

TVA RESTRICTED INFORMATION



Memorandum from the Office of the Inspector General

February 2, 2026

Diane T. Wear

REQUEST FOR FINAL ACTION – AUDIT 2025-17536 – BUSINESS MEETINGS AND EXTERNAL RELATIONSHIP EVENTS

Attached is the subject final report for your review and final action. Your written comments, which addressed your management decision and actions planned or taken, have been included in the report. Please notify us when final action is complete. In accordance with the Inspector General Act of 1978, as amended, the Office of the Inspector General is required to report to Congress semiannually regarding audits that remain unresolved after 6 months from the date of report issuance.

If you have any questions or wish to discuss our findings, please contact Rick C. Underwood, Director, Financial and Operational Audits, at (423) 785-4824. We appreciate the courtesy and cooperation received from your staff during the audit.

Greg Stinson
Assistant Inspector General
(Audits and Evaluations)

MVE:KDS

Attachment

cc (Attachment):

TVA Board of Directors
Jessica Dufner
Jill M. Matthews
Edward C. Meade
Donald A. Moul
Tom C. Rice
Ronald R. Sanders II
Emily B. Sweetland
Bevin W. Taylor
Ben R. Wagner
OIG File No. 2025-17536



Office of the Inspector General

Audit Report

To the Vice President and
Controller, Corporate
Accounting

BUSINESS MEETINGS AND EXTERNAL RELATIONSHIP EVENTS

Audit Team
Maria V. Edwards
Morgan A. Venturella

Audit 2025-17536
February 2, 2026

ABBREVIATIONS

CEO	Chief Executive Officer
FY	Fiscal Year
M&IE	Meals and Incidental Expenses
PP	Per Person
RSA	Randolph-Sheppard Act
SPP	Standard Programs and Processes
TVA	Tennessee Valley Authority
TVA Board	TVA Board of Directors

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 GREG STINSON



Audit 2025-17536 – Business Meetings and External Relationship Events

EXECUTIVE SUMMARY

Why the OIG Did This Audit

The Tennessee Valley Authority (TVA) routinely engages in business meetings and external relationship events to conduct business and develop improved relationships. TVA Standard Programs and Processes (SPP) 13.063, *Business Meetings & External Relationship Events*, defines (1) a business meeting as a meeting where the primary focus is to conduct specific TVA business and (2) an external relationship event as an event where the primary focus is to establish or maintain a relationship with external stakeholders, including members of the TVA Board of Directors (TVA Board), and not to conduct specific business or be primarily focused on internal employee networking. To add an additional level of oversight for expenditures, TVA management reports these activities annually to the TVA Board.

According to TVA-SPP-13.063, TVA may provide meals and refreshments to employees and other external stakeholders in conjunction with business meetings where specific TVA business is conducted. In addition, TVA may provide meals and refreshments to external stakeholders, including TVA Board members, to establish or maintain a relationship.

TVA-SPP-13.063 requires all employees responsible for planning a business meeting or external relationship event to ensure and document that the (1) business need is justified; (2) expense is reasonable, proper, and an efficient use of TVA resources; and (3) cost is appropriate to the occasion or circumstance. Approving managers are responsible for ensuring that purchases are reasonable, for official business use, within the organization's approved budget, and in accordance with policies and procedures.

Our audit objective was to determine if expenditures reimbursed as business meetings or external relationship events complied with TVA policies and procedures and any other applicable guidance. Our audit scope included approximately \$7.1 million in business meetings and external relationship event expenditures occurring from January 1, 2024, through December 31, 2024.



Audit 2025-17536 – Business Meetings and External Relationship Events

EXECUTIVE SUMMARY

What the OIG Found

We reviewed expenditures associated with 180 business meetings and external relationship events.ⁱ We determined that while all expenditures for meetings/events were approved by TVA management or their delegates, a substantial number had expenditures that were not in compliance with TVA-SPP-13.063, *Business Meetings & External Relationship Events*. Specifically, these events/meetings included (1) disallowed expenses for team-building events and alcohol and (2) meals that exceeded allowable amounts.

In addition, we identified expense reports for meetings/events that were approved that did not comply with documentation requirements of TVA-SPP-13.063, *Business Meetings & External Relationship Events*, or the Randolph-Sheppard Act.ⁱⁱ This included expense reports approved without (1) evidence of review, (2) itemized receipts, and (3) obtaining waivers required by the Randolph-Sheppard Act.

To improve transparency, the *Board of Directors, CEO and Direct Reports FY2024 Expense Review Summary* could be revised to (1) attribute all support staff expenses authorized by an executive to that executive in the report and (2) identify executive expenses that do not comply with policy and document justifications for the expenses.

The noncompliance issues identified were the result of TVA's system of internal controls, including the key control, management review and approval of expenses, not operating effectively because policies and procedures were not followed or enforced by approvers of expenditures. This included expenditures made and/or approved by some executives that did not adhere to policies.

What the OIG Recommends

We made recommendations to TVA management to (1) reinforce requirements in TVA-SPP-13.063, *Business Meetings & External Relationship Events*; (2) strengthen controls around business meetings and external relationship events; and (3) increase transparency by improving the reporting of executive expenditures to the TVA Board.

ⁱ We used judgmental selection for 160 meetings and events based on dollar amount of expenditure, frequency of expenditures with vendors, higher probability of noncompliance based on vendor names, locations and/or being reimbursed as an out-of-pocket expenditure. We also selected 20 random meetings and event expenditures and included all associated expenditures with each.

ⁱⁱ TVA is subject to the Randolph-Sheppard Act, which requires federal agencies/offices to utilize blind vendors for all on-site beverage, catering, food, and vending services.



Audit 2025-17536 – Business Meetings and External Relationship Events

EXECUTIVE SUMMARY

TVA Management's Comments

In response to our draft, TVA management stated, in the spirit of continuous improvement, they plan to take the following actions:

- Notify employees and managers of the individual audit findings and policy requirements.
- Update the annual required training to emphasize areas with findings.
- Review and update the policy to meet business requirements.
- Reassess TVA Board and management reporting.

See Appendix B for TVA management's complete response.

Auditor's Response

We agree with TVA management's planned actions.

BACKGROUND

The Tennessee Valley Authority (TVA) routinely engages in business meetings and external relationship events to conduct business and develop improved relationships. A fiscal year (FY) 2020 Office of the Inspector General audit of the Tennessee Valley Authority's (TVA) expenditures for business meetings and hospitality determined the approval process did not ensure expenses complied with TVA policies.¹ Among other things, the audit found expenses were approved for (1) reimbursement and/or payment without the required information and supporting documentation included with the expense voucher, (2) questionable team-building expenditures, and (3) prohibited alcohol expenditures. According to TVA personnel, in response to the audit, the Vice President and Controller began reviewing a monthly report with expense totals and outstanding transactions for the Chief Executive Officer (CEO), his direct reports, and their administrative assistants.

For the 12-month period of January 1, 2024, through December 31, 2024, TVA spent approximately \$7.1 million on business meetings and external relationship events.² Table 1 below shows the total amount spent by category.

Business Meeting and External Relationship Events January 1, 2024 – December 31, 2024	
Category	Amount
Business Meetings	\$5,944,601
External Relationship Events	<u>1,151,548</u>
Total	\$7,096,149

Table 1

APPLICABLE TVA STANDARD PROGRAMS AND PROCESSES

TVA Standard Programs and Processes (SPP) 13.063, *Business Meetings & External Relationship Events*, defines a business meeting as a meeting where the primary focus is to conduct specific TVA business. The SPP discusses several types of business meetings, including (1) meetings where both TVA employees and external stakeholders are present, (2) meetings where only employees are present, (3) employee team-building activities for improving internal working relationships, and (4) unofficial or voluntary after-hours employee events outside of normal working hours.

The SPP defines an external relationship event as an event where the primary focus is to establish or maintain a relationship with external stakeholders, including members of the TVA Board of Directors (TVA Board), and not to conduct specific business or be primarily focused on internal employee networking. According to the SPP, the presence of an external speaker or single

¹ Audit 2020-15691, *Business Meetings and Hospitality*, September 28, 2020.

² Total amounts include One Card charges and out-of-pocket expenses submitted for reimbursement classified as business meetings and external relationship events in TVA's expense management system.

external stakeholder does not automatically qualify the event as an external relationship event. Eligible expenses for external relationship events include meals where specific TVA business is not discussed, meet-and-greets, networking events, career fairs, and open houses.

According to TVA-SPP-13.063, TVA may provide meals and refreshments to employees and other external stakeholders in conjunction with business meetings where specific TVA business is conducted. In addition, TVA may provide meals and refreshments to external stakeholders, including members of the TVA Board, to establish or maintain a relationship. The SPP states any activity that due to its nature, location, timing, participants, expense, or other factors would likely be perceived by a reasonable member of the public as an improper or inefficient use of TVA resources is not permitted. This may include, but is not limited to, golf/country clubs, social clubs, individual memberships, corporate contributions, skyboxes, corporate suites, or similar type arrangements for sporting or other public events. Receptions or meetings held at unnecessarily lavish locations or settings are also not permitted.

TVA-SPP-13.063 requires all employees responsible for planning a business meeting or external relationship event to ensure and document that the (1) business need is justified; (2) expense is reasonable, proper, and an efficient use of TVA resources; and (3) cost is appropriate to the occasion or circumstance. Employees who incur the costs for the business meetings or external relationship events are responsible for completing the expense report and uploading itemized receipts and other supporting documentation. The SPP further states that the highest-ranking TVA official hosting and/or planning the activity should charge the expenditure to his/her TVA One Card whenever possible.

TVA-SPP-13.063 refers to TVA-SPP-28.300, *Food Services*, that outlines the regulatory requirements of the Randolph-Sheppard Act (RSA). The RSA requires federal agencies/offices to utilize blind vendors for all on-site beverage, catering, food, and vending services. According to the *Food Services* SPP, when a business meeting or external relationship event occurs on TVA sites and TVA funds are utilized to pay for the food provided, TVA is required to use the federal RSA blind vendor program. TVA is exempt from utilizing on-site RSA services if the on-site vendor waives rights to the specific service in advance.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our audit objective was to determine if expenditures reimbursed as business meetings or external relationship events comply with TVA policies and procedures and any other applicable guidance. Our audit scope included approximately \$7.1 million in business meetings and external relationship events occurring from January 1, 2024, through December 31, 2024. We reviewed expenditures in TVA's expense reimbursement system associated with 180 business meetings and external relationship events (105 for business meetings and 75 for external relationship events). A complete discussion of our audit objective, scope, and methodology is included in Appendix A.

FINDINGS

We identified reimbursements approved for business meetings and external relationship event expenditures that were disallowed by TVA-SPP-13.063. In addition, we identified reimbursements approved that did not meet documentation requirements and/or that were not in compliance with the RSA. To improve transparency, the *Board of Directors, CEO and Direct Reports FY2024 Expense Review Summary* could be revised to (1) attribute all support staff expenses authorized by an executive to that executive in the report and (2) identify executive expenses that do not comply with policy and document justifications for the expenses.

EXPENDITURES NOT IN COMPLIANCE WITH POLICY

We reviewed expenditures in the expense reimbursement system associated with 180 business meetings and external relationship events³ (105 for business meetings and 75 for external relationship events). While all expenditures for meetings/events were approved by TVA management or their delegates, we identified 111 meetings/events where expenditures were made that were not in compliance with TVA-SPP-13.063. Specifically, we identified (1) disallowed expenses for team building events and alcohol and (2) meals that exceeded allowable amounts.

Disallowed Expenditures for Activities and Alcohol

We identified 11 business meetings that included unpermitted team-building activities. We also identified 9 business meetings and 18 external relationship events with alcohol purchases that did not comply with TVA-SPP-13.063 or guidance provided by the policy.⁴

Team-Building Activities

TVA-SPP-13.063 states team-building activities can include communication activities, problem solving and/or decision-making activities, team planning activities, activities that focus on building trust, or other activities based on management discretion. Team-building activities that could likely be perceived by a reasonable member of the public as inappropriate are not permitted. The SPP provides examples of inappropriate activities and gives the names of specific businesses, as well as providing general descriptions of locations to avoid, including golf courses, skyboxes, etc. We determined 11 of the 28 team-building activities tested were held at locations that were not permitted by the SPP. The eleven team-building activities included renting a skybox to watch a game, paintball, an indoor amusement center, go-cart racing, mini golf, social spy gaming experience, bowling, and axe throwing.

³ We used judgmental selection for 160 meetings and events based on dollar amount of expenditure, frequency of expenditures with vendors, higher probability of noncompliance based on vendor names, locations and/or being reimbursed as an out-of-pocket expenditure. We also selected 20 random meetings and event expenditures and included all associated expenditures with each.

⁴ Audit 2020-15691, *Business Meetings and Hospitality*, identified business meetings that included disallowed purchases of alcohol at two business meetings and open bars at nine external events.

Expenditures for Alcohol

TVA-SPP-13.063 states, “alcohol may never be present at business meetings” except during voluntary after-hours events as long as the alcohol is not purchased by TVA. The SPP does allow TVA to purchase alcohol for external relationship events; however, the total alcohol expense must be reasonable given the circumstance, the alcoholic beverages provided must be appropriate for the occasion, and no “open bars” are permitted.

During our review of expenditures, we identified alcohol purchases that were specifically prohibited by the SPP, including:

- Eight business meetings⁵ with alcohol present.
- One voluntary after-hours business meeting where alcohol was purchased by TVA.
- Three external relationship events with open bars.

TVA-SPP-13.063 states alcohol must be reasonable given the circumstance and appropriate it does not define what constitutes reasonableness or appropriateness. We identified 15 external relationship events that had expenditures for alcohol that might not be considered reasonable or appropriate based on the cost per person (PP). The average alcohol cost at these events was \$48 pp and as high as \$113 pp. Without clear guidelines, employees may purchase alcohol in greater amounts and at costs higher than is appropriate.

Expenditures Exceeded Allowable Amounts

TVA-SPP-13.063 states meals provided at business meetings or external relationship events should be as “close as possible” to the applicable meals and incidental expenses (M&IE) rate⁶ for the meal provided and meals over \$100 pp will be “deemed unreasonable.” We identified 61 (11 of 105 business meetings and 50 of 75 external relationship events) meetings/events where expenditures for meals exceeded \$100 pp. We also identified meals for seven business meetings with only TVA employees in travel status that exceeded SPP requirements.

Business Meeting Expenditures Exceeded Allowable Amounts

We reviewed 105 business meetings and determined 11 had meals that exceeded \$100⁷ pp resulting in \$11,958 in expenses above the amounts allowed by the SPP.⁸ See Table 2 on the following page.

⁵ The business meetings were held outside of normal business hours.

⁶ Under the Federal Travel Regulation, the General Services Administration establishes maximum per diem rates for M&IE based on the location when employees are in travel status.

⁷ Costs included food, alcohol, if applicable, and tips.

⁸ If receipts were detailed enough to identify the number of attendees, we used the number of guests from the receipt for our pp cost calculations. If the number of guests could not be determined from the receipts, we used the expense management system’s count of attendees in our cost pp calculation.

Business Meetings with Meals Exceeding \$100 pp						
<u>Exceeding M&IE</u>	<u>Meeting Count</u>	<u>Employee Count</u>	<u>Total Meal Cost</u>	<u>Avg Meal Cost pp</u>	<u>Total Cost \$100 pp</u>	<u>Excess Costs</u>
125% - 250%	3	43	\$4,794	\$111	\$4,300	\$494
251% - 300%	3	40	\$5,093	\$127	\$4,000	\$1,093
301% - 400%	4	50	\$6,209	\$124	\$5,000	\$1,209
400% +	1	31	\$12,262	\$396	\$3,100	\$9,162
Total	11	164	\$28,358	\$173	\$16,400	\$11,958

Table 2

In addition, TVA-SPP-13.063 states that “meals classified as business meetings where the only participants are TVA employees in travel status are discouraged, but, if necessary, amounts should not exceed per diem guidelines.” We identified seven business meetings where only employees who were in travel status were present and the costs exceeded M&IE rates.⁹ See Table 3 below.

Seven Business Meetings with TVA Employees in Travel Status Exceeding M&IE						
<u>Exceeding M&IE</u>	<u>Employee Count</u>	<u>Avg Meal Cost pp</u>	<u>Total Actual Meal Cost</u>	<u>M&IE Rate</u>	<u>Total M&IE Meal Cost</u>	<u>Excess Costs</u>
97%	14	\$51	\$718	\$26	\$364	\$354
120%	8	\$57	\$459	\$26	\$208	\$251
127%	4	\$77	\$309	\$34	\$136	\$173
199%	9	\$102	\$915	\$34	\$306	\$609
225%	2	\$117	\$234	\$36	\$72	\$162
285%	6	\$100	\$600	\$26	\$156	\$444
297%	14	\$143	\$2,001	\$36	\$504	\$1,497

Table 3

External Relationship Events Exceeded Allowable Amounts

We reviewed 75 external relationship events and determined 50 of those had meals that exceeded \$100 pp resulting in \$70,938 in expenses above the amounts allowed by the SPP. See Table 4 below.

External Relationship Events Meals Exceeding \$100 pp					
<u>Avg Meal Cost pp</u>	<u>Meeting Count</u>	<u>Attendee Count</u>	<u>Total Meal Cost</u>	<u>Total Cost \$100 pp</u>	<u>Excess Costs</u>
\$100 - \$124	9	109	\$12,059	\$10,900	\$1,159
\$125 - \$149	12	313	\$42,308	\$31,300	\$11,008
\$150 - \$199	14	166	\$28,379	\$16,600	\$11,779
\$200 - \$249	10	173	\$38,828	\$17,300	\$21,528
\$250 - \$424	5	103	\$35,764	\$10,300	\$25,464
Total	50	864	\$157,338	\$86,400	\$70,938

Table 4

⁹ Excessive meal costs exceeding M&IE per diem while in travel status was also a finding in the previous Audit 2018-15573, *Executive Travel*.

EXPENDITURES APPROVED THAT DID NOT MEET DOCUMENTATION REQUIREMENTS

We identified expenditures for meetings/events that were approved that did not meet the documentation requirements of TVA SPPs and/or the RSA. Specifically, we identified expenditures approved without (1) evidence of review by the approver, (2) an itemized receipt, or (3) obtaining waivers required by the RSA.

Expenditures Were Approved Without Evidence of Review

Management review and approval of expenditures is the main control TVA relies upon to ensure business meeting and external relationship transactions comply with TVA-SPP-13.063. The expense management system records when the receipts/documentation attached to an expense report are viewed.

We reviewed the 233 expenditures for the 180 meetings/events in our sample and identified receipts/documentation attached to the expense reports for 71 expenditures were not electronically viewed prior to approval. Furthermore, 54 of the 71 meetings/events were not in compliance with the SPP. Approving managers, or their delegates, should review purchase receipts and other expense documentation to ensure compliance with policies and procedures.¹⁰

Expenditures Were Not Documented with Itemized Receipts

TVA-SPP-13.063 requires all expenses over \$75 must include a legible itemized receipt detailing every charge in the expense management system. During our audit, we identified 19 meetings/events that did not include the required itemized receipt.¹¹ Without an itemized receipt, the approver cannot perform a thorough review to ensure the expenditure complies with the SPP.

Waivers Were Not Obtained for On-site Meetings

The RSA requires federal agencies/offices to utilize blind vendors for all on-site beverage, catering, food, and vending services. TVA-SPP-28.300, *Food Services*, requires all TVA organizations and employees to use the applicable on-site RSA vendor when TVA funds are used to pay for services for an on-site meeting. TVA is exempt from utilizing on-site RSA services if the on-site vendor waives their rights to the specific service in advance. However, we identified four business meetings held in the Chattanooga Office Complex where the RSA was not used, and waivers were not obtained.

¹⁰ Audit 2024-17501, *TVA One Card*, determined approvers were not consistently viewing receipts and recommended TVA configure the expense management system to require this review prior to expense approval. TVA determined this was not technically feasible in the system.

¹¹ Audit 2020-15691, *Business Meetings and Hospitality*, identified expenditures for business meetings and external relationship events where itemized receipts were not included as required.

EXPENDITURE REPORTING TO THE TVA BOARD OF DIRECTORS COULD BE IMPROVED

TVA One Card and out-of-pocket expenditures for the TVA Board, CEO, the CEO's direct reports, and their support team are summarized annually for the TVA Board. To improve transparency, the Board of Directors, CEO and Direct Reports FY2024 Expense Review Summary could be revised to (1) attribute all support staff expenses authorized by an executive to that executive in the report and (2) identify executive expenses that do not comply with policy and document justifications for the expenses.

The 149-page report included summaries of the TVA Board, CEO, and CEO direct reports expenditures. Support team charges were included in the report, but currently, there is no way to determine if those charges were authorized by the CEO or the CEO's direct reports and should have been included in the executives' totals. The summary section of the report showed \$34,867 for business meetings and \$43,341 for external relationship events for executives. However, their support team expenditures totaled \$1.1 million and \$227,778 for business meetings and external relationship events, respectively.

As documented throughout the report, we identified policy noncompliance related to business meetings and external relationship events. These included expenditures made or approved by the CEO or the CEO's direct reports. Currently, there is no way for the TVA Board to know when policy noncompliance for the CEO or the CEO's direct reports occurs. This increases the reputational risk for TVA, including the TVA Board.

CONTROLS WERE NOT OPERATING EFFECTIVELY

TVA has established a system of controls to deter and detect noncompliance with TVA-SPP-13.063, including (1) management review and approval of expenses, (2) compliance reviews performed by TVA Financial Shared Services personnel, (3) automated system control flagging expenses that need to be reviewed for reasonableness, and (4) *Board of Directors, CEO and Direct Reports FY2024 Expense Review Summary* sent to the Board for review. While TVA has established multiple controls, we determined the overall system of controls was not operating effectively.

The key internal control associated with business meetings and external relationship expenditures is management review and approval of expenses. The expense reimbursement system is configured to restrict cardholders from approving their own expenses. To reduce the risk of unauthorized credit card charges, the cardholder's approving manager is responsible for reviewing and approving expenses in the expense management system for all purchases. Approving managers are responsible for ensuring that purchases are reasonable, for official business use, within the organization's approved budget, and in accordance with policies and procedures. This includes denying approval of any expenses that are not reimbursable in accordance with the procedure and

counseling employee(s) and taking necessary corrective action relative to any unreasonable or questionable expense. We noted policy noncompliance for expenditures related to 140 business meetings or external relationship events that were all approved by the cardholder's approving manager or their delegate, which indicated the key control was not operating effectively.

We identified additional examples of controls not operating effectively:

- One of the events was approved by a former executive after being provided an e-mail from the Vice President and Controller that stated, the event would "likely be perceived by a reasonable member of the public as an improper or inefficient use of TVA resources." An executive approving this event, after being cautioned that it would be perceived as improper, sets a bad example for employees throughout the organization and can minimize the importance of following procedures.
- An employee hosted 12 events in our testing that exceeded \$100 pp, which were all flagged in the expense management system as needing to be reviewed for reasonableness. The employee added comments in the system such as: "will continue to follow policy in the future and work to ensure all pp amounts are less than \$100," "every attempt will be made in the future to not exceed the allowable amount pp," and "additional focus is being given to ensuring the pp limit is not exceeded in the future." However, the employee has continued to incur expenditures exceeding \$100 pp.

The SPP allows for actions to be taken if an employee fails to adhere to the requirements, including canceling an employee's card and payroll deduction. While our testing identified noncompliance with SPPs, we did not identify any instances where the noncompliance was remedied. Taking actions to address individuals that do not comply with the SPP can help increase future compliance.

RECOMMENDATIONS

We recommend the Vice President and Controller, Corporate Accounting:

1. Develop steps to reinforce the identified areas of noncompliance with TVA-SPP-13.063, *Business Meetings & External Relationship Events*, and TVA-SPP-28.300, *Food Services*.

TVA Management's Comments – In response to our draft report, TVA management stated they will notify employees and managers of the individual audit findings and policy requirements and update the annual required training to emphasize areas with findings. See Appendix B for TVA management's complete response.

Auditor's Response – We agree with TVA management's planned actions.

2. Modify TVA-SPP-13.063 to define what constitutes acceptable alcohol expenses at external relationship events.

TVA Management's Comments – In response to our draft report, TVA management stated they will review and update the policy to meet business requirements. See Appendix B for TVA management's complete response.

Auditor's Response – We agree with TVA management's planned actions.

3. Consider developing a stronger enforcement policy for individuals identified as having multiple instances of non-compliance with TVA-SPP-13.063.

TVA Management's Comments – In response to our draft report, TVA management stated they will notify employees and managers of the individual audit findings and policy requirements. See Appendix B for TVA management's complete response.

Auditor's Response – We agree with TVA management's planned actions.

4. Include corporate card charges authorized by the CEO and his direct reports in each executive's summary in the TVA Board in the annual *Board of Directors, CEO, and Direct Reports [FY] Expense Review Summary*.

TVA Management's Comments – In response to our draft report, TVA management stated they will reassess TVA Board and management reporting. See Appendix B for TVA management's complete response.

Auditor's Response – We agree with TVA management's planned actions.

5. Document expenses made by the CEO and his direct reports that do not comply with TVA-SPP-13.063, including justifications, in the annual *Board of Directors, CEO, and Direct Reports [FY] Expense Review Summary*.

TVA Management's Comments – In response to our draft report, TVA management stated they will reassess TVA Board and management reporting. See Appendix B for TVA management's complete response.

Auditor's Response – We agree with TVA management's planned actions.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our audit objective was to determine if expenditures reimbursed as business meetings or external relationship events comply with the Tennessee Valley Authority (TVA) policies and procedures and any other applicable guidance. Our audit scope included approximately \$7.1 million in business meetings and external relationship events occurring from January 1, 2024, through December 31, 2024.

To achieve our objective, we:

- Reviewed TVA Standard Programs and Processes 13.063, *Business Meetings & External Relationship Events*, and TVA Standard Programs and Processes 28.300, *Food Services*, to identify key requirements applicable to business meeting and external relationship event expenses.
- Obtained an understanding of internal controls, including information system controls, associated with the processing and approval of TVA One Card purchases. We identified the significant internal control as management review and approval of expenses and designed our testing to ensure this control was tested. Our primary method for testing the operating effectiveness of this control was reviewing approved expenses for compliance with applicable policies and procedures.
- Obtained expense management system data for the audit period and performed data analysis to assess the reliability of the data. The audit population was limited to transactions greater than \$75, which require a receipt, as shown in Table 1 below.

Audit Population		
January 1, 2024 – December 31, 2024		
Category	Expenditures	Amount
Business Meetings	9,922	\$5,944,601
External Relationship Events	1,095	\$1,151,548
Total	11,017	\$7,096,149

Table 1

- Selected business meetings and external relationship event expenditures, as shown in Table 2 on the following page, and reviewed supporting documentation maintained in TVA expense management system to test compliance with key requirements of TVA policies. Items tested consisted of (1) 160 judgmentally selected expenditures, totaling \$284,915, and (2) 20 randomly selected expenditures, totaling \$18,735. The 180 expenditures were for 180 different business meetings or external relationship events. We identified 53 additional transactions, totaling \$105,138 related to those 180 events. We performed our testing based on all costs identified for each business meeting and event. Since we did not use statistical sampling, the results cannot be projected to the population.

Selection Type	Expenditures	Amounts
Business Meetings		
Judgmental	90	\$111,121
Random	15	\$13,543
External Relationship Events		
Judgmental	70	\$173,794
Random	<u>5</u>	<u>\$5,192</u>
Total Sampled	180	\$303,650
Additional Selected	<u>53</u>	<u>\$105,138</u>
Total Tested	233	\$408,788

Table 2

The expenditures were selected for testing based on the following:

- Highest amounts spent on business meetings (initially selected five highest amounts) and external relationship events (initially selected five highest amounts).
 - Frequency of expenditures with vendors or by spenders/approvers.
 - Higher probability of noncompliance based on their nature, location, and timing.
 - Expenses reimbursed as out-of-pocket were selected based on the higher risk of noncompliance with these transactions.
 - Random sample of 77 (20 tested)¹ from remaining population after judgmental selections were made.
- Interviewed TVA personnel to request additional supporting documentation and/or clarification to determine compliance with TVA policies.
 - Obtained and reviewed fiscal year 2024 annual report to the TVA Board detailing expenditures made by the Chief Executive Officer, his direct reports, and their support staff.

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

¹ We originally randomly selected 77 expenditures to test; however, based on the high incidence of noncompliance identified during testing of this sample, we determined that further testing was not necessary.

January 7, 2026

Greg Stinson
Assistant Inspector General
(Audits and Evaluations)

RESPONSE TO REQUEST FOR COMMENTS - DRAFT AUDIT 2025-17536 – BUSINESS MEETINGS AND EXTERNAL RELATIONSHIP EVENTS

This letter is in response to your request for comments regarding the subject draft report. Please let us know if your staff has any concerns with TVA's comments.

TVA takes very seriously its commitment to be good stewards of its resources. TVA also must be able to host third parties to conduct business transactions required in today's environment and host third parties to ensure transparency with constituents. Further, TVA competes for talent in an environment of talent shortages and must develop its employees and maintain a good corporate culture where individuals are able to work seamlessly together to accomplish the mission.

In the spirit of continuous improvement, TVA intends to take the following actions related to the Business Meetings and External Relationship Events audit:

- Notify employees and managers of the individual audit findings and policy requirements
- Update the annual required training to emphasize areas with findings
- Review and update the policy to meet business requirements
- Reassess Board and management reporting.

If you have any questions, please contact me.

Diane Wear
Vice President & Controller
Financial Services
WT4B-K

DTW:STB

cc: Tom C. Rice
Ronald R. Sanders II
Emily B. Sweetland
Rebecca C. Tolene