

Semiannual Report **1992**
April 1-September 30



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

William L. Hinshaw, II
Inspector General

October 30, 1992

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

This is our thirteenth semiannual report and the first since I became Inspector General. While we have achieved significant accomplishments during my first six months on the job, much of the credit should be given to Norman A. Zigrossi, the first Inspector General at TVA, for the development of an excellent, dedicated staff. Mr. Zigrossi created the foundation for excellence on which we hope to expand as we grow to meet new needs and expectations.

My initial six months also have been made easy by the support given the Office of the Inspector General (OIG) by Congress, TVA management, employees, and customers. In my discussions with members of Congress and their staff, and TVA managers, employees, and customers, I am impressed that we all share the same commitment to make TVA the best utility in North America and the most productive and effective agency in the federal government. I am committed to working toward those goals by building on the foundation established by Mr. Zigrossi for the OIG to act as a catalyst for excellence throughout TVA.

Our accomplishments during this reporting period are numerous. We have made significant efforts to identify and eliminate sexual harassment in the TVA workplace. We have identified more than \$6.8 million in questioned costs and funds that can be used more efficiently. In addition, we have taken steps to move our auditors into the future with a dynamic strategic plan and increased use of modern technology. To enhance our program delivery to our customers, we have opened satellite OIG offices in Huntsville, Alabama, and Chattanooga, Tennessee. We are working to implement a total quality philosophy within the OIG and to help TVA instill that philosophy throughout the agency. Through these and other efforts, the OIG anticipates enhanced productivity to assist TVA in its quest for continual improvements.

I look forward to the continued positive support and excellent working relationship established between the OIG and Congress, TVA managers, and TVA employees. Many of the results documented in this report are due to that support, and we will continue to work to justify the trust placed in us.

Sincerely,

A handwritten signature in black ink that reads "William L. Hinshaw, II". The signature is written in a cursive, flowing style.

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EXECUTIVE SUMMARY

This report summarizes our activities and accomplishments during the six-month period which ended September 30, 1992. These activities and accomplishments are outlined below.

INVESTIGATIONS

During this reporting period, we restructured our Investigative Operations in order to elevate our operational performance and results. Investigations of fraud and waste comprised a significant portion of our investigative caseload. We also received an increasing number of sexual harassment complaints, and our investigations substantiated many of those allegations. Our investigations resulted in 4 indictments and 11 convictions. Some of our more significant investigative accomplishments are outlined below.

- We opened 274 cases and closed 313 cases, resulting in a caseload of 241 open cases as of September 30, 1992.
- We recommended TVA management take administrative or disciplinary action in 72 of the 313 cases we closed. Based on these and prior recommendations, TVA management terminated 22 employees, suspended 7 employees, and reprimanded 10 employees, and 2 employees resigned.
- We referred 51 matters to federal prosecutors and other government officials, including 29 subjects to United States Attorneys.
- Our Hotline received 165 calls--114 from current and former employees and 51 from the general public.
- The Office of Workers' Compensation Programs (OWCP) declared overpayments of more than \$365,000 in Federal Employees' Compensation Act (FECA) benefits based on cases we referred to them for action. Senator Jim Sasser, Tennessee's senior U. S. Senator, has been supportive of our efforts to detect and reduce fraud in TVA's workers' compensation cases.

As part of his continued support, during September 1992, Senator Sasser introduced legislation providing that persons convicted of certain crimes of fraud or who are incarcerated may not receive workers' compensation under FECA.

AUDITS

In Audit Operations, we structured a dynamic strategic plan and expanded our use of information technology tools to meet the challenge of changing technology in audit areas. We also dedicated significant resources to contract preaward audits requested by TVA's major operating groups. We issued 24 audit reports which identified about \$400,000 in questioned costs and almost \$6.5 million in funds to be put to better use. A few of our audit activities are highlighted below.

- Our audit of a contract providing engineering-related services to TVA questioned about \$265,000 in unsupported charges on 38 contractor invoices to TVA. TVA management agreed with our findings and is withholding payments on these invoices until the contractor provides adequate supporting documentation.
- Our audit of a \$15-million loan fund recommended improvements in the guidelines for the proposed administration of this fund. In conjunction with a related investigation, we also reviewed the process TVA used in selecting a manager for the loan fund and found that the selection process was adequate.
- We issued 13 preaward audit reports which collectively identified more than \$6 million in funds that could be used more effectively. The proposals were for contracts or contract supplements totaling about \$160 million in expected TVA expenditures. We also discovered during the audits of two contract supplements that rates for the base contract period permitted the contractors to over-recover certain overhead costs.
- In addition to performing audits from our annual workplan and others requested by TVA management, we responded to requests for advisory services. Those services included assisting management in enforcing contract terms that required vendors to retain and furnish TVA electronic data to support their invoices. We also discussed alternative contract provisions regarding audit rights, advised management about problems we encountered in audits of modification contracts, and provided audit assistance for several OIG investigations. Sharing our information and expertise with TVA management is important to the total quality initiative of Audit Operations and to TVA's quest to be the very best utility in North America.

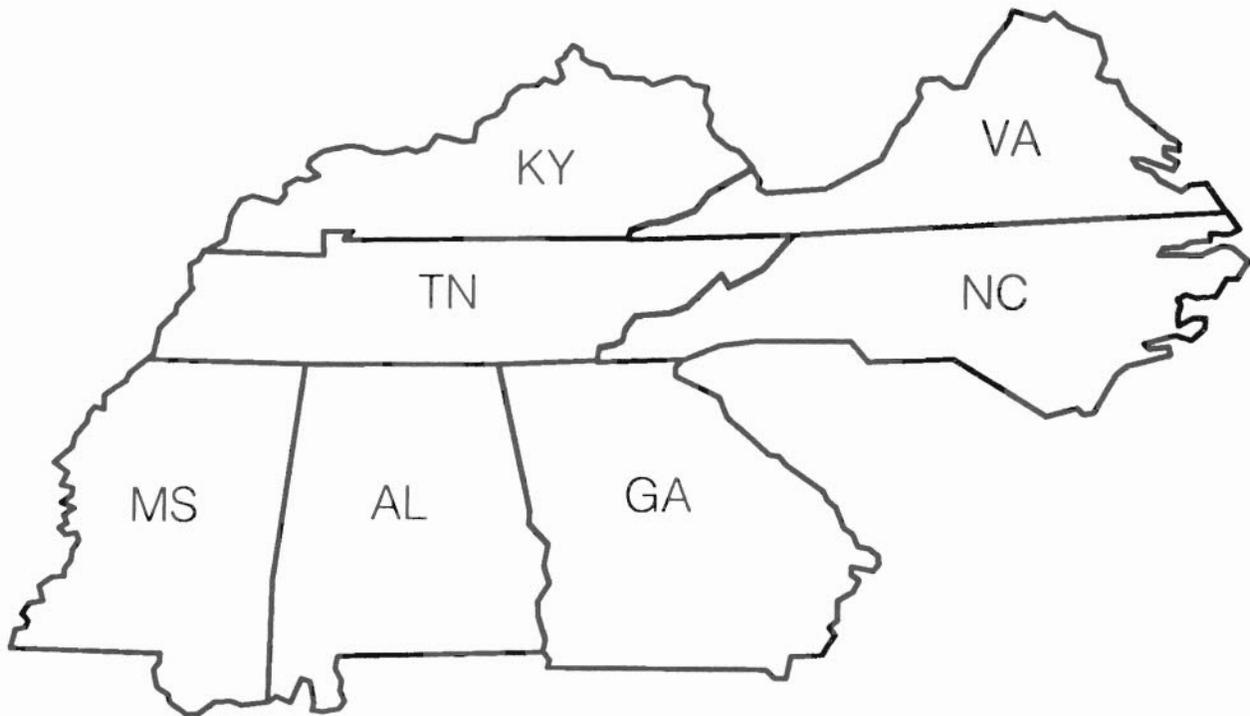
TVA PROFILE

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

TVA's 19,493 employees are involved in economic, natural resource, and agricultural development and in the production of low-cost electricity. The power system is funded exclusively by power sales and borrowings, and TVA's other programs are funded by congressional appropriations and other revenues.

TVA is directed by a Board of Directors whose members are appointed by the President and confirmed by the Senate. TVA's current directors are John B. Waters, Chairman, and William H. Kennoy. One position is vacant, due to the resignation of former Board Chairman Marvin Runyon.

TENNESSEE VALLEY REGION MAP



OFFICE OF THE INSPECTOR GENERAL

WILLIAM L. HINSHAW, II, NAMED INSPECTOR GENERAL

Effective May 1, 1992, William L. Hinshaw, II, became TVA's second Inspector General, replacing Norman A. Zigrossi. Hinshaw is a 24-year veteran of the Federal Bureau of Investigation (FBI). Prior to coming to TVA, Hinshaw was the Special-Agent-In-Charge of the FBI's Atlanta division. Hinshaw's FBI career record includes service in various management and executive positions including (1) Senior Resident Agent, Tyler, Texas (1978-79); (2) Assistant Special Agent-In-Charge, Savannah, Georgia (1979-83); (3) Deputy Assistant Director FBI Laboratory (1983-86); and (4) Special-Agent-In-Charge, Mobile, Alabama (1986-89). Hinshaw holds a bachelor's degree from The Citadel in Charleston, South Carolina, and a master's degree from the University of Alabama.

OFFICE AUTHORITY

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

TVA's Inspector General is independent and subject only to the general supervision of the Board of Directors. The Inspector General reports matters to Congress through semiannual reports and interim reports. In addition, Board members have made themselves available to discuss relevant issues. The Board also invites the Inspector General to participate in senior management conferences..

STAFFING AND BUDGET

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

The OIG's fiscal year 1992 budget is about \$8.7 million and includes 145 budgeted positions.

INVESTIGATIVE OPERATIONS REORGANIZED

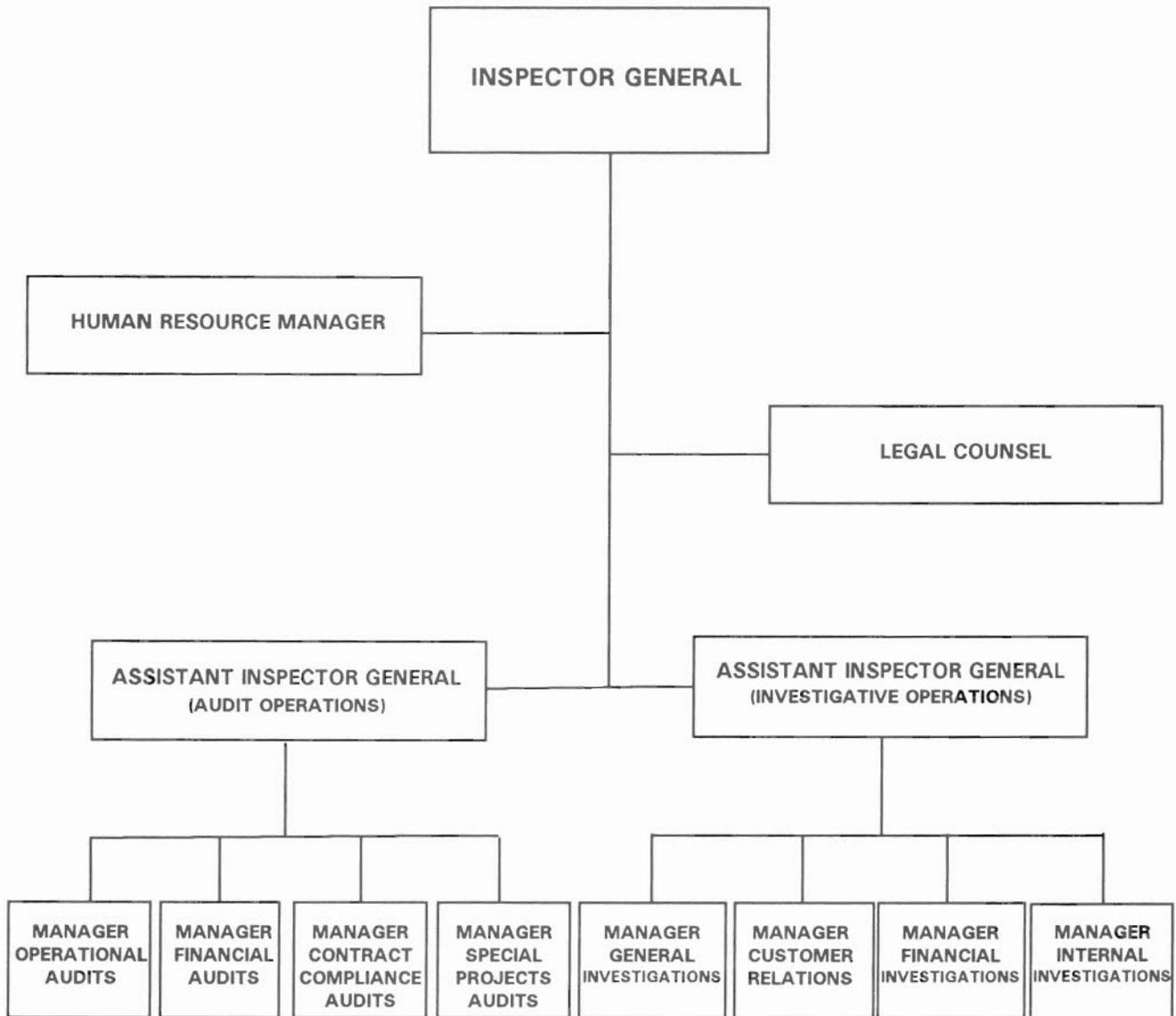
During this reporting period, we restructured our Investigative Operations (IO) in order to elevate our operational performance, improve our effectiveness, and better serve our customers. As part of this restructuring, we (1) realigned our four existing IO departments; (2) incorporated certain support services within the departments; and (3) created a Customer Relations Department to, among other things, address the customer response function as efficiently as possible. Our new IO departments are shown on our OIG organization chart on the next page.

OIG ESTABLISHES SATELLITE OFFICES

Based upon our review of our service delivery and special requests from our customers, we established satellite OIG offices in Chattanooga, Tennessee, and Huntsville, Alabama. OIG associates are frequently required to conduct audit or investigative activities in or near these two cities. Further, many employees, as well as persons outside TVA, believe the OIG should exhibit some physical presence in areas where TVA has a large number of employees. Therefore, we believe establishing satellite offices in Chattanooga and Huntsville benefits the OIG and TVA. One full-time special agent and clerical support are provided at each satellite location, and those offices are electronically connected to the OIG's central office in Knoxville, Tennessee.

The establishment of these offices was coordinated with Congressman Bud Cramer of Alabama and Congresswoman Marilyn Lloyd of Tennessee.

TENNESSEE VALLEY AUTHORITY OFFICE OF THE INSPECTOR GENERAL



INVESTIGATIONS

During this reporting period, our special agents completed 313 investigations, referred 24 cases involving 29 subjects to United States Attorneys for prosecution, and obtained 4 indictments and 11 convictions.

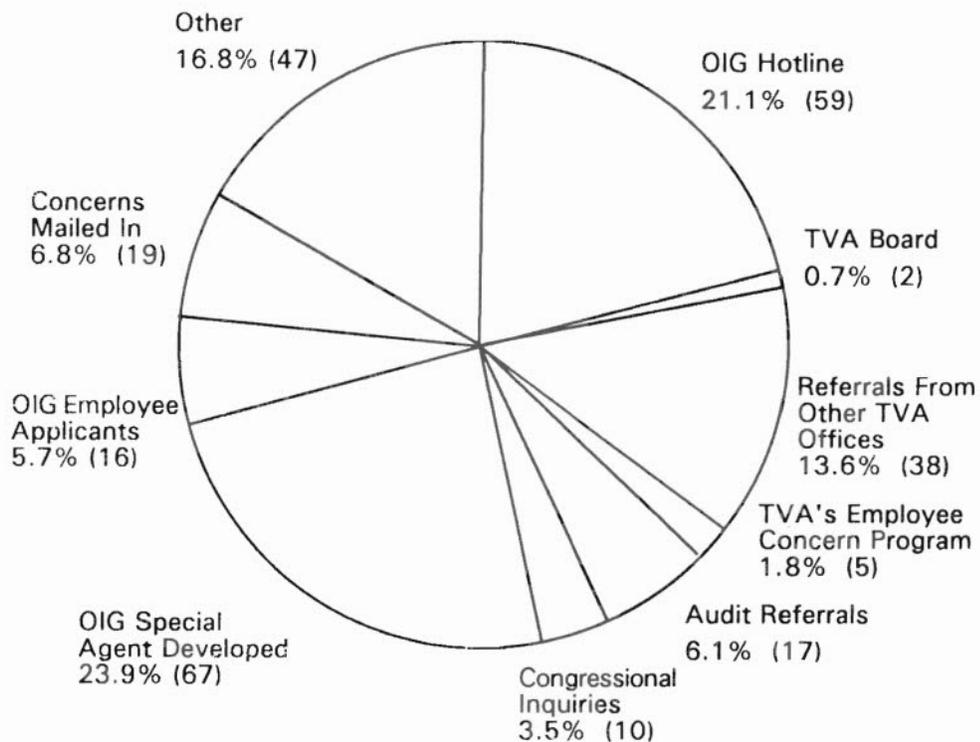
A description of our overall investigative activities follows.

INVESTIGATIVE CASELOAD

Investigations Carried Forward as of March 31, 1992	280
Investigations Opened This Reporting Period	274
Investigations Closed This Reporting Period	(313)
Total Investigations in Progress as of September 30, 1992	241

SOURCES OF ALLEGATIONS*

Total Number of Cases 280



*Some allegations were from more than one source.

CLASSIFICATION OF INVESTIGATIONS

Classification of Cases	Number of Investigations			
	Carried Forward 3/31/92	Opened	Closed	In Progress 9/30/92
1 Employee Misconduct	6	14	14	6
2 Employee Concern Program Matters	21	25	26	20
3 Misuse or Abuse of Government Property	2	1	3	0
4 Vehicle Operations	5	7	9	3
5 Substance Abuse	1	3	2	2
6 Personnel Matters	9	34	29	14
7 Terrorism and Sabotage	0	2	2	0
8 Discrimination and Harassment	5	5	6	4
9 Safety	0	2	0	2
10 Trades and Labor	0	0	0	0
11 Theft	20	19	20	19
12 Falsification of Records	45	17	36	26
13 Contract-Related Misconduct	32	58	38	52
14 Fraud and Waste	111	54	89	76
15 General Criminal Activities	1	2	2	1
16 Employment Suitability	6	16	19	3
17 Public Concerns	0	3	3	0
18 Board Concerns	0	2	1	1
19 Archaeological Resources Protection	0	0	0	0
20 Special Projects	10	5	9	6
21 OIG Personnel Matters	2	0	0	2
22 Other	0	0	0	0
23 Environmental Matters	2	3	2	3
24 Destruction of Government Property-Miscellaneous	2	2	3	1
TOTAL	<u>280</u>	<u>274</u>	<u>313</u>	<u>241</u>

ALLEGATIONS IN OIG CASES

Many of the 313 cases we completed this reporting period contained multiple allegations. More specifically, these 313 cases contained 422 separate allegations. Of these allegations, 241 (about 57 percent) were not substantiated, 128 were substantiated, and 53 were not resolved or were not reportable. The following chart describes these allegations.

Classification of Allegation	Total Number	Number Substantiated	Number Not Substantiated
1 Employee Misconduct	25	15	10
2 Employee Concern			
Program Matters	47	12	33
3 Misuse or Abuse of			
Government Property	8	1	5
4 Vehicle Operations	18	6	10
5 Substance Abuse	2	0	2
6 Personnel Matters	49	1	33
7 Terrorism and			
Sabotage	2	0	2
8 Discrimination and			
Harassment	7	2	4
9 Safety	0	0	0
10 Trades and Labor	0	0	0
11 Theft	26	8	13
12 Falsification of			
Records	61	19	41
13 Contract-Related			
Misconduct	44	12	32
14 Fraud and Waste	97	48	46
15 General Criminal			
Activities	2	2	0
16 Employment Suitability	19	N/A	N/A
17 Public Concerns	3	0	1
18 Board Concerns	1	0	1
19 Archaeological Resources			
Protection	0	0	0
20 Special Projects	6	0	5
21 OIG Personnel Matters	0	0	0
22 Other	0	0	0
23 Environmental Matters	2	1	1
24 Destruction of Government			
Property-Miscellaneous	3	1	2
TOTAL	422	128	241*

**Fifty-three allegations were either resolved but not reportable as substantiated or unsubstantiated, or were not substantiated but recommendations were made.*

THE OIG HOTLINE

We received 165 Hotline calls and 69 percent of those calls were from current and former TVA employees. Of those calls, 49 were about personnel matters--a category which constituted about 30 percent of all calls we received. Our greatest increase in calls related to contract-related misconduct, public concerns, theft, and vehicle operations. Our Hotline activities are further described below.

Classifications	April 1, 1992 - September 30, 1992	
	Number of Calls	Percentage of Calls
1 Employee Misconduct	11	6.7
2 Employee Concern		
Program Matters	3	1.8
3 Misuse or Abuse of		
Government Property	6	3.6
4 Vehicle Operations	20	12.1
5 Substance Abuse	4	2.4
6 Personnel Matters	49	29.7
7 Terrorism and Sabotage	1	.6
8 Discrimination and		
Harassment	6	3.6
9 Safety	1	.6
10 Trades and Labor	2	1.2
11 Theft	13	7.9
12 Falsification of Records	7	4.3
13 Contract-Related		
Misconduct	14	8.5
14 Fraud and Waste	9	5.5
15 General Criminal		
Activities	0	0
16 Employment Suitability	0	0
17 Public Concerns	16	9.7
23 Environmental Matters	3	1.8
TOTAL	165	100.0

Who Called

Employees	87	52.7
Former Employees	27	16.4
Public	51	30.9
TOTAL	165	100.0

THE OIG'S USE OF SUBPOENAS

During this reporting period, we issued 33 subpoenas seeking documents in connection with OIG investigations. The subpoenas we issued sought information related to the following topics:

TVA Employees' Acceptance of Gifts and Gratuities from Contractors	8
TVA's Commercial and Industrial Loan Program	7
Contract-Related Misconduct	6
Workers' Compensation Fraud	4
Questionable Claims for Health Benefits	3
False Statements	3
Conflict of Interest	1
Misuse of TVA Telephone Services	1

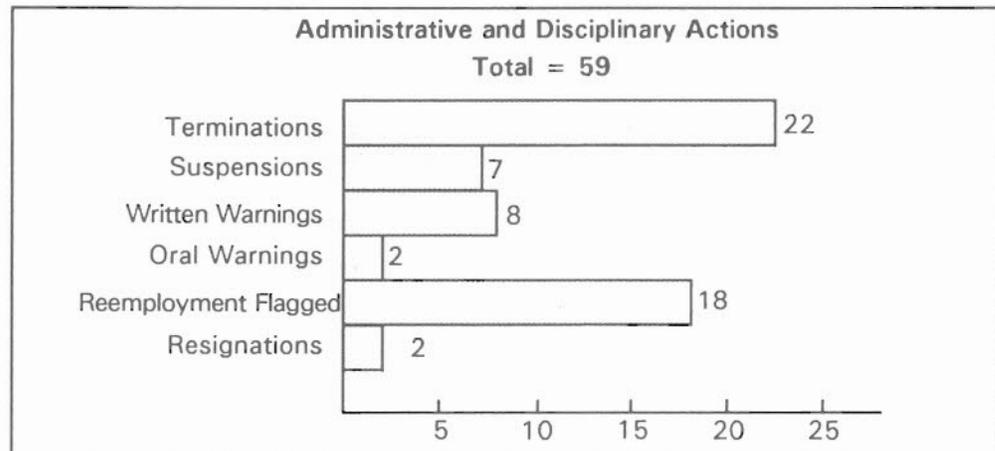
Several representative investigations in which subpoenas played an important role are described below.

- We issued one subpoena in connection with our investigation that a TVA employee submitted false insurance claims for health benefits she did not receive. The medical records we obtained confirmed the employee submitted false health benefits claims totaling more than \$4,000.
- During our investigation of allegations of workers' compensation fraud, we issued three subpoenas for financial records pursuant to the Right to Financial Privacy Act of 1978. These records helped lead to our conclusion that a TVA employee receiving workers' compensation benefits failed to report his earnings and self-employment with a vinyl siding company to the OWCP.
- After an extended illness, an employee returned to work and tested positive for a controlled substance during a routine drug test. The employee submitted to TVA a letter--purportedly written by an anesthesiologist's secretary--indicating the employee was administered a cocaine-derivative drug during and after recent surgery. However, medical and insurance records we obtained through the use of three subpoenas indicated the employee had not recently undergone surgery.

ADMINISTRATIVE AND DISCIPLINARY ACTIONS

We recommended management consider taking administrative or disciplinary action in 72 of the 313 cases we closed during this six-month reporting period.

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



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

TERMINATIONS

- Fossil and Hydro Power (F&H PR) management terminated seven employees for submitting false claims for lodging. More specifically, (1) two employees claimed they paid rent to family members when, in fact, they did not pay rent; (2) two employees submitted false lodging receipts; and (3) three employees claimed they rented travel trailers when, in fact, they owned the trailers.
- Information Services (IS) management terminated an IS systems programmer for accessing an unassigned telephone line containing voice mail and setting up the voice mail for personal use. Subsequently, the programmer wrote messages containing sexual connotations on men's public rest room walls to solicit telephone calls for sexual purposes to his voice mail.
- IS management terminated four employees for improperly using other employees' passwords to access and read confidential electronic mail messages.

- F&H PR management terminated a laborer for using a coworker's name and social security number to make purchases on credit at various businesses.
- Management terminated two employees for misusing TVA vehicles. In one instance, the employee transported an unauthorized passenger and failed a subsequent drug test. In the other instance, the employee was drinking alcohol while driving a TVA vehicle. Subsequently, he wrecked the TVA vehicle and was arrested for driving while intoxicated.
- Nuclear Power management terminated an engineering associate for stealing office supplies from TVA.
- Customer Group management suspended a groundman trainee for 15 days for using a TVA credit card and a field purchase order to make personal purchases.

SUSPENSIONS

- F&H PR management suspended a Power Service Shops supervisor for using government property for unofficial purposes. More specifically, the supervisor directed his subordinates to work on a personal project for a Public Safety Officer (PSO). The officer received a written warning for having personal work done on TVA time using TVA equipment.
- Resource Group management suspended a PSO for two weeks for (1) violating general orders and (2) giving noncredible statements to his supervisor.
- IS management suspended an IS systems programmer for seven days for using TVA's personal computers for non-TVA-related activities. In addition, the programmer's manager received a written warning for being aware of the misuse and allowing it to continue.
- F&H PR management suspended a maintenance planner for three days for not following TVA policy in the removal of TVA equipment from a fossil plant.

WRITTEN WARNINGS

- A nuclear plant programming technician received a written warning for working on a non-TVA job while on sick leave.
- A hydro operator received a written warning for being uncooperative with the OIG.
- A nuclear plant supervisor received a written warning for asking a subordinate employee to fabricate a part for his motorcycle. In addition, another supervisor received a written warning for condoning the misuse of government property.

INVESTIGATIVE REFERRALS

We referred 46 matters, involving 51 subjects, to federal prosecutors and other officials during this reporting period. These referrals are described below.

<u>Investigative Referrals</u>	<u>Subjects</u>	<u>Results This Period*</u>
Subjects referred to U.S. Attorneys	29	3 indictments 10 convictions
Subjects referred to State or local agencies	2	1 indictment 1 conviction
Subjects referred to the OIG's Audit Staff	3	
Cases referred to other agencies for investigative or administrative action	<u>17</u>	OWCP declared \$365,438 in overpayments and saved TVA more than \$6.7 million in estimated long-term workers' compensation costs.
TOTAL	51	

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

PROSECUTIVE ACTIVITIES

During this reporting period, we referred 24 cases involving 29 subjects to United States Attorneys for possible prosecution. The results of those referrals and other referrals made during previous reporting periods follow.*

Total Number of Subjects in Cases We Referred	29
Subjects Accepted	35
Subjects Declined	23
Indictments	3*
Convictions	10
Referrals Pending	6*

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

Some of the indictments and convictions during this reporting period are described below.

- A federal grand jury indicted a former TVA engineering associate for making false statements to TVA. The former employee submitted false reports on instruments used at TVA nuclear power plants. *INDICTMENTS*

- A state grand jury indicted a TVA land use agent for stealing government property. The agent used field purchase orders and a TVA-issued credit card to purchase a lawn mower and other items for his personal use. Subsequently, TVA terminated the land use agent for theft of government property.

- The OIG assisted in an investigation in which a TVA landowner was sentenced to life in prison for shooting a TVA program administrator. The administrator was shot and killed while talking to the landowner about TVA clearing its right-of-way on the landowner's farm. *CONVICTIONS*

- A former TVA employee pled guilty in federal court to making false statements to the OWCP in connection with his claim for federal disability benefits. He was sentenced to three months in prison, three months' home detention, and three years' probation. In addition, he is required to make restitution of more than \$42,000 to OWCP. Subsequently, OWCP reduced his compensation.

- A former TVA carpenter apprentice was sentenced to six months in prison and three years' probation for failing to report to OWCP that she earned income from a home repair business and from working as a cook. In addition, the former employee is required to make restitution of more than \$19,000 to OWCP.

- A former TVA electrician pled guilty in federal court to making false statements to OWCP and the Social Security Administration (SSA) about his employment activities. The former employee failed to report he earned income working as a preacher. He was sentenced to four months in prison, four months of home detention, and three years' supervised release. In addition, he is required to make restitution of more than (1) \$37,800 to OWCP and (2) \$12,000 to SSA. Subsequently, OWCP reduced his benefits.

- A former TVA laborer was sentenced to two months in a halfway house and five years' probation for failing to report to OWCP that he owned a janitorial business. In addition, the former employee is required to make restitution to OWCP of more than \$25,000.
- Two former TVA employees were each sentenced to two months in a halfway house and a year's probation for failing to report their employment activities to OWCP. In addition, the court ordered each employee to make restitution to OWCP of more than \$8,000 total. Subsequently, OWCP determined one of the former employees was overpaid \$77,035.
- A former TVA employee was sentenced to four months' home detention and three years' probation for failing to report to OWCP that he earned over \$100,000 working as a welder and a truck driver. The former employee is required to make restitution to OWCP of more than \$66,000. Subsequently, OWCP terminated the former employee's benefits and determined he was overpaid \$109,236.
- A former TVA contractor was sentenced to three years' probation after pleading guilty to submitting fraudulent travel vouchers. The former contractor was ordered to make restitution to TVA of more than \$7,800. In addition, he was ordered to pay a \$15,000 fine.
- A former TVA contractor was placed on a year's probation after pleading guilty to a felony mail charge in connection with his contract to grow corn at Land Between The Lakes.
- A receptionist was placed on four years' probation and required to make restitution of more than \$8,000 for embezzling funds from a TVA contractor.

SPECIAL FEATURE

SEXUAL HARASSMENT IN THE WORKPLACE

Our office has received an increasing number of sexual harassment complaints during the last year, and our investigations have substantiated many of the sexual harassment allegations. While senior TVA management is committed to eradicating all forms of harassment, there is still some confusion regarding sexual harassment within TVA. We believe TVA needs to take further actions to address sexual harassment concerns, and we are partners with others within TVA to bring about constructive changes in the workplace.



A portion of the Investigative Operations team who are involved in sexual harassment investigations and addressing sexual harassment in the workplace.

Our recent experiences in investigating claims of sexual harassment led to the following general observations.

1. It appears many TVA employees do not understand what constitutes sexual harassment.
2. Some victims (and witnesses) were reluctant to discuss the incidents with either TVA's Equal Opportunity Staff or the OIG. They felt that complaining or providing information could adversely affect their employment with TVA or would do no good because their manager would not do anything to correct the problem. Others were unsure where to report complaints, how to respond if harassed, or what to do if subjected to reprisal for complaining.

3. Some lower-level managers were aware of complaints involving sexual harassment, but took no action.

During this reporting period, our office joined with other TVA organizations to identify and combat sexual harassment in the workplace. Some of the group's goals are to determine (1) the extent of the sexual harassment problem, (2) causes of the problem, and (3) solutions to the problem. Some of the possible solutions include educating employees, monitoring possible sexual harassment situations, and evaluating how TVA, including the OIG, handles sexual harassment cases.

During this reporting period, we issued several reports in which we determined TVA employees sexually harassed or made comments of a sexual nature to other employees. The significant cases are described below.

- Our investigation revealed that a nuclear plant site security supervisor sexually harassed some female subordinates. More specifically, the supervisor engaged in activities his female subordinates found offensive, including (1) kissing them, (2) directing sexually oriented comments toward them, and (3) giving them a sexually suggestive handshake. Further, the supervisor touched some female employees in a manner they found objectionable. Subsequently, management terminated the supervisor.
- A former shift supervisor admitted using profanity in the workplace, including terms which are vulgar and derogatory to women. Several employees who heard the supervisor use these terms found it offensive or intimidating. Accordingly, we determined he engaged in sexual harassment by creating a hostile, intimidating, and offensive work environment. In addition, we determined his managers knew about his use of profanity and derogatory terms and did not take any action against him. Further, our investigation revealed other employees, including the plant manager, inappropriately used profanity in the workplace. Subsequently, management counseled the plant manager and issued written warnings to two managers for allowing a subordinate to create an offensive work environment.
- Our investigation revealed that a nuclear plant materials officer sexually harassed a subordinate female contract employee and made offensive comments of a sexual nature to other employees. Further, the officer discouraged employees from expressing concerns to the Nuclear Regulatory Commission. Subsequently, management terminated the officer. (In a related matter, a contract employee was terminated after he inappropriately

distributed and/or displayed our Report of Administrative Inquiry regarding the materials officer. The contractor terminated the employee because of his ill-considered actions and his previous disciplinary problems.)

- During the last reporting period, we reported that a nuclear plant public safety officer created an intimidating, hostile, and offensive work environment. More specifically, the officer (1) read nude magazines while on duty and (2) made sexually offensive remarks and advances to the female employees. During this reporting period, management terminated the officer and reemphasized to their employees TVA's policy on sexual harassment.
- Our investigation revealed a Public Safety Service captain made inappropriate comments of a sexual nature on a few occasions. More specifically, the officer referred to females, including a subordinate officer, in derogatory terms. Subsequently, management gave the captain a written warning.

OTHER REPRESENTATIVE INVESTIGATIONS

Some of our other significant investigations are described below.

INTIMIDATION AND HARASSMENT INVESTIGATIONS

- We completed seven cases involving alleged violations under Section 210 of the Energy Reorganization Act. In each case, we determined there was no misconduct on the part of TVA management. In addition, the Department of Labor (DOL), which determines whether a Section 210 violation occurred, has ruled initially in favor of (1) TVA in two of these cases and (2) the complainants in two of these cases. DOL has not made a decision on the remaining three cases we completed during this reporting period.

WORKERS' COMPENSATION FRAUD

- During this reporting period, we issued eight reports involving employees who failed to report their employment activities to OWCP. In addition, we issued 14 reports dealing with employees who (1) have returned to work in positions similar to their former TVA jobs; (2) have vocationally rehabilitated themselves; or (3) earn more than their current loss-in-wage earning capacity rating. In addition, seven former employees were sentenced in federal court after pleading guilty to failing to report employment activities to OWCP. (For more information, see the individual stories on Convictions under "Prosecutive Activities.") Because of our efforts in detecting workers' compensation fraud, OWCP declared overpayments of more than \$365,000 in nine cases we referred to them for action. Further, our efforts may have saved TVA more than \$6.7 million over the long term in estimated avoided disability benefits. (Some of OWCP's decisions were on cases we referred to them during previous reporting periods.)

FALSIFICATION OF RECORDS

- A former TVA employee's son willfully defrauded the TVA Retirement System (TVARS) by continuing to obtain retirement benefits for his mother even after she died. In order to continue to obtain the retirement benefits after his mother's death, the son submitted false statements to TVARS indicating his mother was still living. The son committed suicide after our investigation began and before we interviewed him.
- A TVA project manager and a former truck foreman admitted they intentionally falsified field purchase orders to hide unauthorized purchases. In addition, the manager and a former subordinate created a conflict of interest when the manager allowed the subordinate to purchase items for TVA from the subordinate's company.
- A senior-level TVA manager embellished his educational accomplishments on a resume he submitted to TVA. (However, a collateral background investigation conducted after the manager was hired, verified his qualifications for the TVA position.)

- A Customer Group engineer's operation of a heating and air-conditioning business conflicted with his TVA employment and violated TVA conduct regulations. More specifically, the engineer's actions, which were inconsistent with his TVA employment, included (1) associating with a company that did work under TVA's energy loan program, (2) having his name and reference to TVA on the company's business card, and (3) converting electrical customers to gas customers.
- A Customer Group engineer created a conflict of interest when he provided his brother's name as a potential contractor to third parties for whom the engineer had done work as a TVA employee. Further, TVA allowed him to continue to work on projects on which his brother submitted bids or obtained the contracts. Subsequently, management gave the engineer a written warning.
- Our investigation revealed that some contractors installing heat pumps in TVA's residential energy services program used hard-sell tactics and misrepresentations to sell homeowners heat pumps at inflated prices. The contractors often used telemarketers who sold heat pumps based on the amount the customer could pay monthly instead of determining the size of heat pump the customer needed.
- We reviewed the Public Safety Service (PSS) "Special Services" Program (SSP), under which PSS provides transportation, mail delivery, and security services for TVA Board members and a few senior TVA officials on request.

CONFLICT OF INTEREST

CONTRACT-RELATED MISCONDUCT

MISUSE OF GOVERNMENT VEHICLES

The vast majority (about 98 percent) of the 1,312 trips we reviewed under this program were related to official business. We also found considerable evidence showing this program allows Board members and other senior TVA officials to use their time more efficiently while on official travel, especially on out-of-town trips.

However, based on PSS's determination that certain TVA executives should be given security, several managers also were driven on a relatively small number of trips that we believe can best be characterized as personal. Although the managers were relying on PSS and legal advice for their belief that these trips were authorized, in our opinion, PSS has not shown that such security was warranted and providing security seemed, at best, incidental to providing transportation. Our investigation also revealed other problems with the SSP, such as the purchase of radar detectors and the PSS officers driving the cars home on a regular basis.

Although this investigation involved Board members and other TVA senior managers and resulted in a report which criticized a practice which benefited them, there was no challenge to the OIG's independence.

OTHER INVESTIGATIVE ACTIVITIES

Investigative Operations (IO) continues to be involved in various ways to heighten managers' and employees' awareness to the potential for fraud and abuse in their programs. As requested, IO managers present awareness sessions to employees in various organizations at different worksites throughout the Tennessee Valley region. In addition, IO has provided information and assistance to others in the IG community as follows.

- We made a presentation at the annual Executive Council on Integrity and Efficiency Conference. During the presentation, we discussed various aspects of our investigative operations, including our investigative techniques.
- We provided information to officials from various government organizations regarding the processes we use for managing our investigations. Among other things, they reviewed the way we manage investigative cases, particularly our workers' compensation fraud cases. (Since we began investigating workers' compensation fraud, the OWCP has declared 87 current or former employees were overpaid more than \$3.4 million and our efforts have saved TVA more than \$36.8 million in estimated long-term workers' compensation costs.)

AUDITS

We issued 24 audit reports which collectively identified about \$400,000 in questioned costs and almost \$6.5 million in funds that could be put to better use (see Appendix 1 for listings). We structured a dynamic strategic plan that will continually focus on high-priority issues important to achieving TVA's mission. We also expanded our use of information technology tools to meet the challenge of changing technology in audit areas. Furthermore, we dedicated significant resources to contract preaward audits requested by TVA's major operating groups. A more detailed description of our audit activities follows.

AUDIT STATISTICS

Status of Audit Projects

Audit Projects Carried Forward 4/01/92	31
Audit Projects Started	37
Less: Audits Postponed or Canceled	<u>(3)</u>
Total Active Audit Projects	65
Less: Audit Projects Completed	<u>(24)</u>
Audit Projects In Progress 9/30/92	<u>41</u>

Audit Results

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

Final Audit Reports Issued: 24

QUESTIONED COSTS:

Unsupported Costs	\$386,119	
Other Questioned Costs	<u>9,507</u>	
TOTAL QUESTIONED COSTS		\$ 395,626
FUNDS TO BE PUT TO BETTER USE		<u>6,487,413 *</u>
TOTAL		<u>\$6,883,039</u>

**This figure includes \$751,246 identified in preaward audits of proposals for contracts that were not subsequently awarded.*

**SPECIAL FEATURE
OIG STRATEGIC PLANNING
ALIGNS WITH TVA'S MISSION**

TVA'S VISION

TVA has stated its mission in terms which are compatible with the agency's vision of where it wants to be by the year 2000. TVA's vision is to be "the very best electric utility in North America and the most productive and effective agency in the federal government." TVA realizes that to become the very best, it must be committed to service, quality, and change. This can only be accomplished through encouraging and adopting new ideas and finding better alternatives. To do this, TVA has adopted a strategy of using "Total Quality" methods comprehensively across its programs.

The OIG is principally tasked with helping TVA achieve its vision by supplementing and complementing TVA's Total Quality approach. The OIG plays an important role in achieving TVA's vision by identifying and reviewing activities essential to TVA's mission and acting as a catalyst for excellence and continuous improvement of those activities.

OIG's Audit Operations exists to serve Congress and the TVA Board as an independent reviewer of TVA activities. Since every TVA activity should be in pursuit of TVA's mission, the OIG's audit universe is structured in terms of TVA's mission statement.

***TVA'S MISSION
STATEMENT***

Energy Mission: To be America's first choice for electric power by the year 2000.

River Mission: To provide leadership to make the Tennessee River the cleanest and most productive commercial river system in the United States by the year 2000.

Environment Mission: To achieve environmental excellence and leadership by the year 2000.

Community Partnerships Mission: To help valley communities demonstrate sustained economic progress 10 percent faster than the national indexes by the year 2000.

Workforce Mission: To create an environment in which high performance is rewarded, teamwork is expected, diversity is embraced, risk-taking and innovation are encouraged, and continuous improvement is a part of everyday life.

The OIG's Strategic Plan tracks TVA's Strategic Plan, which is the Board's foundation policy document. The OIG Strategic Plan attempts to identify and prioritize audits of activities essential to TVA's mission and goals. To identify potential audits, we sought information from various OIG customers, such as TVA employees and managers, ratepayers, distributors, and Valley interest groups. We summarized the results in the form of issues and then classified them by mission area. We used risk criteria to rank the issues and focus on priorities according to their vulnerabilities.



Audit Operations Strategic Planning Team

We designed the risk criteria to apply to almost every issue, regardless of its mission area. We also designed specific risk factors for each mission area which apply only within that mission area. By using specific risk factors, we avoided, for example, trying to compare the relative importance of an environmental issue with an issue predominated by community partnership concerns. Since the OIG has committed to allocate a portion of our resources to each mission area, comparison of issues from different mission areas was not needed. The effect of the ranking process was to simplify our strategic direction and assist with resource allocation.

The updated strategic planning process is dynamic. As new concerns arise, they will be documented and ranked using the risk criteria. In support of this process, custodial responsibilities were given to a designated strategic planning custodian. As new audit suggestions become available, the suggestions will be evaluated

and, if appropriate, incorporated into the strategic plan. This will provide us with the ability to continually focus our resources on higher-priority issues. The intended effect of our new planning model is to enable the OIG to become a catalyst for excellence and continuous improvement of TVA activities.

SPECIAL FEATURE

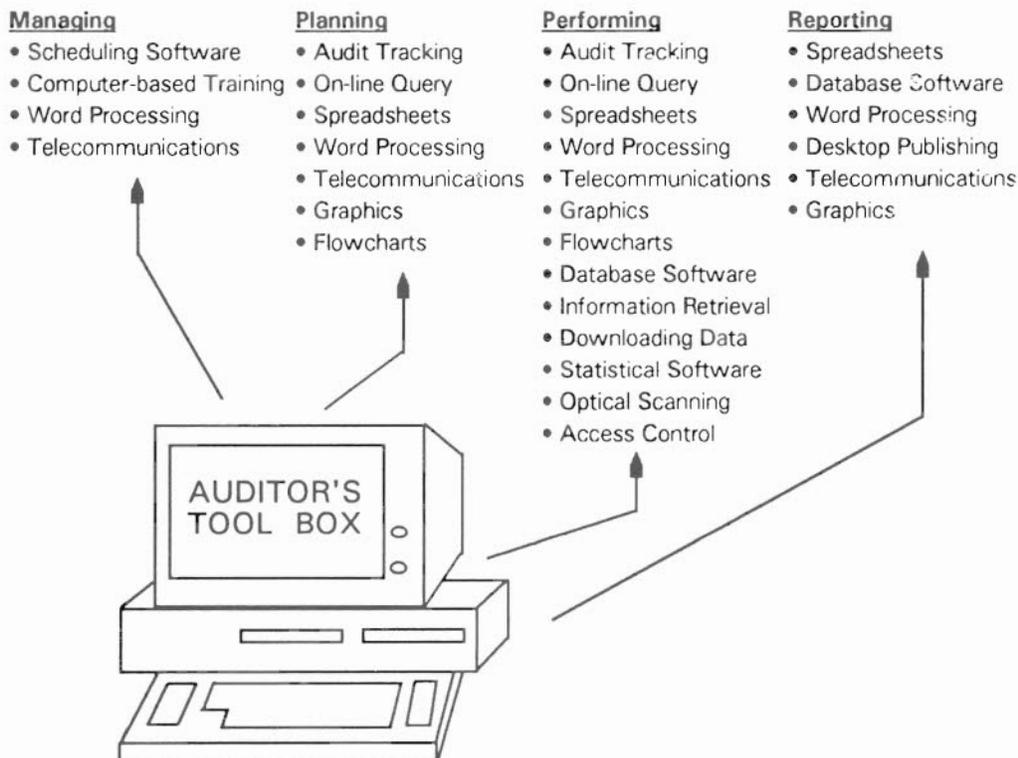
AUDITING WITH INFORMATION TECHNOLOGY TOOLS

The use of information technology to support the audit process is no longer an option; it is imperative. Often the data auditors use is no longer on paper but in electronic format. Paper audit trails are rapidly vanishing. The volume and complexity of data can also prohibit effective reviews with the use of manual tools alone.

To meet the challenge of technology-driven information in audit areas, OIG auditors have incorporated information technology tools into the audit environment. Auditors have expanded their use of these tools, concentrated on the necessary technical training, and recognized the benefits of using information technology. Today, auditors can access the information necessary to support audits without relying on the creators of the information. This capability reinforces the independence that is vital to the OIG's success.

The audit environment consists of four general functions: managing, planning, performing, and reporting. Each function is supported by information technology tools, which are often used in several functions. The figure below identifies these computerized tools. The auditors of the OIG will continue their efforts to meet the challenge of technology-driven information in their audit areas and enhance their independence at TVA.

AUDITOR'S TOOL BOX



SUMMARY OF SIGNIFICANT AUDITS

TVA IMPROVES ITS PROCESS FOR ANNOUNCING JOB VACANCIES

In October 1990, TVA adopted a new corporate policy for posting announcements about certain vacant management and specialist (M&S) positions that it planned to fill. Our review of the vacancy announcement process through September 1991 indicated that TVA's practices were inconsistent with its adopted policy. Over 40 percent of TVA's M&S vacancy announcements were either not posted or posted only a few days prior to filling the positions. In comparison with other utilities, federal agencies, and eight Baldrige Award winning companies, TVA's process was less effective and 7 to 21 times more costly. We noted that telecommunication appeared to be the most effective and efficient means of announcement used by organizations we surveyed.

As a result of our audit, TVA management formed a workgroup to analyze the present vacancy announcement systems and recommend improvements. To date, TVA has made announcements for M&S positions available to employees by telephone and computers. Management also plans to establish procedures for monitoring the announcements of vacant M&S positions and assuring compliance with TVA's policy.

AUDIT RECOMMENDS IMPROVEMENTS IN \$15 MILLION LOAN FUND

In 1991, TVA's Board of Directors authorized establishing a \$15-million fund to assist in the start-up or expansion of businesses owned and controlled by socially and economically disadvantaged individuals in the Tennessee Valley region. Our audit recommended improvements in the guidelines for the proposed administration of this loan fund. In conjunction with a related investigation, we also reviewed the process TVA used in selecting a manager for the loan fund and found that the selection process was adequate.

ACCOUNTING CONTROLS OVER TVA EMPLOYEE RETIREMENT PLAN ARE SATISFACTORY

Our audit of the accounting transactions and controls for TVA's pension plan disclosed that the present accounting controls are sufficient to prevent or detect significant errors. In addition, recorded pension transactions and financial statement disclosures for fiscal years 1990 and 1991 complied with generally accepted accounting principles.

TVA HAS A POSITIVE NUCLEAR WASTE MANAGEMENT PROGRAM

Our survey of TVA's nuclear waste management processes revealed that TVA has a strong interest in safe and cost-effective nuclear waste disposal. Nuclear Power Operations has substantially reduced TVA's total volume of low level radioactive wastes (LLRW), such as discarded materials and equipment, resins from wastewater treatment, and general wastes from operations. TVA continues to make significant advances in reducing its volume of LLRW. We determined that TVA's options for the storage of spent nuclear fuel are probably

sufficient for its needs until the nation's permanent storage facilities are available. We also identified areas for further review.

As the result of injuries sustained in a traffic accident involving a TVA vehicle, an individual filed a personal injury claim of over \$121,000 against TVA. The amount claimed was based on projections of the individual's probable medical expenses during a 41-year period, but had not been discounted for the time value of money. Our analysis determined that the present value of the plaintiff's projected medical expenses was nearly \$70,000 (57 percent) less than the amount claimed.

PRESENT VALUE ANALYSIS REDUCES PERSONAL INJURY CLAIM

When TVA cancelled a contract for radiation monitoring devices, the contractor submitted a claim for termination costs based on estimated operating costs for 1991. Our audit of the contractor's actual costs for 1991 resulted in a \$52,000 reduction in that claim.

SUBSTITUTING ACTUAL COSTS REDUCES CLAIM

We audited costs incurred for a contract providing engineering-related services to TVA's Nuclear Power program. We questioned about \$265,000 in unsupported charges on 38 contractor invoices totaling \$383,087 to TVA for such items as labor, travel expenses, computer use, and other costs. TVA management agreed with our findings and is withholding payments on these invoices until the contractor provides adequate supporting documentation.

CONTRACTOR BILLED TVA \$265,000 WITHOUT SUPPORT

During this reporting period, we issued 13 preaward audit reports which collectively identified more than \$6 million in funds that could be used more effectively. The proposals were for contracts or contract supplements totaling about \$160 million in expected TVA expenditures. TVA organizations requesting preaward audits included Customer Group, Fossil and Hydro, Nuclear Power, and Finance & Administration. Some of the more significant findings are summarized below.

TVA ORGANIZATIONS CONTINUE TO REQUEST PREAWARD AUDITS

- Proposed "market-driven" rates were considerably higher than cost-based rates.
- Proposed rates were higher than "government-approved" rates.
- Proposed fringe benefit rates included unsupported costs for an employee savings plan benefit.
- Home office labor costs were duplicated in anticipated direct labor billings and indirect rates.
- Unallowable financing costs were included in overhead rates.

- Proposed rates for payroll taxes were higher than projected effective rates considering statutory salary limits.
- Mathematical errors were made in computing proposed rates.

We also discovered during the audits of two contract supplements that rates for the base contract period permitted the contractors to over-recover certain overhead costs. The excess recovery occurred because the fixed contract rates were based on relatively constant overhead costs for an assumed volume of work which was less than the actual volume in a given time period. Fixed contract rates rather than provisional rates may have resulted in excessive costs of over \$3 million to TVA.

Final actions have been taken on five of the preaward audits. TVA management (1) negotiated two contracts for savings of about \$114,700 and (2) did not award three contracts, accounting for about \$751,000 of the funds we identified. TVA management has not notified us of final action taken for the remaining eight audits.

ADVISORY SERVICES PROVIDED TO TVA MANAGEMENT

In addition to performing audits from our annual workplan and others requested by TVA management, we responded to requests for various services of an advisory nature. Some of the management advisory services we provided during this reporting period included:

- Assisting management in enforcing contract terms which required that the contractor retain and furnish TVA electronic data supporting all invoices.
- Proposing contract terms to Resource Group management for a contractor we had audited previously.
- Discussing alternative contract provisions regarding audit rights and financial obligations.
- Advising Generating Group management about problems we were encountering in audits of Eastern and Western Region modification contracts.
- Conducting in-house desk reviews of two contract proposals submitted by firms we had audited previously.
- Advising Customer Group about processes for ensuring the reliability of electricity metering by the distributors of TVA power.

- Evaluating the commercial aspects of contractor cost proposals submitted to TVA in response to several Requests for Proposals.
- Providing audit assistance for several OIG investigations.

Sharing our information and expertise with TVA management is an important Total Quality initiative for Audit Operations. We will continue to provide advisory services as appropriate in TVA's quest to be the very best utility in North America and the most productive and effective agency in the federal government.

AUDIT RESOLUTION AND FOLLOW-UP

Since the OIG's inception, we have made 1,149 recommendations in 355 final audit reports to TVA management. The status of those reports for which management decisions were not made before this reporting period is shown in the charts in this section. TVA management has made decisions on all the recommendations in reports which were issued over six months ago, except as described below.

UNRESOLVED AUDIT REPORTS WHICH WERE ISSUED PRIOR TO APRIL 1, 1992

Listed below are 2 audit reports which we issued before this reporting period began and for which no management decisions were made by September 30, 1992. We expect to report the management decisions in our next semiannual report.

DATE ISSUED	REPORT TITLE	WHY MANAGEMENT DECISION HAS NOT BEEN MADE
08/16/91	Retirees Contributions to TVA Medical Plan	TVA management is reviewing information to determine the financial impact of the recommendation.
03/20/92	Williams Power Corporation - Preaward	TVA management is negotiating the award of this contract.

**INSPECTOR GENERAL ISSUED REPORTS WITH QUESTIONED
COSTS FOR THE SIX-MONTH PERIOD ENDING
SEPTEMBER 30, 1992**

	Number of Reports	<u>Dollar Value</u>	
		Questioned Costs	Unsupported Costs
A. For which no management decision was made by the commencement of the period	3	\$18,399,611	\$2,645,479
B. Which were issued during the reporting period	<u>5</u>	<u>395,626</u>	<u>386,119</u>
Subtotals (A + B)	8	18,795,237	3,031,598
C. For which a management decision was made during the reporting period	8*	18,795,237	3,031,598
(i) Dollar value of disallowed costs	6	1,203,613	886,119
(ii) Dollar value of costs not disallowed	4	17,591,624	2,145,479
D. For which no management decision was made by the end of the reporting period	0	0	0
Reports for which no management decision was made within six months of issuance	0	0	0

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

**INSPECTOR GENERAL ISSUED REPORTS WITH
RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER
USE FOR THE SIX-MONTH PERIOD ENDING
SEPTEMBER 30, 1992**

	Number of Reports	Dollar Value
A. For which no management decision was made by the commencement of the period	4	\$ 5,023,386
B. Which were issued during the reporting period	9	6,487,413
Subtotals (A + B)	13	11,510,799 *
C. For which a management decision was made during the reporting period	7**	5,089,757
(i) Dollar value of recommendations that were agreed to by management	4	1,714,780
(ii) Dollar value of recommendations that were not agreed to by management	5	3,374,977
D. For which no management decision was made by the end of the reporting period	6	6,421,042
Reports for which no management decision was made within six months of issuance	2	932,500

****This figure includes \$751,246 identified in preaward audits of proposals for contracts that were not subsequently awarded.***

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

LEGISLATION AND REGULATIONS

WORKERS' COMPENSATION REFORM LEGISLATION

Over the past several years, Senator Jim Sasser, Tennessee's senior U.S. Senator, has been supportive of our efforts to detect and reduce fraud in TVA workers' compensation cases. As part of his continued support, during September 1992 Senator Sasser introduced legislation providing that persons convicted of certain crimes of fraud or who are incarcerated may not receive workers' compensation under the Federal Employees Compensation Act (FECA).

We support Senator Sasser's efforts to reform FECA. Our investigations have identified significant FECA fraud and abuse, including numerous individuals who continue to receive FECA benefits after they are convicted of committing fraud to obtain those benefits. In the absence of legislation, this abusive practice will continue.

FURTHER DETERRENDS TO FRAUD

We also intend to explore with TVA management whether other changes in current laws would be useful in helping enhance the detection and punishment of fraud, and consequently reducing the commission of fraud. For example, we believe added deterrents such as effective monetary penalties might provide useful tools against workers' compensation, travel, and contract fraud. We will provide further information on our efforts in our next semiannual report.

OTHER OIG ACTIVITIES

OIG ESTABLISHES QUALITY ACTION TEAMS

During this reporting period, the OIG established Quality Action Teams to address, among other things, OIG associates' issues and concerns in the areas of career paths, performance appraisals, and associate development. The teams' objectives include the following:

1. Development of a career path plan that will:
 - a. Be based on demonstrated skills and task performance.
 - b. Empower each employee to control his/her advancement by developing skills commensurate with pay bands.
 - c. Provide for consistent evaluation and feedback to the employee throughout the year.
2. Development of a performance appraisal system to provide timely feedback to OIG associates for the purposes of (a) associate development, and (b) consideration for recognition and merit.
3. Creation of the Associate Development Program to provide opportunities for OIG associates to develop or broaden their personal and professional skills and thereby increase the OIG's ability to provide quality customer service. This program does not include routine training of associates.
4. Development of a comprehensive strategy to promote automated data processing applications in OIG operations through requisition of equipment, software, and employee training.

SPECIAL FEATURE

THE OIG PARTNERS WITH LOCAL MIDDLE SCHOOL

TVA sponsors an on-going community partnership program called Adopt-A-School. Organizations are encouraged to partner with public schools and work together to further education, help meet school needs, and advance TVA's corporate citizenship value. TVA's Adopt-A-School program has grown from 9 schools in December 1991 to 40 schools in less than a year. On June 9, 1992, the OIG entered the program through a partnership with Gresham Middle School in Knoxville, Tennessee.



The TVA-OIG/Gresham Middle School Adopt-A-School team, including Inspector General William Hinshaw (second from left) and Gresham Principal Leo Cooper (first on left).

Since entering the Adopt-A-School program, our accomplishments include the following.

- Constructed an outdoor classroom at the Environmental Center on Gresham's campus. The project involved over 240 hours of work.
- Implemented a tutoring program for OIG associates to work individually with students on studies. Associates spend about an hour each week to help students improve their academic skills.
- Planned a school assembly for October 1992 titled "Ain't Misbehavin' At Gresham." We invited local sports and television celebrities to discuss appropriate behaviors, respect, and positive self-image.

- Attended a TVA-wide Partners In Education conference for employees and school personnel to brainstorm and plan for the school year.
- Coordinated donations of surplus TVA equipment, furniture, and computers.
- Planned and implemented an incentives achievement program called Commitment to Excellence. The program is patterned after one developed in Memphis, Tennessee, and will reward students for setting and achieving goals on a contract basis.

These activities provide OIG associates the opportunity to work with the community and make a positive impact on our future workforce. Our partnership with Gresham demonstrates our values of people, quality, and service. Through this program, we are enhancing our efforts to be a catalyst for excellence and contributing in a significant way to TVA's commitment to community.

APPENDICES

**INSPECTOR GENERAL AUDIT REPORTS ISSUED DURING
THE SIX-MONTH PERIOD ENDING SEPTEMBER 30, 1992**

DATE ISSUED	REPORT NUMBER	REPORT TITLE	QUESTIONED COSTS (DOLLARS)	UNSUPPORTED COSTS (DOLLARS)	FUNDS TO BE PUT TO BETTER USE (DOLLARS)
04/23/92	92-023S	BCS (A Joint Venture) - Preaward - RFP GB-77793B - Finance & Administration			\$ 782,942
05/01/92	92-034S	Stone & Webster Engineering Corporation - Preaward - Architectural/Engineering Services - Fossil & Hydro Power			325,000
05/06/92	92-032S	Gilbert/Commonwealth, Inc. - Preaward- Architectural/Engineering Services - Fossil & Hydro Power			
05/06/92	92-033S	Viatech Services, Inc. - Preaward - Technical Support Staffing Services - Nuclear Power			241,425
05/19/92	92-0290	Nuclear Waste Disposal			
06/01/92	92-0180	Rate Restructure Review			
06/10/92	92-030C	Ebasco Services Inc. - Contract TV-80539V	\$ 895		
06/10/92	92-042S	Kaselaan & D'Angelo Associates, inc. - Preaward - Contract TV-86594V - Fossil & Hydro Power			
06/15/92	91-073P	Accelerated Degree Tuition Reimbursements			
06/24/92	92-0260	Socially & Economically Disadvantaged Business Finance Program			
06/24/92	92-038F	Sorrento Electronics, inc. - Contract 91NNA-75787A - Claim for Contract Termination Costs	51,633	\$51,633	

**INSPECTOR GENERAL AUDIT REPORTS ISSUED DURING
THE SIX-MONTH PERIOD ENDING SEPTEMBER 30, 1992**

DATE ISSUED	REPORT NUMBER	REPORT TITLE	QUESTIONED COSTS (DOLLARS)	UNSUPPORTED COSTS (DOLLARS)	FUNDS TO BE PUT TO BETTER USE (DOLLARS)
06/29/92	91-007N	TVA's Accounting Controls over Retirement Plan Transactions			
06/30/92	92-031S	Black & Veatch - Preaward - Architectural/Engineering Services - Fossil & Hydro Power			377,746
07/10/92	91-080P	TVA's Management and Specialist Vacancy Announcement Process			
07/15/92	92-056S	Gilbert/Commonwealth, Inc. - Preaward - Architectural/Engineering Services - Customer Group			
07/29/92	92-053S	Stone & Webster Engineering Corporation - Preaward - Architectural/Engineering Services - Customer Group			48,500
08/10/92	92-057C	Digital Engineering, Inc. - Preaward - Contract TV-83423V - Nuclear Power			560,000
08/25/92	92-055S	Parsons Main, Inc. - Preaward - Architectural/Engineering Services - Customer Group			
08/25/92	92-064S	Kuether & Associates, Inc. - Preaward - Architectural/Engineering Services - Customer Group			342,300
08/31/92	92-041F	Greg Allen Miller Litigation - Civil Action No. H90-0217(P) - Present Value Analysis of Personal Injury Claim	69,509	69,509	

**INSPECTOR GENERAL AUDIT REPORTS ISSUED DURING
THE SIX-MONTH PERIOD ENDING SEPTEMBER 30, 1992**

DATE ISSUED	REPORT NUMBER	REPORT TITLE	QUESTIONED COSTS (DOLLARS)	UNSUPPORTED COSTS (DOLLARS)	FUNDS TO BE PUT TO BETTER USE (DOLLARS)
09/08/92	92-065S	Heery International, Inc. - Preaward - RFP QC-21509D - Finance & Administration			
09/08/92	92-036S	Bechtel Corporation - Contracts TV-72163A and TV-72104A	269,804	264,977	
09/08/92	92-052S	Performance Controls Company - Contract TV-85432V - August 12, 1991 through February 9, 1992	3,785		6,200
09/30/92	92-075S	Ebasco Services, Inc. - Preaward - Contract TV-82466V - Nuclear Power	<u> </u>	<u> </u>	<u>3,802,800</u>
TOTAL	24		<u>\$395,626</u>	<u>\$386,119</u>	<u>\$ 6,487,413*</u>

**This figure includes \$751,246 identified in preaward audits of proposals for contracts that were not subsequently awarded.*

GLOSSARY OF AUDIT TERMS

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

Questioned Cost. A cost we have questioned because of an alleged violation of law, regulation, contract, or other agreement governing the expenditure of funds; such cost is not supported by adequate documentation; or the expenditure of funds for the intended purpose is unnecessary or unreasonable.

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

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

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

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

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

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



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

John B. Waters
Chairman, Board of Directors

November 2, 1992

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 continues to strive to be the best electric utility in North America and the most productive and effective federal government agency. We welcome the efforts of the Inspector General's office as we pursue this vision.

Sincerely,

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

John B. Waters

Enclosure

**TVA MANAGEMENT'S REPORT ON
FINAL ACTIONS FOR THE SIX-MONTH
PERIOD ENDING SEPTEMBER 30, 1992**

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

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

	No. of Reports	Amounts Agreed by Management
IG audit reports for which final action by management had not been taken by 3/31/92	18	\$4,571
IG audit reports on which management decisions were made from 4/1/92 through 9/30/92	8	1,203
Subtotal	26	5,774
Less:		
IG audit reports for which final action was taken by management from 4/1/92 through 9/30/92		
(a) Amounts that were recovered by management	6*	170
(b) Amounts that were not recovered by management	5*	472
(c) Amounts classified by the IG as unrecoverable	1*	46
IG audit reports for which management has taken no final action by 9/30/92	18*	\$5,086

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

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

	No. of Reports	Amounts Agreed by Management
IG audit reports for which final action by management had not been taken by 3/31/92	3	\$8,186
IG audit reports on which management decisions were made from 4/1/92 through 9/30/92	7	1,715
Subtotal	10	9,901
Less:		
IG audit reports for which final action was taken by management from 4/1/92 through 9/30/92		
(a) Dollar value of recommendations implemented by management	2*	1,365
(b) Dollar value of recommendations that management decided should not or could not be implemented	9*	7,096
IG audit reports for which management has taken no final action by 9/30/92	1*	\$1,440

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

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

Audit Report Number	Date Issued	Disallowed Costs	Funds Put to Better Use	Explanation Final Action Not Taken
Cancelled Nuclear Capital Projects 89-034N	7/19/90	N/A	N/A	The only remaining issue will be closed with the implementation of TVA's new automated time and attendance system currently being developed.
Eligibility - TVA Health Benefits Program 90-047G	12/19/90	N/A	N/A	Audit will be resolved with collection of employee's dependent information concluding with implementation of TVA's flexible benefits program scheduled in FY 1993.
Tennessee Elk River Development Agency 89-065G	3/21/91	N/A	N/A	Audit resolution pending a change of contract.
M. H. Sturdivant and Associates, Inc. 89-001N	5/21/91	\$263	N/A	Efforts to collect funds have been unsuccessful to date. If an agreement with the contractor cannot be reached, a decision on whether or not to pursue through legal means will be made prior to April 1993.

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

Audit Report Number	Date Issued	Disallowed Costs	Funds Put to Better Use	Explanation Final Action Not Taken
Workers' Compensation Chargeback 90-060P	6/27/91	222	N/A	TVA has fully implemented all recommendations. Final closing pending completion of actions by the US Dep't of Labor, Office of Workers' Compensation.
Materials Management System 89-010P	6/27/90	N/A	N/A	TVA has made progress in identifying direct material and placing it on the materials management system. However due to budgetary constraints, items at one nuclear facility currently in deferred status have not been resolved. Resolution will occur as the budget permits or construction on the plant is restarted.
Subrogation, COB, & Work Related Claims 90-025G	12/11/90	N/A	N/A	TVA's General Counsel has contacted the Dep't of Labor and is currently working to obtain the approvals necessary for computer matching OWCP claims and TVA medical plan claims. Final resolution is uncertain as of this date.

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

Audit Report Number	Date Issued	Disallowed Costs	Funds Put to Better Use	Explanation Final Action Not Taken
Associated Project Analysts 90-029P	9/28/90	130	N/A	A tentative resolution with the contractor has been reached.
Totals		\$615	N/A	

N/A - Not Applicable

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

OIG REPORTING REQUIREMENTS

Our reporting requirements prescribed by the Inspector General Act of 1978, as amended, follow.

Section 4(a)(2)—Review of Legislation and Regulations	Page 37
Section 5(a)(1)—Significant Problems, Abuses, and Deficiencies	Pages 19-24 Pages 30-32
Section 5(a)(2)—Recommendations with Respect to Significant Problems, Abuses, and Deficiencies	Pages 14-15 Page 33
Section 5(a)(3)—Recommendations Described in Previous Semiannual Reports on Which Corrective Action Has Not Been Completed	Appendix 3
Section 5(a)(4)—Matters Referred to Prosecutive Authorities and the Prosecutions and Convictions that Have Resulted	Pages 16-18
Sections 5(a)(5) and 6(b)(2)—Summary of Instances Where Information Was Refused	*
Section 5(a)(6)—Listing of Audit Reports	Appendix 1
Section 5(a)(7)—Summary of Significant Audits	Pages 30-32
Section 5(a)(8)—Audit Reports Containing Questioned Costs	Page 34
Section 5(a)(9)—Audit Reports Containing Recommendations That Funds Be Put to Better Use	Page 35
Section 5(a)(10)—Summary of Unresolved Audit Reports Issued Prior to the Beginning of the Reporting Period	Page 33
Section 5(a)(11)—Significant Revised Management Decisions	**
Section 5(a)(12)—Significant Management Decisions with Which the Inspector General Disagreed	***

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

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

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

NOTES

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

H O T L I N E

The Office of the Inspector General (OIG) is an independent organization charged with reporting to the Tennessee Valley Authority (TVA) Board of Directors and Congress on the overall efficiency, effectiveness, and economy of all TVA programs and operations. The OIG meets this responsibility by conducting audits, investigations, and related projects.

The OIG focuses on the prevention, identification, and elimination of (1) waste, fraud, and abuse; (2) violations of laws, rules, or regulations; and (3) inefficiencies in TVA programs and operations.

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

**OIG TELEPHONE HOTLINE
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