



OFFICE OF INSPECTOR GENERAL
U.S. Department of Energy

INSPECTION REPORT

DOE-OIG-19-28

April 2019

**ALLEGATIONS OF IMPROPER
CONTRACTING BY SOUTHWESTERN
POWER ADMINISTRATION**



Department of Energy
Washington, DC 20585

April 25, 2019

MEMORANDUM FOR THE ADMINISTRATOR, SOUTHWESTERN POWER
ADMINISTRATION

Michelle Anderson

FROM: Michelle Anderson
Deputy Inspector General
for Audits and Inspections
Office of Inspector General

SUBJECT: INFORMATION: Inspection Report on “Allegations of Improper
Contracting by Southwestern Power Administration”

BACKGROUND

The Southwestern Power Administration (Southwestern), established as a Federal agency in 1943, operates as part of the Department of Energy under the authority of Section 5 of the *Flood Control Act of 1944*. Southwestern’s mission is to market and reliably deliver Federal hydroelectric power with preference to public bodies and cooperatives. By law, Southwestern’s rates are designed to recover the costs of producing power. Annual gross revenues vary but are expected to average about \$198 million annually over the next 3 years.

The Division of Power Marketing and Transmission Strategy (Power Marketing Division) is responsible for contracting for the sale, exchange, transmission, or purchase of power and energy governed by Section 5 of the *Flood Control Act of 1944*. It also handles interconnection agreements for electrical system integration, where other transmission providers interconnect their lines to Southwestern’s transmission lines. Southwestern’s Division of Acquisitions and Facilities Services (Acquisitions Division) is responsible for all acquisitions of goods, services, construction, and real property under the Federal Acquisition Regulation (FAR) and Department of Energy Acquisition Regulation (DEAR), except where expressly excluded. Southwestern’s Acquisitions Division is also responsible for property management acquisitions, permits, licenses, easements, disposals, and leases of general office space.

The Office of Inspector General received multiple allegations, from various complainants, of improper contracting activities at Southwestern. For the purposes of this inspection, we summarized the details into nine allegations. Seven of the allegations questioned activities of Southwestern’s Power Marketing Division. Specifically, it was alleged that the Power Marketing Division improperly: (1) acquired vegetation management services through a power sales contract; (2) provided facilities and materials for training events; (3) sought to procure professional services for analyses and studies; (4) contracted to relocate a Southwestern

transmission line; (5) procured equipment for the Jonesboro substation; (6) procured equipment for the Water Valley switching station; and (7) granted the right to place equipment at the Jonesboro substation. The remaining two allegations were that (8) Southwestern's former Administrator attempted to circumvent the normal procurement process for acquiring office space and that (9) Southwestern improperly provided transmission line services outside its territory. We initiated this inspection to determine the facts and circumstances surrounding these allegations.

RESULTS OF INSPECTION

We substantiated four of the allegations and could not substantiate the remaining five allegations.

- Substantiated: We substantiated the following allegations:
 1. The Power Marketing Division improperly acquired vegetation management services through a power sales contract. We found that this issue had been identified by Southwestern's General Counsel's office prior to the receipt of the allegation by our office and has since been corrected.
 2. The Power Marketing Division provided facilities and materials for training events. We found that this issue had been identified by Southwestern's General Counsel's office prior to the receipt of the allegation by our office and has since been corrected, including receipt of \$10,322 in fees from a user of the facility.
 3. The Power Marketing Division sought to procure professional services for analyses and studies. We found that this issue had been identified and corrected by the Southwestern General Counsel's Office prior to the receipt of the allegation by our office, and ultimately, the procurement never took place.
 4. The Power Marketing Division contracted to relocate a Southwestern transmission line, contrary to FAR.
- Not substantiated: We could not substantiate the allegations that the Power Marketing Division improperly procured equipment for the Jonesboro substation, procured equipment for the Water Valley switching station, or granted the right to place equipment at the Jonesboro substation. Additionally, we were unable to substantiate the allegations that Southwestern's former Administrator attempted to circumvent the normal procurement process for acquiring office space or that Southwestern improperly provided transmission line services outside its territory.

A summary of the allegations is in Attachment 2.

The improper contracting activities we substantiated occurred because the Power Marketing Division lacked formalized policies and procedures that clearly outlined its authorities, limitations, and review processes for making agreements. In addition, Southwestern's prior practices and beliefs influenced contracting activities. According to Southwestern officials,

many active agreements were awarded based on prior practices that, while reviewed, were not historically questioned by Southwestern's Office of General Counsel (General Counsel) or reviewed by subject matter experts, such as contract specialists in the Acquisitions Division, prior to contract award. As a result of these improper contracting activities, Southwestern circumvented Federal procurement and real estate regulations designed to ensure the Government's interests were protected and costs were reasonable. We are making specific recommendations that, if implemented, would help ensure that these events do not occur in the future.

Vegetation Management Services

We substantiated the allegation that the Power Marketing Division improperly acquired vegetation management services. The Power Marketing Division did not have the authority to procure services that were outside the scope of a power sales contract. The Acquisitions Division, which had the authority and expertise, should have procured these services through a separate contract. Specifically, Southwestern's Acquisition Manual states that Contracting Officers from the Acquisitions Division have contracting authority for acquisitions, assistance, and sales and that its contracts must comply with the FAR and DEAR. Further, FAR Subpart 1.6, *Career Development, Contracting Authority, and Responsibilities*, states that contracts may be entered into and signed on the behalf of the Government only by Contracting Officers. Contracting Officers within the Federal Government, including Southwestern, must possess the requisite experience, training, and certification to hold a Contracting Officer warrant. The Power Marketing Division's Public Utility Specialists were not warranted Contracting Officers and had no Contracting Officer delegations to acquire goods and services.

The Power Marketing Division acquired the services by amending a power sales contract with Western Farmers Electric Cooperative (Western Farmers) using a reimbursable clause. The purpose of the power sales contract was for Southwestern to sell 260,000 kilowatts of hydro peaking power and excess energy to Western Farmers. Western Farmers subcontracted with Northeast Rural Services to perform vegetation management, including tree pruning, brush removal, and use of herbicides under and near transmission lines. Southwestern in turn paid Western Farmers for the vegetation services by reducing the amounts Western Farmers owed for power purchased through an invoice credit. In calendar year 2016, Southwestern, using net billing and crediting, reduced payments owed by Western Farmers by \$283,582 for vegetation services. According to Southwestern's Deputy Administrator, these services supported Southwestern's vegetation management crews under its Division of Maintenance. We determined that this improper contract arrangement had been in place since 1998.

In May 2017, prior to our inspection, an attorney within Southwestern's General Counsel reviewed Southwestern's agreement with Western Farmers and found no authority for the Power Marketing Division to procure goods and services through power sales agreements. Additionally, Southwestern's General Counsel determined the Power Marketing Division was required to comply with the FAR and DEAR, which regulates the procurement of goods and services. An attorney within Southwestern's General Counsel strongly recommended the

termination of the vegetation management services obtained through the power sales contract. According to Southwestern, the Acquisitions Division has awarded a new contract for the vegetation management services.

Facilities and Materials for Training Events

We substantiated the allegation that the Power Marketing Division improperly provided Southwestern's facilities and materials for training events through a reimbursable agreement with Southwest Power Pool, Inc. (SPP), a Regional Transmission Organization. The Power Marketing Division did not have the authority to issue a real estate license for use of the facilities. While the Department's *Real Property Desk Guide* allows for licenses or permits to be granted for temporary use of Departmental property by non-Federal entities, real estate Contracting Officers are responsible for managing the real estate program for their respective entities or organizations and must issue the licenses or permits. Department Order 430.1C, *Real Property Asset Management*, states that all actions involving real estate must be executed at the appropriate level of delegated authority, such as the authority possessed by a real estate Contracting Officer.

Since April 2009, SPP has used Southwestern's training facilities located in Springfield, Missouri, to provide training, such as courses on standards and procedures for operators, to entities operating within SPP boundaries. Under the contract agreement, SPP was supposed to reimburse Southwestern for use of the facilities and material costs based on a per-person flat fee for those attending the training courses. Additionally, SPP allowed Southwestern employees access to the training at no cost.

During this inspection, we found that invoices were never sent to SPP, and therefore, SPP never reimbursed Southwestern for use of the facility and materials. When Southwestern notified SPP in September 2017 that it was canceling the current contract, Southwestern stated that all invoices issued to SPP had been paid in full and erroneously stated that SPP had no further obligations. However, Southwestern terminated this contract without legal review and without verifying contract completion. The Acquisitions Division had procedures in place that required these steps to be completed as part of the contract close-out process. Southwestern's Division of Financial Management later determined it never invoiced SPP for the facilities and materials totaling \$10,322 for fiscal years 2009 through 2011 and 2015 through 2016. Southwestern sent SPP an invoice in March 2018 that SPP paid in full to correct the oversight.

Prior to the initiation of this inspection, a Southwestern General Counsel attorney had already reviewed the agreement with SPP in June 2017 and discussed it with the Director of the Acquisitions Division. At that time, the Director of the Acquisitions Division concluded that the transaction required a real estate license authorized by a realty specialist. Southwestern terminated the reimbursable agreement with SPP in September 2017. The termination letter stated that future requests for use of facilities would be approved by the Acquisitions Division.

Analyses and Studies

We substantiated the allegation that Southwestern's Power Marketing Division sought to improperly acquire \$500,000 worth of analyses and studies by amending the Western Farmers power sales contract, which, as previously noted, was for the sale of hydro peaking power and excess energy, even though these services were outside the scope of the contract. As previously discussed, the Power Marketing Division did not have the authority to acquire services, as it did not have Contracting Officers. The analyses and studies were to identify, evaluate, and recommend options and future arrangements for managing, operating, and marketing Southwestern's generation and transmission system in alignment with its statutory mission.

We were informed that the former Administrator attempted to avoid Southwestern's Acquisitions Division by acquiring these services through the Power Marketing Division, after learning how long the Acquisitions Division would take to acquire the services.

In April 2017, prior to the start of our inspection, a Southwestern General Counsel attorney raised concerns that these services were not within the scope of the power sales contract and should have been procured through the Acquisitions Division. As a result, the Power Marketing Division did not follow through with the improper contracting action by executing the amendment. The Acquisitions Division has since awarded a contract for these services.

Transmission Line Relocation

We substantiated the allegation that the Power Marketing Division improperly relocated a transmission line under a reimbursable agreement. This effort included the procurement of equipment and services, as well as securing real estate easements. The Power Marketing Division did not have the authority to procure equipment and services or secure the real estate easements needed to move Southwestern's transmission line. The Acquisitions Division should have acquired the needed equipment and services under the FAR.

In October 2015, Southwestern entered into a reimbursable agreement with Glenstone Marketplace, LLC (Glenstone) and Guffey Rolla Properties, LLC (GRP) to relocate one of Southwestern's transmission lines in Springfield, Missouri. Glenstone and GRP requested the transmission line be moved in order to develop real property in the vicinity. In our review of the agreement, we found that the Power Marketing Division allowed Glenstone and GRP to solicit contractors to perform the relocation, obtain all required easements for the new location of the transmission line, procure the equipment needed for the transmission line, and dispose of existing equipment, such as transmission structures, electrical conductors, and wire. Once the relocation was complete, Glenstone and GRP were to transfer ownership of the relocated transmission line equipment and easements to Southwestern for \$10. Southwestern also was to invoice Glenstone and GRP for \$50,000, the estimated cost of completing Southwestern's agreed upon work scope.

In an October 2017 email to Southwestern's Vice President of Power Marketing and Transmission Strategy, the previous General Counsel stated that there were problems with outsourcing the procurement of easements, construction services, Government equipment,

acquisition, and equipment disposal services. When we spoke to the previous General Counsel, he said his opinion changed based on the new interpretation provided by the other General Counsel attorney.

The Power Marketing Division executed this agreement pursuant to 16 USC 825s-4, *Southwestern Power Administration; Deposit and Availability of Advance Payments*, which allows Southwestern to accept funds from non-Federal entities to pay for repairs and upgrades to Southwestern's transmission system. However, this authority to receive funds does not extend to non-Federal entities procuring the easements, construction services, equipment, and disposal services needed for Southwestern's transmission line. Again, as previously noted, these acquisition and real estate activities fell under the Acquisitions Division's authority, not under the Power Marketing Division's responsibilities.

Lack of Formalized Policies & Procedures

We determined that the improper contracting actions primarily occurred because Southwestern's Power Marketing Division lacked formalized policies and procedures that clearly outlined its authorities, limitations, and review process for making agreements. When asked for its policies and procedures, the Power Marketing Division provided "draft" contract administration procedures and a one-page flowchart describing its contracting process. The contract administration procedures stated that power marketing contracts generally fall into the categories of power sales contracts, transmission service contracts, interconnection contracts, service agreement contracts, and U.S. Army Corps of Engineers sub-agreements. The procedures and flowchart did not describe the Power Marketing Division's authorities and limitations, such as whether it could or could not procure goods and services under the FAR and DEAR. Additionally, both documents stated that the Power Marketing Division would consult other subject matter experts within Southwestern and may go through a lengthy review process; however, neither document mentioned that its Acquisitions Division would be consulted for the procurement of goods and services.

In the absence of policies and procedures, prior practices and beliefs of Southwestern officials influenced contracting activities. According to Southwestern officials, many active agreements were awarded based on prior practices that were not historically questioned or reviewed by subject matter experts, such as the Acquisitions Division, prior to contract award. We determined that the Power Marketing Division may have amended existing power marketing contracts to help avoid long procurement delays, interruptions in service, and additional costs. However, we noted that in the Western Farmers vegetation management contract mentioned above, Western Farmers charged cost plus a fixed percentage of Northeast Rural Services' costs, which is a prohibited contract type under the FAR. If the Acquisitions Division would have prepared or reviewed this contract, the contract type may have been different.

Southwestern officials told us that they had been contracting this way because they believed that the Power Marketing Division had broad authorities under Section 5 of the *Flood Control Act of 1944*, which allows Southwestern to make purchases to operate in the manner of a public utility or company in order to ensure power and energy are available. According to Southwestern's previous General Counsel, the Power Marketing Division sought and received legal reviews

before issuing contract agreements and amendments. The General Counsel's interpretation at the time of those reviews was that Section 5 of the *Flood Control Act of 1944* allowed Southwestern to enter into such agreements; however, he subsequently changed his opinion. In 2017, an attorney within Southwestern General Counsel began reviewing contract agreements and amendments and subsequently provided legal advice that differed from the previously established advice. At the request of Southwestern management, in November 2017, a Southwestern General Counsel attorney prepared drafts of a revised legal interpretation which concluded that Section 5 of the *Flood Control Act of 1944* did not exempt Southwestern from following Government-wide regulations for procurement of goods and services, procurement of real estate, hiring, and environmental review. For each of the allegations received, we reviewed and assessed the attorney's interpretations provided and applicable Department and Federal laws and regulations. Based on the information reviewed, we agreed that Southwestern should have followed applicable regulations as discussed above and that Section 5 of the *Flood Control Act of 1944* did not provide an exemption. As previously discussed, the former General Counsel changed his opinion based on the other attorney's interpretation. Southwestern also did not award one of the contracts under review based upon the 2017 interpretation.

Additionally, Southwestern management stated that customer funding, not Federal appropriations, were being used for these activities; therefore, the Power Marketing Division was allowed to procure goods and services through Power Marketing contracts. However, we did not find where the Power Marketing Division's contracts were excluded from the procurement requirements of the FAR, the DEAR, and the Department's real property manuals. Further, we found multiple Comptroller General Decisions that concluded rate-payer generated funds are still considered appropriations and subject to the various restrictions on the uses of appropriated money.

Impact

By improperly acquiring goods and services through its Power Marketing Division, Southwestern circumvented Federal procurement and real estate regulations designed to ensure that the Government's interests were protected and costs were reasonable. Further, as noted above, Southwestern entered into a prohibited contract and had not competed the work among eligible providers since the initial contract in 1998, and as such, there is no guarantee that Southwestern was getting the best price for these services. Southwestern could incur additional costs or lose potential cost reimbursements by not following appropriate acquisition regulations and processes.

RECOMMENDATIONS

To address the issues identified in our report, we recommend that the Administrator, Southwestern Power Administration:

1. Formalize Southwestern's policies and procedures by clearly outlining the Power Marketing Division's contractual authorities and limitations, as well as the review processes for its Power Marketing agreements;

2. Review other active agreements issued by the Power Marketing Division to determine if there are any other improper contracts or agreements; and
3. Close out any improper agreements issued by the Power Marketing Division and re-compete awards, if required.

MANAGEMENT RESPONSE

Management concurred with the report's recommendations and indicated that corrective actions had been initiated to address the issues identified in the report. Management stated that it is formalizing policies and procedures that will outline the Power Marketing contracting review process to include authorities and limitations, and has instituted a checklist to ensure subject matter experts review Power Marketing agreements before executing the agreements. Management is also reviewing all active Power Marketing agreements to ensure conformance to the current guidance provided by Southwestern's Office of General Counsel. Finally, management stated that it would work with the affected entities to close out any arrangements found to be improper and, if needed, re-compete the awards.

While it concurred with the report's recommendations, management stated that our report did not recognize the following: (1) management actively sought, received, and relied upon legal reviews from Southwestern's General Counsel at the time the contracting actions were taken and acted reasonably in relying on that legal advice; (2) the substantiated findings are largely based on a differing legal opinion subsequently provided by a Southwestern staff attorney in 2017; and (3) Southwestern considered and heeded new legal advice; however, no contracting action was actually carried out relating to efforts to procure professional services for analyses and studies. Thus, no violation occurred.

Management comments are included in Attachment 3.

INSPECTOR COMMENTS

We consider management's comments and corrective actions to be responsive to our recommendations. We appreciate management providing additional insights into the allegations raised in our report. Most of the issues raised by management were addressed in our official draft report. For example, the draft report had addressed the change in legal opinion and had disclosed that management had not moved forward with the contract for professional services for analyses and studies. Additionally, we agree with management's assertion that no violation occurred because Southwestern did not execute the amendment for professional services for analyses and studies. Nevertheless, we considered management's responses and made additional revisions to the report, as appropriate, to clarify certain information.

Attachments

cc: Deputy Secretary
Chief of Staff
Under Secretary of Energy

OBJECTIVE, SCOPE, AND METHODOLOGY

OBJECTIVE

We conducted this inspection to determine the facts and circumstances surrounding allegations of improper contracting at Southwestern Power Administration (Southwestern).

SCOPE

This inspection was performed between September 2017 and January 2019 at Southwestern's Headquarters in Tulsa, Oklahoma. The scope was limited to the facts and circumstances surrounding multiple allegations, from several complainants, about improper contracting activities at Southwestern that were received by the Office of Inspector General. Seven allegations involved improper contracting by Southwestern's Division of Power Marketing and Transmission Strategy (Power Marketing Division). There were two other contracting-related allegations, one claiming that Southwestern's former Administrator attempted to circumvent normal procurement protocol to obtain office space and another claiming that Southwestern improperly provided services to another utility outside its transmission territory. The inspection was conducted under Office of Inspector General project number A17CH048.

METHODOLOGY

To accomplish the inspection objective, we:

- Reviewed applicable laws, regulations, policies, and procedures pertaining to the allegations;
- Reviewed prior reports issued by the Office of Inspector General and the Government Accountability Office;
- Interviewed Southwestern's senior managers and employees, such as those from the Power Marketing Division, Division of Acquisitions and Facilities Services, Office of General Counsel, and Division of Financial Management;
- Interviewed officials from the Department of Energy's Office of Acquisition Management and Western Area Power Administration's Office of General Counsel; and
- Reviewed and analyzed the agreements, invoices, financial transactions, legal interpretations, and emails associated with each allegation.

We conducted this allegation-based inspection in accordance with the Council of Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*. Those standards require that we plan and perform the inspection to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions and observations based on our inspection objective. We believe that the evidence obtained provided a reasonable basis for our conclusions and observations based on the inspection objective. Accordingly, the inspection

included tests of controls and compliance with laws and regulations to the extent necessary to satisfy the inspection objective. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our inspection. Finally, we relied on computer-based data to satisfy our objective. We assessed the reliability of this computer-generated data by conducting interviews and reviewing supporting documentation and found the data to be reliable for the purposes of this inspection.

An exit conference was held with management officials on April 9, 2019.

SUMMARY OF ALLEGATIONS

The Office of Inspector General received multiple allegations regarding improper contracting activities at Southwestern Power Administration (Southwestern). For the purposes of our review, we summarized the details of the seven allegations involving improper contracting by the Division of Power Marketing and Transmission Strategy (Power Marketing Division). In addition to the improper use of contracts by the Power Marketing Division, we received other allegations related to an attempt to circumvent normal procurement protocols to acquire office space and the delivery of transmission line services to a utility outside Southwestern's transmission territory. We summarized the details of the allegations below.

Summary of Allegations	Substantiated (Y/N)
1. The Power Marketing Division improperly acquired vegetation management services through a power sales contract.	<u>Y</u>
2. The Power Marketing Division improperly provided facilities and materials for training events.	<u>Y</u>
3. The Power Marketing Division improperly sought to procure professional services for analyses and studies.	<u>Y</u>
4. The Power Marketing Division improperly contracted to relocate a Southwestern transmission line.	<u>Y</u>
5. The Power Marketing Division improperly procured equipment for the Jonesboro substation.	N
6. The Power Marketing Division improperly procured equipment for the Water Valley switching station.	N
7. The Power Marketing Division improperly granted the right to place equipment at the Jonesboro substation.	N
8. Southwestern's former Administrator attempted to circumvent the normal procurement process for acquiring office space.	N
9. Southwestern improperly provided transmission line services outside its territory.	N


MANAGEMENT COMMENTS



Department of Energy
Southwestern Power Administration
One West Third Street
Tulsa, Oklahoma 74103-3502

March 18, 2019

MEMORANDUM FOR: MICHELLE ANDERSON
DEPUTY INSPECTOR GENERAL
FOR AUDITS AND INSPECTIONS
OFFICE OF INSPECTOR GENERAL

FROM: MIKE WECH 
ADMINSTRATOR

SUBJECT: Office of Inspector General Draft Inspection Report on "Allegations of Improper Contracting by Southwestern Power Administration" (A17CH048)

Southwestern Power Administration (Southwestern) management would like to thank the Office of Inspector General (OIG) for their work and attention to the nine allegations of improper contracting activity by Southwestern, five of which were not substantiated. Southwestern management has reviewed the four substantiated findings, concurs with the three recommendations offered by the OIG, and acknowledges that policies and procedures can be improved in Southwestern's Power Marketing Division. However, Southwestern management notes the Draft Inspection Report does not recognize the following:

- Southwestern management actively sought, received and relied upon legal reviews from Southwestern's General Counsel (GC) at the time the contracting actions were taken and acted reasonably in relying on that legal advice.
- The substantiated findings are largely based on a differing legal opinion provided by a Southwestern staff attorney in 2017 as opposed to the legal opinions of the former Southwestern GC under which the three contracts in question were executed.
- In the instance related to efforts to procure professional services for analyses and studies, Southwestern management considered and heeded the new legal advice and never actually carried through on the contracting action. Seeking legal advice regarding potential contracting mechanisms does not constitute a violation especially when the legal advice was heeded, and the potential contract mechanism was not developed.

Southwestern management is committed to improving its policies and procedures and reviewing its active agreements in order to improve its overall procurement program.

Southwestern has attached its management responses to the OIG draft inspection report, to this memorandum. If you have any questions on Southwestern's response, please contact Doug Hart at doug.hart@swpa.gov or by telephone on 918-595-6631.

Attachment

Attachment**Management Responses to the OIG Recommendations Identified in the Draft Inspection Report on “Allegations of Improper Contracting by Southwestern Power Administration” (A17CH048)**

Recommendation 1: Formalize Southwestern’s policies and procedures by clearly outlining the Power Marketing Division’s contractual authorities and limitations, as well as the review processes for its Power Marketing agreements.

Management Response: Concur.

Southwestern is in the process of formalizing policies and procedures that will outline the Power Marketing contractual drafting review process to include authorities and limitations. Southwestern has instituted a required *Contract/Agreement Execution Package Check List* that necessitates documentation of the formal review and acceptance of the Power Marketing Agreement by Southwestern’s Office of General Counsel and subject matter experts, including Acquisition and Real-Estate, when applicable, prior to the agreement’s execution. Additionally, Southwestern is in the initial process of procuring a service, through its Division of Acquisitions and Facilities Services, to create a Power Marketing Division Desk Manual to ensure the Power Marketing Division’s authorities and limitations are defined and business processes are performed in a routine and repeatable manner. Estimated completion date is June 30, 2021.

Recommendation 2: Review other active agreements issued by the Power Marketing Division to determine if there are any other improper contracts or agreements.

Management Response: Concur.

Southwestern is in the process of reviewing all active Power Marketing agreements to ensure they conform to the current guidance provided by Southwestern’s Office of General Counsel and estimate to have the review completed by June 30, 2020.

Recommendation 3: Close out any improper agreements issued by the Power Marketing Division and re-compete awards, if required.

Management Response: Concur.

As an outcome of the work from concurrence on Recommendation 2, if Southwestern determines any of the outstanding agreements were improper, Southwestern will work with the affected entities to orderly close out the arrangements and, if needed, re-compete the awards. This process is estimated to be complete by December 31, 2021.

FEEDBACK

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Office of Inspector General (IG-12)
Department of Energy
Washington, DC 20585

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