



Memorandum from the Office of the Inspector General

July 17, 2006

Masoud Bajestani, NAB 1A-BFN

FINAL REPORT – INSPECTION 2006-514I – CRAFT LABOR TIME REPORTING
(BROWNS FERRY NUCLEAR PLANT UNIT 1 RESTART)

Attached is the subject final report for your review. As discussed with you on July 13, 2006, this inspection is being issued for informational purposes only; therefore, no response is necessary.

Information contained in this report may be subject to public disclosure. Please advise us of any sensitive information in this report which you recommend be withheld.

If you have any questions, please contact E. Ashley Haga, Auditor, at (423) 751-3124 or Gregory C. Jaynes, Deputy Assistant Inspector General, Inspections, at (423) 751-7821. We appreciate the courtesy and cooperation received from your staff during this review.

Ben R. Wagner
Assistant Inspector General
(Audits and Inspections)
ET 3C-K

GCJ:EAH:BKA

Attachment

cc (Attachment):

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OIG File No. 2006-514I



Craft Labor Time Reporting

(Browns Ferry Nuclear Plant Unit 1 Restart)

2006-514I

July 17, 2006



Agenda

- ◆ Background
- ◆ Objective, Scope, and Methodology
- ◆ Observations



Background

- ◆ The Office of the Inspector General was requested by the former Vice President, Browns Ferry Nuclear Plant (BFN) Unit 1 Restart, to review Stone and Webster Engineering Corporations' (SWEC) craft labor time reporting associated with the October 2005 Unit 1 Restart craft labor switch to five eight-hour straight-time work schedules.
- ◆ In 2005, Tennessee Valley Authority (TVA) and the Tennessee Valley Trades and Labor Council modified their Memorandum of Understanding (LRS-54). Included in this modification was Attachment A, Mandatory – Eight/Ten Straight-Time Attendance Agreement.
 - The work schedule change was to increase productivity, e.g., to curtail absenteeism and tardiness.
 - In October 2005, SWEC switched to five eight-hour day straight-time work schedules to comply with this modification.
- ◆ Prior to October 2005, SWEC operated under four ten-hour day straight-time work schedules and did not track absenteeism.
- ◆ According to SWEC, for the period October 2005 to February 2006, SWEC employed an average of more than 1,400 craft employees at BFN Unit 1, at a cost to TVA of \$83.8 million.



Background (cont'd)

SWEC developed the following key control activities to ensure compliance with LRS-54.

- ◆ The AnalyzeTime application evaluates payroll data to identify inconsistencies and potential errors in time calculations.
 - It recalculates and compares data extracted from the Payroll and Human Resources databases based on LRS-54 guidelines.
- ◆ Timesheets, which support payroll payments, are prepared and signed by a foreman* and then approved by an applicable supervisor.
- ◆ Gate-log reports are available to identify time reporting variances for employees working inside the secured area.

*Includes temporary foreman, general foreman, and lead foreman.



Objective, Scope, and Methodology

Objective:

- ◆ To assess the processes and key control activities pertaining to time reporting associated with the October 2005 Unit 1 Restart craft labor switch to five eight-hour day straight-time work schedules.

Scope:

- ◆ The scope of our review included the processes and key controls pertaining to craft time reporting for the period of October 3, 2005, through February 28, 2006.



Objective, Scope, and Methodology (cont'd)

Methodology:

- ◆ To achieve our objective, we:
 - Interviewed SWEC personnel and reviewed selected documentation including timesheets, AnalyzeTime reports,* and absence forms to identify the time reporting process and key control activities.
 - Randomly selected one day per month from October 2005 to February 2006 to verify the presence of the foreman's and supervisor's required signatures on all timesheets, for a total of 1,481 timesheets.
 - Randomly selected ten employees from the five sample days chosen above and reviewed the related week's timesheets to ensure accurate processing. Specifically, we:
 - ◆ Compared timesheets to the hours paid.
 - ◆ Reviewed gate-log reports highlighting variances in time paid and time reported.

*While we found the AnalyzeTime application provides key control information and were told that the AnalyzeTime application is password protected, we performed no testing on access control.



Objective, Scope, and Methodology (cont'd)

- ◆ To achieve our objective, we:
 - Assessed absenteeism monitoring by reviewing:
 - ◆ Selected reports showing employees who had unexcused absences exceeding earned amounts and corresponding SWEC actions.
 - ◆ Reports showing employees who had ten or more excused absences during the period of October 2005 to February 2006 to assess whether a process to identify potential abuse is warranted.

This inspection was conducted in accordance with the “Quality Standards for Inspections.”



Summary of Observations

Our assessment of the key control activities found:

- ◆ The AnalyzeTime application is working as intended.
- ◆ Over 99 percent of timesheets reviewed contained all required signatures.
- ◆ Gate-log reviews are being conducted; however, these reviews provide only limited information for monitoring.

Additionally, we noted:

- ◆ Absences are not tracked when an employee is temporarily assigned to another unit.
- ◆ No process exists to ensure that excused absences are monitored to identify potential abuse.



Observation 1 – Time Reporting Control Activities

- ◆ Our review of the AnalyzeTime application found AnalyzeTime effectively identified payroll discrepancies. Specifically, the AnalyzeTime application:
 - Identified active employees who have no time entered in the payroll file for any particular day.
 - Recalculated the straight-time, time-and-a-half, and double-time pay categories and compared the results to the keyed payroll entries.
 - Identified potential errors in time calculations.
 - ◆ Our review of time calculations for 50 employees found only one instance where time was calculated incorrectly. Further review found the time was summarized incorrectly on the timesheet by the foreman.
- ◆ We found SWEC timesheets basically contained all required signatures.
 - Over 99 percent of the 1,481 timesheets* reviewed had the required signatures. We only identified six instances where either the foreman's or supervisor's required signature was not present. In all six instances at least one signature was present.

*Timesheets contain more than one employee per sheet.



Observation 1 – Time Reporting Control Activities (cont'd)

- ◆ We found that gate-log reports provide limited information (e.g., tardiness, early quits, etc.) and not complete assurance that employees worked the time reported.
 - Gate-log reports do not exist for employees who may be assigned to a work location outside the secured area.
 - Gate-log reports do not verify an employee's presence. We attempted to review the gate-logs for the 50 employees in our sample.* We found:
 - ◆ A gate-log report was not available for December 2005, thus we could not perform an assessment for ten SWEC employees.
 - ◆ Twenty out of the forty remaining employees from the sample had a greater than two-hour variance between hours paid and hours inside the secured area.
 - Nine employees were inside the secured area for more hours than they were paid—a total difference of 31 hours.
 - Eleven employees were inside the secured area for less hours than they were paid—a total difference of 210 hours.
 - ◆ Two employees did not appear on the gate-log.
 - ◆ One employee's date of excused absence and timesheet did not coincide with the gate-log report.

*Ten employees for each month from October 2005 to February 2006.



Observation 2 – Unexcused Absence Tracking Control Activities

According to LRS-54, an employee earns one unexcused absence for his/her first six weeks of employment and a second unexcused absence for the next six weeks.* An additional unexcused absence will be earned for every second consecutive month of employment thereafter.

- ◆ We found that SWEC monitors absences in the following ways:
 - The AnalyzeTime application identifies and tracks unexcused absences that exceed accrued amounts.
 - Absences are not considered excused unless written authorization is given by the contractor’s designated representative.
 - An employee who exceeds the allowable unexcused absences earned is subject to termination.
 - ◆ In reviewing SWEC documentation, instances were noted where SWEC employees were terminated for excessive unexcused absences.
 - ◆ We found three instances where active employees had unexcused absences exceeding the allowable amount. According to SWEC appropriate actions are being taken, but documentation must be received before actions can be completed.
- ◆ Additionally, absences taken while an employee is temporarily assigned to another unit are not being tracked.

*SWEC is providing two unexcused absences upon employment and not one each 6 weeks for the first 12 weeks of employment.



Observation 3 – Excused Absenteeism

- ◆ No process exists to ensure that excused absences are monitored to identify potential abuse. Additionally, excessive personal excused absences are not defined.
 - The LRS-54 guidelines for what should be deemed an excused absence are very discretionary.
 - Excessive personal excused absences could lead to overpayment of overtime and loss of productivity.
- ◆ We reviewed reports showing employees who had ten or more excused absences of five hours or more during the period of October 2005 to February 2006. We limited this report to those absences classified as personal.
 - We found 63 employees with 10 or more excused personal absences. Combined, these 63 employees had 788 days of excused personal absences.

