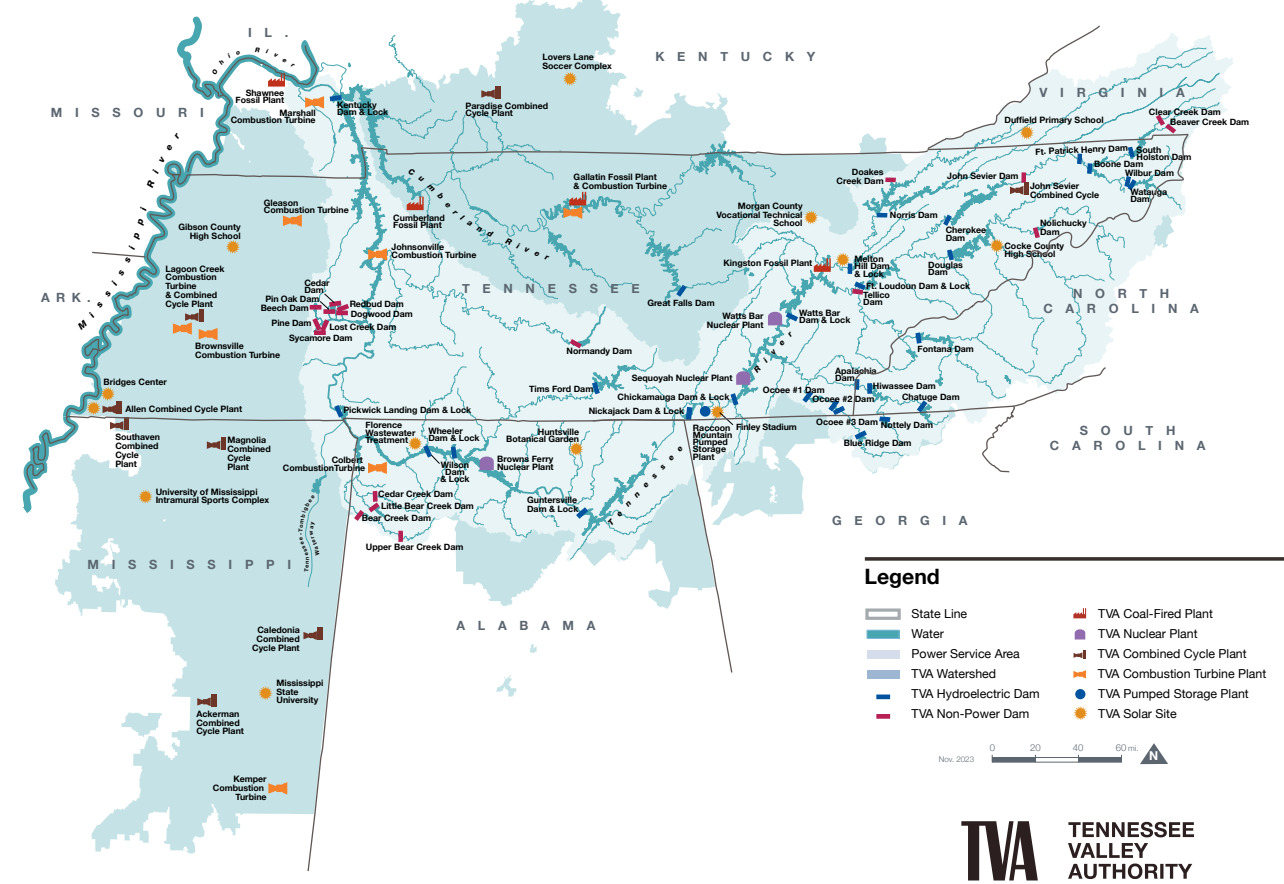




Office of the Inspector General
TENNESSEE VALLEY AUTHORITY
Semiannual Report
April 1, 2024 - September 30, 2024

TVA Locations



Total Power Supply by Generating Source
Twelve Months Ended September 30, 2024^{(1) (2)}
(millions of kilowatt hours)

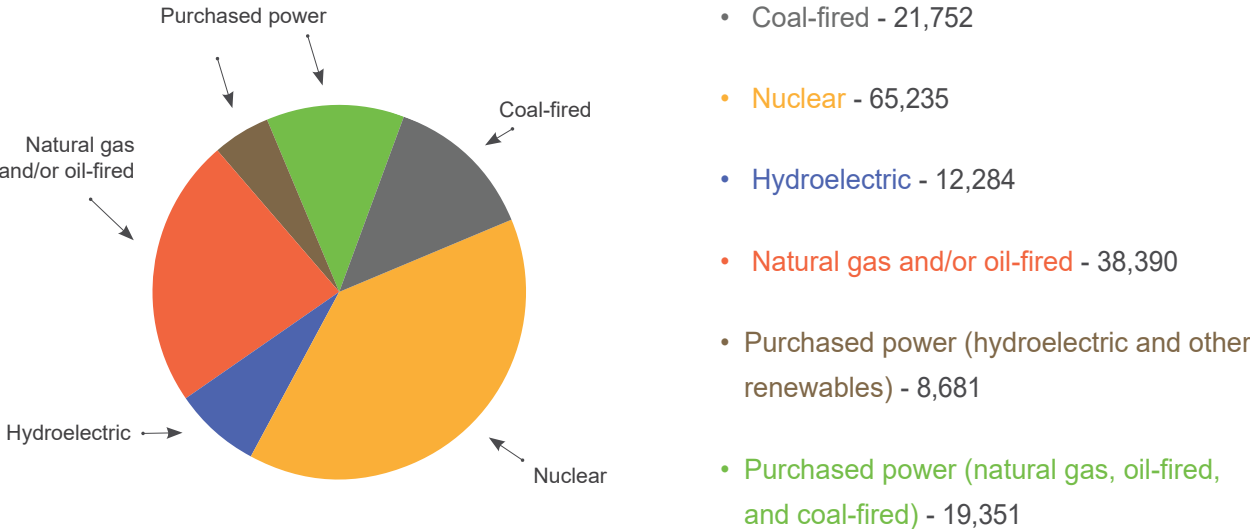


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¹ For additional detail, see TVA's 10-K for the period ended September 30, 2024.

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

MESSAGE FROM THE INSPECTOR GENERAL

I am pleased to present our report for the period April 1, 2024, to September 30, 2024. In this semiannual period, our audit, evaluation, and investigative activities identified more than \$48.4 million in questioned costs; funds put to better use; restitution, recoveries, fees, and fines; and opportunities for the Tennessee Valley Authority (TVA) to improve its programs and operations. Below are highlights of our work this period.

- Eight contract compliance audits identified potential overbillings and cost savings opportunities of \$48.1 million.
- An audit of TVA's invoice review and approval process determined policies and procedures were not being followed to ensure effective review and approval of supplier invoices.
- Five information technology audits identified improvements were needed in (1) the process to retire business applications, (2) corporate Wi-Fi controls, (3) network architecture at a hydroelectric facility, (4) operational technology cybersecurity controls at a combined cycle plant, and (5) management of access to nonpublic critical and sensitive information. In addition, our annual Federal Information Security Modernization Act of 2014 review found TVA's information security policies and practices were operating in an effective manner; however, we identified areas for improvement in some of the core and supplemental metric areas.
- An audit of TVA's fixed-wing aircraft determined TVA (1) was not complying with various federal regulations and TVA policies and procedures regarding the use of the aircraft and (2) could clarify its policies and procedures regarding required use travel.
- An evaluation of building and infrastructure management found (1) all buildings and infrastructure had not been formally assessed to identify safety risks, (2) all bridges had required inspections, and (3) actions were not taken or planned for all identified risks.



- An evaluation of the Cumberland Energy Solutions project scope and bid process identified improvements were needed to mitigate risk. Specifically, we found TVA's Cybersecurity organization was not included as a stakeholder throughout the project; cybersecurity concerns related to the use of equipment from a Chinese company had not been evaluated; some procurements were not evaluated for compliance with the Trade Agreements Act; and contract pricing strategies may cause TVA to pay inflated costs.
- An evaluation of TVA's portfolio management process determined the process was not operating as intended because (1) some projects did not follow the portfolio management process as required by TVA procedures; (2) TVA does not have a reverse capital flex list that identifies projects or programs that could be deferred, delayed, or stopped completely in case of inadequate funds; and (3) economic analyses were not performed for all reviewed projects.
- Our investigative results include six convictions and restitution, recoveries, fines, and fees to TVA or other entities totaling almost \$291,000.



On a personal note, on June 2, 2024, our Assistant Inspector General (AIG) for Investigations Nancy Holloway retired after nearly 40 years of service to TVA and the TVA Office of the Inspector General (OIG). Nancy began her career with TVA Audit. After the TVA OIG was created, she transferred to the OIG as an Auditor in 1986. Later, she moved to OIG Investigations and became a Special Agent, then Special Agent in Charge, and spent the past 4 years as the AIG for Investigations. I would like to extend my appreciation to Nancy for her many contributions to our office and TVA. I also would like to congratulate Eric Beals who was selected as our new AIG for Investigations. Eric joined the TVA OIG in 2000 and has more than 26 years of federal law enforcement service.

The next 20 years, TVA will be in a period of major construction of new generating assets and upgrades to its transmission system to meet rising demand, and replacement of current fossil generation with cleaner generating sources. TVA faces increasing competition for resources to support the construction as well as increasing financial pressures. In our oversight role, we will continue to identify ways to improve operations as well as identify risks to mitigate in its construction activities; save or recover money; and prevent and detect fraud, waste, and abuse. I am proud of our team's commitment to do the work that can help make TVA better for the people of the Valley.

A handwritten signature in black ink that reads "Ben R. Wagner".

Ben R. Wagner
Inspector General

EXECUTIVE OVERVIEW

As much as TVA proactively plans for growing electricity generation needs, maintaining fiscal health, and a path to zero carbon emissions, emerging risks can demand focus and shift priorities. Over the last several years, historic extreme weather events like Winter Storm Elliott and Hurricane Helene have impacted the Tennessee Valley and required TVA to respond in order to support the 10 million people of the Valley. It is crucial for TVA to remain nimble, foster workforce commitment, and allow room for the unexpected. Our office supports TVA's mission by providing independent and objective perspectives to both known and emerging risks.

AUDITS

Our audit organization includes three departments that focus on contract audits, financial and operational audits, and information technology (IT) audits. During this reporting period, these teams completed 17 audits that identified more than \$48.1 million in questioned costs and funds to be put to better use.

Contract Audits

We completed eight compliance audits and one audit of TVA's invoice review and approval process. For the compliance audits, we audited contracts with expenditures totaling \$452.3 million related to (1) nuclear steam supply system refueling and inspection outage services, (2) contract-to-hire services within TVA's Technology and Innovation organization, (3) nonnuclear security guard services, (4) distributed control systems products and services for TVA's nonnuclear generating plants, (5) transmission construction services, (6) TVA's integrated supply chain program for operations materials and industrial equipment, (7) coal combustion residual management services, and (8) coal combustion residual transportation and disposal services. These audits identified potential overbillings and cost savings opportunities of \$48.1 million. The Contract Audits section begins on page 15 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 TVA's use of its fixed-wing aircraft and management of its commercial reservoir land use agreements. In addition to our audit work, we monitored the quarterly work performed by TVA's external auditors. The Financial and Operational Audits section begins on page 20 of this report.

IT Audits

IT Audits completed audits of TVA's (1) business application retirement process, (2) corporate Wi-Fi security, (3) hydroelectric network architecture, (4) operational technology cybersecurity controls at a combined cycle plant, (5) management of access to nonpublic critical and sensitive information, and (6) information security program as required by the Federal Information Security Modernization Act of 2014. The IT Audits section begins on page 21 of this report.



Wilson Dam

EVALUATIONS

Our Evaluations organization includes two groups, one of which focuses on TVA operations and one on project management processes. During this reporting period, our teams completed eight evaluations that identified a number of opportunities for improvement.

Evaluations - Operations

The Evaluations - Operations group completed four evaluations during this semiannual period. These included evaluations of TVA's building and infrastructure management, nuclear obsolete equipment, and compliance with the North American Electric Reliability Corporation (NERC) Emergency Preparedness and Operations reliability standard for (1) coal and (2) gas. The Evaluations - Operations section begins on page 25 of this report.

Evaluations - Projects

The Evaluations - Projects group completed four evaluations during this semiannual period. These included evaluations of the (1) quality management of the Colbert Combustion Turbine Expansion project, (2) Cumberland Energy Solutions project, (3) TVA's portfolio management process, and (4) selection process for major equipment suppliers. The Evaluations - Projects section begins on page 26 of this report.

INVESTIGATIONS

During this reporting period, we opened 46 cases and closed 48. Our investigations resulted in six convictions and restitution, recoveries, fines, and fees of almost \$291,000 to TVA or other entities. The Investigations section begins on page 30 of this report.

STATISTICAL HIGHLIGHTS

April 1, 2024 – September 30, 2024

Audit Reports Issued	17
Evaluations Issued	8
Questioned Costs	\$25,124,192
Questioned Costs Agreed to by TVA	\$11,124,192
Questioned Costs Recovered by TVA	\$67,691
Funds to be Put to Better Use	\$22,990,000
Savings Realized by TVA	\$0
Investigations Opened	46
Investigations Closed	48
Restitution/Fines/Fees	\$124,547
Recoveries ¹	\$166,062
Projected Savings	\$0
Waste/Other Monetary Loss	\$0
Criminal Forfeiture Ordered	\$0
Civil Forfeiture Ordered	\$0
Criminal Actions	6
Administrative Actions (Number of Subjects)	3

¹ Sum of all administrative recoveries pursued by TVA or repayments made as a result of investigative events occurring during the reporting period.

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 of Directors (TVA Board), and Congress with an independent look at the economy, efficiency, and effectiveness of TVA programs and help prevent and detect fraud, waste, and abuse. Over the years, the OIG has helped TVA save or recover millions of dollars and recommended numerous program improvements. We credit our success to the efforts of our hardworking and talented staff and the professional responsiveness of TVA management to our recommendations.

TVA OIG OFFICE LOCATIONS

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

The OIG has strategically located its offices within the Tennessee Valley. We are headquartered in TVA's Knoxville Office Complex overlooking the downtown area. The OIG has field offices in Chattanooga, Tennessee, where members of Evaluations - Operations, Evaluations - Projects, and Financial and Operational Audits departments and several special agents are located. Special agents are also located in Nashville, Tennessee, and Huntsville, Alabama. Additionally, we have office locations at Watts Bar Nuclear Plant in Spring City, Tennessee, and Sequoyah Nuclear Plant in Soddy Daisy, Tennessee. Staff work in these locations as needed. As of September 30, 2024, the OIG had a total staff of 100 employees.

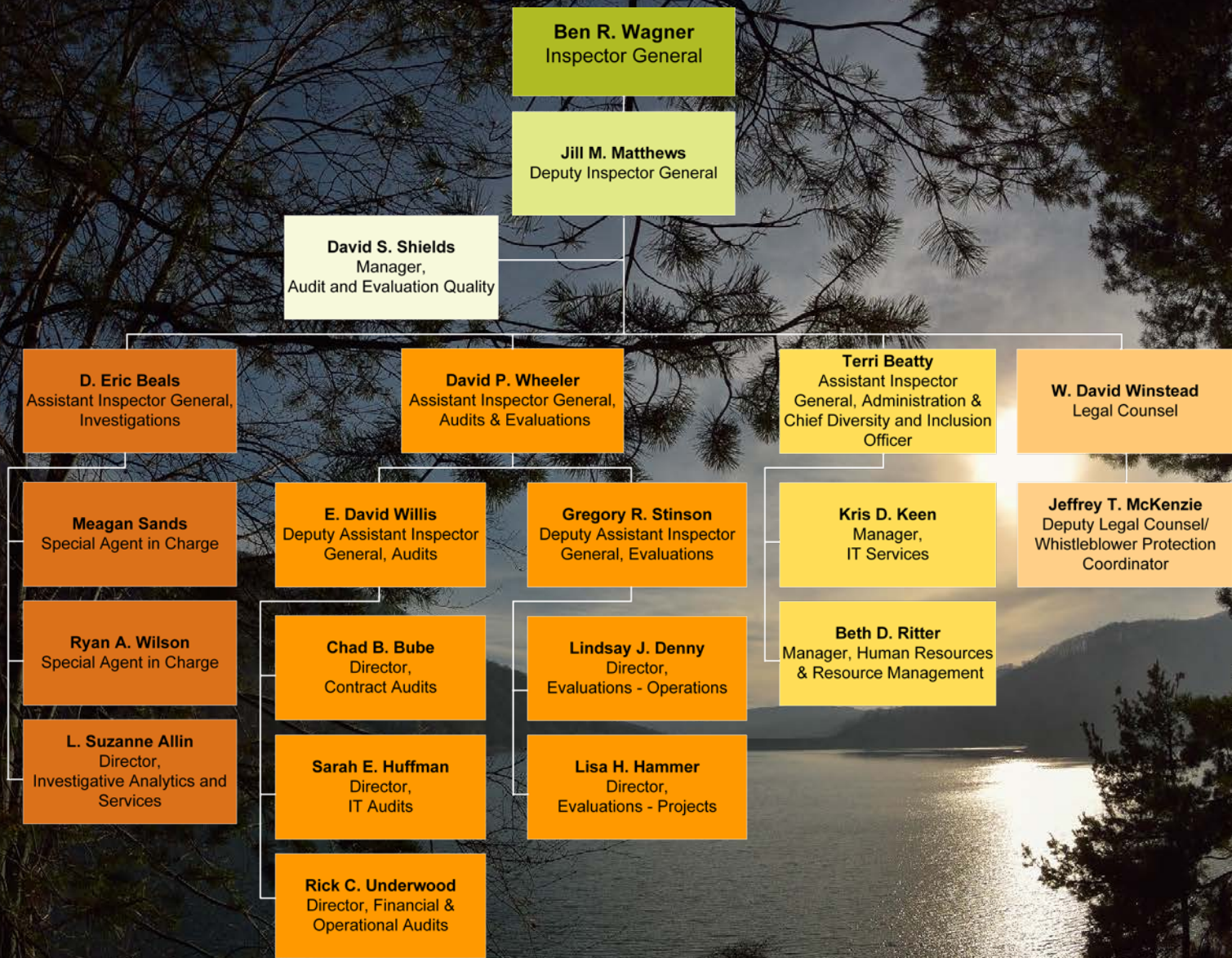
AUDITS AND EVALUATIONS

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

The organizations use an impact- and risk-based approach to develop an annual work plan. In developing the plan, the OIG considers TVA's strategic plans, major management challenges, TVA's enterprise risk management process, and other input from TVA management. This planning model also evaluates each potential engagement from the standpoint of materiality (i.e., costs or value of assets), potential impact, sensitivity (including public and congressional interest), and the likelihood it will result in recommendations for cost savings, recovery of dollars, or process improvements. The result of the OIG Audits and Evaluations planning process is a focus on the issues of highest impact and risk to TVA. These issues vary depending on the objectives of the project. The graphic on page 12 shows some representative examples of issues our audit and evaluation projects are commonly designed to identify.

ADMINISTRATION

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



TYPES OF AUDIT & EVALUATION ISSUES	
Contract Audits	<ul style="list-style-type: none">• Inflated Proposals• Contract Overpayments• Inferior Performance• Fraud
Financial & Operational Audits	<ul style="list-style-type: none">• Program Inefficiencies/Ineffectiveness• Legal/Regulatory Noncompliance• Policy Noncompliance• Internal Control Deficiencies• Fraud
IT Audits	<ul style="list-style-type: none">• Internal Control Deficiencies• Policy Noncompliance• Integrity of Data and Assets• Cybersecurity• Fraud
Evaluations - Operations	<ul style="list-style-type: none">• Operational Efficiency• Policy Noncompliance• Legal/Regulatory Noncompliance• Fraud
Evaluations - Projects	<ul style="list-style-type: none">• Project Management• Contractor Performance• Contractor Waste• Fraud

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

- Contract Audits has lead responsibility for contract compliance audits and preaward examinations. In addition, this department performs audits of TVA contracting processes.
- Financial and Operational Audits is responsible for performing audit work mandated by legislation, agreed-upon procedures, as well as risk-based audits associated with TVA financial and operational activities. The work stems largely from mandated

activities, review of TVA's business-risk environment, consideration of emerging issues, and requests. This department also provides oversight of the TVA external auditor's compliance with professional standards.

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

The Evaluations team assesses both operational and management oversight of projects across TVA to ensure objectives and operational functions are achieved effectively and efficiently. This organization is made up of two departments—one focusing on TVA operations and one

on project management and oversight. This organization performs its work in accordance with *Quality Standards for Inspection and Evaluation* as prescribed by the Council of the Inspectors General on Integrity and Efficiency (CIGIE).

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

INVESTIGATIONS

The Investigations team focuses on proactive and reactive efforts to uncover fraud, waste, and abuse in TVA programs and operations. This organization performs its investigations in accordance with the *Quality Standards for Investigations* as prescribed by CIGIE, applicable U.S. Attorney General Guidelines, and other guiding documents. OIG special agents

maintain liaisons with federal and state prosecutors and notify the U.S. Department of Justice whenever the OIG has reason to believe there has been a violation of federal criminal law. Special agents partner with other investigative agencies and organizations on special projects and assignments, including interagency law enforcement task forces on terrorism, the environment, healthcare, and public corruption. The graphic below shows the major categories of investigations.

LEGAL

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

MAJOR CATEGORIES OF INVESTIGATIONS	
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
Unauthorized Access Into TVA Computer Systems Accessing a TVA computer without authorization or exceeding authorized access	Healthcare Fraud Intentional misrepresentation of healthcare services, expenses, billings, needs, or coverage that results in unauthorized payments or other benefits
Workers' Compensation Fraud Falsification of documents to receive payments by employees, former employees, or healthcare 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
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	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 17 audits. This work identified more than \$48.1 million in questioned costs for TVA to recover and funds to be put to better use. We also identified several opportunities for TVA to improve the effectiveness and efficiency of its programs and operations.

CONTRACT AUDITS

Contract Compliance Audits

During this semiannual period, we completed eight compliance audits of contracts with expenditures totaling \$452.3 million. These audits identified potential overbillings and cost savings opportunities of \$48.1 million. Highlights of our completed compliance audits follow.

- We audited \$30.9 million in costs billed by a contractor for nuclear steam supply system refueling and inspection outage services at TVA's Browns Ferry Nuclear Plant. In summary, we determined the contractor billed TVA:
 - \$3,536,279 in excessive noncraft subcontract labor costs because the costs were billed at the contractor's time and material rates, rather than at actual subcontractor costs, as provided for in the contract. Due to the potential significance of the excessive noncraft subcontract labor costs billed to TVA, we expanded our scope and estimated TVA has paid an additional \$10.9 million in excessive noncraft subcontract labor costs billed outside our audit scope as of January 31, 2024. We also estimated TVA could pay approximately \$10.3 million in excess labor costs over the course of the remaining contract spend if the contractor continues to bill noncraft subcontract labor costs at the contractor's time and material rates instead of actuals.
 - \$1,080,779 in costs that did not have a corresponding rate in the contract, including (1) \$1,045,574 in equipment costs and (2) \$35,205 in other costs, such as supplies, cart rentals, craft incentive bonuses, and physicals.

- A net \$256,155 in overbilled rates, including (1) \$237,474 for overbilled per diem rates, (2) \$7,306 for overbilled noncraft labor rates, (3) \$7,089 for overbilled craft subcontract labor rates, (4) \$6,179 for overbilled equipment rates, and (5) a net underbilling of \$1,893 for site security access fee rates.
- \$59,216 in unsupported costs, including (1) \$49,212 in unsupported noncraft subcontract labor costs, (2) \$7,852 in unsupported noncraft labor costs, and (3) \$2,152 in unsupported per diem.

In addition, we determined the contractor did not bill airfare and mileage costs, totaling \$361,718, in accordance with the contract. Specifically, the contractor billed a flat fee for airfare and mileage instead of actual costs, as provided for in the contract. However, due to lack of documentation supporting the actual costs and rates, we could not quantify the cost impact, if any.

TVA management agreed with our recommendations to (1) recover \$3,536,279 in overbilled costs and (2) revise the contract language and contract documentation requirements to reflect TVA's intent.

- We audited \$11.6 million in costs billed by a contractor performing contract-to-hire services within TVA's Technology and Innovation organization. The contractor was to provide recruiting, staff augmentation, and hiring services to supplement TVA's standard hiring processes in preparation for increased hiring. The contract provided for TVA to compensate the contractor for its labor and related indirect costs by (1) reimbursing straight time and overtime wages paid in accordance with a schedule of defined job classifications and corresponding wage ranges and (2) payment of fixed salary burden

Browns Ferry Nuclear Plant

rates (markups) for the recovery of payroll taxes, payroll-related insurance, fringe benefits, overhead, general and administrative costs, and profit. In addition, the contract provided TVA would pay a conversion fee if TVA converted a recruited employee to full-time TVA employment within the first six months of their assignment. In summary, we determined:

- The contractor overbilled TVA \$18,000 for an ineligible conversion fee.
- Although the contract provided for TVA to reimburse the contractor's actual labor costs plus a fixed markup, wage ranges and fixed labor markup rates were never established in the contract. Instead, the contractor billed hourly labor rates that were not based on the contract's compensation provisions. As a result, TVA personnel approving invoices had no basis for validating the appropriateness of the rates that were billed. Based on limited pay rate information we reviewed, we determined the markups the contractor included in its billing rates were substantially higher than markups TVA is paying under similar staff augmentation labor contracts. Based on this comparison, we estimated TVA paid between \$1.6 million and \$3.1 million more to the contractor than it would have if actual wages and fixed markups similar to other staff augmentation contracts had been used for this contract.

TVA management agreed with our recommendation to recover \$18,000 for ineligible conversion fee and to ensure pricing schedules are compliant with compensation clauses.

- We audited \$8.8 million in costs billed by a contractor for nonnuclear security guard services. In summary, we determined costs billed by the company complied with the contract's terms.
- We audited \$8.2 million in costs billed by a contractor for distributed control systems products and services for TVA's nonnuclear generating plants. The contract provided that work would be performed using time

and material rates based on the contractor's pricing book, or TVA may request the contractor to propose a fixed price based on the time and material rates. We reviewed \$6,039,332 in invoices billed under the largest 14 purchase orders (PO), all of which were for fixed price projects, and determined the fixed price POs were billed in accordance with the milestone payment schedules that were authorized. However, we determined the contractor did not comply with the contract requirements to build up its fixed price POs using the contract's pricing criteria, resulting in an overstatement of \$702,108 to the fixed price POs. Further, about \$1.3 million of the pricing was not from the contractor's pricing books. In addition, we determined (1) TVA project managers did not have enough information to effectively review the fixed price proposals to verify compliance with the contract prior to the issuance of the POs, which could have prevented the contractor's noncompliance and (2) the fixed price projects were not competed, although the contract stated it was TVA's intent to compete any fixed price work awarded under the contract.

TVA management agreed with our recommendations to (1) determine if the \$702,108 in price discrepancies under the fixed price POs are recoverable and determine the reasonableness of prices for items that are not listed on the contractor's pricing book; (2) implement a process to ensure the contractor's proposed fixed prices are built up using the contract's pricing criteria; and (3) clarify the contract to specify TVA's intent regarding competing fixed price projects.

- We audited \$24.4 million in costs billed by a contractor for transmission construction services. The contract provided for TVA to compensate the contractor on either a fixed price or cost-reimbursable basis. Our audit objectives were to determine (1) if costs were billed in accordance with contract terms, (2) the reasonableness of TVA's process for evaluating and awarding proposed fixed price tasks issued under the contract, and (3) if tasks were issued using the most cost-efficient pricing methodology. In summary, we determined the \$24.4 million in fixed price billings from our audit period had been billed and paid in

accordance with purchase order approval limits. Although TVA generally had a good process in place for evaluating and awarding fixed price tasks issued to the contractor under the contract, we determined (1) the use of fixed price compensation terms for tasks caused TVA to pay more than it would have if the tasks had been issued under cost-reimbursable payment terms and (2) there were opportunities to strengthen the process when fixed price tasks are used. Specifically, we found:

- The use of fixed price compensation terms for tasks caused TVA to pay at least \$3.7 million more than it would have if the tasks had been issued under cost-reimbursable payment terms. Additionally, we estimated TVA could potentially avoid up to \$4.7 million in future costs by issuing tasks under cost-reimbursable payment terms for the remaining contract spend.
- TVA did not always receive price proposals from bidders other than the contractor. Without adequate competition, TVA is less able to ensure it is paying a fair fixed price amount. Additionally, TVA did not receive detail cost breakouts when changes of scope resulted in significant price changes. Without a price breakout, TVA is less able to determine the reasonableness of the price increase.

We also noted opportunities to improve contract administration by TVA. Specifically, we determined (1) the contract contained incomplete terms, (2) Supply Chain was not integrated into business level processes related to procurement, and (3) the contract's monetary limit was increased without a formal amendment as required by the contract.

TVA management agreed with our findings and recommendations and stated they would (1) develop approaches that provide additional consideration for cost-reimbursable terms in executing work, (2) require a detailed price breakout for all price changes, (3) determine if there are viable opportunities for process improvement in integrating Supply Chain

into business level processes, and (4) ensure all documents are executed and recorded in a timely manner. In addition, TVA management provided explanations for why incomplete terms were included into the contract.

- We audited \$190.2 million in costs billed by a contractor for operations materials and industrial equipment as part of TVA's integrated supply program. Under the contract, TVA pays the contractor the established rates in the contract's pricing schedules for inventory items that have a unique item number assigned. For items that were not established in the contract's pricing lists or items that do not have a unique item number, TVA pays the contractor the cost of the item plus applicable markups established in the contract. In summary, we determined the contractor overbilled TVA \$149,246, including (1) \$88,556 in unsupported costs, (2) a net \$37,870 in costs for items whose rates billed exceeded the contract rates, and (3) \$22,820 in costs for items that did not have a unique item number and whose rates billed exceeded the cost of the items plus applicable markups established in the contract. In addition, we determined several items should have been added to the contracts' pricing lists based on how frequently they were purchased. Specifically, we identified 964 transactions with unique item numbers not on a contract pricing list, totaling \$17,796,594, that were purchased four or more times in a year.

TVA management agreed with our recommendations to (1) recover \$149,246 in overbilled costs and (2) review unique item numbers not on a contract that are purchased multiple times annually and determine if they should be added to the contract pricing lists.

- We audited \$140.6 million in costs billed by a contractor to provide TVA support in connection with its coal combustion residual conversion program, activities or projects, and/or wastewater treatment, dewatering, and landfill projects. The contract provided for TVA to compensate the contractor for work on either a cost-reimbursable, target cost

estimate, time and materials, fixed price, or fixed unit rate basis. Our audit objectives were to determine (1) if the costs billed to TVA were in accordance with the contract's terms and (2) the reasonableness of TVA's process for evaluating and awarding fixed price or fixed unit rate tasks issued under the contract. In summary, we determined the contractor generally billed cost-reimbursable projects in accordance with the contract, except (1) the contractor billed salaried personnel at an average rate for each labor category instead of actual salaries and (2) the fee structure agreed upon in the work releases and paid by TVA did not meet the intent of the fee structure provided for in the contract. In addition, we determined there were opportunities to strengthen TVA's process for evaluating and awarding fixed price and fixed unit rate tasks that were issued when TVA received limited or no competition.

We recommended TVA management (1) require the contractor to bill actual salary plus markups for salaried personnel as stated in the contract, (2) adhere to the contract requirements regarding fee structure, and (3) develop policies to provide specific guidelines for awarding fixed price and fixed unit rate tasks under the contract.

- We audited \$37.6 million in costs billed by a contractor for the transportation and off-site disposal of coal combustion residual material from TVA's Allen Fossil Plant to the contractor's landfill. In summary, we determined the contractor (1) overbilled TVA \$459,356 in fuel charges and (2) did not perform a true up of performance bond costs billed to actual performance bond costs, resulting in \$96,072 owed to TVA. In addition, we noted some opportunities to improve contract administration by TVA. Specifically, we determined (1) TVA approved the contractor to

bill \$427,654 in costs that were not provided for in the pricing terms or work scope of the contract and (2) TVA's request for the contractor to increase its workload and then subsequently reducing the number of operating hours resulted in a \$3 increase to the per ton disposal rate and could cost TVA \$9.07 million through the life of the contract.

TVA management agreed with our recommendations to (1) recover \$555,428 in overbilled costs and costs that had not been trued up to actual costs, (2) incorporate future work scope changes and associated costs into the contract, and (3) reevaluate the circumstances that could result in additional costs.

Review of TVA's Invoice Review and Approval Process

TVA Standard Programs and Processes (SPP) 04.004, *Invoice Review and Approval*, provides guidelines for the ongoing effective review and approval of supplier invoices. The policy describes the activities involved in ensuring complete, accurate, and timely approval of invoices for signature, or nonreceiving, contracts and POs regulated by TVA SPP 04.000, *Management of the TVA Supply Chain Process*. The review of invoices includes validating that materials received and services rendered are accurately billed in accordance with the pricing structure and terms and conditions specified in the contract or PO. We performed an audit to (1) assess TVA's policies and procedures related to the review and approval of invoices, (2) determine compliance with applicable policies and procedures, and (3) determine if TVA's invoice approvers have adequate information, including clear contractual compensation provisions and sufficient invoice detail to effectively perform their role.



We determined policies and procedures were not being followed to ensure effective review and approval of supplier invoices. Our review of 127 invoices found inadequate reviews were performed on 55 invoices (43 percent). Based on our review of sampled invoices and relevant contractual documentation, as well as interviews with field invoice approvers (FIA), contracting officers (CO), and contract technical stewards, we identified several potential underlying causes for why effective invoice reviews were not performed. Specifically, we determined:

- FIAs did not always follow invoice review processes to ensure all required elements were reviewed.
- FIAs did not always utilize the invoice review checklist to help facilitate an adequate invoice review.
- Contracts contained unclear and/or conflicting compensation provisions.
- Clear and frequent communication did not always exist between FIAs and COs.
- FIAs are only required to take an online training course one time.

We also determined TVA could clarify policies and procedures to better define roles and responsibilities related to (1) FIA approval of invoices related to POs with compensation terms different from the blanket contract and (2) required communications when there are changes in FIA assignments. In addition, we noted several opportunities to improve contract administration. Specifically, we identified opportunities related to (1) documentation inconsistencies between contracts and information in TVA's Enterprise Asset Management system, (2) the issuance of amendments for contract modifications, (3) work performed after the contract's termination date, and (4) contract clauses containing inconsistent guidance.

TVA management agreed with our recommendations to take actions related to (1) increasing the effectiveness of invoice reviews, (2) clarifying policies and procedures to better define roles and responsibilities, and (3) improving contract administration.

FINANCIAL AND OPERATIONAL AUDITS

During this semiannual period, Financial and Operational Audits completed audits of TVA's use of its fixed-wing aircraft and management of its commercial reservoir land use agreements. This department also monitored the quarterly work performed by TVA's external auditors.

Fixed-Wing Aircraft

TVA has two fixed-wing aircraft (FWA)² that are to be used for mission-related transportation and business travel. According to TVA SPP 32.041, *Use of TVA Fixed Wing Aircraft*, its FWA are to be used in support of TVA's mission and congressionally mandated programs, in alignment with TVA Board Practice, the Federal Travel Regulation, and other pertinent regulatory governance.

In 2018, we performed an audit of TVA's FWA and determined TVA was not complying with various federal regulations and TVA policies and procedures regarding the use of its FWA. Due to the high number of issues identified during our previous audit, we performed a follow-up audit to determine if TVA is complying with applicable laws and regulations and TVA policies and procedures regarding the use of its FWA. Our audit scope included all flight legs³ by TVA's FWA between January 1, 2021, and January 31, 2023.

We determined TVA was not in compliance with federal regulations related to (1) performing cost comparisons, (2) obtaining management authorizations to fly, and (3) reporting appropriate flight data to the General Services Administration. Additionally, TVA was not in compliance with its policies and procedures regarding (1) approving exceptions to flight restrictions, (2) documenting flight authorizations and business justifications, (3) providing timely flight approvals, and (4) performing semiannual audits. In addition, we noted a lack of clarity in TVA policies and procedures regarding required use travel.

TVA management provided actions they plan to take in response to each of our 12 recommendations to (1) improve compliance with federal regulations, (2) improve compliance with TVA policies and procedures, and (3) clarify TVA's guidance on required use travel.

Commercial Reservoir Land Use Agreements

Land use agreements are contracts that permit operators to use specific TVA reservoir property for a specific purpose and for a limited amount of time, subject to management and control retained by TVA. Reservoir land use agreements are typically for commercial recreational operations such as campgrounds and marinas.

We performed an audit of TVA's commercial reservoir land use agreements due to reputational risks associated with the potential inconsistent treatment of operators within the program. Our audit objective was to determine if TVA is managing commercial reservoir land use agreements appropriately and in accordance with applicable regulations, policies, and procedures. Our audit scope included commercial reservoir land use agreements (1) in place as of October 1, 2023, and (2) invoiced from October 1, 2021, through September 30, 2023. During this period, TVA had 169 reservoir land use agreements with total billings of approximately \$3.6 million.

We determined TVA had (1) accurately invoiced most periodic and all minimum rental payments according to payment terms and (2) obtained required certificates of insurance from operators. However, TVA could improve its management of commercial land use agreements by enforcing requirements for (1) operators to submit documentation of gross revenues, which is necessary for verification of rental payments due to TVA; (2) Natural Resources personnel to confirm all security assurances (i.e., deposits or letters of credit held by TVA to ensure operators fulfill rental payment and premises condition obligations); and (3) campground operators to submit updated annual operating plans.

TVA management agreed with our recommendations to (1) provide its personnel with additional guidance related to the enforcement of agreement provisions for gross revenues documentation and adequacy of security assurances; (2) confirm and obtain, if needed, the appropriate amount of security assurance for all active commercial reservoir land use agreements; and (3) determine what information is needed in annual campground operating plans, if any, and enforce the requirement.

IT AUDITS

During this semiannual period, IT Audits completed audits of TVA's (1) business application retirement process, (2) corporate Wi-Fi security, (3) hydroelectric network architecture, (4) operational technology (OT) cybersecurity controls at a combined cycle plant, (5) management of access to nonpublic critical and sensitive information, and (6) information security program as required by the Federal Information Security Modernization Act of 2014 (FISMA).

Business Application Retirement Process

We performed an audit of TVA's business application retirement process due to risks associated with not properly retiring applications. Our scope included application retirement requests in TVA's ticketing system as of December 6, 2023. We determined TVA's business application retirement process was ineffective. As a result of the ineffective process, only one application had been retired since September 28, 2022, and 631 business application retirement requests were between 1 and 434 days outstanding.

TVA management agreed with our recommendations to (1) identify clear ownership and accountability, (2) implement controls to prevent duplicate requests and incomplete data, (3) align the process with best practices, and (4) prioritize processing the backlog of business applications retirement requests.

² TVA's FWA include two Cessna Citation XLS+ jets.

³ A flight leg represents a single flight between one origin and one destination. For example, Knoxville to Chattanooga would be a single flight leg, while Knoxville to Chattanooga to Memphis and back to Knoxville would represent three separate flight legs.

Corporate Wi-Fi Security

Wi-Fi is the most commonly used wireless communication technology. TVA broadcasts multiple Wi-Fi networks at TVA sites for various purposes, such as allowing mobile devices to connect to TVA network resources. Although Wi-Fi provides end users with convenient and widespread network connectivity, TVA's use of Wi-Fi networking increases the risk of unauthorized access to its network resources. Due to risks associated with system intrusion and wireless network issues, we performed an audit of TVA's corporate Wi-Fi security controls. We determined TVA's security controls related to overall architecture design and implementation were generally configured appropriately to protect corporate Wi-Fi networks. However, we identified several areas that should be addressed to further improve the security of corporate Wi-Fi networks.

TVA management agreed with our recommendations to improve internal controls, implement hardware and software updates, and address insecure protocols used to support corporate Wi-Fi networks.

Hydroelectric Network Architecture

Network architecture has become increasingly important in the design and implementation of complex networks and serves to improve efficiency, scalability, reliability, and resiliency against security threats. Communication and data paths between assets, applications, and other networks are defined in a network's architecture and provide the basis for a business to technologically meet its mission and objectives. Failure or misconfiguration of TVA's network architecture has the potential to affect critical activities and systems, such as communications, generation control systems, monitoring systems, and business productivity applications. Due to risks associated with misconfigured assets, physical security weaknesses, and technology failure, we performed an audit of the network architecture and assets in use at a TVA hydroelectric facility.

We determined several areas of the network architecture and assets did not follow TVA policies, procedures, or identified best practices with regard to network redundancy, asset retirements, and requiring unique passwords. In addition, we identified internal control deficiencies related to baseline configurations and physical access controls. TVA management agreed with our recommendations to improve network redundancy, remove a retired control network asset, revise procedures regarding passwords, implement a configuration management process, and properly secure and control physical access to all business network assets.

Operational Technology Cybersecurity Controls at a Combined Cycle Plant

TVA's power plants rely on OT to ensure the plants can run without disruption. OT encompasses a large range of programmable systems that interact with and manage the physical environment. Therefore, OT cybersecurity is essential to the reliable operation of modern industrial processes. Due to the high risks associated with threat events against OT, we performed an audit of TVA's OT cybersecurity at a combined cycle plant to determine if logical, physical, and general security controls were (1) appropriately designed to reduce cybersecurity risk and (2) operating effectively.

We determined the following areas were appropriately designed to reduce cybersecurity risk and operating effectively: (1) logical controls used to manage logical system protection, (2) physical controls used to manage personnel access to areas of the plant with OT systems, and (3) general controls used to provide awareness and training as well as security authorization. However, we found general security control deficiencies related to system baselines and cybersecurity monitoring. Additionally, we determined a risk assessment had not been completed for the site's OT systems.

TVA management agreed with our recommendations to (1) develop a contingency plan for the OT at the site; (2) complete an ongoing inventory project for the OT at the site; (3) document and implement OT system baselines and monitor systems for changes; (4) design and implement cybersecurity monitoring for the OT; and (5) perform a risk assessment and update as needed.

TVA's Management of Access to Nonpublic Critical and Sensitive Information

Microsoft SharePoint® is a collaboration tool that provides a secure place to store, organize, share, and access information from any device. During another audit, we identified nonpublic critical and sensitive information, including restricted personally identifiable information (RPII), that was accessible on TVA's SharePoint® by all TVA users. We reported those issues to TVA management in a management alert on March 13, 2024, and scheduled this audit to determine if TVA manages access to nonpublic critical and sensitive information in accordance with TVA information management policy. Our scope for this audit was limited to TVA's SharePoint® sites as of March 19, 2024.

While TVA responded to our management alert by deploying a process to identify and restrict access to RPII on SharePoint® sites, we found TVA's process could be improved to include additional types of nonpublic critical and sensitive information and provide SharePoint® site owners with the appropriate training to properly manage the access. TVA management agreed with our recommendations to (1) perform a risk assessment of SharePoint® access management to identify additional controls to mitigate inappropriate access to nonpublic critical and sensitive information, (2) update TVA's SharePoint® training, and (3) create a process to identify SharePoint® site owners and require them to complete initial and periodic refresher training.

Federal Information Security Modernization Act

The FISMA requires each agency's IG to conduct an annual independent evaluation to determine the effectiveness of the information security program and practices of its respective agency. Our audit scope was limited to answering the Fiscal Year (FY) 2024 IG metrics, which included 20 core IG metrics and 17 supplemental IG metrics. Each metric was assessed to determine its maturity level. The FISMA methodology considers metrics at a maturity level 4 (managed and measurable) or higher to be at an effective level of security. Based on our analysis of the FY 2024 IG metrics and associated maturity models, we determined TVA's information security program and practices were operating in an effective manner as defined by the FY 2023 - 2024 IG FISMA Reporting Metrics. However, we identified areas for improvement in both the core and FY 2024 supplemental metrics.

TVA management agreed with our recommendations to further improve the maturity of ineffective metrics related to (1) information system inventory and system components, (2) common secure configurations, (3) enterprise-wide configuration management plan, and (4) configuration management roles and responsibilities.



SUMMARY OF REPRESENTATIVE EVALUATIONS

Evaluations performs both comprehensive reviews and more limited-scope policy and program reviews to monitor compliance and assess the efficiency and effectiveness of operations. During this semiannual reporting period, our Evaluations teams completed eight evaluations.

EVALUATIONS - OPERATIONS

During this semiannual reporting period, the Evaluations - Operations department completed four evaluations, including reviews of TVA's building and infrastructure management, nuclear obsolete equipment, and compliance with NERC *Emergency Preparedness and Operations* reliability standard for (1) coal and (2) gas.

Building and Infrastructure Management

TVA Executive Policy 37.000, *Real Property*, states that a strategic guiding principle for management of TVA's real-property portfolio is to "manage real property from an enterprise perspective and invest in core assets to improve condition, safety, and utilization." TVA's real-property database lists 3,247 active buildings. Additionally, TVA has 75 bridges that it inspects on a routine basis. Due to the importance of proper maintenance to the safe, efficient, and effective operation of assets, we performed an evaluation to determine if TVA has (1) assessed its facilities for safety risks and (2) developed plans or completed actions to address the identified risks.

We found all buildings and infrastructure have not been formally assessed to identify safety risks. Specifically for FYs 2022-2023, we found only 111 of 3,247 (approximately 3 percent) active buildings had condition assessments and 376 (approximately 12 percent) had roof inspections. All 75 bridges had required inspections. Additionally, actions were not taken or planned for all identified risks. Building and infrastructure safety risks could go unidentified without performing formal assessments at all facilities and risks could increase if actions are not taken to address assets in

poor and failed condition. TVA management agreed with our recommendations and provided ongoing or planned actions to (1) develop a plan to assess building and infrastructure safety risks, (2) develop guidance for performing condition assessments, (3) develop guidance for performing roof inspections, and (4) evaluate assets in poor and failed condition and determine if corrective actions are needed.

Nuclear Obsolete Equipment

According to a nuclear industry peer organization, ensuring the right spare and replacement items are available when they are needed to support critical plant equipment is essential to minimizing equipment unavailability and optimizing generation. Nuclear Power Group Standard Program and Processes 09.18.8, *Equipment Obsolescence Program*, defines obsolete equipment as an item in plant service no longer manufactured or otherwise difficult to procure and qualify. It establishes methods for (1) identification of obsolete items, (2) prioritization of obsolescence issues, and (3) resolution of obsolescence issues critical to plant reliability. Based on a previous evaluation that identified obsolescence issues negatively impacting equipment at TVA nuclear sites, we performed an evaluation of TVA Nuclear obsolete equipment to determine if TVA Nuclear was effectively managing obsolete equipment.

We determined TVA Nuclear's management of obsolete equipment could be improved. Specifically, we found (1) some obsolescence issues were not being proactively resolved, (2) proactive analytics and vulnerability reviews were not being performed, and (3) there was a lack of ownership and engagement in the obsolescence program.

We also identified an opportunity for improvement related to prioritization of obsolescence issues. TVA management agreed with three of our four recommendations and provided actions planned to (1) assess unresolved obsolescence issues and determine which items should be addressed, (2) reinforce the importance of performing analytics and vulnerability reviews, and (3) strengthen the ownership and engagement of the Equipment Obsolescence Program. In addition, to address the remaining finding, management agreed to provide training and a procedure update to achieve alignment on the prioritization of obsolescence issues.

Compliance with NERC Emergency Preparedness and Operations Reliability Standard - Coal and Gas

NERC *Emergency Preparedness and Operations* (EOP) standard 011-2 was approved by the Federal Energy Regulatory Commission on August 24, 2021, with an effective date of April 1, 2023. EOP-011-2 includes a requirement to implement and maintain a cold weather preparedness plan for generating units with 7 required elements. EOP-011-2 also includes a requirement for evidence documenting the plan was implemented and maintained as well as evidence that applicable personnel completed training on the cold weather preparedness plan. Power Operations SPP 10.020, *Seasonal Readiness Preparation at Coal, Gas, and Hydro Sites*, requires (1) certification that winter seasonal readiness work is complete and (2) annual completion of a master winterization preventive maintenance (PM) that references all winterization PMs. Due to the risk of weather-related generation asset outages, we performed two separate evaluations to determine if TVA completed cold-weather plans in accordance with NERC reliability standard for EOP at coal and gas plants.

We determined TVA coal and gas plants generally completed cold-weather plans in accordance with NERC reliability standard EOP-011-2. However, we also noted a few opportunities for improvement, including:

Coal

We identified minor discrepancies in (1) one cold weather plan, (2) certification letters, and (3) training. TVA management agreed with our recommendations and provided actions taken to (1) revise the cold weather plan to include a missing element, (2) reinforce expectations for certification letters and work orders, (3) update the master winterization PM and implement a periodic review for accuracy, and (4) ensure all seasonal readiness coordinators receive training in a timely manner.

Gas

We identified minor discrepancies in certification letters and training. TVA management agreed with our recommendations and provided actions taken to (1) reinforce expectations for certification letters, (2) update the master winterization PM and implement a periodic review for accuracy, and (3) ensure all seasonal readiness coordinators receive training in a timely manner.

EVALUATIONS - PROJECTS

During this semiannual reporting period, the Evaluations - Projects group completed evaluations of the (1) quality management of the Colbert Combustion Turbine Expansion project, (2) Cumberland Energy Solutions project, (3) TVA's portfolio management process, and (4) selection process for major equipment suppliers.

Quality Management of the Colbert Combustion Turbine Expansion Project

In August 2019, the TVA Board granted approval for 1,500 megawatts of peaking gas replacement capacity at a total cost of just over \$1 billion. In December 2020, TVA signed a fixed price engineering, procurement, and construction (EPC) contract for six new simple cycle⁴ combustion turbines: three at TVA's Paradise reservation in Muhlenberg County, Kentucky, and three at TVA's Colbert reservation in Colbert County, Alabama. Construction activities began at Colbert in the summer of 2021 and commercial operation began in July 2023. We performed an evaluation to determine the effectiveness of TVA's quality management process for the Colbert Combustion Turbine (CCT) expansion project. Specifically, our objective was to evaluate whether TVA's quality management process for the CCT expansion project was accomplished in a manner to achieve compliance with quality objectives and acceptance criteria.

We determined quality management for the CCT expansion project was delegated to the project's EPC contractor and accomplished in a manner to achieve compliance with quality objectives and acceptance criteria. Specifically, we (1) determined the EPC contractor's quality assurance and quality control (QA/QC) program included the elements required by TVA's Project Management Plan and (2) identified minimal risks in the EPC's QA/QC and turnover documentation. However, due to previously identified original equipment manufacturer (OEM) related risks, we found TVA's oversight of the OEM's equipment during fabrication could have been improved.

TVA management agreed with our recommendation related to ensuring appropriate oversight of the original equipment manufacturer.

Cumberland Energy Solutions

In January 2023, TVA issued the record of decision, as required by the National Environmental Policy Act,⁵ to retire and demolish the Cumberland Fossil Plant and replace one of its unit's capacity with a natural gas plant. TVA initiated the Cumberland Energy Solution (CES) project to construct a 1,450 megawatt natural gas-fueled combined cycle plant on the Cumberland reservation. Due to potential major expenditures on this project, we initiated an evaluation to determine whether the CES project's (1) scope and (2) bid process were completed in accordance with TVA procedures.

We determined the CES project complied with most elements of scope management and the bid process. However, we identified certain areas under each process that need improvement to help mitigate potential TVA risk. Specifically, we found:

- TVA's Cybersecurity organization was not included as a stakeholder throughout the project.
- Cybersecurity concerns related to the use of equipment from a Chinese company had not been evaluated, and some procurements were not evaluated for compliance with the Trade Agreements Act.
- The risk register for the CES project could be improved related to (1) project staffing and (2) gas pipeline construction.
- TVA's contract pricing strategies may cause TVA to pay inflated costs.

TVA management partially agreed with our findings and indicated they would take action on the items they were in agreement with to achieve the recommendations.

⁴ Simple cycle systems consume natural gas in a single conversion system, such as a combustion turbine.

⁵ The National Environmental Policy Act requires federal agencies to prepare detailed statements assessing the environmental impact of, and alternatives to, major federal actions significantly affecting the environment.

TVA’s Portfolio Management Process

The purpose of TVA's portfolio management process is to ensure TVA's investment portfolio of projects and programs (1) aligns with the goals and strategic objectives of TVA's strategic business units and business units and (2) optimizes investment requests for TVA based on value as well as inputs from the power system plan and the long-range financial plan. TVA plans to invest more than \$20 billion in capital investment for additional generation capacity, upgrades to the existing power system, and improvements to transmission systems over the next 4 years. The increase in new planned generation projects over the coming years, coupled with TVA's financial constraints to borrow money, highlights the significance of effectively managing TVA's portfolio of projects. Due to the importance of the prioritization and funding of projects, we performed an evaluation to determine whether TVA's portfolio management process is operating as intended.

We determined that TVA's portfolio management process is not operating as intended. Specifically, we found:

- Some types of projects (new generation, economic development, and innovation and research) did not follow the portfolio management process as required by TVA procedures. In addition, TVA does not have a reverse capital flex list, which is a list of projects or programs that could be deferred, delayed, or stopped completely in case of inadequate funds.
- Economic analyses were not performed for 9 of 17 projects reviewed with a forecasted cost greater than \$10 million, as required.
- Economic analyses for two TVA Board approved projects had negative net present values, indicating the projects might not add value to TVA. These analyses, as well as additional costs for one of the projects, were not provided to the TVA Board.

In addition, two purchase orders were issued prior to spend approval for one project, indicating a control gap.

TVA management agreed with our recommendations to address issues related to (1) projects selected outside the portfolio management process, (2) a reverse capital flex list, (3) economic analyses, (4) disclosure of relevant information to the TVA Board, and (5) unapproved commitments of TVA funds.

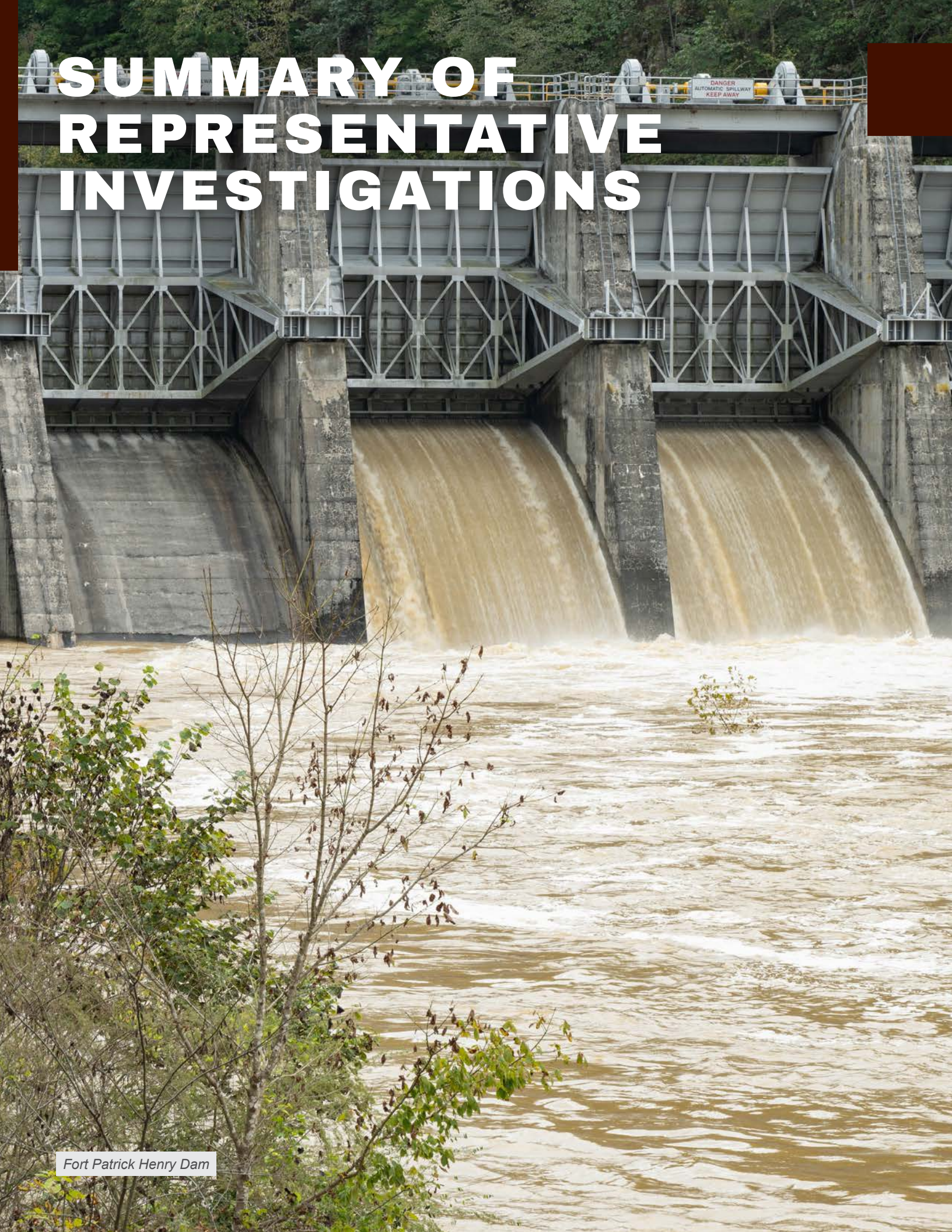
Selection Process for Major Equipment Suppliers

As mentioned above, TVA plans to invest more than \$20 billion for upgrades to the existing power and transmission systems and additional generation capacity over the next four years. As part of those plans, TVA will undertake several major construction projects. Due to the importance of the procurement process, along with increased spend related to gas plant construction, we performed an evaluation of TVA's solicitation, bid evaluation, and negotiation activities for major equipment suppliers for gas plant construction. We determined the bid evaluation and negotiation processes were operating as intended; however, improvements were needed in TVA's solicitation process. Specifically, we identified an opportunity for improvement related to the development of technical standards used in the solicitation process. In addition, we determined that TVA had a plan for addressing supply chain cybersecurity risk for procurements; however, it did not address how to determine when certain cybersecurity standards applied to equipment procurements.

TVA management agreed with our recommendations related to the solicitation process and for the establishment of a process for determining when cybersecurity standards should be applied to equipment procurements.



Substation at Raccoon Mountain



SUMMARY OF REPRESENTATIVE INVESTIGATIONS

Fort Patrick Henry Dam

During this reporting period, we opened 46 cases and closed 48. Our investigations have resulted in criminal and administrative outcomes. Highlights of investigative accomplishments follow.

Two Senior Government Employees Accept Unauthorized Gifts

The OIG received an EmPowerline complaint alleging various violations, including two TVA employees who unethically exchanged items of value with a senior union employee. Both of the TVA employees are senior government employees. Federal employees are prohibited from accepting anything of value from prohibited sources. Prohibited sources are entities that do business with or conduct activities regulated by TVA, seek to do business with TVA, or have interests that would otherwise be affected by the employee's performance of his or her TVA duties.

The employees accepted multiple unauthorized gifts from the union, a prohibited source, including a chartered fishing trip. The employees failed to obtain the required approval from their Vice President (VP) prior to accepting these gifts.

One senior government employee failed to coordinate with TVA Ethics & Compliance (E&C) staff and his VP regarding appearance concerns he personally acknowledged were associated with acceptance of the gifts. Additionally, this senior government employee made expenditures exceeding the allowable costs for an external relationship event on two occasions, both of which benefited the senior union employee and included alcohol at a cost deemed potentially unreasonable as per TVA policy.

The gifts and their market value were not reported on TVA's semiannual submission to the Office of Government Ethics on Form 1353 Semiannual Report of Payments Accepted from a Non-Federal Source as required.

In response to our investigation, TVA management provided mandatory training to the entire business unit on the rules and requirements concerning ethics issues presented in the investigation, as well as other ethics topics. Management also provided appropriate coaching

for the two employees regarding their actions. Further, the business unit committed to scheduling quarterly meetings with E&C staff to discuss upcoming events so E&C may provide guidance and recommend necessary actions regarding those events and any approvals that may be required. One of the senior government employees made a market value payment to the senior union employee in December 2023 to reimburse his portion of the chartered fishing trip addressed in the investigation.

Environmental Services Company Pleads Guilty in Pollution Case

On August 20, 2024, Christopher Domermuth and Domermuth Environmental Services (DES) pled guilty to violating the Clean Water Act, by knowingly discharging pollutants into a navigable waterway without a permit. Mr. Domermuth operates DES, which is in the business of processing petroleum-contaminated soil and water in Knoxville, Tennessee. On July 26, 2018, DES workers rolled over an exhumed underground storage tank which spilled a mixture of petroleum and water onto a concrete pad at the process facility. DES employees and Mr. Domermuth threw absorbent pads onto the spilled mixture to absorb the visible petroleum and then used a portable pump to pump the remainder of petroleum-contaminated mixture over a retaining wall at DES. The mixture flowed through vegetation, over a neighboring property, and into a culvert leading to the Holston River.

This was a joint investigation involving the U.S. Environmental Protection Agency (EPA) Criminal Investigation Division, EPA OIG, TVA OIG, the Federal Bureau of Investigation, and the Tennessee Department of Environment and Conservation. Mr. Domermuth faces a fine of not less than \$5,000 per day, a maximum term of up to three years in Federal prison, followed by a term of supervised release of up to one year. A sentencing date is forthcoming.

TVA EnergyRight® Program Participant to Pay \$55,000 in Restitution

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

Mr. Gigliotti pled guilty to 18 USC 641, Theft of Public Money, charged against him in a superseding information filed in February 2024. In this, Mr. Gigliotti agreed he knowingly submitted fraudulent invoices on behalf of his company, Autonomic, for purposes of receiving TVA EnergyRight® incentive payments. In July 2024, Anthony Gigliotti was sentenced to five years of probation, \$55,000 in restitution to TVA, and court assessment costs.

Data Analysis Leads to Recovery of \$159,730 in Overbillings

The OIG conducted a review related to the billings of a TVA contractor for parts, equipment, modifications, repairs, and refurbishments of the steam generation system at TVA's coal generation sites. This review was a result of data analysis efforts conducted to identify potential fraud at TVA. The review identified a discrepancy between the contractor's prices and the contractually agreed upon prices. The review substantiated invoices paid by TVA were submitted at prices both in excess of the contractual prices and in excess of the purchase orders for those items in an amount of \$78,987. Additionally, the OIG identified \$80,735 in overbillings from the contractor's item price discount system, a weakness in the data entry procedures for pricing in TVA's contract payment application, and irregularities in the price change process. Based on the initial review, it was determined that a full investigation was not warranted.

In response to the findings by the TVA OIG, TVA contacted the contractor and requested a refund to recover \$159,730.

Unauthorized Use of Military Leave Identified and Recovered

Through data mining efforts, a TVA employee was found to have utilized military leave, specifically Disabled Veteran Leave (DVL), in excess of what they were entitled. The TVA employee, who is also a veteran, was eligible for DVL of 104 hours, to be used during a 12-month period which ended on February 2, 2021. This leave is utilized for medical appointments related to the employee's disability rating. Time keeping records showed the employee took an additional 72 hours of DVL between February 8, 2021, and January 23, 2023, for which they were not eligible.

The employee stated the DVL continued to appear in their leave account, and they assumed it was still eligible for use. However, TVA management is reviewing the issue which allowed the DVL time to continue to show on the employee's paystub beyond the 12-month eligibility period. The employee was coached to always enter time and attendance information accurately and ask questions to confirm what may appear as a change in TVA policy.

In addition, adjustments were processed to exchange 72 hours of the employee's sick leave for the used DVL, giving TVA \$6,332 in restitution.

Office of Investigations Leadership Changes

This reporting period has involved changes in Investigations leadership. As IG Wagner noted, AIG for Investigations Nancy Holloway retired after 40 years of exemplary service. Eric Beals, then Special Agent in Charge (SAC), was selected to fill this position. AIG for Investigations Beals has more than 26 years of federal law enforcement service including 2 years as a Special Agent with the Federal Bureau of Investigation's (FBI) San Francisco Field Office and served in the U.S. Air Force and Tennessee Air National Guard. Prior to entering federal law enforcement, AIG for Investigations Beals worked as a trial attorney.

Rounding out the leadership team are two SACs. Ryan Wilson, then Assistant Special Agent in Charge, was selected as SAC. SAC Wilson has 21 years of federal law enforcement service including 3 years as a Special Agent in the FBI and prior experience working with a federal defense consulting firm. SAC Meagan Sands has 21 years of federal law enforcement service including 6 years as a Special Agent in the FBI. SAC Sands has also served in the U.S. Army and flew Blackhawk helicopters as an Aviation Officer. The team has executed a smooth transition with a focus on making TVA better.



Eric Beals
*Assistant Inspector General
for Investigations*



Ryan Wilson
Special Agent in Charge



Meagan Sands
Special Agent in Charge

LEGISLATION AND REGULATIONS

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

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

INDEX OF REPORTING REQUIREMENTS UNDER THE INSPECTOR GENERAL ACT

REPORTING	REQUIREMENT	PAGE OR APPENDIX
Section 4(a)(2)	Review of legislation and regulations.	34-35
Section 5(a)(1)	Description of significant problems, abuses, and deficiencies relating to the administration of programs and operations of the establishment and associated reports and recommendations for corrective action made by the Office of the Inspector General.	14-33
Section 5(a)(2)	Identification of each recommendation made before the reporting period, for which corrective action has not been completed, including the potential costs savings associated with the recommendation.	Appendix 3
Section 5(a)(3)	Summary of significant investigations closed during the reporting period.	30-33
Section 5(a)(4)	Identification of the total number of convictions during the reporting period resulting from investigations.	Appendix 4
Section 5(a)(5)	Information regarding each audit, inspection, or evaluation report issued during the reporting period, including (a) a listing of each audit, inspection, or evaluation; (b) if applicable, the total dollar value of questioned costs (including a separate category for the dollar value of unsupported costs) and the dollar value of recommendations that funds be put to better use, including whether a management decision had been made by the end of the reporting period.	Appendix 2
Section 5(a)(6)	Information regarding any management decision made during the period with respect to any audit, inspection, or evaluation issued during a previous reporting period.	Appendix 3
Section 5(a)(7)	Information described under Section 804(b) of the Federal Financial Management Improvement Act of 1996.	Not Applicable
Section 5(a)(8)	Appendix containing the results of any peer review conducted by another Office of the Inspector General during the reporting period; or if no peer review was conducted within that reporting period, a statement identifying the date of the last peer review conducted by another Office of the Inspector General.	Appendix 9
Section 5(a)(9)	List of any outstanding recommendations from any peer review conducted by another Office of the Inspector General that have not been fully implemented, including a statement describing the status of the implementation and why implementation is not complete.	None
Section 5(a)(10)	List of any peer reviews conducted of another Office of the Inspector General during the reporting period, including a list of any outstanding recommendations made from any previous peer review (including any peer review conducted before the reporting period) that remain outstanding or have not been fully implemented.	None
Section 5(a)(11)	Statistical table showing (a) the total number of investigative reports issued during the reporting period; (b) the total number of persons referred to the Department of Justice for criminal prosecution during the reporting period; (c) the total number of persons referred to state and local prosecuting authorities for criminal prosecution during the reporting period; and (d) the total number of indictments and criminal informations during the reporting period that resulted from any prior referral to prosecuting authorities.	Appendix 7

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

REPORTING	REQUIREMENT	PAGE OR APPENDIX
Section 5(a)(12)	Description of the metrics used for developing the data for the statistical tables under Section 5(a)(17).	Appendix 4
Section 5(a)(13)	Report on each investigation conducted by the Office where allegations of misconduct were substantiated involving a senior government employee ¹ or senior official (as defined by the Office) if the establishment does not have senior government employees.	Appendix 5
Section 5(a)(14)	Detailed description of (a) any instance of whistleblower retaliation, including information about the official found to have engaged in retaliation; and (b) what, if any, consequences the establishment actually imposed to hold the official accountable.	None
Section 5(a)(15)	Information related to interference by the establishment, including (a) a detailed description of any attempt by the establishment to interfere with the independence of the Office, including (i) with budget constraints designed to limit the capabilities of the Office, and (ii) incidents where the establishment has resisted or objected to oversight activities of the Office or restricted or significantly delayed access to information, including the justification of the establishment for such action; and (b) a summary of each report made to the head of the establishment under Section 6(c)(2) during the reporting period.	None
Section 5(a)(16)	Detailed descriptons of the particular circumstances of each (a) inspection, evaluation, and audit conducted by the Office that is closed and was not disclosed to the public; and (b) investigation conducted by the Office involving a senior government employee that is closed and was not disclosed to the public.	Appendix 6

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

OIG AUDIT REPORTS • ISSUED DURING THE SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2024

Report Number and Date	Title	Questioned Costs	Unsupported Costs	Funds Put To Better Use
CONTRACT AUDITS				
2023-17437 05/08/2024	GE Hitachi Nuclear Energy Americas LLC - Contract No. 10354	\$15,832,429	\$59,216	\$10,300,000
2022-17369 05/09/2024	TVA's Invoice Review and Approval Process	0	0	0
2024-17471 05/24/2024	Modis, Inc. - Contract No. 16781	3,118,000	0	0
2024-17473 05/24/2024	Universal Protection Service, LP dba Allied Universal Security Services - Contract No. 16681	0	0	0
2024-17469 07/30/2024	Emerson Process Management Power & Water Solutions, Inc. - Contract No. 14688	702,108	0	0
2024-17476 08/19/2024	Service Electric Company - Contract No. 16986	3,696,981	0	4,690,000
2024-17470 09/18/2024	Wesco Distribution, Inc. - Contract No. 13421	149,246	88,556	0
2024-17479 09/24/2024	BFI Waste Systems of North America, LLC dba South Shelby Landfill - Contract No. 15327	1,625,428	0	8,000,000
2023-17445 09/25/2024*	Barnard Construction Company, Inc. - Contract No. 13159	0	0	0
FINANCIAL AND OPERATIONAL AUDITS				
2023-17447 05/15/2024	Commercial Reservoir Land Use Agreements	\$0	\$0	\$0
2023-17426 06/07/2024	TVA Fixed-Wing Aircraft Usage	0	0	0
INFORMATION TECHNOLOGY AUDITS				
2023-17444 04/10/2024	Business Application Retirement Process	0	0	0
2023-17434 04/29/2024	Corporate Wi-Fi Security	0	0	0
2023-17419 05/14/2024	Network Architecture - Hydro	0	0	0
2023-17433 06/17/2024	Operational Technology Cybersecurity - Combined Cycle Plant	0	0	0
2024-17492* 08/07/2024	SharePoint® Access Management	0	0	0
2024-17494* 08/30/2024	2024 Federal Information Security Modernization Act	0	0	0
TOTAL AUDITS (17)		\$25,124,192	\$147,772	\$22,990,000

*Management decision was not received by the end of the reporting period.
Note: A summary of or link to the full report may be found on the OIG's Web site at <https://www.tvaog.gov>.

OIG EVALUATION REPORTS • ISSUED DURING THE SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2024
(CONTINUED)

Report Number and Date	Title	Questioned Costs	Unsupported Costs	Funds Put To Better Use
EVALUATIONS - OPERATIONS				
2023-17441 04/18/2024	Building and Infrastructure Management	\$0	\$0	\$0
2024-17472 05/15/2024	Compliance with NERC Emergency Preparedness and Operations Reliability Standard - Coal	0	0	0
2024-17475 05/20/2024	Compliance with NERC Emergency Preparedness and Operations Reliability Standard - Gas	0	0	0
2023-17464 06/05/2024	TVA Nuclear Obsolete Equipment	0	0	0
EVALUATIONS - PROJECTS				
2023-17463 05/16/2024	Quality Management of the Colbert Combustion Turbine Expansion Project	\$0	\$0	\$0
2023-17462* 08/07/2024	TVA's Cumberland Energy Solution Project	0	0	0
2023-17461 09/12/2024	TVA's Portfolio Management Process	0	0	0
2024-17493 09/24/2024	Selection Process for Major Equipment Suppliers	0	0	0
TOTAL EVALUATIONS (8)		\$0	\$0	\$0

*Management decision was not received by the end of the reporting period.
Note: A summary of or link to the full report may be found on the OIG’s Web site at <https://www.tva.oig.gov>.

RECOMMENDATIONS INCLUDED IN A PREVIOUS SEMIANNUAL REPORT AND AWAITING IMPLEMENTATION

At the end of the semiannual period, final corrective action was not complete on 26 recommendations associated with 6 audit and 4 evaluation reports issued in a prior period. Presented below for each audit and evaluation are the report number, date, and title, along with a brief description of action management agreed to take to resolve the open recommendation, including the date management expects to complete final action and potential cost savings.

Audit Report Number and Date	Report Title and Actions Agreed to by Management to Resolve Recommendations
2023-17414 10/19/2023	Pandemic Recovery Credit
	TVA agreed to require local power companies with high cash ratios to provide justification, as well as a plan to reduce cash levels below the threshold, for the high cash ratio when requesting a local rate adjustment. TVA expects to complete final action by October 31, 2024.
2023-17404 11/29/2023	Express Scripts, Inc. - Contract No. 11023
	TVA agreed to review the maintenance medication refill process with Express Scripts, Inc., to refine the data and will work with the vendor to recover costs, up to \$1,291,051, if there are process errors or to make procedural changes to better document any exceptions to more than three refills at retail. TVA expects to complete final action by November, 29, 2024.
2023-17415 12/06/2023	Continuity of Operations Plan
	TVA agreed to (1) ensure planned enhancements to the annual cycle are deployed, which include senior leader engagement at cycle start, push of periodic metric reporting, and escalation of noncompliance to executive leadership; and (2) revise the River Forecast Center continuity of operations plan to annotate and add an annual cadency review requirement. TVA expects to complete final action by December 6, 2024.
2023-17402 12/18/2023	America Fujikura Ltd. dba AFL Telecommunications LLC (AFL) - Contract Nos. 15270 and 12674
	TVA agreed to (1) review \$72,025 in overbilled unit rates and pursue recovery of the funds; (2) address contract discrepancies with the following actions: (a) Contract No. 12674 has been labeled in Maximo to be only used for the Optical Ground Wire Grid Improvement Project and Supply Chain has worked with its business partners to stress the importance of utilizing the correct contract and (b) price schedules have been updated on both contracts; and (3) work with AFL to retrieve the outstanding \$307,320 in steel reel credits and create a process to better manage the return of steel reels and reception of credits. TVA expects to complete final action by December 18, 2024.
2023-17413 01/11/2024	USA DeBusk, LLC (DeBusk) - Contract Nos. 12042 and 17143
	TVA agreed to (1) evaluate additional methods to reinforce proper invoice reviews; (2) communicate to DeBusk single and double occupancy per diem rates were disallowed per Contract No. 17143 and reject invoicing containing these rates; (3) amend Contract No. 17143 to add the necessary language to include a long-term temporary living allowance (TLA) section and establish TLA amounts; (4) determine if the U.S. Energy Information Administration's Midwest regional pricing for fuel surcharges is the most applicable to TVA and whether the contract language should be revised; and (5) enter into negotiations with DeBusk to recover \$21,157 in ineligible and unsupported travel costs billed. TVA expects to complete final action by January 11, 2025.
2023-17442 03/12/2024	Early Payment Discounts on Vendor Invoices Follow-Up
	TVA agreed to (1) consider an evaluation tool to measure field invoice approver (FIA) performance and to communicate any additional training needs, as needed; (2) add detailed information related to the management of early payment discounts to FIA training in TVA's Learning Management System and TVA Standard Program and Processes (SPP) 04.044, <i>Invoice Review and Approval</i> ; and (3) determine if an additional term/clause is needed to address the timeliness between invoice submission and expected date of material receipt. If an additional term/clause is needed, Supply Chain will work with the Term and Conditions Authoring Tool team to implement such language into future contracts. TVA expects to complete final action by March 12, 2025.

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

Evaluation Report Number and Date	Report Title and Actions Agreed to by Management to Resolve Recommendations
2021-15789 03/24/2022	Acquisition and Disposal of Real Property TVA agreed to review, update, and publish the Real Property SPP and user guides. TVA expects to complete final action by December 31, 2024.
2023-17409 11/14/2023	Section 26a Permit Management TVA agreed to (1) eliminate the refund option for change in ownership applications and review its methodology to improve the annual rate study analysis; (2) assess resource availability to conduct permit compliance checks when determining the fiscal year 2024 plan; (3) take a number of actions to increase resolution of violations and encroachments (V&E) and explore improvement options for the notification method for V&Es; and (4) include clarifying language in upcoming Section 26a Regulation amendments as it relates to required information from applicants. TVA expects to complete final action by September 30, 2025.
2023-17410 01/05/2024	Health and Safety Committees (HSC) TVA agreed to (1) coordinate the resolution of unresolved safety issues with local HSCs and (2) reinforce the expectation of local HSCs to meet at least quarterly and maintain meeting minutes. TVA expects to complete final action by January 6, 2025.
2023-17416 01/09/2024	TVA Preemployment Investigation and Onboarding Processes TVA agreed to (1) review, update, and publish TVA-SPP-11.203, <i>Citizens and Other Protected Individuals</i> , to include 8 Code of Federal Regulations § 274 information; and (2) perform ongoing audits to ensure timely completion of Form I-9 processes. TVA expects to complete final action by October 31, 2024.

INVESTIGATIVE REFERRALS AND PROSECUTIVE RESULTS

Referrals	
Reports Issued to TVA Management	6
Subjects Referred to U.S. Attorneys	15
Subjects Referred to State/Local Authorities	0
Results	
Subjects Indicted/Informations Filed	0
Subjects Convicted	6
Pretrial Diversion	0
Federal Referrals Declined	5
State/Local Referrals Declined	0

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

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

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

APPENDIX 5

SUBSTANTIATED INVESTIGATIONS INVOLVING SENIOR AGENCY OFFICIALS

Case No.	Allegation and Disposition
23-0111	Two senior government employees accepted multiple unauthorized gifts including a chartered fishing trip, lodging, and meals from a prohibited source and did not obtain authorization from the vice president as required. One of the senior government employees also made expenditures exceeding TVA's \$100 allowable costs per person for an external relationship event on two occasions, both of which benefited the prohibited source and included alcohol at a cost deemed potentially unreasonable as per TVA policy.
	Because these gifts were not reported, TVA did not include them in their semiannual reporting to the Office of Government Ethics. The case was presented for prosecution to the United States Attorney's Office for the Eastern District of Tennessee in January 2024 and declined the same month.
	One senior management employee repaid the prohibited source his portion of the chartered fishing trip. Management's actions included (1) TVA Ethics and Compliance staff provided mandatory training to the business unit on the related rules and requirements, (2) Human Resource leadership provided coaching to the senior government employee, and (3) the business unit will schedule quarterly meetings with TVA Ethics and Compliance staff to discuss upcoming events and provide guidance.

APPENDIX 6

PREVIOUSLY UNDISCLOSED INVESTIGATIONS INVOLVING SENIOR AGENCY OFFICIALS

Case No.	Allegation and Disposition
23-0130	A senior government employee showed bias for a company during the bidding process, possibly at the behest of at least two other senior government employees. Unsubstantiated.
24-0115	It was alleged a senior government employee retaliated against a TVA financial analyst for bringing up and reporting discrepancies and accounting issues related to the expense report system. The complainant was provided information on reporting a claim to the Office of Special Counsel by the TVA OIG Whistleblower Coordinator, and TVA OIG Audit incorporated the discrepancy into a related ongoing audit.



APPENDIX 7
HIGHLIGHTS - STATISTICS

	SEPT 30, 2024	MAR 31, 2024	SEPT 30, 2023	MAR 31, 2023	SEPT 30, 2022
AUDITS					
AUDIT STATISTICS					
Carried Forward	20 ¹	17 ²	18 ³	16	18 ⁴
Started	15	13	7	14	11
Canceled	(0)	(0)	(0)	(0) ⁵	(2)
Completed	(17)	(9)	(9)	(10)	(13)
In Progress at End of Reporting Period	19 ⁶	20 ⁷	17 ⁸	18	16
AUDIT RESULTS (Thousands)					
Questioned Costs	\$25,124	\$2,940	\$6,197	\$6,177	\$3,012
Disallowed by TVA	\$11,124	\$2,940	\$2,084	\$6,177	\$3,012
Recovered by TVA	\$67	\$517	\$221	\$1,550	\$316
Funds to Be Put to Better Use	\$22,990	\$0	\$54,290	\$33,282	\$139,418
Agreed to by TVA	\$22,990	\$0	\$58,680 ⁹	\$48,992 ¹⁰	\$125,801
Realized by TVA	\$0	\$54,290 ¹¹	\$0	\$20,100	\$8,201
OTHER AUDIT-RELATED PROJECTS					
Completed	5	3	3	4	5
Cost Savings Identified/Realized	\$0	\$0	\$0	\$0	\$0
EVALUATIONS					
Completed	8	5	8	5	10
Cost Savings Identified/Realized (Thousands)	\$0	\$9,713	\$0	\$0	\$0
SPECIAL PROJECTS					
Completed	0	0	0	0	0

¹ Does not include one project that was postponed at the beginning of the period.
² Ibid.
³ Does not include two projects that were postponed at the beginning of the period.
⁴ Ibid.
⁵ Two projects were postponed during the period.
⁶ Does not include one project that was postponed prior to the period.
⁷ Does not include one project that was postponed during the period.
⁸ Includes one project that had previously been postponed.
⁹ Includes amounts identified in a prior period.
¹⁰ Ibid.
¹¹ Amounts were identified in a prior period.

APPENDIX 7
HIGHLIGHTS - STATISTICS (CONTINUED)

	SEPT 30, 2024	MAR 31, 2024	SEPT 30, 2023	MAR 31, 2023	SEPT 30, 2022
INVESTIGATIONS ¹					
INVESTIGATION CASELOAD					
Opened	46	58	66	62	79
Closed	48	61	68	59	79
In Progress at End of Reporting Period ²	58	61	69	73	73
INVESTIGATIVE RESULTS (Thousands)					
Restitution - Court Ordered	\$124.3				
Recoveries ³	\$166.1	\$192.8	\$7,045.4	\$1,860.3	\$1,596.4
Projected Savings	\$0	\$332.0	\$0	\$0	\$0
Fines/Penalties/Fees	\$0.2	\$0.3	\$.2	\$100.1	\$1.5
Waste/Other Monetary Loss	\$0	\$212.7	\$145.1	\$0	\$0
Forfeiture(s) Ordered - Criminal	\$0	\$0	\$0	\$0	\$1,000
Forfeiture(s) Ordered - Civil	\$0	\$0	\$0	\$0	\$134.1
MANAGEMENT ACTIONS					
Disciplinary Actions Taken (Number of Subjects)	3	2	5	4	6
Counseling/Management Techniques Employed (Number of Cases)	5	10	6	8	9
Debarments	0	0	0	0	1
PROSECUTIVE ACTIVITIES (Number of Subjects)					
Referred to U.S. Attorneys	15	5	5	20	10
Referred to State/Local Authorities	0	0	0	0	0
Indicted/Informations Filed	0	6	5	1	4
Convicted	6	2	3	2	3
Pretrial Diversions	0	1	0	0	0

EXECUTIVE ORDER ON ADVANCING
EFFECTIVE, ACCOUNTABLE POLICING &
CRIMINAL JUSTICE PRACTICES TO ENHANCE
PUBLIC SAFETY

Use of Force Incidents Involving OIG Personnel	0	0
No-Knock Entries Conducted by OIG Personnel	0	0

TRAFFICKING VICTIMS PREVENTION &
PROTECTION ACT OF 2022 (REQUIRED ANNUAL
REPORTING PUBLIC LAW 117-348, § 122€
(S.3949))

Suspected cases of misconduct, waste, fraud or abuse relating to trafficking in persons	0	0	0	0
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¹ These numbers may include task force activities and joint investigations with other agencies.
² Adjusted from previous period.
³ Sum of all administrative recoveries pursued by TVA or repayments made as a result of investigative events occurring during the reporting.

APPENDIX 8

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. As previously noted in Appendix 2, we issued one contract report with questioned costs in excess of \$10 million. Specifically, audit report 2023-17437, GE Hitachi Nuclear Energy Americas LLC - Contract No. 10354, contained questioned costs of \$15,832,429.



APPENDIX 9

PEER REVIEWS OF THE TVA OIG

Audits Peer Review

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

Evaluations Peer Review

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

Investigations Peer Review

Investigative operations undergoes a Quality Assessment Review (QAR) on a recurring basis as designated by the CIGIE. The Export-Import Bank of the United States (EXIM) OIG completed a QAR of TVA OIG Investigative Operations on August 21, 2024. EXIM OIG found “. . . the system of internal safeguards and management procedures for the investigative function of the TVA OIG follows the quality standards established by the CIGIE and the other applicable guidelines and statutes cited above. Those safeguards and procedures provide reasonable assurance of conforming with professional standards in the planning, execution and reporting of its investigations.” This confirmation is posted on our Web site at <https://www.tvaig.gov/peer-review-reports>.



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.

Information

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

Management Decision

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

Questioned Cost

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

Unsupported Costs

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



ABBREVIATIONS & ACRONYMS

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

AFL	America Fujikura Ltd. Db a AFL Telecommunications LLC
AIG	Assistant Inspector General
Autonomic	Autonomic Software, Inc.
Blue Book	Quality Standards for Inspection and Evaluation
CCT	Colbert Combustion Turbine
CES	Cumberland Energy Solution
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CO	Contracting Officers
DeBusk	USA DeBusk, LLL
DES	Domermuth Environmental Services
DVL	Disabled Veteran Leave
E&C	Ethics & Compliance Staff
EOP	Emergency Preparedness and Operations
EPA	U.S. Environmental Protection Agency
EPC	Engineering, Procurement, and Construction
EXIM	Export-Import Bank of the United States
FBI	Federal Bureau of Investigation
FIA	Field Invoice Approvers
FISMA	Federal Information Security Modernization Act of 2014
FWA	Fixed-Wing Aircraft
FY	Fiscal Year
HSC	Health and Safety Committees
HUD	U.S. Department of Housing and Urban Development
IG	Inspector General
IT	Information Technology
NERC	North American Electric Reliability Corporation
OEM	Original Equipment Manufacturer
OIG	Office of the Inspector General
OT	Operational Technology
PO	Purchase Orders
PM	Preventive Maintenance
QA/QC	Quality Assurance and Quality Control
QAR	Quality Assessment Review
RPIL	Restricted Personally Identifiable Information
SAC	Special Agent in Charge
SEC	U.S. Securities and Exchange Commission
SPP	Standard Programs and Processes
TLA	Temporary Living Allowance
TVA	Tennessee Valley Authority
TVA Board	TVA Board of Directors
V&E	Violations and Encroachments
VP	Vice President



Office of the Inspector General

400 West Summit Hill Drive
Knoxville, Tennessee 37902

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

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

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



EmPowerline®

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

**www.oigempowerline.com
Toll-Free 855-882-8585**



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

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

Whistleblower Protection

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

CONTACT US



24 hours.



Sequoyah Nuclear Plant



TVA OIG VALUES

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

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





Office of the Inspector General
TENNESSEE VALLEY AUTHORITY
Semiannual Report
April 1, 2024 - September 30, 2024