



Office of the Inspector General
TENNESSEE VALLEY AUTHORITY
Semiannual Report
October 1, 2018 - March 31, 2019

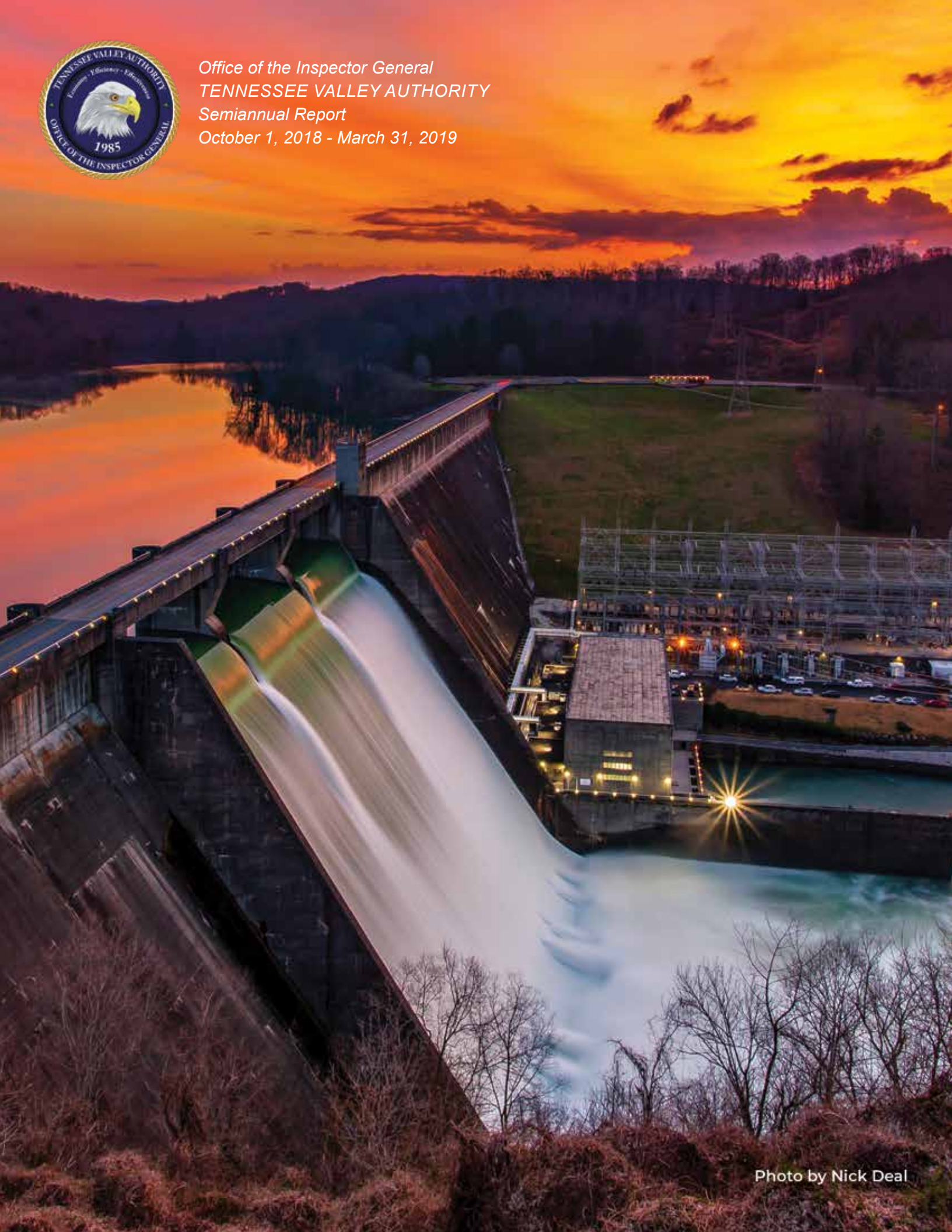
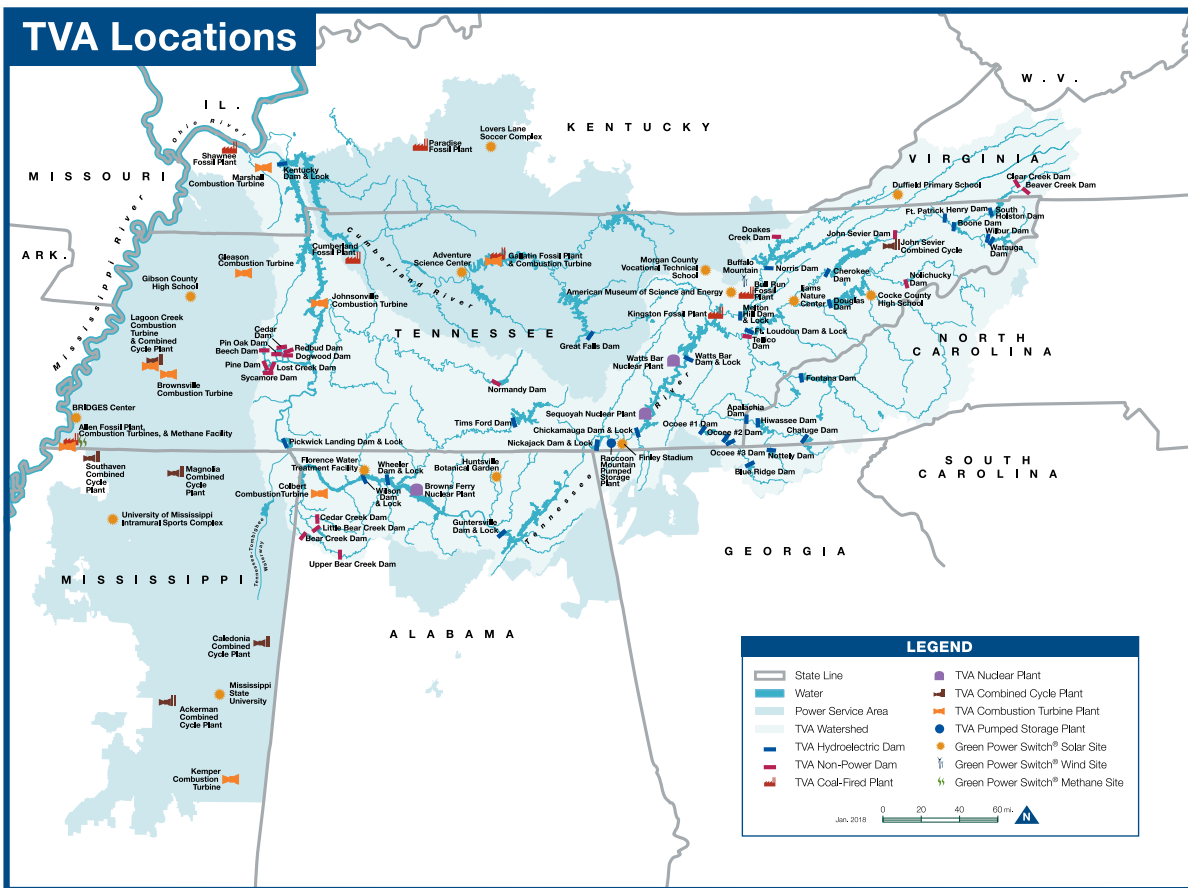
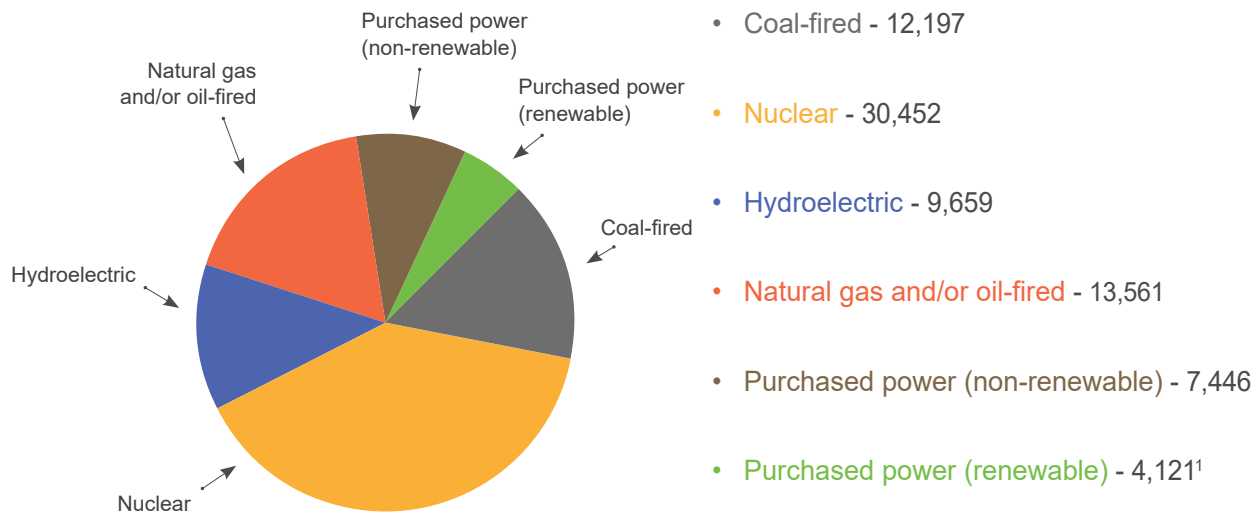


Photo by Nick Deal



TVA Power Generation and Purchased Power Six Months Ended March 31, 2019 (in millions of kilowatt hours)



¹ Purchased power (renewable) includes power purchased from the following renewable sources: hydroelectric, solar, wind, and cogeneration.

TABLE OF CONTENTS

Message from the Deputy Inspector General. 4

Special Feature. 6

Noteworthy Event 12

Executive Overview 14

Organization 18

Audits 22

Evaluations. 28

Investigations 32

Legislation and Regulations 36

Appendices. 38

Appendix 1 – Index of Reporting Requirements Under the Inspector General Act 39

Appendix 2 – Audit and Evaluation Reports Issued. 41

Appendix 3 – Audit and Evaluation Reports Issued with Questioned and
Unsupported Costs and Recommendations for Better Use of Funds 43

Appendix 4 – Audit and Evaluation Reports Recommendations Included
in a Previous Semiannual Report and Awaiting Implementation 45

Appendix 5 – Investigative Referrals and Prosecutive Results 49

Appendix 6 – Substantiated Investigations Involving Senior Agency Officials 50

Appendix 7 – Previously Undisclosed Investigations Involving Senior Agency Officials 51

Appendix 8 – Statistical Highlights 52

Appendix 9 – Government Contractor Audit Findings 53

Appendix 10 – Peer Reviews of the TVA OIG. 54

Appendix 11 – Peer Reviews of Other OIGs. 55

Glossary. 56

Abbreviations and Acronyms 58

MESSAGE FROM THE DEPUTY INSPECTOR GENERAL¹



I am pleased to present our report for the period October 1, 2018, to March 31, 2019. Our office is focused on providing independent analysis of Tennessee Valley Authority (TVA) operations and programs. This allows us to help identify more efficient and effective ways to do business and to prevent and detect fraud, waste, and abuse. Simply put, we approach our work with the intention of making TVA better for the people of the Tennessee Valley.

In this semiannual period, our audit, evaluation, and investigative activities identified (1) more than \$3.3 million in funds TVA could put to better use and recoveries, and (2) numerous opportunities for TVA to improve its programs and operations. Below are highlights of our work this period.

- Three preaward contract examinations of cost proposals submitted by companies to provide civil projects and coal combustion residual program management services and one examination of proposed labor and labor markup rates for a current contract extension identified more than \$3.3 million in potential savings opportunities for TVA.
- A contract compliance audit found the contractor was generally billing in accordance with contract terms; however, improvements could be made regarding document retention.
- An audit of tool controls at a plant identified weaknesses where processes were not in compliance with TVA's business practice controls over issuance and returns of tools as well as access controls. There were also deficiencies in a new tracking system.
- An audit of TVA's helicopter fleet, primarily focused on their use for passenger transportation, identified weaknesses where procedures were not in compliance with statutes, regulations, and TVA policy.
- An audit of EnergyRight® Solutions loan obligations and receivables identified improvement opportunities related to TVA's ability to confirm individual loan balances, timely write-off of loans, reconciliation of loan balances between the local power provider and bank, and documentation retention.
- An evaluation of required nuclear training identified that some required training was not taken or taken after established time frames. It also identified improvement opportunities regarding establishment, assignment, and tracking of requirements, and logs used to document fire brigade member assignments.
- Information Technology Audits identified areas for improvement related to controls for ransomware, Federal Information Security Modernization Act compliance, access to personally identifiable information, and vendor selection for a new human capital management system.

¹ Since September 21, 2017, Jill M. Matthews has served as the Acting Inspector General or the Deputy Inspector General Performing the Duties of the Inspector General for the Tennessee Valley Authority.



- Organizational effectiveness evaluations at two fossil plants identified strengths as well as risks that could impact the ability for the groups to achieve their mission.
- Investigative results included an indictment for mail fraud, a theft conviction of a former employee, and a conviction and sentencing for Clean Water Act violations.

Our team remains focused not only on what we do but how we perform our work every day to maximize our resources and help identify risks to TVA. This focus is a key component of our office culture and has helped us to achieve better results. In December, our office was honored once again as one of the best places to work in the federal government.

Since January, TVA has seen changes in its TVA Board of Directors and at the President and Chief Executive Officer (CEO) position. Director Eric Satz' term on the Board of

Directors (Board) was completed at the end of the last Congressional session. Director Satz served on the Board from August 2015 through December 2018, including time as Chair of the External Relations Committee. We extend our appreciation to Director Satz for his service.

In March 2019, John Ryder of Memphis, Tennessee, was sworn in as the newest member of the TVA Board, and shortly thereafter, in April 2019, Jeff Lyash replaced Bill Johnson as TVA's President and CEO. Mr. Johnson served as CEO since 2013 and guided TVA through significant changes such as reassessing the generation portfolio and improving the financial performance of TVA. We extend our appreciation to Bill Johnson for his service to the people of the Valley.

We welcome Director Ryder and Mr. Lyash and look forward to a productive working relationship with both of them. We share a common purpose with the TVA Board and CEO to find ways to make TVA better for current and future residents of the Valley.


Jill M. Matthews

SPECIAL FEATURE

TVA FACES CROSS-CUTTING CHALLENGES



There are currently 74 statutory Inspectors General (IG) across the entire federal government. While many face distinct issues associated with the diverse federal entities they oversee, there are many lessons that can be learned from a look at common issues. The Inspector General Reform Act of 2008 included important provisions establishing the Council of the Inspectors General on Integrity and Efficiency (CIGIE)—an organization conceived and structured to address issues across agencies and aid in the establishment of a professional, well-trained and highly skilled IG workforce.

CIGIE leads many important initiatives aimed at strengthening the role of the IG, but among the more important is the collaborative effort to identify cross-cutting issues that transcend individual agencies. In combination with work done with other agencies, like the Government Accountability Office (GAO), an individual Office of Inspector General (OIG), such as the TVA OIG, can gain valuable insights into how we approach our work. TVA is a unique federal entity, with specialized challenges, but it faces many concerns seen at other executive agencies.

In this special feature, we are going to examine some of these cross-cutting challenges, with an eye toward their impact at TVA. We owe a special thank you to CIGIE and its most recent report on “Top Management and Performance Challenges Facing Multiple Federal Agencies,” as well as the work done by GAO and others. The full CIGIE report, as well as reports from individual OIGs across the entire federal government, can be found at the public Web site www.Oversight.gov.

Among the challenges most frequently reported in the IG community are:

- Human Capital Management
- Information Technology (IT) Security and Management
- Performance Management and Accountability
- Financial Management
- Procurement Management
- Facilities Maintenance

Others, such as grant management, also produce significant challenges across the federal government and occasionally at TVA, but the areas listed previously receive significant, regular oversight at TVA, both by the management team and our office.

HUMAN CAPITAL MANAGEMENT

CIGIE recognized multiple challenges related to human capital management, including recruiting, managing, developing, and optimizing agency human resources. GAO has also identified strategic human capital management within the federal government as a high-risk area every year since 2001. Agency culture is a component of the challenge all federal agencies face when managing human capital. CIGIE defines an agency’s culture as the system of shared expectations, values, and beliefs that govern how employees behave. Many OIGs reported that their agencies face challenges related to culture, including ethical lapses, lack of accountability, lack of fiscal responsibility, lack of transparency and communication, resistance to change, and low morale.

Human capital management is a challenge that is particularly pertinent at TVA since it is currently undergoing a transition between CEOs. In fact, human capital management is a component of almost all of the risks discussed throughout this feature.

The TVA Annual Report indicates that TVA’s business depends on its ability to recruit and retain key executive officers as well as skilled professional and technical employees. The inability to attract and retain an appropriately qualified workforce could adversely affect TVA’s ability to operate and maintain generation and transmission facilities, complete large construction

projects, and successfully implement its continuous improvement initiatives.

At TVA the culture is deeply connected to TVA's reputation, which is a vital element of its ability to effectively conduct its business. TVA's Annual Report explains that TVA's reputation could be harmed by a variety of factors, including the failure of a generating asset or supporting infrastructure, failure to effectively manage land and other natural resources entrusted to TVA, real or perceived violations of environmental regulations, issues with TVA's safety culture or work environment, significant delays in construction projects, acts or omissions of TVA management, the perception of such acts or omissions, or measures taken to offset reductions in demand. Harm to TVA's reputation and culture could also lead to cascading impacts, including its ability to attract and retain a skilled workforce.

We have approached this challenge in an innovative manner, creating an Organizational Effectiveness group that performs risk-based reviews of TVA business units to assess operational and cultural areas, including strengths and risks that could impact an organization's ability to achieve its mission and goals. These reviews may include comprehensive interviews with all employees in an organization. In the last two years, we have conducted this type of review in various business units, including: Fossil Plants; Gas and Hydro Operations; Nuclear Site Security; Supply Chain; Human Resources; and Corporate IT.

IT SECURITY AND MANAGEMENT

CIGIE identified IT security and management challenges as a top concern. These include challenges related to: (1) the protection of federal IT systems from intrusion or compromise by external or internal entities; and (2) the planning and acquisition for replacing or upgrading IT infrastructure. Federal agencies, like most every other entity in modern society, depend on reliable and secure IT systems to perform mission-critical functions.

TVA has significant risk in this area, as its operations are heavily computerized and include assets such as IT and networking systems. This reliance on computerization and networking makes TVA a target for cyberattacks, and the risk of such attacks will likely increase as individual devices and equipment become more accessible via the internet. TVA has been targeted by cyberattacks in the past and anticipates that it will continue to be targeted in the future, potentially by individuals, groups, or nation states.

In the event that an IT system is compromised, whether by cyberattack or some other incident, it is imperative that vital IT systems are available in a timely fashion to support the continuity of operations of federal agencies. As such, it is critical that agencies prepare for the worst by having a developed-and-tested contingency plan in place to ensure that an emergency or crisis will not unduly impact agency programs or operations.

We have a dedicated IT Audits group solely focused on the challenges in this area. In addition to specialized functions required by federal law, this group maintains



a list of high-priority projects and in the recent past has looked in detail at topics like the TVA privacy program, network architecture, and IT controls around key financial spreadsheets.

PERFORMANCE MANAGEMENT AND ACCOUNTABILITY

Performance management and accountability challenges relate to managing agency programs and operations efficiently and effectively to accomplish mission-related goals. CIGIE reported that many agencies have difficulty collecting and using performance-based metrics and aligning agency component operations to agency-wide goals. GAO has also conducted extensive research in this area and has found the federal government generally has not improved in the development and use of performance information in decision making.

TVA is likely more focused on the development of performance management goals than the average federal agency. An entire Strategic Business Unit, Financial Operations and Performance, is devoted to this important task, reporting weekly, monthly, and annually on performance metrics such as revenue, cash flow, net income, recordable injuries, asset availability, carbon dioxide emissions, and customer rates, among many others. These are routinely benchmarked against other utility companies.

While TVA has many metrics, these measurements must be accurate and aligned to strategic goals to meaningfully assist management in making business decisions. We certainly have a role to play in this area, reviewing various

metrics and assessing alignment to management's stated goals. Our Evaluations group is particularly focused on helping management achieve effective performance metrics. Recent evaluations have looked at (1) heat rate calculations that are key to dispatching the appropriate power units at the proper time and (2) condition reports in the fossil power group aimed at finding, analyzing, and fixing conditions that affect personnel safety, and asset performance.

FINANCIAL MANAGEMENT

CIGIE identified financial management as a challenge across many federal agencies, defining it as a broad range of functions, from program planning, budgeting, and execution to accounting, audit, and evaluation. Any material weaknesses in these functional areas limit an agency's ability to operate efficiently and effectively. CIGIE looked broadly at two areas: (1) the need for agencies to improve their financial reporting and systems, and (2) the significant amount of dollars federal agencies lose through improper payments. While the possibility of improper payments exists at TVA (and has been reviewed by our office), financial reporting poses a more significant risk.

TVA does not receive taxpayer funding, relying entirely on power sales and other fees collected from stakeholders, as well as access to the bond markets. Under federal law, it is required to file detailed financial statements with the Securities and Exchange Commission, as well as an annual report, including balance sheets and extensive financial information.



TVA employs regulatory accounting to defer certain costs. To qualify for regulatory accounting, costs must meet certain accounting criteria and be approved for regulatory accounting treatment by the TVA Board in its capacity as TVA's regulator. This strategy, along with others, requires strong controls and financial reporting mechanisms.

We annually look at many of TVA's programs and reporting mechanisms. For example, as detailed previously, the IT Audits group conducted a review of the controls for key spreadsheets used in the Sarbanes-Oxley financial reporting process to determine if the controls are sufficiently defined, appropriately designed, and operating effectively. We also manage the contract with TVA's external auditor in cooperation with the TVA Board. The external auditor provides another important check on financial management controls and potential issues that could be material to the financial statements.

PROCUREMENT MANAGEMENT

Procurement management, which is typically referred to as Supply Chain at TVA, presents challenges encompassing the entire procurement process, including preaward planning, contract award, and post-award contract administration. The federal government awarded over \$500 billion in contracts in Fiscal Year (FY) 2017, so waste, fraud, abuse, or mismanagement in this area has tremendous negative potential consequences. Many federal agencies, including TVA, rely heavily on contractors to perform key elements of their mission, and the failure of a federal agency to efficiently and effectively manage its procurement function can frustrate those elements. General themes identified by CIGIE included weaknesses with procurement planning, managing and overseeing contractor performance, and the training of personnel involved in the procurement function.

In FY 2018, TVA spent about \$6.4 billion in this area on labor, services, materials, equipment contracts, purchase orders, fuels, transportation, and purchased power. One of the largest procurement components is fuel for generating assets. TVA purchases coal, uranium, natural gas, fuel oil, and electricity from multiple suppliers. Additionally, TVA contracts for conversion of uranium

into nuclear fuel and purchases other items, such as anhydrous ammonia, liquid oxygen, or replacement parts that are critical to the operation of certain generation assets.

According to TVA's Annual Report, if one of TVA's suppliers fails to perform under the terms of its contract with TVA, TVA might have to purchase replacement fuel, power, or other critical supplies, perhaps at a significantly higher price than TVA is entitled to pay under the contract. In some circumstances, TVA might not be able to recover this difference from the supplier. In addition, the Annual Report stated that if TVA is unable to acquire enough replacement fuel, power, or supplies, or does not have sufficient reserves to offset the loss, TVA might not be able to operate certain assets or provide enough power to meet demand, resulting in power curtailments, brownouts, or even blackouts.

While disruptions could occur for many reasons, the efficient management of the acquisition processes is one area where TVA can mitigate the risk by proper training of personnel, managing both competitive bids and existing contracts, and monitoring suppliers.

Our Contract Audits group has developed a strong working relationship with the organizations responsible for procurement, providing ongoing reviews and assistance to improve TVA's contracting processes. While we are organizationally and functionally independent from TVA, we work with TVA's procurement organizations to maximize positive impact. Specifically, Contract Audits performs preaward examinations, contract compliance audits, and process improvement reviews; and TVA management acts on our findings and recommendations by negotiating cost savings, recovering overbilled costs, and implementing process improvements.

A recent example of the impact we have had working with TVA is illustrated by TVA's multi-year effort to convert and otherwise modify its storage of coal combustion residuals, at a cost of more than a billion dollars. TVA has leveraged multiple vendors for this work under a series of procurement contracts. Our Contract Audits group has worked cooperatively with management to conduct

preaward examinations on 15 contract proposals for this work since June 2017, and our efforts have identified more than \$116.6 million in cost savings for TVA to negotiate under the contracts.

FACILITIES MAINTENANCE

CIGIE identified facilities management as a challenge across the entire federal government, recognizing it is increasingly expensive to ensure facilities stay in proper condition and remain capable of fulfilling the government's needs. Many federal IGs have reported cases where agencies are dealing with deteriorating infrastructure that may cause substandard working conditions for staff, create inconveniences in using equipment, fail to incorporate newer technologies and standards, or cause other issues. In other, more significant cases, agencies may be hampered in performing their missions effectively because of breakdowns in essential equipment or hazards posed by unmaintained infrastructure.

Aging facilities have also burdened TVA and have been a consideration as it plans its future generation asset portfolio. As TVA notes in its Annual Report, many of TVA's assets, including generation, transmission, navigation, and flood control assets, have been operating for several decades and have been in nearly constant service since they were completed. The failure of TVA's assets or supporting infrastructure, including IT systems, to perform as planned could cause health, safety, or environmental problems and even result in events such as the failure of a dam, the inability to maintain a reservoir at the normal or expected level, or an incident at a coal-fired, gas-fired, or nuclear plant. In the event of a failure, TVA might have to:

- Invest a significant amount of resources to repair or replace the assets or the supporting infrastructure;
- Remediate collateral damage caused by a failure of the assets or the supporting infrastructure;
- Fail to maintain the integrity or reliability of the transmission system at normal levels;
- Dispatch less economical sources of power;

- Purchase replacement power on the open market at prices greater than its generation costs;
- Idle assets for a significant period of time; or
- Fail to meet its contractual obligations to deliver power.

We have recognized the challenges TVA faces with respect to maintaining its facilities for some time and have dedicated considerable resources to operational reviews. For example, we recently reviewed the Coal Operations' Design Change Notice Process, the process by which changes to the plant are memorialized and retained so that everyone will have a clear understanding of the current configuration. In addition to being central to future maintenance and operations, this process has a critical safety component. We also reviewed emergency preparedness at both coal and gas plant sites, as well as the Plant Demolition Program at Widows Creek Fossil.

CONCLUSION

Although TVA is unique in many ways, a review of the work done at other OIGs across the federal government identifies many common themes. The cross-pollination of ideas can be very helpful, particularly as a planning tool. Each year as we conduct risk-based analysis of areas that may require additional focus, an understanding of what our colleagues at other agencies have seen can alert us to potentially unidentified risks, give us fresh ideas about how to approach problems, and direct us to resources for expert advice in novel situations. This is valuable not only to our office, but the agency we serve.

NOTEWORTHY EVENT

TVA OIG NAMED BEST PLACES TO
WORK FOURTH CONSECUTIVE YEAR



The TVA OIG has been named one of the best places to work in the federal government for a fourth consecutive year in 2018. The award was given in a ceremony in Washington, D.C., Wednesday, December 12, 2018, by the nonprofit, nonpartisan Partnership for Public Service that determines the rankings.

TVA OIG was ranked 1st for the third time among 415 participating federal agency subcomponents. Its ranking is based on the Office of Personnel Management's annual Federal Employee Viewpoint Survey.

Deputy Inspector General Jill Matthews said, "I am very proud of our team. This award is a testament to their commitment to fostering and sustaining a healthy work environment so that we can perform our important work and provide greater value to TVA and the people of the Tennessee Valley."

Michael Cook, Chair of the OIG Leadership Council, accepted the award for the TVA OIG and said, "It's an honor to accept this award on behalf of our office."

Being at this event reminds me how unique our office culture really is, and I'm really proud of our employees' commitment to making TVA OIG one of the best places to work."

For more information on the best places to work in the federal government, visit <https://bestplacestowork.org>. To learn more about TVA OIG, go to <https://oig.tva.gov>.



EXECUTIVE OVERVIEW



Our audits, evaluations, and investigations bring to light opportunities for TVA to save money, improve processes and programs, identify fraud, waste, and abuse and mitigate risks. This semiannual report highlights our work as well as improvement opportunities for TVA, all with the intent to make TVA better.

AUDITS

Our audit organization includes three departments that focus on contract audits, financial and operational audits, and IT audits. During this reporting period, these teams completed 13 audit, examination, and agreed-upon procedures engagements. This work identified more than \$3.3 million in funds the company could put to better use. We also identified several opportunities for TVA to improve the effectiveness and efficiency of its programs and operations.

Contract Audits

To support TVA management in negotiating procurement actions, we completed (1) three preaward examinations of cost proposals submitted by companies proposing to provide civil projects and coal combustion residual program management services and (2) one examination to determine if the labor and labor markup rates in TVA's current contract with a contractor were fairly stated. Our examinations identified more than \$3.3 million of potential savings opportunities for TVA to negotiate. We also completed one compliance audit of a contract with expenditures totaling \$40.9 million for water processing, chemicals, and other related services. This audit found (1) the contractor did not maintain adequate documentation of the index it used to calculate the fees billed to TVA, and (2) the contract terms regarding document retention could be strengthened. The Contract Audits section begins on page 23 of this report.

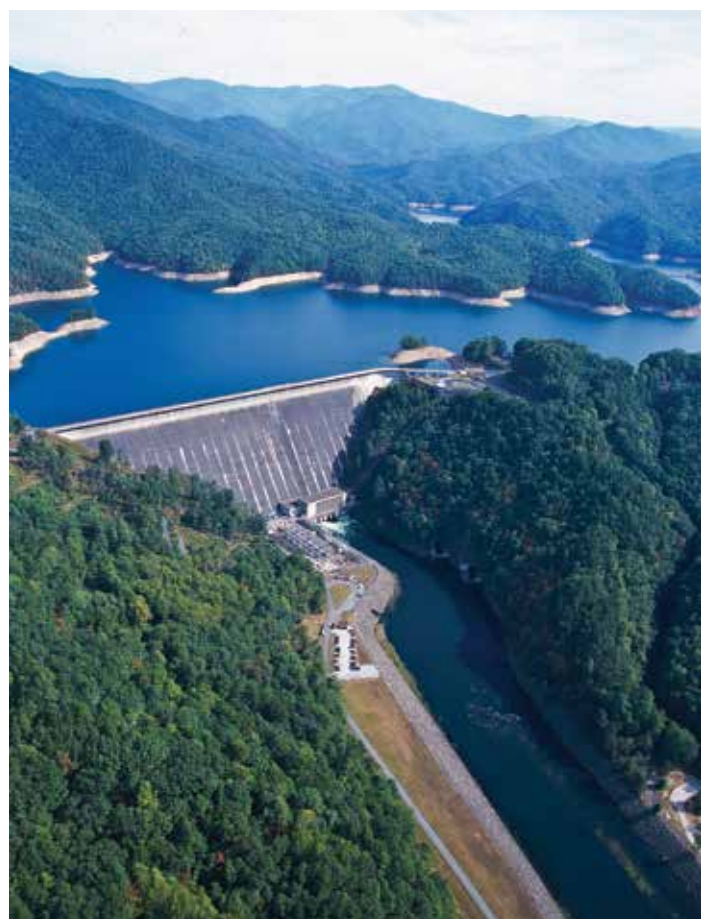
Financial and Operational Audits

With a focus on financial reporting, compliance with applicable laws and regulations, and TVA operations, we completed audits of EnergyRight® Solutions loan obligations and receivables, TVA helicopters, and tool controls at Sequoyah Nuclear Plant (SQN). In addition to

our audit work, we monitored the audit of TVA's FY 2018 financial statements by an external auditor and applied agreed-upon procedures related to TVA's 2018 Winning Performance (WP) measures. The Financial and Operational Audits section begins on page 23 of this report.

IT Audits

IT Audits completed audits of (1) TVA's controls for ransomware, (2) access to Human Resource (HR) system personally identifiable information (PII), (3) TVA's IT security practices as required by the Federal Information Security Modernization Act (FISMA) of 2014, and (4) TVA's human capital management solution project. The IT Audits section begins on page 26 of this report.



Fontana Dam

EVALUATIONS

Our Evaluations organization includes two groups, one of which focuses on organizational effectiveness reviews. During this reporting period, our teams completed two evaluations and two organizational effectiveness reviews, all of which identified opportunities for improvement.

Evaluations

The Evaluations group completed two evaluations during this semiannual period. These included evaluations of (1) the demolition and decontamination phases of the deconstruction project at Widows Creek Fossil Plant and (2) required nuclear training. The Evaluations section begins on page 28 of this report.

Organizational Effectiveness

This group completed two organizational effectiveness evaluations, including Gallatin Fossil Plant and Paradise Fossil Plant. The Organizational Effectiveness section begins on page 29 of this report.

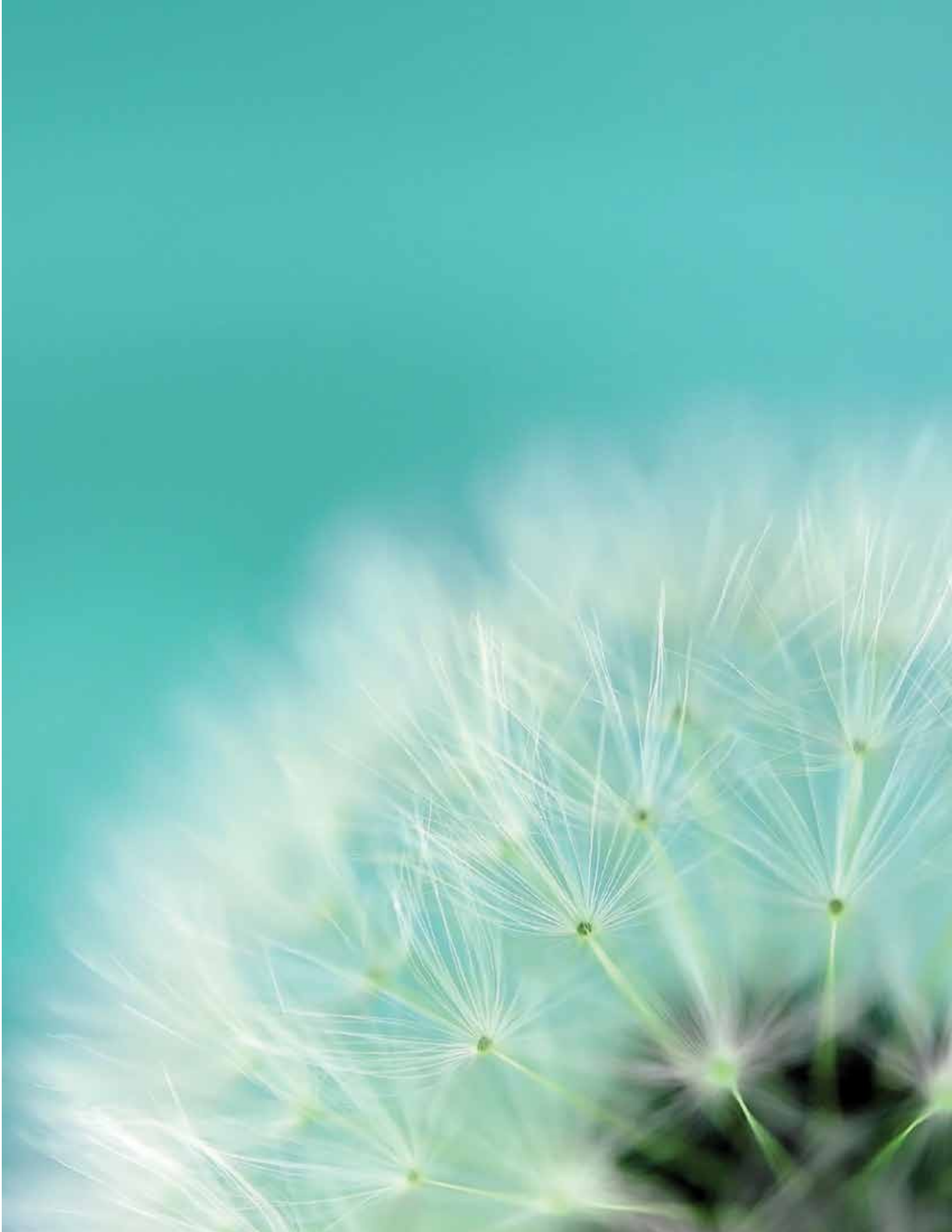
INVESTIGATIONS

This reporting period, we opened 78 cases and closed 96. Our investigative results include an indictment for mail fraud, a theft conviction, and a conviction and sentencing for Clean Water Act violations. The Investigations section begins on page 32 of this report.

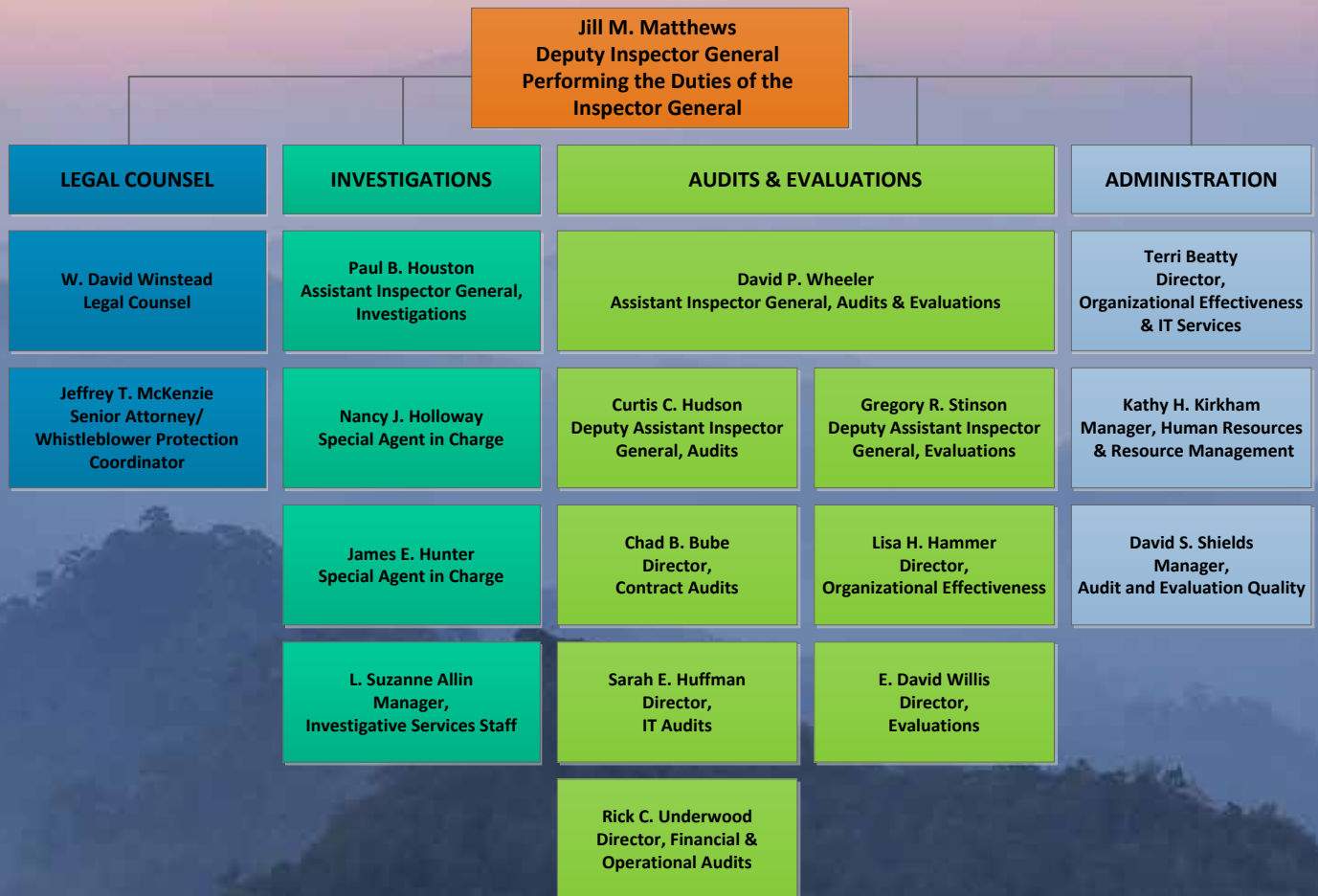
STATISTICAL HIGHLIGHTS

October 1, 2018 – March 31, 2019

Audit Reports Issued	13
Evaluations Completed	4
Questioned Costs	\$0
Questioned Costs Agreed to by TVA	\$0
Questioned Costs Recovered by TVA	\$189,159
Funds to be Put to Better Use	\$3,305,000
Savings Realized by TVA	\$1,830,000
Investigations Opened	78
Investigations Closed	96
Recoveries/Fees	\$1,167
Other Monetary Loss	\$0
Criminal Actions	3
Administrative Actions (Number of Subjects)	6



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 near all major TVA offices throughout 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 the Evaluations 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, 2019, the OIG had a total staff of 104 employees.

ADMINISTRATION

The Administration team works closely with the IG, Deputy IG, and Assistant IGs to address the day-to-day operations of the OIG and to develop policies and procedures designed to drive and enhance productivity, quality, and compliance, and achieve office goals. Responsibilities include personnel administration, internal assessments, budget and financial management, purchasing and contract services, facilities coordination, training event 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



TYPES OF AUDIT & EVALUATION ISSUES

Financial and Operational Audits

- Program Inefficiencies/Ineffectiveness
- Legal/Regulatory Noncompliance
- Policy Noncompliance
- Internal Control Deficiencies
- Fraud

Contract Audits

- Inflated Proposals
- Contract Overpayments
- Inferior Performance
- Fraud

IT Audits

- Internal Control Deficiencies
- Policy Noncompliance
- Integrity of Data and Assets
- Cyber Security
- Fraud

Evaluations

- Operational Inefficiency
- Policy Noncompliance
- Legal/Regulatory Noncompliance
- Fraud

Organizational Effectiveness

- Operational Ineffectiveness
- Cultural Areas for Improvement
- Unmitigated Risks
- Fraud

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 shows some representative examples of issues our audit and evaluation projects are commonly designed to identify.

The Audits team generates and oversees comprehensive financial and performance audits of TVA programs and operations, providing an inclusive picture of 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 and provides claims assistance as well as litigation support.

- 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 group also provides oversight of TVA's 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 cultural aspects of programs and departments throughout TVA to ensure objectives and operational functions are achieved effectively and efficiently. This organization is made up of two departments—Evaluations and Organizational Effectiveness. This organization performs its work in accordance with *Quality Standards for Inspection and Evaluation* as prescribed by the CIGIE.

- Evaluations performs both comprehensive reviews and more limited-scope policy and program reviews to monitor compliance and assess the efficiency and effectiveness of operations.

- Organizational Effectiveness performs risk-based reviews to assess operational and cultural areas, including strengths and risks that could impact an organization's ability to achieve its mission and goals.

including interagency law enforcement task forces on terrorism, the environment, health care, and public corruption. The graphic shows the major categories of investigations.

INVESTIGATIONS

The Investigations team proactively and reactively uncovers activity related to 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 (DOJ) 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,

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

Contract Fraud

Defrauding TVA through its procurement of goods and services including fraud schemes such as misrepresenting costs, overbilling, product substitution, and falsification of work certifications

Theft of Government Property and Services

Theft of TVA property such as material, tools, equipment, or resources

Environmental Crime

Violations of environmental criminal law pertaining to the Tennessee River system and its watershed, along with violations relating to TVA land and facilities

Health Care Fraud

Intentional misrepresentation of health-care services, expenses, billings, needs, or coverage that results in unauthorized payments or other benefits

Unauthorized Access Into TVA Computer Systems

Accessing a TVA computer without authorization or exceeding authorized access

Workers' Compensation Fraud

Falsification of documents to receive payments by employees, former employees, or health-care providers

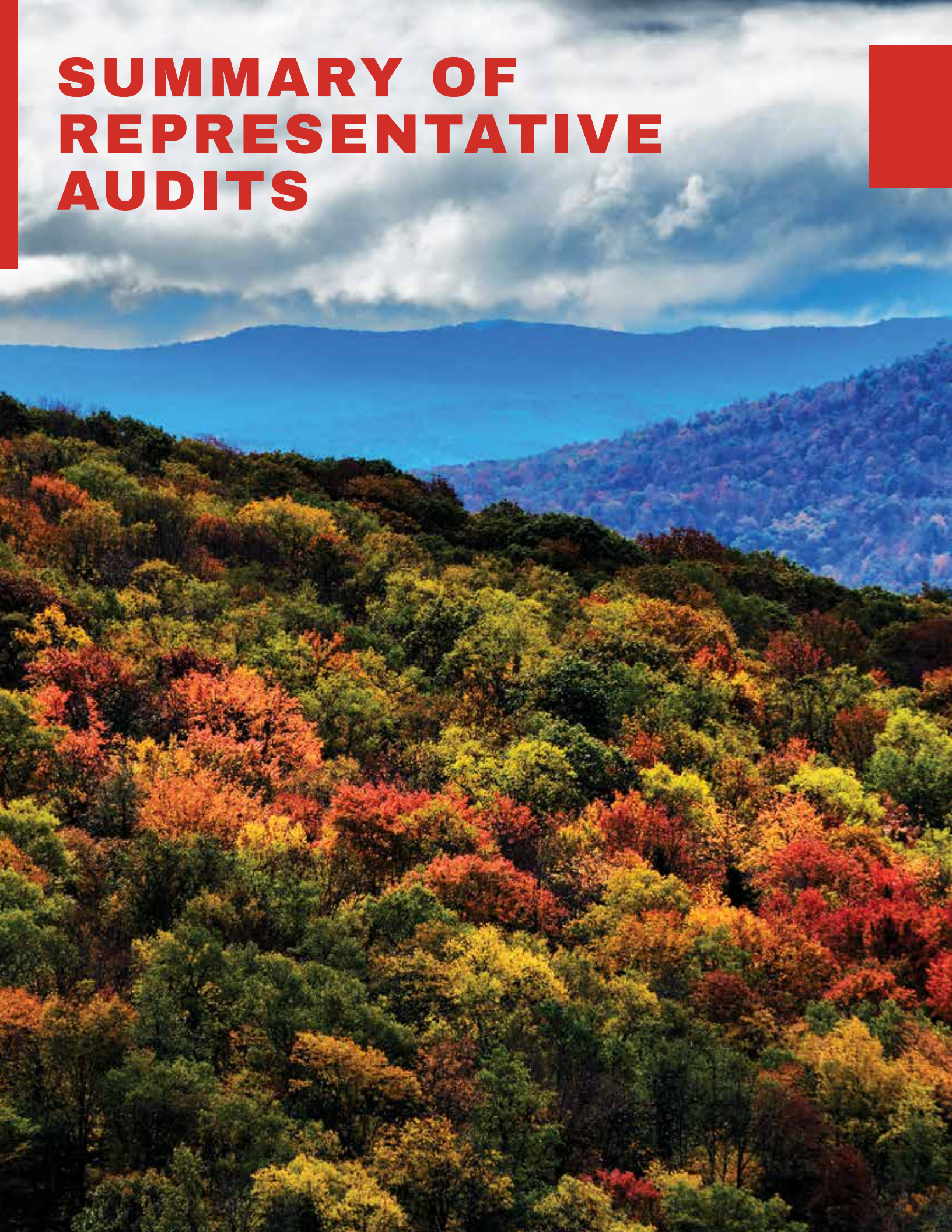
Employee Misconduct

Misuse of TVA-furnished equipment, travel voucher fraud, a multitude of miscellaneous matters of abuse, conflict of interest, and violations of code of conduct

Special Projects

Management requests, data mining and predictive analysis, congressional and TVA Board requests, and fraud risk assessments

SUMMARY OF REPRESENTATIVE AUDITS



During this semiannual reporting period, the TVA OIG Audit organization completed 13 audit, examination, and agreed-upon procedures engagements. This work identified more than \$3.3 million in funds the company could put to better use. We also identified numerous opportunities for TVA to improve the effectiveness and efficiency of its programs and operations.

CONTRACT AUDITS

Preaward Contract Examinations

To support TVA management in negotiating procurement actions, we completed (1) three preaward examinations of cost proposals submitted by companies proposing to provide civil projects and coal combustion residual program management services and (2) one examination to determine if the labor and labor markup rates in TVA's current contract with a contractor were fairly stated. Our examinations identified more than \$3.3 million of potential savings opportunities for TVA to negotiate. The savings opportunities were primarily related to overstated cost proposals, including overstated labor rates, equipment costs, material costs, indirect cost recovery rates, and profit rates.

Contract Compliance Audits

During this semiannual period, we completed one compliance audit of a contract for water processing, chemicals, and other related services. We audited approximately \$40.9 million in costs billed to TVA by the contractor from January 1, 2014, to April 30, 2018. We determined the contractor generally billed TVA in accordance with the contract terms. However, we found (1) the contractor did not maintain adequate documentation of the index it used to calculate the fees billed to TVA, and (2) the contract terms regarding document retention could be strengthened.

FINANCIAL AND OPERATIONAL AUDITS

During this semiannual period, Financial and Operational Audits completed audits of EnergyRight® Solutions loan obligations and receivables, TVA helicopters, and tool controls at SQN. In addition, the team monitored the audit of TVA's FY 2018 financial statements by an external

auditor and applied agreed-upon procedures related to TVA's 2018 WP measures.

EnergyRight® Solutions Loan Obligations and Receivables

We audited loan obligations and receivables relating to TVA's EnergyRight® Solutions loan program after a review of TVA's financial statements indicated a significant outstanding receivables balance. As of September 30, 2017, TVA's loan obligations under the program were approximately \$144.1 million, and the related loans receivable balance (net of discounts) was approximately \$125.2 million. Our audit objectives were to (1) determine whether loans were issued in accordance with TVA policies and procedures, (2) confirm loan balances to verify the receivables, and (3) determine the extent to which loans were charged-off as bad debt and evaluate compliance with TVA's policies and procedures.

We found loans were generally issued in compliance with TVA's policies and procedures. However, we were unable to confirm individual loan balances to verify the TVA receivable amount because neither TVA nor Regions Bank (the bank servicing the loans) track individual loan balances. In addition, we found (1) loan write-offs were generally not made in accordance with the program guidelines, (2) summary-level, loan-program balances reported to TVA by local power companies did not reconcile with those provided by Regions Bank, (3) local power company loan documentation retention needs improvement, and (4) installation inspections are not required. TVA management provided actions they plan to take to address our recommendations.

TVA's Helicopter Fleet

In March 2018, we completed an audit of TVA's fixed-wing aircraft. As a result of the audit findings and public

interest, we initiated an audit to determine if similar issues existed with TVA's helicopter usage. Our audit objective was to determine whether TVA's use of its helicopter fleet is consistent with TVA policies and any applicable federal laws and regulations. Our audit scope included all helicopter flights from October 1, 2014, through December 31, 2017.

We found TVA did not comply with the Federal Travel Regulation (FTR) and TVA policies and procedures regarding use of TVA helicopters for passenger transportation flights.² Specifically, we found (1) cost comparison analyses prior to use of the helicopters were not documented, (2) business justifications prior to use of the helicopters were not documented, and (3) authorizations prior to use of the helicopters were not documented. Failure to follow the FTR and TVA policy (1) prevents TVA from ensuring travel costs are managed effectively and (2) may cause reputational risks for TVA with regard to wasteful use (or perceived wasteful use) of the TVA helicopters.

Additionally, TVA's Standard Programs and Processes for use of TVA helicopters does not address (1) documentation requirements for the various types of helicopter flights, (2) procedures necessary to evidence compliance with the FTR, and (3) the organization responsible for documenting the flights for audit purposes. We also noted passenger names are typically listed on flight sheets for passenger transportation flights but are not listed on flight sheets for transmission line or right-of-way work, aerial photography, and other similar jobs. Finally, all flight sheets listed the times of arrival and departure for multiple landings, but it was unclear which passengers, if any, boarded and exited the helicopter at each location.

Tool Controls at Sequoyah Nuclear Plant

We audited the tool controls at SQN to determine if SQN is in compliance with TVA's Nuclear Power Group Business Practice 226 (BP-226), *Tool and Equipment Accountability*. In summary, we determined SQN is

not in compliance with BP-226. Specifically, we found (1) issues and returns of tools and equipment are not made in TVA's Tool Management System, and periodic random inventories are not performed; (2) tool room access is not adequately controlled; and (3) a new tool tracking system TVA is planning to use cannot accommodate rigging requirements. TVA management agreed with our findings and recommendations.

Oversight of the FY 2018 Financial Statement Audit

TVA contracted with the independent public accounting firm of Ernst & Young LLP to audit TVA's consolidated balance sheet as of September 30, 2018, 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 fiscal year-end. Additionally, the firm also reviewed TVA's FY 2018 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 2018 Performance Measures

TVA's WP Incentive Plan 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 which were requested and agreed to by TVA management solely to assist management in determining the validity of the WP/Executive Annual Incentive Plan measures for FY ended September 30, 2018. In summary, we found:

- The FY 2018 WP goals for the enterprise measures were properly approved. There were four change forms that clarified the definition sheet formulas for

² About 10 percent of the flights were for passenger transportation during our audit period. The majority of the flights were for transmission line right-of-way aerial work (68 percent) with economic development and other uses comprising the remaining 22 percent of the flights.

three separate measures. However, these change forms did not impact the measures, weights, and goals of the enterprise measures.

- The FY 2018 goals (target) for the corporate multiplier measures were properly approved.
- The actual FY to-date results for the enterprise measures agreed with the underlying support.
- The actual FY to-date results for the corporate multiplier measures agreed with the underlying support, without exception.
- The FY 2018 WP payout percentage provided by the Benchmarking and Enterprise Performance organization on November 5, 2018, was mathematically accurate and agreed with the OIG's recalculation.



Cumberland Fossil Plant

IT AUDITS

During this semiannual period, IT Audits completed audits of (1) TVA's controls for ransomware, (2) access to HR system PII, (3) TVA's IT security practices as required by FISMA, and (4) TVA's human capital management solution project.

Ransomware

We reviewed TVA's ransomware controls for one high-risk system that contained sensitive data. In summary, we found TVA management generally had appropriate controls in place to prevent, detect, and respond to a ransomware incident. However, for the selected system, we found inappropriate administrative access. In addition, we found improvements were needed in the Ransomware Incident Action Plan because it did not include instructions for changing passwords and deleting registry values following an incident. TVA Cybersecurity updated the Ransomware Incident Action Plan during our audit to include steps for changing passwords and deleting registry values following an incident. TVA management agreed with our findings and recommendations.

HR System PII Access Control

We audited TVA's internal controls in place to prevent, detect, and report unauthorized access and disclosure of HR system PII. We found weaknesses in TVA's internal controls to prevent and detect unauthorized access and disclosure of HR system PII. Specifically, we found (1) no active monitoring of privileged user accounts, (2) noncompliant access reviews, (3) an outdated system authorization, (4) a lack of monitoring when electronically sharing HR system restricted PII within the agency, and (5) gaps between TVA policies and National Institute of Standards and Technology (NIST) PII best practices. Prior to issuance of our final report, TVA management provided documentation that confirmed two of our findings had been resolved including (1) an outdated system authorization and (2) gaps between TVA policies and NIST PII best practices. TVA management agreed with our other findings and recommendations.

2018 Federal Information System Modernization Act

FISMA requires each agency's IG to conduct an annual independent evaluation to determine the effectiveness of the information security program (ISP) and practices of its respective agency. The FY 2018 IG FISMA metrics recommend a majority of the functions be at a maturity level 4 (managed and measurable) or higher to be considered effective. Based on our analysis of the metrics and associated maturity levels defined within the FY 2018 IG FISMA metrics, we found TVA's ISP was operating in an effective manner. However, we found TVA had not completed the development of policies and processes or the deployment of tools for specific requirements within the information security continuous monitoring (ISCM) strategy. We recommended TVA management complete the development of policies and processes and the deployment of tools for the specific requirements within the ISCM strategy. TVA management agreed with our findings and recommendation.

Human Capital Management Solution Project

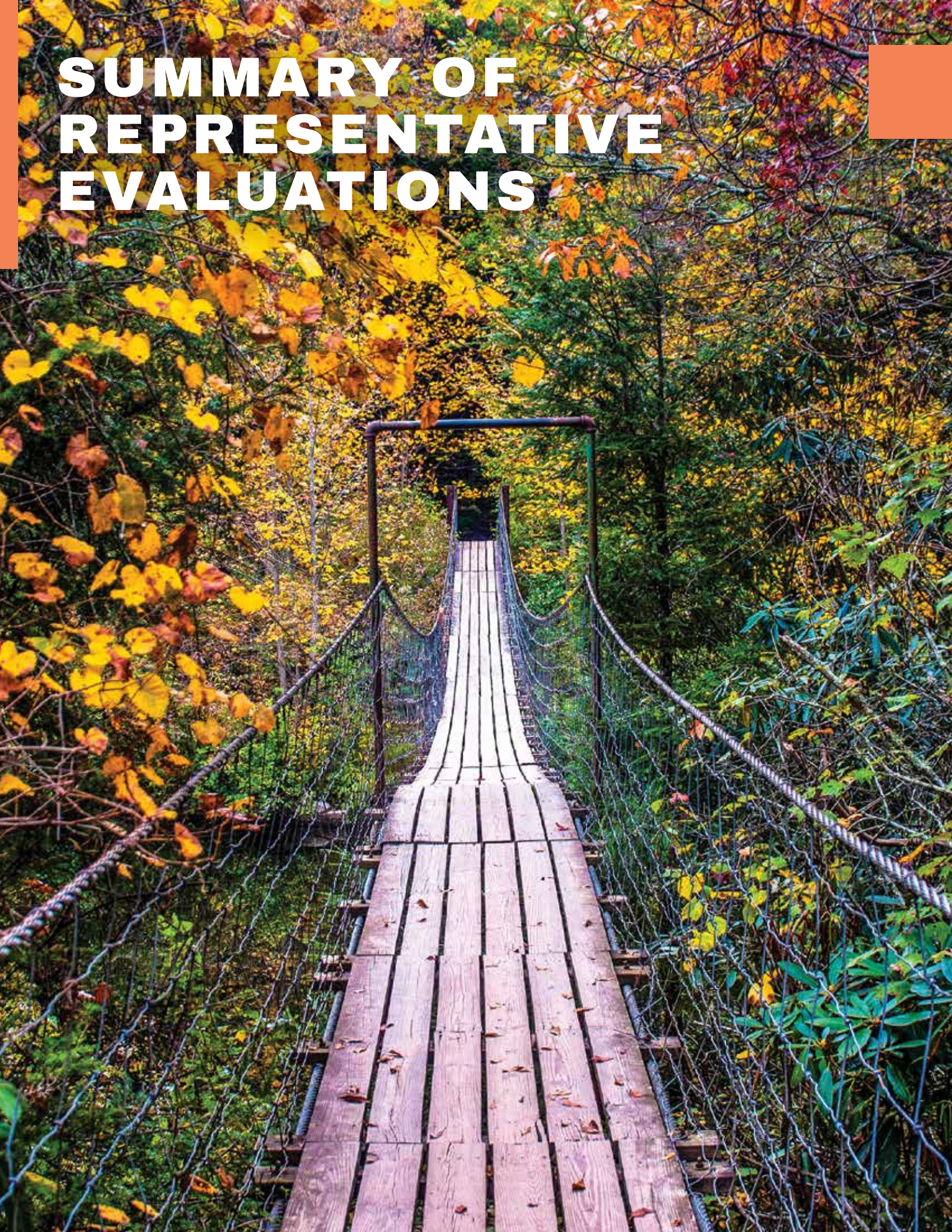
We audited TVA's documentation related to vendor selection in TVA's project to replace the current human resource system with a cloud-based human capital management (HCM) solution. Our objectives were to assess whether TVA had (1) performed adequate analysis to identify risks related to implementing a new HCM solution and (2) appropriately mitigated those risks.

We found TVA had not identified project risks related to ongoing changes in the federal government's strategy for the use of cloud services. In addition, we were unable to verify whether sufficient security architecture reviews were completed to mitigate one of the identified project risks due to a lack of documentation. TVA management agreed with our findings and recommendations.



Watts Bar Nuclear Plant

SUMMARY OF REPRESENTATIVE EVALUATIONS



During this reporting period, our teams completed two evaluations and two organizational effectiveness reviews, all of which identified opportunities for improvement.

EVALUATIONS

The Evaluations department completed evaluations of (1) the demolition and decontamination phases of the deconstruction project at the Widows Creek Fossil Plant (WCF) and (2) required nuclear training.

Widows Creek Fossil Plant Demolition Program

We performed an evaluation to determine whether demolition and decontamination activities at WCF (1) adhered to safety principles found in the TVA Decommissioning, Deactivation, Decontamination, and Demolition (D4) Program Guide and (2) complied with selected safety criteria established in the TVA contractor's (Brandenburg Industrial Service Company) Health and Safety Plan (HASP) for WCF. We determined TVA and Brandenburg met selected safety requirements established in TVA's D4 Program Guide and Brandenburg's HASP for WCF. However, during our site visit, we noted safety hazards related to an eyewash station and personal protective equipment. We informed management of the hazards and they were corrected immediately.

Required Nuclear Training

We performed an evaluation to determine if required nuclear training was taken by TVA personnel. We limited the scope of our evaluation to the nonaccredited training required for nuclear employees to perform the functions of nuclear security, fire brigade, and emergency preparedness as of December 2017.

We found (1) one of 54 employees did not complete the required emergency preparedness training, and (2) three of the 91 employees who perform fire brigade functions were missing a quarterly training. In addition, we determined some employees who perform the nuclear

security and emergency preparedness functions exceeded the time frames for completing training established in TVA procedures. We also identified opportunities for improvement regarding the (1) establishment, assignment, and tracking of training requirements and (2) logs used to document fire brigade member assignments. TVA management accepted our recommendations.

ORGANIZATIONAL EFFECTIVENESS

During this semiannual reporting period, the Organizational Effectiveness group completed organizational effectiveness evaluations of two of TVA's six fossil plants, Gallatin Fossil Plant (GAF) and Paradise Fossil Plant (PAF).



Gallatin Fossil Plant

Our assessment of the strengths and risks that could impact GAF's organizational effectiveness identified strengths related to (1) organizational alignment, (2) teamwork within departments, and (3) support of first-line supervisors.³ However, we also identified issues related to (1) ineffective leadership and (2) safety concerns that could pose risks to GAF's effectiveness and its continued ability to meet its responsibilities. Specifically, employees expressed concerns about a lack of collaboration between GAF's three departments (Maintenance, Operations, and Engineering), perceptions of inadequate staffing levels, and GAF-specific training. Additionally, GAF Operations personnel identified safety concerns related to GAF's dual unit operator strategy⁴ and equipment. TVA management agreed with our findings and recommendations.

Paradise Fossil Plant

Our assessment of the strengths and risks that could impact PAF's organizational effectiveness identified strengths including (1) organizational alignment, (2) teamwork within and between other PAF departments, and (3) leadership of first-line supervisors. However, we also identified risks that could impact PAF's effectiveness and its continued ability to meet its responsibilities in support of Power Operations' mission. These risks related to (1) diminished trust in leadership at PAF and TVA senior management levels due to perceptions that certain actions and behaviors have been inconsistent with TVA's leadership competencies, including a perceived lack of support associated with inadequate staffing; (2) a weak safety climate; and (3) lack of adequate training. TVA management agreed with our findings and recommendations.

³ Management level directly above employee.

⁴ Operators are responsible for operating two units instead of just one unit.





SUMMARY OF REPRESENTATIVE INVESTIGATIONS



This reporting period, we opened 78 cases and closed 96. Our investigative results include an indictment for mail fraud, a theft conviction, and a conviction and sentencing for Clean Water Act violations. Highlights of this semiannual period follow.

Former Executive Director of Mississippi River Corridor-Tennessee, Inc. Facing Federal Fraud Charges

On February 20, 2019, a federal indictment was unsealed in the Middle District of Tennessee, charging Diana Threadgill, of Memphis, Tennessee, with three counts of mail fraud. According to the indictment, Threadgill was the Executive Director of Mississippi River Corridor – Tennessee, Inc. (MRCT), a Memphis-based non-profit organization whose mission was to “identify, conserve and enhance the region’s natural, cultural and recreational resources to improve the quality of life and prosperity in West Tennessee.”

The indictment alleges that beginning in October 2011 and continuing until March 29, 2017, Threadgill obtained grants on behalf of MRCT from federally funded government agencies, such as the Tennessee Department of Transportation (TDOT), the Tennessee Department of Environment & Conservation (TDEC), as well as TVA. In 2013, Threadgill applied for and received one such grant from TDOT in the amount of \$1,512,000 for the purpose of building an interpretive visitor center at Reelfoot Lake. The Tennessee State Building Commission (SBC) provided an additional matching grant in the amount of \$372,000. Threadgill submitted reimbursement requests for expenses, which had previously been sought or reimbursed and



Pickwick Dam



Browns Ferry Nuclear Plant

obtained more than \$133,000 in additional reimbursement, which she used for her own personal benefit.

The indictment further alleges that Threadgill submitted fraudulent checks to TDOT, seeking and receiving reimbursements by representing that the checks had been cashed by vendors when, in reality, they had never been provided to the vendors.

Finally, the indictment alleges that Threadgill sought funding from TVA in March 2017, knowing that the MRCT Board of Directors had previously voted to dissolve the organization. She obtained \$41,749.94 in addition to the duplicated funds that she had previously received from the federally funded agencies. The total loss amount of federal funds was \$174,921.84. If convicted, Threadgill faces up to 20 years in prison and a \$250,000 fine on each count.

This case was investigated by the U.S. Department of Transportation, OIG; the TVA, OIG; and the Tennessee Comptroller's Office.

Former Browns Ferry Technician Pleads Guilty to Theft

As stated in a prior semiannual report, on September 26, 2018, Tristan James Robinson, former Browns Ferry

Nuclear Plant (BFN) Technician/Clerk, was charged on a two-count federal indictment in the Northern District of Alabama. The first count of the indictment charged Mr. Robinson with stealing TVA measuring/testing equipment with an aggregate value exceeding \$1,000. The second count charged him with making false statements by minimizing the number of items he took from TVA then sold on eBay. On November 26, 2018, Mr. Robinson pled guilty in federal court to the first count of the indictment.

Mr. Robinson's plea agreement states that one of his TVA duties was to calibrate equipment, which provided him access to the BFN Measuring and Testing Equipment work area. During an interview with investigators, he admitted taking a laser shaft alignment tool from TVA inventory and selling it on eBay for \$6,995. He also told investigators he had informed his management, upon being asked, the whereabouts of the tool (after which his access to the plant was rescinded). Additionally, he provided to investigators a list of all items he had taken from TVA and sold, which consisted of approximately 20 items valued at roughly \$20,000.

Per Mr. Robinson's plea agreement, however, an analysis of records indicated Mr. Robinson listed 121 items for sale on his eBay account, and the items were consistent with TVA property he admitted selling. Agents reviewed Mr. Robinson's eBay postings and determined the

equipment being sold were items TVA routinely purchases and uses at BFN. Investigative analysis revealed he sold 68 items on eBay for \$69,133.04, and another 18 items, which were unsold, were priced at \$22,024.

Pursuant to his guilty plea, Mr. Robinson provided his consent to a criminal forfeiture of \$87,633.20 and restitution to TVA of the same amount. He is to be sentenced in this matter on April 9, 2019.

This investigation was conducted with assistance from TVA Police and Emergency Management.

Former Sewage Treatment Plant Operator Convicted and Sentenced for Clean Water Act Violations

As previously reported, on November 14, 2017, Kenneth Rhea was federally charged in the Eastern District of Tennessee with long-term violations of the Clean Water Act. The 25-count indictment was issued based on Mr. Rhea's alleged activity while serving as operator of the Sneedville (Tennessee) Sewage Treatment Plant. The indictment was sealed prior to November 30, 2017.

The Sneedville plant was designed to accept influent raw sewage, purify sewage water, and allow the purified water to flow out into the Clinch River. The first count of the indictment charged Mr. Rhea with discharging untreated sewage into the river throughout the December 2012 through May 2014 time frame. The remaining 24 counts charged him with falsifying related Discharge Monitoring and Monthly Operating reports on which he attested Clean Water Act requirements had been met, as required under the Clean Water Act and administered through TDEC.

On October 2, 2018, Mr. Rhea pled guilty to Counts 1, 2, and 24 of the indictment. Facts stipulated in his plea agreement include the following:

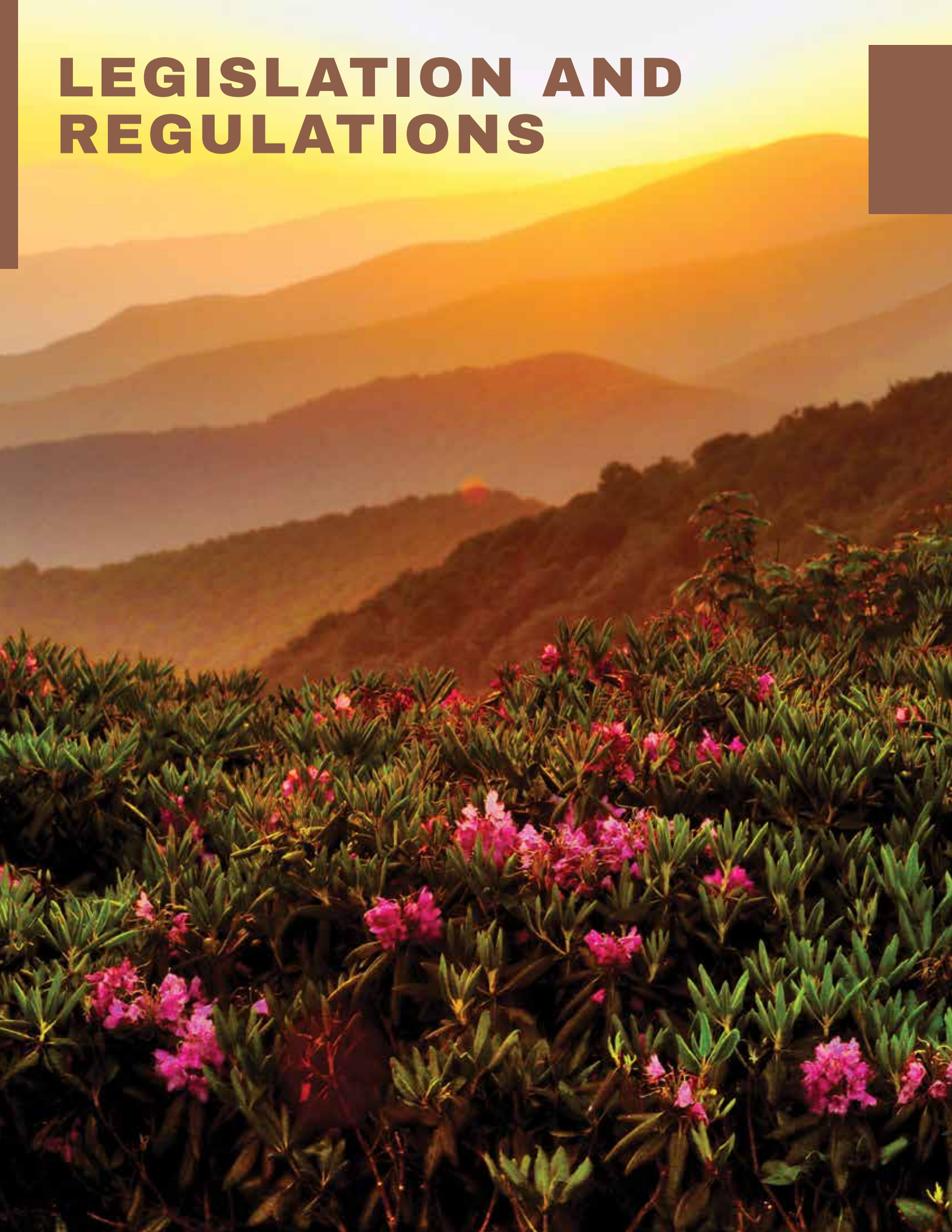
- The treatment plant was incapable of processing sewage during at least some of the time Mr. Rhea was an operator of the facility, and he admitted that he was responsible for discharging untreated sewage into the Clinch River.

- Mr. Rhea left the treatment plant's employment during May 2014. Afterward, still during May 2014, a contract waste water treatment plant operator and an engineering consultant conducted an inspection of the plant. The guilty plea references numerous issues found during the inspection, among them:
 - Bypass valves were rusted open, allowing raw sewage to flow directly into the Clinch River.
 - Treatment chemicals required for daily plant operation had expired during the late 1980s. Five pounds of chlorine are required for daily operation, and there was no chlorine present at the plant.
 - All copper wire had been removed from the pump station.
 - In spite of the requirement for daily water samples, there were no records, logbooks, or other forms of documentation located at the plant, and none of the necessary supplies for conducting sampling tests were present.
- Mr. Rhea admitted he did not conduct tests daily as required and, on occasion, falsified the reports by guessing or by fabricating data. When reports were due or overdue, he would go to the local city office, take an older report, conceal the numbers, write-in new ones, and submit the report.

On January 8, 2019, Mr. Rhea was sentenced in federal court. He was ordered to serve 15 months in prison, followed by one year of probation, and he was ordered to pay a \$300 assessment.

This investigation was conducted with the U.S. Environmental Protection Agency Criminal Investigation Division.

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, TVA OIG has been tracking:

H.R. 454 - "BONUSES FOR COST CUTTERS ACT"

H.R. 454 was introduced in the House and referred to the House Committee on Oversight and Reform in January. The bill would amend 5 U.S.C. 4512, which currently provides for cash awards to federal employees who identify fraud, waste, or abuse to the IG. The proposal would expand a federal agency's authority to pay cash awards for cost saving disclosures made by employees to the agency's Chief Financial Officer. The bill also increases the defined award minimum from \$10,000 to \$20,000.

H.R. 706 - "RESTORING THE PUBLIC TRUST ACT"

H.R. 706 was introduced in January 2019. The bill was referred to the Committee on Oversight and Reform, Judiciary, Ways and Means, and House Administration. The wide-ranging bill includes a number of provisions generally aimed at strengthening transparency and accountability of the federal government. It includes specific provisions identified by CIGIE as a legislative priority to notify Congress of Executive decisions to place an IG on paid or unpaid nonduty status. The bill also creates a new section of 5 U.S.C. 3349e that would require the President to communicate to Congress the reasons why the President has not yet made an IG nomination and the target date for making the nomination when the President fails to nominate a candidate within 120 days of the IG position becoming vacant. The IG position at TVA has been vacant for more than 120 days.

H.R. 1064 - "TO AMEND TITLE 5 U.S.C TO ALLOW WHISTLEBLOWERS TO DISCLOSE INFORMATION TO CERTAIN RECIPIENTS"

H.R. 1064 was introduced on February 7, 2019, and passed the House by suspension of the rules on February 11, 2019. The bill modifies whistleblower protections for federal employees or applicants who disclose classified national security information, or other protected information, that evidences wrongdoing. Currently, it is unlawful to retaliate against a federal employee for disclosing classified or protected information of wrongdoing to one of the following recipients: (1) the OIG of their agency, (2) the U.S. Office of Special Counsel, or (3) a designated agency employee. This bill expands the list of recipients to whom a federal employee may make a protected disclosure to include a supervisor in the employee's direct chain of command.

APPENDICES



INDEX OF REPORTING REQUIREMENTS UNDER THE INSPECTOR GENERAL ACT

REPORTING	REQUIREMENT	PAGE OR APPENDIX
Section 4(a)(2)	Review of legislation and regulations	36 - 37
Section 5(a)(1)	Significant problems, abuses, and deficiencies	22 - 35
Section 5(a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies	22 - 35
Section 5(a)(3)	Recommendations described in previous semiannual reports on which corrective action has not been completed	Appendix 4
Section 5(a)(4)	Matters referred to prosecutive authorities and the prosecutions and convictions that have resulted	Appendix 5
Section 5(a)(5) and 6(b)(2)	Summary of instances where information was refused	None
Section 5(a)(6)	Listing of audit and evaluation reports	Appendix 2
Section 5(a)(7)	Summary of particularly significant reports	22 - 35
Section 5(a)(8)	Status of management decisions for audit and evaluation reports containing questioned costs	Appendix 3
Section 5(a)(9)	Status of management decisions for audit and evaluation reports containing recommendations that funds be put to better use	Appendix 3
Section 5(a)(10)	Summary of audit and evaluation reports issued prior to the beginning of the reporting period for which (a) no management decision had been made; (b) no management comment was received within 60 days of issuing the draft report; and (c) there were any unimplemented recommendations, including the aggregate potential cost savings of those recommendations, at the end of the reporting period ¹	None
Section 5(a)(11)	Significant revised management decisions	None
Section 5(a)(12)	Significant management decisions with which the Inspector General disagreed	None
Section 5(a)(13)	Information under Federal Financial Management Improvement Act of 1996	Not Applicable
Section 5(a)(14)	Results of any peer review conducted by another Office of the Inspector General during the reporting period, and if none, a statement of the date of the last peer review	Appendix 10
Section 5(a)(15)	List of outstanding recommendations from any peer review conducted by another Office of the Inspector General, including a statement describing the status of the implementation and why implementation is not complete	None

¹ We had no open audit or evaluation reports that met all of these requirements. However, Appendix 4 includes a list of all audits issued in previous semiannual periods on which corrective action has not been completed.

APPENDIX 1

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

REPORTING	REQUIREMENT	PAGE OR APPENDIX
Section 5(a)(16)	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 that remain outstanding or have not been fully implemented	Appendix 11
Section 5(a)(17)	Statistical table showing the total number during the reporting period of (a) investigative reports issued, (b) persons referred to the Department of Justice for criminal prosecution, (c) persons referred to state and local prosecuting authorities for criminal prosecution, and (d) indictments and criminal informations resulting from any prior referral to prosecuting authorities	Appendix 5
Section 5(a)(18)	Metrics used to develop the data in the statistical table pursuant to Section 5(a)(17)	Appendix 5
Section 5(a)(19)	Investigations in which allegations of misconduct involving a senior government employee ² were substantiated	Appendix 6
Section 5(a)(20)	Instances of whistleblower retaliation, information about the official found to have engaged in retaliation, and consequences imposed, if any, to hold the official accountable	None
Section 5(a)(21)	Attempts to interfere with the independence of the Office of the Inspector General	None
Section 5(a)(22)(A)	Audit or evaluation that was closed and not disclosed to the public	None
Section 5(a)(22)(B)	Investigation involving a senior government employee that was closed and not disclosed to the public	Appendix 7

² Pursuant to Section 5(b)(7)(A) of the IG Act, as amended, senior government employee is defined as an officer or employee whose rate of basic pay is equal to or greater than 120 percent of the minimum rate of basic pay payable for GS-15 of the General Schedule.

OIG AUDIT REPORTS • ISSUED DURING THE SIX-MONTH PERIOD ENDED MARCH 31, 2019

Report Number and Date	Title	Questioned Costs	Unsupported Costs	Funds Put To Better Use
CONTRACT AUDITS				
2018-15562 11/09/2018	Proposal for Coal Combustion Residual Program Management	\$0	\$0	\$1,658,000
2018-15565 12/17/2018	Review of Labor and Labor Markup Rates	0	0	1,400,000
2018-15542 01/25/2019	GE Mobile Water, Inc. - Contract No. 75130	0	0	0
2018-15606 02/20/2019	Proposal for Coal Combustion Residual Program Management	0	0	(134,000)
2019-15623 03/27/2019	Proposal for Coal Combustion Residual Program Management	0	0	381,000
FINANCIAL AND OPERATIONAL AUDITS				
2018-15534 10/11/2018	EnergyRight® Solutions Loan Obligations and Receivables	\$0	\$0	\$0
2018-15556 10/30/2018	TVA's Helicopter Fleet	0	0	0
2018-15602 11/14/2018	Agreed-Upon Procedures for TVA Fiscal Year 2018 Performance Measures	0	0	0
2018-15574 02/28/2019	Tool Controls at Sequoyah Nuclear Plant	0	0	0
INFORMATION TECHNOLOGY AUDITS				
2018-15529 11/14/2018	Ransomware	\$0	\$0	\$0
2018-15526 12/18/2018	2018 Federal Information Security Modernization Act	0	0	0
2018-15531 01/29/2019	Human Resource System Personally Identifiable Information Access Control	0	0	0
2019-15622 03/28/2019	Human Capital Management Solution	0	0	0
TOTAL AUDITS (13)		\$0	\$0	\$3,305,000

APPENDIX 2

OIG EVALUATION REPORTS • ISSUED DURING THE SIX-MONTH PERIOD ENDED MARCH 31, 2019 (CONTINUED)

Report Number and Date	Title	Questioned Costs	Unsupported Costs	Funds Put To Better Use
EVALUATIONS				
2018-15580 12/04/2018	Widows Creek Fossil Plant Demolition Program	\$0	\$0	\$0
2018-15549 03/28/2019	Required Nuclear Training	0	0	0
ORGANIZATIONAL EFFECTIVENESS				
2018-15535 10/15/2018	Organizational Effectiveness - Gallatin Fossil Plant	0	0	0
2018-15557 03/14/2019	Organizational Effectiveness - Paradise Fossil Plant	0	0	0
TOTAL EVALUATIONS (4)		\$0	\$0	\$0

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

TABLE I • TOTAL QUESTIONED AND UNSUPPORTED COSTS • AUDITS

Audit Reports	Number of Reports	Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the period	0	\$0	\$0
B. Which were issued during the reporting period	0	\$0	\$0
Subtotal (A+B)	0	\$0	\$0
C. For which a management decision was made during the reporting period	0	\$0	\$0
1. Dollar value of disallowed costs	0	\$0	\$0
2. Dollar value of costs not disallowed	0	\$0	\$0
D. For which no management decision has been made by the end of the reporting period	0	\$0	\$0

TABLE I • TOTAL QUESTIONED AND UNSUPPORTED COSTS • EVALUATIONS

Evaluation Reports	Number of Reports	Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the period	0	\$0	\$0
B. Which were issued during the reporting period	0	\$0	\$0
Subtotal (A+B)	0	\$0	\$0
C. For which a management decision was made during the reporting period	0	\$0	\$0
1. Dollar value of disallowed costs	0	\$0	\$0
2. Dollar value of costs not disallowed	0	\$0	\$0
D. For which no management decision has been made by the end of the reporting period	0	\$0	\$0

APPENDIX 3

TABLE II • FUNDS TO BE PUT TO BETTER USE • AUDITS (CONTINUED)

Audit Reports	Number of Reports	Funds To Be Put To Better Use
A. For which no management decision has been made by the commencement of the period	1	\$17,629,600
B. Which were issued during the reporting period	4	\$3,305,000
Subtotal (A+B)	5	\$20,934,600
C. For which a management decision was made during the reporting period	4	\$20,553,600
1. Dollar value of recommendations agreed to by management	4	\$20,553,600
2. Dollar value of recommendations not agreed to by management	0	\$0
D. For which no management decision has been made by the end of the reporting period	1	\$381,000

TABLE II • FUNDS TO BE PUT TO BETTER USE • EVALUATIONS

Evaluation Reports	Number of Reports	Funds To Be Put To Better Use
A. For which no management decision has been made by the commencement of the period	0	\$0
B. Which were issued during the reporting period	0	\$0
Subtotal (A+B)	0	\$0
C. For which a management decision was made during the reporting period	0	\$0
1. Dollar value of recommendations agreed to by management	0	\$0
2. Dollar value of recommendations not agreed to by management	0	\$0
D. For which no management decision has been made by the end of the reporting period	0	\$0

RECOMMENDATIONS INCLUDED IN A PREVIOUS SEMIANNUAL REPORT AND AWAITING IMPLEMENTATION

At the end of the semiannual period, final corrective action was not complete on 106 recommendations associated with 11 audit and 15 evaluation reports and one special project 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.

Audit Report Number and Date	Report Title and Actions Agreed to by Management to Resolve Recommendations
2013-14959 08/07/2014	Tennessee Valley Authority (TVA) Environmental Risk Management TVA agreed to update their Environmental Management System to better describe environmental review processes and responsibilities. TVA expects to complete final action by April 30, 2020.
2017-15470 03/29/2018	TVA Fixed-Wing Aircraft TVA agreed to ensure Supply Chain processes adequately justify, support, and document sole source procurements in a manner which ensures the consideration of all aircraft lifecycle costs and requirements. TVA expects to complete final action by April 30, 2019.
2017-15462 04/30/2018	ThyssenKrupp Elevator Americas TVA agreed to work to recover certain costs billed for modernization, repair, preventive maintenance, and call back service; take steps to ensure adherence to the contract's work scope; ensure purchase orders reference the appropriate contract; maintain appropriate documentation; conduct invoice reviews to ensure future costs are paid under the correct contract; and work to ensure timely invoice receipt and payment. TVA expects to complete final action by April 30, 2019.
2017-15453 06/13/2018	TVA's Privacy Program TVA agreed to update applicable policies and procedures and encrypt certain storage arrays. TVA expects to complete final action by December 6, 2019.
2017-15488 07/18/2018	TVA Economic Development Grants TVA agreed to (1) update Standard Programs and Processes (SPP) related to Economic Development programs, (2) informally visit project sites and obtain photographic evidence of project completion before projects are considered complete for the InvestPrep Program, (3) develop specific objectives for both the Performance Grant and InvestPrep Programs, and (4) set performance goals for these objectives at the beginning of each year and monitor actual performance compared to the goals on a quarterly basis. TVA expects to complete final action by April 30, 2019.
2018-15544 07/23/2018	Capital Projects TVA agreed to (1) revise applicable SPPs to include adequate guidance for post-project assessments, (2) implement improved methods and processes for evaluating estimated project benefits and alternatives early in the project proposal phase to ensure estimated benefits are reasonable and alternatives are realistic, and (3) perform post-project assessments of economic benefits for significant projects in accordance with processes detailed in TVA-SPP-13.950 and TVA-SPP-19.003. TVA expects to complete final action by May 31, 2019.
2018-15548 07/31/2018	Proposal for Coal Combustion Residual Program Management TVA agreed to negotiate lower overhead and general and administrative rates, equipment costs, labor burden rates, temporary living allowance, fee, noncraft wages, and time and material rates during contract negotiations. TVA also agreed to (1) address bond costs during negotiations, and (2) work with the contractor to (a) address incorrect and missing labor billing rates and (b) improve their equipment rate data used to price projects. TVA expects to complete final action by July 31, 2019.

APPENDIX 4

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

Audit Report Number and Date	Report Title and Actions Agreed to by Management to Resolve Recommendations
2018-15569 08/23/2018	Rate Review For Contract Extension TVA agreed to request revised labor rate ranges reflective of the contractor's actual minimum and maximum salary costs and will verify the revised labor rate ranges are reflective of their actual cost for each labor classification. The revised rate ranges will be incorporated into the contract once verified. TVA expects to complete final action by August 23, 2019.
2015-15344 09/06/2018	Conservation Services Group TVA agreed to pursue collection of (1) overbilled subcontractor costs, labor costs, and travel costs and (2) ineligible sales tax. TVA agreed to conduct a review of the company's fully burdened rates to determine whether they include paid time off and, if appropriate, amend the contract. TVA expects to complete final action by September 6, 2019.
2017-15451 09/13/2018	Key Sarbanes-Oxley Financial Spreadsheets TVA agreed to (1) review and update the critical spreadsheet certification process to facilitate consistent formatting and classification, (2) map critical spreadsheets by business process, (3) utilize a commercially available tool that includes inherent functionality for version control and storage for backup purposes, (4) incorporate end user computing best practices in control owner briefings and other trainings, (5) create a repository for all critical spreadsheets, and (6) document and review shared accounts on a regular basis. TVA expects to complete final action by March 31, 2020.
2018-15536 09/28/2018	Proposal for Coal Combustion Residual Program Management TVA agreed to address overstated proposed costs for equipment, materials, indirect costs, labor, fee, and subcontractors during contract negotiations. TVA also agreed to work with the contractor to correct (1) calculation errors in their proposal, (2) understated noncraft labor, and (3) contract wage schedules and information technology markup rates. TVA expects to complete final action by September 28, 2019.

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
2014-15216 09/29/2014	Follow-Up Review of Coal Fire Protection TVA agreed to revise FPG-SPP-18.123, Fire Protection Assessment Procedure, to include a new rating calculation and process for sharing assessment data with Power Operations senior leadership. TVA expects to complete final action by August 13, 2019.
2016-15445-01 05/18/2017	Organizational Effectiveness - Human Resources: Business Office TVA provided the Washington, D.C., Equal Employment Opportunity Commission Office documentation relative to the reporting structure for TVA Equal Opportunity Compliance department. TVA expects to complete final action by April 30, 2019.
2016-15386 07/27/2017	Organizational Effectiveness - Supply Chain: Materials Management TVA agreed to ensure complete and SMART (specific, measurable, achievable, relevant, and time-bound) goals by ensuring goals are clear, defined, and have a specific deliverable date. TVA expects to complete final action by May 15, 2019.
2016-15445-05 09/26/2017	Organizational Effectiveness - Human Resources: Human Resources TVA management stated they understood our recommendations and many had already been addressed or would be addressed through an organizational redesign. TVA agreed to increase transparency around the selection process, address risks to execution of Human Resources strategy, and address ethical concerns and concerns related to inclusion. TVA expects to complete final action by September 28, 2019.
2016-15445 12/21/2017	Organizational Effectiveness - Chief Human Resources Office TVA agreed to (1) focus on building relationships within the Chief Human Resources Office leadership team; (2) continue dialogue with employees to (a) gather differing opinions and encourage employees to voice opinions even if those opinions differ from management and (b) promote inclusive behaviors; (3) continue to communicate the importance of ethics and compliance; and (4) continue to utilize the business planning process to continuously improve their objectives and performance measures. TVA expects to complete final action by May 31, 2019.
2017-15490 03/28/2018	Data Used to Calculate Fuel Cost Adjustments TVA agreed to identify opportunities to streamline and automate the calculation process and document the fuel cost adjustment process in an SPP. TVA expects to complete final action by June 3, 2019.
2018-15524 04/12/2018	Organizational Effectiveness - Lagoon Creek Combustion Turbine Plant TVA agreed to develop a framework for a site-mentoring program and conduct follow-up meetings with employees to ensure trust is restored; investigate and address all inappropriate employee behaviors; and document actions necessary to address. TVA expects to complete final action by April 12, 2019.
2017-15516 07/30/2018	Heat Rate Input Calculations TVA stated they are in the process of implementing thermal performance modeling software, allowing them to automatically monitor unit performance, down to a component level; and calculate daily performance curves, eliminating the need for manual hourly calculations. TVA expects to complete final action by December 31, 2019.
2017-15514 08/17/2018	Organizational Effectiveness - Supply Chain: Sourcing TVA agreed to address alignment risks, improve leadership skills, enhance communications related to employee advancement, evaluate the sufficiency of staffing levels, and implement steps to increase collaboration. TVA expects to complete final action by August 17, 2019.

APPENDIX 4

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
	Hearing Loss Claims
2017-15512 09/24/2018	TVA agreed to take action to ensure audiograms and training are completed as required; perform file reviews for completeness prior to submission to the U.S. Department of Labor (DOL); complete management questionnaires when employees obtain a hearing exit exam; have an audiologist review hearing loss claims prior to submission to the DOL; and continue education around hearing protection. TVA expects to complete final action by September 24, 2019.
	Nuclear Oversight Work Environment Follow-Up
2018-15541 09/24/2018	TVA agreed to (1) require 360 feedback for all Nuclear Oversight leadership and take other actions to improve open communication with staff; and (2) continue with ongoing actions that appeared to have a positive influence on group safety culture, as well as initiating new actions which include (a) Quality Assurance (QA)/Employee Concerns Program (ECP) management performing face-to-face meetings to reaffirm Nuclear Safety Culture, Safety Conscious Work Environment, and Respectful Work Environment, (b) implementing the Excellence Plan actions to improve governance and oversight of ECP, and (c) initiating independent assessment of personal issues within ECP to better understand the drivers of the personal issues and develop actions to address the issue. TVA expects to complete final action by November 21, 2019.
	Organizational Effectiveness - Sequoyah Nuclear Site Security
2018-15550 09/24/2018	TVA agreed to (1) take action to improve communication, (2) address accountability perceptions by ensuring any action taken is in line with the TVA Security Fleet and other organizations, and (3) address management behaviors by having an excellence plan for the Security management team. This excellence plan has identified the following gaps that will be addressed: lack of personal accountability, setting direction through communicating the right message, culture of passive acceptance, and over reliance on knowledge based decision making. In addition, TVA will take several actions to address perceptions of inadequate staffing levels. TVA expects to complete final action by September 24, 2019.
	Coal Operations' Clearance Procedure
2018-15560 09/25/2018	TVA agreed to (1) reinforce expectations to all Coal Operations' managers regarding clearance revisions and requests, (2) reinforce expectations regarding the 10 percent sampling audit of all active clearances once per year, (3) verify Power Operations time frame requirements are at least as stringent as those prescribed in the applicable SPP, (4) identify any inconsistencies or lack of functionality in eSOMS v5 and the plant clearance list to ensure they will perform as designed, (5) reinforce the expectations to review plant clearance lists and training records semiannually, (6) conduct a training needs analysis and provide enhancements to address gaps, and (7) reinforce expectations to all Coal Operations' managers regarding the clearance audit process. TVA expects to complete final action by September 24, 2019.
	Coal Condition Reports
2017-15511 09/26/2018	TVA agreed to reinforce expectations regarding (1) generating condition reports (CR), (2) appropriately completing Maximo records fields, and (3) documenting related records in Maximo. TVA will also communicate to managers instances where Power Operations CR requirements are more stringent than those documented in non-Power Operations SPPs. TVA expects to complete final action by September 26, 2019.
	Organizational Effectiveness - Paradise Combined Cycle Plants
2018-15558 09/26/2018	TVA agreed to improve the training program at the Paradise Combined Cycle Plant and improve on the core competency of effective communication. TVA expects to complete final action by September 24, 2019.
Special Project Number and Date	Report Title and Actions Agreed to by Management to Resolve Recommendations
	Assessment of Chilled Work Environment at TVA Watts Bar Nuclear Unit 1 by NTD Consulting Group, LLC
2016-16702 04/19/2017	TVA conducted an independent nuclear safety culture (NSC) assessment for the Watts Bar Nuclear site. TVA developed actions based on the issues identified in the assessment. The actions were oriented toward both near-term mitigation of identified improvement areas as well as a sustainable improved NSC. Subsequently, TVA will re-administer an independent NSC assessment between 18 and 24 months after the original assessment. TVA expects to complete final action by October 31, 2019.

INVESTIGATIVE REFERRALS AND PROSECUTIVE RESULTS

Referrals	
Reports Issued to TVA Management	6
Subjects Referred to U.S. Attorneys	2
Subjects Referred to State/Local Authorities	2
Results	
Subjects Indicted/Informations Filed	1
Subjects Convicted	2
Pretrial Diversions	0
Federal Referrals Declined	5
State/Local Referral 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.

These numbers include task force activities and joint investigations with other agencies.

APPENDIX 6

SUBSTANTIATED INVESTIGATIONS INVOLVING SENIOR AGENCY OFFICIALS

Case No.	Allegation and Disposition
14A16560	<p>A manager repeatedly used his TVA corporate credit card for unofficial purposes, even after being counseled on its appropriate use. He also manipulated the location of his official duty stations to create unnecessary travel, thereby enhancing his income through the TVA reimbursement system.</p> <p>Allegations were substantiated. Additional investigative findings include the manager being reimbursed for travel within the geographic area of his contemporaneous official duty station on numerous occasions and receiving reimbursement for hotel stays in two different cities on the same date four times. The OIG issued a Report of Administrative Inquiry summarizing the outcome of the investigation. Management responded it found that the individual, who subsequently resigned, exhibited negligent misuse and disregard of policy but lacked fraudulent intent. (Independent of our investigation, the manager reimbursed TVA approximately \$8,000 of the questioned total of \$42,461.)</p>

Metrics: This appendix describes closed, substantiated investigations involving subjects specified by the IG Empowerment Act (salaried at 120 percent of GS-15 Level One). TVA does not operate on the GS scale, so all persons in this salary range, though included here, are not necessarily executive-level employees. Corollary to this, not all persons with substantial managerial duties are included here, based on their salaries.



PREVIOUSLY UNDISCLOSED INVESTIGATIONS INVOLVING SENIOR AGENCY OFFICIALS

Case No.	Allegation and Disposition
18-0046	A manager intentionally bypasses established project controls; and, in breach of TVA policy, he supervises his wife, who is also a TVA employee. Unsubstantiated.
18-0141	TVA Form 40491, Visitor Escorted Access Approval, in circulation at a TVA nuclear plant, bore a pre-printed signature on the Escorted Access Approval line, in violation of TVA and Nuclear Regulatory Commission (NRC) policies. A senior manager had used one of the forms to allow a contract worker access to the site. Investigation did not substantiate wrongdoing by the manager. The TVA contract worker was found by his employer to have photocopied the signed, but otherwise blank, forms, and the contractor company terminated his TVA assignment.
18-0242	Managers over a multimillion dollar departmental budget are engaged in cost shifting. Unsubstantiated.
19-0006	A senior manager encouraged an employee to conceal a workplace injury, harassed the employee, and boasted about suffering a workplace injury in the past that he/she did not report. Unsubstantiated.
19-0016	The hiring process for a group of trainees was manipulated by management to give certain individuals a distinct advantage. Unsubstantiated.
19-0054	A manager used a TVA-provided employee Web site, "ValueAds," to sell stolen TVA property. Unsubstantiated.
19-0061	The NRC issued a chilled work environment letter to TVA in the recent past. In retaliation, a TVA Nuclear executive hired attorneys to harass an involved work group, and those employees were told they were not entitled to legal representation. Unsubstantiated.
19-0070	A TVA Nuclear manager inappropriately influenced the bidding process for multiple contracts at two TVA installations. Unsubstantiated.

Metrics: This appendix describes any closed investigations, not disclosed to the public, involving subjects specified by the IG Empowerment Act (salaried at 120 percent of GS-15 Level One). TVA does not operate on the GS scale, so all persons in this salary range, though included here, are not necessarily executive-level employees. Corollary to this, not all persons with substantial managerial duties are included here, based on their salaries.



APPENDIX 8

HIGHLIGHTS - STATISTICS

	MAR 31, 2019	SEPT 30, 2018	MAR 31, 2018	SEPT 30, 2017	MAR 31, 2017
AUDITS					
AUDIT STATISTICS					
Carried Forward	17 ¹	21	18	15	22
Started	12	15	13	14	7
Canceled	(0) ²	(0) ³	(0)	(1)	(0)
Completed	(13)	(18)	(10)	(10)	(14)
In Progress at End of Reporting Period	16	17	21	18	15
AUDIT RESULTS (Thousands)					
Questioned Costs	\$0	\$6,155	\$6,829	\$4,672	\$10,531
Disallowed by TVA	\$0	\$6,155	\$6,829	\$5,080	\$8,046
Recovered by TVA	\$189	\$740	\$0	\$428	\$9,214
Funds to Be Put to Better Use	\$3,305	\$57,413	\$39,639	\$17,680	\$28,248
Agreed to by TVA	\$20,554	\$47,254	\$33,018	\$8,934	\$21,341
Realized by TVA	\$1,830	\$59,875 ⁴	\$8,677	\$4,479	\$1,586
OTHER AUDIT-RELATED PROJECTS					
Completed	5	9	5	7	2
Cost Savings Identified/Realized (Thousands)	\$0	\$0	\$0	\$0	\$0
EVALUATIONS					
Completed	4	17	7	17	4
Cost Savings Identified/Realized (Thousands)	\$0	(\$104)	\$0	\$0	\$0
INVESTIGATIONS⁵					
INVESTIGATION CASELOAD					
Opened	78	117	97	95	97
Closed	96	110	98	92	84
In Progress at End of Reporting Period	123	143	141	147	146
INVESTIGATIVE RESULTS (Thousands)					
Recoveries	\$87	\$86.4	\$6,250	\$3,730.7	\$225.3
Projected Savings	\$0	\$0	\$2,079.1	\$680	\$404.8
Fines/Penalties/Fees	\$0.3	\$0.2	\$0.7	\$20.5	\$0.2
Other Monetary Loss	\$0	\$30.7	\$40.8	\$0	\$1,291.4
Forfeiture(s) Ordered - Criminal	\$0	\$0	\$3,041.9	\$0	\$0
Forfeiture(s) Ordered - Civil	\$0	\$0	\$0	\$0	\$0
MANAGEMENT ACTIONS					
Disciplinary Actions Taken (Number of Subjects)	6	10	11	6	8
Counseling/Management Techniques Employed (Number of Cases)	15	20	7	9	10
Debarments	0	0	0	0	0
PROSECUTIVE ACTIVITIES (Number of Subjects)					
Referred to U.S. Attorneys	2	16	5	6	7
Referred to State/Local Authorities	2	0	0	1	0
Indicted/Information Filed	1	1	2	8	1
Convicted	2	0	6	4	1
Pretrial Diversions	0	0	0	1	0

¹ Does not include one project that was postponed in a prior period.

² One project was postponed during the period.

³ One project was postponed during the period.

⁴ Includes amounts agreed to in a prior period.

⁵ These numbers include task force activities and joint investigations with other agencies.

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 Inspector General issued no contract review reports under this requirement.



APPENDIX 10

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 Inspector General (OIG) underwent its most recent peer review of its audit organization for the period ended September 30, 2016. This review was performed by the Federal Deposit Insurance Corporation OIG. The Federal Deposit Insurance Corporation OIG issued its report, dated May 16, 2017, in which it concluded the system of quality control for the audit organization of TVA OIG in effect for the year ended September 30, 2016, 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. The peer review report is posted on our Web site at http://oig.tva.gov/peer_reports.html.

Investigations Peer Review

Investigative Operations undergoes a Quality Assessment Review at least once every three years. The U.S. Railroad Retirement Board (RRB) OIG completed a Quality Assessment Review of TVA OIG Investigative Operations on May 23, 2016. RRB OIG found the “. . . the system of internal safeguards and management procedures for the investigative function of the Tennessee Valley Authority OIG in affect [sic] through April 1, 2016 is compliant with the quality standards established by the CIGIE and the Attorney General Guidelines . . . ” This confirmation is posted on our Web site at http://oig.tva.gov/peer_reports.html.

As of this writing, a Quality Assessment Review of TVA OIG Investigative Operations is being conducted by the Corporation for National and Community Service OIG.

PEER REVIEWS OF OTHER OIGS

Audits Peer Review

The Tennessee Valley Authority (TVA) Office of Inspector General (OIG) initiated a peer review of the National Railroad Passenger Corporation (Amtrak) OIG audit operations. OIGs that conduct audits in accordance with *Government Auditing Standards* must undergo an external peer review every three years. The peer review program is designed to determine whether, for the period under review, the reviewed audit organization's system of quality control was suitably designed and whether the audit organization is complying with its quality control system in order to provide the audit organization with reasonable assurance of conforming with applicable professional standards. We anticipate issuing our final report prior to June 30, 2019.

Inspection and Evaluation Peer Review

The TVA OIG completed a peer review of the U.S. Department of Education (ED) OIG inspection operations, and we issued our final report to that OIG on November 26, 2018. We assessed the extent to which ED OIG met seven Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Quality Standards for Inspection and Evaluation* (Blue Book standards), specifically: Quality Control, Planning, Data Collection and Analysis, Evidence, Records Maintenance, Reporting, and Follow-up. This assessment included a review of ED OIG's internal policies and procedures implementing the seven required Blue Book standards. It also included a review of the three reports issued between June 30, 2017, and June 30, 2018, citing compliance with Blue Book standards, to determine whether the reports complied with the covered Blue Book standards and the ED OIG's internal policies and procedures.

The Review Team determined that ED OIG's policies and procedures generally met the seven Blue Book standards addressed in the external peer review. Of the three reports reviewed, two generally met the Blue Book standards and complied with ED OIG's internal policies and procedures. One reviewed report generally did not meet the standards and did not comply with internal policies and procedures related to Quality Control, Planning, and Data Collection. The peer review report is posted to ED OIG's Web site at <https://www2.ed.gov/about/offices/list/oig/peerreviewpage.html>.

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 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.

Improper Payment

Any payment that should not have been made or was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements, as defined in the Improper Payment Information Act.

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, 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.

BFN	Browns Ferry Nuclear Plant
Board	Board of Directors
CEO	Chief Executive Officer
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CR	Condition Reports
D4	Decommissioning, Deactivation, Decontamination, and Demolition
DOJ	U.S. Department of Justice
DOL	U.S. Department of Labor
GAF	Gallatin Fossil Plant
GAO	Government Accountability Office
ECP	Employee Concerns Program
FDIC	Federal Deposit Insurance Corporation
FISMA	Federal Information Security Modernization Act
FTR	Federal Travel Regulation
FY	Fiscal Year
HASP	Health and Safety Plan
HCM	Human Capital Management
HR	Human Resource
IG	Inspector General
ISCM	Information Security Continuous Monitoring
ISP	Information Security Program
IT	Information Technology
MRCT	Mississippi River Corridor – Tennessee, Inc.
NIST	National Institute of Standards and Technology
NSC	Nuclear Safety Culture
OIG	Office of Inspector General
PAF	Paradise Fossil Plant
PII	Personally Identifiable Information
QA	Quality Assurance
RRB	U.S. Railroad Retirement Board
SBC	State Building Commission
SPP	Standard Programs and Processes
SQN	Sequoyah Nuclear Plant
TDEC	Tennessee Department of Environment & Conservation
TDOT	Tennessee Department of Transportation
TVA	Tennessee Valley Authority
WCF	Widows Creek Fossil Plant
WP	Winning Performance



Office of the Inspector General

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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 system. 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). 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.

Report Concerns to the OIG EmPowerline

WATCH, LEARN AND BE **EMPOWERED**

If you see or suspect wrongdoing and report it, TVA could recover money and you could receive a cash reward from the TVA Office of the Inspector General. Learn how by watching this revealing video. To watch this video now, simply scan the QR symbol at the lower right with your smart phone to be taken directly to the video. QR Code scan app required.



You can report wrongdoing to the Office of the Inspector General by visiting our EmPowerline® website at www.oigempowerline.com or by calling toll-free at 855-882-8585. See the EmPowerline® website for details on the cash reward process and other important information.



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, 2018 - March 31, 2019