicate accurate, consistent, and reproducible metrics on the effectiveness of recovery activities to relevant stakeholders and (2) perform an annual test, training, and exercise activities of each business critical application as required by TVA policy to ensure contingency training is provided consistently. TVA expects to complete final action by September 30, 2024.



RECOMMENDATIONS INCLUDED IN A PREVIOUS SEMIANNUAL REPORT AND AWAITING IMPLEMENTATION (CONTINUED)

Evaluation Report Number and Date	Report Title and Actions Agreed to by Management to Resolve Recommendations
2021-15789 03/24/2022	<b>Acquisition and Disposal of Real Property</b> TVA agreed to review, update, and publish the Real Property standard programs and processes (SPP) and user guides. TVA expects to complete final action by September 30, 2024.
2022-17377 05/11/2023	<b>Power Operations Hazardous Chemicals</b> TVA agreed to implement Safety Data Sheets (SDS) Online across the Power Operations' fleet. As part of this implementation, additional training will be developed and provided to site employees on accessing SDSs via SDS Online. TVA expects to complete final action by April 26, 2024.
2022-17371 05/25/2023	<b>Organizational Effectiveness - TVA Police and Emergency Management</b> TVA agreed to (1) update policies to ensure an I-9 or e-verify is obtained for applicable employees in the time required; otherwise, TVA Police will revoke physical access; (2) reassess the requirements of the progression plan program; (3) update applicable policy to include tools that will mitigate conflicts of interest when adjudicating cases; and (4) work with Human Resources to ensure hiring is unbiased by developing (a) new processes and (b) an internal recruitment team. TVA expects to complete final action by May 27, 2024.
2022-17376 07/05/2023	<b>Combustible Coal Dust</b> TVA agreed to (1) reinforce the requirement for documenting daily combustible dust inspections and (2) address inconsistent language between the Combustible Dust Technical Safety Procedure, site combustible dust programs, and TVA's Learning Management System. TVA expects to complete final action by July 5, 2024.
2022-17400 07/26/2023	<b>Gas Plant Critical Spare Parts</b> TVA agreed to (1) assess stocking levels for gas spare parts including critical spares; (2) look for process improvements needed for items that require certain storage requirements and adjust as necessary; (3) review process improvements for identifying materials that need preventive maintenance while in storage; (4) continue executing data clean-up and develop guidance for identification of needed spares and associated stocking levels; (5) create a governing procedure for Gas Operations critical spare parts; (6) implement an improved process for identification of Long Term Service Agreements critical spares within Maximo; and (7) improve data and associate spare parts to the Unique Identifier (UNIDs)/Assets. TVA expects to complete final action by July 26, 2024.
2022-17396 09/27/2023	<b>Organizational Effectiveness - Power Service Shops</b> TVA agreed to (1) address resource concerns related to tooling, tools, equipment, and trailers; (2) add annual positions in FY 2024 and continue to focus on developing specialized craft; (3) take action to ensure Quality Control (QC) Inspector independence and issue a Quality Assurance Bulletin with a required read and sign to clearly communicate the roles and responsibilities of QC Inspectors; (4) provide more transparency in estimating, cost, and schedule; and (5) conduct customer surveys and site visits to measure improvements in communication. TVA expects to complete final action by September 27, 2024.
2022-17384 09/28/2023	<b>TVA Nuclear Preventive Maintenance (PM)</b> TVA agreed to (1) implement a new software tool to improve documentation of PM exclusions; (2) implement actions to improve performance for the noncritical PM deferrals and critical PM backlog metrics; and (3) continue implementing mitigation strategies to address (a) PMs needed that are not established and (b) recurring issues that prevent or delay PMs being performed. TVA expects to complete final action by September 28, 2024.

INVESTIGATIVE REFERRALS AND PROSECUTIVE RESULTS

Referrals	
Reports Issued to TVA Management	7
Subjects Referred to U.S. Attorneys	5
Subjects Referred to State/Local Authorities	1
Results	
Subjects Indicted/Informations Filed	6
Subjects Convicted	2
Pretrial Diversions	1
Federal Referrals Declined	3
State/Local Referrals Declined	1

**Metrics:** Reports issued to TVA management are comprised of formal written reports and, when appropriate, e-mailed summaries conveying the findings of a completed investigation.

The number of indictments does not include sealed indictments or superseding indictments of the same individual already reported in this or a prior semiannual report unless charges or charging mechanism differs substantially.

Results include persons and companies/entities as applicable, and may include task force activities and joint investigations with other agencies.

## APPENDIX 5 HIGHLIGHTS - STATISTICS

	MAR 31, 2024	SEPT 30, 2023	MAR 31, 2023	SEPT 30, 2022	MAR 31, 2022
<b>AUDITS</b>					
AUDIT STATISTICS					
Carried Forward	17 <sup>1</sup>	18 <sup>2</sup>	16	18 <sup>3</sup>	20 <sup>4</sup>
Started	13	7	14	11	12
Canceled	(0)	(0)	(0) <sup>5</sup>	(2)	(0) <sup>6</sup>
Completed	(9)	(9)	(10)	(13)	(13)
In Progress at End of Reporting Period	20 <sup>7</sup>	17 <sup>8</sup>	18	16	18
AUDIT RESULTS (Thousands)					
Questioned Costs	\$2,940	\$6,197	\$6,177	\$3,012	\$1,630
Disallowed by TVA	\$2,940	\$2,084	\$6,177	\$3,012	\$1,630
Recovered by TVA	\$517	\$221	\$1,550	\$316	\$102
Funds to Be Put to Better Use	\$0	\$54,290	\$33,282	\$139,418	\$6,483
Agreed to by TVA <sup>9</sup>	\$0	\$58,680	\$48,992	\$125,801	\$0
Realized by TVA <sup>10</sup>	\$54,290	\$0	\$20,100	\$8,201	\$0
OTHER AUDIT-RELATED PROJECTS					
Completed	3	3	4	5	5
Cost Savings Identified/Realized	\$0	\$0	\$0	\$0	\$292
<b>EVALUATIONS</b>					
Completed	5	8	5	10	7
Cost Savings Identified/Realized (Thousands)	\$9,713	\$0	\$0	\$0	\$0
<b>SPECIAL PROJECTS</b>					
Completed	0	0	0	0	0

<sup>1</sup> Does not include one project that was postponed at the beginning of the period.  
<sup>2</sup> Does not include two projects that were postponed at the beginning of the period.  
<sup>3</sup> Ibid.  
<sup>4</sup> Does not include one project that was postponed at the beginning of the period.  
<sup>5</sup> Two projects were postponed during the period.  
<sup>6</sup> One project was postponed during the period.  
<sup>7</sup> Does not include one project that was postponed during the period.  
<sup>8</sup> Includes one project that had previously been postponed.  
<sup>9</sup> Could include amounts identified in a prior period.  
<sup>10</sup> Ibid.

## APPENDIX 5

### HIGHLIGHTS - STATISTICS (CONTINUED)

	MAR 31, 2024	SEPT 30, 2023	MAR 31, 2023	SEPT 30, 2022	MAR 31, 2022
<b>INVESTIGATIONS<sup>1</sup></b>					
INVESTIGATION CASELOAD					
Opened	58	66	62	79	79
Closed	61	68	59	79	79
In Progress at End of Reporting Period <sup>2</sup>	61	69	73	73	73
INVESTIGATIVE RESULTS (Thousands)					
Recoveries <sup>3</sup>	\$192.8	\$7,045.4	\$1,860.3	\$1,596.4	\$447.4
Projected Savings	\$332.0	\$0	\$0	\$0	\$63.1
Fines/Penalties/Fees	\$0.3	\$2	\$100.1	\$1.5	\$175.4
Waste/Other Monetary Loss	\$212.7	\$145.1	\$0	\$0	\$506.2
Forfeiture(s) Ordered - Criminal	\$0	\$0	\$0	\$1,000	\$0
Forfeiture(s) Ordered - Civil	\$0	\$0	\$0	\$134.1	\$0
MANAGEMENT ACTIONS					
Disciplinary Actions Taken (Number of Subjects)	2	5	4	6	4
Counseling/Management Techniques Employed (Number of Cases)	10	6	8	9	12
Debarments	0	0	0	1	0
PROSECUTIVE ACTIVITIES (Number of Subjects)					
Referred to U.S. Attorneys	5	5	20	10	6
Referred to State/Local Authorities	0	0	0	0	0
Indicted/Informations Filed	6	5	1	4	2
Convicted	2	3	2	3	2
Pretrial Diversions	1	0	0	0	1
EXECUTIVE ORDER ON ADVANCING EFFECTIVE, ACCOUNTABLE POLICING & CRIMINAL JUSTICE PRACTICES TO ENHANCE PUBLIC SAFETY					
Use of Force Incidents Involving OIG Personnel	0				
No-Knock Entries Conducted by OIG Personnel	0				

<sup>1</sup> These numbers may include task force activities and joint investigations with other agencies.  
<sup>2</sup> May be adjusted from prior period.  
<sup>3</sup> Includes recoveries to TVA and other entities.

## APPENDIX 6

### GOVERNMENT CONTRACTOR AUDIT FINDINGS

The National Defense Authorization Act for Fiscal Year 2008, P.L. 110-181, requires each Inspector General appointed under the Inspector General Act of 1978 to submit an appendix on final, completed contract audit reports issued to the contracting activity that contain significant audit findings—unsupported, questioned, or disallowed costs in an amount in excess of \$10 million, or other significant findings—as part of the Semiannual Report to Congress. During this reporting period, the Office of the Inspector General issued no contract review reports under this requirement.



## APPENDIX 7

### PEER REVIEWS OF THE TVA OIG

#### Audits Peer Review

Inspector General audit organizations are required to undergo an external peer review of their system of quality control at least once every three years, based on requirements in the *Government Auditing Standards*. Federal audit organizations can receive a rating of pass, pass with deficiencies, or fail. The Tennessee Valley Authority (TVA) Office of the Inspector General (OIG) underwent its most recent peer review of its audit organization for the period ended September 30, 2022. This review was performed by the U.S. Securities and Exchange Commission (SEC) OIG. The SEC OIG issued its report, dated February 28, 2023, in which it concluded the system of quality control for the audit organization of TVA OIG in effect for the year ended September 30, 2022, has been suitably designed and complied with to provide TVA OIG with reasonable assurance of performing and reporting in conformity with applicable professional auditing standards in all material respects. Accordingly, the TVA OIG received a rating of pass. There are no outstanding recommendations from this review. The peer review report is posted on our Web site at [https://oig.tva.gov/peer\\_reports.html](https://oig.tva.gov/peer_reports.html).

#### Evaluations Peer Review

Inspector General organizations that conduct evaluations in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation* (Blue Book) are required to undergo an external peer review every three years. The TVA OIG underwent its most recent peer review of its evaluation organization for the period ended March 31, 2023. This review was performed by the U.S. Department of Housing and Urban Development (HUD) OIG. The HUD OIG issued its report, dated August 24, 2023, in which it determined the (1) TVA OIG's internal policies and procedures generally were consistent with the Blue Book standards addressed in the external peer review and (2) TVA OIG reports reviewed generally complied with the Blue Book standards. The peer review report is posted on our Web site at [https://oig.tva.gov/peer\\_reports.html](https://oig.tva.gov/peer_reports.html).

#### Investigations Peer Review

Investigative Operations undergoes a Quality Assessment Review at least once every three years. Due to the effects of COVID-19 Pandemic, the regular schedule for Peer Reviews has not been sustained. At this time, we are scheduled to be reviewed in the spring of this year. Our last Peer Review was in 2018 with results below.

Investigative Operations undergoes a Quality Assessment Review at least once every three years. The Corporation for National & Community Service (CNCS) OIG completed a Quality Assessment Review of TVA OIG Investigative Operations on May 31, 2019. CNCS OIG found "...the system of internal safeguards and management procedures for the investigative function of TVA-OIG in effect for the period ending December 31, 2018, was in compliance with the quality standards established by CIGIE and the applicable Attorney General guidelines..." This confirmation is posted on our Web site at [https://oig.tva.gov/reports/2019\\_Investigations\\_Peer\\_Review.pdf](https://oig.tva.gov/reports/2019_Investigations_Peer_Review.pdf).

# GLOSSARY



## **Disallowed Cost**

A questioned cost that management, in a management decision, has sustained or agreed should not be charged to the agency.

## **Final Action**

The completion of all management actions, as described in a management decision, with respect to audit findings and recommendations. When management concludes no action is necessary, final action occurs when a management decision is made.

## **Funds To Be Put To Better Use**

Funds which the OIG has disclosed in an audit report that could be used more efficiently by reducing outlays, deobligating program or operational funds, avoiding unnecessary expenditures, or taking other efficiency measures.

## **Information**

A formal accusation of a crime made by a prosecuting officer as distinguished from an indictment presented by a grand jury.

## **Management Decision**

Evaluation by management of the audit findings and recommendations and the issuance of a final decision by management concerning its response to such findings and recommendations.

## **Questioned Cost**

A cost the Inspector General questions because (1) of an alleged violation of a law, regulation, contract, grant, cooperative agreement, or other document governing the expenditure of funds; (2) such cost is not supported by adequate documentation; or (3) the expenditure of funds for the intended purposes was unnecessary or unreasonable.

## **Unsupported Cost**

A cost that is questioned because of the lack of adequate documentation at the time of the audit.

# ABBREVIATIONS & ACRONYMS

## THE FOLLOWING ARE ACRONYMS AND ABBREVIATIONS WIDELY USED IN THIS REPORT.

Autonomic.....	Autonomic Software, Inc.
Blue Book .....	Quality Standards for Inspection and Evaluation
Board .....	Board of Directors
CEO.....	Chief Executive Officer
CFR.....	Code of Federal Regulations
CIGIE.....	Council of the Inspectors General on Integrity and Efficiency
CNCS .....	Corporation for National & Community Service
COOP.....	Continuity of Operations
COVID-19.....	Coronavirus
EIDL.....	Economic Injury Disaster Loan
ERM.....	Enterprise Risk Management
FY .....	Fiscal Year
GUH.....	Guntersville Hydroelectric
HSC.....	Health and Safety Committees
HUD.....	U.S. Department of Housing and Urban Development
IG .....	Inspector General
IRCA.....	Immigration Reform and Control Act of 1986
IT .....	Information Technology
LNS.....	Load Not Served
LPCs.....	Local Power Companies
NPG.....	Nuclear Power Group
OIG.....	Office of the Inspector General
PM .....	Preventive Maintenance
PPP .....	Paycheck Protection Program
PRAC.....	Pandemic Response Accountability Committee
PRC.....	Pandemic Relief Credit
QC .....	Quality Control
RPP .....	Respiratory Protection Program
SEC .....	U.S. Securities and Exchange Commission
SDS .....	Safety Data Sheets
SPP .....	Standard Programs and Processes
TCA.....	Technology Collaboration Agreement
TLA.....	Temporary Living Allowance
T&I.....	Technology and Innovation
TOU.....	Time of Use
TPfM.....	Technology Portfolio Management
TVA.....	Tennessee Valley Authority
U.S.....	United States
WBN2 .....	Watts Bar Unit 2
WEH.....	Wheeler Hydroelectric
WP.....	Winning Performance/Executive Annual Incentive Plan



## Office of the Inspector General

400 West Summit Hill Drive  
Knoxville, Tennessee 37902

The OIG is an independent organization charged with conducting audits, evaluations, and investigations relating to TVA programs and operations, while keeping the TVA Board and Congress fully and currently informed about problems and deficiencies relating to the administration of such programs and operations.

The OIG focuses on (1) making TVA's programs and operations more effective and efficient; (2) preventing, identifying, and eliminating waste, fraud, and abuse and violations of laws, rules, or regulations; and (3) promoting integrity in financial reporting.

If you would like to report to the OIG any concerns about fraud, waste, or abuse involving TVA programs or violations of TVA's Code of Conduct, you should contact the OIG EmPowerline, TVA OIG's hotline. The EmPowerline can be reached 24 hours a day, seven days a week, either by a toll-free phone call (1-855-882-8585) or over the Web ([www.oigempowerline.com](http://www.oigempowerline.com)). A third-party contractor will take your call or online concern and immediately forward it to OIG personnel. You may report your concerns anonymously or you may request confidentiality.



# EmPowerline<sup>®</sup>

**A hotline for reporting anonymous and confidential concerns**

**[www.oigempowerline.com](http://www.oigempowerline.com)  
Toll-Free 855-882-8585**



**We investigate fraud, waste, and abuse in TVA programs and operations. Examples include:**

- Contract Fraud
- Environmental Crimes
- Health Care/Prescription Drug Fraud
- Employee Misconduct
- Conflict of Interest
- Workers' Compensation Fraud

## Whistleblower Protection

Educates TVA employees about prohibitions on retaliation for protected disclosures, as well as the rights and remedies of employees who have been subjected to workplace retaliation for making protected disclosures. E-mails may be directed to: [whistleblowercoordinator@tvaig.gov](mailto:whistleblowercoordinator@tvaig.gov).



Norris Dam



## TVA OIG VALUES

- Effective Communication
- Trusting Relationships
- Integrity
- Independence
- Continuous Improvement
- Accountability

We are a high performing work team that achieves OIG strategic objectives through operational excellence and modeling our values and behaviors every day.



Office of the Inspector General  
**TENNESSEE VALLEY AUTHORITY**  
Semiannual Report  
October 1, 2023 - March 31, 2024