



Memorandum from the Office of the Inspector General

July 10, 2025

Laura J. Campbell

**REQUEST FOR MANAGEMENT DECISION – AUDIT 2024-17518 – TVA'S PROCESS
FOR ISSUING PURCHASE ORDERS UNDER BLANKET CONTRACTS**

Attached is the subject final report for your review and management decision. Your written comments have been incorporated into the report. You are responsible for determining the necessary actions to take in response to our findings. Please advise us of your management decision within 60 days from the date of this report. In accordance with the Inspector General Act of 1978, as amended, the Office of the Inspector General is required to report to Congress semiannually regarding audits that remain unresolved after 6 months from the date of report issuance.

If you have any questions or wish to discuss our findings, please contact Chad B. Bube, Director, Contract Audits, at (865) 633-7334. We appreciate the courtesy and cooperation received from your staff during the audit.

David P. Wheeler
Assistant Inspector General
(Audits and Evaluations)

KUR:KDS

Attachment

cc (Attachment):

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OIG File No. 2024-17518



Office of the Inspector General

Audit Report

To the Vice President,
Supply Chain

TVA'S PROCESS FOR ISSUING PURCHASE ORDERS UNDER BLANKET CONTRACTS

Audit Team
Kristi U. Reynolds
Colton T. Gentry

Audit 2024-17518
July 10, 2025

ABBREVIATIONS

CO	Contracting Officer
PO	Purchase Order
NPG	Nuclear Power Group
SPP	Standard Programs and Processes
TRANS-CON	Transmission Construction
TRANS-ENG	Transmission Engineering
TPP	Transmission Planning and Project
TVA	Tennessee Valley Authority

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MEMORANDUM DATED JULY 8, 2025, FROM LAURA J. CAMPBELL TO
DAVID P. WHEELER



Audit 2024-17518 – TVA’s Process for Issuing Purchase Orders Under Blanket Contracts

EXECUTIVE SUMMARY

Why the OIG Did This Audit

The Tennessee Valley Authority’s (TVA) Supply Chain organization enters into blanket contracts with vendors to support TVA goals and lower total costs to TVA. Blanket contracts are defined as open-scope contracts under which TVA may place multiple orders for designated products or services over a set timeframe. Defined scopes of work and TVA’s commitment to buy are established through purchase orders (PO) issued against existing blanket contracts.

Under appropriate circumstances, TVA may group multiple blanket contracts that have the same general scope of work under a master contract. TVA’s Supply Chain Buyer Guide, which defines best practices for contracting officers, describes this process as the competitive model. According to the Buyer Guide, competitions between vendors under a competitive model can often be conducted quickly to better support organizational needs.

Due to issues identified in previous audits related to TVA’s lack of competition of fixed price POs, we conducted an audit to assess TVA’s process for evaluating and awarding POs issued under blanket contracts. Our audit scope focused on POs issued under blanket contracts where TVA has multiple blanket contracts for a general scope of work. This included 72 master contracts associated with 380 blanket contracts. There were 29,406 POs issued under the blanket contracts with spend totaling \$2.3 billion for the period October 1, 2021, to September 17, 2024.

What the OIG Found

In summary, we determined TVA does not have an overall policy and there are limited procedures and guidance for evaluating and awarding POs issued under blanket contracts where TVA has multiple blanket contracts for a general scope of work. This has resulted in inconsistencies in how Supply Chain and the organizations have evaluated and awarded POs. Specifically, we determined there were inconsistencies in the level of (1) competition between prequalified vendors when issuing POs and (2) Supply Chain involvement in the evaluation and selection of vendors. With limited guidance on evaluating and awarding POs issued under blanket contracts, TVA increases its risk of not achieving best value for TVA.



Audit 2024-17518 – TVA’s Process for Issuing Purchase Orders Under Blanket Contracts

EXECUTIVE SUMMARY

What the OIG Recommends

Since the Supply Chain Buyer Guide is only applicable to the Supply Chain organization, we recommend the Vice President, Supply Chain, develop an agency-wide standard program and process defining the process for evaluating and awarding POs under blanket contracts. The standard program and process should define when (1) the product or service should be competed among multiple vendors before issuing a PO and (2) deviations from competition guidelines are acceptable.

TVA Management Comments

In response to our draft report, TVA management agreed with the findings and stated they are evaluating alternative solutions to the recommendation of creating an agency wide standard program and process. See the Appendix for TVA management’s complete response.

BACKGROUND

The Tennessee Valley Authority (TVA) Standard Programs and Processes (SPP) 04.000, *Management of the TVA Supply Chain Process*, applies to all activities and supporting processes related to sourcing strategy, materials management, and contracting for products, services, and contingent labor. The overall objective of the SPP is to support TVA goals and lower total costs to TVA. In alignment with these objectives, TVA's Supply Chain organization enters into blanket contracts with vendors. Blanket contracts are defined as open-scope contracts under which TVA may place multiple orders for designated products or services over a set timeframe. The blanket contracts are typically competed, and the vendors that are awarded blanket contracts have been technically and commercially prequalified to provide a general scope of work.

Defined scopes of work and TVA's commitment to buy are established through purchase orders (PO) issued against an existing blanket contract. Specifically, when a business need arises, the organization initiates a purchase requisition, which includes the detailed scope of work to be performed and all reviews and approvals in accordance with the respective organization requirements. The purchase requisition is submitted to Supply Chain, who is responsible for determining the appropriate method for acquiring the product or service, including determining if a current blanket contract exists for the product or service. Supply Chain verifies the information on the purchase requisition is completed appropriately and issues a PO.

Under appropriate circumstances, TVA may group multiple blanket contracts that have the same general scope of work under a master contract.¹ The Supply Chain Buyer Guide, which defines best practices and is described by Supply Chain management as a guidance document to ensure contracting officers (CO) have a more in-depth perspective on the supply chain process, describes this process as the competitive model. Under the competitive model, TVA utilizes a balanced or optimized level of competition among existing blanket contract vendors to add value and benefit to TVA's contracting process. Using the competitive model approach, when a specific project or need arises, proposals are requested from some or all the prequalified vendors that were awarded blanket contracts under the master contract. According to the Supply Chain Buyer Guide, competitions between vendors under a competitive model are most often focused on price and schedule and can often be conducted quickly to better support organizational needs.

The Supply Chain Buyer Guide provides that when the competitive model is used, documentation should be created describing how the competitive model will work, including a list of all prequalified vendors, competition thresholds, etc.

¹ TVA uses master contracts for approvals of the total combined potential spend for the general scope of work.

The following organizations have specific policies or guidance regarding issuing POs under existing blanket contracts that have the same general scope of work:²

- For work performed for TVA's Transmission organization, the Transmission Planning and Project (TPP) Contract Partner Management group implemented (1) Transmission Construction (TRANS-CON) SPP-07.201, *Contract Partner Management Construction Task Management*, and (2) Transmission Engineering (TRANS-ENG) SPP-09.100, *Contractor Partner Management/Transmission Contract Engineering Task Management*.
- For work performed for TVA's Nuclear organization, the nuclear power group implemented Nuclear Power Group (NPG) SPP-19.6, *TVA Nuclear Project Management Process*.

In addition, for design engineering services performed across TVA organizations, Supply Chain developed the *Supply Chain Engineering Services Contracts Buyers Guide* to provide guidance on how TVA organizations are to (1) select pricing methodologies, (2) solicit and compete bids, and (3) issue POs for engineering services tasks under 15 blanket contracts with engineering services contractors.

Due to issues identified in previous audits related to TVA's lack of competition of fixed price POs, we initiated an audit of TVA's process for issuing POs under blanket contracts where TVA has multiple blanket contracts for a scope of work.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to assess TVA's process for evaluating and awarding POs issued under blanket contracts. Our audit scope focused on POs issued under blanket contracts where TVA has multiple blanket contracts for a general scope of work. This included 72 master contracts associated with 380 blanket contracts. There were 29,406 POs issued under the blanket contracts with spend totaling \$2.3 billion for the period October 1, 2021, to September 17, 2024.

To achieve our objective, we:

- Obtained and reviewed TVA's policies, procedures, and guidance related to evaluating and awarding POs issued under blanket contracts.
- Judgmentally selected a sample of 21 POs, totaling \$180 million, to perform detailed testing of the process used to issue the POs. To select the judgmental sample of 21 POs, we (1) grouped the 72 master contracts into broad categories (i.e., nuclear, fossil and gas, hydro, facilities, corporate, major projects, and transmission) and (2) selected the three POs with the highest spend associated with different contracts under each category. The

² The procedures and guidance were identified during (1) interviews of COs, contract technical stewards, and other applicable personnel associated with 21 sampled POs, (2) research of TVA's policies, and (3) prior TVA Office of the Inspector General reports. There could be other policies, procedures, or guidance available to other organizations that we were not made aware of during our review.

resulting sampled POs had spend ranging from \$232,000 to \$113 million and were from 15 different TVA organizations. Since this was a judgmental sample, the results of our testing cannot be projected to the population.

- Interviewed COs, contract technical stewards, and other applicable personnel associated with the 21 sampled POs to determine TVA's process for evaluating and awarding POs under blanket contracts.
- Obtained and reviewed solicitation, proposal, and pricing methodology documentation for the sampled POs to verify information provided during interviews.
- Compared the vendor selection process for the sampled POs to the Supply Chain Buyer Guide to determine if the best practice was followed.

We determined internal control was significant to our objective of assessing TVA's process for evaluating and awarding POs issued under blanket contracts. The relevant controls identified were:

- TVA-SPP-04.000, *Management of the TVA Supply Chain Process*, which states TVA's supply management decisions are made by weighing several policy criteria. In support of TVA's mission and goals, when managing TVA's supply chain, it is TVA's policy to consider all factors (not necessarily price alone) that TVA determines are relevant to deciding how to achieve best value for TVA. These factors can include (1) cost/quality; (2) competition; (3) leverage; (4) standardization; (5) inventory optimization; (6) supplier relations; (7) small, diverse, and valley business development; and (8) risk management.
- TVA-SPP-04.010, *Justification and Approval for Non-Competed Contract Actions*, which states the level of competition shall be sufficient to ensure that TVA obtains the best value from its purchase.

Our primary methods for testing these controls included (1) interviewing Supply Chain and organization personnel and (2) reviewing sampled POs and any supporting documentation to assess the process for evaluating and awarding POs issued under blanket contracts. Any deficiencies identified are discussed in the findings section of this report.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

FINDINGS AND RECOMMENDATIONS

In summary, we determined TVA does not have an overall policy and there are limited procedures and guidance for evaluating and awarding POs issued under blanket contracts where TVA has multiple blanket contracts for a general scope of work. This has resulted in inconsistencies in how Supply Chain and the organizations are evaluating and awarding POs. Specifically, we determined there were inconsistencies in the level of (1) competition between prequalified vendors when issuing POs and (2) Supply Chain involvement in the evaluation and selection of vendors. With limited guidance on evaluating and awarding POs issued under blanket contracts, TVA increases its risk of not achieving best value for TVA.

TVA HAS LIMITED GUIDANCE ON ISSUING PURCHASE ORDERS

The overall objective of TVA-SPP 04.000, *Management of the TVA Supply Chain Process*, is to support TVA goals and lower total costs to TVA. In support of this objective, Supply Chain developed the Supply Chain Buyer Guide, which defines best practices and is described by Supply Chain management as a guidance document to ensure COs have a more in-depth perspective on the supply chain process. The Supply Chain Buyer Guide describes the evaluation and awarding of POs issued under blanket contracts with the same scope of work as the competitive model. However, TVA does not have a policy applicable to all organizations that includes evaluating and awarding POs under blanket contracts where TVA has multiple blanket contracts with the same scope of work.

The Supply Chain Buyer Guide provides that when the competitive model is used, documentation should be created describing how the competitive model will work, including, but not limited to, (1) a list of all prequalified vendors and (2) competition thresholds. However, we determined there were a limited number of organizations that had developed policies or guidance related to evaluating and awarding POs under blanket contracts that have the same general scope of work.³ Additionally, there were inconsistencies in the guidance provided in the organizations' policies. The following is a summary of those policies and guidance:

- TRANS-CON-SPP-07.201, *Contract Partner Management Construction Task Management*, establishes requirements for issuing construction tasks for TPP for five specific vendors, including (1) soliciting and evaluating competitive construction estimates for projects with anticipated spend greater than \$200,000 and (2) awarding work based upon a comparative analysis of partner and TVA estimates. The SPP also requires advanced approval from

³ The procedures and guidance were identified during (1) interviews of COs, contract technical stewards, and other applicable personnel associated with 21 sampled POs, (2) research of TVA's policies, and (3) prior TVA Office of the Inspector General reports. There could be other policies, procedures, or guidance available to other organizations that we were not made aware of during our review.

the general manager, Contract Partner Management, for any task awarded over \$300,000 without utilizing the bid process.

- TRANS-ENG-SPP-09.100, *Contractor Partner Management/Transmission Contract Engineering Task Management*, sets expectations for (1) determining if a project will be bid or direct assigned based on the scope and expected costs and (2) awarding work based upon several criteria, including but not limited to: the vendor's capabilities, expertise, resources, schedule, and cost. Projects over \$300,000 should be bid, but Transmission Contract Engineering reserves the right to direct assign projects over \$300,000 if it is in the best interest of TVA.
- NPG-SPP-19.6, *TVA Nuclear Project Management Process*, includes bid requirements specific to nuclear. Prior to January 22, 2024, NPG-SPP-19.6 required that projects with implementation costs of \$1 million or greater must be bid, and if not, approval from the general manager, Nuclear Project, must be obtained. NPG-SPP-19.6 was revised to remove the bid requirement, effective January 22, 2024. Another revision effective April 11, 2024, required project cost estimates to be developed by Nuclear Fleet Estimators independent from the vendor's estimate. These estimates would be used to evaluate the reasonableness of vendor estimates if competitive bidding is not performed. In addition, if a vendor's estimate is more than 10 percent above TVA's independent estimate, the difference is to be presented to a project estimate review committee and either a basis must be provided for awarding the work, or the work will be bid out for competition.
- *Supply Chain Engineering Services Contracts Buyers Guide* includes guidance on how TVA organizations were to select pricing methodologies, solicit bids, compete, and issue POs under 15 engineering services blanket contracts. This guidance also provides that all core vendors for a scope of work would get the opportunity to bid on all projects greater than \$300,000.

We sampled 21 POs to determine TVA's process for issuing POs under blanket contracts. Based on the information provided during interviews with organizational personnel associated with the sampled POs, we determined TVA organizations used various practices for evaluating and awarding POs. According to TVA personnel, some vendor selections among prequalified vendors were based on:

- Mini competitions.
- Location of the work in relation to vendor's offices.
- Prior experience with vendors.
- Vendors with the lowest rates.
- The vendor with available staff to perform the work.

The lack of a TVA policy applicable to all organizations and the limited guidance provided for a few organizations resulted in inconsistencies in how Supply Chain

and the organizations have been evaluating and awarding POs. Specifically, we determined there were inconsistencies in (1) the level of competition between prequalified vendors when issuing POs and (2) the level of Supply Chain involvement in the evaluation and selection of vendors. With limited guidance on evaluating and awarding POs issued under blanket contracts, TVA increases its risk of not achieving best value for TVA.

Inconsistencies in the Level of Competition

The competitive model best practice provides for TVA to utilize a balanced or optimized level of competition among existing blanket contract vendors. However, we determined the level of competition between prequalified vendors when issuing POs under blanket contracts was inconsistent, and most of the POs in our sample were not competed. Of the 21 POs reviewed, only 5 were competed amongst the prequalified vendors. The 16 POs that were not competed were directly assigned to a vendor. Some of the reasons provided by TVA personnel for the direct assigned POs included, among others, location of the vendor to the job site, vendor's experience at the site, and specialty work provided by the vendor.

While TVA does not have a policy requiring competition for POs issued under blanket contracts, TVA-SPP-04.010, *Justification and Approval for Non-Competed Contract Actions*, states the level of competition shall be sufficient to ensure that TVA obtains the best value from its purchase. The SPP also requires due diligence to be applied for any contract action awarded to ensure that TVA receives the best value or lowest total cost of ownership. The direct assignment of tasks eliminates TVA's ability to evaluate multiple proposals from prequalified vendors, which increases TVA's risk of not receiving best value from its purchase. For example, if TVA does not compete fixed price POs or POs that do not have specific contract pricing, it is less able to ensure it is paying a fair amount. Of the 16 POs in our sample that were not competed, 5 POs were fixed price, and 2 POs were issued under time and material pricing methodology but did not have a pricing schedule in the blanket contract.

Inconsistencies in the Level of Supply Chain Involvement

The level of Supply Chain involvement in the evaluation and selection of vendors was inconsistent. TVA-SPP-04.000, *Management of the TVA Supply Chain Process*, states TVA's success in supply chain management is dependent upon the joint efforts of the organization and Supply Chain personnel. However, other than approving the PO in TVA's asset management system, Supply Chain was not involved in the vendor selection process for 14 of the 21 sampled POs.

Several Supply Chain personnel we interviewed stated the vendor is selected by the organization prior to requesting Supply Chain to create a PO. For example, one CO stated if the organizations were aware of the blanket contracts, then they selected a vendor without involving Supply Chain until the PO needed to be issued. Another CO stated they receive a purchase request with all the information, including the vendor selected, then the CO turns the purchase request into a PO and issues it.

Allowing TVA organizations to select vendors among multiple blanket contracts with the same scope of work without utilizing Supply Chain's knowledge of best practices in the selection process increases TVA's risk of not receiving best value.

Recommendation – Since the Supply Chain Buyer Guide is only applicable to the Supply Chain organization, we recommend the Vice President, Supply Chain, develop an agency wide SPP defining the process for evaluating and awarding POs under blanket contracts. The SPP should define when (1) the product or service should be competed among multiple vendors before issuing a PO and (2) deviations from competition guidelines are acceptable.

TVA Management's Comments – In response to our draft report, TVA management agreed with the findings and stated they are evaluating alternative solutions to the recommendation of creating an agency wide SPP. See the Appendix for TVA management's complete response.

July 8, 2025

David P. Wheeler, WT 2C-K

RESPONSE TO REQUEST FOR COMMENTS – DRAFT AUDIT 2024-17518 – TVA'S
PROCESS FOR ISSUING PURCHASE ORDERS UNDER BLANKET CONTRACTS

Reference: Request for Comments – Draft Audit 2024-17518 – TVA's Process for Issuing
Purchase Orders Under Blanket Contracts Memorandum dated June 9, 2025

Supply Chain has reviewed the report and provides the following comments:

DEVELOP AN AGENCY WIDE SPP

Supply Chain agrees with the OIG's findings but is evaluating alternative solutions to the
recommendation of creating an agency wide SPP.

Supply Chain is currently reviewing contract guidance documents for improvements to the
Blanket Contract processes.

We would like to thank Kristi U. Reynolds, Chad B. Bube and the OIG staff for their
professionalism in conducting this audit. If you have further questions please contact Jonathan
Meadows, Program Manager, at jmeadows3@tva.gov.



Laura J. Campbell
Vice President, Supply Chain
LP 5S

JCM:MDW
Attachment

cc (Attachment): Concurrence Sheet

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