

Tennessee Valley Authority



Watts Bar Nuclear Plant



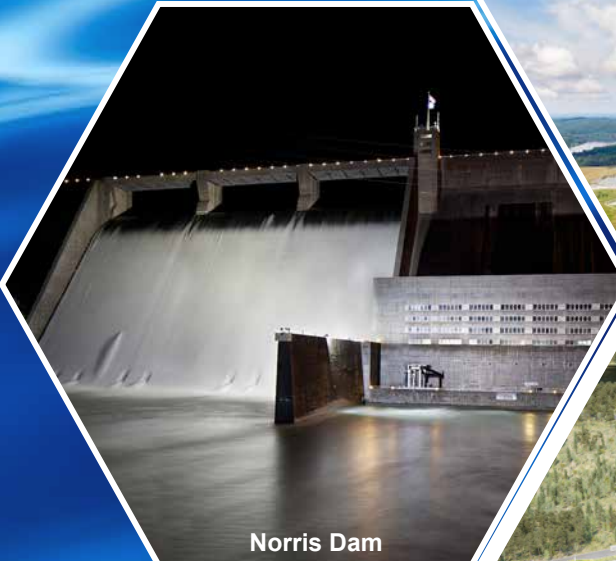
Small Modular Reactor Plant
Illustrative Purposes Only



Lagoon Creek Combined
Cycle Plant



Kingston Fossil Plant



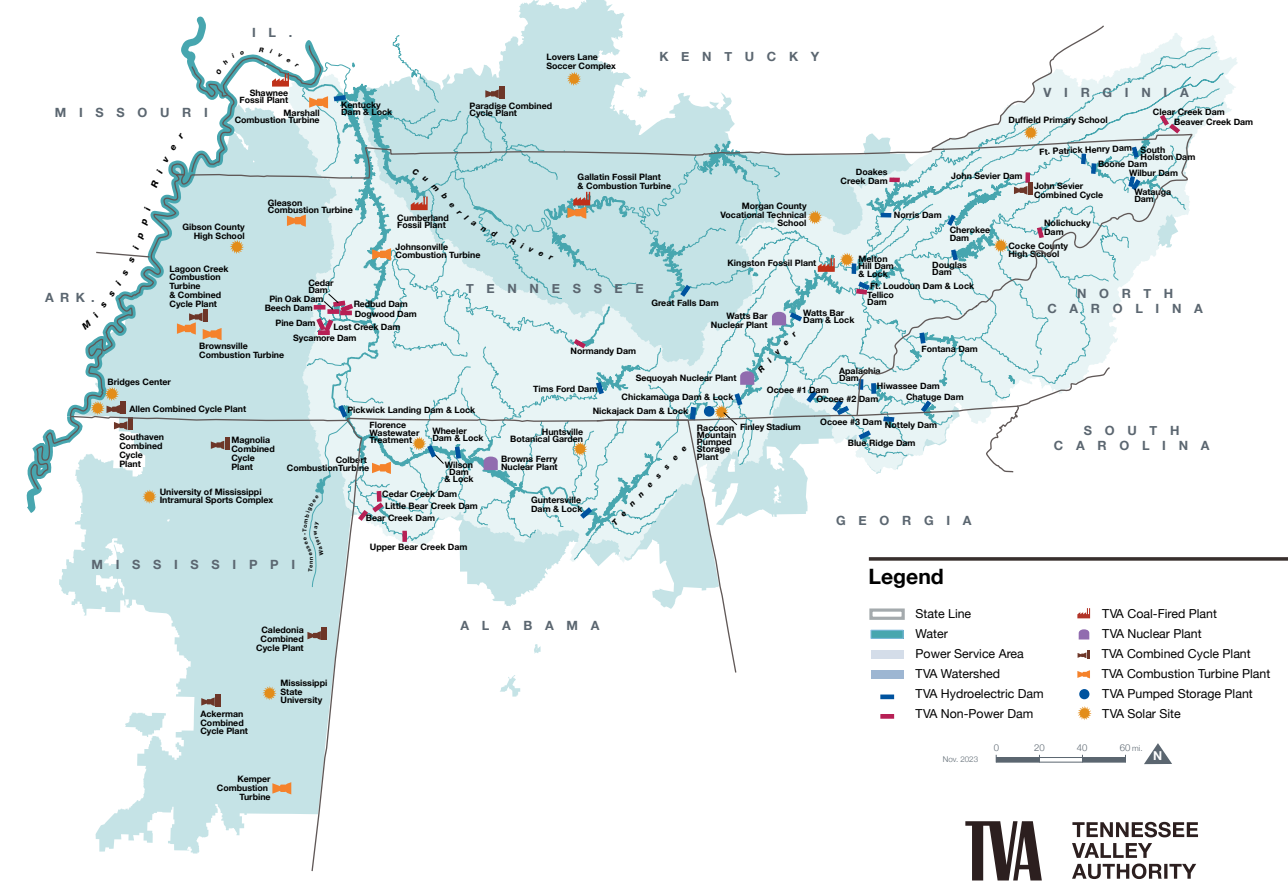
Norris Dam



Office of the Inspector General
Semiannual Report
October 1, 2024 - March 31, 2025



TVA Locations



Total Power Supply by Generating Source
Six Months Ended March 31, 2025^{(1) (2)}
(millions of kilowatt hours)

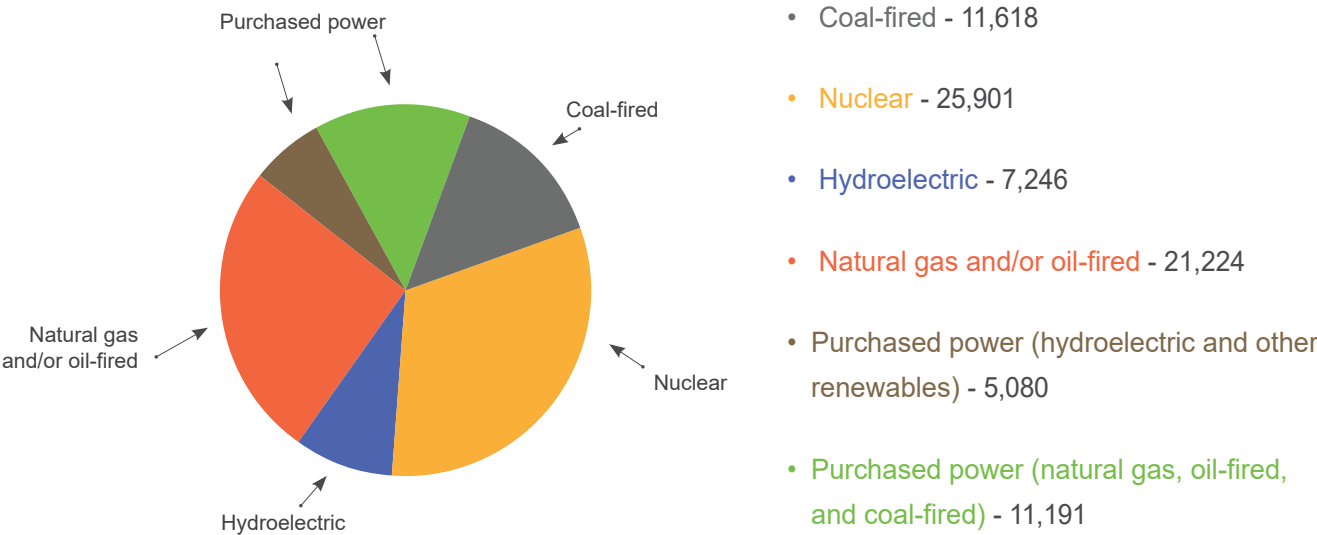


TABLE OF CONTENTS

Message from the Inspector General. 4

Noteworthy Events 6

Executive Overview 10

Organization 14

Audits 18

Evaluations. 26

Investigations 32

Legislation and Regulations 36

Appendices. 38

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

Appendix 2 – Audit and Evaluation Reports Issued. 41

Appendix 3 – Audit and Evaluation Reports with Recommendations Included
in a Previous Semiannual Report and Awaiting Implementation 43

Appendix 4 – Investigative Referrals and Prosecutive Results 47

Appendix 5 – Substantiated Investigations Involving Senior Agency Officials 48

Appendix 6 – Statistical Highlights 50

Appendix 7 – Government Contractor Audit Findings 52

Appendix 8 – Peer Reviews of the TVA OIG. 53

Glossary. 54

Abbreviations and Acronyms 56

¹ For additional detail, see TVA's 10-Q for the period ended March 31, 2025.

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 October 1, 2024, to March 31, 2025. In this semiannual period, our audit, evaluation, and investigative activities identified more than \$75.1 million in questioned costs; funds put to better use; restitutions, 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:

- TVA spends about \$4.7 billion annually in contracts primarily for labor and services and plant equipment to maintain the generation fleet and to continue the expansion of capacity with new generation facilities. The Office of the Inspector General (OIG) continues to aggressively audit these contracts to identify potential savings and recoveries to help TVA reduce costs. During this period, we completed two contract compliance audits which identified potential overbillings and cost savings opportunities of \$3.2 million. We also completed four preaward examinations which identified \$68.6 million of potential savings opportunities for TVA to negotiate.
- TVA plant personnel at gas and hydro plants work extensive overtime. We conducted two evaluations to assess TVA's management of overtime. We found significant amounts of overtime worked at some plants with some personnel averaging more than 25 hours per week. Additionally, TVA may not be accurately capturing the effects of fatigue which could raise the risk of plant accidents.
- TVA has a goal of adding up to 10,000 megawatts (MW) of solar power by 2035. As of February 2024, TVA had entered into 31 solar power purchase agreements (PPAs), representing 3,440 MW of total nameplate capacity. However, the solar industry has experienced delays due to many factors such as the COVID-19 pandemic, supply chain issues, tariffs,



higher interest rates, and inflation. As a result, TVA has canceled two of the PPAs and has renegotiated or is in the process of renegotiating contract terms for 18 of the PPAs. Our audit of the effect of the delays on the PPAs determined TVA's price increases have ranged from 4.49 percent to 79.8 percent for the 10 completed PPA renegotiations.

- TVA is in the process of replacing the general ledger software system at a current cost estimate of \$169 million and in-service date of November 2025. TVA has contracted with a number of consultants to assist in completing the project which had an original cost estimate of \$67.1 million. Our review determined the cost increases were attributed to a number of factors, including increases in scope due to not identifying all the systems that share information with the general ledger system and the reporting needs of business units. We also found opportunities to improve project management oversight involving project scheduling and contractor management.



- We continue to evaluate TVA's processes for assuring TVA meets power generation demands at the lowest system cost. An evaluation of TVA's analysis of the power supply plan reliability identified some elements of the analysis process could impact its reliability, including significant variance in generation additions and retirements between plans and use of some outdated inputs.

Additionally, we reviewed TVA's fiscal year (FY) 2023 cost of service study to ensure cost allocations to various ratepayer classifications were performed in accordance with TVA policies and procedures. While the study was performed correctly, we identified some areas for improvement.

- Investigations completed, including those conducted jointly with other agencies, involved allegations such as employee misconduct, contractor fraud, environmental matters, and falsification of records. These investigations resulted in (1) two convictions related to fraud in the Paycheck Protection Program and for time and leave abuse, (2) an indictment related to bribery of an individual in two Alabama counties who administers funds to help households with their utility bills and expenses, (3) a pretrial diversion resulting in the resignation of a TVA senior employee, and (4) multiple cases involving criminal restitution and administrative and civil recoveries to TVA or other agencies/entities totaling almost \$3.4 million.

TVA has strongly asserted the goal of leading efforts to unleash American energy so that it can support both national security and robust economic growth. With one of the most diverse public power systems and a leadership position in the development of new nuclear technologies, TVA has some tailwinds at its back as it seeks to accomplish these goals. With any bold initiative, however, there will be challenges. For example, the development of data centers and other technologies critical to the developing artificial intelligence economy will drive increased demand. Such demand will require TVA to quickly build new generation requiring one of the largest capital investment periods in TVA's history, intense focus on regulatory requirements, and hiring an appropriately trained craft workforce. These hurdles are particularly true of new nuclear technology that is first in kind.

The TVA OIG is prepared to play a role in meeting TVA's important national goals. In our oversight role, we will continue to identify ways to improve operations and mitigate risks; save or recover money; and prevent and detect fraud, waste, and abuse. I am proud of our team's work and commitment to stay in step with TVA as they forge their path to evolve into their next chapter for power generation.

Finally, I wanted to note four TVA Board Directors have recently transitioned off the Board since our last reporting period. I would like to thank former Directors Beth Harwell, Brian Noland, Michelle Moore, and Chair Joe Ritch for their service and engagement with our office.

A handwritten signature in black ink that reads "Ben R. Wagner". The signature is fluid and cursive, written on a light-colored background.

Ben R. Wagner
Inspector General

NOTEWORTHY EVENTS



The Council of the Inspectors General on Integrity and Efficiency (CIGIE) was established to address integrity, economy, and effectiveness issues that transcend individual government agencies and aid in the establishment of a professional, well-trained, and highly skilled workforce across the 72 Offices of Inspectors General.

To recognize the impactful work of federal Inspectors General, CIGIE conducts an annual awards process where individual OIGs submit nominations for outstanding work performed. TVA OIG received a CIGIE Award of Excellence during a ceremony conducted at the U.S. Department of Interior on November 13, 2024. Our Evaluations – Operations team members Sam Ruble and Trey Sims were recognized for their TVA Power Operations Hazardous Chemicals evaluation.

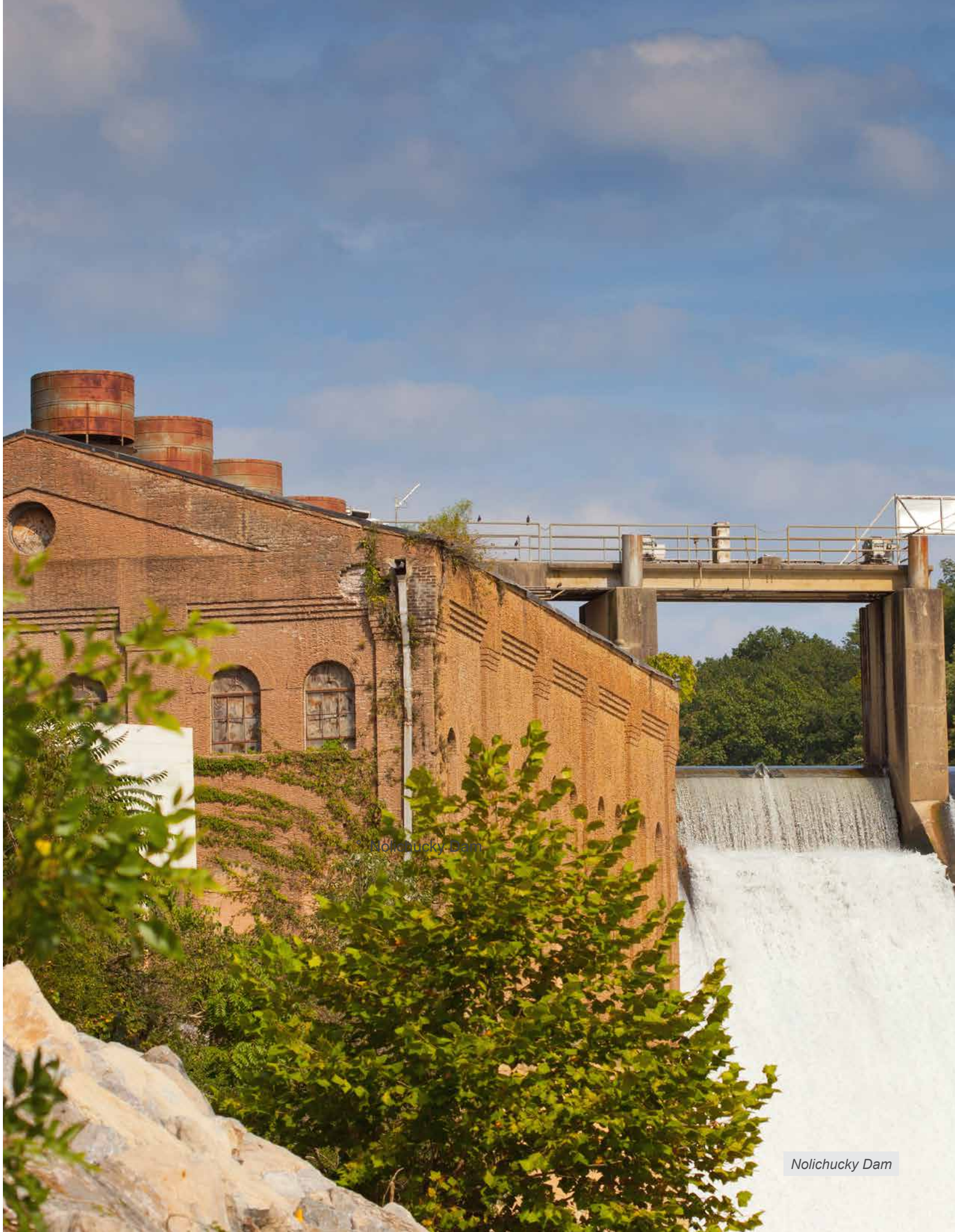
In industrial settings, employees are subject to a variety of safety risks, including exposure to hazardous chemicals. As hazardous chemicals are present at generating plants, we conducted an evaluation of their identification, communication, handling, and storage. We determined hazardous chemicals at most plant sites we visited were not adequately identified or communicated, which creates the potential for accidental mistreatment that could cause personal or workplace harm.

“I am very proud of the impactful work performed by our office. We are committed to providing independent, objective, and fact-based oversight of TVA. CIGIE’s award demonstrates our team’s diligence to detect and prevent fraud, waste, and abuse; and promote economy, effectiveness, and efficiency for TVA. This is how we serve the more than 10 million people of the Tennessee Valley,” stated Ben Wagner, Inspector General.

TVA OIG Assists in Hurricane Helene Flood Relief

In late September 2024, Hurricane Helene made landfall in Florida and continued into Tennessee and North Carolina. The hurricane brought monumental amounts of rainfall leaving areas within the affected states with catastrophic damage due to flooding and landslides.

To support survivors in the Tennessee Valley region, TVA OIG employees donated items, including chain saws, heaters, and gloves; and multiple agents volunteered to provide relief and support to federal disaster areas. Agents provided support to federal/state emergency management organizations in the affected regions, provided manpower to organized recovery efforts along the waterways, assisted in coordination of volunteer efforts, and provided debris removal to residents in local communities impacted by flood waters.



Nolichucky Dam

Nolichucky Dam

EXECUTIVE OVERVIEW



TVA's mission of service was set forth in the TVA Act of 1933. While the mandate to provide affordable electricity, manage the river systems, and promote economic development in the Tennessee Valley has remained constant for 92 years, TVA has had to transform itself in areas such as methods of electricity generation, funding approaches, skills, technology, and more. Some transformations came about by opportunities like innovation, while others came about in reaction to constraints. Today, TVA finds itself in another stage of transformation as it addresses significant requirements to grow clean generation capacity. Our office will stand with TVA as we fulfill our mission to provide independent and objective oversight that promotes effective and efficient operations and prevents and detects fraud, waste, and abuse.

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 14 audits and examinations that identified almost \$71.8 million in questioned costs and funds to be put to better use.

Contract Audits

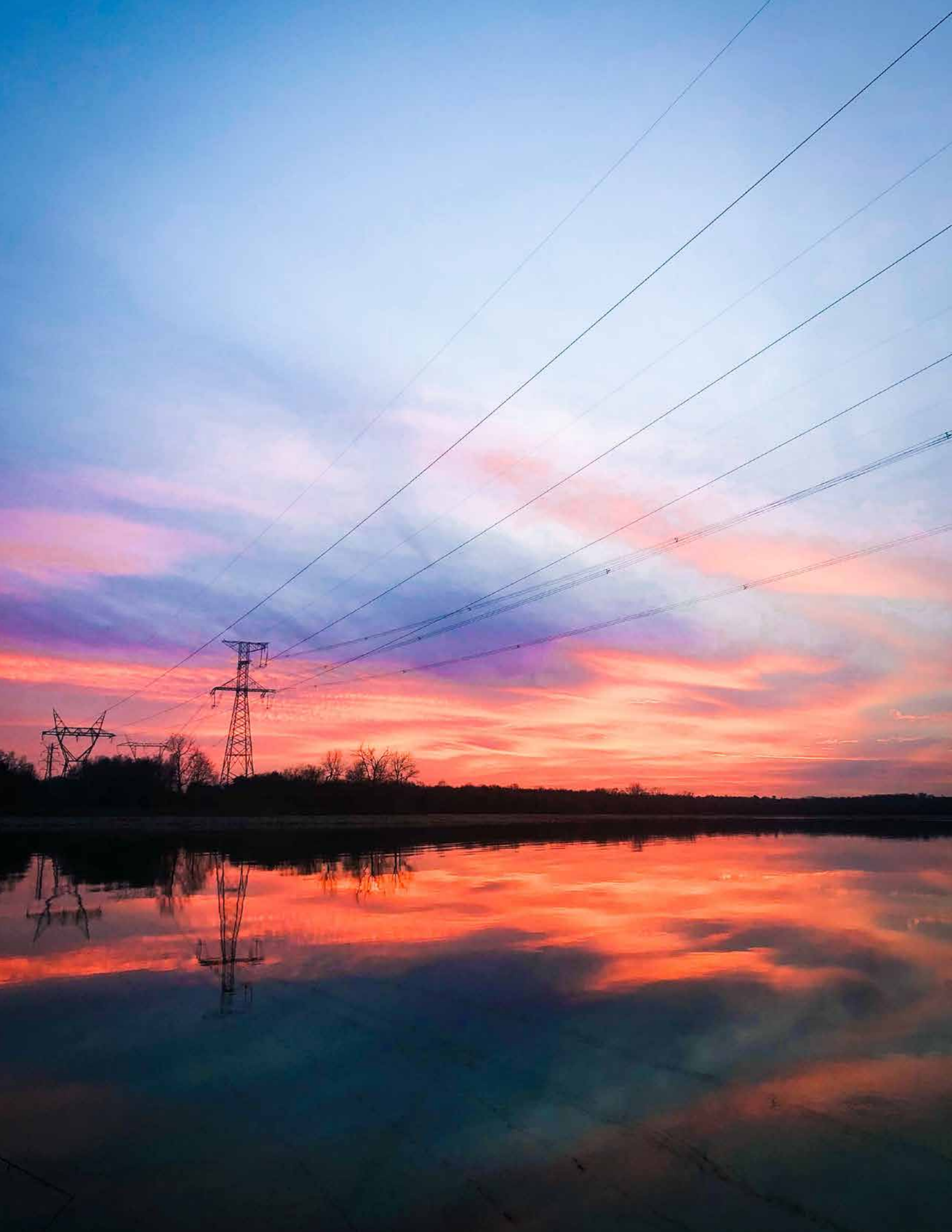
To support TVA management in negotiating procurement actions, we completed four preaward examinations of cost proposals submitted by companies proposing to (1) provide services in connection with the validation phase of TVA's Small Modular Reactor and Clinch River Nuclear Project and (2) construct a potential simple cycle natural gas electricity generating plant at TVA's New Caledonia site. Our examinations identified \$68.6 million of potential savings opportunities for TVA to negotiate. We also completed two compliance audits of contracts with expenditures totaling \$68.6 million related to (1) a long-term service agreement for parts and services for the covered units at TVA's Allen Combined Cycle Plant and (2) engineering, design, and construction management support services. These audits identified potential overbillings and cost savings opportunities of \$3.2 million. The Contract Audits section begins on page 19 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 (1) cost of service study; (2) expenditures for contributions, donations, and grants; (3) solar panels purchased for the Lawrence County solar project; (4) solar power purchase agreements; and (5) One Card. In addition to our audit work, we monitored the audit of TVA's FY 2024 financial statements by an external auditor and applied agreed-upon procedures related to TVA's 2024 Winning Performance (WP)/Executive Annual Incentive Plan (EAIP) measures. The Financial and Operational Audits section begins on page 20 of this report.

IT Audits

IT Audits completed audits of TVA's (1) privacy program and (2) cybersecurity vulnerability management. The IT Audits section begins on page 25 of this report.



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 six 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 gas operations clearances, TVA's analysis of the power supply plan reliability, and overtime at gas and hydro plants. The Evaluations section begins on page 27 of this report.

Evaluations – Projects

The Evaluations – Projects group completed evaluations of the (1) Sequoyah Nuclear Plant (SQN) vendor selection process and (2) General Ledger Modernization project. The Evaluations – Projects section begins on page 29 of this report.

INVESTIGATIONS

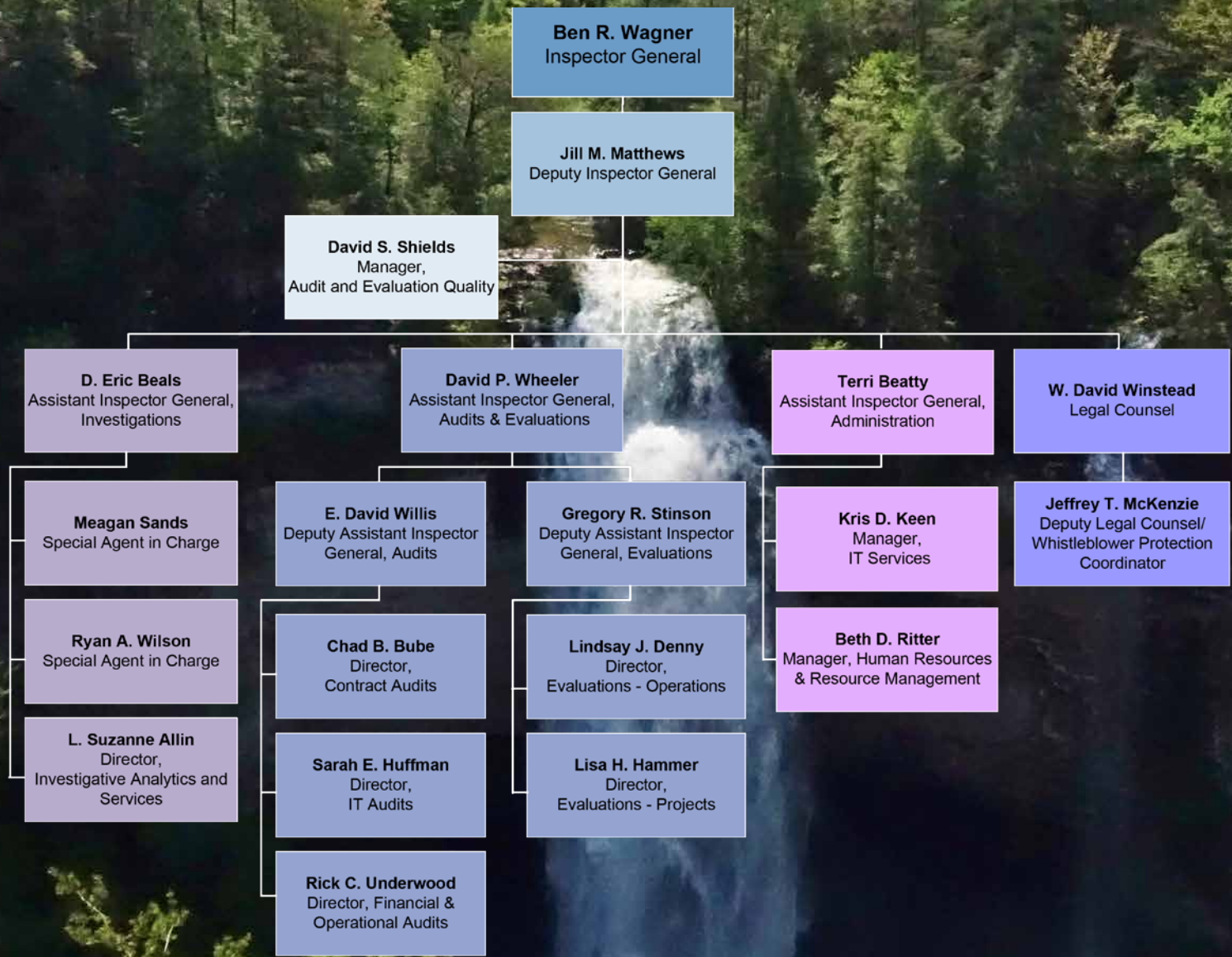
During this reporting period, we opened 55 cases and closed 56. Our investigations results include two convictions, one indictment, one pretrial diversion, a civil settlement, and restitution or recoveries to TVA and others of about \$3.4 million. The Investigations section begins on page 32 of this report.

STATISTICAL HIGHLIGHTS	
October 1, 2024 - March 31, 2025	
Audit Reports Issued	14
Evaluations Issued	6
Questioned Costs	\$665,682
Questioned Costs Agreed to by TVA	\$665,682
Questioned Costs Recovered by TVA	\$400,502
Funds to be Put to Better Use	\$71,090,292
Savings Realized by TVA	\$749,000
Investigations Opened	55
Investigations Closed	56
Restitution/Fines/Fees	\$184,907
Civil Settlement	\$3,188,575
Recoveries ¹	\$6,539
Criminal Actions	10
Administrative Actions (Number of Subjects)	10

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, 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.



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.

AUDITS AND EVALUATIONS

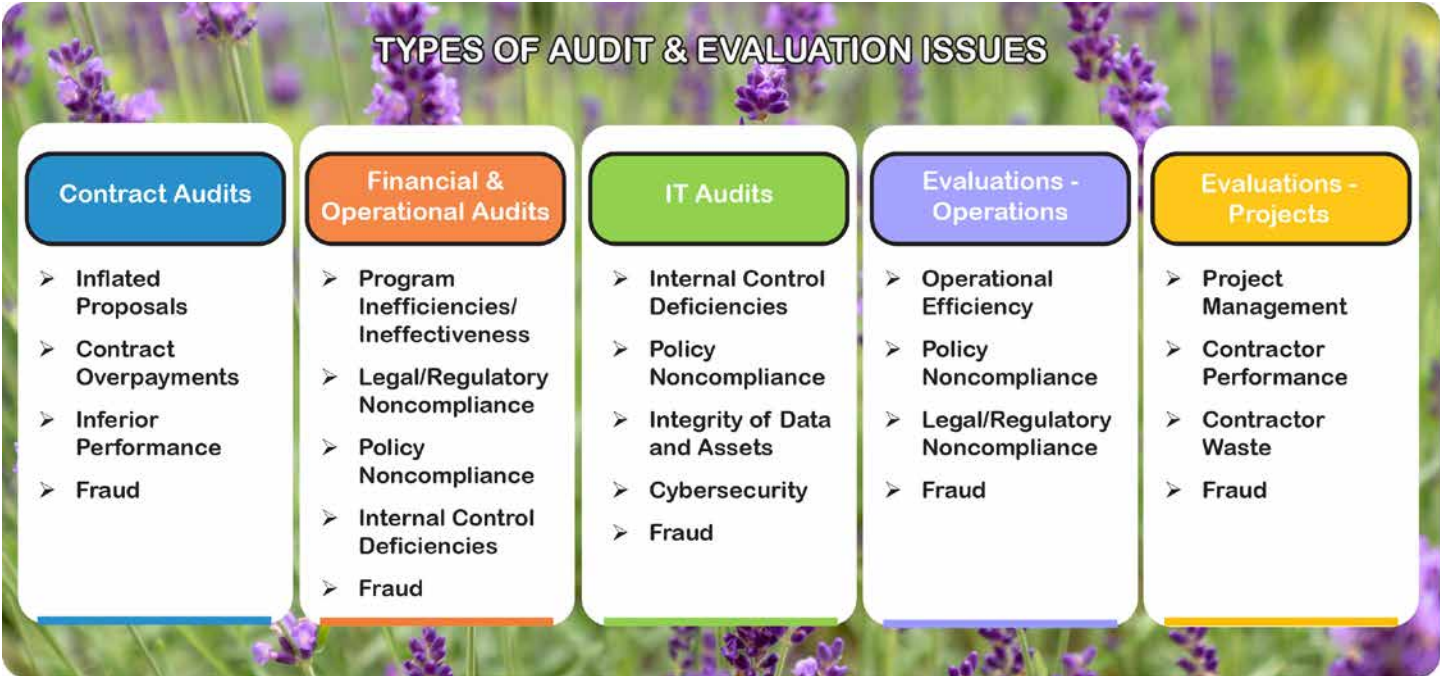
The Audits and Evaluations teams perform a wide variety of engagements designed to promote positive change and provide assurance to TVA stakeholders. Based upon the results of these engagements, the Audits and Evaluations teams make recommendations to enhance the effectiveness and efficiency of TVA programs 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 16 shows some representative examples of issues our audit and evaluation projects are commonly designed to identify.

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

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



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

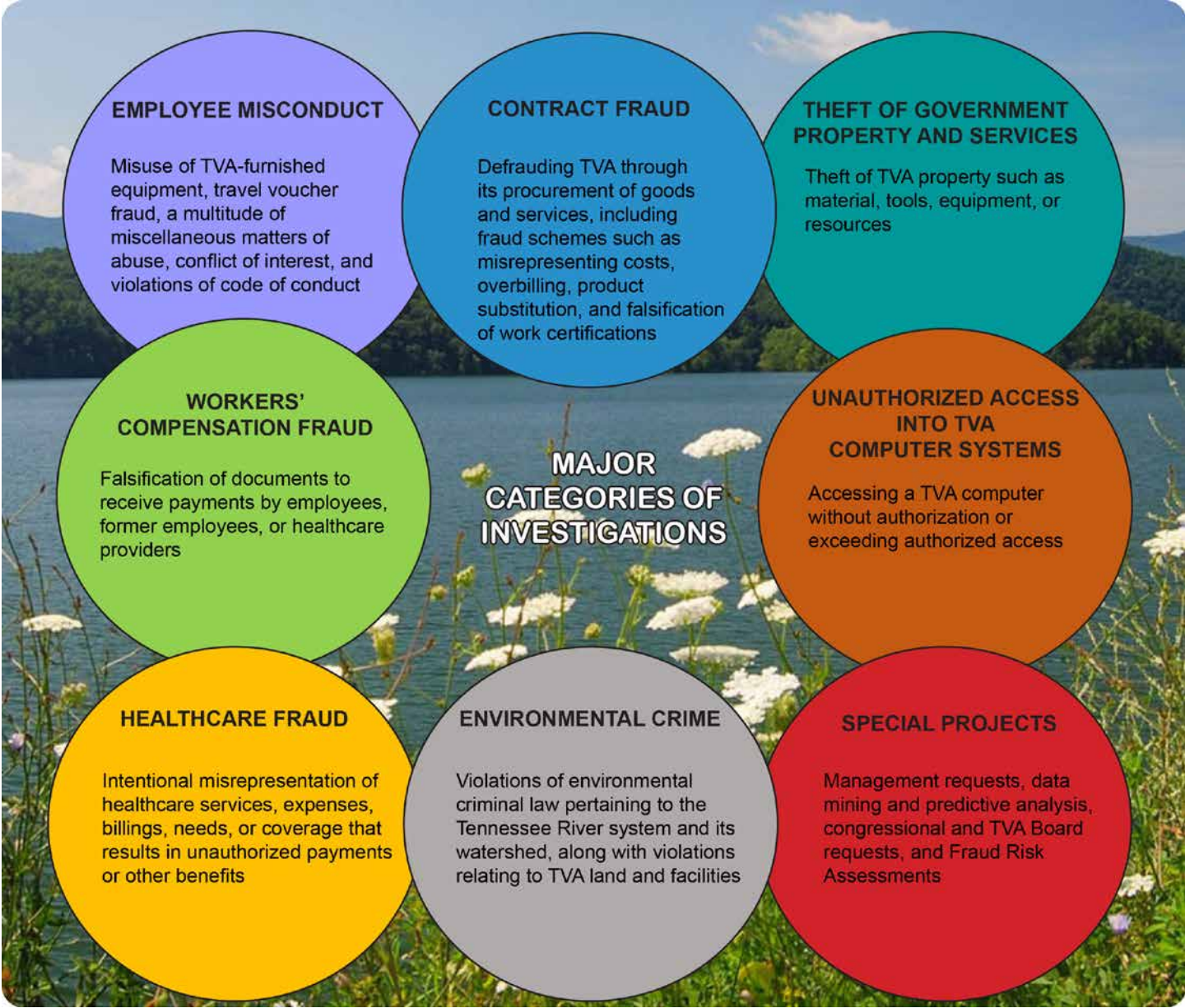
- Evaluations – Operations performs both comprehensive reviews and more limited-scope policy and program reviews to monitor compliance and assess the efficiency and effectiveness of operations.
- Evaluations – Projects performs risk-based evaluations focusing on the effectiveness and efficiency of planning 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 United States (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 on page 17 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.



SUMMARY OF REPRESENTATIVE AUDITS

During this semiannual reporting period, the TVA OIG audit organization completed 14 audits and examinations. This work identified almost \$71.8 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

Preaward Contract Examinations

To support TVA management in negotiating procurement actions, we completed four preaward examinations of cost proposals submitted by companies proposing to (1) provide services in connection with the validation phase of TVA's Small Modular Reactor and Clinch River Nuclear Project and (2) construct a potential simple cycle natural gas electricity generating plant at TVA's New Caledonia site. Our examinations identified \$68.6 million of potential savings opportunities for TVA to negotiate. The savings opportunities were primarily related to overstated labor rates, indirect cost recovery rates, subcontractor costs, other direct costs, and profit rates.

Contract Compliance Reviews

During this semiannual period, we completed two compliance audits of contracts with expenditures totaling \$68.6 million. These audits identified potential overbillings and cost savings opportunities of \$3.2 million. Highlights of our completed compliance audits follow.

- We audited \$48.5 million in costs billed by a contractor for providing parts and services for covered units at TVA's Allen Combined Cycle Plant as part of a long-term service agreement. In summary, we determined (1) the company applied incorrect discounts to noncapital parts, resulting in an overbilling of \$4,278, and (2) TVA was not aware the company provided noncapital parts from foreign countries, including one country that was not compliant with the Trade Agreements Act as required by the contract. In addition, we noted opportunities to improve contract

administration by TVA. Specifically, (1) TVA did not receive detail cost breakouts for fixed price services to determine the reasonableness of the fixed price and if the contract's time and material rates and negotiated discounts were used to build up the fixed price; (2) TVA and the contractor agreed in a letter to revise some of the terms of the long-term service agreement in accordance with the letter's appendix; however, the appendix was not included with the contract documentation in TVA's system of record; and (3) the contract contained inconsistent language.

TVA management agreed with our recommendations to (1) recover \$4,278 in overbilled noncapital parts purchases; (2) revise the language in the contract to reflect the company's and TVA's intent for foreign purchases and require the company to identify and notify TVA of foreign materials prior to purchase; (3) require detail cost breakouts for all fixed price services; (4) include all contract documentation in TVA's system of record; and (5) revise language in the contract to correct inconsistencies.

We audited \$20.1 million in costs billed by a contractor for providing a broad range of engineering, design, and construction management support services to TVA. The contract provided for TVA to compensate the contractor on either a cost-reimbursable, fixed price, or target cost estimate 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.

Kingston Fossil Plant

In summary, we determined:

- The contractor did not provide credits to TVA for unearned fee, resulting in an overbilling of \$16,854.
- TVA did not evaluate fee for all tasks greater than \$50,000 as required by the contract.
- There were inconsistent guidelines regarding when competition was required and, as a result, TVA routinely direct-assigned fixed price tasks to the contractor. Without adequate competition between the contract partners on fixed price tasks, TVA is less able to ensure it is paying a fair fixed price amount.
- The use of fixed price compensation terms for tasks caused TVA to pay at least \$644,550 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 \$2.52 million in future costs by issuing tasks under cost-reimbursable payment terms for the remaining contract spend.

TVA management agreed with our recommendations to (1) recover \$16,854 in fee credits due to TVA, (2) evaluate fee for all tasks greater than \$50,000, (3) revise policies to correct inconsistencies and clarify when competition is required, and (4) consider using cost-reimbursable pricing terms for future projects to prevent the payment of excessive fixed prices.

FINANCIAL AND OPERATIONAL AUDITS

During this semiannual period, Financial and Operational Audits completed audits of TVA's (1) cost of service study; (2) expenditures for contributions, donations, and grants; (3) solar panels purchased for the Lawrence County solar project; (4) solar power purchase agreements; and (5) One Card. In addition to our audit work, we monitored the audit of TVA's FY 2024 financial statements by an external auditor and applied agreed-upon procedures related to TVA's 2024 WP/EAIP measures.

TVA's Cost of Service Study

TVA performs an annual cost of service study that, according to Commercial Energy Solutions (CES) Standard Programs and Processes (SPP) 21.7.3, *Cost of Service*, "is used to estimate the cost to TVA of serving particular classes of customers and to compare that cost to the estimated revenue derived from those classes. The analysis may be used to derive, evaluate, initiate, or justify rate actions."

Due to the importance of fairly recovering costs to serve TVA customers through rate design, we performed an audit of TVA's FY 2023 cost of service study. Our audit objectives were to determine if TVA's cost of service study was (1) performed in accordance with policies and procedures and (2) designed to accurately consider all revenue and costs to serve each customer classification.

We determined TVA's FY 2023 cost of service study was performed in accordance with TVA policies and procedures; however, we noted the detailed internal procedure had not been recently updated to reflect organizational changes. Additionally, we identified an area where the cost of service study design could more accurately reflect the costs to serve each customer classification.

In response to our recommendations, TVA management provided actions they plan to take to (1) formalize and update the cost of service study internal guidance and develop a cadence for review and approval and (2) evaluate the inclusion of Valley Investment Initiative and Performance Grant credits, as well as any other local power company or customer specific costs going forward, as part of the cost of service study.

Expenditures for Contributions, Donations, and Grants

According to TVA-SPP-26.003, *Community Contributions*, TVA helps enable a better quality of life in the communities it serves (1) through its work in energy, the environment, and economic development and (2) by supporting educational and community goals. Much of TVA's giving activity supporting educational and community goals is administered under formally established programs, including the Community Contributions and Community Care Fund programs. In addition, individual TVA organizations may initiate giving-related expenditures outside these programs at their discretion. During calendar years 2022 and 2023, TVA had approximately \$30.5 million in expenditures identified as contributions, donations, and grants in TVA's general ledger.

Due to large dollar expenditures made during calendar years 2022 and 2023, we performed an audit of TVA's expenditures for contributions, donations, and grants. Our audit objective was to determine if the expenditures were made in compliance with TVA policies and procedures.

We determined Community Contributions program transactions were not consistently reviewed and approved in accordance with TVA-SPP-26.003 requirements. We also determined there was no guidance addressing administration of the Community Care Fund program and contribution-related expenditures made by individual TVA organizations outside TVA's formal giving programs. In addition, we found instances where unrelated general expenditures made outside of TVA's formal giving programs were misclassified as contribution-related expenditures in the general ledger.

TVA management agreed with our recommendations to strengthen internal controls and help improve compliance with TVA policies and procedures, and provided actions they have already taken, as well as those they plan to take to address each recommendation.

Solar Panels Purchased for Lawrence County Solar Project

In June 2019, TVA completed an Integrated Resource Plan (IRP) to determine how TVA will meet the demand for electricity in its service territory over the next 20 years, while achieving TVA's objectives to deliver reliable, low-cost, and cleaner energy with fewer environmental impacts. The 2019 IRP recommended the expansion of solar generating capacity by up to 14,000 MW by 2038. According to TVA's FY 2020 Sustainability Report, TVA set a goal to achieve 10,000 MW of solar generation by 2035.

To help achieve this goal, in 2021 TVA purchased 3,000 acres to construct the first large TVA-developed solar facility in Lawrence County, Alabama. Approximately 1,500 acres were planned for development to construct an estimated 200 MW solar facility for solar generation that would become the site of the Lawrence County Solar (LCS) project. TVA purchased 139,750 solar panels, totaling \$30 million, in December 2019 for installation at the LCS project. TVA began receiving these solar panels in late January 2020 and received the final shipment on March 30, 2020. The project was originally estimated to be in service by December 2023. Due to delays in the LCS project, the solar panels purchased in 2019 were transferred to another TVA project. TVA subsequently purchased an additional 581,250 solar panels for \$92.7 million in May 2023 for installation at the LCS project.

TVA-SPP-34.000, *Project Management*, states risk assessments should be performed as early as possible in a project to identify critical technical, performance, schedule, and cost risks. Due to the length of time the solar panels purchased in 2019 for the LCS project have been in inventory, we performed an audit of TVA's assessment of risks associated with solar panel purchases for the LCS project. Our audit objective was to determine if TVA assessed risks in accordance with applicable policies and procedures prior to the purchase of solar panels for the LCS project. Our audit scope included the solar panels purchased in calendar years 2019 and 2023.

We determined TVA (1) did not perform a risk assessment prior to purchasing solar panels in 2019 and (2) only performed a partial risk assessment prior to the purchase of the 2023 solar panels. Additionally, the solar panels purchased in 2023 were procured after the project had been placed on hold by TVA. TVA management agreed with our recommendations to strengthen internal controls and develop guidance to ensure assessment of risk occurs prior to purchasing or providing prepayments for long-lead procurements such as solar panels.

TVA’s Solar Power Purchase Agreements

As previously noted, TVA has set a goal of increasing its solar capacity to 10,000 MW by 2035. As of February 2024, TVA had entered into 31 PPAs, representing 3,440 MW of total nameplate capacity. However, the solar industry has experienced delays due to many factors such as the COVID-19 pandemic, supply chain issues, tariffs, higher interest rates, and inflation. Due to issues in the solar industry resulting in project delays and price increases, we performed an audit of TVA's solar PPAs to determine (1) how supply chain disruptions, construction and in-service delays, contract restructuring, and other factors have affected TVA's solar PPAs and (2) if any restructured PPAs are still in TVA's financial interest.

We determined the COVID-19 pandemic, supply chain disruptions, construction and in-service delays, contract restructuring, and other factors resulted in TVA:

- Canceling 2 of the PPAs and renegotiating the contract terms for 18 of the PPAs, including 10 that have been completed. Our audit determined TVA's price increases have ranged from 4.49 percent to 79.8 percent for the 10 completed PPA renegotiations.

Additionally, 8 of the 10 renegotiated PPA contracts' net present value (NPV)² decreased although the decline in project NPV was partially offset by anticipated revenue from renewable energy credits (REC).³ We noted the cost increases are recouped through TVA's fuel cost adjustment.⁴

- Changing its business model philosophy on entering into solar PPAs.
- Making changes to improve the structure of its PPA contracts.

In addition, we identified opportunities for improvement related to (1) requiring economic analyses and (2) selecting new solar developers.

TVA management agreed with our recommendations to (1) consider establishing a negative NPV threshold, that upon reaching, the TVA Board must be consulted prior to entering into solar PPAs; (2) update CES-SPP-21.704, *Power Acquisition*, to require utility scale solar PPAs have a second economic analysis if the project has a proposed change to the price from the original contract amount; and (3) consider taking a measured approach with new developers by limiting the number of contracts with the developers until a performance history has been established.

TVA One Card

TVA provides credit cards, known as the TVA One Card, to its employees to make purchases for TVA business, such as materials and supplies, travel, meetings and events, fuel for rental vehicles, management expenses, and services. TVA transitioned from separate corporate credit cards and purchasing cards to the TVA One Card in 2022 and implemented a new expense management system. For the 12-month period of May 1, 2023, through April 30, 2024, purchases made on the TVA One Card totaled \$86.6 million.

We conducted an audit of TVA One Card purchases due to the recent introduction of the program and amount of annual spending. Our objective was to determine if purchases made using the TVA One Card complied with TVA policies and procedures. Our audit scope included approximately \$59.2 million of TVA One Card purchases, which excluded those for travel/transportation, business meetings, and external relationship events, made during the 12-month period of May 1, 2023, through April 30, 2024.

We reviewed supporting documentation uploaded in the expense management system for a sample of 139 purchases made using the TVA One Card and determined all but one of the purchases appeared to be for TVA business purposes. However, we determined the review and approval process was not operating effectively and did not ensure purchases made with the TVA One Card complied with TVA policies and procedures. Specifically, we found instances where (1) management approved purchases that did not fully comply with TVA policies and procedures, and (2) management's review of purchases prior to expense report approval did not include reviewing the attached receipts. Additionally, we determined cardholders were not consistently submitting purchases for approval in the expense management system within the required time frame.

We made five recommendations to TVA management to reinforce existing requirements and strengthen controls related to (1) developing training for expense approvers and (2) processing expenses. TVA management generally agreed with our recommendations and provided actions they planned to take, or have taken, to address each of our recommendations.



² NPV is used in capital budgeting to analyze the profitability of a projected investment or project.

³ A REC is a commodity that is created when one MWh of energy is created from a renewable energy resource.

⁴ TVA recovers fuel costs and tax equivalent payments associated with fuel cost adjustments through a monthly rate reflecting the forecasted costs of fuel. Total monthly fuel costs include costs for natural gas, fuel oil, coal, purchased power, emission allowances, nuclear fuel, and other fuel-related commodities as well as realized gains and losses on derivatives purchased to hedge the costs of such commodities.

Oversight of the FY 2024 Financial Statement Audit

TVA contracted with the independent public accounting firm of Ernst & Young LLP (EY) to audit TVA's consolidated financial statements for the FY ending September 30, 2024. In addition, the contract called for EY to report on TVA's internal control over financial reporting and compliance with laws and regulations as of September 30, 2024, and to perform reviews of TVA's FY 2024 interim financial information filed on Form 10-Q with the U.S. Securities and Exchange Commission. The contract required EY's work be performed in accordance with *Government Auditing Standards*. Our monitoring of their work disclosed no instances where the firm did not comply, in all material respects, with these standards.

Agreed-Upon Procedures for TVA FY 2024 Performance Measures

TVA's WP/EAIP is a performance management program designed to promote teamwork, focus on continued high performance, and motivate and reward employees for achieving strategic objectives and critical success factors. We applied agreed-upon procedures requested and agreed to by TVA management solely to assist management in determining the validity of the WP/EAIP measures for FY ended September 30, 2024. TVA management is responsible for the WP/EAIP measures data provided. In summary, we found:

- The FY 2024 WP goals for the enterprise measures were properly approved.
- The FY 2024 goals (target) for the corporate multiplier measures were properly approved.
- Actual FY to-date results for the enterprise measures agreed with the underlying support, without exception.
- Actual FY to-date results for the corporate multiplier measures agreed with the underlying support, without exception.
- The FY 2024 WP, EAIP, and Chief Executive Officer payout percentages provided by the Business Planning and Analysis organization on November 3, 2024, were mathematically accurate and agreed with the OIG's recalculation.

IT AUDITS

During this semiannual period, IT Audits completed audits of TVA's (1) privacy program and (2) cybersecurity vulnerability management.

TVA's Privacy Program

The Consolidated Appropriations Act, 2005, establishes requirements for federal agencies related to privacy. TVA's privacy program includes guidelines for the proper collection, use, protection, disclosure, and disposal of personally identifiable information (PII). The program implements fundamental Federal privacy requirements found in the Privacy Act of 1974, the E-Government Act of 2002, and numerous Office of Management and Budget memoranda, which include completing privacy impact assessments (PIA),⁵ privacy threshold analyses,⁶ and system of records notices.⁷ In addition, the program establishes best practices and procedures designed to protect the personal privacy of TVA employees and other individuals about whom TVA maintains personal information.

The Consolidated Appropriations Act, 2008, requires Inspectors General to conduct periodic reviews of the agency's privacy program. Our audit objective was to determine if TVA had designed and implemented privacy requirements in accordance with the Consolidated Appropriations Act, 2005. This is our seventh audit of TVA's privacy program since 2007.

We determined TVA had privacy policies in alignment with the Consolidated Appropriations Act, 2005. In addition, TVA had implemented requirements such as sustaining privacy protection, assuring compliance with fair information practices, proposals, congressional reporting, protecting PII, training, compliance with policies, and recording. However, we identified six issues that should be addressed by TVA management to further comply with the requirements of the Consolidated Appropriations Act, 2005,

and TVA policy. Specifically, we found (1) discrepancies between TVA privacy system inventory and the PIA inventory; (2) PIAs did not follow TVA policy; (3) privacy continuous monitoring program was outdated; (4) hard copy restricted personally identifiable information (RPPII)⁸ and a restricted area were not secured; (5) PIA template did not contain all required information; and (6) privacy policies were not consistent with applicable legal guidance.

Prior to completion of our audit, TVA management took action to address and remediate three of the six findings. In addition, TVA management agreed with our recommendations to address the remaining three findings.

Cybersecurity Vulnerability Management

Due to potential cybersecurity risks, we performed an audit of TVA's cybersecurity vulnerability management program. Our objective was to determine if TVA was compliant with the Cybersecurity and Infrastructure Security Agency (CISA) Binding Operational Directive (BOD) 22-01, *Reducing the Significant Risk of Known Exploited Vulnerabilities* (KEVs), and CISA BOD 19-02, *Vulnerability Remediation Requirements for Internet-Accessible Systems*.

We determined TVA generally complied with CISA BOD 19-02 and CISA BOD 22-01; however, two requirements were not fully met. Specifically, TVA did not (1) update CISA with modifications to the inventory of internet-accessible internet protocol⁹ (IP) addresses within the five-day requirement or (2) meet the CISA required remediation timeline for 8 of 22 KEVs. TVA management agreed with our recommendations to (1) design and implement a documented process for maintaining an accurate inventory of internet-accessible internet protocol addresses and update CISA within five days of changes and (2) update patch management processes to verify KEVs are patched or mitigated in accordance with policy.

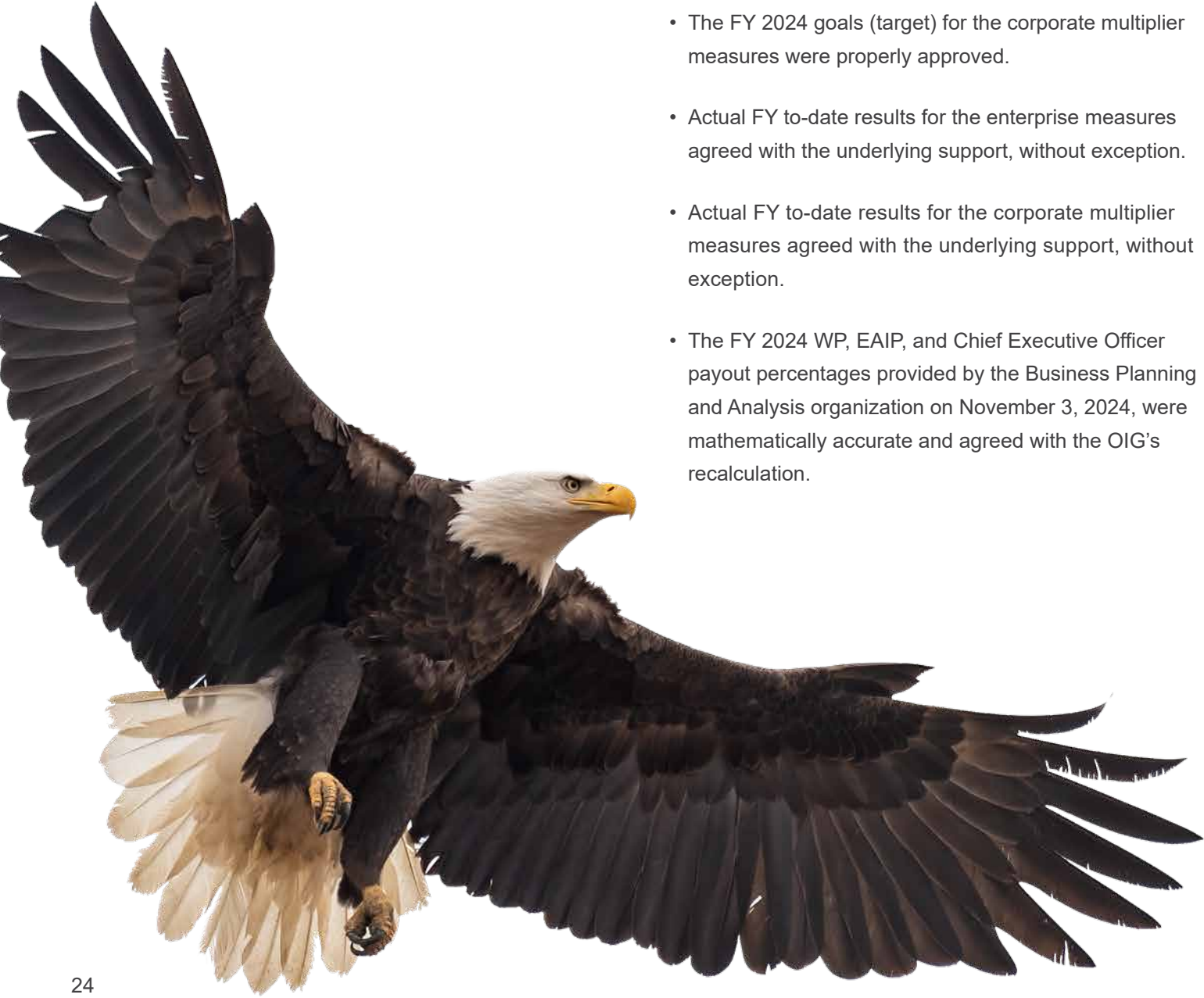
⁵ PIAs are conducted to identify privacy risks for systems and includes documentation on the type of PII collected, number of people affected, controls to protect PII, and privacy notices.

⁶ Privacy threshold analyses are conducted to determine the need for a full PIA and document the type of information that is used by a system.

⁷ System of record notices are notice(s) published by an agency in the Federal Register upon the establishment and/or modification of a system of records describing the existence and character of the system.

⁸ TVA has designated some PII that is more sensitive as RPPII and defines RPPII as information the unauthorized disclosure of could create a substantial risk of identity theft (e.g., social security number, bank account number, and certain combinations of PII).

⁹ An IP address represents a computer's location on the Internet.



SUMMARY OF REPRESENTATIVE EVALUATIONS



Lagoon Creek Combined Cycle Plant

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 six evaluations.

EVALUATIONS – OPERATIONS

During this semiannual reporting period, the Evaluations department completed four evaluations, including reviews of TVA's gas operations clearances, TVA's analysis of the power supply plan reliability, and overtime at gas and hydro plants.

Gas Operations Clearances

Working in industrial environments is inherently dangerous, and steps must be taken to ensure the safety of personnel performing work on energized equipment. Proper practices and procedures can reduce the number of accidents resulting from an inadvertent release of hazardous energy, according to the Occupational Safety and Health Administration. TVA's Safety Procedure 18.613, *Clearance Procedure to Safely Control Hazardous Energy Using Group Tagout*, establishes minimum TVA-wide clearance requirements, while Power Operations SPP 10.015, *Coal and Gas Clearance Procedure*, governs the clearance process at gas sites. These requirements are to be utilized to ensure equipment is isolated from energy sources and rendered nonoperative before performing work where unexpected energizing, start-up, or release of stored energy could occur and cause injury or property damage. Due to the importance of the clearance procedure in preventing injury and/or property damage while equipment is being serviced, we performed an evaluation of Gas Operations clearances to determine if clearances, required training, and audits were performed in compliance with clearance procedures.

We determined clearances, required training, and audits were not always performed in compliance with clearance procedures. Specifically, we identified clearance documentation was not always completed and maintained, some documentation was illegible, and some tags were missing or illegible. We also found training had not been completed for some contractors who worked on clearances. Additionally, we determined that audits of clearances were not being conducted as required. TVA management agreed with our recommendations and provided planned actions to address identified deficiencies with clearance documentation, training, and audits.

TVA's Analysis of the Power Supply Plan Reliability

TVA Power Supply Plans (PSPs) combine optimized capacity and generation plans that balance load and power supply and provide detailed dispatch and generation forecasts used in resource decisions, budgeting, and analysis. PSPs incorporate key planning assumptions, including load and commodity forecasts, fleet characteristics, and other inputs, applying least-cost planning methodology. TVA's 2025 Draft Integrated Resource Plan noted the TVA region is experiencing increasing demand for electricity driven by population, employment, and industrial growth, weather trends, and increasing electric vehicle usage. Due to the importance of effective power supply planning to meet future load and energy demand requirements, we performed an evaluation of TVA's analysis of the reliability of the PSP. The objective of our evaluation was to evaluate TVA's process for analyzing the reliability of the PSP and taking corrective actions as necessary.

We determined TVA took steps to analyze the reliability of some elements of the PSP and took corrective actions as necessary. While TVA does not have an SPP defining analysis of the reliability of the PSP, we found that TVA utilized several procedures and practices to provide governance of its power supply planning process. Additionally, we identified examples of corrective actions TVA had taken to improve the reliability of some aspects of the PSP.

We also found some elements of the PSP process that could impact its reliability. Specifically, we identified (1) significant variance in near-term planned system changes, (2) misalignment of cost assumptions in the modeling and approvals process, (3) some PSP input controls not working as designed, and (4) several SPPs past their review cadence. Additionally, we identified a misalignment between PSP projections and public messaging. TVA management agreed or generally agreed with our recommendations and provided actions planned, ongoing, or taken to address our recommendations to improve the reliability of PSPs and reinforce the process for public communications.

Gas and Hydro Plant Overtime

To help manage the effects of fatigue, TVA Safety Procedure 18.018, *Fatigue Management*, establishes “. . . a process to provide reasonable assurance that the effects of fatigue and degraded alertness do not impact an individual’s ability to safely and competently perform their duties.” Due to the high number of overtime hours worked at some gas and hydro plants and the potential impact on fatigue management, we performed two separate evaluations to assess TVA’s management of overtime at gas and hydro plants.

- Gas Plants – TVA currently operates 101 natural gas- and fuel oil-fired generators at 18 sites. During 2020, we performed an evaluation of overtime worked at TVA gas plants and found a significant amount of overtime was being worked by employees at some plants. In response to that evaluation, TVA hired additional full-time employees at some gas plants.

However, overtime worked at gas plants has continued to increase since our previous evaluation. Specifically, between June 1, 2022, and May 31, 2024, employees at TVA’s gas plants were paid a total of \$119.75 million. Of this \$119.75 million, \$33.6 million (28 percent) was paid for 369,218 hours of overtime to 360 employees. Seven of the 18 gas plants accounted for 73 percent of the overtime hours. The overtime worked was the equivalent of 61 full-time employees. Additionally, we noted 109 instances where individual gas plant employees worked over 1,000 hours of overtime in a single year, including 3 employees with over 1,800 hours.

- Hydro Plants – TVA currently operates 29 power-generating hydro plants and one pumped-storage plant. Between June 1, 2022, and May 31, 2024, employees at TVA’s hydro plants were paid a total of \$71.7 million. Of this \$71.7 million, \$15.1 million (21 percent) was paid for 187,579 hours of overtime to 243 employees. Five of the 30 hydro plants accounted for 58 percent of the overtime hours. The overtime worked was the equivalent of 24 full-time employees. Additionally, there were 30 instances where individual hydro employees worked over 1,000 hours of overtime in a single year, including 2 employees with approximately 2,000 hours of overtime in a single year.

Our evaluations also determined TVA may not be accurately capturing the effects of fatigue at gas and hydro plants because (1) fatigue evaluations are not being performed and (2) fatigue data is not being trended as required by TVA’s *Fatigue Management* procedure.

TVA management agreed with our recommendations to evaluate (1) if additional employees should be hired at gas plants and (2) opportunities to mitigate overtime on specific hydro projects. Management also provided a planned action to evaluate fatigue procedures for enhancements and to ensure they can comply with requirements.

EVALUATIONS – PROJECTS

During this semiannual reporting period, the Evaluations – Projects group completed evaluations of the (1) SQN vendor selection process and (2) General Ledger Modernization project.

SQN Vendor Selection Process

TVA’s Nuclear organization has a vision to be the top nuclear fleet by the end of FY 2025 and an initiative to sustain top quartile performance. Selection of suppliers responsible for maintenance or system upgrades within TVA’s nuclear fleet can affect TVA’s ability to maintain top quartile performance and achieve TVA Nuclear’s vision. Two departments essential for making supplier selections are each plant’s respective Site Projects group and TVA’s Supply Chain (SC) organization. Through soliciting vendors and evaluating vendor bids, these departments are responsible for obtaining the best value to TVA. At SQN, an alliance partner and two other vendors primarily perform the implementation of electrical, maintenance, and modifications projects through established blanket contracts. Because of the importance of supplier selections, we evaluated the solicitation and bid evaluation processes related to vendor selection at SQN. The objective of our evaluation was to determine if solicitation and bid evaluation processes were performed in accordance with TVA’s policies and procedures for electrical, maintenance, and modifications services at SQN.

We determined solicitation and bid evaluation processes were not performed in accordance with TVA’s policies and procedures for electrical, maintenance, and modifications project implementation¹⁰ at SQN as follows:

- Solicitations were not performed in compliance with TVA procedures. Specifically, (1) requirements related to direct awarding of projects were not followed, (2) SC was not always involved in the solicitation process, and (3) adequate information (such as technical specifications, commercial pricing terms, and answers to bidders’ questions) was not always provided to vendors.

- Bid evaluation procedures were not always followed. Specifically, (1) SC was not always involved in the commercial evaluations and (2) independent estimates were not always obtained to assess the reasonableness of vendor proposals.
- Ineffective bid evaluation practices resulted in an inadequate bid evaluation and evaluation scoring that was based on incorrect or inadequate criteria.

TVA management generally agreed with our conclusions and recommendations related to addressing issues identified with the solicitation and bid evaluation processes and ineffective bid evaluation practices.

General Ledger Modernization

TVA’s 5-year Enterprise Technology Plan seeks to transform the way TVA does business through technology and digital innovation. Digital Finance is one of seven efforts within this multi-year initiative, aimed at modernizing and streamlining TVA’s financial systems and processes. Modernization of the general ledger (GL) is the first step within Digital Finance. TVA executed separate contracts for system implementation and the GL software in the summer of 2023. The objectives of the GL Modernization project include implementing an enterprise financial management system with minimal customization, redefining and modernizing TVA’s chart of accounts, and modernizing and optimizing boundary systems (applications, systems, or platforms outside of the GL that interface with the GL).

Since its approval, the project has experienced cost increases and schedule delays. Approved funding increased from \$67.1 million to \$104.7 million in November 2023. Although originally estimated to be completed by June 2025, the in-service date was moved up to January 2025. In December 2024, the GL project was approved for \$169 million in funding with an in-service date of November 2025. Due to the impact of the project across TVA business units, we scheduled an evaluation of the GL Modernization project. The objective of this evaluation was to determine the causes for cost increases and schedule impacts on the GL Modernization project.

¹⁰ Implementation is a phase in the project lifecycle that includes completion of project deliverables.



Raccoon Mountain Reservoir

We identified three primary causes of the cost increases and schedule impacts on the GL Modernization project as follows:

- Inadequate Identification of Project Requirements – Detailed requirements were not identified early in the project. Instead, detailed requirements are being identified as the project progresses. Also, input from key stakeholders was not adequate as the project began. As a result, the GL project team did not understand the complexities and interdependencies of boundary systems and internal reporting needs were not included in the initial project scope.
- Incomplete Project Schedule – The GL project schedule was incomplete and did not include all the project's activities and associated resource needs, such as those related to boundary systems and internal reporting.
- Contractor Management – TVA did not provide effective management of some contractors involved in the project, resulting in missed opportunities to address system integrator performance issues. In addition, TVA contracted for services that may not have provided value to the project. For example, TVA paid a contractor to negotiate savings with the system integrator but project cost increases make it difficult to determine if the savings were legitimate.

TVA management agreed with our recommendations to (1) address issues that were still impacting the current GL project related to boundary systems, reporting, and finalizing a complete schedule; (2) include key stakeholders early in the process in order to identify business units' needs and concerns and managing projects using a complete schedule (for future projects); and (3) take steps to improve management of contractors.

A close-up photograph of several pink dogwood flowers in bloom, with green leaves visible in the background. The flowers are the primary visual element on the left side of the page.

SUMMARY OF REPRESENTATIVE INVESTIGATIONS

During this reporting period, we opened 55 cases and closed 56. Our investigations have resulted in significant civil, criminal, and administrative outcomes. Highlights of investigative accomplishments follow.

Former TVA Nuclear Employee Found Guilty of Time Theft and Falsifying Business Records

TVA OIG investigated a concern alleging Brandon Harless, a TVA Task Manager, engaged in willful falsification of timekeeping documentation. Mr. Harless was hired by TVA at Browns Ferry Nuclear Plant and held a management position since 2014. In this capacity, he provided oversight of contract personnel utilized by TVA to perform services on-site. Mr. Harless was terminated from his TVA employment in April 2020.

The investigation and related analysis identified considerable timekeeping discrepancies from 2017 to 2020 indicative of significant loss to TVA. In May 2021, Mr. Harless was indicted in Limestone County, Alabama, and charged with felony theft of property in the first degree and falsification of business records. In October 2024, Mr. Harless was convicted in a jury trial on both counts. The jury also determined an aggravating factor existed due to prolonged victimization.

In December 2024, Mr. Harless was sentenced to 15 years of state incarceration (suspended), 30 days county incarceration (served), five years of probation, \$16,000 restitution to TVA, and \$675 in associated court costs/fees.

Qui Tam Results in \$3,188,575 Settlement

As a result of the OIG's involvement in the U.S. Attorney's Healthcare Fraud Working Group, the U.S. Attorney's Office for the Eastern District of Tennessee requested TVA OIG join this Qui Tam investigation. Through false claims, Agendia, Inc., and other defendants engaged in a scheme to defraud government healthcare programs by submitting false genomic testing claims for reimbursement. The case was

a joint investigation worked in conjunction with the Office of Personnel Management OIG, Department of Health and Human Services OIG, and Department of Veterans Affairs OIG. The U.S. Attorney's Office for the Eastern District of Tennessee reached a settlement agreement with Agendia, Inc., for a total of \$3,188,575.

Community Specialist Indicted for Accepting Bribes

Federal Bureau of Investigation Huntsville, TVA OIG, and Health and Human Services (HHS) OIG investigated concerns of corruption involving Megan Tillery, a Community Intake Specialist employed with the Community Action Partnership Huntsville/Madison & Limestone Counties, Inc. (CAP). Ms. Tillery's job at CAP includes administering Low Income Home Energy Assistance Program (LIHEAP) benefits in Madison and Limestone Counties. LIHEAP is a federally-funded program administered by HHS that provides assistance to eligible households to pay their utility bills and expenses. TVA program funds are often included in this assistance.

The Alabama Department of Economic and Community Affairs (ADECA) is an Alabama state agency responsible for managing federally funded programs, including LIHEAP, administered by the state. ADECA partners with nonprofit entities in each county to process applications and make payments of LIHEAP funds to utility companies on behalf of eligible households.

The investigation identified several individuals who allegedly paid bribes to Ms. Tillery in exchange for her to disperse LIHEAP benefits to pay residential power bills in Madison/Limestone County, Alabama. In March 2025, Ms. Tillery was indicted in the U.S. District Court, Northern District of Alabama, on ten counts in violation of 18 U.S.C. § 1952(a)(3) Use of a Facility in Interstate Commerce in Furtherance of Unlawful Activity.

Pandemic Response Accountability Committee Task Force Cases

TVA OIG participates in the Pandemic Response Accountability Committee (PRAC) Task Force. The PRAC is an initiative through the CIGIE established to promote transparency and facilitate coordinated oversight of the federal government’s COVID-19 pandemic response. The PRAC’s 20-member Inspectors General identify major risks that cross program and agency boundaries to detect fraud, waste, abuse, and mismanagement in the more than \$5 trillion in COVID-19 spending, including spending via the Paycheck Protection Program (PPP) and Economic Injury Disaster Loan (EIDL) program.

TVA OIG entered into a Memorandum of Understanding (MOU) with the PRAC Task Force in 2021. The PRAC established these MOUs with numerous OIGs in the CIGIE community for the purposes of leveraging their investigative units that would otherwise not have jurisdiction to investigate these potential fraud cases.

The PRAC Task Force referred its first case for investigation to TVA OIG in June 2021. The case alleged a potential fraud ring matter in Northern Alabama. During the ensuing investigation, TVA OIG identified multiple subjects with related fraudulent PPP/EIDL activity in the region. Through the PRAC Task Force, eight additional PPP/EIDL fraud cases connected to the original subject were identified and investigated as part of the potential fraud ring. Ultimately, all subjects were prosecuted by the U.S. Attorney’s Office in the Northern District of Alabama, resulting in eight federal convictions, one pretrial diversion, \$271,780 in restitution, 25 months of incarceration, 12 months of home detention, and 288 months of probation.

In addition to the nine cases referenced above, TVA OIG has initiated another three fraud investigations in conjunction with the PRAC Task Force to-date, resulting in a total of ten prosecutions and \$343,249 in restitution. One of these investigations identified a

TVA senior-level employee with PPP/EIDL loan application issues. These loan applications were completed prior to the individual’s TVA employment. As a result of the investigation, the employee resigned and agreed to make restitution (See Appendix 5). The PRAC MOU is an example of how a successful task force operation can leverage multiple agencies in effectively investigating fraud affecting the U.S. Government.

As a member of the PRAC Task Force, TVA OIG recently identified and is currently investigating an additional \$2.7 million in potential fraud loss to the federal government. In addition to PRAC Task Force related matters, TVA OIG has identified potential pandemic funding fraud associated with agency employees through internal data analysis and is actively investigating at this time.

Environmental Services Company and Vice President Sentenced, Fined \$50,000

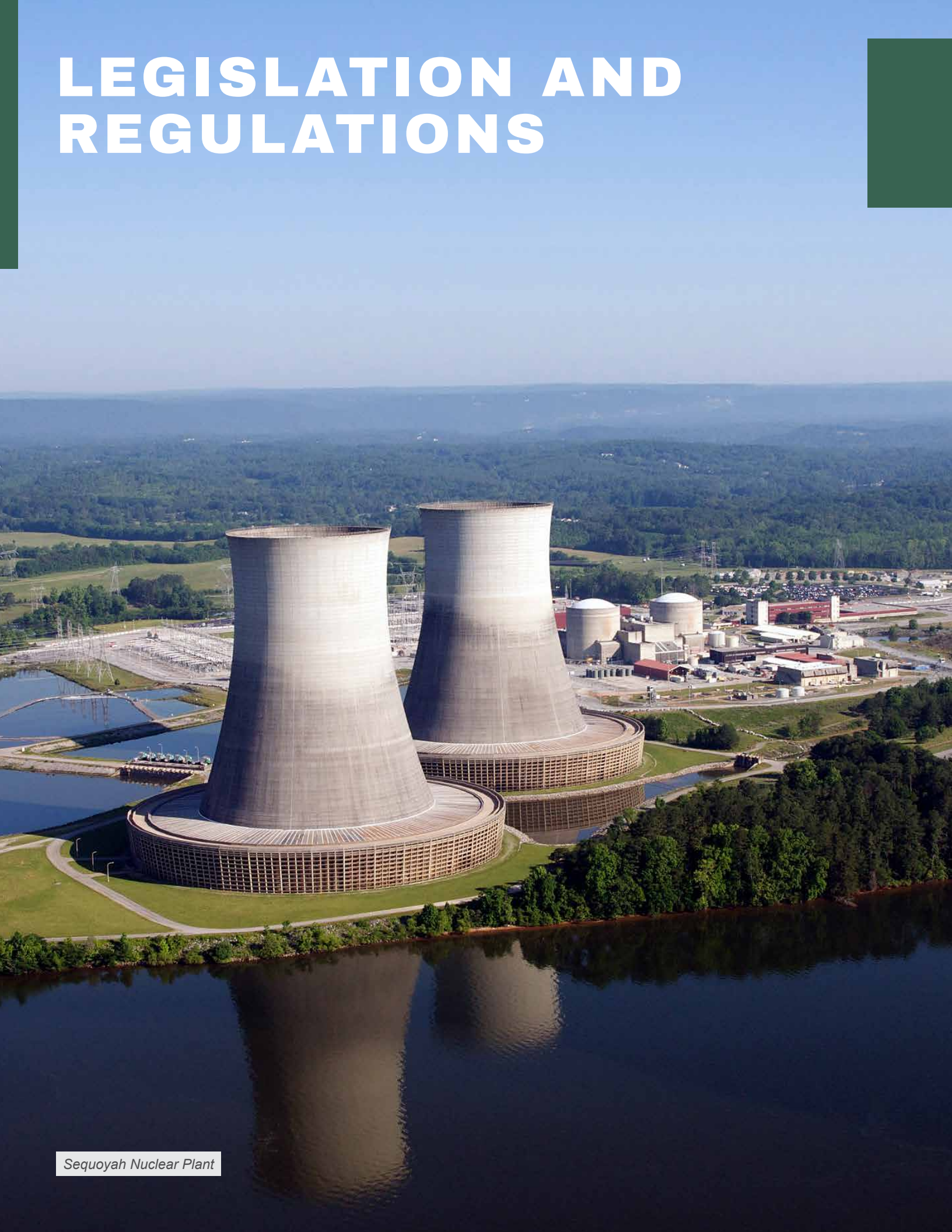
As reported in the FY 2024 fall semiannual report, Christopher Domermuth and Domermuth Environmental Services (DES) pled guilty to violating the Clean Water Act, by knowingly discharging pollutants into a navigable waterway without a permit. Mr. Domermuth operates DES, which is in the business of processing petroleum-contaminated soil and water in Knoxville, Tennessee. On December 12, 2024, DES, in Knoxville, Tennessee, was sentenced to pay a \$50,000 fine and placed on corporate probation for a period of 3 years, during which it is prohibited from receiving liquid wastes for treatment or disposal. Operations Vice President Christopher J. Domermuth was sentenced to a term of probation of one year, including a requirement to participate in a drug treatment program.



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.



Sequoyah Nuclear Plant

INDEX OF REPORTING REQUIREMENTS UNDER THE INSPECTOR GENERAL ACT

REPORTING	REQUIREMENT	PAGE OR APPENDIX
Section 4(a)(2)	Review of legislation and regulations.	36-37
Section 5(a)(1)	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.	18-35
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.	32-35
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 8
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 6

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 descriptions of the particular circumstances of each (a) inspection, evaluation, and audit conducted by the Office that is closed and was not disclosed to the public; and (b) investigation conducted by the Office involving a senior government employee that is closed and was not disclosed to the public.	None

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 MARCH 31, 2025

Report Number and Date	Title	Questioned Costs	Unsupported Costs	Funds Put To Better Use
CONTRACT AUDITS				
2024-17515 11/14/2024	Proposal for Small Modular Reactor and Clinch River Nuclear Project	\$0	\$0	\$1,670,000
2024-17490* 11/25/2024	Proposal for Small Modular Reactor and Clinch River Nuclear Project	0	0	2,490,000
2024-17514 11/25/2024	Proposal for Small Modular Reactor and Clinch River Nuclear Project	0	0	749,000
2024-17498 12/05/2024	GE Vernova International, LLC - Contract No. 11930	4,278	0	0
2024-17477 01/16/2025	Burns and McDonnell Engineering - Contract No. 15388	661,404	0	2,520,000
2024-17524 01/30/2025	Proposal for New Caledonia Gas Plant	0	0	63,661,292
FINANCIAL AND OPERATIONAL AUDITS				
2024-17526 11/07/2024	Agreed-Upon Procedures for TVA Fiscal Year 2024 Performance Measures	\$0	\$0	\$0
2024-17502 11/26/2024	TVA's Cost of Service Study	0	0	0
2024-17480 12/02/2024	Expenditures for Contributions, Donations, and Grants	0	0	0
2024-17481 12/18/2024	Solar Panels Purchased for Lawrence County Solar Project	0	0	0
2024-17482 02/25/2025	TVA's Solar Power Purchase Agreements	0	0	0
2024-17501 03/17/2025	TVA One Card	0	0	0
INFORMATION TECHNOLOGY AUDITS				
2024-17478 11/07/2024	TVA's Privacy Program	\$0	\$0	\$0
2024-17508 01/30/2025	Cybersecurity Vulnerability Management	0	0	0
TOTAL AUDITS (14)		\$665,682	\$0	\$71,090,292

*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.tvaoig.gov>.

OIG EVALUATION REPORTS • ISSUED DURING THE SIX-MONTH PERIOD ENDED MARCH 31, 2025
(CONTINUED)

Report Number and Date	Title	Questioned Costs	Unsupported Costs	Funds Put To Better Use
EVALUATIONS - OPERATIONS				
2024-17499 11/19/2024	Gas Operations Clearances	\$0	\$0	\$0
2023-17465 12/13/2024	TVA's Analysis of the Power Supply Plan Reliability	0	0	0
2024-17511 01/15/2025	Gas Plant Overtime	0	0	0
2024-17513 01/15/2025	Hydro Plant Overtime	0	0	0
EVALUATIONS - PROJECTS				
2024-17487 01/14/2025	Sequoyah Nuclear Plant Vendor Selection Process	\$0	\$0	\$0
2024-17485 03/18/2025	General Ledger Modernization	0	0	0
TOTAL EVALUATIONS (6)		\$0	\$0	\$0

Note: A summary of or link to the full report may be found on the OIG’s Web site at <https://www.tvaig.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 78 recommendations associated with 14 audit and 5 evaluation reports issued in a prior period. Presented below for each audit and evaluation are the report number, date, and title, along with a brief description of action management agreed to take to resolve the open recommendation, including the date management expects to complete final action and potential cost savings. (Report numbers followed by an "*" indicates management decision was received during this semiannual period.)

Audit Report Number and Date	Report Title and Actions Agreed to by Management to Resolve Recommendations
2023-17434 04/29/2024	Corporate Wi-Fi Security
	TVA agreed to (1) continue implementation of an upgraded wireless infrastructure; (2) remediate insecure protocols; and (3) implement a more robust configuration compliance process. TVA expects to complete final action by November 4, 2025.
2023-17437 05/08/2024	GE Hitachi Nuclear Energy Americas LLC (GEH) - Contract No. 10354
	TVA agreed to enter into negotiations with GEH to recover (a) \$1,080,779 in costs that did not have a corresponding billing rate in the contract, (b) \$256,155 in overbilled rates, (c) \$59,216 in unsupported costs, and (d) \$3,536,279 in noncraft subcontract labor. In addition, TVA agreed to enter into negotiations with GEH to (1) ensure airfare and mileage costs are billed in accordance with the contract; (2) determine if revisions to the contract's pricing schedules are needed; (3) revise the language in the contract and/or attachments to reflect TVA's intent on reimbursement of subcontractor costs; (4) require GEH to identify subcontract costs on the invoices and related contract documentation; and (5) revise the contract's pricing schedules as required to clarify certain rates in the contract. TVA expects to complete final action by May 8, 2025.
2022-17369 05/09/2024	TVA's Invoice Review and Approval Process
	TVA agreed to (1) explore options to improve communication of contract changes between contracting officers (CO) and field invoice approvers (FIAs); (2) review contract administration policies and procedures related to (a) information in Enterprise Asset Management and contract changes and amendments, (b) order of precedence clauses, and (c) purchase orders; (3) review FIA training materials, contents, and frequency; (4) review policies and procedures related to the roles of both COs and FIAs and revise policies, as necessary; and (5) review procedures to assess employee understanding of and adherence to contract terms and conditions and how they relate to invoice approvals. TVA expects to complete final action by May 9, 2025.
2023-17447 05/15/2024	Commercial Reservoir Land Use Agreements
	TVA agreed to review options to modify land use agreements to only require one operating plan at contract execution and a new plan only if changes are made. TVA expects to complete final action by May 14, 2025.
2024-17471 05/24/2024	Modis, Inc. Contract No. 16781
	TVA agreed to (1) enter into negotiations to recover \$18,000 for an ineligible conversion fee and (2) seek to ensure all contracts' pricing schedules included in the contracts are compliant with compensation clauses and deliver value to the Tennessee Valley. TVA expects to complete final action by May 24, 2025.

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

Audit Report Number and Date	Report Title and Actions Agreed to by Management to Resolve Recommendations
	Fixed Wing Aircraft TVA agreed to (1) continue to audit trip documentation and authorization records on a monthly basis; (2) update TVA-SPP-32.041, <i>Use of TVA Fixed Wing Aircraft</i> , to (a) consider all other practical modes of transportation prior to trip approval for trips requiring such approval, (b) include guidance regarding nonfederal travelers, (c) update the operating costs used in the cost comparison model annually, and (d) include the restricted passenger list and approvals required; (3) ensure trips requiring a cost comparison are captured in the trip request tool, with the cost justification attached prior to approval; (4) update the trip request tool to use electronic approval and/or electronic storage and organization of management authorizations for travelers without blanket authorizations; (5) utilize the trip request tool to ensure that approval and executive review occur prior to flights; (6) verify that all senior federal travelers and nonfederal travelers are reported to the General Services Administration (GSA) on a semiannual basis; (7) take steps to ensure accurate financial and utilization data is submitted to the GSA; (8) work with the TVA Board to clarify the intent of TVA's Board Practice, <i>Use of TVA Aircraft</i> , regarding whether all travel by Tier 1 passengers should be considered required use; and (9) update TVA-SPP-32.040, <i>Use of TVA Aviation Assets</i> , audit requirements from semiannual to once every three years and continue to conduct a monthly review of all travel-related flights to ensure adequate documentation and authorization. TVA expects to complete final action by December 31, 2025.
	Operational Technology (OT) Cybersecurity - Combined Cycle Plant TVA agreed to (1) develop an OT contingency plan for the site as part of the Federal Information Security Modernization Act control contingency planning; (2) complete a site inventory project; (3) document, implement, and monitor OT system baselines; (4) establish cybersecurity monitoring as part of the Continuous Diagnostics and Mitigation project; and (5) perform a full risk assessment and establish risk registry items as needed. TVA expects to complete final action by June 3, 2025.
	Emerson Process Management Power & Water Solutions, Inc. (Emerson) - Contract No. 14688 TVA agreed to (1) attempt to recover \$702,108 in price discrepancies; (2) amend the contract to (a) include Emerson's 2021 and 2023 pricing books and determine if the costs questioned by the OIG related to those pricing books are overstated, (b) incorporate all of Emerson's relevant price books, and (c) remove language about an intent to compete fixed price work and consider amending the contract to clarify pricing for fixed price work; and (3) upload Emerson's price books into Maximo for accessibility. TVA expects to complete final action by July 30, 2025.
	SharePoint Access Management TVA agreed to (1) create a process to identify all current and potential SharePoint® site owners and require them to complete initial and periodic refresher training and (2) perform a risk assessment of SharePoint® access management to identify additional controls to mitigate inappropriate access to nonpublic critical and sensitive information. TVA expects to complete final action by August 7, 2025.
	Service Electric Company - Contract No. 16986 TVA agreed to (1) require a detailed price breakout for all price changes on fixed price projects; (2) develop approaches that provide additional consideration for cost-reimbursable terms in executing work; (3) develop processes to better ensure that adequate competition has been provided in the bidding process when fixed price is determined to be the best approach for executing work; and (4) have Supply Chain collaborate with Contract Partner Management to determine if there are viable opportunities for process improvement. TVA expects to complete final action by August 19, 2025.

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

Audit Report Number and Date	Report Title and Actions Agreed to by Management to Resolve Recommendations
	2024 Federal Information Security Modernization Act TVA agreed to (1) define, consistently implement, and communicate qualitative or quantitative performance measures on the effectiveness of its engineering design review process and the security configuration benchmark standards; (2) implement automated monitoring over its information systems/enclaves using the Department of Homeland Security's Continuous Diagnostics and Mitigation (CD&M) program; (3) enhance existing processes for developing and maintaining an accurate and complete inventory of TVA's information systems and create near real-time updates within CD&M dashboard; (4) implement, assess, and maintain common secure configuration settings for identified information systems; and (5) perform the configuration management roles and responsibilities that have been defined for common secure configurations and enterprise-wide configuration management plans. TVA expects to complete final action by April 30, 2025.
	Wesco Distribution, Inc. - Contract No. 13421 TVA agreed to take action to recover (a) \$22,820 in overbilled rates for items without unique item number costs, (b) \$37,870 in overbilled rates for items with unique item number costs, and (c) \$88,556 in unsupported costs. Additionally, TVA agreed to review items not added to contracts' pricing lists that are purchased multiple times annually. TVA expects to complete final action by September 18, 2025.
	BFI Waste Systems of North America, LLC dba South Shelby Landfill - Contract No. 15327 TVA agreed to (1) take action to recover (a) \$459,356 in overbilled fuel costs and (b) \$96,072 in costs that had not been trued up to actual costs; (2) attempt to reverse a per ton rate increase TVA agreed to in conjunction with TVA's request for increased workload with reduced operating hours; and (3) enact amendments to the contract (a) establishing a threshold for when the performance bond true-up will take place and (b) adding hauling rates and additional scope of work for the hauling and disposal of noncoal combustion residual material. TVA expects to complete final action by September 24, 2025.
	Barnard Construction Company, Inc. (Barnard) - Contract No. 13159 TVA agreed to (1) clarify the fees and incentives that are provided for in the contract and monitor at-risk fees to ensure that any exceeding seven percent are exceptions and only applied when necessary for business purposes; (2) monitor the accuracy of Barnard's billing rates to help ensure TVA is charged in alignment with the contract terms (if overbillings or errors are identified, TVA will engage with Barnard to evaluate billing process changes to consider billing actual salary plus markups for salaried personnel); and (3) negotiate a contract amendment with Barnard to align contract language with Barnard's billing methodology. TVA expects to complete final action by September 24, 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
	Building and Infrastructure Management
2023-17441 04/18/2024	TVA agreed to (1) continue developing a guidance document outlining the inspection frequency for all TVA roofs, along with the inspection frequency to conduct condition assessments; (2) continue evaluating and identifying which assets in a failed or poor condition require corrective action; and (3) develop a plan outlining the roles and responsibilities and inspection frequency to conduct condition assessments, including assessment of building and infrastructure safety risks. TVA expects to complete final action by April 18, 2025.
	Quality Management of the Colbert Combustion Turbine Expansion Project
2023-17463 05/16/2024	TVA agreed to add additional language to future contracts to provide clear expectations around on-site quality inspections. TVA expects to complete final action by May 16, 2025.
	TVA's Cumberland Energy Solution Project
2023-17462* 08/07/2024	TVA agreed to (1) continue to evaluate contracting strategies on an individual project basis for complexity, risk, and market; (2) evaluate the Trade Agreements Act compliance process and make changes as needed to improve compliance; (3) review the process currently in place to ensure Technology and Innovation Cybersecurity engagement in projects both prior to contract award and post award as needed; and (4) initiate routine meetings around potential risks and prepare a joint mitigation plan (Major Projects, Supply Chain, and Cybersecurity) for this project and future projects. TVA expects to complete final action by August 7, 2025.
	TVA's Portfolio Management Process
2023-17461 09/12/2024	TVA agreed to (1) continue using the reverse capital flex list process as currently described and clarify the use of management's discretion in the <i>Portfolio Management Guide</i> ; (2) identify solutions to prevent the execution of purchase orders for projects that do not have all required approvals; and (3) review and update appropriate policies, procedures, and/or guidelines for clarification and alignment of processes around (a) economic analyses and (b) project optimization. TVA expects to complete final action by September 12, 2025.
	Selection Process for Major Equipment Suppliers
2024-17493 09/24/2024	TVA agreed to (1) assess the Cumberland and Kingston procurements for cybersecurity risk and take any necessary actions; (2) evaluate whether there is a need to establish and/or clarify responsibilities related to Supply Chain cybersecurity compliance with standards for equipment covered in procurements; and (3) ensure on future procurements that all applicable TVA specifications are (a) included in solicitation documentation and (b) within the required update cadence. TVA expects to complete final action by September 24, 2025.

INVESTIGATIVE REFERRALS AND PROSECUTIVE RESULTS

Referrals	
Reports Issued to TVA Management	0
Subjects Referred to U.S. Attorneys	8
Subjects Referred to State/Local Authorities	1
Results	
Subjects Indicted/Informations Filed	1
Subjects Convicted	2
Pretrial Diversion	1
Federal Referrals Declined	5
State/Local Referrals Declined	1

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

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

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

SUBSTANTIATED INVESTIGATIONS INVOLVING SENIOR AGENCY OFFICIALS

Case No.	Allegation and Disposition
22-0060	<p>During the course of a review of TVA employee receipt of federal pandemic funding, a former TVA Vice President was identified as having potential issues with federal funding he received. TVA OIG participates in the Pandemic Response Accountability Committee (PRAC) Task Force, an initiative through the Council of Inspector Generals on Integrity and Efficiency established to promote transparency and facilitate coordinated oversight of the federal government’s COVID-19 pandemic response.</p> <p>The PRAC’s 20-member Inspectors General identify major risks that cross program and agency boundaries to detect fraud, waste, abuse, and mismanagement in the more than \$5 trillion in COVID-19 spending, including spending via the Paycheck Protection Program (PPP) and Economic Injury Disaster Loan (EIDL) program. After identifying a potential issue with funds specific to this employee, the information was provided to the PRAC Task Force where it was further reviewed and subsequently assigned to TVA OIG for investigation.</p> <p>The Federal Bureau of Investigation Memphis Division joined the investigation which ultimately identified potential federal criminal offenses in connection with a PPP loan application and an EIDL application, both prior to this individual’s TVA employment. These submissions appeared to contain false statements in potential violation of 18 USC 1001 and possibly other federal offenses. The case was accepted for prosecution on January 27, 2022. As part of a diversion agreement with the United States Attorney’s Office, the employee opted to resign from federal employment, effective November 1, 2024, and to make restitution in the amount of \$71,469 as applicable.</p>

Metrics: 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 with salaries equal to or greater than 86.5 percent of the rate for level II of the Executive Schedule.



APPENDIX 6
HIGHLIGHTS - STATISTICS

	MAR 31, 2025	SEPT 30, 2024	MAR 31, 2024	SEPT 30, 2023	MAR 31, 2023
AUDITS					
AUDIT STATISTICS					
Carried Forward	19	20 ¹	17 ²	18 ³	16
Started	12	15	13	7	14
Canceled	(0)	(0)	(0)	(0)	(0) ⁴
Completed	(14)	(17)	(9)	(9)	(10)
In Progress at End of Reporting Period	17 ⁵	19 ⁶	20 ⁷	17 ⁸	18
AUDIT RESULTS (Thousands)					
Questioned Costs	\$666	\$25,124	\$2,940	\$6,197	\$6,177
Disallowed by TVA	\$666	\$11,124	\$2,940	\$2,084	\$6,177
Recovered by TVA	\$401	\$67	\$517	\$221	\$1,550
Funds to Be Put to Better Use	\$71,090	\$22,990	\$0	\$54,290	\$33,282
Agreed to by TVA	\$71,090	\$22,990	\$0	\$58,680 ⁹	\$48,992 ⁰
Realized by TVA	\$749	\$0	\$54,290 ¹¹	\$0	\$20,100
OTHER AUDIT-RELATED PROJECTS					
Completed	3	5	3	3	4
Cost Savings Identified/Realized	\$0	\$0	\$0	\$0	\$0
EVALUATIONS					
Completed	6	8	5	8	5
Cost Savings Identified/Realized (Thousands)	\$0	\$0	\$9,713	\$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 Two projects were postponed during the period.
⁵ Does not include one project that was postponed prior to the period.
⁶ Ibid.
⁷ Ibid.
⁸ Includes one project that had previously been postponed.
⁹ Includes amounts identified in a prior period.
¹⁰ Ibid.
¹¹ Amounts were identified in the prior period.

HIGHLIGHTS - STATISTICS (CONTINUED)

	MAR 31, 2025	SEPT 30, 2024	MAR 31, 2024	SEPT 30, 2023	MAR 31, 2023
INVESTIGATIONS ¹²					
INVESTIGATION CASELOAD					
Opened	55	46	58	66	62
Closed	56	48	61	68	59
In Progress at End of Reporting Period	57	58	61	69	73
INVESTIGATIVE RESULTS (Thousands)					
Restitution - Court Ordered	\$133.5	\$124.3	\$192.8	\$80.1	\$135.8
Civil Settlement ¹³	\$3,188.6	\$0	\$0	\$6,640.0	\$1,450.0
Recoveries ¹⁴	\$6.5	\$166.1	\$0	\$325.3	\$274.4
Projected Savings	\$0	\$0	\$332.0	\$0	\$0
Fines/Penalties/Fees	\$51.3	\$0.2	\$0.3	\$.2	\$100.1
Waste/Other Monetary Loss	\$0	\$0	\$212.7	\$145.1	\$0
Forfeiture(s) Ordered - Criminal	\$0	\$0	\$0	\$0	\$0
Forfeiture(s) Ordered - Civil	\$0	\$0	\$0	\$0	\$0
MANAGEMENT ACTIONS					
Disciplinary Actions Taken (Number of Subjects)	4	3	2	5	4
Counseling/Management Techniques Employed (Number of Cases)	6	5	10	6	8
Debarments	0	0	0	0	0
PROSECUTIVE ACTIVITIES (Number of Subjects)					
Referred to U.S. Attorneys	8	15	5	5	20
Referred to State/Local Authorities	1	0	0	0	0
Indicted/Informations Filed	1	0	6	5	1
Convicted	2	6	2	3	2
Pretrial Diversions	1	0	1	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	0
--	---	---	---	---	---

¹² These numbers may include task force activities and joint investigations with other agencies.
¹³ Of this amount \$3,564.11 is to be paid to TVA and the remaining will be paid to other agencies/entities.
¹⁴ Sum of all administrative recoveries pursued by TVA or repayments made as a result of investigative events occurring during the reporting.

GOVERNMENT CONTRACTOR AUDIT FINDINGS

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



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.tvaog.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.tvaog.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.tvaog.gov/peer-review-reports>.

GLOSSARY



Kentucky Dam

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.

ADECA	Alabama Department of Economic and Community Affairs
Barnard	Barnard Construction Company, Inc.
Blue Book	Quality Standards for Inspection and Evaluation
BOD	Binding Operational Directive
CAP	Community Action Partnership Huntsville/Madison & Limestone Counties, Inc.
CD&M	Continuous Diagnostics and Mitigation
CES	Commercial Energy Solutions
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CISA	Cybersecurity and Infrastructure Security Agency
CO	Contracting Officers
DES	Domermuth Environmental Services
EAIP	Executive Annual Incentive Plan
EIDL	Economic Injury Disaster Loan
Emerson	Emerson Process Management Power & Water Solutions, Inc.
EXIM	Export-Import Bank of the United States
EY	Ernst & Young LLP
FIAs	Field Invoice Approvers
FY	Fiscal Year
GEH	GE Hitachi Nuclear Energy Americas LLC
GL	General Ledger
GSA	General Services Administration
HHS	Health and Human Services
HUD	U.S. Department of Housing and Urban Development
IG	Inspector General
IP	Internet Protocol
IRP	Integrated Resource Plan
IT	Information Technology
KEVs	Reducing the Significant Risk of Known Exploited Vulnerabilities
LCS	Lawrence County Solar
LIHEAP	Low Income Home Energy Assistance Program
MOU	Memorandum of Understanding
MW	Megawatts
NPV	Net Present Value
OIG	Office of the Inspector General
OT	Operational Technology
PIA	Privacy Impact Assessments
PII	Personally Identifiable Information
PPAs	Power Purchase Agreements
PPP	Paycheck Protection Program
PRAC	Pandemic Response Accountability Committee
PSPs	Power Supply Plans
QAR	Quality Assessment Review
REC	Renewable Energy Credits
RPPII	Restricted Personally Identifiable Information
SC	Supply Chain
SEC	U.S. Securities and Exchange Commission
SPP	Standard Programs and Processes
SQN	Sequoyah Nuclear Plant
TVA	Tennessee Valley Authority
U.S.	United States
WP	Winning Performance



EmPowerline®

Help Us Make TVA Better



If you see something that doesn't look right, say something. By doing so, you help the OIG stop fraud, waste, and abuse in its tracks! Anonymous & Confidential. The **EMPOWERLINE®** is a safe outlet for reporting and is available **24/7**.



HOTLINE

Contact the hotline for reporting anonymous and confidential concerns at:

www.oigempowerline.com

Toll-Free 855-882-8585

REPORT FRAUD, WASTE, AND ABUSE

Examples include:

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

WHISTLEBLOWER COORDINATOR

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. Emails may be direct to: whistleblowercoordinator@tvaig.gov.



OFFICE OF THE INSPECTOR GENERAL
TENNESSEE VALLEY AUTHORITY
400 West Summit Hill Drive
Knoxville, TN 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.

CONTACT US



24 hours.



TVA OIG VALUES

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

EFFECTIVE COMMUNICATION

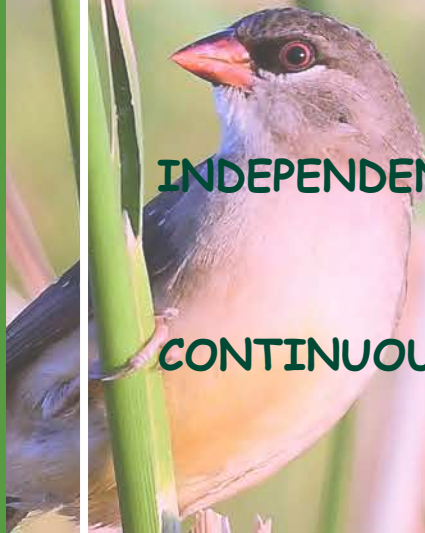
TRUSTING RELATIONSHIPS

INTEGRITY

INDEPENDENCE

CONTINUOUS IMPROVEMENT

ACCOUNTABILITY







Office of the Inspector General
TENNESSEE VALLEY AUTHORITY
Semiannual Report
October 1, 2024 - March 31, 2025