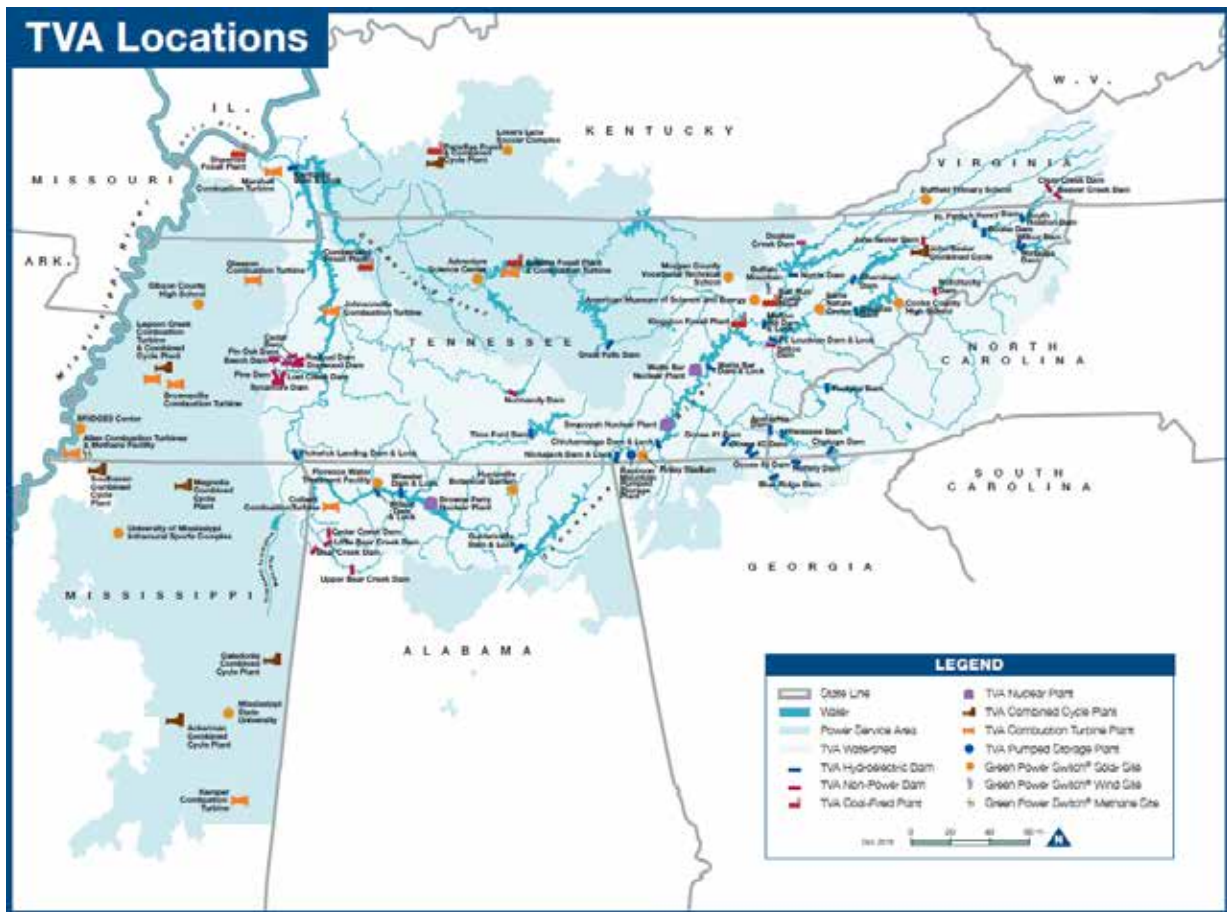
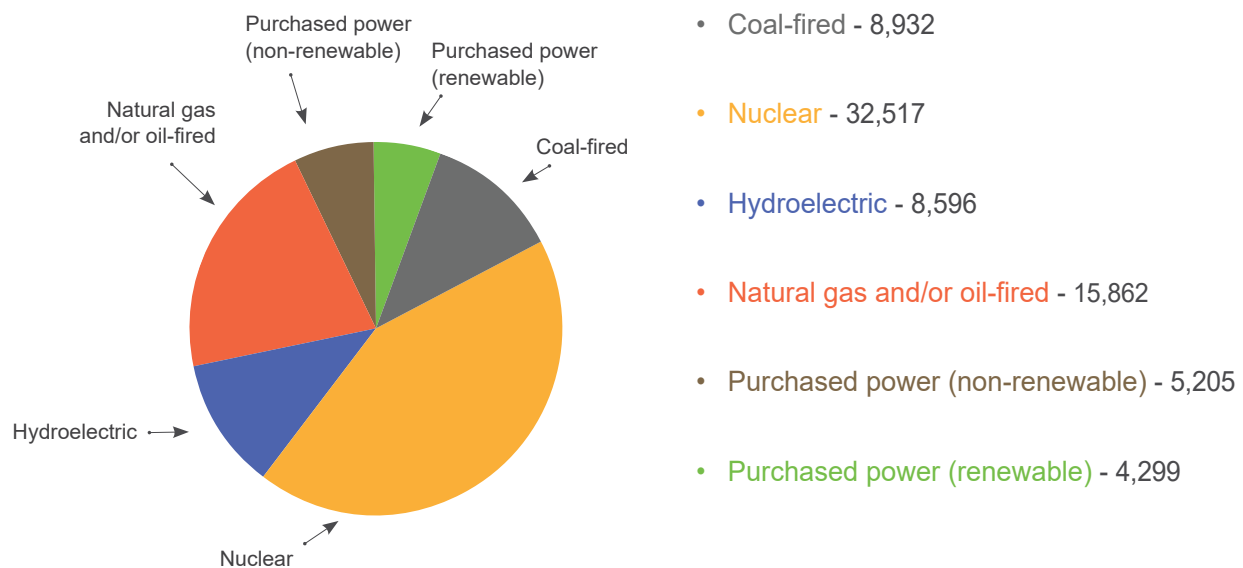




*Office of the Inspector General*  
**TENNESSEE VALLEY AUTHORITY**  
*Semiannual Report*  
*October 1, 2019 - March 31, 2020*



## Power Supply from TVA-Operated Generation Facilities and Purchased Power Six Months Ended March 31, 2020<sup>1</sup> (in millions of kilowatt hours)



<sup>1</sup> For additional detail, see TVA's 10-K for the period ended March 31, 2020.

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# MESSAGE FROM THE DEPUTY INSPECTOR GENERAL



*I am pleased to present our report for the period October 1, 2019, to March 31, 2020. As this period ends, the Tennessee Valley and our country are in the midst of a pandemic, which has changed life for us both from a personal and work perspective. The Tennessee Valley has also experienced multiple tornadoes and above average rainfall during this time. While the circumstances are challenging and are expected to remain so for a time, we are making adjustments to how we perform our work so we can keep delivering results. The Tennessee Valley Authority (TVA) Office of the Inspector General (OIG) has been preparing for an event like this for many years. In our feature article, "Working Together While Remaining Apart," we examine how actions taken ten years ago to build a telework program and the needed infrastructure have served us well during this time. When stay-at-home orders were given, we were able to move to total telework, keep our employees safe, and take advantage of the technology to continue our work almost seamlessly.*

In this semiannual period, our audit, evaluation, and investigative activities identified more than \$2 million in questioned costs, funds to be put to better use, recoveries, fees, waste/other monetary loss, and shared opportunities for TVA to improve its programs and operations. Below are highlights of our work this period.

- Five contract compliance audits identified potential overbillings and cost savings of almost \$2 million.
- Organizational effectiveness evaluations in three Hydro Operations areas identified several strengths, including (1) organizational alignment, (2) positive interactions within and outside of each region, (3) leadership, and (4) positive ethical culture. They also identified risks that could impact effectiveness.
- Information technology (IT) audits of (1) TVA's compliance with the Federal Information Security Modernization Act identified the information security program was not operating in an effective manner, and (2) TVA's phishing awareness training found the training was ineffective.
- Financial and Operational Audits monitored the audit of TVA's fiscal year (FY) 2019 financial statements by an external auditor and found no instances where the firm did not comply, in all material respects, with *Government Auditing Standards*.
- An evaluation of compliance with H-1B visa regulations identified opportunities to improve data reliability and verification of documentation supporting nonimmigrant employment eligibility of contractor employees.
- An evaluation of the nuclear fatigue rule (NFR) at Watts Bar Nuclear Plant identified no violations of NFR minimum days off or work-hour limits; however, opportunities existed to improve performance of fatigue assessments and NFR work-hour tracking and documentation.
- A contractor with subject matter expertise reviewed groundwater monitoring activities at the Shawnee Fossil Plant and shared their opinion that monitoring activities performed there are in adherence to guidelines from the Environmental Protection Agency. Additionally, the contractor stated the work performed appears to be of high quality and does not likely result in any discrepancies for the program.
- Investigative results included four indictments/ Informations filed, two convictions, and one individual's sentencing as well as recoveries and fees totaling \$93,453 and waste/other monetary loss identified in the amount of \$62,411.



Our Inspector General (IG) position has been vacant since September 2017 when Richard W. Moore resigned to become the United States Attorney for the Southern District of Alabama. On April 6, 2020, President Donald Trump nominated Katherine A. Crytzer to be the next TVA IG.

On a personal note, I want to thank our Assistant IG for Investigations Paul Houston for his many contributions to our office, which have made us better. On May 8, 2020, Paul retired with more than 32 years of federal service, including the last 13 years with our office. I also want to congratulate Nancy Holloway who was selected as our new Assistant IG for Investigations. Nancy has been with the TVA OIG since 1986 in various positions, most recently serving as a Special Agent in Charge.

In January, our office was honored for the fifth time in as many years as one of the best places to work in the federal government. I am proud of our dedicated team of professionals who have a strong commitment to our mission and our team. They maintain focus not only on what we do but how we perform our work every day. We recognize that to help TVA become better, we must consistently challenge ourselves to find ways to do our own job better. Doing so is how we will continue to

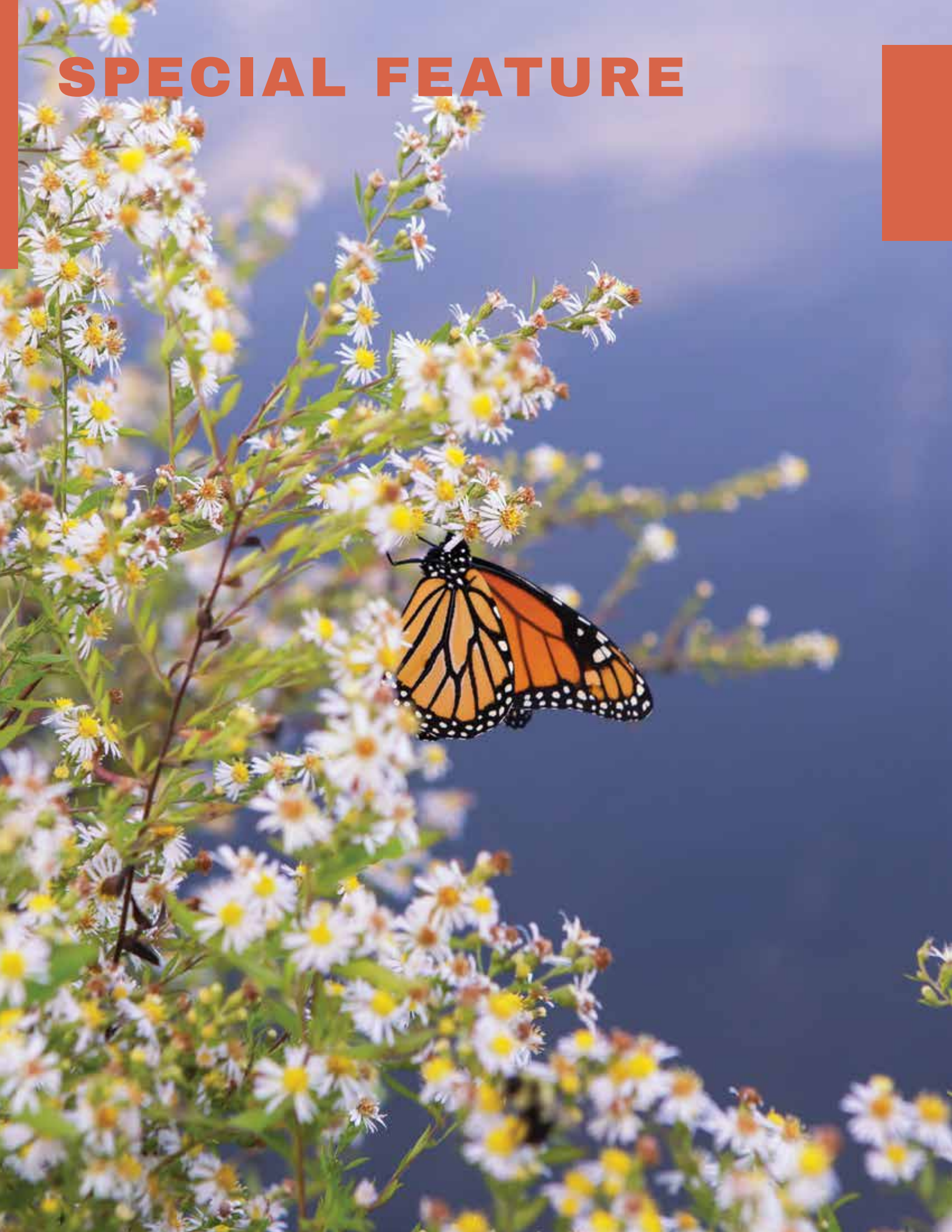
deliver our independent look at TVA operations, identify the risks to TVA operations and mission, and find those areas where fraud, waste, and abuse are impacting the achievement of TVA's mission.

Finally, we share a common goal with the TVA Board, the Chief Executive Officer, and TVA employees—we all want TVA to succeed for the betterment of the Tennessee Valley. During these extraordinary times, our professional and dedicated staff remain focused on identifying potential risks to and fraud, waste, and abuse affecting TVA's ability to achieve its mission of providing reliable power at affordable rates, environmental stewardship, and economic development to the Tennessee Valley. We believe our work helps the TVA Board, TVA management, and employees mitigate risks to the mission and better serve the people of the Tennessee Valley.

  
Jill M. Matthews

Deputy Inspector General Performing the  
Duties of the Inspector General

# SPECIAL FEATURE



## WORKING TOGETHER WHILE REMAINING APART

A little over ten years ago, the TVA OIG adopted a comprehensive telework program conceived to allow the office to operate as a highly functional yet almost completely mobile workforce. We reported on the early status of the initiative in the April through September 2010 semiannual report (SAR), and as we planned this SAR, we began to think about updating the progress of the initiative over the last decade.

Little did we appreciate that the operation of our telework program would become the central aspect of our Business Continuity Plan, as we, along with practically the entire federal government, were thrust into an unprecedented world where teleworking would become more than a tool to improve office efficiency.

The Coronavirus or COVID-19 introduced a new term to the modern workplace—social distancing. In order to slow the spread of the virus, we were asked to isolate ourselves from others, including our coworkers. In just a matter of days, most corporate environments were asked to find ways to continue collaborative missions in a world where people could not be within six feet of each other.

As the significant public health threat associated with COVID-19 became apparent, teleworking suddenly became the tool that allowed us to continue our work with less interruptions than would initially have seemed possible. It also shifted the focus of this article from a purely retrospective look at the development of a successful initiative to a somewhat more comprehensive look at how teleworking can be used during a crisis.

Many businesses find that working remotely is not as easy as it might seem. It is a voyage into uncharted territory, a difficult journey. We set out on this journey more than ten years ago under the leadership of Richard Moore, our former IG. His stated mantra was, "Work where you will be most productive." He went on to explain, "The key for us is that we measure the actual work our people do as opposed to merely taking roll and counting the traditional 'bodies in chairs.' All of us have been around long enough

to know that just because people are 'present' doesn't mean that they are working. The nature of the work of an Office of Inspector General is such that it can be done from virtually anywhere. The core of our work is audits, evaluations, and investigations that are not in the office; the work is in the field, whether that is in northern Alabama or in western Tennessee. Most of us sit at a computer screen all day and where the computer screen is makes little difference. Across corporate America and within government agencies, the actual place work is done is becoming less important and the quality of the work matters more. That's just good business."

This arrangement originally presented a profound need to create an IT-generated virtual work environment. Our IT team was up to the task, and today, this environment includes 24 hours a day videoconferencing availability, allowing employees to "see" each other just as they would if they were in the office—as well as complete and secure access to e-mail and phones through TVA OIG's virtual private network. Since the creation of that environment, many OIG personnel have routinely worked outside of a traditional office setting.

There were skeptics like there are with any new initiative. Ten years ago, this was so new and many had questions and concerns ranging from how to manage people and our work in this environment to how will I be viewed at performance time if I telework versus being in the office. Just like with anything new, we had to ease into it through a pilot to understand what worked well and where adjustments were needed before we extended it throughout the office.

An early employee survey sought input from employees on the topic. Of the 86 employees who participated in the survey, the majority indicated that they viewed telework as a success in the office. Employees noted, among other things, the flexibility telework provides and the enhanced ability to work without the distractions of an office setting.

One employee related, "With the advent of secure remote access to our servers, electronic filing systems, and a myriad of ways to communicate, there is little that must be done in a traditional office setting. Telework is a boost to

efficiency. I've reclaimed an hour a day, which was once dedicated to commuting, and it is easier to focus on the work at hand by reducing the interruptions inherent in a world of cubicles."

Although we have not surveyed specifically on teleworking in recent years, the initiative has remained popular. For five years in a row, the TVA OIG has been named one of the "Best Places to Work" in the federal government by the nonprofit Partnership for Public Service. On four occasions, the TVA OIG ranked first out of over 400 other federal agency subcomponents. The ranking is based on the annual Employee Viewpoint Survey of federal government employees by the Office of Personnel Management, and while it is just one of many factors, employees have consistently noted our commitment to teleworking and other flexible arrangements that allow them to work more efficiently. We have learned that productive employees tend to be productive regardless of worksetting.

Teleworking is not, however, a one size fits all driver of efficiency and employee satisfaction. The stated objective was always, "Work where you will be most productive." For many employees and for many tasks, working in the traditional office setting is both more efficient and a more comfortable cultural solution. Most employees typically attend team meetings physically rather than virtually when given the choice. COVID-19 was a shock to the happy balance between teleworking and traditional office work that had developed at TVA OIG.

Although we were probably as prepared for an entirely virtual working environment as any organization in the federal government, both technical and practical challenges became apparent. For example, from a technical perspective, we immediately had to ensure we had the bandwidth to support an increase in videoconferencing and other applications on a consistent basis for more than 100 people.

Every OIG serves an oversight role to an agency, and many of the interactions between the OIG and the agency are, by nature, face-to-face. Some aspects of investigations simply cannot be conducted remotely. Audits and Evaluations also sometimes need to conduct

personal interviews or physically visit facilities. TVA OIG has personnel who must conduct this type of work at TVA's generation facilities and other locations, and we tried diligently to schedule work in a manner that minimized social interactions and leveraged videoconferencing. Where possible, timelines were reworked with an eye toward a time when restrictions are eased. When this proved impossible, we took stringent measures to minimize the risk of infection by maintaining appropriate distancing and sanitizing work areas.

Our IT Audits group faced a special challenge, the onboarding of a new auditor immediately as the social distancing requirements were adopted. IT Audits Director Sarah Huffman explains a few of the things her group did to make sure the new employee felt welcome and was isolated physically but not professionally:

When our newest employee celebrated his one-month OIG anniversary on April 2, 2020, he had already been teleworking full time for two weeks due to the pandemic restrictions, which is typically not our preferred method of "welcoming" someone. Naturally, our plans for his training and development had to evolve as we adjusted to the social distancing recommendations. We incorporated virtual team meetings where we encouraged and welcomed his participation. We challenged ourselves to give him assignments where he collaborates with others on the team and receives timely feedback at scheduled follow-up discussions. Although our team is working in remote locations across the Knoxville, Tennessee, area, he's had the opportunity to work with more than half of our team in a one-on-one setting thanks to the technology we have available.

Telework during an emergency can be unquestionably difficult, impacting even the most resilient employees. Stress runs high, families must balance work and life hours, and mental health. We asked our OIG leaders to keep in mind the many challenges:

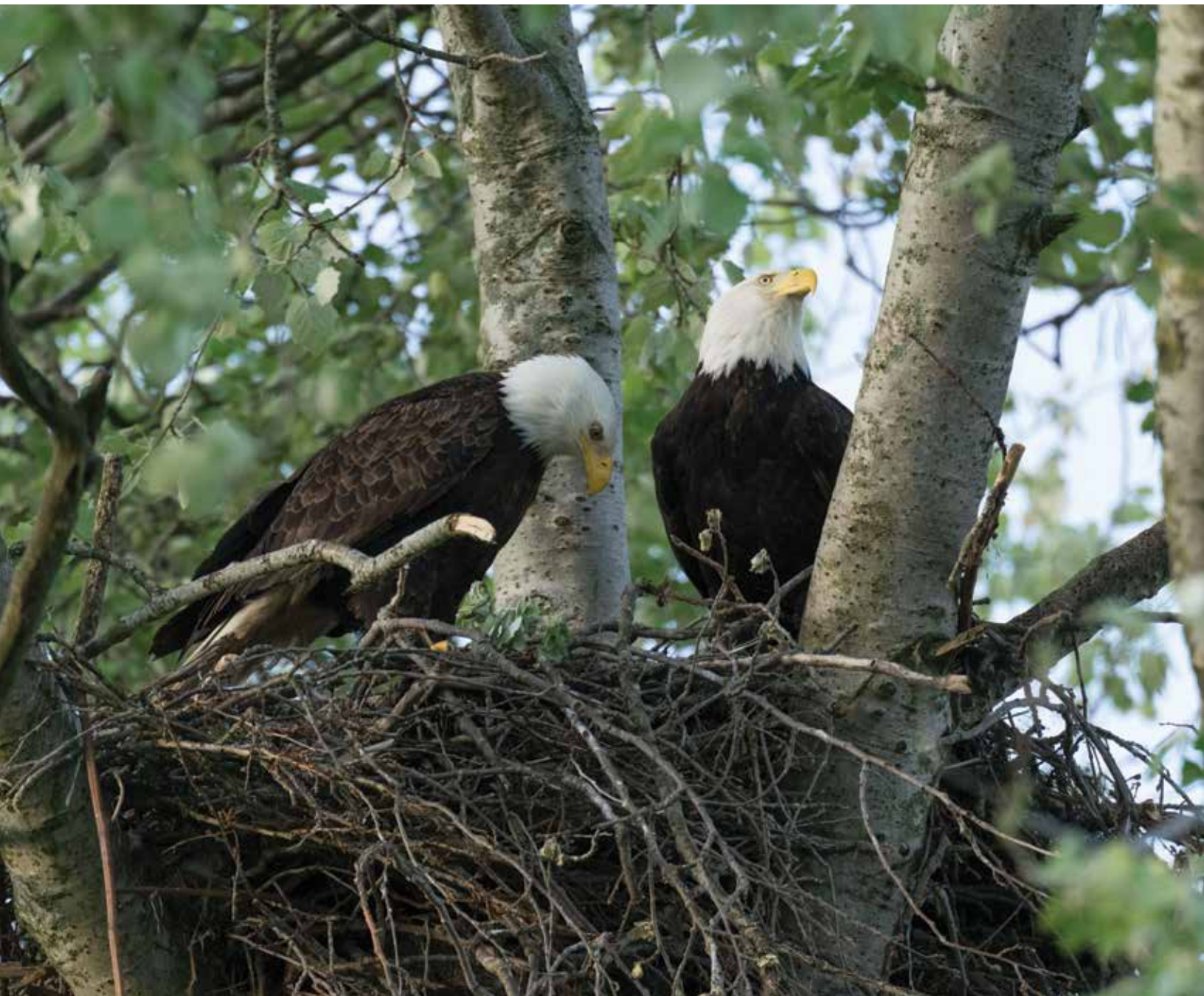
- How can I ensure employees stay productive and healthy while working from home?

- Are employees working on the right projects?
- How do we balance the needs of our business with the needs of individual family commitments?

Answering these questions was made easier by the knowledge our employees already had the essential skills to work in a virtual environment and that our culture was ready for remote work.

Teleworking has always had its minor glitches that have led to humorous office lore—an ill-timed delivery or the unexpected appearance of an inquisitive dog. COVID-19

made these events more common, accepted, and viewed as a much-needed injection of levity in a sometimes-scary period. OIG employees demonstrated on a daily basis their consideration and compassion for their fellow employees. We heard stories of virtual lunches across work groups, sharing everything from emotional support to humorous anecdotes to the normal minutia of life to friendly advice to go outside and get some vitamin D. In short, we persevered and rose to the challenge. This was a result of our long-term planning for a virtual environment, but more importantly, the adaptability and strength of our employees.



# NOTEWORTHY EVENTS



## TVA OIG NAMED ONE OF THE “BEST PLACES TO WORK” FOR FIFTH CONSECUTIVE YEAR

The TVA OIG was named one of the best places to work in the federal government for a fifth consecutive year in 2019. The award was given in a ceremony in Washington, D.C., January 10, 2020, by the nonprofit, nonpartisan Partnership for Public Service that determines the rankings.

TVA OIG was ranked first for the fourth time among 420 participating federal agency subcomponents. Its ranking is based on the Office of Personnel Management's annual Federal Employee Viewpoint Survey.

Deputy IG Jill Matthews said, "I am proud of our office and the investment our team makes to foster and sustain a highly engaged and productive work environment. A healthy work environment enhances our ability to fulfill our mission of serving TVA and the people of the Tennessee Valley."

Becky McCarter, then-chair of the OIG Leadership Council, accepted the award for the TVA OIG and said, "It was an honor to accept the 2019 Best Places to Work Award on behalf of our office. I feel very fortunate to work for an organization that engages, empowers, develops,



*Pictured are Deputy IG Jill Matthews (left) and former OIG Leadership Council Chair Becky McCarter (right) with the award naming the TVA OIG as one of the Best Places to Work in the federal government.*

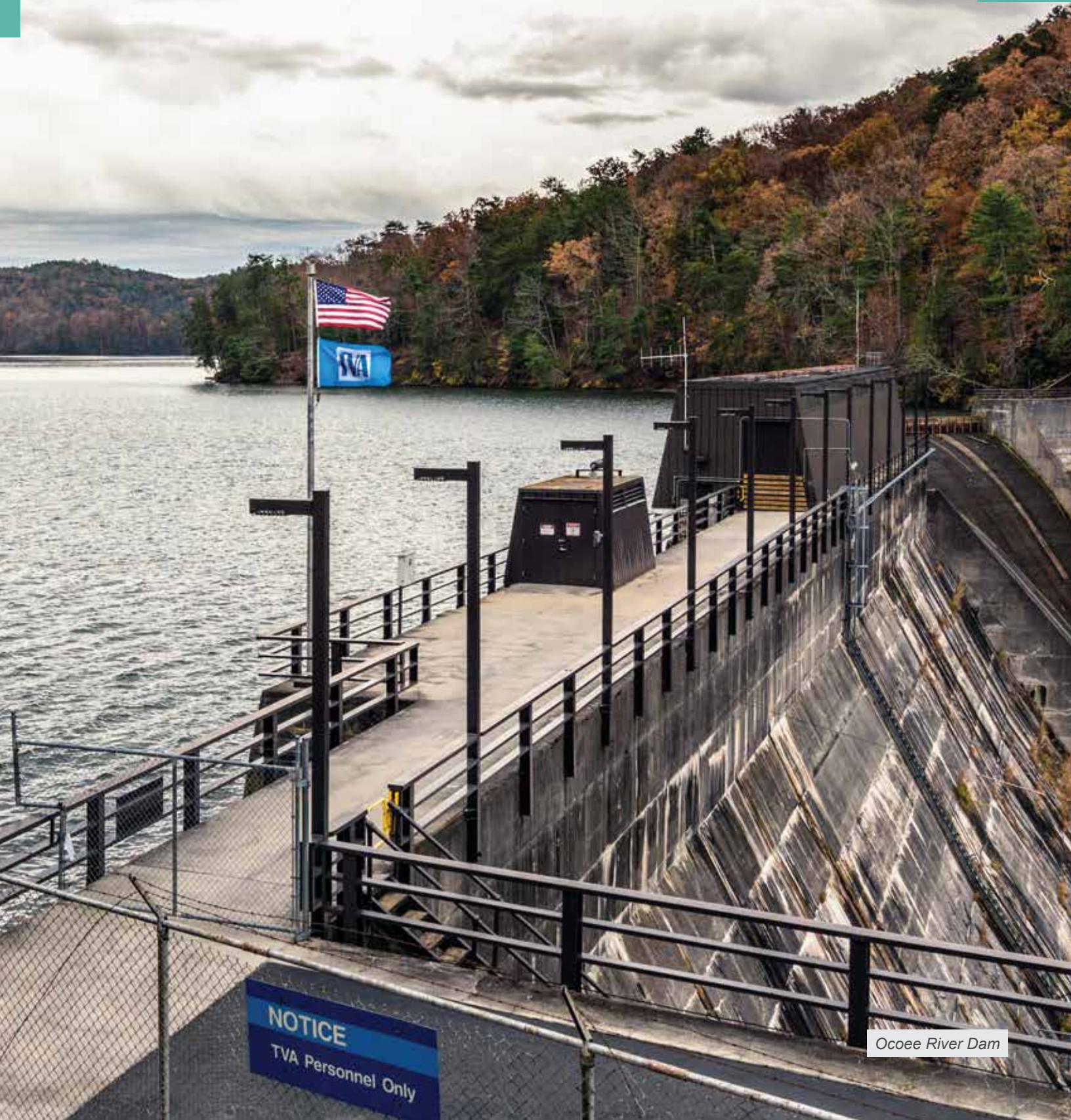
and supports its employees. This award is evidence of the hard work and dedication our employees continue to place on maintaining a healthy office culture and serving the people of the Tennessee Valley."

For more information on the best places to work in the federal government, visit <https://bestplacestowork.org>. To learn more about TVA OIG, go to <https://oig.tva.gov>.



*Guntersville Dam*

# EXECUTIVE OVERVIEW



Ocoee River Dam

*TVA provides a vital and essential service to the people of the Tennessee Valley. Identifying and mitigating risk that could impede TVA's ability to keep the lights on, manage record rainfall in the river systems, and foster a thriving economy to the valley is paramount to TVA's mission of service. The independent oversight provided by our office spans the breadth of TVA operations and includes recommendations for cybersecurity, effective and efficient use of TVA resources, operations, and prevention of fraud, waste, and abuse. We align our work to TVA's risks to help TVA meet demanding challenges today and tomorrow.*

## AUDITS

Our audit organization includes three departments that focus on contract audits, financial and operational audits, and IT audits. During this reporting period, these teams completed nine audit, examination, and agreed-upon procedures engagements. This work identified nearly \$1.1 million in questioned costs for TVA to recover and \$849,000 in funds the company could put to better use. We also identified several opportunities for TVA to improve the effectiveness and efficiency of its programs and operations.

### Contract Audits

We completed four compliance audits of contracts with expenditures totaling \$293.9 million related to (1) valley-wide engineering services (two contracts); (2) nuclear modification, outage, supplemental maintenance, or support services; and (3) the supply of natural gas to TVA's combined cycle or combustion

turbine generation plants. In addition, we completed one compliance audit of work performed for the Bull Run Fossil Site, Process Water Basin, to determine if the contractor's project change request was fairly stated. These audits identified potential overbillings and cost savings of \$1.9 million. The Contract Audits section begins on page 21 of this report

### Financial and Operational Audits

With a focus on financial reporting, compliance with applicable laws and regulations, and TVA operations, we monitored the audit of TVA's FY 2019 financial statements by an external auditor and applied agreed-upon procedures related to TVA's 2019 Winning Performance (WP) measures. The Financial and Operational Audits section begins on page 23 of this report.

### IT Audits

IT Audits completed audits of TVA's (1) IT security practices as required by the Federal Information Security Modernization Act of 2014, (2) identity and access management project, and (3) network user phishing awareness. The IT Audits section begins on page 23 of this report.





## EVALUATIONS

Our Evaluations organization includes two groups, one of which focuses on organizational effectiveness reviews. During this reporting period, our teams completed four evaluations and three organizational effectiveness reviews, all of which identified opportunities for improvement. In addition, the team conducted three follow-up reviews to previous organizational effectiveness reviews.

### Evaluations

The Evaluations group completed four evaluations during this semiannual period. These included evaluations of compliance with H-1B visa regulations, Transmission, Power Supply, and Support's critical spare parts, the nuclear fatigue rule at Watts Bar Nuclear Plant, and the nuclear clearance process. The Evaluations section begins on page 26 of this report.

## Organizational Effectiveness

This group completed three organizational effectiveness evaluations of Hydro Generation organizations. In addition, the team conducted three follow-up reviews to previous organizational effectiveness reviews of (1) Human Resources, (2) Human Resources – Employee Health, and (3) Sequoyah Nuclear Plant Site Security. The Organizational Effectiveness section begins on page 28 of this report.

## INVESTIGATIONS

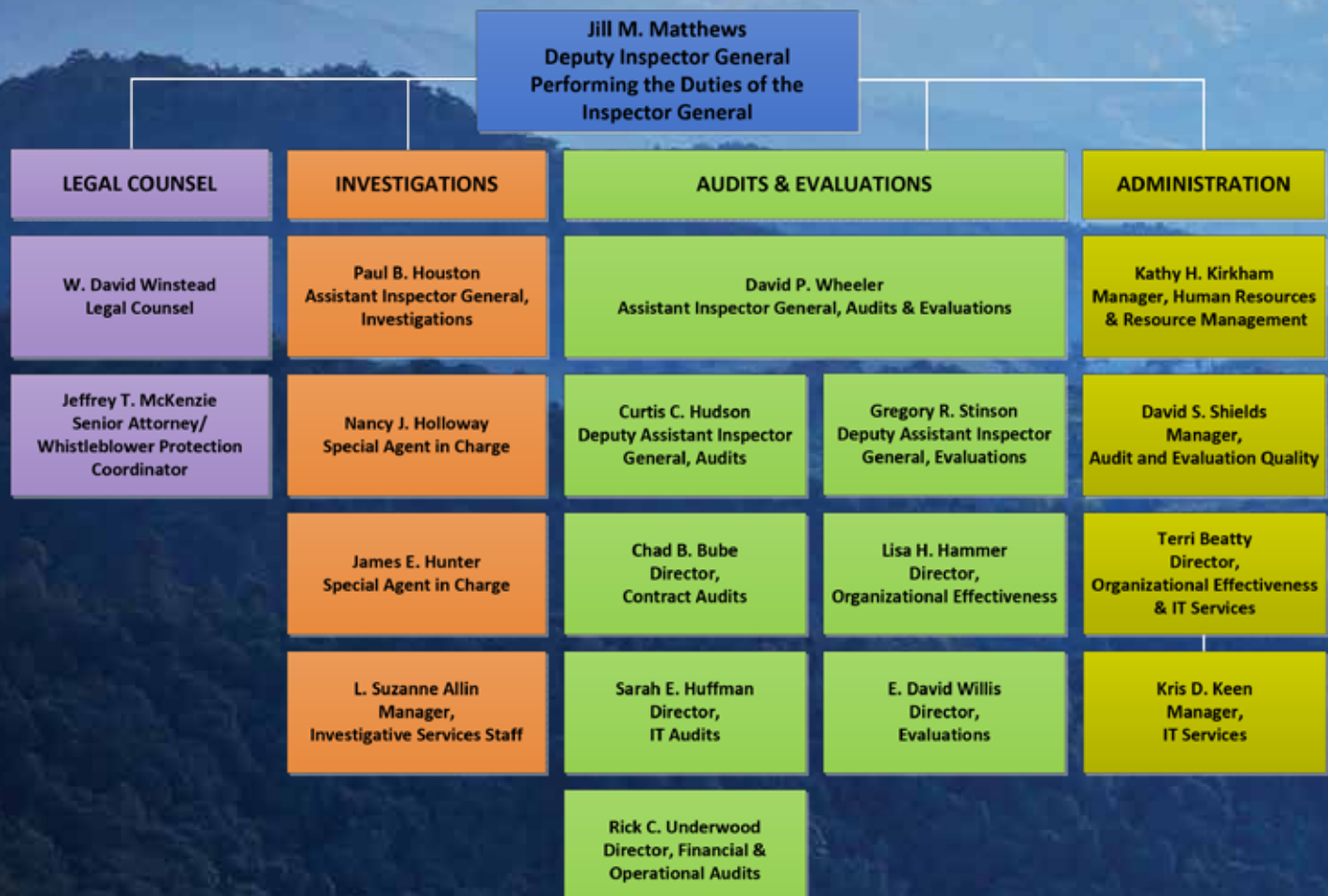
This reporting period, we opened 95 cases and closed 96. Our investigative results include four indictments/Informations filed, two convictions, and one individual's sentencing. The Investigations section begins on page 32 of this report.

## STATISTICAL HIGHLIGHTS

*October 1, 2019 - March 31, 2020*

Audit Reports Issued	9
Evaluations Completed	10
Questioned Costs	\$1,083,562
Questioned Costs Agreed to by TVA	\$1,083,562
Questioned Costs Recovered by TVA	\$0
Funds to be Put to Better Use	\$849,000
Savings Realized by TVA	\$246,000
Investigations Opened	95
Investigations Closed	96
Recoveries/Fees	\$93,453
Other Monetary Loss	\$62,411
Criminal Actions	6
Administrative Actions (Number of Subjects)	2

# ORGANIZATION



*Since 1985, the OIG has worked to help TVA become better. Through our audits, evaluations, and investigations, we provide TVA management, the TVA Board, and Congress with an independent look at the economy, efficiency, and effectiveness of TVA programs and help prevent and detect fraud, waste, and abuse. Over the years, the OIG has helped TVA save or recover millions of dollars and recommended numerous program improvements. We credit our success to the efforts of our hardworking and talented staff and the professional responsiveness of TVA management to our recommendations.*

## TVA OIG OFFICE LOCATIONS

The OIG has a work philosophy of being in the right place at the right time to do the best work possible. We support that philosophy by encouraging our OIG employees to work where they can be most effective whether that is in one of our physical offices, in the field, or in one of our virtual offices that enable our employees to telework from home or while traveling.

The OIG has strategically located its offices near all major TVA offices throughout the Tennessee Valley. We are headquartered in TVA's Knoxville Office Complex overlooking the downtown area.

The OIG has field offices in Chattanooga, Tennessee, where members of the Evaluations and Financial and Operational Audits departments and several special agents are located. Special agents are also located in Nashville, Tennessee, and Huntsville, Alabama. Additionally, we have office locations at Watts Bar Nuclear Plant in Spring City, Tennessee, and Sequoyah Nuclear Plant in Soddy Daisy, Tennessee. Staff work in these locations as needed. As of March 31, 2020, the OIG had a total staff of 103 employees.

## ADMINISTRATION

**The Administration team** works closely with the IG, Deputy IG, and Assistant IGs to address the day-to-day operations of the OIG and to develop policies and procedures designed to drive and enhance productivity, quality, and compliance, and achieve office goals. Responsibilities include personnel administration, internal assessments, budget and financial management, purchasing and contract services, facilities coordination, training event planning, communications facilitation, and IT support.

## AUDITS AND EVALUATIONS

**The Audits and Evaluations teams** perform a wide variety of engagements designed to promote positive change and provide assurance to TVA stakeholders. Based upon the results of these engagements, the Audits and Evaluations organizations make recommendations to enhance the effectiveness and efficiency of TVA programs and operations.

The organizations use an impact- and risk-based approach to develop an annual work plan. In developing the plan, the OIG considers TVA's strategic plans, major management challenges, TVA's enterprise risk management process, and other input from TVA management. This planning model also evaluates each potential engagement from the standpoint of materiality (i.e., costs or value of assets), potential impact, sensitivity (including public and congressional interest), and the likelihood it will result in recommendations for cost savings, recovery of dollars, or process improvements. The result of the OIG Audits and Evaluations planning process is a focus on the issues of highest impact and risk to TVA.

These issues vary depending on the objectives of the project. The graphic on page 18 shows some representative examples of issues our audit and evaluation projects are commonly designed to identify.

**The Audits team** conducts performance audits of TVA programs and operations, providing an inclusive picture of TVA's overall fiscal and operational health. The organization is made up of three departments—Contract Audits, Financial and Operational Audits, and IT Audits. The Audits organization performs its work in accordance with *Government Auditing Standards*.

## TYPES OF AUDIT & EVALUATION ISSUES

### Financial and Operational Audits

- Program Inefficiencies/Ineffectiveness
- Legal/Regulatory Noncompliance
- Policy Noncompliance
- Internal Control Deficiencies
- Fraud

### Contract Audits

- Inflated Proposals
- Contract Overpayments
- Inferior Performance
- Fraud

### IT Audits

- Internal Control Deficiencies
- Policy Noncompliance
- Integrity of Data and Assets
- Cyber Security
- Fraud

### Evaluations

- Operational Inefficiency
- Policy Noncompliance
- Legal/Regulatory Noncompliance
- Fraud

### Organizational Effectiveness

- Operational Ineffectiveness
- Cultural Areas for Improvement
- Unmitigated Risks
- Fraud

- Contract Audits has lead responsibility for contract compliance audits and preaward examinations. In addition, this department performs audits of TVA contracting processes and provides claims assistance as well as litigation support.
- Financial and Operational Audits is responsible for performing audit work mandated by legislation, agreed-upon procedures, as well as risk-based audits associated with TVA financial and operational activities. The work stems largely from mandated activities, review of TVA's business-risk environment, consideration of emerging issues, and requests. This department also provides oversight of TVA's external auditor's compliance with professional standards.
- IT Audits has lead responsibility for audits relating to the security of TVA's IT infrastructure, application controls, and general controls associated with TVA systems. This department also performs operational audits of the effectiveness of IT-related functions.

**The Evaluations team** assesses both operational and cultural aspects of programs and departments throughout TVA to ensure objectives and operational functions are achieved effectively and efficiently. This organization is made up of two departments—Evaluations and Organizational Effectiveness. This organization performs its work in accordance with *Quality Standards for Inspection and Evaluation* as prescribed by the Council of the Inspectors General on Integrity and Efficiency.

- Evaluations performs both comprehensive reviews and more limited-scope policy and program reviews to monitor compliance and assess the efficiency and effectiveness of operations.
- Organizational Effectiveness performs risk-based reviews to assess operational and cultural areas, including strengths and risks that could impact an organization's ability to achieve its mission and goals.

## INVESTIGATIONS

The Investigations team proactively and reactively uncovers activity related to fraud, waste, and abuse in TVA programs and operations. This organization performs its investigations in accordance with the *Quality Standards for Investigations* as prescribed by the Council of the Inspectors General on Integrity and Efficiency, applicable U.S. Attorney General Guidelines, and other guiding documents. OIG special agents maintain liaisons with federal and state prosecutors and notify the U.S. Department of Justice whenever the OIG has reason to believe there has been a violation of federal criminal law. Special agents partner with other investigative agencies and organizations on special projects and assignments, including interagency law enforcement task forces on terrorism, the environment, health care, and public corruption. The graphic shows the major categories of investigations.

## LEGAL

**The OIG Legal Counsel team** monitors existing and proposed legislation and regulations that relate to the mandate, operations, and programs of the OIG and TVA. Additionally, this team provides legal advice as needed for administrative, audit, evaluation, and investigative projects. OIG attorneys serve as ethics officials, providing OIG employees guidance on government ethics and standards of conduct. The TVA Whistleblower Protection Coordinator is also a part of this team and provides information regarding the statutory protections against retaliation for all TVA employees.

### MAJOR CATEGORIES OF INVESTIGATIONS

#### Contract Fraud

Defrauding TVA through its procurement of goods and services, including fraud schemes such as misrepresenting costs, overbilling, product substitution, and falsification of work certifications

#### Theft of Government Property and Services

Theft of TVA property such as material, tools, equipment, or resources

#### Environmental Crime

Violations of environmental criminal law pertaining to the Tennessee River system and its watershed, along with violations relating to TVA land and facilities

#### Health Care Fraud

Intentional misrepresentation of health-care services, expenses, billings, needs, or coverage that results in unauthorized payments or other benefits

#### Unauthorized Access Into TVA Computer Systems

Accessing a TVA computer without authorization or exceeding authorized access

#### Workers' Compensation Fraud

Falsification of documents to receive payments by employees, former employees, or health-care providers

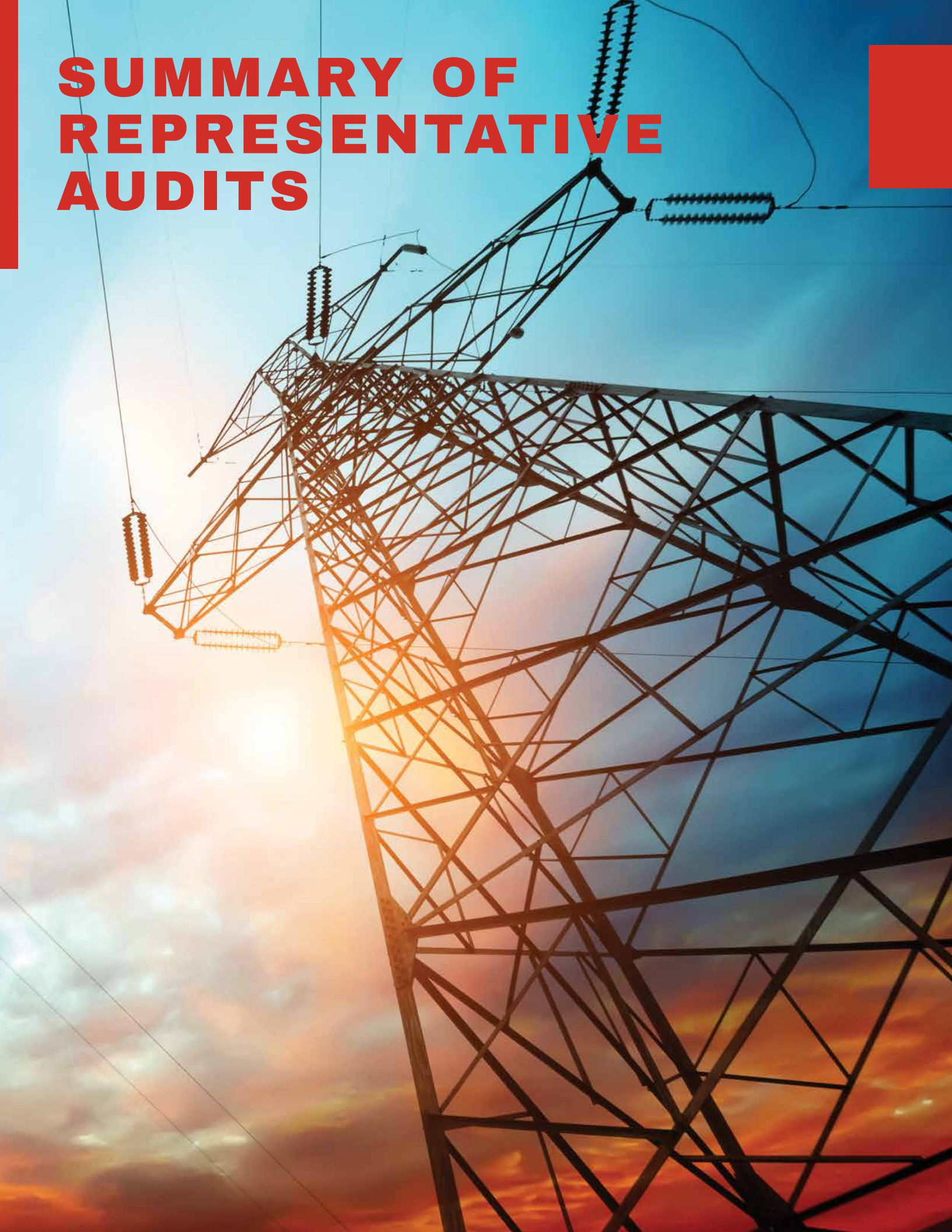
#### Employee Misconduct

Misuse of TVA-furnished equipment, travel voucher fraud, a multitude of miscellaneous matters of abuse, conflict of interest, and violations of code of conduct

#### Special Projects

Management requests, data mining and predictive analysis, congressional and TVA Board requests, and Fraud Risk Assessments

# **SUMMARY OF REPRESENTATIVE AUDITS**



*During this semiannual reporting period, the TVA OIG audit organization completed nine audit, examination, and agreed-upon procedures engagements. This work identified nearly \$1.1 million in questioned costs for TVA to recover and \$849,000 in funds the company could put to better use. We also identified several opportunities for TVA to improve the effectiveness and efficiency of its programs and operations.*

## CONTRACT AUDITS

During this semiannual period, we completed four compliance audits of contracts with expenditures totaling \$293.9 million. In addition, we completed one compliance audit to determine if the contractor's project change request was fairly stated. These audits identified potential overbillings and cost savings of \$1,932,562. Highlights of our completed compliance audits follow.

- We audited \$21.6 million in costs billed by a contractor for providing valley-wide engineering services. We determined the contractor overbilled TVA \$287,346, including (1) \$235,437 in labor costs, (2) \$27,010 in subcontractor costs, (3) \$11,742 in fee, (4) \$9,682 in travel costs, (5) \$2,050 in materials costs, and (6) \$1,425 in fixed price costs. Additionally, we noted issues with TVA's contract administration, including (1) inadequate oversight of the fee evaluation process, (2) markup rates not included in the contract, and (3) activity on closed purchase orders.
- We audited \$48.1 million in costs billed by a contractor for valley-wide engineering services. The contract provided for TVA to compensate the contractor for work on either a cost reimbursable or fixed price basis. Our audit objectives were to determine if (1) costs were billed in accordance with the terms and conditions of the contract and (2) tasks were issued using the most cost efficient pricing methodology. Our audit scope included \$12.5 million for cost reimbursable projects and \$35.6 million for fixed price projects. In summary, we determined:
  - The contractor did not provide \$94,936 in volume rebates due TVA. In addition, the contractor overbilled TVA \$31,792 on cost reimbursable

projects, including (1) \$24,594 in unsupported travel costs and (2) \$7,198 in excessive performance fee payments.

- The use of fixed price payment terms on a sample of 18 projects totaling \$1.34 million caused TVA to pay at least \$122,996 (10.11 percent) more than it would have if cost reimbursable payment terms had been used for those projects.

We also noted issues with TVA's contract administration, including inadequate oversight of the (1) fee evaluation process and (2) process for evaluating fixed price proposals. Additionally, TVA may have missed the opportunity to receive \$22,089 in volume rebates due to a contract change with an effective date that benefited the contractor.

- We audited \$19.2 million in costs billed by a contractor for providing the services of qualified craft, noncraft, or staff augmented personnel to perform modification, outage, supplemental maintenance, or technical support at TVA's nuclear power generating sites. We determined the contractor billed TVA in accordance with the contract terms. However, we found craft employees were allowed up to 15 minutes of walkout time before the end of their assigned shift and were paid for the time as if they had worked until the end of the shift. Although this appeared to be a standard and accepted practice by TVA and the contractor, the practice of allowing walkout time was not documented in the contract, TVA's Project Maintenance and Modification Agreement, or any other TVA Project Labor Agreement. Additionally, it was not clear if the contractor's practice (1) met the intent of TVA's (unwritten) policy on craft end of shift walkout time or (2) was managed effectively.

- We audited \$205 million in costs billed by a contractor for the supply of natural gas to TVA's combined cycle or combustion turbine generation plants. Our audit objectives were to determine if (1) the costs billed to TVA were in accordance with the contract's terms and conditions, (2) TVA's analysis to support current contract pricing was reasonable, and (3) the contract's current pricing methodology was reasonable for a potential extension when the pricing agreement expired. We determined the contractor billed TVA in accordance with the contract terms. In addition, we determined the analysis and assumptions used by TVA in entering into an agreement with the contractor to purchase 75,000 dekatherms per day of natural gas from April 1, 2017, through March 31, 2021, were reasonable and resulted in significant discounts and savings to TVA. Furthermore, we determined the contract's current pricing methodology was reasonable for a planned 3-year extension, and if TVA is able to negotiate similar contract pricing, we estimated it could save about \$849,000 compared to estimated future market prices.
- TVA issued a purchase order (PO) to a contractor on September 21, 2017, using a target cost estimate (TCE) pricing methodology to provide supervision, labor, equipment, and materials for the Bull Run Fossil Site, Process Water Basin. TCE pricing provides that compensation would be cost based with the maximum amount of total compensation, including fee, not to exceed the TCE established for the work. Additionally, if the project's actual cost exceeded the TCE by more than 3 percent, the amount of overrun would be shared 50 percent by TVA and 50 percent by the contractor. Conversely, if the project's actual cost is more than 3 percent below the TCE, the savings would be shared 75 percent for TVA and 25 percent for the contractor.

During March 2019, TVA reduced the contractor's statement of work (SOW) on the PO and required the contractor to complete all services by April 26, 2019. The contractor submitted a project change request (PCR) on November 6, 2019, which provided a revised TCE totaling \$5,077,957 based on the reduced SOW. We

audited the contractor's PCR and determined the revised TCE was overstated:

- \$975,988 due to (1) incorrect deductions for the reduced SOW, (2) ineligible and unsupported additions to the TCE, and (3) overstated general and administrative (G&A) markup and fee used in the original TCE.
- \$39,061 for unallowable performance fee paid on the costs that exceeded the TCE.
- In addition, based on our cursory review of payments made under the PO, we determined the contractor overbilled TVA \$58,612 in ineligible G&A costs and fee paid on TVA provided equipment. As a result, we determined the contractor owed TVA \$524,403, including (1) \$465,791 for its applicable share of the TCE cost overrun and (2) \$58,612 in ineligible G&A and fee paid on TVA provided equipment.



*Kingston Fossil Plant*

## FINANCIAL AND OPERATIONAL AUDITS

During this semiannual period, Financial and Operational Audits monitored the audit of TVA's FY 2019 financial statements by an external auditor and applied agreed-upon procedures related to TVA's 2019 WP measures.

### Oversight of the FY 2019 Financial Statement Audit

TVA contracted with the independent public accounting firm of Ernst & Young LLP to audit TVA's consolidated balance sheet as of September 30, 2019, and the related consolidated statements of operations, comprehensive income (loss), changes in proprietary capital, and cash flows for the year then ended. This also included the audit of TVA's internal control over financial reporting as of fiscal year-end. Additionally, the firm also reviewed TVA's FY 2019 interim financial information filed on Form 10-Q with the Securities and Exchange Commission. The contract required the work be performed in accordance with *Government Auditing Standards*. Our monitoring of their work disclosed no instances where the firm did not comply, in all material respects, with these standards.

### Agreed-Upon Procedures for TVA FY 2019 Performance Measures

TVA's WP Incentive Plan is a performance management program designed to promote teamwork, focus on continued high performance, and motivate and reward employees for achieving strategic objectives and critical success factors. We applied agreed-upon procedures, which were requested and agreed to by TVA management, solely to assist management in determining the validity of the WP/Executive Annual Incentive Plan measures for FY ended September 30, 2019. In summary, we found:

- The FY 2019 WP goals for the enterprise measures were properly approved. One change form was approved on November 9, 2018, and clarified the definition sheet methodology for calculating the goals

for one of the measures. However, this change form did not impact the overall measure, weight, and goals of that measure. Another change form was approved on January 22, 2019, and affected one measure.

- The FY 2019 goals (target) for the corporate multiplier measures were properly approved.
- The actual FY to-date results for the enterprise measures agreed with the underlying support, without exception.
- The actual FY to-date results for the corporate multiplier measures agreed with the underlying support, without exception.
- The FY 2019 WP payout percentage provided by the Benchmarking and Enterprise Performance organization on November 6, 2019, was mathematically accurate and agreed with the OIG's recalculation.

## IT AUDITS

During this semiannual period, IT Audits completed audits of TVA's (1) IT security practices as required by the Federal Information Security Modernization Act (FISMA) of 2014, (2) identity and access management project, and (3) network user phishing awareness.

### TVA's Information Security Program Not Operating in an Effective Manner

The FISMA of 2014 requires each agency's IG to conduct an annual independent evaluation to determine the effectiveness of the information security program (ISP) and practices of its respective agency. The FY 2019 IG FISMA metrics recommend a majority of the functions be at a maturity level 4 (managed and measurable) or higher to be considered effective. Based on our analysis of the metrics and associated maturity levels defined within the FY 2019 IG FISMA metrics, we found three of

the five functions fell below the targeted level 4; therefore, TVA's ISP was not operating in an effective manner. Accordingly, we made eight specific recommendations to TVA management to make improvements in the ISP in the areas of risk management, identity and access management, security training, and contingency planning. TVA management agreed with our findings and recommendations.

## **Identity and Access Management (IAM) Project Effectively Implemented**

We performed an audit of TVA's IAM program and related projects and determined they were implemented effectively. Specifically, the TVA project team (1) replaced heavy manual access processes with an automated access solution in 2015, (2) successfully implemented automated access reviews in 2016, (3) implemented role-based access control in a limited manner in 2016 and updated and expanded role-based access control in 2017, and (4) implemented privileged identity management (PIM) in a limited manner in 2019. We identified documentation concerns regarding PIM that were communicated to the project management team during the audit and addressed by TVA management prior to completion of rollout.

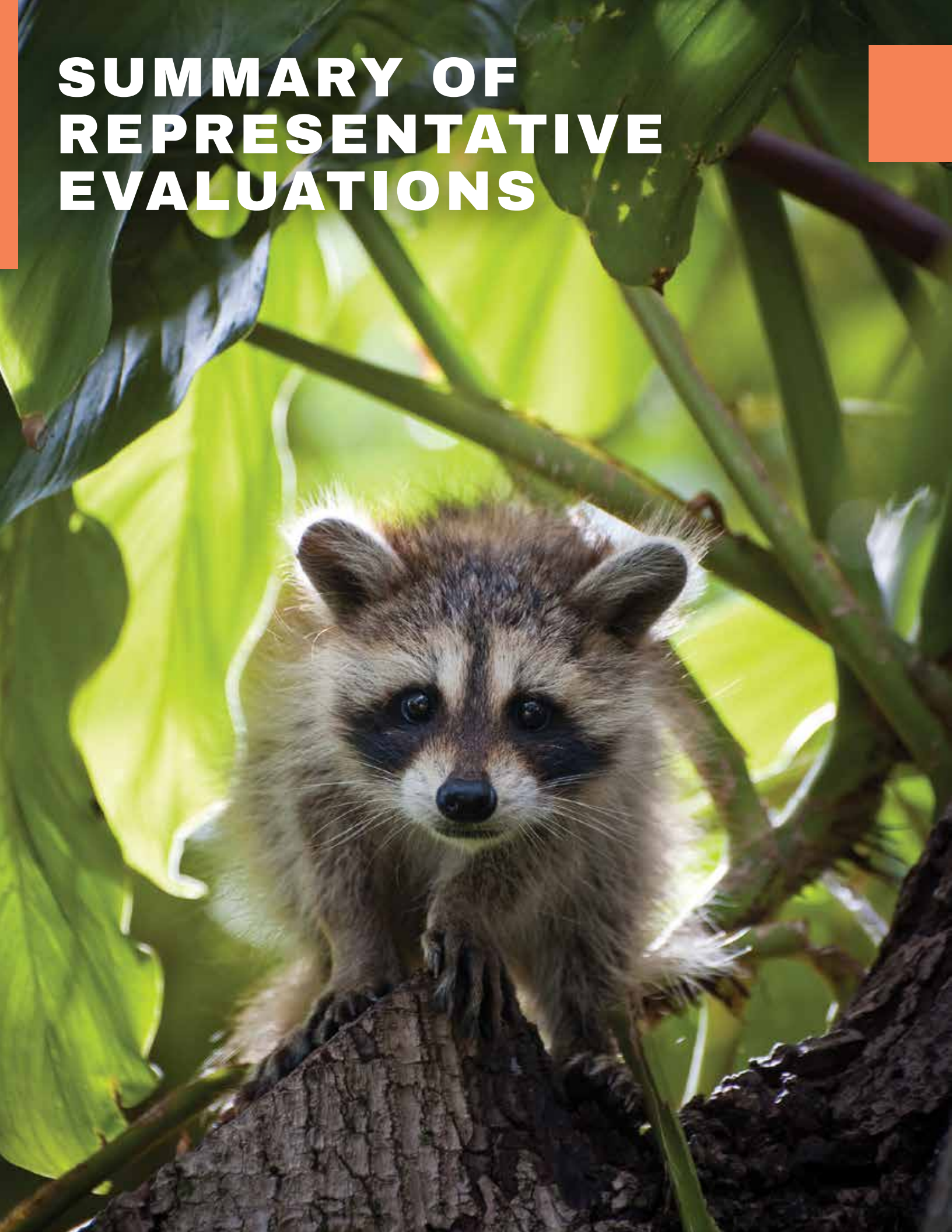
## **TVA's Phishing Training is Ineffective**

We performed an audit of TVA's network user phishing awareness. We reviewed the effectiveness of the phishing training provided to TVA users and determined it was ineffective. We found TVA had purchased a tool to conduct and track periodic phishing exercises and requires annual training that includes content on phishing. However, TVA does not have formal procedures for conducting periodic phishing exercises, follow-up training for users who failed the periodic exercises, or consequences for users who fail to take required phishing training. We recommended TVA (1) update the content and delivery of end-user training, (2) consider potential consequences for repeat offenders, and (3) update related procedures. TVA management agreed with our findings and recommendations.





# **SUMMARY OF REPRESENTATIVE EVALUATIONS**



*During this reporting period, our teams completed four evaluations and three organizational effectiveness reviews, all of which identified opportunities for improvement. In addition, the teams conducted three follow-up reviews to previous organizational effectiveness reviews.*

## EVALUATIONS

The Evaluations department completed evaluations of (1) compliance with H-1B visa regulations, (2) Transmission, Power Supply, and Support's critical spare parts, (3) the nuclear fatigue rule (NFR) at Watts Bar Nuclear Plant (Watts Bar), and (4) the nuclear clearance process.

### Compliance with H-1B Visa Regulations

Due to the length of service of some non-U.S. citizens at TVA, we initiated an evaluation of TVA's compliance with H-1B visa regulations to determine if TVA employees and contractor employees who are non-U.S. citizens met selected criteria of H-1B regulations. We limited our scope to H-1B employees and contractor employees who worked for TVA between January 31, 2017, and January 31, 2019.

We identified nine contractor employees who were H-1B visa nonimmigrants during the 2-year period. We determined the nine contractor employees we identified as being H-1B nonimmigrants met selected criteria of the visa regulations. However, we could not confirm the actual number of H-1B visa nonimmigrants or foreign nationals who worked at TVA during the scope of our evaluation because the data in citizenship and visa fields in TVA's Human Resources system was determined to be unreliable. Additionally, we identified an opportunity for improvement related to the verification of supporting documentation for nonimmigrant employment eligibility of contractor employees. TVA management provided actions planned to address our recommendations to implement a process to (1) ensure the accuracy and completeness of data in TVA's Human Resource system and (2) verify nonimmigrant employment eligibility documentation of contractor employees.

### Transmission, Power Supply, and Support - Critical Spare Parts

Due to the importance of having critical spare parts available to reduce the amount of recovery time after events that may affect the transmission system, we conducted an evaluation to determine if TVA's Transmission, Power Supply, and Support (Transmission) group is effectively managing critical spare parts. Transmission manages its critical spare parts as storm restoration material.

We determined TVA's storm restoration material could be managed more effectively. Specifically, we found (1) discrepancies between storeroom inventory counts and work management system data, (2) storm restoration materials were not properly identified, and (3) storm restoration material reorder points were incorrect. Additionally, Transmission's Web site contained out-of-date and incomplete data. TVA management agreed with our recommendations to address the issues related to inventory, storm restoration material identification, and documentation.

### Nuclear Fatigue Rule - Watts Bar Nuclear Plant

Due to the importance of employees being able to safely and competently perform their duties, we performed an evaluation to determine if TVA was in compliance with the NFR at Watts Bar. The NFR specifies minimum days off for covered individuals, as well as work-hour limits for how many hours can be worked in specific time periods. Our review of sampled employee and contract employee work hours and badging records for October 1, 2017, through June 30, 2019, identified no violations of NFR minimum days off or work-hour limits. However, we identified an area of deficiency related to Watts Bar's performance of fatigue assessments. Additionally, we identified opportunities for improvement related to NFR work-hour tracking and documentation. TVA management agreed with our recommendations to address the issues related to fatigue assessments and work-hour tracking and documentation.

## Nuclear Clearance Process

TVA's clearance procedures establish standardized clearance requirements to ensure equipment is isolated from its energy source and rendered nonoperative before performing work on machines or equipment where the unexpected energizing, start up, or release of stored energy could occur and cause injury or property damage. Due to the importance of the clearance procedure in preventing injury and/or property damage while equipment is being serviced, we performed an evaluation of the nuclear clearance process. Our objective was to determine if (1) the clearance procedure was being performed for work requiring clearances to safely control hazardous energy, (2) clearances issued were in compliance with the clearance procedure, and (3) required training and audits were being performed in compliance with the clearance procedure.

We determined the clearance procedure was being performed for work requiring clearances to safely control hazardous energy and training was completed as required. However, we determined (1) some clearances were not issued in accordance with all procedural requirements and (2) audits performed were not in compliance with the clearance procedure. We also identified an opportunity for improvement related to the alignment of clearance procedures. TVA management plans to implement corrective actions to address our recommendations related to the deficiencies with clearances and audits.

## ORGANIZATIONAL EFFECTIVENESS

During this semiannual reporting period, the Organizational Effectiveness group completed three organizational effectiveness evaluations, including Hydro Generation's Central and Raccoon Mountain (RM) regions as well as the Hydro Dispatch Control Center (HDCC). In addition, we conducted three follow-up reviews to previous organizational effectiveness reviews of Human Resources, Human Resources – Employee Health, and Sequoyah Nuclear Plant Site Security.

## Hydro Generation

Hydro Generation operates 29 conventional hydroelectric dams and a pumped storage facility, which collectively includes 113 generating units, located throughout the Tennessee Valley. These units account for 5,182 megawatts of net dependable capacity.<sup>1</sup> We assessed the strengths and risks that could impact the organizational effectiveness of Hydro Generation's Central region, Hydro's RM pumped storage facility, and the HDCC. In all areas, we identified several strengths, including (1) organizational alignment, (2) positive interactions within and outside of each region, (3) leadership, and (4) positive ethical culture. However, we also identified risks that could impact each region's effectiveness:

- **Hydro Generation – Central Region**

Hydro Central generation accounts for approximately 11 percent of Hydro Generation's total net dependable capacity. Hydro Central is comprised of three groups, which includes 11 hydro plants. We identified risks that could impact Hydro Central's effectiveness, including (1) employee behaviors inconsistent with TVA values in two plant groups, (2) safety concerns due to asset and equipment conditions, and (3) workforce training and staffing.

- **Hydro Generation – Raccoon Mountain**

Hydro RM, located along the Tennessee River and Nickajack Reservoir, serves as an energy-storage facility to help the TVA power system operate efficiently and reliably. According to TVA, each night when power demand is low, four reversible turbines pump water from Nickajack Reservoir up 1,050 feet to a 538-acre mountaintop reservoir. When power is needed, water is released through the penstock where it impacts and rotates the turbines, shafts, and generator rotors located inside the powerhouse, thereby generating electricity. At full capacity, the mountaintop reservoir contains 20 hours of full-load generation. The four generating units at RM are capable of producing 1,653 megawatts of power.

<sup>1</sup> Net dependable capacity is the amount of power a dam can produce on an average day, minus the electricity used by the dam itself.

- **Hydro Dispatch Control Center**

The HDCC, which has its primary operations in the System Operations Center (SOC) in the Chattanooga Office Complex, plays an integral role in Hydro Generation. HDCC is responsible for scheduling and coordinating the energy production of Hydro Generation assets by working with certain business units to meet system demands on a 24 hours a day, 7 days a week, real time basis. HDCC is also responsible for the remote operation of Hydro Generation's conventional generating plants. In addition, HDCC assists other TVA organizations with the implementation of certain TVA river management objectives, including navigation and flood control.

We identified risks that could impact HDCC's effectiveness, including (1) perceptions there is a lack of effective accountability and (2) execution-related concerns related to inadequate night shift staffing and workspace issues in the SOC.

TVA management agreed with our findings and is taking action to address our recommendations for remediating the identified risks.

## Human Resources Organizational Effectiveness Follow-Up Reviews

We previously issued reports on the strengths and risks that could impact organizational effectiveness of TVA's Human Resources (HR) and each of the three HR departments. Our reports identified several strengths and risks along with recommendations for addressing those risks. We completed follow-up evaluations of HR and one of three HR's departments – Employee Health (EH), to assess management's actions in addressing risks from our original evaluations.

- **Human Resources**

We determined HR management had taken actions to address the remaining risks outlined in our initial evaluation. Those risks related to (1) differences between the roles of staff, (2) role clarity and implementation of a feedback mechanism, and (3) ethical and inclusion concerns.

- **Human Resources – Employee Health**

We determined EH has taken action to address the remaining risks identified in our initial evaluation.

Those risks related to the refinement of TVA's medical case management process and inclusion concerns.

## Sequoyah Nuclear Plant Site Security Organizational Effectiveness Follow-Up

We previously issued a report on the strengths and risks that could affect Sequoyah Nuclear Plant Site Security's organizational effectiveness. Our report identified several strengths and risks along with recommendations for addressing those risks. We performed a follow-up evaluation to assess the actions taken to address the concerns identified in our initial evaluation. In summary, we determined TVA management has taken actions to address the risks. Those risks were related to inadequate communication, accountability, management behaviors, and perceptions of (1) insufficient resources and (2) unethical actions.



## SPECIAL PROJECT

### Groundwater Monitoring at Shawnee Fossil Plant

The OIG contracted with ATC Group Services LLC (ATC) to conduct a review of groundwater monitoring activities at Shawnee Fossil Plant to determine the quality of the program and adherence to regulatory standards. In April 2015, the Environmental Protection Agency (EPA) passed a rule to regulate the disposal of coal combustion residuals (CCR) as solid waste under Subtitle D of the Resource Conservation and Recovery Act (RCRA). According to the EPA, an owner or operator of a CCR Unit is required to install a system of monitoring

wells, submit a Groundwater Sampling and Analysis Plan, and establish a program outlining detection monitoring, assessment monitoring, and corrective action, if needed. TVA established a Groundwater Monitoring Program to comply with the regulatory requirements.

ATC stated that in their opinion, groundwater monitoring activities performed at Shawnee Fossil Plant are in adherence with guidelines for the Environmental Protection Agency. Furthermore, ATC stated the work performed appears to be of high quality and does not likely result in any discrepancies for the program. However, ATC identified an omission from a plan that did not impact groundwater monitoring. TVA management completed actions to address the omission.



Shawnee Fossil Plant



# SUMMARY OF REPRESENTATIVE INVESTIGATIONS



Substation at Norris Dam

*This reporting period, we opened 95 cases and closed 96. Our investigative results include four indictments/ Informations filed, two convictions, and one individual's sentencing. Highlights of investigative results follow.*

## Former Contractor Charged in Seven-Count Indictment

On January 24, 2020, a seven-count indictment against a former TVA contractor was filed in federal court. The indictment was a result of an OIG investigation of allegations that Steve Turner, doing business as Corrosion Monitoring Services (CMS) and who contracted with TVA to inspect tubular air heaters at Paradise Fossil Plant, intentionally damaged the tubes he was to inspect, placed himself in a position to repair the damage caused by himself and others at his direction, then sought TVA compensation for repairing the tubes. The investigation culminated in the recent indictment charging Mr. Turner with two counts of wire fraud, one count of conspiracy to damage power facilities, and four counts of obstruction of justice.

The indictment alleges Mr. Turner, the owner of CMS, a company that performed inspections and repairs of tubular air heater systems, participated in and caused others to participate in using a fireman's ax or other tools to damage the tubes ostensibly being inspected by CMS. Mr. Turner then presented inspection reports documenting extensive damage in the tubular air heaters but not disclosing the source of the damage. He subsequently submitted business proposals to replace tubes in facilities where he and CMS employees had damaged them, attempting to obtain the repair job(s) and receive payment for conducting the repair of tubes damaged by himself and others at his behest. The indictment charges these activities took place not only at TVA's Paradise Fossil Plant, but also at non-TVA electrical power plants in Bedford, Illinois; Clifton Hill, Missouri; and New Castle, Pennsylvania. The indictment additionally charges Mr. Turner with pressuring a CMS employee to withhold, or to provide false, information to TVA OIG.

On January 30, 2020, Mr. Turner entered a plea of not guilty. A trial date is pending.

## Two Pled Guilty in Grant Fraud Investigation

On November 13, 2019, Rahim and Karim Sadruddin pled guilty to two counts of wire fraud and one count of money laundering. The pleas were in connection with an Information filed in the federal court on October 22, 2019. The Sadruddins were charged as part of a scheme greater than \$30 million to defraud the Federal Emergency Management Agency (FEMA), TVA, and the State of Tennessee related to the procurement of tarps for hurricane victims in Puerto Rico and the fraudulent acquisition of state and federal grant funds for the purpose of establishing a textile manufacturing plant in Pikeville, located in Bledsoe County, Tennessee.

From April 2017 through January 2019, the Sadruddins devised and participated in a scheme first to defraud the State of Tennessee and TVA by providing false information to qualify for economic development grants worth over \$3 million to build the Pikeville textile manufacturing plant and provide jobs to the citizens of Bledsoe County. Of Tennessee's 95 counties, economically distressed Bledsoe County has the second highest jobless rate.

TVA was led to believe that the Textile Corporation of America (TCA) was in the business of manufacturing textiles. TCA would be importing raw materials from overseas but manufacturing the textiles at the Pikeville plant. TVA was told TCA would be employing approximately 1,000 people and had made a capital investment of \$27,093,050.

Once the Sadruddins began to receive funds from the State of Tennessee and TVA, they purchased tarps from Chinese suppliers to satisfy a separate \$30 million contract with FEMA, in which they pledged to provide tarps to citizens in Puerto Rico following the devastating hurricanes in that region—Hurricane Maria and Hurricane Irma.

Pursuant to the contract, the defendants pledged to obtain tarps from Trade Agreements Act (TAA)-compliant countries and to provide tarps that met FEMA specifications. Instead, the defendants used the funds fraudulently obtained from the State of Tennessee and TVA to purchase tarps from China, a non-TAA-compliant country, which failed to meet FEMA contract specifications. The Sadruddins falsified records suggesting they had legally procured the tarps and that the tarps met the agreed-upon specifications.

The Sadruddins are scheduled to be sentenced June 12, 2020. This was a joint investigation involving the TVA OIG, U.S. Attorney's Office for the Eastern District of Tennessee, Department of Homeland Security OIG, Federal Bureau of Investigation, and State of Tennessee's Comptroller's Office.

## **Former Contractor Sentenced on False Statements Conviction**

On September 10, 2019, Cecil Brian Oswald, former contractor employee at TVA's Cumberland Fossil Plant, pled guilty in federal court to a July 22, 2019, one-count Information charging him with falsifying documentation to receive temporary living allowance (TLA) payments over an approximate 4-year period.

TLA payments are provided to qualifying TVA and contractor personnel as a means of reimbursing expenses for those who are on-assignment a given distance from their permanent residence. Mr. Oswald's plea agreement stipulates that on nine occasions during the October 2013 - January 2018 timeframe, he submitted documents certifying his permanent residence was over 75 miles from his assigned TVA worksite, which was the distance required to receive TLA reimbursement. In reality, Mr. Oswald's permanent residence was too close to Cumberland Fossil Plant for him to qualify for these payments. As a result of his false statements, he obtained TLA payments from TVA of approximately \$87,400 to which he was not entitled.

On January 10, 2020, Mr. Oswald was sentenced in federal court. He was ordered to serve three years of probation and to pay restitution of \$87,402 to TVA.

## **Former TVA Contractor Employee Charged in TLA**

Charles E. Crouser, former contractor employee at TVA's Watts Bar Nuclear Plant, was indicted in Tennessee state court October 7, 2019, based on his alleged unlawful receipt of funds provided him for TLA. The indictment charges Mr. Crouser with one count of theft of at least \$60,000 and alleges he unlawfully obtained over \$89,222 from TVA between April 1, 2012, and January 20, 2016. A trial date is pending.

## **Protected Information Sent to Personal Computer**

An OIG investigation revealed an employee, entrusted with TVA protected information, e-mailed TVA work product containing Restricted and/or Confidential information to his/her personal computer in violation of TVA policy on seven occasions.

TVA Information Management Policy states that TVA protected information "must not be sent to/from personal non-TVA e-mail accounts such as those provided by AOL, Yahoo, Google, Comcast, etc., due to the unknown security status of those services." TVA policy also advises that name, occupation or title, or a photograph of individual(s) are considered Personally Identifiable Information (PII). Further, TVA policy states that employment information/history and personnel records/information are considered Restricted PII, and it addresses Attorney-Client Privileged information as well.

The TVA e-mails sent to the employee's personal computer were found to include protected information, such as:

- Photographs of individuals at a TVA worksite with accompanying names and job titles.
- Performance evaluations/reviews and disciplinary documentation associated with various TVA employees.
- Documentation associated with a No Fault Separation Agreement for a TVA employee that included summarized advice from TVA's Office of General Counsel and contained Attorney-Client Privileged information.
- Documentation that included personal and employment information regarding the referral of a TVA employee for a Fitness for Duty evaluation.
- A PowerPoint presentation containing information associated with TVA business plans contained numerous slides on which the sensitivity of the information was marked.

An OIG memorandum with the findings of this investigation was issued to TVA management. The individual's manager responded that the employee was counseled, understands the potential risk to TVA, and has taken steps to ensure the behavior does not recur.

## **TVA Computer Taken on Employee Vacation Abroad**

Through TVA OIG's hotline, the Empowerline, we received an allegation an employee violated TVA policy when the individual carried a TVA laptop on an overseas personal vacation, then failed to have the laptop examined by TVA Cybersecurity before being reconnected to TVA's network. Additionally, evidence was provided revealing the laptop had been used while the employee was abroad. This information was forwarded to TVA management for disposition. In response, management counseled the employee on TVA policy regarding IT assets and foreign travel, and the employee assured management he/she will comply with TVA policies and procedures going forward.



# LEGISLATION AND REGULATIONS



*In this section of our semiannual report, it is our intent to address only current and pending legislation which relates to the economy or efficiency of TVA operations when we have recommendations or comments to make to Congress regarding the legislation. At times, we may direct recommendations to general positions and issues, particularly when there are multiple bills dealing with the issue. At other times, we anticipate making recommendations relating to particular statutes and bills and their particular wording.*

During this reporting period, we are not making any recommendations to Congress regarding current or pending legislation.



# APPENDICES



## INDEX OF REPORTING REQUIREMENTS UNDER THE INSPECTOR GENERAL ACT

REPORTING	REQUIREMENT	PAGE OR APPENDIX
Section 4(a)(2)	Review of legislation and regulations	36 - 37
Section 5(a)(1)	Significant problems, abuses, and deficiencies	20 - 35
Section 5(a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies	20 - 35
Section 5(a)(3)	Recommendations described in previous semiannual reports on which corrective action has not been completed	Appendix 4
Section 5(a)(4)	Matters referred to prosecutive authorities and the prosecutions and convictions that have resulted	Appendix 5
Section 5(a)(5) and 6(b)(2)	Summary of instances where information was refused	None
Section 5(a)(6)	Listing of audit and evaluation reports	Appendix 2
Section 5(a)(7)	Summary of particularly significant reports	20 - 35
Section 5(a)(8)	Status of management decisions for audit and evaluation reports containing questioned costs	Appendix 3
Section 5(a)(9)	Status of management decisions for audit and evaluation reports containing recommendations that funds be put to better use	Appendix 3
Section 5(a)(10)	Summary of audit and evaluation reports issued prior to the beginning of the reporting period for which (a) no management decision had been made; (b) no management comment was received within 60 days of issuing the draft report; and (c) there were any unimplemented recommendations, including the aggregate potential cost savings of those recommendations, at the end of the reporting period <sup>1</sup>	None
Section 5(a)(11)	Significant revised management decisions	None
Section 5(a)(12)	Significant management decisions with which the Inspector General disagreed	None
Section 5(a)(13)	Information under Federal Financial Management Improvement Act of 1996	Not Applicable
Section 5(a)(14)	Results of any peer review conducted by another Office of the Inspector General during the reporting period, and if none, a statement of the date of the last peer review	Appendix 10
Section 5(a)(15)	List of outstanding recommendations from any peer review conducted by another Office of the Inspector General, including a statement describing the status of the implementation and why implementation is not complete	None

<sup>1</sup> We had no open audit or evaluation reports that met all of these requirements. However, Appendix 4 includes a list of all audits issued in previous semiannual periods on which corrective action has not been completed.

# APPENDIX 1

## INDEX OF REPORTING REQUIREMENTS UNDER THE INSPECTOR GENERAL ACT (CONTINUED)

REPORTING	REQUIREMENT	PAGE OR APPENDIX
Section 5(a)(16)	List of any peer reviews conducted of another Office of the Inspector General during the reporting period, including a list of any outstanding recommendations made from any previous peer review that remain outstanding or have not been fully implemented	None
Section 5(a)(17)	Statistical table showing the total number during the reporting period of (a) investigative reports issued, (b) persons referred to the Department of Justice for criminal prosecution, (c) persons referred to state and local prosecuting authorities for criminal prosecution, and (d) indictments and criminal informations resulting from any prior referral to prosecuting authorities	Appendix 5
Section 5(a)(18)	Metrics used to develop the data in the statistical table pursuant to Section 5(a)(17)	Appendix 5
Section 5(a)(19)	Investigations in which allegations of misconduct involving a senior government employee <sup>2</sup> were substantiated	Appendix 6
Section 5(a)(20)	Instances of whistleblower retaliation, information about the official found to have engaged in retaliation, and consequences imposed, if any, to hold the official accountable	None
Section 5(a)(21)	Attempts to interfere with the independence of the Office of the Inspector General	None
Section 5(a)(22)(A)	Audit or evaluation that was closed and not disclosed to the public	None
Section 5(a)(22)(B)	Investigation involving a senior government employee that was closed and not disclosed to the public	Appendix 7

<sup>2</sup> Pursuant to Section 5(b)(7)(A) of the IG Act, as amended, senior government employee is defined as an officer or employee whose rate of basic pay is equal to or greater than 120 percent of the minimum rate of basic pay payable for GS-15 of the General Schedule.

## OIG AUDIT REPORTS • ISSUED DURING THE SIX-MONTH PERIOD ENDED MARCH 31, 2020

Report Number and Date	Title	Questioned Costs	Unsupported Costs	Funds Put To Better Use
CONTRACT AUDITS				
2018-15554 10/10/2019	AECOM Energy and Construction, Inc. - Contract No. 8273	\$287,346	\$0	\$0
2019-15630 12/02/2019	Day & Zimmermann NPS - Contract No. 11515	0	0	0
2019-15654 12/18/2019	CNX Gas Company, LLC	0	0	849,000
2018-15539 01/09/2020	Enercon Services, Inc. - Contract No. 7757	271,813	24,594	0
2020-15704 03/23/2020	Thalle Construction Company, Inc. - Project Change Request	524,403	0	0
FINANCIAL AND OPERATIONAL AUDITS				
2019-15679 11/14/2019	Agreed-Upon Procedures for TVA Fiscal Year 2019 Performance Measures	\$0	\$0	\$0
INFORMATION TECHNOLOGY AUDITS				
2019-15653 02/12/2020	2019 Federal Information Security Modernization Act	\$0	\$0	\$0
2015-15275 02/20/2020	TVA's Identity and Access Management Project	0	0	0
2019-15621 02/21/2020	TVA Network User Phishing Awareness	0	0	0
TOTAL AUDITS (9)		\$1,083,562	\$24,594	\$849,000



## APPENDIX 2

### OIG EVALUATION REPORTS • ISSUED DURING THE SIX-MONTH PERIOD ENDED MARCH 31, 2020 (CONTINUED)

Report Number and Date	Title	Questioned Costs	Unsupported Costs	Funds Put To Better Use
EVALUATIONS				
2019-15633 01/14/2020	Compliance with H-1B Visa Regulations	\$0	\$0	\$0
2019-15651 01/22/2020	Nuclear Fatigue Rule - Watts Bar Nuclear Plant	0	0	0
2019-15647 02/14/2020	TPS Critical Spares	0	0	0
2019-15678 03/20/2020	Nuclear Clearance Process	0	0	0
ORGANIZATIONAL EFFECTIVENESS				
2019-15687 10/22/2019	Follow-Up to Human Resources Organizational Effectiveness	0	0	0
2019-15688 10/24/2019	Follow-Up to Human Resources Organizational Effectiveness: Employee Health	0	0	0
2019-15682 11/06/2019	Follow-Up to SQN Site Security Organizational Effectiveness	0	0	0
2019-15627-05 01/09/2020	Organizational Effectiveness - Hydro Generation - Hydro Dispatch Control Center	0	0	0
2019-15627-04 01/21/2020	Organizational Effectiveness - Hydro Generation - Raccoon Mountain	0	0	0
2019-15627-03 01/23/2020	Organizational Effectiveness - Hydro Generation - Central Region	0	0	0
TOTAL EVALUATIONS (10)		\$0	\$0	\$0

Note: A summary of or link to the full report may be found on the OIG's Web site at <https://oig.tva.gov>.

**OIG SPECIAL PROJECT • ISSUED DURING THE SIX-MONTH PERIOD ENDED MARCH 31, 2020  
(CONTINUED)**

Report Number and Date	Title	Questioned Costs	Unsupported Costs	Funds Put To Better Use
SPECIAL PROJECT				
2019-17245 11/07/2019	Groundwater Monitoring at Shawnee Fossil Plant	\$0	\$0	\$0
TOTAL SPECIAL PROJECT (1)		\$0	\$0	\$0



## APPENDIX 3

**TABLE I • TOTAL QUESTIONED AND UNSUPPORTED COSTS • AUDITS**

Audit Reports	Number of Reports	Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the period	0	\$0	\$0
B. Which were issued during the reporting period	3	\$1,083,562	\$24,594
Subtotal (A+B)	3	\$1,083,562	\$24,594
C. For which a management decision was made during the reporting period	3	\$1,083,562	\$24,594
1. Dollar value of disallowed costs	3	\$1,083,562	\$24,594
2. Dollar value of costs not disallowed	0	\$0	\$0
D. For which no management decision has been made by the end of the reporting period	0	\$0	\$0

**TABLE I • TOTAL QUESTIONED AND UNSUPPORTED COSTS • EVALUATIONS**

Evaluation Reports	Number of Reports	Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the period	0	\$0	\$0
B. Which were issued during the reporting period	0	\$0	\$0
Subtotal (A+B)	0	\$0	\$0
C. For which a management decision was made during the reporting period	0	\$0	\$0
1. Dollar value of disallowed costs	0	\$0	\$0
2. Dollar value of costs not disallowed	0	\$0	\$0
D. For which no management decision has been made by the end of the reporting period	0	\$0	\$0

TABLE II • FUNDS TO BE PUT TO BETTER USE • AUDITS

Audit Reports	Number of Reports	Funds To Be Put To Better Use
A. For which no management decision has been made by the commencement of the period	0	\$0
B. Which were issued during the reporting period	1	\$849,000
Subtotal (A+B)	1	\$849,000
C. For which a management decision was made during the reporting period	1	\$849,000
1. Dollar value of recommendations agreed to by management	1	\$849,000
2. Dollar value of recommendations not agreed to by management	0	\$0
D. For which no management decision has been made by the end of the reporting period	0	\$0

TABLE II • FUNDS TO BE PUT TO BETTER USE • EVALUATIONS

Evaluation Reports	Number of Reports	Funds To Be Put To Better Use
A. For which no management decision has been made by the commencement of the period	0	\$0
B. Which were issued during the reporting period	0	\$0
Subtotal (A+B)	0	\$0
C. For which a management decision was made during the reporting period	0	\$0
1. Dollar value of recommendations agreed to by management	0	\$0
2. Dollar value of recommendations not agreed to by management	0	\$0
D. For which no management decision has been made by the end of the reporting period	0	\$0

## APPENDIX 4

### RECOMMENDATIONS INCLUDED IN A PREVIOUS SEMIANNUAL REPORT AND AWAITING IMPLEMENTATION

At the end of the semiannual period, final corrective action was not complete on 56 recommendations associated with eight audit and 11 evaluation reports and one special project issued in a prior period. Presented below for each audit and evaluation are the report number, date, and title, along with a brief description of action management agreed to take to resolve the open recommendation, including the date management expects to complete final action.

Audit Report Number and Date	Report Title and Actions Agreed to by Management to Resolve Recommendations
2017-15453 06/13/2018	<b>TVA's Privacy Program</b>  TVA agreed to encrypt certain storage arrays. TVA expects to complete final action by July 31, 2020.
2018-15526 12/18/2018	<b>2018 Federal Information Security Modernization Act</b>  TVA agreed to complete development of policies and procedures for the specific requirements within the information security continuous monitoring strategy. TVA expects to complete final action by October 31, 2020.
2018-15577 08/07/2019	<b>Sargent &amp; Lundy, LLC - Contract Nos. 12285 and 8444</b>  TVA agreed to (1) negotiate to recover overbilled costs and volume rebates, (2) utilize cost reimbursable pricing terms for appropriate projects, (3) review the fee evaluation process, (4) enforce fixed price proposal requirements, and (5) determine if additional volume rebates are obtainable. TVA expects to complete final action by August 7, 2020.
2019-15636 08/26/2019	<b>Transmission System Perimeter Attacks</b>  TVA agreed to develop a program to create a security baseline configuration standard and deploy to Internet edge equipment. TVA expects to complete final action by August 7, 2020.
2018-15573 09/11/2019	<b>Executive Travel</b>  TVA agreed to (1) take a number of actions to improve compliance with travel regulations including holding periodic meetings with administrative assistants to provide ongoing support to ensure that identified items and other questions and emerging issues are handled in a timely and accurate manner and (2) clarify whether legal authority exists for reimbursing lodging expenditures within 50 miles of an employee's official duty station. TVA expects to complete final action by September 11, 2020.
2019-15634 09/11/2019	<b>Timely Access Removal</b>  TVA agreed to (1) develop guidance and communicate to leaders to ensure supervisors/managers notify IT, Enterprise and Support Services, and TVA Police and Emergency Management within a reasonable time frame when an employee ceases active work prior to separation and (2) coordinate on a quarterly basis to identify separations that are delinquent, resulting in noncompliance with revised policies and procedures. TVA expects to complete final action by May 31, 2020.
2019-15624 09/17/2019	<b>Employee Recognition Expenditures</b>  TVA agreed to (1) perform periodic reviews of employee recognition expenditures, (2) update policies and procedures, (3) evaluate the benefits of analytical reviews of employee recognition transactions, (4) review current procedures for tracking certain transactions and make revisions as appropriate, (5) ensure alignment with other employee expenditure reviews and controls, and (6) evaluate options to provide training on tracking and submitting taxable award information via form TVA 17917. TVA expects to complete final action by September 17, 2020.
2018-15530 09/24/2019	<b>Hydro Generation Cyber Security Controls</b>  TVA agreed to (1) complete the implementation of their modernization project to eliminate a potential single point of failure and (2) update the applicable policy and procedure to establish standard configurations for network devices. TVA expects to complete final action by September 30, 2021.

## RECOMMENDATIONS INCLUDED IN A PREVIOUS SEMIANNUAL REPORT AND AWAITING IMPLEMENTATION (CONTINUED)

Evaluation Report Number and Date	Report Title and Actions Agreed to by Management to Resolve Recommendations
	<b>Coal Plant Emergency Preparedness and Response</b>
2018-15579 04/12/2019	TVA agreed to establish a strategy to address the existing nonfunctional emergency response systems and evaluate emergency lighting and modify as needed. TVA has notified us of completion of final action. However, due to precautions associated with COVID-19, we have not had the opportunity to verify final action.
	<b>Gas Plant Emergency Preparedness and Response</b>
2018-15585 04/17/2019	TVA agreed to address issues with emergency response systems and perform a review of speaker coverage at gas plants. TVA has notified us of completion of final action. However, due to precautions associated with COVID-19, we have not had the opportunity to verify final action.
	<b>Reliability of Inventory Data in Maximo</b>
2018-15603 05/15/2019	For items in which the OIG questioned data in the quality assurance Maximo inventory field, TVA agreed to have Procurement Engineering perform a technical review prior to any future purchases. TVA expects to complete final action by July 3, 2020.
	<b>Coal Operations' Design Change Notice Process</b>
2018-15587 05/24/2019	TVA agreed to review and update policies and procedures. TVA expects to complete final action by April 3, 2020.
	<b>Nuclear Fatigue Rule - Browns Ferry Nuclear Plant</b>
2018-15596 06/21/2019	TVA agreed to (1) reinforce procedural guidance and management expectations related to fatigue assessments, (2) conduct a review to ensure fatigue assessments are being performed as required, (3) reinforce requirements for conduct of Nuclear Fatigue Rule reviews, (4) conduct a briefing to reinforce expectations related to monitoring the work hour tracking schedule and the removal of leave when required, and (5) correct identified errors in the schedule software. TVA expects to complete final action by June 21, 2020.
	<b>Organizational Effectiveness - Nuclear Security</b>
2018-15572 07/17/2019	TVA Nuclear Security agreed to complete standardization of key fleet procedures. TVA expects to complete final action by January 31, 2021.
	<b>Organizational Effectiveness - Hydro Generation - South Western Region</b>
2019-15627-01 08/05/2019	TVA agreed to (1) assess training needs and address as appropriate, (2) evaluate the work management process to ensure material is available when needed, (3) evaluate work load and associated resource levels, and (4) address concerns with upper management related to plant spending and perceptions of upper management experience. TVA expects to complete final action by August 5, 2020.
	<b>Organizational Effectiveness - Hydro Generation - North Eastern Region</b>
2019-15627-02 08/23/2019	TVA agreed to assess and address concerns related to perceptions around staffing levels and lack of accountability. TVA expects to complete final action by August 23, 2020.
	<b>Nuclear Outage Material Management</b>
2018-15601 09/19/2019	TVA agreed to (1) develop a briefing sheet and communicate procedural requirements to individuals with responsibility in the material return process and (2) implement a system change that will prevent parent work orders from closing with open tasks. TVA expects to complete final action by August 7, 2020.

# APPENDIX 4

## RECOMMENDATIONS INCLUDED IN A PREVIOUS SEMIANNUAL REPORT AND AWAITING IMPLEMENTATION (CONTINUED)

Evaluation Report Number and Date	Report Title and Actions Agreed to by Management to Resolve Recommendations
2019-15571 09/19/2019	<b>Organizational Effectiveness - Shawnee Fossil Plant</b>  TVA agreed to (1) address staffing, materials, accountability, and clearance process issues affecting asset maintenance and (2) improve the visibility of maintenance activities being performed. TVA expects to complete final action by September 19, 2020.
2019-15626 09/26/2019	<b>Winning Performance Individual Performance Multiplier</b>  TVA agreed to adjust the individual performance multiplier guidelines to better differentiate between ratings of two and three. TVA expects to complete final action by September 25, 2020.



## INVESTIGATIVE REFERRALS AND PROSECUTIVE RESULTS

Referrals	
Reports Issued to TVA Management	10
Subjects Referred to U.S. Attorneys	7
Subjects Referred to State/Local Authorities	4
Results	
Subjects Indicted/Informations Filed	4
Subjects Convicted	2
Pretrial Diversions	0
Federal Referrals Declined	8
State/Local Referrals Declined	3

**Metrics:** Reports issued to TVA management are comprised of formal written reports and, when appropriate, e-mailed summaries conveying the findings of a completed investigation.

The number of indictments does not include sealed indictments or superseding indictments of the same individual already reported in this or a prior semiannual report.

These numbers may include task force activities and joint investigations with other agencies.



## APPENDIX 6

### SUBSTANTIATED INVESTIGATIONS INVOLVING SENIOR AGENCY OFFICIALS

Case No.	Allegation and Disposition
18-0286	<p>A manager routinely is paid for a full workweek despite arriving late and leaving early.</p> <p>Substantiated. Investigative findings included 21 days the individual had no badging, leave, or travel records, and 364 days when he reported to work late or left early. The manager acknowledged issues, provided some explanation for inconsistencies, and adjusted his leave balance and work schedule. Following an OIG memorandum to his management, the manager was issued a written warning, and his supervisor was provided coaching. Additionally, expectations and new guidelines were communicated to the work group to mitigate the risk of this issue recurring.</p>

**Metrics:** This appendix describes any closed investigations, not disclosed to the public, involving subjects specified by the IG Empowerment Act (salaried at 120 percent of GS-15 Level One). TVA does not operate on the GS scale, so all persons in this salary range, though included here, are not necessarily executive-level employees. Corollary to this, not all persons with substantial managerial duties are included here, based on their salaries.

## APPENDIX 7

### PREVIOUSLY UNDISCLOSED INVESTIGATIONS INVOLVING SENIOR AGENCY OFFICIALS

Case No.	Allegation and Disposition
18-0291	A manager pitched a project that was rejected twice. A significantly larger project was approved, and the manager took funds from it to fund her own, unapproved project. Unsubstantiated.
19-0214	For some time, a manager has hired outside candidates, who have benefited him personally, while passing over well-qualified existing employees for available positions. Unsubstantiated.
19-0233	When initially hired, a director lived rent-free with a subordinate employee. Unsubstantiated.
19-0273	An employee was terminated after an interview pertinent to her employment and contended the interviewer engaged in misconduct. Unsubstantiated.
20-0035	Three managers violated North American Electric Reliability Corporation (NERC) regulations and instructed subordinates to falsify NERC documentation. Unsubstantiated.
20-0056	After being assured a contractor employee could continue his TVA assignment, his assignment was terminated by a manager who hired another individual based on favoritism and a familial relationship with another person in the work group. Unsubstantiated.

**Metrics:** This appendix describes any closed investigations, not disclosed to the public, involving subjects specified by the IG Empowerment Act (salaried at 120 percent of GS-15 Level One). TVA does not operate on the GS scale, so all persons in this salary range, though included here, are not necessarily executive-level employees. Corollary to this, not all persons with substantial managerial duties are included here, based on their salaries.

## HIGHLIGHTS - STATISTICS

	MAR 31, 2020	SEPT 30, 2019	MAR 31, 2019	SEPT 30, 2018	MAR 31, 2018
<b>AUDITS</b>					
<b>AUDIT STATISTICS</b>					
Carried Forward	16	16 <sup>1</sup>	17	21	18
Started	11	7	12	15	13
Canceled	(0)	(0)	(0) <sup>2</sup>	(0) <sup>3</sup>	(0)
Completed	(9)	(8)	(13)	(18)	(10)
In Progress at End of Reporting Period	18	16	16	17	21
<b>AUDIT RESULTS (Thousands)</b>					
Questioned Costs	\$1,084	\$11,686	\$0	\$6,155	\$6,829
Disallowed by TVA	\$1,084	\$11,686	\$0	\$6,155	\$6,829
Recovered by TVA	\$0	\$109	\$189	\$740	\$0
Funds to Be Put to Better Use	\$849	\$0	\$3,305	\$57,413	\$39,639
Agreed to by TVA	\$849	\$239 <sup>4</sup>	\$20,554	\$47,254	\$33,018
Realized by TVA	\$246	\$7,439 <sup>5</sup>	\$1,830	\$59,875 <sup>6</sup>	\$8,677
<b>OTHER AUDIT-RELATED PROJECTS</b>					
Completed	5	8	5	9	5
Cost Savings Identified/Realized	\$0	\$0	\$0	\$0	\$0
<b>EVALUATIONS</b>					
Completed	10	19	4	17	7
Cost Savings Identified/Realized (Thousands)	\$0	\$0	\$0	(\$104)	\$0
<b>SPECIAL PROJECTS</b>					
Completed	1	1	0	0	0
<b>INVESTIGATIONS<sup>7</sup></b>					
<b>INVESTIGATION CASELOAD</b>					
Opened	95	101	78	117	97
Closed	96	83	96	110	98
In Progress at End of Reporting Period	137	140	123	143	141
<b>INVESTIGATIVE RESULTS (Thousands)</b>					
Recoveries	\$93.4	\$569.3	\$ .87	\$86.4	\$6,250
Projected Savings	\$0	\$0	\$0	\$0	\$2,079.1
Fines/Penalties/Fees	\$0.1	\$0.1	\$0.3	\$0.2	\$0.7
Waste/Other Monetary Loss	\$62.4	\$1,511	\$0	\$30.7	\$40.8
Forfeiture(s) Ordered - Criminal	\$0	\$87.6	\$0	\$0	\$3,041.9
Forfeiture(s) Ordered - Civil	\$0	\$0	\$0	\$0	\$0
<b>MANAGEMENT ACTIONS</b>					
Disciplinary Actions Taken (Number of Subjects)	2	3	6	10	11
Counseling/Management Techniques Employed (Number of Cases)	13	15	15	20	7
Debarments	0	0	0	0	0
<b>PROSECUTIVE ACTIVITIES (Number of Subjects)</b>					
Referred to U.S. Attorneys	7	9	2	16	5
Referred to State/Local Authorities	4	1	2	0	0
Indicted/Informations Filed	4	1	1	1	2
Convicted	2	1	2	0	6
Pretrial Diversions	0	0	0	0	0

<sup>1</sup> Does not include one project that was postponed during the period.

<sup>2</sup> One project was postponed during the period.

<sup>3</sup> Ibid.

<sup>4</sup> Amount agreed to was identified in prior period audit.

<sup>5</sup> Includes amounts agreed to in a prior period.

<sup>6</sup> Ibid.

<sup>7</sup> These numbers may include task force activities and joint investigations with other agencies.

## APPENDIX 9

### GOVERNMENT CONTRACTOR AUDIT FINDINGS

The National Defense Authorization Act for Fiscal Year 2008, P.L. 110-181, requires each Inspector General appointed under the Inspector General Act of 1978 to submit an appendix on final, completed contract audit reports issued to the contracting activity that contain significant audit findings—unsupported, questioned, or disallowed costs in an amount in excess of \$10 million, or other significant findings—as part of the Semiannual Report to Congress. During this reporting period, the Office of the Inspector General issued no contract review reports under this requirement.



## PEER REVIEWS OF THE TVA OIG

### Audits Peer Review

Inspector General audit organizations are required to undergo an external peer review of their system of quality control at least once every three years, based on requirements in the *Government Auditing Standards*. Federal audit organizations can receive a rating of pass, pass with deficiencies, or fail. The Tennessee Valley Authority (TVA) Office of the Inspector General (OIG) underwent its most recent peer review of its audit organization for the period ended September 30, 2019. This review was performed by the Pension Benefit Guaranty Corporation OIG. The Pension Benefit Guaranty Corporation OIG issued its report, dated March 10, 2020, in which it concluded the system of quality control for the audit organization of TVA OIG in effect for the year ended September 30, 2019, has been suitably designed and complied with to provide TVA OIG with reasonable assurance of performing and reporting in conformity with applicable professional auditing standards in all material respects. Accordingly, the TVA OIG received a rating of pass. There are no outstanding recommendations from this review. The peer review report is posted on our Web site at [https://oig.tva.gov/peer\\_reports.html](https://oig.tva.gov/peer_reports.html).

### Evaluations Peer Review

OIGs with an evaluations organization that conducts evaluations in accordance with the *Quality Standards for Inspection and Evaluation* must undergo an external peer review at least once every three years. The Department of Labor OIG is currently performing a peer review of our evaluations organization for the period ended December 31, 2019. Results of the ongoing peer review will be included in our next semiannual report.

### Investigations Peer Review

Investigative operations undergoes a Quality Assessment Review at least once every three years. The Corporation for National & Community Service (CNCS) OIG completed a Quality Assessment Review of TVA OIG Investigative Operations on May 31, 2019. CNCS OIG found “. . . the system of internal safeguards and management procedures for the investigative function of TVA OIG in effect for the period ending December 31, 2018, was in compliance with the quality standards established by CIGIE and the applicable Attorney General Guidelines. . . .” This confirmation is posted on our Web site at [https://oig.tva.gov/reports/2019\\_Investigations\\_Peer\\_Review.pdf](https://oig.tva.gov/reports/2019_Investigations_Peer_Review.pdf).

# GLOSSARY



## Disallowed Cost

A questioned cost that management, in a management decision, has sustained or agreed should not be charged to the agency.

## Final Action

The completion of all management actions, as described in a management decision, with respect to audit findings and recommendations. When management concludes no action is necessary, final action occurs when a management decision is made.

## Funds To Be Put To Better Use

Funds which the OIG has disclosed in an audit report that could be used more efficiently by reducing outlays, deobligating program or operational funds, avoiding unnecessary expenditures, or taking other efficiency measures.

## Improper Payment

Any payment that should not have been made or was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements, as defined in the Improper Payment Information Act.

## Information

A formal accusation of a crime made by a prosecuting officer as distinguished from an indictment presented by a grand jury.

## Management Decision

Evaluation by management of the audit findings and recommendations and the issuance of a final decision by management concerning its response to such findings and recommendations.

## Questioned Cost

A cost the Inspector General questions because (1) of an alleged violation of a law, regulation, contract, grant, cooperative agreement, or other document governing the expenditure of funds; (2) such cost is not supported by adequate documentation; or (3) the expenditure of funds for the intended purposes was unnecessary or unreasonable.

## Unsupported Cost

A cost that is questioned because of the lack of adequate documentation at the time of the audit.



# ABBREVIATIONS & ACRONYMS

THE FOLLOWING ARE ACRONYMS AND ABBREVIATIONS WIDELY USED IN THIS REPORT.

ATC.....	ATC Group Services LLC
CCR.....	Coal Combustion Residuals
CMS.....	Corrosion Monitoring Services
COVID-19.....	Coronavirus
EH .....	Employee Health
EPA.....	Environmental Protection Agency
FEMA.....	Federal Emergency Management Agency
FISMA.....	Federal Information Security Modernization Act
FY .....	Fiscal Year
G&A.....	General and Administrative
HDCC.....	Hydro Dispatch Control Center
HR .....	Human Resources
IAM .....	Identity and Access Management
IG .....	Inspector General
ISP.....	Information Security Program
IT .....	Information Technology
NFR.....	Nuclear Fatigue Rule
OIG.....	Office of the Inspector General
PCR.....	Project Change Request
PII .....	Personally Identifiable Information
PIM.....	Privileged Identity Management
PO .....	Purchase Order
RCRA.....	Resource Conservation and Recovery Act
RM.....	Raccoon Mountain
SAR.....	Semiannual Report
SOC.....	System Operations Center
SOW.....	Statement of Work
TAA.....	Trade Agreements Act
TCA.....	Textile Corporation of America
TCE .....	Target Cost Estimate
TLA.....	Temporary Living Allowance
Transmission .....	Transmission, Power Supply, and Support
TVA.....	Tennessee Valley Authority
Watts Bar.....	Watts Bar Nuclear Plant
WP.....	Winning Performance

# TVA OIG VALUES

We are a high performing work team that achieves OIG strategic objectives through operational excellence and modeling our values and behaviors every day.

**Independence**

**Integrity**

**Accountability**

**Trusting Relationships**

**Effective Communications**

**Continuous Improvement**





## Office of the Inspector General

400 West Summit Hill Drive  
Knoxville, Tennessee 37902

The OIG is an independent organization charged with conducting audits, evaluations, and investigations relating to TVA programs and operations, while keeping the TVA Board and Congress fully and currently informed about problems and deficiencies relating to the administration of such programs and operations.

The OIG focuses on (1) making TVA's programs and operations more effective and efficient; (2) preventing, identifying, and eliminating waste, fraud, and abuse and violations of laws, rules, or regulations; and (3) promoting integrity in financial reporting.

If you would like to report to the OIG any concerns about fraud, waste, or abuse involving TVA programs or violations of TVA's Code of Conduct, you should contact the OIG EmPowerline, TVA OIG's hotline. The EmPowerline can be reached 24 hours a day, seven days a week, either by a toll-free phone call (1-855-882-8585) or over the Web ([www.oigempowerline.com](http://www.oigempowerline.com)). A third-party contractor will take your call or online concern and immediately forward it to OIG personnel. You may report your concerns anonymously or you may request confidentiality.

## Report Concerns to the OIG EmPowerline



# EmPowerline®

**A hotline for reporting anonymous and confidential concerns**

[www.oigempowerline.com](http://www.oigempowerline.com)  
**Toll-Free 855-882-8585**



**We investigate fraud, waste, and abuse in TVA programs and operations.**  
**Examples include:**

- **Contract Fraud**
- **Environmental Crimes**
- **Healthcare/Prescription Drug Fraud**
- **Employee Misconduct**
- **Conflict of Interest**
- **Workers' Compensation Fraud**

### Whistleblower Protection

Educates TVA employees about prohibitions on retaliation for protected disclosures, as well as the rights and remedies of employees who have been subjected to workplace retaliation for making protected disclosures. E-mails may be directed to: [whistleblowercoordinator@tvaig.gov](mailto:whistleblowercoordinator@tvaig.gov).



*Office of the Inspector General*  
**TENNESSEE VALLEY AUTHORITY**  
*Semiannual Report*  
*October 1, 2019 - March 31, 2020*