Memorandum from the Office of the Inspector General

February 11, 2026

Allen A. Clare
Matthew Rasmussen
Robert Bryan Williams

REQUEST FOR MANAGEMENT DECISION – AUDIT 2025-17560 – TOOL MANAGEMENT CONTROLS

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

If you have any questions or wish to discuss our findings, please contact 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)

MCC:KDS
Attachment
cc (Attachment):

TVA Board of Directors
John W. Crawford
Jessica Dufner
Kris G. Edmondson
Lucia W. Harvey
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Ben R. Wagner
OIG File No. 2025-17560

Office of the Inspector General

Audit Report

To the Senior Vice President, Generation, to the Senior Vice President and Chief Nuclear Officer, and to the Senior Vice President, Generation Projects and Fleet Services

TOOL MANAGEMENT CONTROLS

Audit Team
Michael C. Cook
Andrew A. Bailey

Audit 2025-17560
February 11, 2026

ABBREVIATIONS

BFN	Browns Ferry Nuclear
BP	Business Practice
CUF	Cumberland Fossil
GAF	Gallatin Fossil
NPG	Nuclear Power Group
PO	Purchase Order
PSS	Power Service Shop
TVA	Tennessee Valley Authority
WBN	Watts Bar Nuclear

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APPENDIX

Audit 2025-17560 – Tool Management Controls

EXECUTIVE SUMMARY

Why the OIG Did This Audit

The Tennessee Valley Authority (TVA) sites primarily purchase tools using purchase orders (POs) or the TVA One Card. POs are issued with various vendors through TVA's supply chain and work management system and TVA One Card purchases are administered through TVA's expense management system. Between January 1, 2022, and July 8, 2025, TVA spent about $47 million on tools across the fleet.[i] Tools are stored in one or more tool rooms or at various storage locations throughout the site.

Due to the amount spent on tools at TVA, we performed an audit of TVA's tool management controls. Our audit objective was to determine if controls are in place to safeguard tools at selected sites. Our audit scope was limited to controls in place at selected sites during our site visits which occurred between May 28, 2025, and June 17, 2025.

What the OIG Found

Each of the selected sites had some physical controls in place to safeguard tools; however, some sites had more controls in place than others. Specifically, all sites included in our scope used tool room attendants and physical access controls on the main tool room doors, but not all the sites used safeguards such as video surveillance or web-based tool tracking. Additionally, we determined the only policy or procedure in place to safeguard tools across TVA was Nuclear's Business Practice 226, *Tool and Equipment Accountability*, which we determined was not effectively implemented. We also determined that the limited guidance resulted in control weaknesses in tool management.

What the OIG Recommends

We made two recommendations to TVA management related to evaluating controls to safeguard tools and developing policies and procedures for tool management.

TVA Management Comments

In response to our draft audit report, TVA management agreed with the recommendations. See the Appendix for TVA management's complete response.

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[i] This amount was calculated using data from TVA's supply chain and work management system with a commodity or item description containing "tool" and data from TVA's expense management system with an expense purpose or description containing "tool." Because of challenges with TVA's classification of tool purchases in these systems, as well as the limited level of detail available for credit card purchases, the total amount of tool purchases for the period could be more or less.

BACKGROUND

The Tennessee Valley Authority (TVA) sites primarily purchase tools using purchase orders (POs) or the TVA One Card. POs are issued with TVA's integrated supplier[1] and various other vendors through TVA's supply chain and work management system, and TVA One Card purchases are administered through TVA's expense management system. Between January 1, 2022, and July 8, 2025, TVA spent about $47 million on tools across the fleet.[2] About $44 million of the $47 million was purchased using POs, and about $3 million was purchased using the TVA One Card. Tools are stored in one or more tool rooms or at various storage locations throughout the site.

TVA's integrated supplier offers a tool tracker as part of its service to TVA. According to the integrated supplier, the tool tracker is a self-directed website-based application where tools can be checked in and out to individuals. The integrated supplier's tool tracker can track tools purchased from any source, including tools not purchased from the integrated supplier directly.

TVA's Nuclear Power Group (NPG) has a business practice (BP) that applies to all three of TVA's nuclear plants. The stated purpose of NPG's BP-226, Rev. 0009, *Tool and Equipment Accountability*, is to (1) establish and implement a plant accountability system for tools and equipment; (2) strengthen and standardize existing tool and equipment accountability practices; and (3) provide for periodic reporting to control and minimize equipment losses. This BP sets forth roles and responsibilities for Nuclear site employees for tool accountability and instructions for tool identification, issuance and return, and issue limits. BP-226 applies to tools with a value exceeding $200. This business practice was last updated on July 8, 2019.

Due to the amount spent on tools at TVA, we performed an audit of TVA's tool management controls.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our audit objective was to determine if controls are in place to safeguard tools at selected sites. Our audit scope was limited to controls in place during our site visits, which occurred between May 28, 2025, and June 17, 2025.

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1 TVA uses an integrated supplier to consolidate points of contact for pricing leverage, logistics, invoicing, and service level reporting.

2 This amount was calculated using data from TVA's supply chain and work management system with a commodity or item description containing "tool" and data from TVA's expense management system with an expense purpose or description containing "tool." Because of challenges with TVA's classification of tool purchases in these systems, as well as the limited level of detail available for credit card purchases, the total amount of tool purchases for the period could be more or less.

To achieve our objective, we:

- Reviewed TVA's enterprise system that provides centralized management and accessibility to its policies and procedures and inquired of TVA personnel to identify policies and procedures related to tool management.
- Reviewed NPG's BP-226 to identify key requirements related to tool management.
- Obtained an understanding of internal controls, including information system controls associated with TVA tool management practices. We reviewed controls in place to safeguard tools at the five sites we visited and assessed their design and implementation.
- Obtained and analyzed tool purchase data from the (1) supply chain and work management system and (2) expense management system to determine the amounts spent on tools at each TVA site.
- Visited five TVA sites to observe tool management controls and interview personnel responsible for managing tools. Locations were determined based on consideration of factors such as tool spend and auditor judgment. The sites visited were:
  - Watts Bar Nuclear (WBN)
  - Browns Ferry Nuclear (BFN)
  - Cumberland Fossil (CUF)
  - Gallatin Fossil (GAF)
  - Muscle Shoals Power Service Shop (PSS)

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 objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

FINDINGS

Each of the selected sites had some physical controls in place to safeguard tools; however, some sites had more controls in place than others. Specifically, all sites included in our scope used tool room attendants and physical access controls on the main tool room doors, but not all the sites used safeguards such as video surveillance or web-based tool tracking. Additionally, we determined the only policy or procedure in place to safeguard tools across TVA was Nuclear's Business Practice 226, *Tool and Equipment Accountability*, which we determined was not effectively implemented. We also determined the limited guidance resulted in control weaknesses in tool management.

PHYSICAL CONTROLS IN PLACE AT EACH SITE

We visited five TVA sites to observe controls in place to safeguard tools and interview personnel responsible for managing tools. Based on our observations and interviews, we determined each site utilized some physical controls, with certain sites having more controls in place than others. The sites' controls included the following:

- A tool room attendant responsible for issuing and controlling tools inside the main tool room was present at all five sites. One site visited indicated that they have a main tool room attendant on duty 24 hours a day, while the other four sites had an attendant present part of the day. There were no attendants located at tool storage locations outside the main tool room at any of the five sites.
- Physical access controls were on the main tool room doors at all five sites. These included badge access controls, locks, and physical barriers such as enclosed walls or gates.
- The integrated supplier tool tracker was being used at three of the five sites. Personnel at one site were tracking tools on paper sheets but stated they were currently evaluating the integrated supplier's tool tracker for their tool room. The final site does not have a formal tracking method for their tools and told us they sometimes have to issue a "be on the lookout" alert to the site for missing tools.
- Video surveillance cameras were used at two of the five sites.
- The tool room attendants at two sites mark the main tool room's tools with spray paint to identify them as belonging to TVA.
- A maintenance supervisor at one site utilizes a power tool manufacturer's app to manage their tools via Bluetooth connectivity. This digital platform is integrated into many of the brand's cordless power tools and allows tracking and inventory management through the maintenance supervisor's smartphone.

Table 1 below summarizes the differences in physical controls implemented at the sites visited during our audit.

TVA Site	Tool Room Attendant	Access Controlled	Tool Tracking	Tool Room Cameras	Tool Identification (Spray Painted)	Tool APP
WBN	☑	☑	☑	☑	☑	☑
BFN	☑	☑	☑	☒	☒	☒
CUF	☑	☑	☑	☑	☑	☒
GAF	☑	☑	☒	☒	☒	☒
PSS	☑	☑	☑	☒	☒	☒

Table 1

Each of the above controls has the potential to help safeguard tools. However, there was no requirement for any of the above controls to be in place. Implementing policies and procedures that require controls management determines are beneficial, can enhance the safeguarding of tools at TVA sites.

LIMITED GUIDANCE FOR TOOL MANAGEMENT

Our review of TVA's available policies and procedures, along with interviews with personnel, did not identify policies and procedures in place to safeguard tools in any business units, other than Nuclear. NPG's BP-226 provided guidance for a plant accountability system for tools and equipment. We determined that Nuclear personnel generally were not aware of BP-226, and we were told by the BP policy owner that BP-226 is considered "an information only guidance for tool control." In addition, BP-226 had not been updated since July 8, 2019. As a result, we determined that the controls identified in BP-226 were not implemented effectively.

In addition, we identified the following weaknesses related to tool management due to the limited guidance:

- No clear and consistent definition of what items TVA considers to be a tool. For example, one site used the hand-tools commodity code to rent a mobile restroom, while another site's hand-tool charges included tissue boxes, urinal cakes, and restroom cleaner.
- No guidance on who can purchase tools.
- No limitations on where tools can be shipped. For example, personnel from one nuclear site stated they sometimes purchase tools from an online retailer with their TVA One Card and have the tools shipped to their residence.

Implementing policies and procedures could enhance TVA's ability to manage its tools, reduce unnecessary expenditures, and mitigate the risk of loss or theft.

RECOMMENDATIONS

We recommend the Senior Vice President (SVP), Generation, the SVP and Chief Nuclear Officer, and the SVP, Generation Projects and Fleet Services:

1. Evaluate physical controls to safeguard tools and determine the cost benefit of implementing the controls.

2. Develop and implement policies and procedures for tool management. These should include:

    a. A clear definition of what constitutes a tool.

    b. Required controls for safeguarding tools.

    c. Guidance on (1) who can purchase tools and (2) shipping restrictions.

TVA Management's Comments – In response to our draft report, TVA management agreed with the recommendations. See the Appendix for TVA management's complete response.

February 4, 2026

Greg Stinson, WT 2C-K

REQUEST FOR COMMENTS – DRAFT AUDIT 2025-17560 – TOOL MANAGEMENT CONTROLS

This is in response to your memorandum dated January 6, 2026. After reviewing the draft evaluation, please see the following responses.

We would like to thank Michael C. Cook and Rick C. Underwood for their diligence and support to optimize the TVA workforce by identifying opportunities for tool management control.

Recommendations
We recommend the Senior Vice President (SVP), Generation, the SVP and Chief Nuclear Officer, and the SVP, Generation Projects and Fleet Services (GP&FS):

1. Evaluate physical controls to safeguard tools and determine the cost benefit of implementing the controls.

   Response

   Generation, Nuclear, and GP&FS agree with the recommendations.

2. Develop and implement policies and procedures for tool management. These should include:
   a. A clear definition of what constitutes a tool.
   b. Required controls for safeguarding tools
   c. Guidance on (1) who can purchase tools and (2) shipping restrictions.

   Response

   Generation, Nuclear, and GP&FS agree with the recommendations.

Thank you for allowing us the time to review and provide feedback on the draft audit.

Allen Clare
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Generation

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Senior Vice President
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Bryan Williams
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