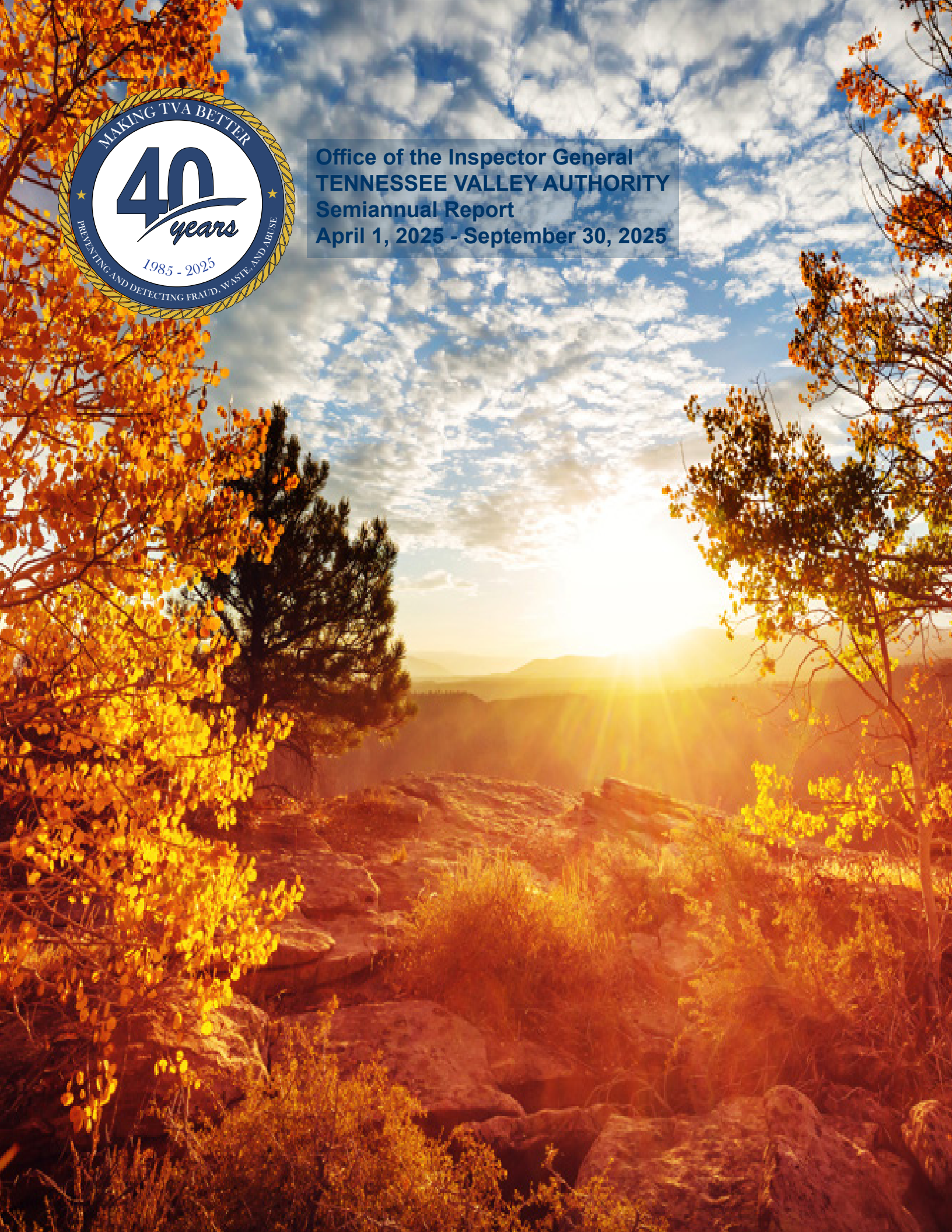
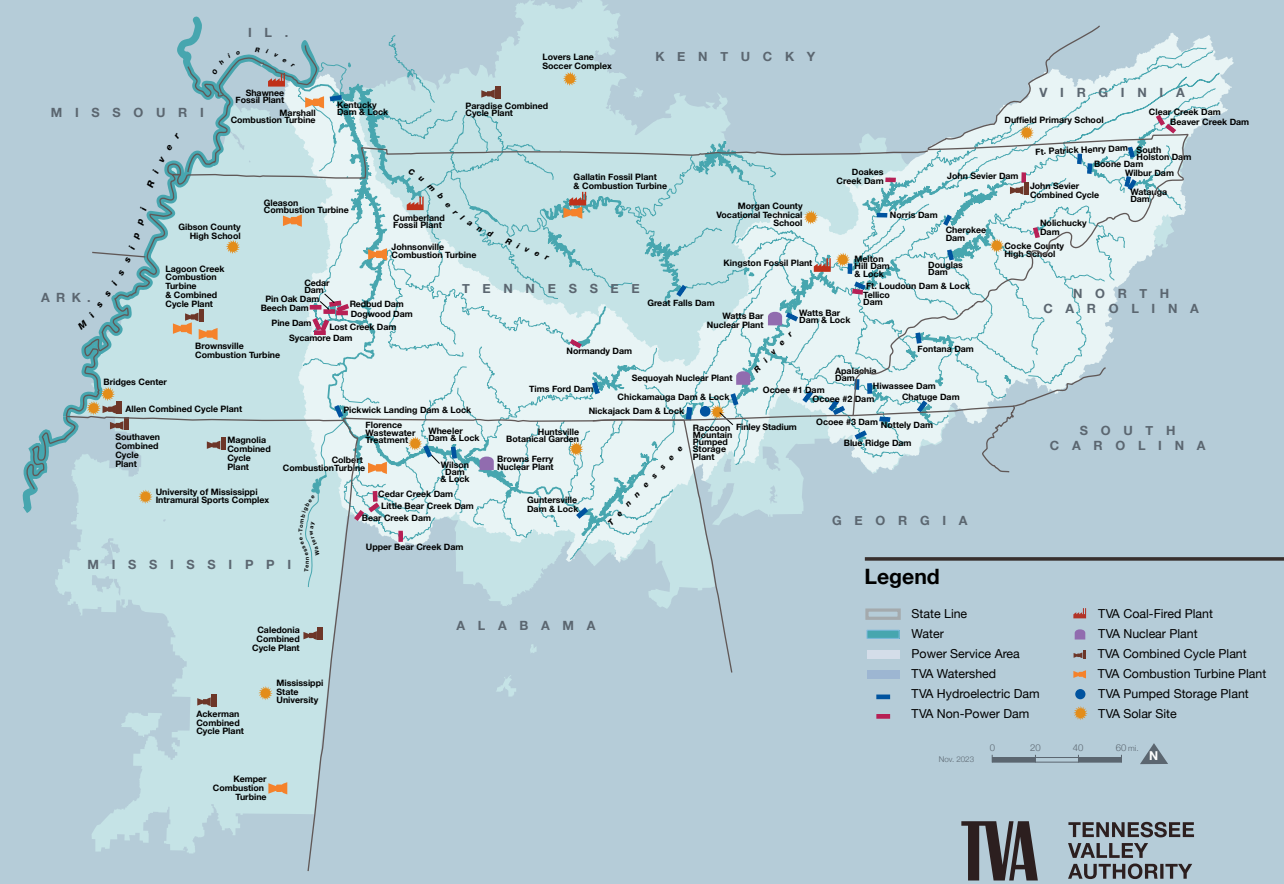




**Office of the Inspector General
TENNESSEE VALLEY AUTHORITY
Semiannual Report
April 1, 2025 - September 30, 2025**



TVA Locations



Total Power Supply by Generating Source
Twelve Months Ended September 30, 2025^{(1) (2)}
(millions of kilowatt hours)

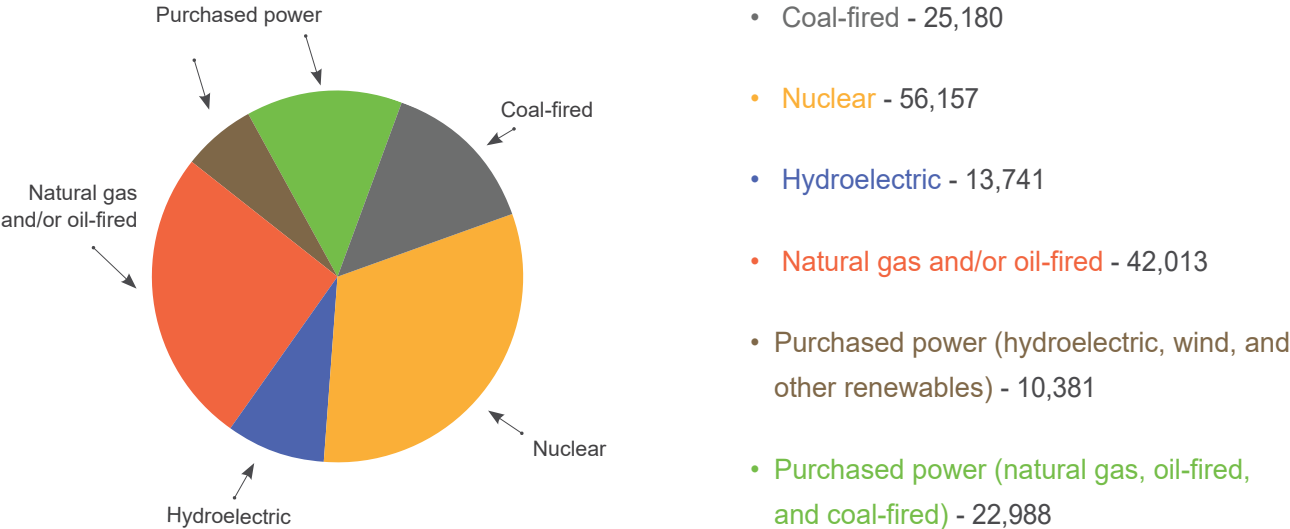


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¹ For additional detail, see TVA's 10-K for the period ended September 30, 2025.

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 April 1, 2025, to September 30, 2025. On October 18, 2025, the Tennessee Valley Authority (TVA) Office of the Inspector General (OIG) will mark its 40th anniversary since the TVA Board of Directors (TVA Board) created our office during a challenging time for TVA's nuclear program. Since its creation, our dedicated and professional staff have conducted reviews throughout TVA with a focus on saving TVA money, finding ways to improve the efficiency and effectiveness of TVA programs, and preventing and detecting fraud, waste, and abuse.

Our feature, "40 Years of Making TVA Better," looks back at the last four decades—the environment TVA operated in each decade and the Inspectors General that led our office as well as highlights some of the significant projects in each decade. As you will see in this report, our office, over the past 40 years, identified more than \$3 billion in questioned costs, funds to be put to better use, recoveries and projected savings, and waste as well as numerous recommendations to improve its programs and operations. Additionally, our work resulted in more than 800 criminal actions, more than 2,600 administrative actions, and 7 debarments.

In this semiannual period, our audit, evaluation, and investigative activities identified more than \$31.4 million in questioned costs; funds to be put to better use; recoveries, fees, and savings; and opportunities for TVA to improve its programs and operations. Below are highlights of our work this period.

- TVA spends about \$5.5 billion annually on 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 OIG continues to aggressively audit these contracts to identify potential savings and recoveries to help TVA reduce costs. During this period, we completed three contract compliance audits which identified potential overbillings and cost savings opportunities of almost \$1.9 million. We also completed four preaward examinations which identified \$25.9 million of potential savings opportunities for TVA.
- TVA maintains 33 regulated coal combustion residual (CCR) storage facilities across 11 current or former coal plants. We performed an evaluation to determine if TVA is performing required inspections and maintenance of CCR storage facilities. We found TVA performed required inspections and maintenance of CCR storage facilities. However, we also determined (1) TVA did not maintain a comprehensive list of instrumentation requiring monitoring, (2) some issues were not identified or resolved, (3) remediation of minor issues was not documented, (4) annual inspection reports did not document review of weekly inspections, and (5) some inspectors did not have required training.
- TVA evaluated alternatives for the five Chattanooga Office Complex (COC) buildings, in response to the complex being considered for the site of a new federal courthouse. We performed a review to evaluate the financial impacts of the options being considered for the



COC. We determined that TVA's analysis of the options for the COC could have been improved. Specifically, (1) TVA did not compare the financial impacts of the four alternatives identified and (2) the economic analysis was flawed. Subsequently, TVA took interim actions to address the concerns before making the decision to remain in three of the five COC buildings.

- TVA has developed a dam safety program to protect lives and property by ensuring the 106 structures within the program are designed, constructed, and maintained safely. We performed an evaluation to determine if maintenance and inspections had been performed in accordance with established schedules. We found TVA has generally performed maintenance but has not performed all inspections in accordance with established schedules for TVA dams. We also determined that TVA had not taken timely actions to address 34 recommendations from inspections and risk assessments.
- Four individuals pled guilty in an international telemedicine health care fraud kickback scheme. Two of the four individuals have been sentenced to probationary sentences and over \$1 million in restitution. The remaining two defendants will be sentenced at a later date.
- An international elevator services firm agreed to settle allegations under the False Claims Act for more than \$600,000. The allegations related to invoices

submitted to TVA for preventative maintenance services that were not rendered pursuant to contract terms.

- An investigation into an employee's workers compensation claim led to the U.S. Department of Labor denying the claim citing insufficient evidence to establish a sustained injury as defined by the Federal Employee's Compensation Act. The denial saved TVA approximately \$1.9 million in wage loss compensation.

I want to thank Beth Geer, who transitioned off the TVA Board during this reporting period, for her service and engagement with our office. The TVA Board no longer has a quorum; however, President Donald J. Trump has nominated five individuals for the TVA Board. We look forward to working with them once they are confirmed.

For 40 years, the TVA OIG team has approached our work with the purpose of providing an independent view of TVA operations and recommendations to help TVA's Board, management, and employees achieve its mission. Every decade brings its changes and challenges that must be navigated; but one thing remains the same—TVA and TVA OIG must continue to evolve and work hard every day to find ways to navigate the challenges of today and the future for the betterment of the 10 million residents of the Valley.

A handwritten signature in black ink that reads "Ben R. Wagner". The signature is fluid and cursive, with a long, sweeping underline.

Ben R. Wagner
Inspector General

SPECIAL FEATURE

40 Years of Making TVA Better

On October 18, 2025, the Tennessee Valley Authority (TVA) Office of the Inspector General (OIG) marked 40 years of working to make TVA better for the 10 million residents of the Tennessee Valley (Valley). The TVA OIG was created in a time of great challenges for TVA, especially in the nuclear program. In the 40 years since, TVA continued to face formidable challenges, a change in governance structure, more environmental regulations, new risks, technology advancement, and shifting power demands by evolving its programs and strategies for achieving its mission. As TVA evolved, so did the TVA OIG; however, our mission stayed focused on improving the efficiency and effectiveness of TVA operations and preventing and detecting fraud, waste, and abuse. Every day, we perform our work to provide an independent perspective by offering recommendations for improvement and for the betterment of the residents of the Valley.

Over the last 40 years, our audits, evaluations, and investigations have focused on finding savings and recovering money for TVA, improving operations, improving cybersecurity, improving the workplace (culture and safety), protecting both the public and environment, and providing an independent look at major events in TVA history. The TVA OIG has performed more than 15,000 audits, evaluations, and investigations; identified more than \$3 billion in potential savings for recovery and negotiation, investigative recoveries, fines, penalties, and waste; as well as made numerous recommendations for improvement. Additionally, our investigative work resulted in more than 800 criminal actions, more than 2,600 administrative actions, and 7 supplier debarments. We believe our unique perspective, including at times counterbalancing views, has been valuable to TVA and its stakeholders. This article looks back at the last four decades—the environment TVA operated in each decade, and the Inspectors General that led our office as well as highlights some of the significant projects in each decade.

HISTORY OF TVA PRIOR TO CREATION OF THE OIG

Prior to the creation of TVA, the Valley was an impoverished and disadvantaged area of the country that was prone to powerful floods that devastated the land and impacted the quality of life in the region. After the Great Depression, President Franklin D. Roosevelt asked Congress to “create a corporation clothed with the power of government but possessed of the flexibility and initiative of a private enterprise.” On May 18, 1933, Congress passed the TVA Act, creating TVA as a federal corporation. TVA’s three-fold mission includes power production, environmental stewardship, and economic development.

In the early days, TVA built dams to control floods, improve navigation, and generate electricity. TVA developed fertilizers, taught farmers new techniques to help yield better crops, and improved the habitat for wildlife and fish. As a result, the region began drawing industries and jobs to the area. In the 1940s, World War II increased the need for electricity, and TVA began one of the largest hydropower construction programs ever undertaken and built its first coal-fired generation plants. In the 1950s, the demand for electricity exceeded TVA’s capacity through hydroelectric power, leading to TVA’s continued construction of hydroelectric and coal-fired plants. The need for additional appropriations drew political resistance and led to the “Great Compromise” where Congress passed legislation making the TVA power system self-financing but also imposed a territorial limit on its operations called the “fence.” The 1960s brought unprecedented economic growth to the Valley. Electric rates were among the lowest in the nation and



stayed low as larger more efficient generating units were brought online. With the Valley's power needs expected to continue to grow at a high rate, TVA looked to nuclear plants as a new source of low-cost power. In 1966, TVA embarked on an ambitious nuclear construction program to build 17 units at 7 sites across the Valley. However, forecast demand from the 1960s did not materialize and the economy of the Valley and the nation took a downturn. Between the early 1970s and 1980s, the average cost of electricity in the Valley increased five-fold. Decreasing energy demand and increasing construction costs resulted in TVA canceling several nuclear plants as did other utilities across the nation.

TVA has become the nation's largest public power producer. Its service area covers 80,000 square miles in the southeastern United States (U.S.), including Tennessee, parts of Mississippi, Alabama, Georgia, North Carolina, Virginia, and Kentucky. Today, the Valley is growing at a high rate. TVA has been a part of delivering prosperity to the region, improving the waterways, creating jobs, and improving the environment over its more than 92 years of existence.

THE FIRST DECADE (1985 - 1995)

In the mid-1980s, TVA faced unrelenting scrutiny regarding its nuclear program, including a high volume of employee complaints filed with the U.S. Nuclear Regulatory Commission (NRC), U.S. Department of Labor, and other avenues. TVA's nuclear program issues ultimately led to the shutdown of all its nuclear operating plants, the cancellation of three unfinished plants, and deferred construction on two other plants. To address the issues, the three-member TVA Board, with one abstaining, voted 2-0 to establish the TVA OIG on October 18, 1985, and hired a nuclear consultant for the TVA Board. The TVA OIG was established with the following parameters: (1) the Inspector General (IG) would be independent of TVA management, with a separate staff and budget, and report directly to the TVA Board; (2) only the TVA Board could remove the IG and would have to justify the

action to Congress; (3) the IG would have access to all TVA records and could make "any investigation deemed necessary or desirable by the inspector general"; and (4) the TVA Board intended "for the IG to receive in confidence allegations about any aspect of TVA." At the time of its creation, there were 12 OIGs created by the IG Act of 1978. In 1988, TVA's OIG would become a statutory office under the IG Act.

As TVA grappled with the nuclear program challenges, a new Chairman, Marvin T. Runyon, was appointed to the TVA Board in 1988. Chairman Runyon "... found an agency that was badly dated in its operations and practically crippled by a failed attempt to develop nuclear power."¹ He took steps to fundamentally change the way TVA conducted business by reexamining TVA's purpose, establishing a clear plan for the future, restoring TVA's nuclear program, and improving leadership, teamwork, and communication within TVA. These steps also included significantly reducing the size of TVA's workforce. In 1988, TVA also froze wholesale rates, primarily due to dramatic rate increases during the previous two decades and eroding public confidence. The rate freeze would last 10 years, which helped in the short term but, ultimately, led to increased financial pressures.

Toward the end of the decade, TVA's focus began to change to possible deregulation and ways to become more competitive in the production of energy. The Energy Policy Act of 1992 appeared to pave the way for requiring utilities to wheel power from other utilities. Wheeling power would involve TVA transmitting power generated by another utility using TVA transmission lines while the customer paid the generating utility, not TVA, for the power. While TVA was exempted from the Energy Act of 1992 for power sold and consumed within the TVA "fence," there was legislative movement towards eliminating the TVA exemption, thus making TVA subject to wheeling power and introducing competition inside the "fence." This deregulation was expected to become reality and would plunge TVA into a competitive environment. Even if it did not come to fruition immediately, TVA saw the

need to become more competitive and became focused toward a leaner, more corporate environment by cutting its operating costs by nearly \$800 million a year and reducing its workforce by more than half.

The TVA OIG was led by three different TVA Board appointed IGs in the first decade—Norman A. Zigrossi (1986 – 1992), William L. Hinshaw II (1992 – 1994), and George T. Prosser (1994 – 2000). These IGs all had extensive investigative and leadership experience with the Federal Bureau of Investigation.

IG Zigrossi came in knowing that there were mixed opinions on establishing the IG as some saw it as an unnecessary expense and others believed an IG was the only fair and impartial way to ensure TVA was operating in an ethical and efficient manner. IG Zigrossi quickly built the office with experienced auditors and investigators from around the country and established a hotline, now known as EmPowerline, for concerns. IG Zigrossi noted, "People were waiting outside the door to talk to me." In the first two months, the IG received 4,000 concerns regarding TVA that people wanted the IG to address. Also, a large number of nuclear-related employee concerns were transferred from the NRC to the TVA OIG for investigation. "We needed people to know that we were for real," Zigrossi said. "We knew what we were doing, and we

were there to help TVA become a better place. We had to have high credibility and high standards. We had to be fair and to provide a service in a timely manner."

Upon becoming IG in 1992, IG Hinshaw focused on (1) establishing a greater TVA OIG presence in the Valley by opening satellite offices, (2) making the TVA OIG more efficient and effective by deploying laptop computers, and (3) forming TVA OIG teams to identify ways the TVA OIG could perform our work better. IG Prosser had been with the TVA OIG since its creation and had served in various roles, including the Assistant IG for Investigations (AIGI) before becoming the IG in 1994. IG Prosser, when he served as the AIGI, led efforts to identify fraud and abuse in the federal workers' compensation program that resulted in legislative changes and receipt of the 1991 Paul R. Boucher Public Service Award from the IG community for his efforts.

In addition to addressing the high volume of employee concerns and identifying fraud and abuse in the federal workers' compensation program, the TVA OIG focused significant attention on identifying opportunities to achieve savings and cost reductions. This led to the establishment of the contract preaward program in 1989, still in place today, which identifies potential cost savings for TVA and contract terms and conditions to clarify when negotiating



Norman A. Zigrossi
1986 - 1992



William L. Hinshaw II
1992 - 1994



George T. Prosser
1994 - 2000

¹ Fred S. Rolater, Marvin Runyon, Middle Tennessee State University, February 24, 2011.

specific contracts. Also, during this decade, (1) TVA OIG audits identified a change in accounting policy that would help TVA avoid the need for a significant rate increase to customers; (2) a joint audit and investigation resulted in \$8.37 million recovery from TVA's medical plan administrator; (3) an audit identified \$10 million in questioned costs related to price adjustment claims for a coal supplier; (4) a review of the Technology Brokering Program resulted in the IG testifying before Congress on the inappropriate use of cooperative agreements to procure for the U.S. Department of Defense; (5) a joint audit and investigation of a software contract led to a company refunding \$8 million to TVA; and (6) TVA OIG reviews identified opportunities to improve the effectiveness of numerous programs throughout TVA.

THE SECOND DECADE (1995 - 2005)

At the beginning of this decade, neither TVA nor the TVA OIG could anticipate the significant changes on the horizon for both the agency and the TVA OIG. During the mid to late 1990s, TVA continued to position itself to be more competitive in a deregulated market. The decade-long wholesale rate freeze that began in 1988 improved relations with TVA customers in the short term; however, TVA was now facing higher debt and financing costs. Fiscal pressure was also increasing

because of completion of Watts Bar Unit 1 in 1996, the last commercial nuclear reactor to begin operations in the U.S. in the 20th century, and more extensive environmental regulations. As TVA's debt and financing costs grew, the Office of Management and Budget (OMB) pressured TVA to pay back existing debt and limit the growth of debt. In 1997, TVA developed a 10-year business plan to position TVA to be more competitive by "...reducing its high debt servicing and other fixed costs." It is worth noting that TVA's debt ceiling was set by Congress in 1979 at \$30 billion, and TVA has remained under that amount since that time. In 1999, the Energy and Water Development Act of 1998 ended federal appropriations to TVA for certain multipurpose and other nonpower, mission-related activities as well as for its stewardship activities but required TVA to continue these functions without appropriations.

In 2000, TVA introduced the first green power program in the Southeast, allowing customers to support renewable energy sources like wind and solar, and began exploring more flexible supply arrangements with the local power companies (LPC). In the early 2000s, tragic events of September 11, 2001, and the collapse of Wall Street giant Enron led to more focus on security against terrorist attacks and related threats and passage of the

Sarbanes-Oxley Act of 2002 which intended to protect investors by, among other things, requiring companies to make new disclosures on internal controls, ethics codes, and the makeup of their audit committees. Finally, in 2002, the Federal Information Security Management Act² (FISMA) was signed into law to improve security around information in federal agencies and required OIGs to independently evaluate agency compliance each year.

In 1999, a major event occurred that ultimately led to significant changes affecting the future of both TVA and the TVA OIG. On May 26, 1999, the IG Prosser sent a "seven day letter"³ to the Chairman of the TVA Board alleging that the TVA Board had attempted to "impede the independence" of his office. On June 2, 1999, the Board Chairman attached allegations related to credit card misuse against the TVA IG and forwarded the letter to Congress. U.S. General Accounting Office, now known as the Government Accountability Office (GAO), investigated allegations the Chairman made against the IG. GAO⁴ found (1) the Chairman's actions "...could be viewed as an attempt to undermine the independence of the IG" and (2) "...no evidence of TVA credit card misuse by the IG." In addition, while investigating the allegations, certain matters came to the attention of the GAO with regard to the Center for Rural Studies (CRS) Trust. In 1994, TVA created CRS for the purpose of conducting studies and programs relating to issues and problems of rural communities and funded the trust with \$30 million. GAO's report⁵ stated, "The problems we found with CRS's creation and operation during our investigation raise concern about the need for better oversight of TVA's activities." As a result of the GAO reports, Tennessee Senator Fred Thompson sponsored a bill to make the TVA IG a presidential appointment, which Congress passed and President William J. (Bill) Clinton signed into law in November 2000. Furthermore, Tennessee Senator

William H. (Bill) Frist championed legislation to modernize TVA's governance structure and make the public utility more efficient and responsive. Senator Frist stated, "TVA is a multi-billion dollar business and should be managed as such if it is to remain competitive and able to meet the challenges ahead. This legislation will take TVA's depression-era administrative structure and update it to reflect a structure of a modern corporation."

In December 2004, President George W. Bush signed the Consolidated Appropriations Act of 2005 which shifted TVA's corporate governance structure to a more modern structure closely resembling a private utility with a chief executive officer (CEO). Under the Act, significant changes occurred to include (1) a nine-member, part-time strategy-setting TVA Board with staggered terms was established in place of the three-member, full-time executive board that had been in place since TVA's creation in May 1933; (2) a full-time CEO position, hired by the TVA Board, was created to oversee TVA's day-to-day operations; (3) the length of board appointments was changed from nine years to five years; (4) at least seven of the nine members must be legal residents of the TVA service area; and (5) TVA was required to begin filing reports with the U.S. Securities and Exchange Commission (SEC).

In this timeframe, the TVA OIG was led by two different Board appointed IGs, an Acting IG, and its first presidentially appointed IG—George T. Prosser (1994 – 2000), Richard F. Chambers (2000 – 2002), G. Donald Hickman (2002 – 2003), and Richard W. Moore (2003 – 2017). The OIG leadership in this decade had the most diverse experience of any decade. IG Prosser and Acting IG Hickman had extensive investigative experience with the Federal Bureau of Investigation, IG Chambers had substantial audit



Richard F. Chambers
2000 - 2002



G. Donald Hickman
2002 - 2003



Richard W. Moore
2003 - 2017

² The Federal Information Security Management Act of 2002 was superseded by the Federal Information Security Modernization Act of 2014.

³ Inspector General Act of 1978, Section 5(d): Each Inspector General shall report immediately to the head of the establishment involved whenever the Inspector General becomes aware of particularly serious or flagrant problems, abuses, or deficiencies relating to the administration of programs and operations of such establishment. The head of the establishment shall transmit any such report to the appropriate committees or subcommittees of Congress within seven calendar days, together with a report by the head of the establishment containing any comments such head deems appropriate. <https://www.govinfo.gov/content/pkg/USCODE-2011-title5/html/USCODE-2011-title5-app-inspector.htm>.

⁴ U.S. General Accounting Office, Tennessee Valley Authority: Facts Surrounding Allegations Raised Against the Chairman and the IG, September 15, 1999; <https://www.gao.gov/products/QSI-99-20>.

⁵ U.S. General Accounting Office, Tennessee Valley Authority: Problems with Irrevocable Trust Raise Need for Additional Oversight, February 29, 2000; <https://www.gao.gov/assets/osi/00-00-6.pdf>.

experience, and IG Moore, TVA OIG’s first presidentially appointed IG, brought years of legal experience as a former Assistant U.S. Attorney with the U.S. Department of Justice in the Southern District of Alabama. Besides the change discussed above to elevate the independence of the OIG, the passage of the 2002 Homeland Security Act, Section 812, provided for law enforcement authority for TVA OIG special agents under the guidelines issued by the U.S. Attorney General.

The work of the OIG in this timeframe included:

- Numerous contract preaward and contract compliance reviews to identify savings opportunities.
- Numerous reviews requested by Congress on TVA management practices, including advertising, sole-source contracting, special events and entertainment, use of TVA airplanes, relocation of personnel and programs to Nashville, Tennessee, consolidation of operations in Nashville, Tennessee, and other management practices.
- Participated as a member of the Environmental Joint Task Force to investigate and lead prosecutions of environmental-related crimes affecting TVA waterways. The TVA OIG also participated over the years with other joint task forces, like the Joint Terrorism Task Force, and other working groups on numerous successful prosecutions.



Kingston Ash Spill

- Enhanced IT audits of TVA’s cybersecurity and technology infrastructure. The TVA OIG performed numerous assessments to help identify the state of TVA’s information security program.
- Highly complex reviews of TVA’s Long Term Bulk Power trading program.
- Reviews to assess TVA’s controls over financial reporting in light of the Sarbanes-Oxley Act.
- Reviews of TVA’s Enterprise Risk Management program.
- Collaborating with TVA, beginning in 2004, to perform fraud risk assessments, i.e., a process for business process owners to identify and analyze fraud risk factors. The organization could then put mitigation actions in place to address the risks.

THE THIRD DECADE (2005 - 2015)

As the third decade of the OIG began, the new TVA governance structure was being implemented with nine new TVA Board members taking their oath in March 2006. The new TVA Board asked Tom Kilgore, who was TVA’s President and Chief Operating Officer, to serve as the Acting CEO and, later in October 2006, named him as TVA’s first CEO. The TVA Board also quickly moved to develop and implement a number of governance changes, including Bylaws, Board Practices,



a revised Conflict of Interest policy, committee charters, management delegations, and land policy changes. Early in this decade, TVA’s focus would center around shifting its generation portfolio toward cleaner energy amid growing power demand and environmental regulations. As a part of that shift to cleaner energy, TVA focused on increasing nuclear generation. In May 2007, the last of the three units at Browns Ferry Nuclear Plant that were shut down in 1985 was returned to service. Also, TVA began construction to complete Watts Bar Unit 2 and planning to resume construction at Bellefonte Nuclear Plant, which previously was halted in 1988. On the fossil side, TVA made plans to idle several coal-fired units.

On December 22, 2008, the ash pond at the Kingston Fossil Plant gave way and more than 5.4 million cubic yards of coal ash flooded the river and surrounding community. At the time, the spill was considered one of the largest environmental disasters in U.S. history. The cleanup of this ash spill would cost TVA \$1.2 billion and take more than 6 years to complete. Furthermore, TVA faced litigation associated with the ash spill, extensive media coverage, and congressional scrutiny.

By the end of this decade, TVA was facing (1) eroding revenue due to slower economic times, milder weather, and loss of its largest industrial customer; (2) rate pressures because of rising costs for environmental regulations, cleanup costs associated with the Kingston ash spill, operating and maintenance of its aging infrastructure, and completion of Watts Bar Unit 2; and (3) increased oversight and inspection by the NRC due to issues in the nuclear program. TVA began in 2013 to raise rates 1.5 percent annually to help with improvements to the system and to reduce its debt. In 2013, the TVA Board also hired Bill Johnson to replace Tom Kilgore as CEO, after he announced his plans to retire. By September 30, 2015, TVA had shifted its generation portfolio significantly, as shown in the table above.

Total Power Supply by Generating Source⁶

Type of Generation	2005	2015
Coal-fired	56%	34%
Hydroelectric	9%	9%
Nuclear	26%	34%
Natural gas and/or oil-fired	< 1%	11%
Purchased Power	9%	12%

Additionally, President Barack Obama’s fiscal year (FY) 2014 President’s budget called for a strategic review of options to sell or privatize the utility. TVA engaged Lazard, Frères & Co., LLC (Lazard) to assist TVA and OMB in conducting the strategic review requested in the President’s budget. Lazard’s report⁷ recommended TVA not be divested and, in part, stated:

- “The high level of implementation complexity associated with a potential TVA divestiture would likely lead to a costly, multi-year process to execute any such strategy, during which time TVA would experience organizational disruption and which would result in an uncertain outcome.
- The complex network of TVA stakeholders would further make it difficult to divest TVA in a manner that creates value for all parties.
- The Federal Government appears likely to realize minimal, if any, value from a divestiture without a significant value transfer from ratepayers in the form of higher rates, even prior to taking into account various other costs which may significantly detract from value.
- It is unclear how TVA’s non-power mission and activities would logically fit within a divested TVA structure—any reductions in the scope of the non-power mission and activities could potentially have a negative impact on the region.”

⁶ This table represents TVA’s generation and purchased power by generating source as a percentage of all electric power generated and purchased (based on kilowatt hours for the FY. Source: TVA’s 10K for FY 2006 (which contains 2005 numbers) and 2015.
⁷ Strategic Assessment; Lazard; January 2014; <https://www.sec.gov/Archives/edgar/data/1376986/000137698614000019/tva013114strategicassess.htm>.

In this timeframe, the TVA OIG was led by its first presidentially appointed IG, Richard W. Moore, the longest serving IG in the history of the TVA OIG (2003 – 2017). IG Moore focused on contract fraud, helping TVA identify fraud risks and collaborating on mitigation strategies, the impact of organizational health on TVA and TVA OIG, and continuous improvement in internal processes and work environment for the TVA OIG to best position the office to conduct its mission. IG Moore believed that operational excellence and strong organizational health would combine for strong results both in TVA and TVA OIG.

In addition to significant potential savings identified in contract preaward and compliance reviews and investigations, significant reviews in this period included:

- An inspection of TVA's Role as a Regulator found TVA was in a unique position as both a seller of electric power and a regulator over the rates charged by many of its customers, and there is an increasing inherent conflict in serving as a regulator while working to ensure good customer relations. The review also identified a lack of formalized guidelines (1) or specific rate criteria related to when rate adjustments should be disallowed and (2) for how reviews should be conducted when a distributor wants to use electric revenues for nonelectric purposes. This review ultimately led to the TVA OIG creating an audit department to review compliance by distributors under the TVA power contracts.
- A contract fraud investigation led to a \$6.2 million settlement for underreporting the number and severity of work-related injuries to claim higher performance fee bonuses for safety goals.
- An investigation found a TVA technical contract manager received money from a TVA contractor. Criminal proceedings were taken against the technical contract manager, and TVA issued its first debarment against the contractor. The contractor also agreed to pay TVA \$2 million.

- A joint investigation and audit team investigated whether TVA was defrauded by three Kinder Morgan limited partnerships (collectively Kinder Morgan) that led to a \$25 million settlement between Kinder Morgan and TVA and other companies.
- An investigation into TVA's Maintain and Gain Lakeshore Program resulted from questions about whether a congressman with an interest in a real estate development on Watts Bar Lake tried to influence an application under TVA's maintain and gain program to secure docking rights for the development. The development included a significant investor that was a congressman who served on a TVA oversight committee. Questions arose about whether the congressman used his position to influence TVA's decision to grant the developer's water access. The investigation found no evidence of pressure exerted by the congressman on TVA to approve the application. In addition, TVA OIG performed an inspection of the maintain and gain program which resulted in TVA and TVA's Board putting in place a protocol to identify and evaluate certain requests for "Things of Value." Eventually, the maintain and gain program was eliminated.
- In the years following the December 2008 Kingston ash spill, the TVA OIG completed 15 inspections to address areas of concern related to the spill and ash management across TVA. This included reviews of the root causes of the spill, the environmental impacts resulting from the spill, Kingston ash spill recovery efforts, ash pond stability at other coal plants, and ash management. In summary, the TVA OIG found that TVA overemphasized one root cause factor of the spill, but following the spill, TVA took appropriate actions to (1) improve ash management governance, (2) drive culture change, (3) evaluate the stability and corresponding safety factors pertaining to ash impoundments, (4) remediate risks, and (5) identify and address ash management deficiencies.



- A joint audit and investigation of construction of Watts Bar Nuclear Plant, Unit 2, determined construction was significantly behind schedule and grossly over budget, and employees and contractors who knew the information being sent to the CEO and TVA Board was erroneous were silenced by then TVA executives at Watts Bar Nuclear Plant. TVA held a press conference and said that TVA had essentially miscalculated the costs and accepted responsibility for the error.
- An investigation of a nuclear construction vice president led to the indictment on four felony charges. He later pled guilty to federal charges of conspiracy to violate International Economic Powers Act, Iranian Transactions Regulations, and filing false tax returns. He forfeited \$600,000 and was sentenced to two years of probation.

THE FOURTH DECADE (2015 - 2025)

As this decade began, TVA continued plans to shift its generation portfolio to cleaner forms of energy, cut costs in light of eroding revenue, and lower debt. TVA also adopted significant changes to its pension plan to ensure that sufficient assets would be available to meet obligations to employees and retirees. Watts Bar Unit 2

went online in October of 2016. This was the first new nuclear generation in 20 years and the first of the 21st century. TVA also faced legal and regulatory scrutiny over its handling of CCR. In 2018, President Donald J. Trump proposed selling TVA's transmission assets, arguing that the private sector was better suited to own and operate them. This proposal was met with criticism and eventually abandoned. TVA retired four fossil plants between 2015 and 2025 and had plans to retire more in the coming years. The U.S. Environmental Protection Agency issued its CCR rule in 2015, driven primarily by the Kingston ash spill.

In 2019, the TVA Board hired Jeff Lyash to replace Bill Johnson as CEO, after he announced his plans to retire. TVA announced plans to end the annual 1.5 percent increases and freeze wholesale rates for the next 10 years. Also, in 2019, consistent with its latest Integrated Resource Plan, TVA offered 20-year, rolling "all-requirements power contracts" to its LPC. In exchange for signing the long-term contract, the LPC would have the ability to self-generate up to 5 percent of their own electricity, receive a 3.1 percent rebate on wholesale power rates that could be passed on as savings to the customers, or used to invest in infrastructure. The agreements also limited the amount of rate increases TVA could implement

to 10 percent over a five-year period. As of September 30, 2025, 148 of 153 LPCs had signed the long-term partnership agreements. The remaining LPCs have contracts with a shorter termination period.

In 2020, the Valley, like the rest of the country, was significantly affected by the COVID-19 pandemic. As the pandemic continued, people in the Valley were told to practice social distancing and many either lost jobs or were sent home to work. TVA experienced challenges with changing its practices, including extending telework for its staff where possible, keeping its workforce healthy and available, supply chain disruptions, increased costs, and project delays. TVA, in partnership with the LPCs, stepped forward and helped its customers through a Pandemic Relief credit, a Community Care Fund to support local nonprofits, and a back-to-business credit program to provide financial relief to large commercial and industrial customers who had to suspend or decrease operations because of pandemic impacts.

In November 2020, TVA engaged Lazard to perform an updated strategic review. Lazard agreed to (1) evaluate TVA's financial performance from 2014 through FY 2020; and (2) "reassess whether the public power model and TVA's existing business structure is a reasonable approach to support TVA's missions as defined in the TVA Act." In looking at performance, Lazard would "evaluate TVA's performance in meeting its long-term financial plan, enhancing governance and increasing the transparency of TVA's decision-making on important agency actions." Lazard's report⁸ concluded that "... (i) TVA's financial performance from 2014 through fiscal year 2020 has been notably strong when measured against TVA's financial performance objectives as set forth in its FY14 Board Approved Long Range Financial Plan (the "FY14 Plan") and other benchmarks (e.g., the performance of other large utility companies); and (ii) the public power model

and TVA's existing business structure is a reasonable approach to support TVA's mission." In addition, "Lazard believes that its previous conclusions in the 2014 Strategic Assessment with respect to the benefits and considerations of alternative business models vs. the public power model are still valid today."

On December 23 and 24, 2022, a powerful winter storm, Winter Storm Elliott, affected most of the eastern continental U.S. bringing record breaking cold temperatures, high winds, heavy rain, and snowfall to the region. In the early morning hours of December 23 and 24, 2022, TVA experienced higher than forecasted demand, freezing issues at some plants which resulted in approximately 20 percent of TVA-owned and contracted power being unavailable. As a result, for the first time in TVA's 89-year history, TVA needed more power than was available in the early morning hours of December 23 and 24, 2022. TVA and distributors took measures to reduce consumption of the industrial load; however, that was not enough and TVA had to direct distributors to reduce power consumption by 5 percent and then 10 percent which resulted in rolling interruptions of power for residential customers throughout the Valley. TVA performed an After Action Review and established a Blue Ribbon Commission to review the actions during Winter Storm Elliott and recommend improvements.

As this decade ends, there has been a significant shift in demand and new capacity will need to come online each year for several years to meet forecasted demand. Since the pandemic, the Valley region is growing faster than the national average. This growth is fueled by businesses and people relocating to the Valley. It is a pivotal moment in TVA history as TVA looks for ways to add capacity, promote the growth of the Valley, and do so in a manner that keeps costs low for the consumer.

TVA is undergoing its largest capital build—\$13 billion over the next three years by building more natural gas plants, upgrading transmission infrastructure, upgrading current plants to generate more megawatts, building more solar and battery units; evaluating a new pumped storage facility in Alabama; advancing the small modular reactor project at Clinch River; and entering into partnerships with other companies advancing new nuclear technology. In April 2025, TVA, in collaboration with other partners, applied for \$800 million from U.S. Department of Energy to advance the small modular reactor at Clinch River, establish a domestic supply chain, and support future deployment across the U.S. In May 2025, TVA was the first U.S. utility to apply for a small modular reactor construction permit from the NRC for the Clinch River site. In addition to building capacity, TVA is increasing emphasis on demand response products and energy efficiency as a way to handle the growing demand. Changing environmental regulations could also allow TVA to extend the life of remaining fossil plants.

As TVA continues to build more capacity, it also must determine how to handle the other challenges it faces— (1) funding limitations, (2) pushback from communities that do not want a generating facility in their area, and (3) renewed discussion on whether TVA should be privatized. TVA has worked to improve its financial health, including looking for sustainable costs savings; however, it will take billions of dollars to build the capacity and make upgrades it needs while leading the country in advancing new nuclear. TVA has seen financial pressures in its past and was able to leverage other financing structures to help; however, without relief from the 1979 debt limit, it will be difficult to fund all that is needed. In 2025, TVA faced scrutiny and public pressure over constructing a new gas plant in Cheatham County, Tennessee, which eventually led to TVA deciding to not pursue that site. Finally, once again, the subject of whether TVA should be privatized is being discussed in the media and by public officials. The TVA Board also hired Don Moul to replace Jeff Lyash as CEO, after he announced his plans to retire.



⁸ Lazard Report to Tennessee Valley Authority; February 8, 2021; <http://bit.ly/4nJbg1z>.

By September 30, 2025, TVA had shifted its generation portfolio significantly once again—higher nuclear and gas generation, rising purchased power, and lower fossil generation, as shown in the chart below. It is worth noting that after a change in TVA nuclear leadership, all TVA nuclear reactors were rated exemplary in late 2023, for the first time in TVA history. However, in late 2024 and 2025, TVA experienced multiple unplanned outages of its operating nuclear units with the longest lasting 11 months because of equipment and other failures.

In this timeframe, the TVA OIG was led by two different presidentially appointed IGs, and an Acting IG — Richard W. Moore (2003 – 2017), Jill M. Matthews (2017 – 2022), and Ben R. Wagner (2022 – present). Acting IG Matthews had extensive auditing and information technology experience and had been with the TVA OIG since 1986. Likewise, IG Wagner, TVA

OIG’s second presidentially appointed IG, brought extensive years of experience to the role having served in auditing and leadership positions and was one of the people who helped establish the TVA OIG. During this period, TVA OIG was recognized as one of the Best Places to Work in the Federal Government by the Partnership for Public Service from 2015 – 2020.

In addition to significant potential savings identified in contract preaward and compliance reviews and investigations, significant reviews in this period included:

- In 2014, the TVA OIG developed a new methodology to assess culture and the impact on organizational effectiveness, which at the time was a relatively new concept in the auditing world. Cultural breakdowns have been a factor in several costly TVA failures in the past. From 2015 to 2023, the OIG performed

more than 80 organizational effectiveness reviews that identified business units’ strengths and risks to their effectiveness both from an operational and cultural perspective.

- On January 4, 2016, the TVA OIG received an EmPowerline complaint alleging a chilled/ hostile work environment in Operations at Watts Bar Nuclear. The TVA OIG investigated the allegation and communicated information related to the chilled work environment to the NRC. On

March 23, 2016, NRC issued to TVA a chilled work environment letter (CWEL) and required TVA to conduct a root cause analysis and take other actions. Using a nuclear power technical consultant, we assessed whether TVA’s analyses of its response to the CWEL was thorough and adequate. The consultant found the analyses and response to NRC CWEL were incomplete and inadequate and planned corrective actions were unlikely to have long term effectiveness or sustainability. TVA took additional actions to address the CWEL.

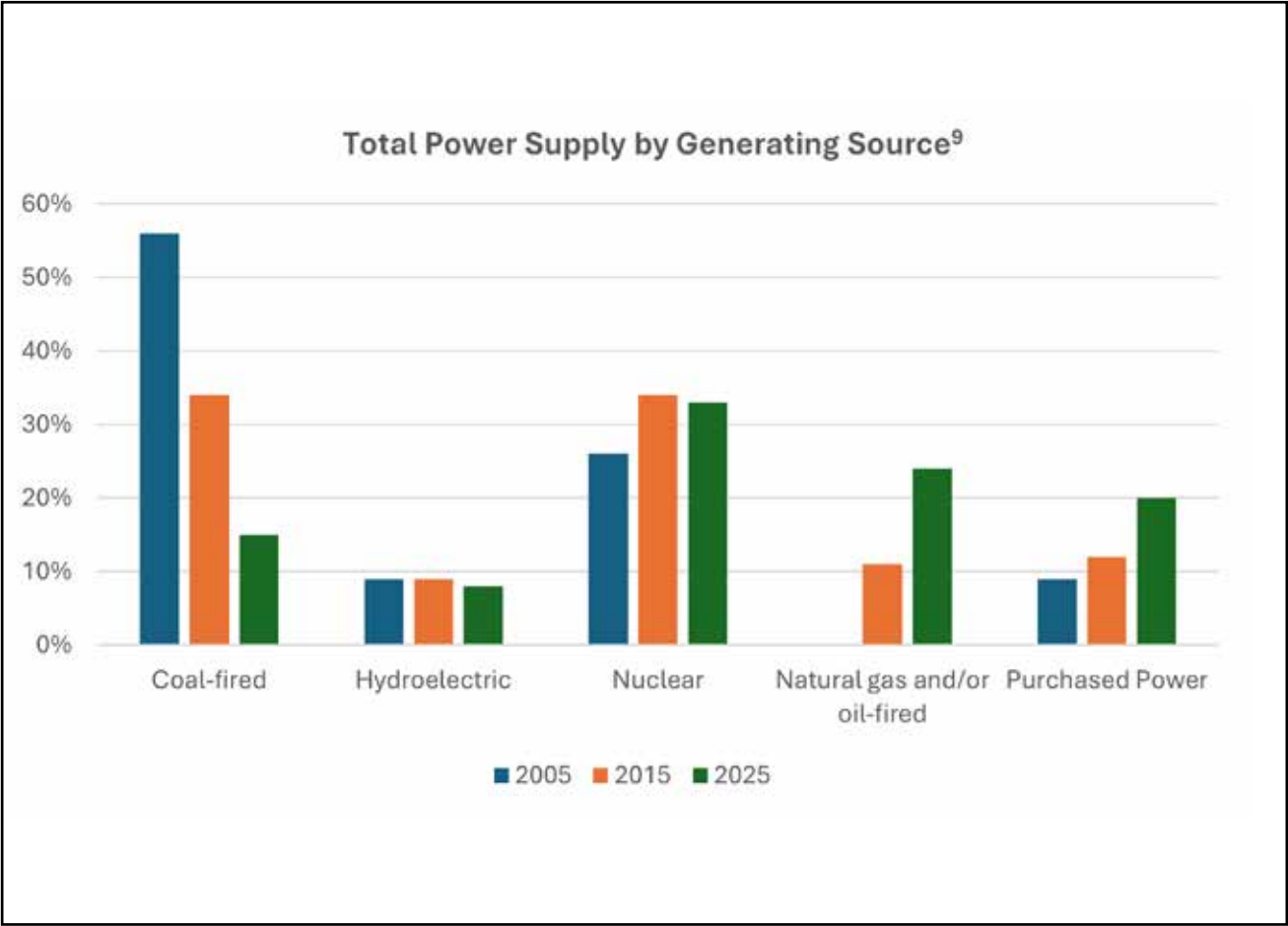
- TVA entered another construction phase to add capacity. In this phase, the risks increase associated with project management. Failures in project management could lead to delays in project completion, risks not being adequately identified and mitigated, and higher costs. In 2023, we pivoted once again to focus resources on an area of high risk. A team was assembled to look at the effectiveness of project management by evaluating various aspects of TVA projects, including scope, schedule, cost, procurement, and risk management. Since 2023, the team has completed reviews of new generation, transmission, and software implementation projects.



Jill M. Matthews
2017 - 2022

Ben R. Wagner
2022 - Present

- Joint investigations of two individuals for sharing of prohibited nuclear information with China led to guilty pleas by the individuals.
- Three evaluations since August 2022 focused on (1) TVA’s calculation and reporting of its capacity to meet energy demand, (2) the accuracy of inputs to develop the Power Supply Plan (capacity and generation plans), and (3) TVA’s analysis of the Power Supply Plan reliability. In the first evaluation, the TVA OIG recommended TVA (1) improve or create new processes to define how capacity should be calculated, used, and reported, internally and externally; (2) correct reporting errors identified and implement controls to prevent future recurrence; and (3) continue to evaluate the risk posed by TVA’s current system position and take actions as necessary to address. The second evaluation found six of seven inputs tested were inaccurate. Although the impacts of the inaccuracies were low, the high error rate raised the risk to the integrity of the information being provided to and by TVA’s Power Supply Plan. The last evaluation 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.



⁹ This chart represents TVA’s generation and purchased power by generating source as a percentage of all electric power generated and purchased (based on kilowatt hours) for the FY. TVA’s nonhydro renewable resources from TVA facilities for 2025 are less than one percent. Source: TVA’s 10K for FY 2006 (which contains 2005 data), 2015, and 2025.

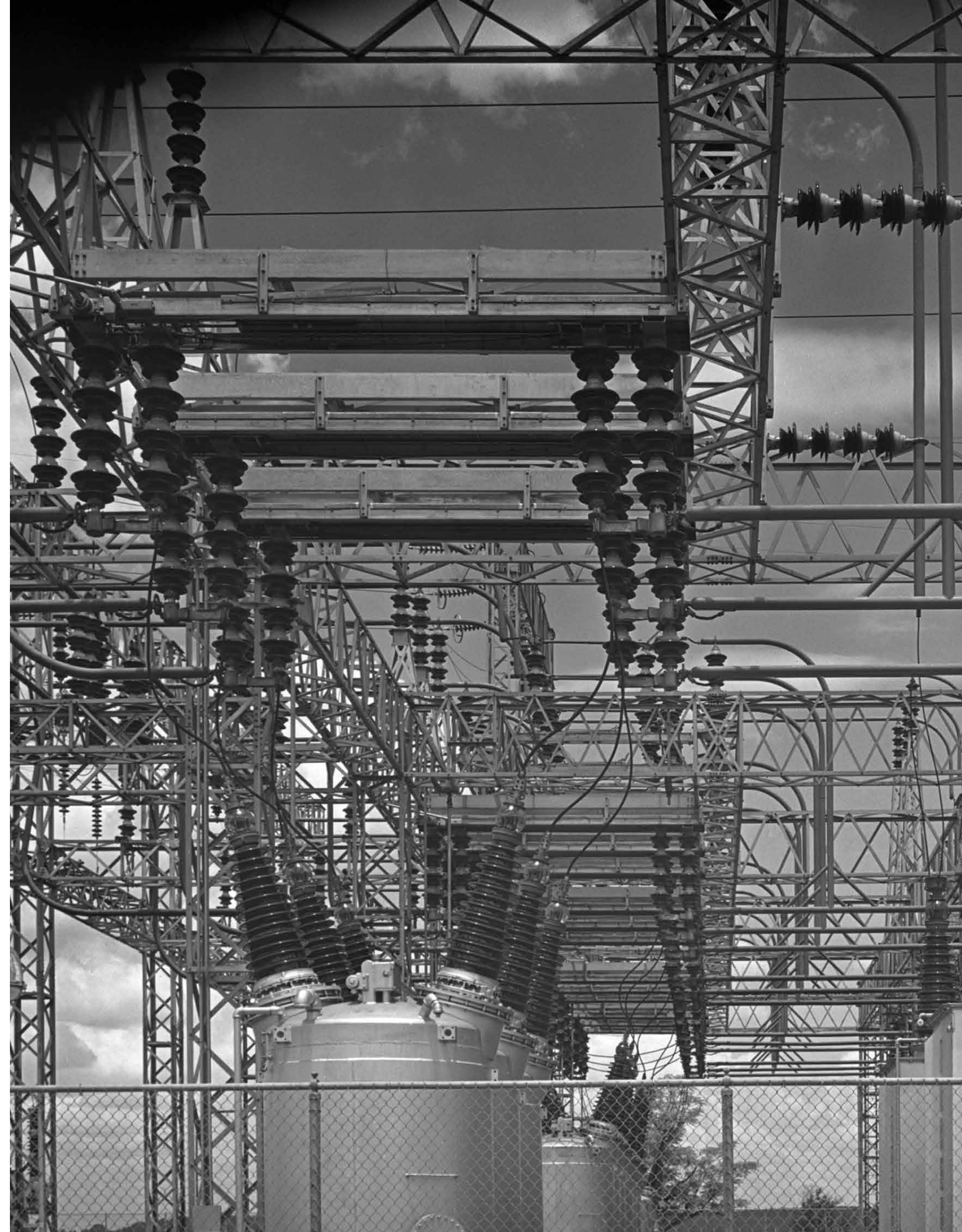
- As of February 2024, TVA had entered into 31 solar power purchase agreements (PPAs), representing 3,440 megawatts of total nameplate capacity. However, the solar industry has experienced delays due to many factors such as the COVID-19 pandemic, supply chain issues, tariffs, higher interest rates, and 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.
- Throughout this period, we have devoted significant resources to cybersecurity, privacy protection, and information technology processes. The breadth of these reviews include network architecture, operational technology, technical controls, protections for privacy information, access management, and annual reviews of the cybersecurity program as required by FISMA.
- Protecting the health and safety of employees, contractors, guests, and the public is a top priority for TVA. As an electric utility, TVA faces numerous workplace hazards, including high heat and pressure, electric shock, confined spaces, hazardous materials, moving components, trip hazards, and radioactive substances. These risks can lead to serious injury or even death if not properly managed. To help protect employees, our office focused on safety related processes and programs. This included reviews of areas at coal, gas, hydro, and transmission facilities that covered topics such as respiratory protection, nuclear contaminated liquids, nuclear radiation exposure, fire protection systems, and employee fatigue to name a few.

CONCLUSION

TVA affects the lives of more than 10 million people in the Valley every day by providing reliable, low-cost electricity, improving the environment, and helping to create jobs. Looking back, TVA has been successful in helping this region grow and prosper. TVA's success has been built on the shoulders of the dedicated men and women that have and continue to serve the residents in the Valley through their work to carry out the mission of TVA.

While TVA's mission of service to the Valley had remained steadfast for more than 92 years, they have needed to evolve to effectively fulfill its mission. Like TVA, our mission to improve the effectiveness and efficiency of TVA operations and preventing and detecting fraud, waste, and abuse has remained constant, but we have needed to evolve too. Our evolution has occurred in the areas of enhancing employee engagement, leveraging technology, analytics tools, and process changes to improve the effectiveness and efficiency of internal operations. These advancements support our mission and better enable us to help make TVA better.

As we look back, we are proud to be able to provide an independent view of how TVA is doing and where improvements can be made as well as identify fraud, waste, and abuse. Any success we have had is because of the dedication of our men and women who believe in our mission and TVA's mission. Looking forward, the TVA OIG remains dedicated to helping TVA meet the challenges of tomorrow with the same vigilance and purpose that have defined our past.





Making TVA Better

40 YEARS

IDENTIFIED COSTS
\$3B

CASES & REVIEWS
15,314 +

RECOVERED/SAVED
\$1.3B

Investigations

\$516M
Waste
Identified

11,573
Cases
Closed

\$266.6M
Recoveries/
Projected
Savings

PROSECUTIVE ACTIONS

377
Convictions

395
Indictments

29
Pre-Trial
Diversions

MANAGEMENT ACTIONS

1,399
Administrative
Actions

1,256
Process
Improvements

7
Debarred
Vendors

Audits & Evaluations

\$2.3B
Findings

\$1B
Recoveries/
Savings

2,584
Reports
Issued

1,157
Other
Projects

NOTEWORTHY EVENTS

OIG SERVICE DAYS--It's Always a Good Time to Volunteer!

On May 20, 2025, Knoxville employees volunteered at the Second Harvest Food Bank in Maryville, Tennessee, packaging cereal and folding and organizing t-shirts for an upcoming pickleball tournament. "Volunteering at Second Harvest with my coworkers was an incredibly rewarding experience. It was inspiring to see how quickly everyone jumped in, found their roles, and worked together toward a common goal," shared Krista Singleton.

On May 28, 2025, employees volunteered at the Chattanooga Area Food Bank, packing emergency food boxes. Dee Scoggins said, "It was really nice to be able to get out and serve the community."

On May 29, 2025, employees volunteered at the Ronald McDonald House in Knoxville, Tennessee, trimming hedges, pulling weeds, and assisting in the donation of playground toys to a local women's shelter. "We were able to serve the families and staff at the Ronald McDonald House by replanting and restoring their garden space. I hope the peaceful garden brings joy to the many families that will be staying there," said Landon Seaborn.



EXECUTIVE OVERVIEW

The national focus to be the leader in advancing nuclear technological innovation and artificial intelligence places TVA in a spotlight to drive and deliver additional energy sources that can both help meet growing energy demand in the Valley and set the standard for the utility industry. This requires due diligence in areas that are emerging and have significant consequence. As TVA navigates these unprecedented times, our office will continue providing 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 13 audits and examinations that identified almost \$27.8 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) design, fabricate, and deliver hydraulic turbine runners and components for TVA's hydroelectric plants and (2) provide nuclear modification and supplemental maintenance services. Our examinations identified \$25.9 million in potential savings opportunities for TVA to negotiate. We also completed three compliance audits of contracts with expenditures totaling \$71.2 million related to (1) site grading services and materials, (2) geotechnical and hydrogeological site investigations and groundwater quality monitoring services, and (3) noncraft staff augmentation services. These audits identified potential overbillings of \$1.9 million. In addition, we performed an audit of TVA's process for issuing purchase orders under blanket contracts. The Contract Audits section begins on page 35 of this report.

Financial and Operational Audits

With a focus on financial reporting, compliance with applicable laws and regulations, and TVA operations, we completed an audit of TVA's financial hedging program. In addition to our audit work, we monitored the quarterly work performed by TVA's external auditors. The Financial and Operational Audits section begins on page 37 of this report.

IT Audits

IT Audits completed four audits during the semiannual period. These included audits of (1) Transmission network cybersecurity, (2) Microsoft 365® access control, (3) cloud inventory, and (4) information security program as required by Federal Information Security Modernization Act of 2014. The IT Audits section begins on page 38 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 nine evaluations that identified a number of opportunities for improvement.

Evaluations – Operations

The Evaluations – Operations group completed five evaluations during this semiannual period. These included evaluations of (1) TVA's transmission capacity, (2) the condition of fire protection and ammonia safety systems at coal plants, (3) dam maintenance and inspections, (4) the condition of TVA's transmission assets, and (5) inspection and maintenance of coal combustion residual (CCR) storage facilities. The Evaluations – Operations section begins on page 43 of this report.

Evaluations – Projects

The Evaluations – Projects group completed four evaluations during this semiannual period. These included evaluations of the (1) Aurora transmission project, (2) Cumberland combined cycle transmission project, (3) Gallatin Ash Pond Complex Closure and Restoration project, and (4) alternatives for the Chattanooga Office Complex. The Evaluations – Projects section begins on page 46 of this report.

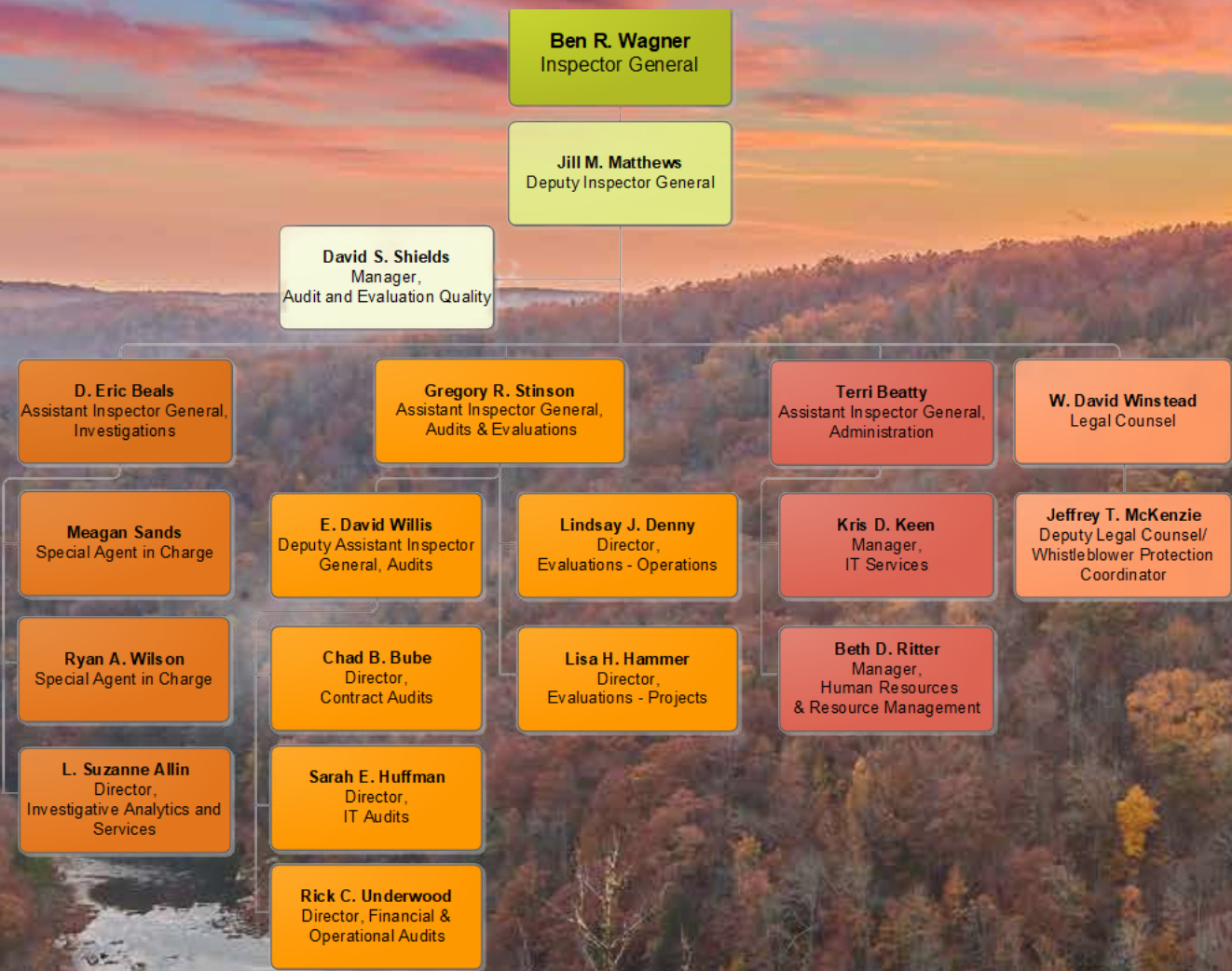
INVESTIGATIONS

During this reporting period, we opened 45 cases and closed 51. Our investigations results include one arrest, one indictment, three superseding indictments, four convictions, and multiple criminal restitutions and recoveries to TVA or other entities totaling more than \$3.6 million. The Investigations section begins on page 50 of this report.

STATISTICAL HIGHLIGHTS	
April 1, 2025 - September 30, 2025	
Audit Reports Issued	13
Evaluations Issued	9
Questioned Costs	\$1,859,830
Questioned Costs Agreed to by TVA	\$1,859,830
Questioned Costs Recovered by TVA	\$142,757
Funds to be Put to Better Use	\$25,925,000
Savings Realized by TVA	\$12,600,000
Investigations Opened	45
Investigations Closed	51
Recoveries/Fees/Savings	\$3,622,145
Waste/Other Monetary Loss	\$0
Criminal Forfeiture Ordered	\$0
Civil Forfeiture Ordered	\$0
Criminal Actions	9
Management Actions	11

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 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 significant 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 32 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.

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

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

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

INVESTIGATIONS

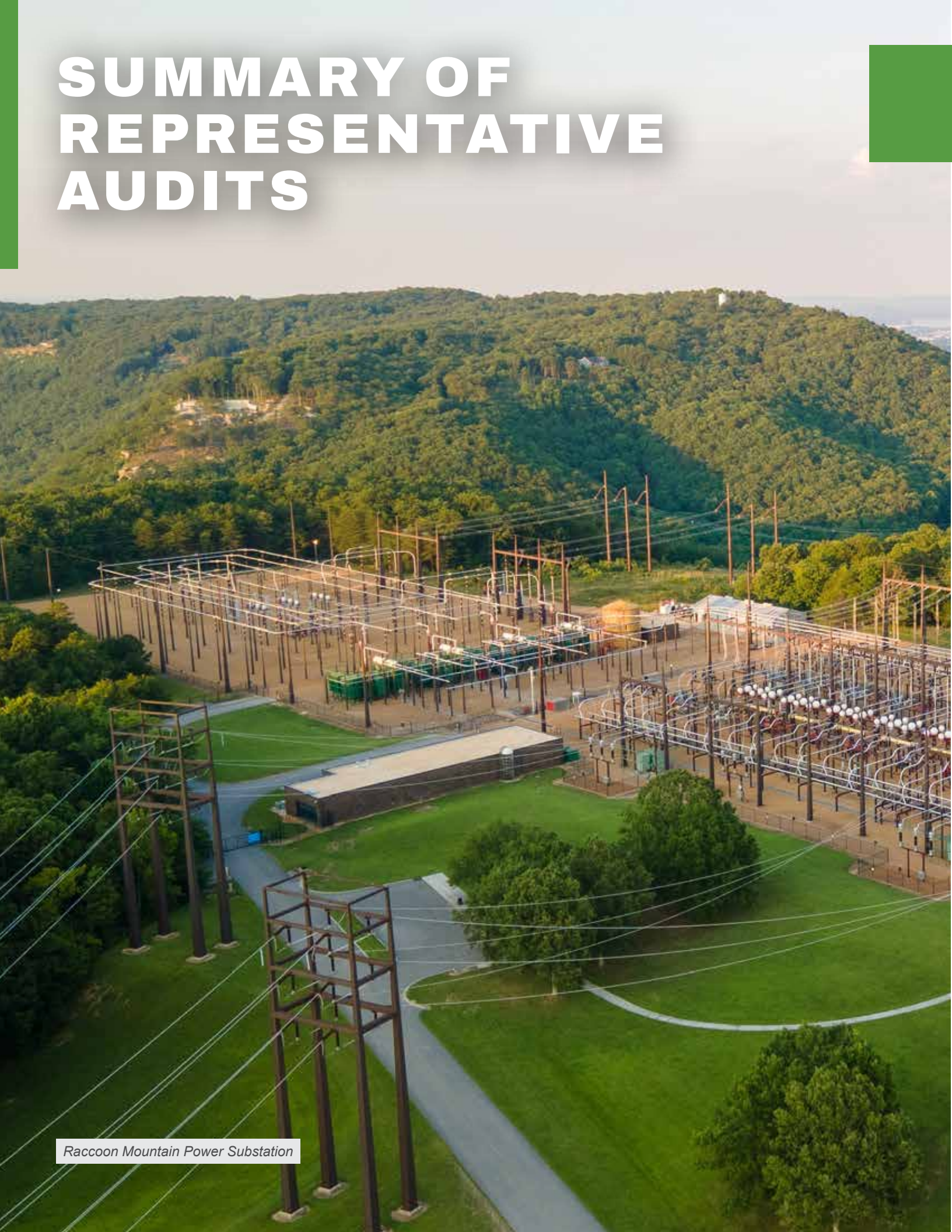
The Investigations team focuses on proactive and reactive efforts to uncover fraud, waste, and abuse in TVA programs and operations. This organization performs its investigations in accordance with the *Quality Standards for Investigations* as prescribed by CIGIE, applicable U.S. Attorney General Guidelines, and other guiding documents. OIG special agents maintain liaisons with federal and state prosecutors and notify the U.S. Department of Justice whenever the OIG has reason to believe there has been a violation of federal criminal law. Special agents partner with other investigative agencies and organizations on special projects and assignments, including interagency law enforcement task forces on terrorism, the environment, healthcare, and public corruption. The graphic on page 33 shows the major categories of investigations.

LEGAL

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

MAJOR CATEGORIES OF INVESTIGATIONS			
Employee Misconduct Misuse of TVA-furnished equipment, travel voucher fraud, a multitude of miscellaneous matters of abuse, conflict of interest, and violations of code of conduct	Environmental Crime Violations of environmental criminal law pertaining to the Tennessee River system and its watershed, along with violations relating to TVA land and facilities	Healthcare Fraud Intentional misrepresentation of healthcare services, expenses, billings, needs, or coverage that results in unauthorized payments or other benefits	Contract Fraud Defrauding TVA through its procurement of goods and services, including fraud schemes such as misrepresenting costs, overbilling, product substitution, and falsification of work certifications
Workers' Compensation Fraud Falsification of documents to receive payments by employees, former employees, or healthcare providers	Theft of Government Property and Services Theft of TVA property such as material, tools, equipment, or resources	Unauthorized Access into TVA Computer Systems Accessing a TVA computer without authorization or exceeding authorized access	Special Projects Management requests, data mining and predictive analysis, congressional and TVA Board requests, and Fraud Risk Assessments

SUMMARY OF REPRESENTATIVE AUDITS



Raccoon Mountain Power Substation

During this semiannual reporting period, the TVA OIG audit organization completed 13 audits and examinations. This work identified almost \$27.8 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

During this semiannual period, to support TVA management in negotiating procurement actions, we completed four preaward examinations of cost proposals submitted by companies proposing to (1) design, fabricate, and deliver hydraulic turbine runners and components for TVA's hydroelectric plants and (2) provide nuclear modification and supplemental maintenance services. Our examinations identified \$25.9 million in potential savings opportunities for TVA to negotiate. The savings opportunities were primarily related to overstated labor rates, indirect cost recovery rates, and profit rates.

Contract Compliance Reviews

During this semiannual period, we completed three compliance audits of contracts with expenditures totaling \$71.2 million. These audits identified potential overbillings and cost savings opportunities of \$1,859,830. Highlights of our completed compliance audits follow.

- We audited \$28.7 million in costs billed by a contractor for providing site grading services and materials. The contract provided for TVA to compensate the contractor for work on a fixed price basis for deliverables and materials and on a time and materials (T&M) basis for performance of the work. Our audit objectives were to determine (1) if costs were billed in accordance with contract terms and (2) the reasonableness of TVA's process for evaluating and awarding proposed fixed price tasks issued under the contract. In summary, we determined:
 - The contractor billed TVA \$1,401,563 in T&M billings for cost categories that were not included

in the contract, the contractor's proposal, or TVA's purchase order. Additionally, the proposal and invoice documentation did not provide adequate detail for a field invoice approver to effectively review invoices.

- The contractor billed TVA \$49,355 in unsupported T&M costs, including (1) \$43,860 in unsupported equipment costs and (2) \$5,495 in unsupported labor costs. (Note: \$11,320 of the \$49,355 unsupported costs were also included in the \$1,401,563 ineligible T&M billings.)
- There were opportunities to strengthen TVA's process for evaluating and awarding fixed price tasks. Specifically, TVA did not always compete fixed price tasks as required by the contract. In addition, when TVA received only one bid for a fixed price task, there were no policies or guidance for steps TVA should take to ensure the fairness of the fixed price amount.

TVA management agreed with our recommendations to (1) recover ineligible and unsupported costs and (2) compete all projects. However, TVA management disagreed with the recommendation to add a T&M schedule to the contract and stated all projects were to be competed and awarded on a fixed price basis.

- We audited \$9.9 million in costs billed by a contractor for providing geotechnical and hydrogeological site investigations and groundwater quality monitoring services. In summary, we determined the contractor overbilled TVA an estimated \$387,879, including (1) an estimated \$304,431 in overbilled labor costs (of which TVA has recovered \$3,164), (2) \$81,898 in ineligible subcontractor markups, and (3) \$1,550 in overbilled travel costs. In addition, we identified instances where meals and incidental costs associated with travel were

not billed in accordance with the contract, resulting in a net immaterial overbilling. We also found TVA did not include a pricing schedule containing the T&M billing rates until March 28, 2024, although the contract was effective July 13, 2020.

TVA management agreed with our findings and stated they will (1) recover overbilled costs, (2) work with the contractor to ensure understanding of rates for meals and incidental costs, and (3) communicate to Supply Chain personnel the importance of ensuring all contract documentation is complete, reflects the agreed-upon pricing schedule, and is included in the final contract documents prior to contract execution.

- We audited \$32.5 million in costs billed by a contractor for providing noncraft staff augmentation services. In summary, we determined the costs billed by the contractor generally complied with the contract except for a net overbilling of \$3,288 in travel costs. We also determined that TVA inadvertently credited an invoice instead of issuing a payment, resulting in an underpayment of \$1,700. In addition, TVA's hiring managers provided approval for costs to be billed by the contractor, which were not in accordance with the contract's terms. Specifically, TVA could have saved \$30,765 if TVA hiring managers had not allowed and/or approved reimbursement for (1) travel instead of temporary living allowances for temporary assignments at one location exceeding 90 days, (2) excessive temporary living allowance rates, and (3) ineligible or excessive travel costs.

TVA management agreed with the findings and stated they will (1) enter into negotiations to recover the net overbilled amount and (2) collaborate with TVA hiring managers to adhere to contract terms and work through Supply Chain to document business decisions and exceptions as appropriate.

TVA's Process for Issuing Purchase Orders Under Blanket Contracts

TVA's 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. We performed 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.

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 TVA 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 the best value for TVA.

TVA management agreed with our findings and stated they are evaluating alternative solutions to the recommendation of creating an agency wide standard programs and processes (SPP).

FINANCIAL AND OPERATIONAL AUDITS

During this semiannual period, Financial and Operational Audits completed an audit of TVA's financial hedging program. This department also monitored the quarterly work performed by TVA's external auditors.

TVA's Financial Hedging Program

In September 2003, TVA established the Financial Trading Program (FTP) to utilize financial instruments to hedge or otherwise limit economic risks associated with the price of commodities. In September 2014, TVA suspended the FTP. In response to an OIG report on the FTP, TVA management stated, "TVA's Board of Directors (TVA Board) and management team determined that the impact to ratepayers from fluctuations in natural gas prices can be managed within acceptable risk tolerance levels without using additional financial instruments at this time."

In November 2021, the TVA Board approved the reinstatement of TVA's hedging program. The FTP was renamed the Financial Hedging Program (FHP), and its stated objectives are to reduce fuel rate volatility and balance operational and financial risks. TVA began hedging natural gas prices in April 2022 under the reinstated FHP. We performed an audit of the FHP due to the financial risks associated with hedging. Our audit objective was to determine if TVA's FHP is achieving its objectives of reducing fuel rate volatility and balancing operational and financial risks.

We determined the FHP achieved its objective of reducing fuel rate volatility between April 2022 and February 2025. Over the 35-month period, fuel rate volatility was reduced by about 3.5 percent. However, we were unable to determine if TVA met its objective of balancing financial and operational risks because the objective is unclear and TVA has not defined parameters to define successful achievement of the objective.

Although the fuel rate volatility was reduced over the entire time frame, the FHP resulted in (1) approximately \$645 million in losses that were passed on to TVA's customers and (2) a 2 percent increase in fuel rate volatility in FY 2024. We also found TVA had not performed the required back testing¹⁰ to measure volatility reduction and the effectiveness of the FHP. At our request, TVA performed the back testing that showed the program had reduced fuel rate volatility.

Additionally, we identified an opportunity for TVA to improve the information provided to the TVA Board, Tennessee Valley Public Power Association (TVPPA),¹¹ and Tennessee Valley Industrial Committee (TVIC).¹²

TVA management agreed with our recommendations and stated (1) back testing will be conducted annually, (2) staff will evaluate the FHP objective of balancing operational and financial risk to determine if it should be eliminated or rewritten to clarify intent, and (3) they will report annually on the FHP's impact on fuel rate volatility and hedging gains/losses to the TVA Board, TVPPA, and TVIC.

¹⁰ Back testing evaluates the effectiveness of a trading strategy by running it against historical data to see how it performed. TVA's back testing calculates fuel rate volatility to measure volatility reduction and the effectiveness of the hedging instruments and programs.

¹¹ TVPPA is the nonprofit, regional service organization that represents the interests of consumer-owned electric utilities operating within the TVA service area.

¹² TVIC is comprised of 35-member companies with operating locations/facilities in the TVA service area involved in the production of metals, chemicals, industrial gases, forest products, automotives, and data management services. TVIC's primary mission is to seek and maintain competitive electric rates from TVA in order to preserve and expand jobs in the region.

IT AUDITS

During this semiannual period, IT Audits completed audits of TVA's (1) Transmission network cybersecurity, (2) Microsoft 365® access control, (3) cloud inventory, and (4) information security program as required by Federal Information Security Modernization Act of 2014 (FISMA).

Transmission Network Cybersecurity

Due to the importance of protecting TVA operations from external cyber events, we performed an audit to determine the level of cybersecurity in place for a specific type of connectivity within TVA's transmission network. We determined the connectivity within TVA's transmission network had a high level of cybersecurity in place commensurate with the level of associated risk. In addition, our testing of internal controls identified process improvements related to configuration management. TVA agreed to develop an action plan that includes increased training and awareness, alongside improvements to existing processes and procedures.

Microsoft 365® Access Control

Microsoft® defines access control as "... an essential element of security that determines who is allowed to access certain data, apps, and resources – and in what circumstances." Multi-factor authentication (MFA) is a type of access control that requires users be verified by more than a single authentication method. Common authentication factors and methods include something you know (e.g., a password), something you have (e.g., an identification badge or cryptographic key), or something you are (e.g., a fingerprint or other biometric data). MFA for Microsoft 365® is managed through Microsoft Entra® ID and supports multiple methods of MFA, including authenticator applications, physical security tokens, biometrics, and certificate-based authentication.

Due to the importance of proper access control and high risks associated with improper or misconfigured access control, we audited TVA IT's implementation of

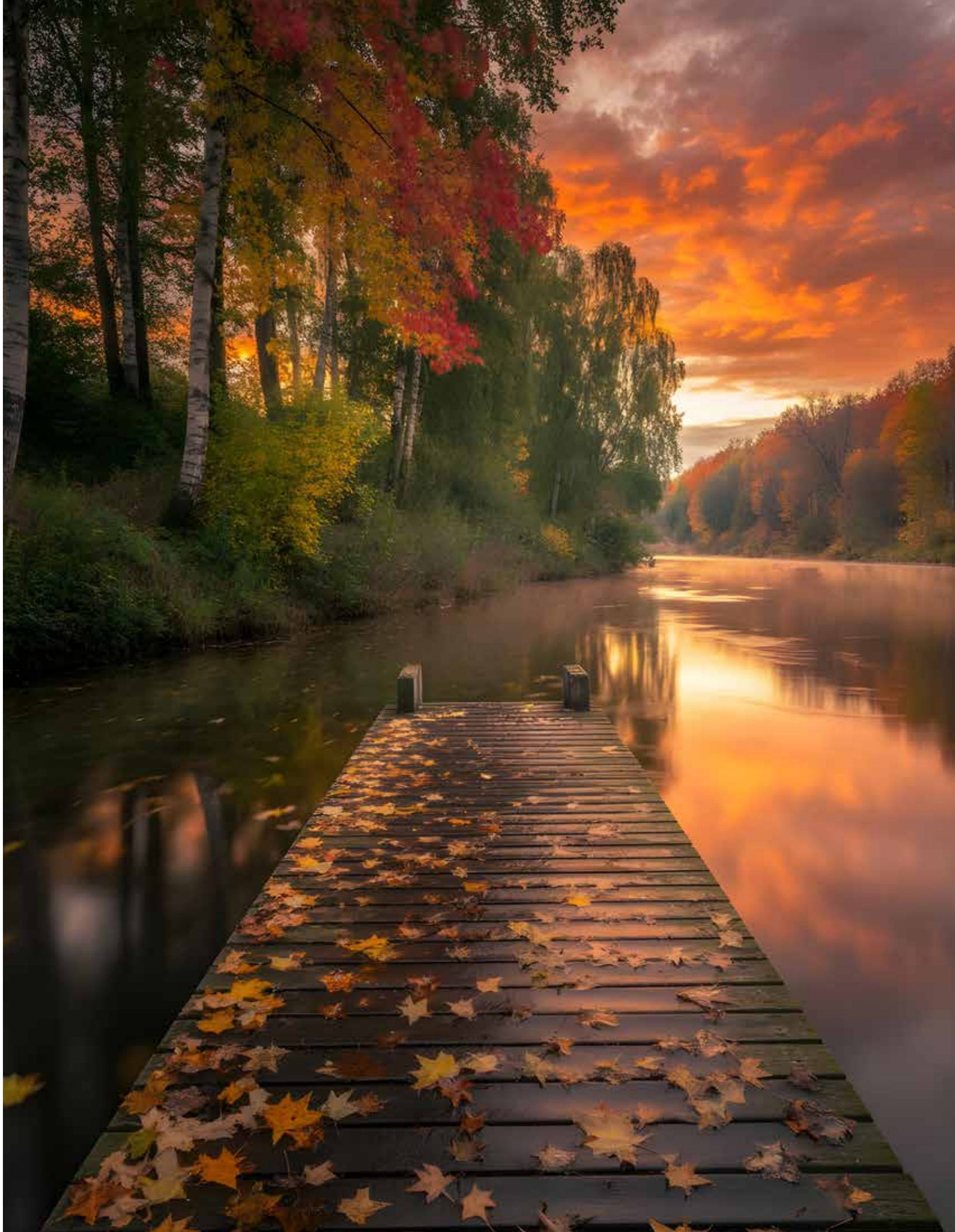
Microsoft 365® access control. We determined TVA had required and enforced the use of MFA for all accounts (with limited exclusions for service accounts). Additionally, we reviewed a sample of service accounts and determined they were approved and documented in accordance with the applicable tech standard. However, we identified internal control deficiencies related to MFA enforcement access policies and MFA applicability to enterprise applications.

TVA management agreed to our recommendations to (1) revise TVA technical standards to include the appropriate reauthentication frequency and authorized exclusions, (2) revise MFA enforcement access policies to include all networks as required by TVA technical standards, (3) reconcile enterprise applications enrolled in Microsoft Entra® to validate their lifecycle and MFA status, and (4) implement a process to periodically validate the lifecycle and MFA status of enterprise applications in Microsoft Entra® with appropriate system owners and cloud administrators.

Cloud Inventory

Cloud services include products such as infrastructure, applications, development tools, and data storage that are offered by third-party providers and accessed over the internet. Cloud services allow users to access resources, without managing physical servers themselves or running software applications on their own machines. These services are sorted into several different categories, or service models, including Software as a Service, Platform-as-a-Service, and Infrastructure-as-a-Service.

Due to TVA's increased use of cloud services, we conducted an audit to determine if TVA maintained an accurate and complete cloud inventory. Although we determined TVA's (1) defined processes related to managing cloud inventory were designed in alignment with identified best practices, and (2) access controls for the cloud inventory were operating effectively, TVA does not maintain an accurate and complete cloud inventory.



TVA management agreed with our recommendations to (1) implement controls to prevent and detect disallowed cloud services procured outside of the IT procurement process; (2) update the cloud inventory reconciliation process to include other data sources of cloud services procured or in use to improve cloud inventory completeness; (3) review and update the cloud inventory as appropriate; and (4) implement a periodic process to identify and update blank required fields to improve cloud inventory accuracy.

Federal Information Security Modernization Act

The FISMA requires each agency’s IG to conduct an annual independent evaluation to determine the effectiveness of the information security program and practices of its respective agency. Our audit scope was limited to answering the *FY 2025 IG FISMA Reporting Metrics*, which include 20 core and 5 supplemental metrics. Each metric was assessed to determine its maturity level. The FISMA methodology considers metrics at a level 4 (managed and measurable) or higher to be at an effective level of security. Based on our analysis of the FY 2025 IG metrics and associated maturity models, we determined TVA’s information security program and practices were operating in an effective manner as defined by the *FY 2025 IG FISMA Reporting Metrics*. However, we identified areas for improvement in both the core and supplemental metrics.

TVA management agreed with our recommendations to further improve the maturity of ineffective metrics related to (1) developing and maintaining a comprehensive and accurate inventory for public-facing websites; (2) implementing, assessing, and maintaining common secure configuration settings for all information systems; (3) incorporating vulnerability scanning into the Continuous Diagnostics and Mitigation program dashboard; (4) refining, aligning, and monitoring the target profile; and (5) verifying data and corresponding metadata inventories.





SUMMARY OF REPRESENTATIVE EVALUATIONS

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

EVALUATIONS - OPERATIONS

During this semiannual reporting period, the Evaluations - Operations department completed five evaluations, including reviews of (1) TVA's transmission capacity, (2) the condition of fire protection and ammonia systems at coal plants, (3) dam maintenance and inspections, (4) the condition of Transmission's assets, and (5) inspection and maintenance of CCR storage facilities.

TVA Transmission Capacity

TVA's transmission planning process includes assessing the capacity of the transmission system to reliably deliver power from generation resources to customer loads. Due to the importance of ensuring TVA's transmission system can accommodate its generation strategy and ensure adequate system margins to allow for reliable customer supply, we performed an evaluation to determine if TVA's plans for transmission capacity support (1) planned generation additions and (2) demand growth.

We determined TVA's plans for transmission capacity account for generation additions and demand growth; however, we identified an increased risk to Transmission Planning and Projects' (TP&P) ability to execute these plans. These included (1) gaps between budgeted funding levels and forecasted spending needed to support TVA's planned generation and demand growth through FY 2029 and (2) some transmission projects that were forecast to exceed approved cost and/or time frames, which could impact the ability of TP&P to support generation additions or demand growth.

TVA management agreed with our recommendations and has (1) launched an Integrated Transmission Plan to better inform Financial Operations & Performance of transmission

specific needs for business planning and (2) established recurring meetings with Supply Chain to identify and discuss equipment costs and schedule impacts, begun an analysis of actual expenses through a project's life cycle, and scheduled training and education on forecasting accuracy.

Condition of Fire Protection and Ammonia Safety Systems at Coal Plants

TVA has four active coal plants that produce nearly 7,000 megawatts—enough to power more than 4 million homes. These plants contain hazards such as ammonia, large quantities of fuel, combustible/flammable liquids, electrical hazards, and combustible dust, all of which have the potential to cause a catastrophic event. TVA uses ammonia in selective catalytic reduction systems to aid in the removal of nitrogen oxide, a by-product of burning coal. Ammonia is hazardous when inhaled, ingested, or when it comes in contact with the eyes, skin, or mucous membranes. PO-SPP-09.060, *Highly Hazardous Chemical – Ammonia Compliance Program*, provides standards and expectations for assuring PO compliance with the Occupational Safety and Health Administration ammonia-related requirements.

In addition, fire has the potential to injure employees, cause severe property damage, and result in business interruption at coal plants. PO SPP-18.121, *Fixed Fire Protection and Detection Subsystems – Inspection, Testing, Maintenance*, establishes the minimum requirements for inspection, testing, and maintenance of fixed fire protection and detection subsystems to ensure the preservation of assets, generation, and personnel safety at Power Operations facilities. TVA's SPPs for fire protection equipment and fire brigades are based on industry codes and standards.

We conducted an evaluation to determine if fire protection and ammonia safety systems at TVA coal plants were being properly maintained and identified issues were being addressed. We determined ammonia systems were being properly maintained and identified issues were being addressed. However, we determined fire protection systems were not always properly maintained and issues were not always being addressed. Specifically, (1) some inspections and testing of fire-protection systems were not performed as required, (2) some fire-protection system issues were not resolved timely, and (3) one fire-protection subsystem was missing safety locks at one plant, which was subsequently addressed. In addition, we identified concerns with documentation, including incomplete fire-protection impairment documentation and discrepancies in the required frequency of inspections between the fire protection SPP and site-specific job plans, which provides details of each plant’s fire-protection subsystems.

TVA management agreed with our recommendations and stated (1) when a critical fire protection resource is lost, a more proactive plan to replace the team member will be implemented by the site; (2) use of the site fire impairment logs will be reinforced with each site fire protection coordinator and associated site management; (3) the site impairment logs and SPP will be updated to require a preliminary priority level; (4) the work order section of the impairment logs will be updated to read condition report or work order if repair is required; and (5) the SPP will be updated to clarify allowable variances to the inspection schedule based on the design of each subsystem.

TVA Dam Maintenance and Inspections

TVA has developed a dam safety program to protect lives and property by ensuring that structures within the program are designed, constructed, and maintained as safely and reliably as practicable. This program applies

to dams, dikes, impoundments, levees, water barrier components, pumping stations, and other appurtenant structures that are included in TVA’s Dam Safety Program inventory.¹³ As of September 9, 2024, this inventory included 106 structures.

TVA is a self-regulating entity in regard to dam safety; however, the program requirements are based, as appropriate, on the Federal Emergency Management Agency’s, *Federal Guidelines for Dam Safety*, and the Federal Energy Regulatory Commission’s *Engineering Guidelines for the Evaluation of Hydropower Projects*. TVA has developed SPPs for both maintenance and inspection of dams. Due to the importance of maintenance and inspections to the reliable operation of assets, we performed an evaluation of TVA dams to determine if maintenance and inspections had been performed in accordance with established schedules.

We determined TVA has generally performed maintenance but has not performed all inspections in accordance with established schedules for TVA dams. We identified 43 inspections that were between 1 and 99 months late and 33 that were not performed. We also determined that TVA had not taken actions to address 34 recommendations from inspections completed in FYs 2022 through 2024 or the most recent risk assessments. Additionally, we identified some areas where governance could be improved related to inaccuracies in inspection manuals and inspections.

TVA management agreed with our recommendations and provided planned actions to (1) develop a technical instruction that will address overdue inspections and provide training and detailed instructions to ensure that actual inspection dates are recorded; (2) use updated processes to evaluate open recommendations, and improve the prioritization system for the engineering task list; and (3) develop a master inspection list that includes frequency and classification.

Transmission Condition Assets

TVA owns and operates more than 16,400 miles of transmission lines to deliver electricity to 10 million people in the Tennessee Valley. TVA has delivered 99.999 percent reliability since the year 2000 and continued investment in its transmission system helps TVA meet the daily challenge of moving power to where it is needed. Due to the importance of transmission assets to system reliability and the risk associated with the degradation of transmission assets, we performed an evaluation to determine if Transmission (1) is assessing the condition of its transmission assets and (2) has plans in place to address asset degradation.

We determined Transmission is assessing the condition of its assets and has plans in place to address asset degradation. However, according to the FY 2024 Transmission Long-Term Asset Study, TVA faces increased risk to reliability over the next 10 years based on planned spending levels. TVA management agreed with our recommendation and plans to closely monitor the budget, actively seek additional funding for asset replacements, and evaluate additional funding measurements in collaboration with Financial Services.

Inspection and Maintenance of Coal Combustion Residual Storage Facilities

In April 2015, the U.S. Environmental Protection Agency published the *Disposal of Coal Combustion Residuals [CCR] from Electric Utilities* (commonly referred to as the CCR Rule), which set forth national regulations for the safe disposal of coal ash from coal-fired power plants.

On May 8, 2024, the U.S. Environmental Protection Agency finalized changes to the CCR Rule to include additional classes of regulated CCR storage facilities,¹⁴ including inactive surface impoundments¹⁵ at inactive electric utilities, referred to as "legacy CCR surface impoundments."

The CCR Rule requires that applicable CCR units be inspected both weekly for any appearances of actual or potential structural weakness and annually to ensure that the design, construction, operation, and maintenance of the CCR unit is consistent with recognized engineering standards. In addition, the CCR Rule requires monthly monitoring of all CCR unit instrumentation¹⁶ for surface impoundments. Due to recent updates to CCR regulations, we performed an evaluation to determine if TVA is performing required inspections and maintenance of CCR storage facilities.

We determined TVA performed required inspections and maintenance of CCR storage facilities. Specifically, TVA performed all (1) weekly and annual inspections and (2) monthly monitoring required by the CCR Rule during the evaluation scope. Additionally, inspections identified no significant deficiencies, and all deficiencies¹⁷ and high priority¹⁸ instrumentation maintenance issues identified were resolved timely or had plans in place for resolution.

However, we also determined (1) TVA did not maintain a comprehensive list of instrumentation requiring monitoring, (2) some issues were not identified in inspections and some instrumentation issues were not resolved, (3) remediation of minor issues identified during annual inspections was not documented, (4) annual inspection reports did not document review of weekly inspections, and (5) some inspectors did not have required training.

¹³ TVA’s Dam Safety Program inventory does not include CCR facilities.

¹⁴ CCR storage facilities maintained by TVA are surface impoundments or landfills. A CCR landfill is an area of land or an excavation that contains CCR, and which is not a surface impoundment.

¹⁵ A surface impoundment is a natural topographic depression, man-made excavation, or diked area, which is designed to hold an accumulation of CCR and liquids, and the unit treats, stores, or disposes of CCR.

¹⁶ TVA utilizes instrumentation to monitor pressure, water levels, settlement, and deformations of slopes at CCR storage facilities.

¹⁷ Significant deficiencies indicate that the integrity of a significant or high hazard potential water retaining structure (potential loss of life and/or significant property damage) could be in jeopardy if corrective action is not taken. Annual inspection reports define deficiencies as issues that require actions ranging from continued monitoring to immediate correction.

¹⁸ Instrument maintenance issues are prioritized in the instrument maintenance log on a scale of 1-4. We determined, based on documentation and feedback from TVA, that Level 1 and 2 issues were high priority.

TVA management agreed with our recommendations to (1) document the CCR storage facility instrumentation requiring monthly monitoring under the CCR Rule, (2) confirm that instrumentation included in monthly and annual reports is accurate, (3) reinforce the importance of identifying existing issues during weekly inspections, (4) complete corrective actions on the unresolved instrumentation maintenance issues identified in monthly instrumentation monitoring reports, (5) consider documenting the resolution of minor issues identified in annual inspections, (6) take steps to validate that annual inspections include a review of weekly inspection reports, (7) facilitate the completion of required training for all personnel performing inspections, and (8) document the training of contractors performing inspections of CCR storage facilities.

EVALUATIONS - PROJECTS

During this semiannual reporting period, the Evaluations - Projects group completed four evaluations, including reviews of the (1) Aurora transmission project, (2) Cumberland combined cycle transmission project, (3) Gallatin Ash Pond Complex Closure and Restoration (Gallatin Ash) project, and (4) alternatives for the Chattanooga Office Complex (COC).

Aurora Transmission Project

In October 2021, the TVA Board approved a \$142 million capital project to make available up to 160 megawatts (MWs) for a manufacturing facility in west Tennessee. The project, internally known as Project Aurora, required TVA to make significant investments in its transmission system for economic development purposes. Due to the cost and complexity of Project Aurora, we performed an evaluation of the management of the project's costs and risks.

We determined risks to TVA resulting from lower-than-expected demand by the manufacturer were not considered and actions to address cost overruns were not fully implemented. Specifically, the manufacturer's monthly

demand has averaged approximately 10 MWs of the planned 160 MWs, which could impact TVA's ability to recover the costs incurred to support the manufacturer. In addition, analyses conducted by TVA identified causes for cost overruns and action plans were developed to mitigate the risk of cost overruns on future transmission projects. However, we determined seven of eleven actions had not been implemented through process changes and actions.

TVA management agreed with our recommendations and (1) will evaluate items to create a plan to mitigate the risk of not fully recovering infrastructure costs for additional capacity and (2) indicated they had fully implemented ten actions and partially implemented one action item to support their commitment to better managing cost estimates.

Cumberland Combined Cycle Transmission Project

In January 2023, TVA issued a record of decision to retire and demolish its Cumberland Fossil Plant and replace one of its two units with a natural gas plant. Subsequently, TVA implemented the Cumberland Energy Solution (CES) project to construct a 1,450-MW natural gas-fueled combined cycle (CC) plant and 500-kilovolt switchyard. In August 2023, major projects obtained approval from the TVA Board for all related CES project funding (including transmission) totaling \$2.1 billion. Due to the importance of completing the transmission modifications to support the CC plant, we initiated an evaluation of the Cumberland CC transmission project to determine if the project followed TVA's (1) scope and (2) risk management guidelines.

We determined the Cumberland CC transmission project complied with most elements of scope and risk management. For example, (1) the project had completed required scoping documentation, including a project charter, work breakdown structure, and supporting schedules; (2) funds were appropriately allocated for a change in the project scope; and (3) the risk register contained required elements. However, documentation

reflected inadequate collaboration and estimating related to project cost. In addition, risk register development did not adequately include project team members and some risk response owners were not aware of their monitoring responsibilities.

TVA management agreed with our recommendations to (1) increase collaboration with other business units, (2) ensure planning estimates are adequately developed, and (3) take steps to involve all project team members in risk identification and notify risk owners of their assigned responsibilities.

Gallatin Ash Pond Complex Closure and Restoration

In 2015, the U.S. Environmental Protection Agency issued the CCR Rule, which included requirements for addressing the risks from coal ash disposal. TVA updated program funding for its CCR management program in 2015 to address compliance with the CCR Rule and in 2017 began developing a site-specific project to address coal ash at Gallatin Fossil Plant. The Gallatin Ash Pond Complex Closure and Restoration (Gallatin Ash) project activities include (1) construction, operation, and closure of on-site lined landfills; (2) excavation and disposal of approximately 14 million cubic yards of CCR from Gallatin Fossil Plant; and (3) closure of the legacy ash site and coal yard, along with other site restoration work.

The project was first approved for implementation by the Project Review Board in February 2018 with a total estimated project cost of approximately \$899 million. As of July 2024, the total estimated project cost had increased to approximately \$1.64 billion, an increase of approximately 82 percent. Because of the costs associated with this project, we scheduled an evaluation to assess the management of project costs.

We determined areas of cost management for the Gallatin Ash project needed improvement related to the development of the project estimate and monitoring and tracking of project change requests (PCRs).

Specifically, we found:

- The original project estimate (1) did not include the complete scope of work and (2) was not developed using definitive costs as required. As a result, the initial implementation project estimate was significantly understated.
- Some PCRs submitted by contractors lacked adequate detail to determine if project cost increases were reasonable. In addition, PCRs were not prepared for cost increases resulting from inaccurate project estimates.

During the review, we identified confidential contractor information that was shared by TVA project management with another contractor, creating reputational and liability risks for TVA.

TVA management agreed with our recommendations and provided planned actions to (1) ensure that TVA processes are developed to support and monitor definitive estimates, (2) work with the contractor to ensure sufficient detail of itemized additional scope and cost to verify approved amounts, (3) reinforce the need for adequate support prior to approving PCRs and ensure the PCR log documents project revisions, and (4) work with the Office of the General Counsel and Supply Chain to educate employees on TVA's *Code of Conduct* to ensure that the contractor's confidential information is not shared with potential competitors.

Alternatives for the Chattanooga Office Complex

TVA's valley-wide corporate and regional real estate strategy includes aligning TVA's facilities portfolio to evolving business needs, reducing square footage, and lowering long-term real estate costs for TVA.

In January 2023, the General Services Administration (GSA) announced that a portion of the COC, which consists of five buildings, was being considered for the site of a new federal courthouse. In anticipation of a possible move, TVA created

a stand-alone project (Vacate and Consolidate) to vacate two of its buildings, Missionary Ridge (MR) and Blue Ridge (BR), and consolidate into the other three COC buildings.

In March 2024, TVA requested public input on four alternatives as required by the National Environmental Policy Act. Public input was to inform TVA decision makers about expected environmental consequences related to each alternative. On February 13, 2025, the TVA Board approved MR and BR for surplus, and in July 2025, TVA made the decision to remain in three buildings at the COC. Due to the cost and complexity of the project, we performed a review to evaluate the financial impacts of the options being considered for the COC.

We determined that TVA's analysis of the options for the COC could have been improved. Specifically, (1) TVA did not compare the financial impacts of the four alternatives identified in the National Environmental Policy Act process to determine the best course of action before starting a project, and (2) the economic analysis for the Vacate and Consolidate project was flawed because it did not include all relevant costs and included an inaccurate input that was not reviewed for reasonableness by TVA. During TVA's process for evaluating alternatives for the COC, we informed management of our findings. Subsequently, TVA took interim actions to address the concerns before making a final decision.

TVA management agreed with our recommendations and stated TVA's Facility Strategy Programs and Projects will (1) review financial impacts of project alternatives to ensure informed decision making and effective resource allocation, (2) verify projects include all costs, and (3) review inputs used in economic analysis for reasonableness.





SUMMARY OF REPRESENTATIVE INVESTIGATIONS

During this reporting period, we opened 45 cases and closed 51. Our investigations have resulted in significant civil, criminal, and administrative outcomes. Highlights of investigative accomplishments follow.

Four Plead Guilty in International Telemedicine Health Care Fraud Kickback Scheme

In December 2021, David Woroboff, Chief Executive Officer; George Willard, Chief Operating Officer; Randall Mills, an employee; and Lee Thu, a medical doctor and healthcare provider for Telemedicine, Inc., were indicted on one count each of Conspiracy to Commit Health Care Fraud and Conspiracy to Violate the Federal Anti-Kickback Statute.

From May 2014 through April 2017, Woroboff, Willard, and Mills, with assistance from Thu, operated a business focused on compounded medications, and later, DME (Durable Medical Equipment), through Telemedicine, Inc. The business model was designed to generate a high volume of prescriptions for compounded medications and DME without regard to medical necessity and through the payment of kickbacks.

As a result, Woroboff, Willard, and Mills pled guilty to one count of Introducing a Misbranded Drug into Interstate Commerce. Thu pled guilty to one count of Conspiracy to Violate the Federal Anti-Kickback Statute.

On September 24, 2025, Willard was sentenced to two years of probation and ordered to pay \$1,000,000 in restitution to Tri-Care. On September 30, 2025, Mills was sentenced to one year of probation and ordered to pay \$51,625 in restitution to Tri-Care. Sentencing for Woroboff and Thu will take place at a later date.

This case was investigated in conjunction with the Defense Criminal Investigative Service, Federal Bureau of Investigation, U.S. Office of Personnel Management OIG, U.S. Department of Labor OIG, and the U.S. Department of Labor Employee Benefits Security Administration.

Otis Worldwide Corporation Agrees to Pay More Than \$600,000 to Settle False Claims Act

In May 2025, Otis Elevator, an international elevator services firm headquartered in Farmington, Connecticut, agreed to settle allegations under the False Claims Act related to invoices for preventative maintenance services submitted to TVA that were not rendered pursuant to contract terms.

The investigation focused on an August 2017 contract between Otis and TVA, which required Otis to provide turnkey modernization and specified monthly preventative maintenance services related to certain elevators in the TVA Knoxville Office Complex. The investigation found false claims were submitted for payment to TVA by Otis for maintenance not completed.

The settlement resolution obtained in this matter was the result of a coordinated effort between the U.S. Attorney's Office for the Eastern District of Tennessee and the TVA OIG. The settlement terms specify Otis will pay the United States \$616,987, of which \$378,337 constitutes restitution plus investigative costs to be paid to TVA.

U.S. Department of Labor Denial of OWCP Claim for TVA Employee

The OIG was requested by TVA Office of Workers' Compensation Program (OWCP) and TVA plant management to investigate an alleged fraudulent worker's compensation claim by a TVA employee. The employee claimed the injury occurred while exiting a doorway at a TVA site. The employee reported the injury to the acting supervisor but did not seek or request medical assistance from the onsite nurse. The following week the employee notified the site manager that medical care was needed. The site manager sent the employee to the site nurse for evaluation, and the

employee was placed on restricted duty. Later that week, the employee filled out a U.S. Department of Labor OWCP CA-1 form, Federal Employee's Notice of Traumatic Injury and Claim for Continuation of Pay/Compensation.

During the investigation, all card access badging and video for the entry and exit doors on the reported date of the incident were reviewed; however, none of this evidence corroborated the employee's claim of injury.

The U.S. Department of Labor OWCP denied the employee's claim for compensation, citing insufficient evidence to establish a sustained injury as defined by the Federal Employees' Compensation Act. The denial saved TVA approximately \$1,870,456 in wage loss compensation over the life of the claim had the employee been placed on the long-term roll and not returned to work.

Restitution Agreement Reached Between TVA Management and TVA Employees' Representatives

TVA management contacted the OIG regarding 16 TVA employees who received flat-rate travel subsistence reimbursement while residing within the 40-mile work/home radius, therefore, disqualifying them from the reimbursement. Prior to contacting the OIG, TVA management conducted a 6-month audit of the employees' reimbursements. A separate more extensive analysis, based on expense data for the date range March 9, 2023, through December 31, 2024, was conducted by the OIG which documented all unallowable flat-rate travel subsistence reimbursements. TVA management and TVA OIG worked together to determine the total unallowable reimbursement paid by TVA to all 16 TVA employees was \$174,528.

A restitution agreement between TVA Labor Relations and the representatives of the TVA employees resulted in the reimbursement rate being reduced by 50 percent. In addition, 3 of the 16 employees were removed from the findings, as it was deemed their actions did not constitute a violation of TVA flat-rate travel subsistence reimbursement policy. The final restitution amount to be repaid by the remaining 13 TVA employees is \$83,026.



LEGISLATION AND REGULATIONS

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

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

INDEX OF REPORTING REQUIREMENTS UNDER THE INSPECTOR GENERAL ACT

REPORTING	REQUIREMENT	PAGE OR APPENDIX
Section 4(a)(2)	Review of legislation and regulations.	54-55
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.	34-53
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.	50-53
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.	Appendix 9
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.	None
Section 5(a)(14)	Detailed description of (a) any instance of whistleblower retaliation, including information about the official found to have engaged in retaliation; and (b) what, if any, consequences the establishment actually imposed to hold the official accountable.	None
Section 5(a)(15)	Information related to interference by the establishment, including (a) a detailed description of any attempt by the establishment to interfere with the independence of the Office, including (i) with budget constraints designed to limit the capabilities of the Office, and (ii) incidents where the establishment has resisted or objected to oversight activities of the Office or restricted or significantly delayed access to information, including the justification of the establishment for such action; and (b) a summary of each report made to the head of the establishment under Section 6(c)(2) during the reporting period.	None
Section 5(a)(16)	Detailed descriptons of the particular circumstances of each (a) inspection, evaluation, and audit conducted by the Office that is closed and was not disclosed to the public; and (b) investigation conducted by the Office involving a senior government employee that is closed and was not disclosed to the public.	Appendix 5

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

OIG AUDIT REPORTS • ISSUED DURING THE SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2025

Report Number and Date	Title	Questioned Costs	Unsupported Costs	Funds Put To Better Use
CONTRACT AUDITS				
2025-17539 04/25/2025	Proposal for Hydro Modernization	\$0	\$0	\$1,225,000
2025-17540 05/20/2025	Proposal for Hydro Modernization	0	0	14,100,000
2024-17506 05/21/2025	Wright Brothers Contracting, Inc. - Contract No. 16512	1,439,598	49,355	0
2024-17519 05/27/2025	Terracon Consultants, Inc. - Contract No. 15087	387,879	1,550	0
2024-17518 07/10/2025	TVA's Process for Issuing Purchase Orders Under Blanket Contracts	0	0	0
2025-17559 09/03/2025	Johnson Service Group, Inc. - Contract No. TVA-04012020-125806	32,353	0	0
2025-17576* 09/15/2025	Proposal for Nuclear Maintenance and Modification Services	0	0	0
2025-17575* 09/25/2025	Proposal for TVA Nuclear Maintenance and Modification Services	0	0	10,600,000
FINANCIAL AND OPERATIONAL AUDITS				
2025-17537 09/24/2025	TVA's Financial Hedging Program	\$0	\$0	\$0
INFORMATION TECHNOLOGY AUDITS				
2024-17523 04/21/2025	TVA Transmission Network Cybersecurity	\$0	\$0	\$0
2024-17522 05/14/2025	Microsoft 365® Access Control	0	0	0
2024-17521 06/17/2025	Cloud Inventory	0	0	0
2025-17548* 09/09/2025	2025 Federal Information Security Modernization Act	0	0	0
TOTAL AUDITS (13)		\$1,859,830	\$50,905	\$25,925,000

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

OIG EVALUATION REPORTS • ISSUED DURING THE SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2025
(CONTINUED)

Report Number and Date	Title	Questioned Costs	Unsupported Costs	Funds Put To Better Use
EVALUATIONS - OPERATIONS				
2024-17510 04/10/2025	TVA Transmission Capacity	\$0	\$0	\$0
2024-17503 05/29/2025	Condition of Fire Protection and Ammonia Safety Systems at Coal Plants	0	0	0
2024-17507 06/24/2025	TVA Dam Maintenance and Inspections	0	0	0
2025-17533 09/12/2025	Transmission Condition of Assets	0	0	0
2025-17544* 09/30/2025	Inspection and Maintenance of Coal Combustion Residual Storage Facilities	0	0	0
EVALUATIONS - PROJECTS				
2024-17505 04/15/2025	Cumberland Combined Cycle Transmission Project	\$0	\$0	\$0
2024-17486 05/07/2025	Aurora Transmission Project	0	0	0
2025-17549 09/23/2025	Gallatin Ash Pond Complex Closure and Restoration	0	0	0
2025-17530 09/30/2025	Alternatives for the Chattanooga Office Complex	0	0	0
TOTAL EVALUATIONS (9)		\$0	\$0	\$0

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

RECOMMENDATIONS INCLUDED IN A PREVIOUS SEMIANNUAL REPORT AND AWAITING IMPLEMENTATION

At the end of the semiannual period, final corrective action was not complete on 58 recommendations associated with 12 audit and 7 evaluation reports issued in a prior period. Presented below for each audit and evaluation are the report number, date, and title, along with a brief description of action management agreed to take to resolve the open recommendation, including the date management expects to complete final action and potential cost savings.

Audit Report Number and Date	Report Title and Actions Agreed to by Management to Resolve Recommendations
2023-17434 04/29/2024	Corporate Wi-Fi Security TVA agreed to (1) continue implementation of an upgraded wireless infrastructure and (2) remediate insecure protocols. TVA expects to complete final action by October 1, 2028.
2023-17426 06/07/2024	Fixed Wing Aircraft TVA agreed to 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. TVA expects to complete final action by December 31, 2025.
2024-17479 09/24/2024	BFI Waste Systems of North America, LLC dba South Shelby Landfill - Contract No. 15327 TVA agreed to recover \$459,356 in overbilled fuel charges. TVA expects to complete final action by December 31, 2025.
2024-17502 11/26/2024	TVA's Cost of Service Study TVA agreed to (1) evaluate the inclusion of Valley Investment Initiative and Performance Grant credits as part of the cost-of-service survey and (2) update the cost-of-service internal guidance and develop a cadence for review and approvals. TVA expects to complete final action by November 26, 2025.
2024-17480 12/02/2024	Expenditures for Contributions, Donations, and Grants TVA agreed to periodically review all expenditures identified as contributions, donations, and grants in TVA's general ledger. TVA expects to complete final action by December 2, 2025.
2024-17498 12/05/2024	GE Vernova International, LLC (GEVI) - Contract No. 11930 TVA agreed to (1) enter into negotiations with GEVI to (a) correct or address timing inconsistencies with applicability of time and materials labor rates, (b) include cost breakdowns in fixed price estimates, and (c) recover \$4,278 in overbilled costs; (2) ask GEVI to identify any other overbilled costs for noncapital part purchases after November 19, 2021, and recover any additional overbilled amounts identified; (3) reiterate to GEVI the requirements of the Trade Agreement Act (TAA) and use of approved foreign countries of origin; (4) revise the contract language to ensure compliance with TAA and information is provided to TVA as required so that TVA can determine appropriate purchase practices; and (5) review documents in Maximo and upload relevant documents including the Letter Agreement. TVA expects to complete final action by December 5, 2025.
2024-17481 12/18/2024	Solar Panels Purchased for Lawrence County Solar Project TVA agreed to (1) report to the Enterprise Project Management Office when new risks are learned after a risk and readiness review (R3) has been completed; (2) coordinate with the Enterprise Project Management Office and document through the Project Risk and Contingency Tool when risks are identified following an R3 review but prior to Project Approval Board/Project Review Board; and (3) retrain on the standard programs and processes (SPP) 34 series, which includes risk assessment procedures. TVA expects to complete final action by December 18, 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
	Burns and McDonnell Engineering (B&M) - Contract No. 15388
2024-17477 01/16/2025	TVA agreed to (1) address process and policy inconsistencies and clarify when competition is required or direct assignment of work is in the best interests of TVA; (2) provide consideration for utilization of cost-reimbursable pricing terms for future projects to prevent the payment of excessive fixed prices; (3) reinforce with the Contract Engineering team the contract requirements to evaluate all tasks over \$50,000; and (4) pursue the recovery of \$16,854 in credits not provided by B&M. TVA expects to complete final action by January 16, 2026.
	Cybersecurity Vulnerability Management
2024-17508 01/30/2025	TVA agreed to (1) update the patch management processes to verify known exploited vulnerabilities are patched or mitigated in accordance with policy and (2) design and implement a documented process for maintaining an accurate inventory of internet-accessible internet protocol addresses and update the Cybersecurity and Infrastructure Security Agency within five days of changes. TVA expects to complete final action by January 30, 2026.
	Proposal for New Caledonia Gas Plant
2024-17524 01/30/2025	TVA agreed to (1) attempt to negotiate reductions to the overall target cost estimate by specifically targeting reductions to overstated labor costs, inflated subcontract costs, overstated or unallowable other direct costs, overstated general and administrative costs, and overstated taxes and (2) revise the draft contract language, as applicable, to be consistent with what the parties agree to during contract negotiations. TVA expects to complete final action by January 30, 2026.
	TVA's Solar Power Purchase Agreements (PPA)
2024-17482 02/25/2025	TVA agreed to update applicable SPPs to (1) include consideration for taking a measured approach with new developers by limiting the number of contracts with the developers until a performance history has been established and (2) require utility scale solar PPAs have a second economic analysis if the project has a proposed change to a price from the original contract amount. Additionally, TVA agreed to consider a net present value or other appropriate economic-alternative metrics in updated process that ensure appropriate Board oversight. TVA expects to complete final action by February 25, 2026.
	TVA One Card
2024-17501 03/17/2025	TVA agreed to (1) contact the approving managers for exceptions identified during the audit and reinforce their responsibilities for ensuring TVA One Card expenses are appropriate; (2) implement appropriate training specific to expense approvers; (3) review the feasibility of creating a report to test for split transactions; and (4) send notifications of pending expenses prior to 30 days. TVA expects to complete final action by March 17, 2026.

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
	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 October 31, 2025.
	Gas Operations Clearances
2024-17499 11/19/2024	TVA agreed to (1) implement work controls to perform (a) monthly audits in accordance with Power Operations SPP-10.015, <i>Coal and Gas Clearance Procedure</i> , requirements and (b) a periodic review of active clearances to verify tags are in place; (2) reinforce procedure guidelines regarding clearance documentation during annual clearance training; and (3) take actions to ensure required training is completed for contractors. TVA expects to complete final action by November 19, 2025.
	TVA's Analysis of the Power Supply Plan Reliability (PSP)
2023-17465 12/13/2024	TVA agreed to (1) update procedures in the PSP process to better support the reliability of TVA's PSPs; (2) update the review process on all Board materials to ensure accuracy; (3) update the Capacity Planning and Long-Term Generation Planning procedures; (4) consult the responsible input provider and have implemented actions to gather Off-System Purchase Limits and the Transmission Expansion Upgrade Cost Estimates inputs from Transmission and Power Supply; (5) continue to review and refine solar inputs, including aligning near-term market expectations transitioning to a long-term moderate forecast; and (6) implement actions to improve consistency of relevant PSPs. TVA expects to complete final action by December 13, 2025.
	Sequoyah Nuclear Plant Vendor Selection Process
2024-17487 01/14/2025	TVA agreed to (1) develop and conduct additional training for project managers and Supply Chain on the bid evaluation process and (2) implement a weekly touchpoint during project management meetings to discuss support needs for each group to ensure compliance with the vendor selection process. TVA expects to complete final action by January 14, 2026.
	Gas Plant Overtime
2024-17511 01/15/2025	TVA agreed to (1) conduct a business case analysis to determine if hiring additional employees would be less costly than paying overtime and (2) evaluate TVA-TSP-18.018, <i>Fatigue Management</i> , and TVA-SPP-18.001, <i>Safety Program</i> , for any enhancements and to ensure compliance with procedure requirements. TVA expects to complete final action by January 15, 2026.
	Hydro Plant Overtime
2024-17513 01/15/2025	TVA agreed to (1) evaluate schedules and workload amongst plant technicians and staff; (2) develop a specific staffing strategy for each project to ensure adequate outage support while avoiding any unplanned overtime from hydro personnel; (3) initiate new training classes in FY 2025 to reach approved headcount totals and train entry-level technicians to progress to more senior-level positions; and (4) evaluate TVA-TSP-18.018, <i>Fatigue Management</i> , and TVA-SPP-18.001, <i>Safety Program</i> , for any enhancements and to ensure compliance with procedure requirements. TVA expects to complete final action by January 15, 2026.
	General Ledger Modernization
2024-17485 03/18/2025	TVA agreed to (1) develop fully integrated schedules for future projects; (2) hold contractors accountable and to perform a lessons learned assessment inclusive of contractor management; (3) identify boundary systems requirements and reporting needs prior to testing; (4) perform a more comprehensive stakeholder analysis for future projects; and (5) use a fully integrated schedule and review and update the schedule at least weekly. TVA expects to complete final action by March 18, 2026.

INVESTIGATIVE REFERRALS AND PROSECUTIVE RESULTS

Referrals	
Reports Issued to TVA Management	3
Subjects Referred to U.S. Attorneys	7
Subjects Referred to State/Local Authorities	0
Results	
Subjects Indicted/Informations Filed	4
Subjects Convicted	4
Pretrial Diversion	0
Federal Referrals Declined	9
State/Local Referrals Declined	0

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

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

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

PREVIOUSLY UNDISCLOSED INVESTIGATIONS INVOLVING SENIOR AGENCY OFFICIALS

Case No.	Allegation and Disposition
25-0101	It was alleged an employee, qualifying as a senior government employee, used an employer-provided rideshare program to commute to work against agency policy and changed his work location in the company directory to Knoxville so travel costs could be calculated from his residence rather than his assigned work location, Chattanooga. Unsubstantiated.

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

	SEPT 30, 2025	MAR 31, 2025	SEPT 30, 2024	MAR 31, 2024	SEPT 30, 2023
AUDITS					
AUDIT STATISTICS					
Carried Forward	17 ¹	19	20 ²	17 ³	18 ⁴
Started	15	12	15	13	7
Canceled	(1)	(0)	(0)	(0)	(0)
Completed	(13)	(14)	(17)	(9)	(9)
In Progress at End of Reporting Period	19	17 ⁵	19 ⁶	20 ⁷	17 ⁸
AUDIT RESULTS (Thousands)					
Questioned Costs	\$1,860	\$666	\$25,124	\$2,940	\$6,197
Disallowed by TVA	\$1,860	\$666	\$11,124	\$2,940	\$2,084
Recovered by TVA	\$143	\$401	\$67	\$517	\$221
Funds to Be Put to Better Use	\$25,925	\$71,090	\$22,990	\$0	\$54,290
Agreed to by TVA	\$15,325	\$71,090	\$22,990	\$0	\$58,680 ⁹
Realized by TVA	\$12,600	\$749	\$0	\$54,290 ¹⁰	\$0
OTHER AUDIT-RELATED PROJECTS					
Completed	3	3	5	3	3
Cost Savings Identified/Realized	\$0	\$0	\$0	\$0	\$0
EVALUATIONS					
Completed	9	6	8	5	8
Cost Savings Identified/Realized (Thousands)	\$0	\$0	\$0	\$9,713	\$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 Ibid.
⁴ Does not include two projects that were postponed at the beginning of 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 Amounts were identified in the prior period.

HIGHLIGHTS - STATISTICS (CONTINUED)

	SEPT 30, 2025	MAR 31, 2025	SEPT 30, 2024	MAR 31, 2024	SEPT 30, 2023
INVESTIGATIONS ¹¹					
INVESTIGATION CASELOAD					
Opened	45	55	46	58	66
Closed	51	56	48	61	68
In Progress at End of Reporting Period	51	57	58	61	69
INVESTIGATIVE RESULTS (Thousands)					
Restitution - Court Ordered Criminal	\$1,051.6	\$133.5	\$124.3	\$192.8	\$80.1
Civil Settlement	\$617.0	\$3,188.6	\$0	\$0	\$6,640.0
Recoveries ¹²	\$83.0	\$6.5	\$166.1	\$0	\$325.3
Projected Savings	\$1,870.5	\$0	\$0	\$332.0	\$0
Fines/Penalties/Fees	\$0.1	\$51.3	\$0.2	\$0.3	\$0.2
Waste/Other Monetary Loss	\$0	\$0	\$0	\$212.7	\$145.1
Forfeiture(s) Ordered - Criminal	\$0	\$0	\$0	\$0	\$0
Forfeiture(s) Ordered - Civil	\$0	\$0	\$0	\$0	\$0
MANAGEMENT ACTIONS ¹³					
Disciplinary Actions Taken	4	4	3	2	5
Counseling/Management Techniques Employed	7	6	5	10	6
Debarments	0	0	0	0	0
PROSECUTIVE ACTIVITIES (Number of Subjects)					
Referred to U.S. Attorneys	7	8	15	5	5
Referred to State/Local Authorities	0	1	0	0	0
Indicted/Informations Filed	4	1	0	6	5
Convicted	4	2	6	2	3
Pretrial Diversions	0	1	0	1	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
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¹¹ These numbers may include task force activities and joint investigations with other agencies.
¹² Sum of all administrative recoveries pursued by TVA or repayments made as a result of investigative events occurring during the reporting.
¹³ Beginning with FY 2025, Management Actions are being reported in total. In prior periods, Disciplinary Actions were reported by subject and Counseling/Management Techniques Employed were reported per case.

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 website at <https://www.tvaoig.gov>.

The U.S. Nuclear Regulatory Commission OIG is scheduled to perform a peer review of our audit organization for the period ended September 30, 2025. We plan to include the results of the ongoing peer review in our next semiannual report.

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 website at <https://www.tvaoig.gov>.

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 website at <https://www.tvaoig.gov>.

APPENDIX 9

PEER REVIEW OF ANOTHER OFFICE OF INSPECTOR GENERAL

The Tennessee Valley Authority Office of the Inspector General (OIG) initiated a peer review of the U.S. Department of the Interior OIG audit operations. OIGs that conduct audits in accordance with *Government Auditing Standards* must undergo an external peer review every three years. The objectives of the peer review are to determine whether, for the period under review, the audit organization's system of quality control was suitably designed and whether the organization is complying in all material respects with its system of quality control in order to provide it with reasonable assurance of conforming with applicable professional standards and legal and regulatory requirements. We anticipate issuing our report prior to March 31, 2026.





GLOSSARY

Disallowed Cost

A questioned cost that management, in a management decision, has sustained or agreed should not be charged to the agency.

Final Action

The completion of all management actions, as described in a management decision, with respect to audit findings and recommendations. When management concludes no action is necessary, final action occurs when a management decision is made.

Funds Put To Better Use

Funds which the OIG has disclosed in an audit report that could be used more efficiently by reducing outlays, deobligating program or operational funds, avoiding unnecessary expenditures, or taking other efficiency measures.

Information

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

Management Decision

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

Questioned Cost

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

Unsupported Costs

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



ABBREVIATIONS & ACRONYMS

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

AIGI	Assistant IG for Investigations
B&M	Burns and McDonnell Engineering
BR	Blue Ridge
Blue Book	Quality Standards for Inspection and Evaluation
CC	Combined Cycle
CCR	Coal Combustion Residuals
CEO	Chief Executive Officer
CES	Cumberland Energy Solution
CIGIE	Council of the Inspectors General on Integrity and Efficiency
COC	Chattanooga Office Complex
CRS	Center for Rural Studies
CWEL	Chilled Work Environment Letter
DME	Durable Medical Equipment
DOL	U.S. Department of Labor
EXIM	Export-Import Bank of the United States
FHP	Financial Hedging Program
FISMA	Federal Information Security Modernization Act of 2014
FTP	Financial Trading Program
FY	Fiscal Year
Gallatin Ash	Gallatin Ash Complex Closure and Restoration
GAO	Government Accountability Office
GEVI	GE Vernova International, LLC
GSA	General Services Administration
HUD	U.S. Department of Housing and Urban Development
IG	Inspector General
IT	Information Technology
Lazard	Lazard, Frères & Co., LLC
LPC	Local Power Companies
MFA	Multi-factor Authentication
MR	Missionary Ridge
MWs	Megawatts
NRC	Nuclear Regulatory Commission
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OWCP	Office of Workers' Compensation Program
PCRs	Project Change Requests
PO	Purchase Orders
PPA	Power Purchase Agreements
PSP	Power Supply Plan Reliability
QAR	Quality Assessment Review
R3	Risk and Readiness Review
SEC	U.S. Securities and Exchange Commission
SPP	Standard Programs and Processes
TAA	Trade Agreement Act
T&M	Time and Materials
TP&P	Transmission Planning and Projects
TVA	Tennessee Valley Authority
TVA Board	TVA Board of Directors
TVPPA	Tennessee Valley Public Power Association
TVIC	Tennessee Valley Industrial Committee
U.S.	United States
Valley	Tennessee Valley



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.



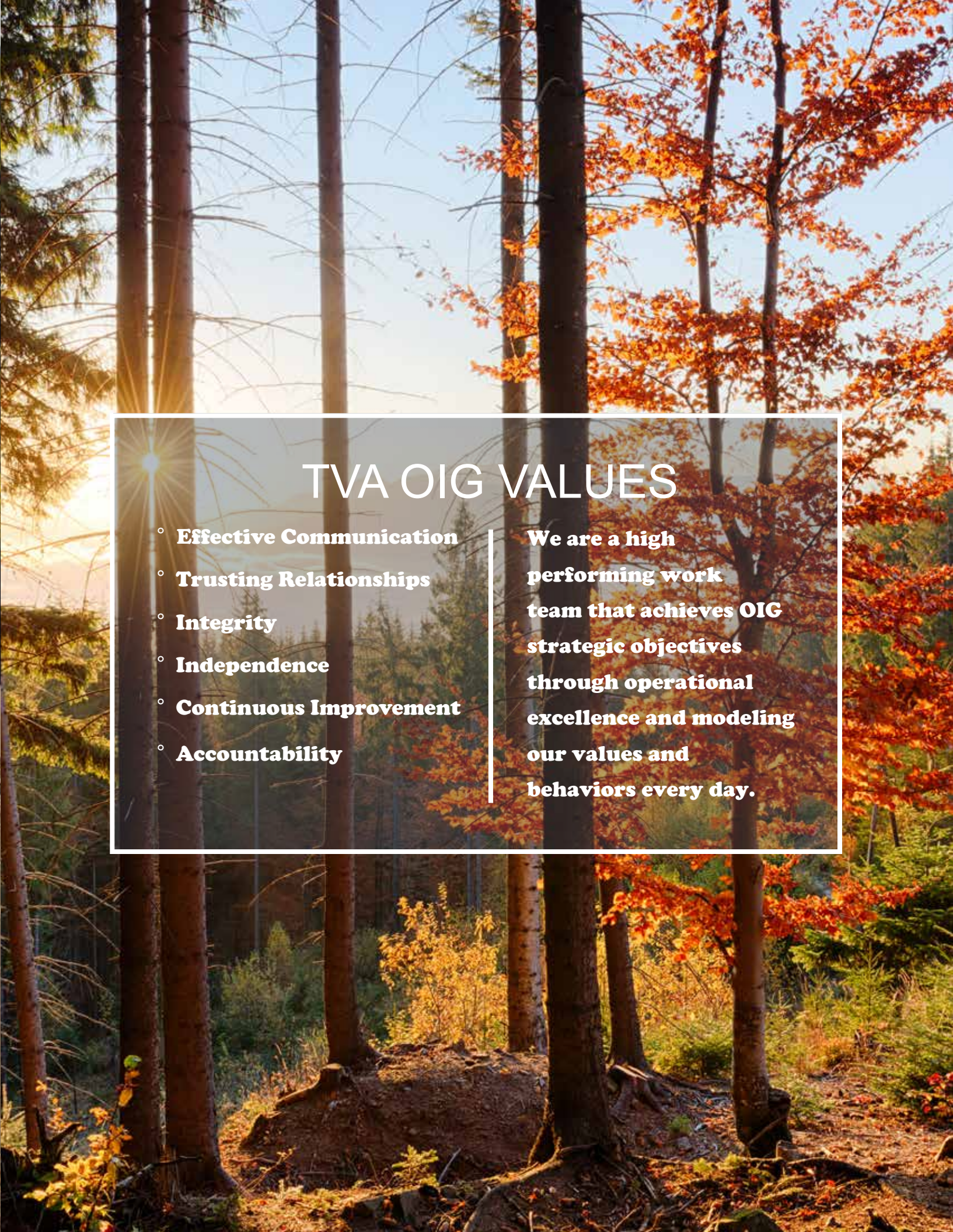
OFFICE OF THE INSPECTOR GENERAL
TENNESSEE VALLEY AUTHORITY
400 West Summit Hill Drive
Knoxville, Tennessee 37902

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

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

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





TVA OIG VALUES

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

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



Office of the Inspector General
TENNESSEE VALLEY AUTHORITY
Semiannual Report
April 1, 2025 - September 30, 2025