



Memorandum from the Office of the Inspector General

September 25, 2007

Robert J. Beecken, PAF 1A-DRK

## FINAL REPORT – INSPECTION 2007-11235 – REVIEW OF PARADISE FOSSIL PLANT RECEIPTS

At your request, we initiated a limited scope review to determine if goods<sup>1</sup> ordered for Paradise Fossil Plant (PAF) were received, as ordered, and properly recorded in the inventory system of record, PassPort. In summary, our review of selected receipts at PAF found the goods ordered for PAF were generally received, as ordered, and properly recorded in PassPort.

### **BACKGROUND**

We previously performed a review (Inspection 2007-10983) to assess the procedures and key control activities used to track and account for tools at the PAF. Our review of PAF tools found (1) no policies and procedures exist for tools at PAF, (2) tools can be ordered without management approval, and (3) controls in the PAF and contractor tool rooms are inadequate to properly track and account for tools. Management agreed with our findings and has implemented or plans to implement corrective actions.

At the conclusion of Inspection 2007-10983, the Vice President, PAF, requested that we perform an unannounced site visit to determine if selected goods were received, as ordered, and properly recorded in PassPort. The requested time period for the review was September 2007, before the scheduled fall outage. This review was initiated as a result of the request.

### **OBJECTIVE, SCOPE, AND METHODOLOGY**

The objective of our inspection was to determine if ordered goods were received and properly recorded in PassPort at PAF. To achieve our objective, we:

- Interviewed site personnel to identify key processes and controls over the receiving of goods at PAF.

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<sup>1</sup> For the purpose of this report, “goods” is defined as tools, materials, and equipment.

- Selected a sample of (1) 60 purchase order line items that were to be received prior to our PAF site visit and (2) 18 purchase order line items that were to be received during our visit to PAF for verification. Specifically, we verified that the appropriate items were received and on-hand, and/or distribution of the received goods was documented within PassPort or by signature of the ordering personnel on receiving documentation.
  - To obtain the data for our sample, we queried files from the PassPort data warehouse, as well as the PassPort production tables. Our samples were selected using receipt, order line status, and facility code data. We attempted to select items that were received on dates closest to our visit to ensure review of items recently received and not items that were on-hand for an extended time period.

Our scope included receipts at PAF from September 7, 2007, through September 12, 2007. This inspection was conducted in accordance with the "Quality Standards for Inspections."

**OBSERVATIONS**

We found the PAF receipts/goods selected for review appear to have been received and properly recorded in PassPort. Specifically:

- For 75 receipts for goods, we verified that the appropriate items were received and on-hand, and/or distribution of the received goods was documented within PassPort or by signature of the ordering personnel on receiving documentation. We noted only one instance where the quantity on-hand differed. For this item we found 190 lbs of the material on-hand rather than the 180 lbs noted in PassPort. Based on the purchase order base price amount recorded in PassPort for this Catalog Identification Number (CAT ID), the resulting dollar variance would be \$24.20.
- For three receipts, which were for non-stock items with a CAT ID, the PAF personnel who ordered the items were contacted and verified receipt of the items as ordered. Per PAF personnel, for non-stocked items with assigned CAT IDs, an issue ticket is automatically generated by PassPort and no signature is required on receiving documents to document that the item has been delivered to the ordering individual.

Based on the results of our testing, this inspection is being issued for informational purposes only; therefore, no response is necessary.

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

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or wish to discuss our observations, please contact Rick C. Underwood, Project Manager, at (423) 751-3108 or Gregory C. Jaynes, Deputy Assistant Inspector General, Inspections, at (423) 751-7821. We appreciate the courtesy and cooperation received from your staff during the inspection.



For Ben R. Wagner  
Deputy Inspector General  
ET 3C-K

RCU:BKA  
Attachment

cc (Attachment):

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