

TVA RESTRICTED INFORMATION



Memorandum from the Office of the Inspector General

April 15, 2021

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EMPLOYEE MISCONDUCT – UNAUTHORIZED GIFTS & GRATUITIES
OIG FILE NO. 21-0056

The Office of the Inspector General (OIG) received an Empowerline complaint alleging that Tennessee Valley Authority (TVA) employee ██████████, Paradise Combined Cycle Plant (PCC), improperly provided employees expensive gifts during the holiday season in 2019 and 2020.

TVA-SPP-11.418, Employee Recognition and Acknowledgement, paragraph 3.2.1, states, “Expenses should be reasonable, consistent with the need to maintain public confidence in TVA, within the organization’s budget, and in accordance with applicable TVA policies. Any activity which, 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.” Additionally, paragraph 3.2.1 provides the following table, which details allowable amounts, pre-approval requirements, and required supporting documentation:

Expense per person, per event	Pre-approval requirement	Supporting Documentation for Expense Reimbursement System
\$40 or less	None	Your email should contain the following information as well as the appropriate approvals: <ul style="list-style-type: none"> • Business justification • A brief description of activities • Estimated number of participants expected to attend • Estimated total cost of event The following supporting documentation must be uploaded in the expense reimbursement system: <ul style="list-style-type: none"> • Above mentioned email • Itemized receipt for expenses over \$75
Greater than \$40 and up to \$60	Email from Manager to include supporting documentation.	
Greater than \$60 and up to \$100	Email from Vice President to include supporting documentation.	
Greater than \$100	Email from Senior Vice President (SVP) to include supporting documentation.	

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Furthermore, paragraph 3.2.2.B states, "Reasons for the recognition should be clearly communicated." TVA SPP-11.418 paragraph 3.2.2.B.1 also identifies the allowable employee recognition awards/expenses as being limited to gift cards/certificates, TVA merchandise/clothing, food, and commemorative or symbolic awards. Contractors can only be offered TVA merchandise/clothing or food items. Paragraph 3.2.5 states, "TVA is required to report all taxable fringe benefits per employee to the Internal Revenue Service (IRS) as mandated by federal law, 26 U.S.C. 132(e)(1) and IRS Regulations at C.F.R.-132-6(c) [R.1]. TVA organizations/Sponsoring BUs maintain record of all awards of monetary value given to employees, including those given as part of team recognition." Paragraph 3.2.5.B identifies certain awards to employees as being taxable and must be reported using form TVA 17917. Paragraph 3.2.5.B.2 specifies any award of tangible personal property given to an employee must be reported and that award will be taxed when the cumulative value of tangible personal property awarded to that employee exceeded \$100 in a given calendar year.

The investigation revealed ██████████ directed and approved the purchase of tools for employees at PCC during the Christmas holiday period of 2019 and 2020. During the Christmas holiday period of 2019, ██████████ provided PCC employees with a rechargeable LED floodlight. Between December 19, 2019 and January 8, 2020, ██████████ authorized the purchase of 50 rechargeable LED floodlights, each costing either \$88.49 or \$98.32 for a total cost of \$4,571.95. During the Christmas holiday period of 2020, ██████████ provided PCC employees with a set of DeWalt cordless drills. Between November 23, 2020 and December 10, 2020, ██████████ authorized the purchase of 33 sets of DeWalt cordless drills, each costing \$164 for a total cost of \$5,412.

The manner in which PCC employees received the tools during the Christmas holiday period of 2019 and 2020 varied. In 2019, multiple PCC employees were provided the rechargeable LED lights directly from ██████████ with an employee being told the lights were a reward and recognition for employees' hard work throughout the year. In 2020, multiple PCC employees related they received their set of DeWalt cordless drills by locating them in PCC's control room or on their individual desk where employee's names were written on a sticky note that was attached to each individual set of drills. ██████████ personally handed out multiple sets of the drills, told PCC employees "Merry Christmas", and told an employee the drills were for work, but if they went missing that ██████████ would not go looking for them.

Employees at PCC were provided limited to no explanation as to the purpose of the tools or whether the employees owned the tools. Due to this, multiple employees considered the tools as gifts and multiple employees had taken the tools home. Employees did not have to sign for the lights or drills. A record of who received the lights and drills was not maintained. Multiple employees stated the lights and drills were not needed at PCC as there were already working lights and drills at PCC for use at work. Employees also related that prior to 2019, PCC employees did not received tools or gifts in the same manner as they did in 2019 and 2020. Furthermore, multiple employees related there was no official tool accountability for the majority of tools at PCC, with an employee stating this was an area needing improvement at PCC.

██████████ Senior Management related they were unaware of ██████████ having purchased the lights and drills for PCC employees and that ██████████ had not sought

approval for the purchase of said items. Senior Management did not consider the lights or drills as an acceptable form of recognition and related they would have not approved the purchase of the lights or drills as recognition. Senior Management stated if the lights and drills were TVA property, then it was inappropriate for employees to take the tools home without special circumstances and proper accountability. Senior Management related there was no TVA wide tool accountability program, but that some TVA plants enacted local policies for tool accountability.

admitted to OIG Agents that he directed the purchase of the lights and drills during the Christmas holiday period of 2019 and 2020. approved the purchases for both years and instructed a Maintenance Coordinator to make the purchases using the TVA purchase card. considered the lights and drills to be tools for use at the plant, but also told employees they could take the lights and drills home. did not consider the tools to be gifts and used TVA funds designated for tools to purchase the lights and drills. ensured everyone at PCC, to include a secretary and contractor, received a set of the lights and drills and aided in passing some of them out. explained his expectation for the lights and drills was for them to stay on site at PCC, but that he did not provide this guidance to PCC employees. did not specify to PCC employees if the lights and drills were TVA property and related employees did not have to sign for the lights or drills. related it was a common occurrence across TVA for employees to be issued tools that were not signed for and that employees who received the tools were never asked about what they did with the tools. told employees "Merry Christmas" when handing out the drills and lights and understood how the lights and drills could be perceived as gifts. stated he should have done a better job of clarifying the intent and use of the lights and drills to employees at PCC.

The evidence substantiates that did not abide by the requirements set forth by TVA-SPP-11.418. Specifically, directed and authorized the purchase of tools as a form of employee recognition, which is not one of the allowable types of employee recognition awards. Due to the individual cost of each tool provided to PCC employees, should have also sought approval from the proper approval authority as shown in the table above. did not clearly communicate the reason for the recognition with PCC employees. No records of who received the recognition was kept. Furthermore, a contractor was given a set of the DeWalt cordless drills, which is not an authorized form of recognition for a contractor.

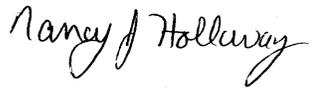
Due to the nature, timing, participants, and expense associated with the tools given to PCC employees and contractor, we recommend the following:

- TVA make a final determination as to the intent and ownership of said tools. If determined to be employee recognition, TVA should document appropriate approval in accordance with TVA-SPP-11.418, Employee Recognition and Acknowledgement, and report all taxable fringe benefits to the IRS in accordance with federal law.
- The employees and contractor who received the tools be informed of how this determination affects them.
- Refresher training be provided to PCC management on proper employee recognition and acknowledgement in an effort to limit future incidents.

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We would appreciate being informed within 30 days of your determination and of any action taken as a result of this memorandum. In addition, if you decide to take documented action, please forward a copy of the relevant information to this office for our file.

This memorandum has been designated "TVA Restricted" in accordance with TVA SPP 12.002, TVA Information Management Policy. Accordingly, it should not be disclosed further without prior approval of the Inspector General or her designee. In addition, no redacted version of this memorandum should be distributed without notification to the Inspector General of the redactions that have been made.



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(Investigations)

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OIG File No. 21-0056