

OIG | TVA

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Tennessee Valley Region

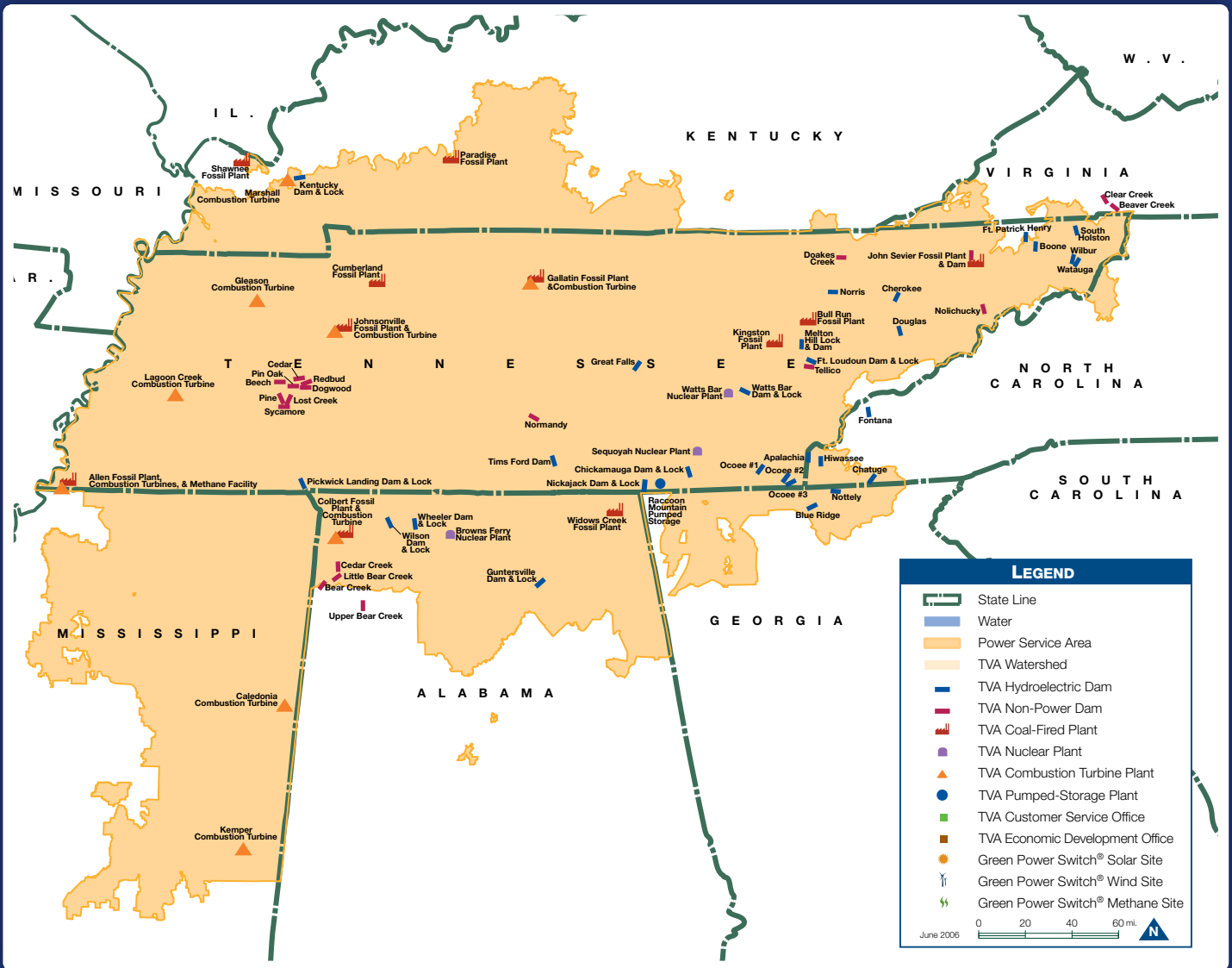


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Message From The Inspector General

The United States is facing an energy crisis of historic proportions and when coupled with the recent national economic instability, these two factors present utility companies like TVA with unique challenges. The electric utility industry is a very capital intensive industry requiring TVA to make large scale capital investment decisions. Risk is inherent in the process. How TVA manages those risks is particularly important today. We examined TVA's enterprise risk management program in this semiannual reporting period as part of our continued vigil as to how TVA is coping with challenging conditions.

Like many organizations in America today, IT security is a significant risk at TVA and one that is being carefully examined both by TVA management and the OIG. TVA is making admirable strides to secure information technology in an ever increasingly risky environment. Our work in this area was recognized by the President's Council on Integrity and Efficiency this past October

in Washington, D.C., with an Award of Excellence. Our auditors who worked in this area are justly deserving of this special commendation for their contributions to a more effective and robust IS and IT program at TVA.

I also want to congratulate our Investigations department and its team of investigators and auditors for their PCIE Award. The excellent work they did in the Kinder Morgan case achieving our largest civil settlement ever truly merits such recognition.

This semiannual period we introduce a new series of inspection reports all designed to answer the basic question, "How is TVA doing?" My observation after more than five years as the Inspector General at TVA is that while there are multiple sources of information about TVA, many are hyper-technical and many are simply anecdotal – neither adequately informs TVA stakeholders as to exactly how TVA is doing in key areas. Some sources require interpretation from TVA management which lacks needed objectivity. With our reports on how TVA is doing with customer relations, financial strength, operational performance, and environmental stewardship, we hope to provide a reliable and readable analysis of "How TVA is doing." The reports follow the tradition of Inspectors General in keeping the head of federal agencies and the

Congress "fully and currently informed about problems and deficiencies relating to the administration of such programs and operations and the necessity for and progress of corrective action." We believe that our benchmarking reports such as the one on customer relations will better serve Congress, the TVA Board, and the residents of the Tennessee Valley.

As always, we are aware of the fact that our work was made infinitely better by the high level of support for our recommendations that we received from both the TVA Board and TVA management.

Richard W. Moore
Inspector General



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Executive Summary

Summary of Representative Audits and Inspections

Cyber security is crucial to the operations of the Tennessee Valley Authority (TVA) as it operates part of this Nation's critical infrastructure. The number of vulnerabilities in computer systems has grown significantly over the years and the potential for harm is great. The Office of the Inspector General (OIG) is working to identify vulnerabilities to TVA's computer equipment, systems, and network. The OIG is recommending procedures to reduce and eliminate vulnerabilities as well as to secure equipment and sites. Our work in this area has earned an Award of Excellence from the President's Council on Integrity & Efficiency. In this issue of our Semiannual Report (SAR), we feature some of the cyber security work we have accomplished during the past six months as part of our audit, inspection, and investigative work, all of which is summarized throughout this report. Highlights for all of the OIG's work include the following:

➔ Our annual audit of TVA's information security program, which is performed in accordance with Federal Information Security Management Act (FISMA), determined that while TVA continues to make progress in implementing required information technology (IT) controls, additional controls are needed to: (1) improve oversight and evaluation of contractor systems, (2) complete system certifications and accreditations, (3) define and track configuration management metrics, and (4) consider e-authentication risks at TVA.

➔ In support of TVA initiatives to comply with Section 404 of the Sarbanes-Oxley Act of 2002 (SOX), we completed testing in the IT and financial reporting controls areas. These projects were designed to provide the Vice President and Controller with information for TVA to assess its internal control over financial reporting as of September 30, 2008.

➔ We tested IT controls for 14 applications and seven IT control areas. Overall, we noted opportunities to improve SOX documentation, operating effectiveness of controls, and areas where control gaps existed.

➔ We tested financial reporting controls in 35 of about 68 key business processes determined to be in scope

for SOX compliance. In addition, we re-tested selected controls in 14 processes during the 4th fiscal quarter. Our findings included: needed improvements in control design, control activities not operating as intended, inadequate documentation retained to demonstrate the control operated in the period tested, gaps in the control network, and other documentation-related improvements.

➔ Our review of TVA's external auditor's review of TVA's fiscal year (FY) 2008, 2nd quarter, financial information disclosed no instance where Ernst & Young LLP (E&Y) did not comply, in all material respects, with generally accepted government auditing standards.

➔ Preaward audits of cost proposals submitted by companies proposing to provide engineering and construction services identified a total of \$28.8 million in potential savings opportunities for TVA to negotiate. Some of our more significant findings included: (1) billing rates that were inflated because they were not cost-based, (2) labor rates that were based on average salaries instead of actual salaries, (3) labor rates that did not accurately reflect the company's historical costs, and (4) overstated 401(k) cost recovery rates. TVA management is using the results of our findings to negotiate better contract terms. ❧



➔ Contract compliance audits identified \$3.4 million in questioned costs. In addition, we provided: (1) assistance to OIG investigations on various contractor investigations and (2) advice to TVA Procurement regarding various planned contracts.

➔ In our first benchmark review of TVA's performance in key areas, we looked at TVA's customer relations. Overall, TVA's performance results in the area of customer relations are excellent. TVA has delivered electric service with 99.999 percent reliability. Also, TVA's electricity rates are competitive given that rates are: (1) 24 percent below the national average, (2) below the median when compared with neighboring utilities, and (3) at the median when compared to other utilities within one wheel of TVA. In addition, TVA slightly outperformed its potential competitors

in FY 2007 in overall customer satisfaction. The top four challenges that affect the area of customer relations include: (1) high cost of new generation, (2) uncertainty around fuel cost and delivery, (3) managing an aging generation fleet with potential changes to regulatory requirements, and (4) inherent conflicts in TVA's role as a regulator.

➔ We reviewed certain Browns Ferry Nuclear Plant (BFN) Unit 1 operating issues that have occurred since the restart of Unit 1 in May 2007. We assessed the causes of several shutdowns of the nuclear reactor since the unit returned to service. We found nothing to indicate that the operating issues resulted from work or project scope tied to FY 2005 milestone and winning performance achievements.

➔ At the request of the President and Chief Executive Officer, we conducted

a review to assess TVA's Enterprise Risk Management (ERM) program. Among other things, we found—

➔ TVA has made significant progress surrounding enterprise risk identification and assessment since the 2003 OIG review. Approaches and techniques used are consistent with observed industry practices.

➔ The risk management tone set by TVA's senior executives is strong and compares favorably to what is observed within the industry.

➔ TVA's ERM program is at a critical juncture. The base infrastructure with respect to risk identification and risk assessment, coupled with the strong "tone at the top," puts TVA in a position to transform the ERM program to support strategic decision making. ■

Summary of Representative Investigations

➔ We initiated a special investigative project to determine if: (1) TVA's policies, procedures, and practices for handling lost or stolen computer equipment were adequate; (2) those policies, procedures, and practices were followed; and (3) lost or stolen computers contained sensitive or restricted information. We found TVA's policies, practices, and procedures for tracking its inventory of computer equipment were not adequate. TVA was unable to track over 5,550 computers since August 2004 when the inventory system was implemented; and, policies for handling stolen computers were not consistently followed. TVA management agreed with our recommendations and has begun corrective action. However, management disagreed with the characterization that they were unable to track computer equipment. The OIG will continue its efforts to verify that the computers classified as "lost" or "write-off" were properly surplus and will conduct a separate review to verify TVA information is removed from surplus computers before their disposition.

➔ Final determination was reached in an investigation initiated at the request of the Chief Executive Officer and Chief Financial Officer of Bicentennial Volunteers Incorporated (BVI), based on discovery of financial irregularities during a review of direct deposit travel reimbursements. The investigation re-

vealed that the former BVI Comptroller diverted \$577,647 from National Emergency Assistance, Inc., and BVI bank accounts into her personal accounts. She pled guilty April 3, 2008 to one count of a ten-count federal indictment charging her with wire fraud, and was sentenced September 25, 2008 to 46 months in federal prison plus three years' supervised release, and was ordered to make restitution of \$577,647.37.

➔ A Tennessee municipal wastewater treatment plant operator was indicted May 20, 2008 and pled guilty August 19, 2008 to one count of violating the Clean Water Act. The operator falsely reported that required testing had been conducted on discharge generated by the local wastewater treatment plant, the discharge then entering the TVA watershed. The OIG investigation was conducted jointly with the Environmental Protection Agency (EPA) OIG and EPA Criminal Investigation Division (CID).

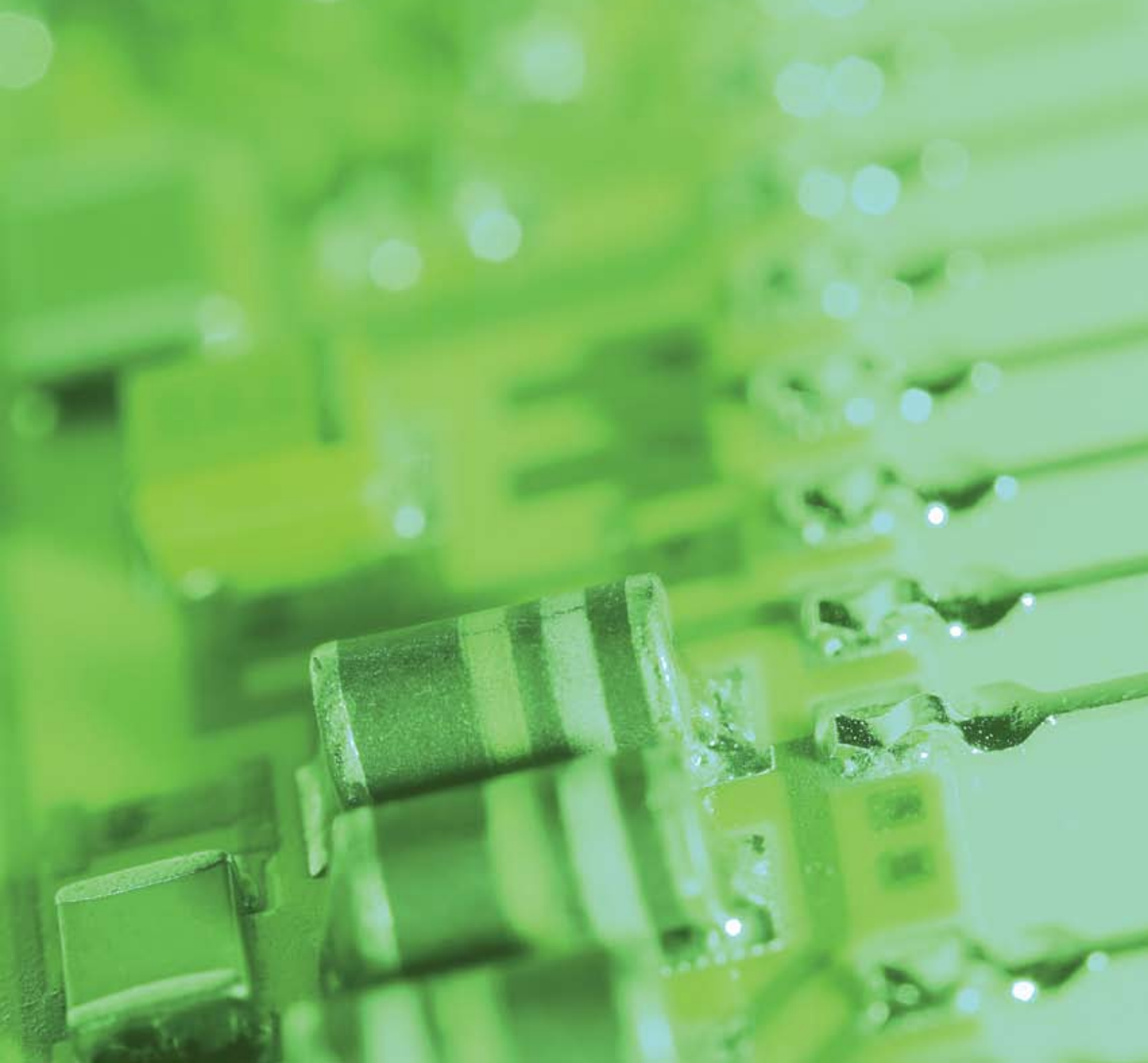
➔ An operator with another Tennessee wastewater treatment plant entered a pre-trial diversion settlement on August 4, 2008 following a joint investigation by the OIG and EPA CID. The investigation

proved the operator pumped partially treated wastewater, a pollutant, into part of TVA's watershed management area.

➔ A Tennessee towing-company owner was indicted by a state grand jury on April 2, 2008 on two counts of Unlawful Pollution and one count of Vandalism. The individual was responsible for a diesel truck's fuel tank being drained of 80 to 90 gallons of diesel fuel along a bank which drained into TVA's watershed area. The individual pled guilty September 23, 2008 to one count of Unlawful Pollution and was sentenced the same date to one year probation. A separate restitution hearing will be held. ■

Statistical Highlights	
April 1, 2008 ~ September 30, 2008	
Audit Reports Issued	70
Questioned Costs	\$3,608,927
Disallowed Costs	1,802,190
Funds Recovered	\$676,212
Funds to be Put to Better Use	\$28,653,000
Funds Realized by TVA	\$28,120,000
Investigations Opened	161
Investigations Closed	135
Fines/Recoveries/Restitution/Savings	\$632,582
Criminal Actions	17
Administrative Actions (No. of Subjects)	15
Inspections Completed	16

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Office of the Inspector General

Office Responsibilities and Authority

Created by the TVA Board of Directors in 1985, the TVA OIG became statutory under the Inspector General Act Amendments of 1988 (IG Act). The authority to appoint the TVA Inspector General (IG) was transferred to the President in November 2000 by Public Law No. 106-422.

OIG Responsibilities

- ➔ Promote economy and efficiency while preventing and detecting fraud, waste, and abuse
- ➔ Conduct and supervise audits, inspections, and investigations relating to TVA programs and operations
- ➔ Keep the TVA Board and Congress fully and currently informed concerning fraud and other serious problems, abuses, and deficiencies relating to TVA programs and operations
- ➔ Recommend corrective actions concerning problems, abuses, and deficiencies, and report on the progress made in implementing such actions
- ➔ Assure work performed by nonfederal auditors complies with Government Auditing Standards
- ➔ Issue semiannual reports to TVA Board and the Congress

OIG Authority

- ➔ Conduct any audit, inspection, or investigation the IG deems necessary or desirable
- ➔ Access all TVA records or other material
- ➔ Issue subpoenas and administer oaths
- ➔ Receive complaints and grant confidentiality
- ➔ Have direct and prompt access to the TVA Board
- ➔ Hire employees and contract for services as necessary

OIG Strategic Plan

Mission

Promote excellence in TVA's operations through the conduct of investigations, audits, inspections, and advisory services designed to promote economy, efficiency, and effectiveness and prevent and detect fraud, waste, and abuse.

Vision

To be a highly effective organization that promotes positive change by identifying opportunities for improvements in the performance and efficiency of TVA's programs and operations.

Core Values

- Independence
- Integrity
- Innovation
- Quality
- Initiative
- Results
- Leadership
- Teamwork
- Communication
- Respect for Individual

Goals & Objectives

Performance

Perform timely reviews that address stakeholder concerns and areas of highest risk

- Focus efforts on areas of highest impact and risk
- Ensure processes are efficient and effective
- Stay abreast of emerging issues and industry trends
- Stay abreast of stakeholder concerns
- Produce work that is timely, relevant, and of high quality

Workforce

Cultivate and retain a highly skilled, productive, and fully engaged workforce

- Hire and retain a well qualified workforce
- Maintain competitive pay and award programs that allow for rewarding team and individual contributors
- Develop leadership, team and technical skills of each employee
- Ensure accountability in individual performance
- Promote effective communications within OIG

Stakeholder

Communicate effectively with stakeholders and deliver services that meet their needs

- Improve stakeholder awareness of OIG
- Ensure stakeholders are kept informed
- Ensure stakeholders have an opportunity to provide input in the annual audit planning process and each individual review, as appropriate

Organization

The OIG's primary location is adjacent to the TVA headquarters in Knoxville, Tennessee. To obtain broader coverage throughout the Valley, the OIG also has Investigations offices in Mayfield, Kentucky; in Chattanooga, Tennessee; in Nashville, Tennessee; at Watts Barr Nuclear Plant, Tennessee; and in Huntsville, Alabama, as well as an Inspections unit located in Chattanooga. The OIG consists of three primary components:

(1) Administration, (2) Audits and Inspections, and (3) Investigations.

In June 2008, we opened two new satellite offices in Nashville, Tennessee and in Huntsville, Alabama. Since becoming TVA's IG, Richard Moore has worked to place OIG special agents in the field in order to foster a closer working relationship with TVA business units. As TVA's economic development programs and Customer Service organization are based in Nashville, it made sense to assign agents there. In addition, the agents based in Nashville will be able to more effectively serve TVA plants in middle and west Tennessee and assist with cases in Kentucky, as necessary.

In order to staff the OIG office in Nashville, we hired two experienced FBI special agents with more than 20 years of combined experience in major fraud investigations, health care fraud, and public corruption. We are planning to add a third agent to this office in the near future. ■



Richard W. Moore
Inspector General

Ben R. Wagner
Deputy Inspector General



Stefanie D. Hoglund
Communications Specialist



Jill M. Matthews
Director
Information Technology Support

Audits & Inspections

Robert E. Martin
Assistant Inspector General
Audits and Inspections



David P. Wheeler
Director
Contract Audits

Gregory C. Jaynes
Deputy Assistant Inspector
General
Inspections



John H. Barrow
Director (Acting)
Financial and Operational
Audits

Louise B. Beck
Audit Quality Manager



Phyllis R. Bryan
Director (Acting)
Information Technology Audits

Administration & Government Relations

Ronald Wise
Legal Counsel (Acting), and
Assistant Inspector General
Administration and Government
Relations



Kay T. Myers
Manager
Human Resources

Investigations



**John E. (Jack)
Brennan**
Assistant Inspector General
Investigations



Nancy J. Holloway
Special Agent In Charge



Paul B. Houston
Special Agent In Charge

Administration

The administrative section works closely with the IG, Deputy IG, and managers to address the day-to-day operations of the OIG and to develop policies and procedures. Responsibilities include operations for personnel administration, budget and financial management, purchasing and contract services, facilities, communications, conferences, and government relations. ■

Audits and Inspections

The Audits and Inspections group performs a wide variety of engagements designed to promote positive change and provide assurance to TVA stakeholders. Based upon the results of the engagements, the Audits and Inspections group makes recommendations to enhance the effectiveness and efficiency of TVA's programs and operations. The group uses an impact- and risk-based approach to develop an annual work plan. The group's plan considers TVA's strategic plans, major management challenges, TVA's enterprise risk management process, and other input from TVA management. The 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/or congressional interest), and likelihood it will result in recommendations for cost savings or process improvements. The result of the OIG audit and inspections planning process is a focus on the issues of highest

impact and risk of fraud, waste, abuse, or in regard to IT, malicious, or other intrusion.

The Audits group, based in Knoxville, conducts and/or supervises comprehensive financial and performance audits of TVA programs and operations.

It consists of three departments—Contract Audits, Financial/Operational Audits, and IT Audits.

➔ Contract Audits has lead responsibility for contract compliance and preaward audits. In addition, this group performs reviews of TVA contracting processes and provides claims assistance and litigation support.

➔ Financial/Operational Audits has lead responsibility for: (1) oversight of TVA's financial statement audit and related services performed by TVA's external auditor; (2) reviews of TVA's internal controls related to financial reporting, operational efficiency, and compliance with laws and regulations; and (3) operational reviews to assess the results and economy and efficiency of TVA programs.

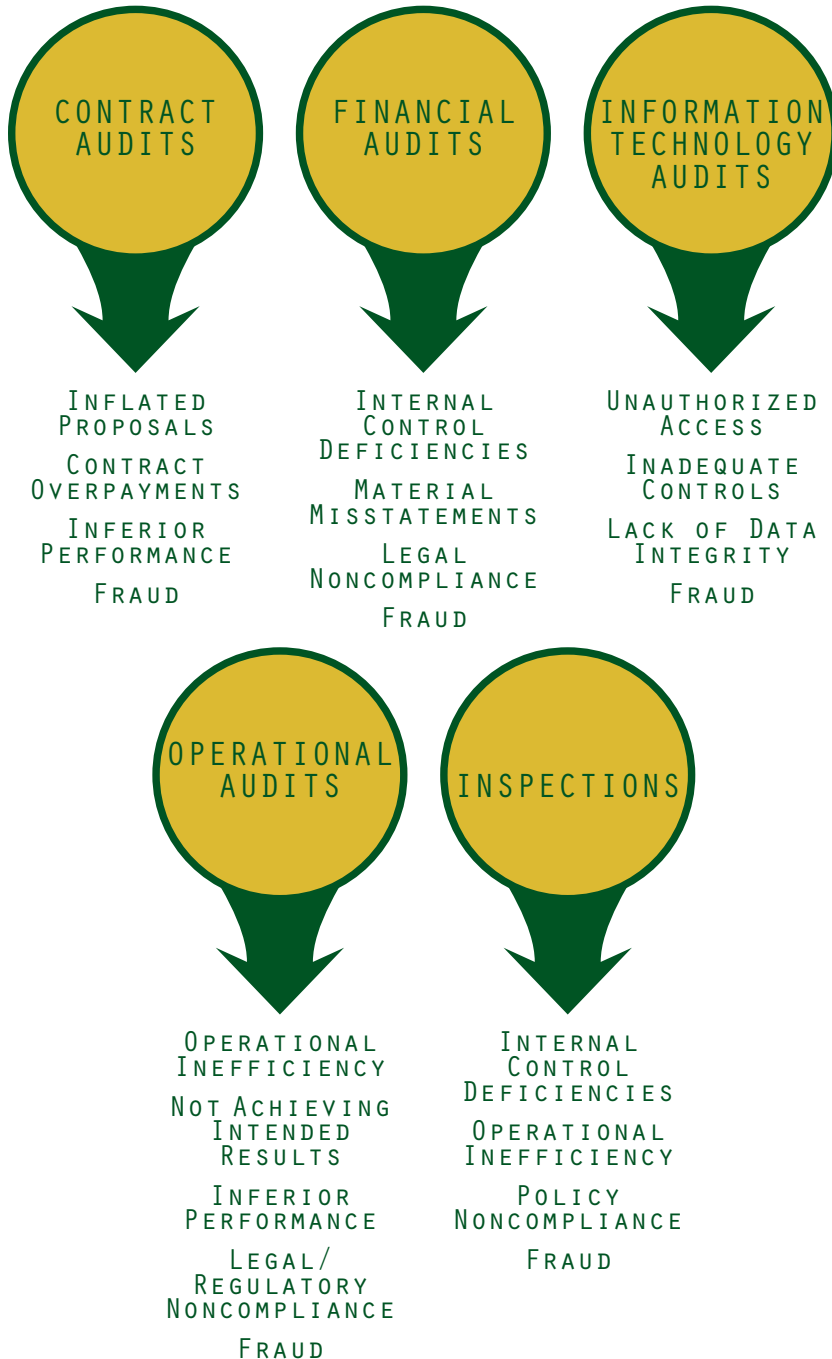
➔ IT Audits has lead responsibility for audits relating to the security of TVA's IT infrastructure, application controls, and general controls associated with TVA systems. This group also performs operational reviews of the effectiveness of IT-related functions. In addition to its audit mission, IT Audits is responsible for developing and supporting an inde-

pendent OIG computer network.

The Inspections group, based in Chattanooga, seeks to ensure that program objectives and operational functions are achieved effectively and efficiently. It performs both comprehensive reviews and more limited scope policy and program reviews. In accordance with the Quality Standards for Inspections, the objectives of the Inspections group include providing a source of factual and analytical information, monitoring compliance, measuring performance, assessing the efficiency and effectiveness of operations, and/or conducting inquiries into allegations of fraud, waste, abuse, and mismanagement.

Audit and inspection findings vary depending on the objectives of the project. Issues can be generalized into specific categories depending on the type of engagement performed. The following graphic (right) shows some representative examples of issues commonly reported. ■

TYPES OF AUDIT AND INSPECTION ISSUES



Investigations

Investigations conducts and coordinates investigative activity related to fraud, waste, and abuse in TVA programs and operations. The activities investigated include possible wrongdoing by contractors, employees, economic development loan recipients, and others who commit crimes against TVA. Investigations maintains liaison with federal and state prosecutors and reports to the Department of Justice whenever the OIG has reason to believe there has been a violation of federal criminal law. Investigations works with other investigative agencies and organizations on special projects and assignments, including interagency law enforcement task forces on terrorism, the environment, and health care. ■



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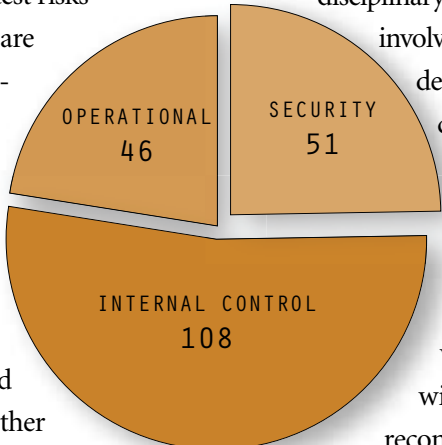
SECURING INFORMATION TECHNOLOGY

New vulnerabilities, new technology, new ways to steal personal data...

how do we best secure our IT resources and data when the playing field changes every day? This question is a constant struggle for Chief Executive Officers, Board members, Chief Information Officers, and the Congress. At TVA, Information Services (IS), IT Security, and operational organizations are working to improve security on a daily basis, but they are not alone. Auditors and investigators also play an integral role in providing information and expertise necessary to help TVA properly secure its IT resources and information.

OIG auditors provide TVA management and stakeholders with an independent look at: (1) how well policies and procedures are being followed; (2) the effectiveness of IT-related programs and processes; (3) how well internal controls are functioning; and (4) vulnerabilities and risks that need to be addressed.

Every year, the OIG's IT auditors perform more than 30 reviews in the IT area; additionally, these auditors spend many hours, including some of their own time, in training and research, to stay current on the latest risks to ensure their audits are the most effective possible. In FY 2008, IT Audits made 51 recommendations to management for improvements in IT security and 154 recommendations related to improvements in other IT programs and internal control reviews.



FY 2008 RECOMMENDATIONS

addition, during this year, Investigations performed a focused review on the process of handling lost computers. These reviews have resulted in recommendations to improve processes, security and disciplinary action for personnel involved, thereby, creating a deterrent effect and discouraging future misuse.

In this ever-changing environment, the OIG remains committed to doing its part to provide TVA management with the information and recommendations needed to further secure TVA's IT resources and information. ■

OIG Investigations performs reviews of potential security threats or misuse of computer resources reported by TVA management, employees, or through the OIG's hotline, Empowerline. In the past year, these investigations looked into unauthorized scans of the TVA network, misuse of TVA computer resources by TVA employees or contractors, and loss of personally identifiable information. In

TVA Office of Inspector General Receives Two Awards of Excellence

The TVA OIG's work on reviewing the effectiveness of TVA's IS organization and IT Security function and on an investigative case that resulted in a \$25 million recovery has been recognized by the President's Council on Integrity & Efficiency (PCIE) for two Awards of Excellence.

Through its annual awards program, the PCIE recognizes outstanding performance and commitment to the work of the IG community. Recipients of the PCIE Award of Excellence are recognized for achievements that are "so unusual or distinguished as to be at the forefront of the community."

This year's award is being presented in Washington, D.C. at Andrew W. Mellon Auditorium. ■



Award Winning Team - IT Organizational Effectiveness Audits

Effectiveness of IS Organization and IT Security Function

The IS and IT Organizational Effectiveness team was made up of a third party consultant as well as OIG auditors who interviewed numerous TVA managers and employees in reviewing both of these areas. In these reviews, the team found:

➔ The recent restructuring of the IS operations area mirrors leading practices. In addition, IS' methodologies and tools for conducting IT projects are above those of its peers. However, the TVA OIG review showed some areas need improvement, such as: TVA needs to: (1) better integrate IS governance with TVA business strategy; (2) improve focus on strategic business partnering and communication with customers; (3) target organization and policy changes, performance measures, and service management toward aiding customers to achieve business goals; (4) consolidate procedures to increase usability; and (5) develop a strategy for handling the risk of the aging workforce and for ensuring knowledge transfer.

➔ While IT Security has made strides in establishing the technology infrastructure, the TVA OIG found: (1) IT Security lacks a business-level mechanism to provide cross-agency oversight, a strategic TVA-wide approach, and grounding in risk management; (2) coordination and communication with business units were not well defined and could be more effective with increased training, communication, and business unit involvement in security planning; (3) procedures were outdated and did not address issues for all business segments; and (4) performance management was substantially undefined.

The team briefed all levels of management on its findings and provided additional information such as the standing of TVA's current state against leading practices in key areas. TVA management generally agreed with the OIG's findings and is in the process of implementing corrective actions. TVA incorporated the findings and recommendations as they restructured both the IS organization and the IT security function. ■

Kinder Morgan Civil Settlement

An investigations and audit team, working jointly, investigated whether TVA was defrauded by three Kinder Morgan limited partnerships (collectively “Kinder Morgan”) that provided coal and other energy transportation and distribution services at two coal terminals -- Cora Terminal in Rockwood, Illinois, and the Grand Rivers Terminal (GRT) in Grand Rivers, Kentucky.

and it had the right to sell the coal and keep the profit.

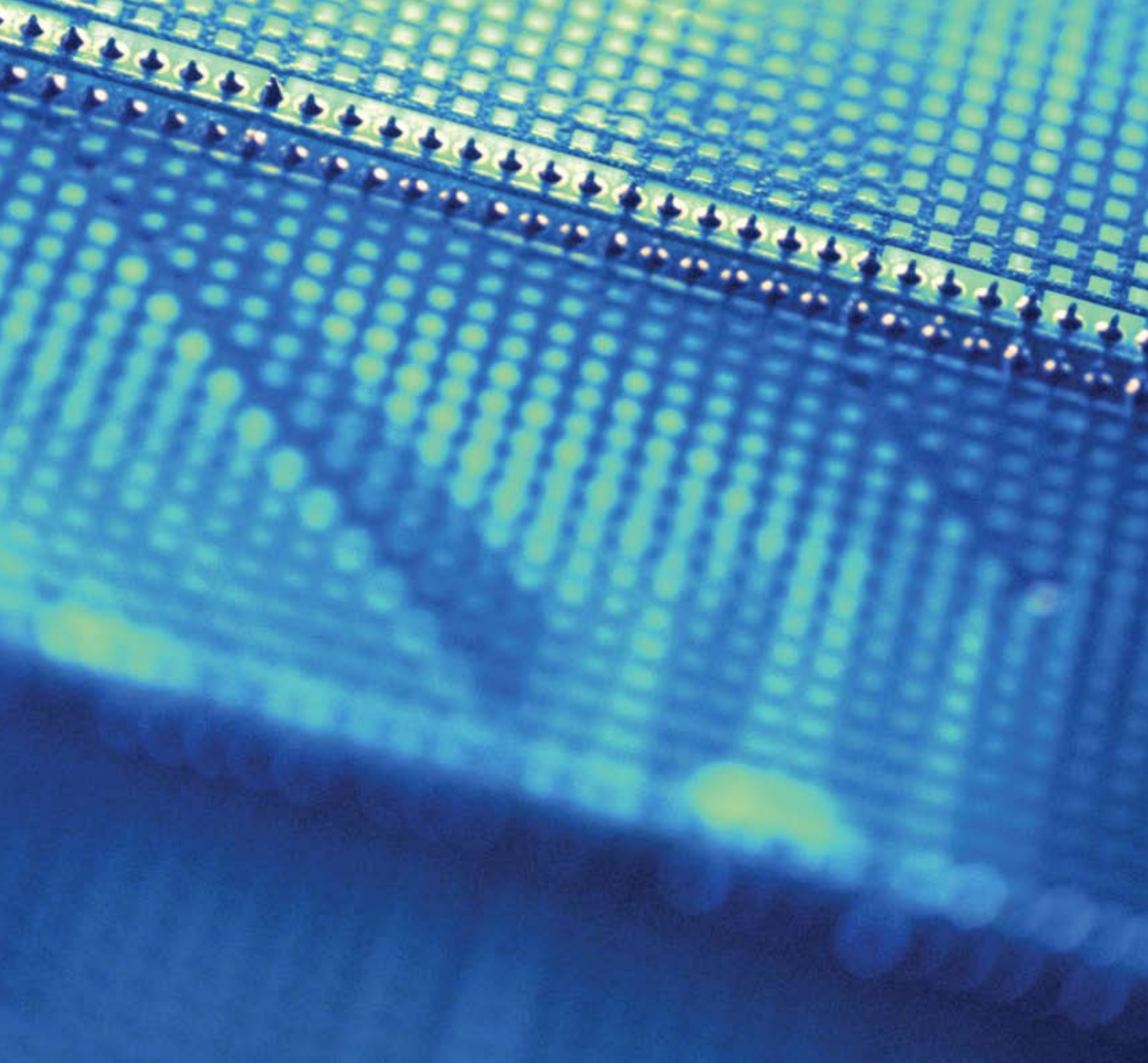
The settlement included triple damages on the TVA losses plus the actual losses of seven private corporations. TVA received nearly \$8 million of the settlement amount, including actual losses and the cost of its investigation. ■



A tip and the resulting investigation led to the United States reaching a civil settlement in excess of \$25 million with Kinder Morgan.

In this case, TVA and other customers’ coal was shipped by rail to Cora and/or GRT, where it was offloaded, stored, and eventually loaded onto barges for delivery. Kinder Morgan used two different weighing methods to show it was shipping out the same amount of coal as it had received. It claimed the “excess” coal, therefore, belonged to it,

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Summary of Representative Audits

During this reporting period, we completed 70 audits, reviews, and agreed-upon procedures which identified more than \$3.6 million in questioned costs and approximately \$28.7 million in funds which could be put to better use. We also identified several opportunities for TVA to strengthen its system of controls. These projects included IT audits, financial-related engagements, and pre- and post award contract reviews. We also completed seven other audit-related projects.

IT Audits

“The IT Audits group works diligently to provide information to TVA to strengthen security and availability of its data and information technology resources and to assess compliance with relevant standards.”

Phyllis R. Bryan
Director (Acting)
Information Technology Audits



During the semiannual period, we completed three audits in the IT environment and performed 20 reviews in support of TVA’s efforts to comply with certain provisions of SOX. Highlights of these audits follow.

IT SOX Testing Identifies Opportunities for Improvement

During this semiannual, we completed compliance testing of controls for 14 applications and seven IT general control areas. Overall, we noted opportunities to improve SOX documentation, operating effectiveness of controls, and areas where control gaps existed. TVA management has taken or is in the process of taking action to remediate issues noted in these reviews.

Areas of Improvement Noted in Federal Information Security Management Act

FISMA was meant to bolster computer and network security within the federal government. As a part of FISMA, the OIG performs an annual review of TVA information security program. Our review determined that process improvements TVA made during FY 2008 included: (1) improved tracking of security weaknesses, remediation actions, and incidents; and (2) measures to ensure appropriate personnel complete role-based security training. While TVA continues to make progress in implementing IT controls required by FISMA, we noted additional controls are needed to: (1) improve oversight and evaluation of con-

tractor systems, (2) complete system certifications and accreditations, (3) define and track configuration management metrics, and (4) consider e-authentication risks at TVA.

Other Audits

We performed two other audits pertaining to: (1) TVA’s actions to protect social security numbers (SSNs) and eliminate their unnecessary use; and (2) security controls for one TVA facility. In these reviews, we noted—

➤ While TVA has taken several actions to better protect SSNs, we found opportunities to further protect or reduce the usage of SSNs that will lower the risk of exposure. TVA’s IS has several initiatives under way to improve protection of SSNs. TVA management agreed with our recommendations and has initiated corrective actions.

➤ We determined TVA has not: (1) implemented adequate measures to segment the facility’s control system from the TVA network, (2) implemented adequate logical and physical security for the control and business networks, and (3) has not sufficiently created or implemented network/system security policies or procedures related to control system networks. TVA management agreed with the audit recommendations. ■

Financial and Operational Audits

“Our work largely involves TVA’s manual internal controls that interface with computer systems, and we coordinate closely with Information Technology Audits to ensure seamless audit coverage.”

John H. Barrow III
*Director (Acting)
Financial & Operational
Audits*



During this semiannual period, we completed 36 attestation engagements, including testing of financial reporting controls for 35 various business processes to assist with TVA’s initiative to comply with SOX. Highlights of these projects follow.

External Auditor’s Review of TVA Quarterly Financial Information Complied with Standards

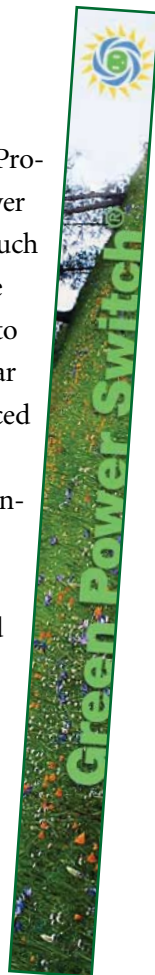
TVA contracted with the certified public accounting firm of E&Y to audit TVA’s balance sheet as of September 30, 2008, and the related statements of income and cash flows for the year then ended. In addition, the contract called for the review of TVA’s quarterly financial information associated with the filing of TVA’s quarterly reports on Form 10-Q with the Securities and Exchange Commission (SEC). The contract requires that audit and related work be performed by E&Y in accordance with

generally accepted government auditing standards. We reviewed documentation supporting E&Y’s review of TVA’s FY 2008, 2nd quarter, financial information, and performed such other procedures as we deemed necessary in the circumstances, to provide reasonable assurance the work was performed in accordance with Government Auditing Standards. Our review disclosed no instance where

E&Y did not comply, in all material respects, with generally accepted government auditing standards.

TVA’s 2007 Green Power Sales Tested

TVA’s Green Power Switch Program produces electric power from renewable resources such as solar, wind, and methane gas, and adds such sources to TVA’s power mix. Both solar and wind power are produced in sufficient quantities to qualify for accreditation standards administered by the Center for Resource Solutions (CRS). We completed agreed-upon procedures to assist the CRS in determining TVA’s compliance with the annual reporting requirements of CRS’ Green Pricing Accreditation Program, Green-e Energy



for utility pricing programs, for the year ended December 31, 2007. These procedures included steps to verify that the renewable energy supply was sufficient to meet sales, products met the Green-e criteria and stated product content, and marketing and product information was accurate and communicated to customers.

The results of the procedures verified that TVA’s Green Power sales were based on electricity generated or acquired from eligible renewable sources and otherwise met the above aspects. CRS was provided with the results of our work.

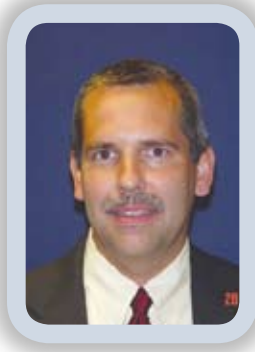
SOX Testing Identifies Improvement Areas

In support of TVA initiatives to comply with SOX, we completed testing of financial reporting controls in 35 of about 68 key business processes determined to be in scope for SOX compliance. In addition, we re-tested selected controls in 14 processes during the 4th fiscal quarter. These projects were designed to provide the Vice President and Controller with information for TVA to assess its internal control over financial reporting as of September 30, 2008. Our findings included: (1) needed improvements in control design, (2) control activities not operating as intended, (3) inadequate documentation retained to demonstrate the control operated in the period tested, (4) gaps in the control network, and (5) other documentation-related improvements. ■

Contract Audits

“Since Contract Audits deals with highly sensitive and proprietary information, it is extremely important that our data is secure.”

David P. Wheeler
Director, Contract Audits



401(k) cost recovery rates. TVA management is using the results of our findings to negotiate better contract terms.

Contract Compliance Reviews

During this semiannual period, we completed seven

contract compliance reviews that identified \$3.4 million of the total \$3.6 million in questioned costs identified in this semiannual period (see Appendix 2). In addition, we provided: (1) assistance to OIG investigations on various contractor investigations, and (2) advice to TVA Procurement regarding various planned contracts. Highlights of our completed compliance reviews follow—

➔ We reviewed \$16.5 million of costs billed to TVA by a contractor for providing cleaning and removal services using high-powered vacuum and hydro-blasting services at various TVA locations. We found the contractor had: (1) overbilled TVA an estimated \$115,617 in unsupported and ineligible

costs, and (2) performed certain services and fixed-price tasks not provided for by the contracts. TVA management agreed with our findings and plans to recover the overbilled costs and only allow services and billings that are provided for by the contract.

➔ We reviewed \$14.2 million of costs billed to TVA by a contractor for providing right-of-way clearing and restoration services and found TVA had been overbilled \$75,757 due to: (1) unallowable miscellaneous material costs, (2) duplicate billings for initial clearing costs, and (3) unsupported labor costs. Additionally, we found that prior to award of the contract, Procurement’s contract manager had requested the contractor to change its proposed billing rates to “TVA Valley-Wide” rates. That action, which the contractor agreed to do, caused TVA’s costs to increase by \$522,212, because most of the rates that had been proposed by the contractor were lower than TVA’s valley-wide rates. ➔

Preaward Contract Reviews Identify \$28.8 Million of Potential Savings Opportunities

To support TVA management in negotiating procurement actions, we completed four preaward reviews of cost proposals submitted by companies proposing to provide engineering and construction services. Our reviews identified a total of \$28.8 million in potential savings opportunities for TVA to negotiate. Some of our more significant findings included: (1) billing rates that were inflated because they were not cost-based, (2) labor rates that were based on average salaries instead of actual salaries, (3) labor rates that did not accurately reflect the company’s historical costs, and (4) overstated



TVA management subsequently decided to recover all of the questioned costs except for about \$31,000 related to the duplicate billings which management decided was allowable. Also, management informed us the “TVA Valley-Wide” rates had been negotiated based on a strategy to negotiate consistent pricing among all suppliers that would be more favorable to TVA. Although some of the prices were higher than the contractors initial offer, lower prices were achieved on four items where TVA had expected the majority of the expenditures to take place. However, since the actual quantities of work performed under the various line items were other than anticipated, the resulting charges increased TVA’s total cost by approximately 3.7 percent. Procurement plans to use this experience in lessons-learned sessions.

➔ We reviewed \$22.1 million of costs TVA paid to a contractor for construction and modification services at TVA facilities and found—

- (1) An estimated \$20.8 million that had been billed for craft augmentation labor using hourly billing rates was inflated by approximately \$619,000, because the contractor’s billing rates included: (a) overstated payroll tax costs, and (b) calculation errors.
- (2) The contractor billed TVA \$25,658 for subcontract services it had not incurred.

TVA management agreed the contractor’s billings for craft augmentation labor were overstated by \$153,652 due to inflated payroll tax costs and calculation errors, but did not agree the remaining \$465,348 was recoverable because the contract’s billing rates were not cost reimbursable and the rates had been established through competitive negotiation. Management also agreed the contractor had billed TVA \$25,658 for services not performed. Management plans to recover \$179,310 plus applicable interest and determine if alternative contracting strategies for obtaining craft augmentation services could provide a better value to TVA.

➔ We performed an interim review of costs billed to TVA by a contractor for providing: (1) modification and supplemental maintenance services at TVA nuclear plants (operating unit work), and (2) construction services for the restart of BFN Unit 1. The

scope of our review included \$492.4 million of craft labor costs billed by the contractor through October 29, 2006, which had not previously been audited, including: (1) \$214 million for modification and supplemental maintenance services and (2) \$278.4 million for the BFN Unit 1 services. In summary, we found TVA had been overbilled \$1,986,254 because the contractor had: (1) used a labor classification not provided for by TVA’s contract, (2) miscalculated its payroll tax costs, (3) overpaid certain craft employees as a result of duplicate hours and ineligible double-time labor costs, and (4) misclassified some employees when it paid them. TVA management is reviewing the audit findings in detail to determine what amounts should be recovered from the contractor.

➔ We reviewed \$19 million of costs billed to TVA for subcontract services on the BFN Unit 1 recovery project



Cumberland TVA Fossil Fuel Plant

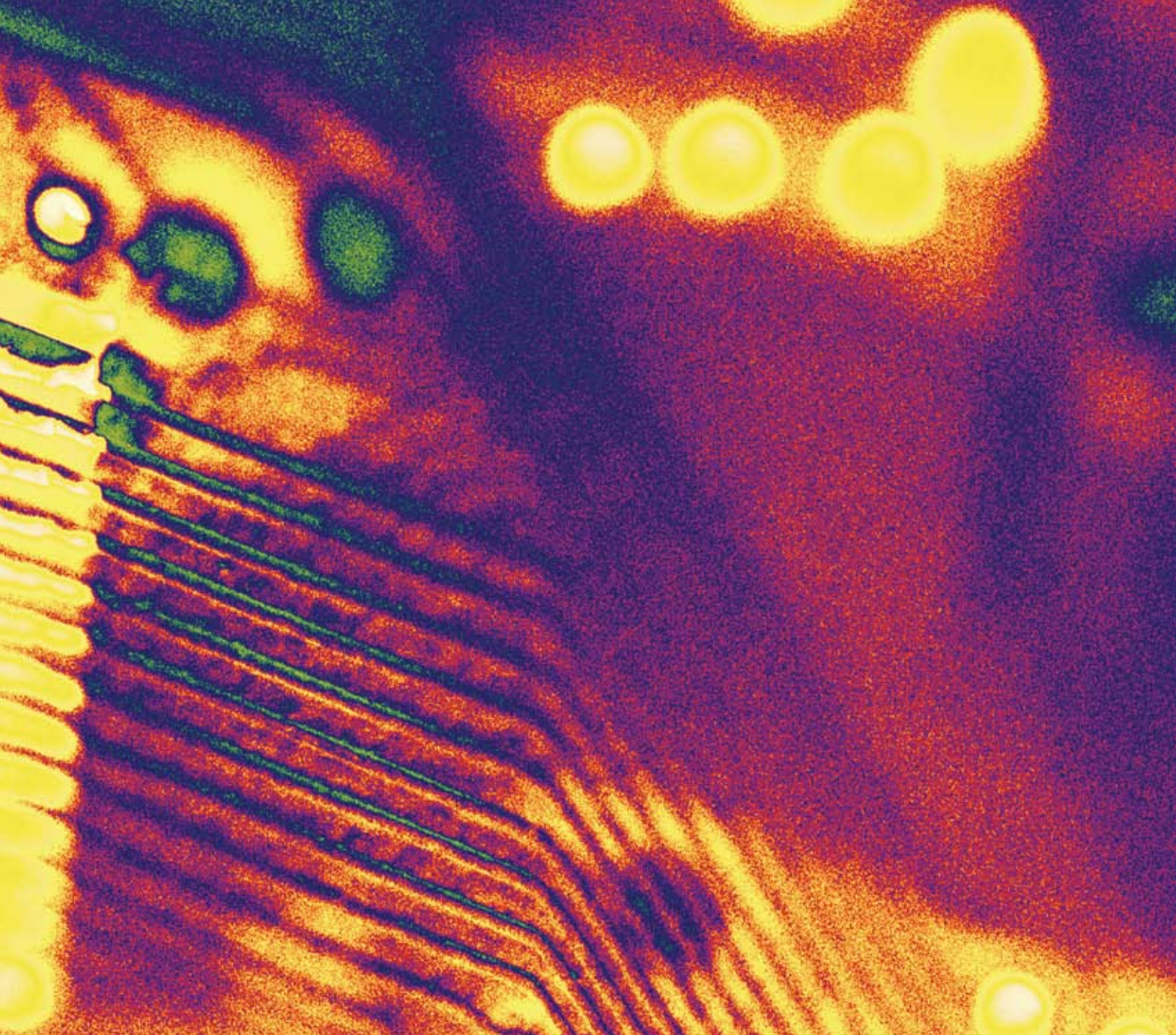


and determined the costs billed by the subcontractor for providing professional and technical support personnel were fairly stated and in accordance with the terms of the subcontract.

➔ We reviewed \$7.9 million of costs billed to TVA by a contractor for supplying ammonia and providing engineering and technical services for ammonia facilities to various TVA fossil plants. We found: (1) the prices billed for \$2.8 million of the ammonia delivered to five TVA fossil plants could not be verified because prices for the ammonia were not included in the contract, (2) TVA was overbilled \$106,054 for ammonia shipments to a fossil plant because an incorrect markup had been used, and (3) TVA was billed \$4,375 for ineligible surcharges that were not provided for by the contracts. Additionally, we found that TVA did

not have a process in place to verify the amount of ammonia that was delivered and subsequently billed to its plants. TVA management is reviewing our findings to determine what actions to take. ■

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Summary of Representative Inspections

“In the conduct of key operational reviews, inspection auditors not only use TVA Business Sensitive data but assess the risk of exposure of this data protected by TVA’s IT infrastructure.”

Gregory C. Jaynes
*Deputy Assistant
Inspector General
Inspections*



mark information, and (3) identified key management challenges that could affect how successful TVA will be in achieving these strategic objectives.

According to the 2007 TVA Strategic Plan, TVA’s strategic objective for its power distributor and directly served industrial custom-

ers is to “maintain power reliability, provide competitive rates, and build trust with TVA’s customers.” Overall, TVA’s performance results in the area of customer relations are excellent. TVA has delivered electric service with 99.999 percent reliability. Also, TVA’s electricity rates are competitive, given that rates are: (1) 24 percent below the national average, (2) below the median when compared with neighboring utilities, and (3) at the median when compared to other utilities within one wheel of TVA. In addition, TVA slightly outperformed its potential competitors in FY 2007 in overall customer satisfaction. The top four challenges that affect the area of customer relations include: (1) high cost of new generation, (2) uncertainty around fuel cost and delivery, (3) managing an aging generation fleet with potential changes to regulatory requirements, and (4) inherent conflicts in TVA’s role as a regulator. ■

Review of TVA’s Customer Relations Performance

This evaluation was the first in a series to benchmark TVA’s performance in key areas, including the following four strategic areas: financial health, operational performance, environmental stewardship, and customer relations. The purpose of these projects is to give an objective evaluation of TVA’s performance and present, as appropriate, the significant management challenges facing TVA. This particular report answers the basic question, “How is TVA doing in regard to Customer Relations?” We reviewed TVA’s strategic goals and objectives, focusing our evaluation on the three primary drivers: reliability, rates, and customer satisfaction. In conducting this review, we: (1) assessed key performance measures and their alignment with the key strategic objectives, (2) evaluated TVA’s results relative to targets and available bench-

Browns Ferry Nuclear Plant Unit 1 Operating Issues Since the Restart in May 2007

We evaluated certain BFN Unit 1 operating issues that have occurred since the restart in May 2007. Our objectives were to: (1) assess the root causes of the BFN Unit 1 SCRAMs¹ that have occurred since the unit returned to service in May 2007, taking into consideration milestone achievements, and (2) obtain information on the cost to complete the BFN Unit 1 restart project. In summary, we found—

- ➔ The first SCRAM was caused by a flared fitting not correctly installed during original construction and inadequate application of the work control process in repairing the leak.
- ➔ The second SCRAM was caused by original design issues.
- ➔ The third SCRAM was caused by improper installation and inadequate assembly verification of a fitting during restart construction.
- ➔ The fourth SCRAM was caused by a missing wood support that allowed tubing to rub on a metal hanger. The rubbing wore a hole into the tube. In addition, inadequate preventive maintenance instructions were used to inspect the system as part of the system return-to-service process. ➔

¹ SCRAM (Safety Control Rod Axe Man) - The Nuclear Regulatory Commission defines SCRAM as the sudden shutdown of a nuclear reactor, usually by rapid insertion of control rods, whether automatically or manually, by the reactor operator.



Browns Ferry Nuclear Plant

➔ The fifth SCRAM was caused by: (1) design issues and (2) failure to identify the root cause and perform corrective actions from an earlier SCRAM in a timely manner.

In addition, TVA Nuclear personnel found numerous contributing factors to the SCRAMs. Some of the contributing factors included: (1) inadequate communication, (2) lack of knowledge and procedural guidance, (3) lack of rigorous worker practices, and (4) inadequate management oversight. Based on our interviews and analysis, we found nothing to indicate that the SCRAMs resulted from work or project scope tied to FY 2005 milestone and winning performance achievements. Currently, management is taking actions to address all issues identified in the root cause analysis reports and problem evaluation reports. In addition, based on information provided by the Nuclear Power Group Controller, we found the cost of the BFN Unit 1 project through FY 2007 to be approximately \$1.84 billion. ■

Contractor's Accounting for the Watts Bar Nuclear Plant Unit 2 Construction Project

Based on issues identified through interviews and continuous monitoring activities, we initiated an inspection of a contractor's cost accounting activities applicable to the Watts Bar Nuclear Plant (WBN) Unit 2 project, including time reporting and billing procedures. The objective of the review was to assess the processes and key control activities used to track and account for contractor work. We found the contractor was using a one-of-a-kind cost accounting system which was developed to bill TVA in accordance with billing terms. The cost accounting system consists of Access databases and Excel spreadsheets and—

➔ Has limited system design documentation and prescribed controls.

➔ Requires significant manual data entry.

➔ Increases the hours spent to prepare project invoices.

➔ Results in numerous adjustments which, according to TVA management, have resulted in more than \$1 million in adjustments.

Based on the issues identified, we recommended the Vice President, WBN Unit 2, in conjunction with the contractor project director: (1) assess the feasibility of amending the billing terms to allow the utilization of contractor standard systems; (2) consider alternative billing systems; or (3) require improvements to the current billing system and process to address identified systemic adjustments, lack of key control activities, and other reconciliation/ documentation issues.

We also recommended that all aspects of the billing process and key control activities be documented and tested. TVA management and the contractor agreed with our recommendations and plans to take corrective actions. ■



Material Ordered by Watts Bar Unit 2 Construction Contractor

We initiated an inspection project to review concerns expressed to the OIG regarding the direct purchase of slings for the WBN Unit 2 project. In summary, we found that a contractor superintendent did not follow prescribed procedure when he wrote and processed a purchase requisition. The contractor Construction Manager stated that: (1) the slings were ordered without following procedure because they thought it would expedite receipt of the slings, and (2) he now realizes that was the wrong thing to do and that Procurement was able to obtain the material just as quickly. More importantly, he also told us that he was unaware there was a procedure in place that required material to be ordered by Procurement.

Based on the information obtained, we



Watts Bar Nuclear Plant

recommended the Vice President, WBN Unit 2, take actions to inform TVA and contractor personnel of the required procurement processes and procedures and provide training, as deemed appropriate. Management agreed with our recommendations and took actions to address the issue. ■

Marina and Campground Agreements

We conducted eight inspections of marina and campground license and lease agreements at the request of the Chief Financial Officer organization to determine whether: (1) payments to TVA were accurate and timely and (2) TVA and the counterparties complied with key provisions of the agreements. Under the terms of the agreements, counterparties were provided use of TVA land, adjoining shore land, and associated equipment and facilities for commercial recreation purposes and the benefit of the general public. TVA was to be paid a fee for the use of the property based on a percentage of gross revenue, with the exception of one agreement which had a fixed payment amount. TVA refers to these contracts as “percentage of gross” contracts. In summary, our review of the eight selected marina and campground agreements found—

➔ For five, payments appeared to be calculated in accordance with payment terms.

➔ For three, a lack of records prevented the verification of lease payment calculations and/or compliance with other key provisions of the contract.

➔ For four, there were unapproved additions at three campgrounds and an unapproved modification at a marina.

➔ For three, seasonal guests were given preference to return to their site each year and were allowed to leave camping vehicles and equipment on-site while the campground was closed.

➔ TVA had provided no written guidance for the management of these agreements, including verification of the accuracy of payments received.

➔ Operations Business Services personnel recently requested documentation from the counterparties to support gross revenues earned in the period prior to being invoiced by TVA. This appears to address certain invoicing and payment controls; however, the agreements had not been amended to reflect these changes.

TVA management generally agreed with our findings and recommendations and has taken or plans to take corrective actions. ■



Fooshee Pass Campground

Trust Funds Administered by Economic Development

We performed an inspection of 16 trust funds administered by Economic Development (ED) to determine whether the trust funds were administered in accordance with the terms of the agreements and applicable laws and regulations. Due to the inability of TVA management to provide documentation of all trust agreements and account activity, we were unable to achieve this objective. We found the majority of the trust funds were inactive and according to ED management, had been established between 1983 and 1991 for a variety of purposes. ED management said they found no activity in the majority of these trusts. ED closed the identified trusts on its books and removed the balances from TVA's general ledger. However, documentation of the trust agreements was limited. TVA management could not

provide documentation to show the recipients of fund balance distributions or the reallocation of the funds beyond 2006 closeout memoranda from TVA to the recipients that certified that the contract requirements had been met and that funds had been used as required by the contract.

In addition, TVA management could not provide us with: (1) account statements for 11 of the 16 trust accounts, (2) bank account numbers for 6 of the 16 trusts, or (3) the underlying agreements for half the trusts. Because of the limited documentation, we were unable to determine whether the trust funds are being administered in accordance with the terms of the agreements and applicable laws and regulations.

If TVA should establish trusts under ED in the future, we recommended that the Senior Vice President (SVP), ED, establish controls designed to provide reasonable assurance that all trust fund money is administered in accordance with the terms of the trust agreements and applicable laws and regulations. ED management generally agreed with our recommendation. However, the SVP, ED, stated that TVA no longer establishes trust accounts and it is not TVA's intent to do so in the future. ■

Tishomingo County Development Foundation Easement

We performed an inspection of TVA's easement with the Tishomingo County Development Foundation (TCDF) to determine whether easement payments were made in accordance with the agreement. Under terms of the easement, TCDF was to develop, construct, operate, and maintain commercial resort facilities with all necessary appurtenances thereto. TVA was to be paid a fee for use of the property based on the greater of: (1) a percentage of annual gross revenues or (2) a guaranteed minimum payment specified in the easement. Subsequent to the execution of the easement between TVA and TCDF, TCDF leased the easement area to a third party, Pickwick Pines Marina Incorporated (PPM).

We reviewed easement payments made to TVA by TCDF through June 30, 2008. We found that while TCDF was not in compliance with amended easement payment provisions, the payment provisions were recently amended for the second time to provide the developer, PPM, an opportunity to develop and operate the marina. We also noted that the minimum investment provision of the easement has not been met. On August 6, 2008, TCDF sent PPM a notice of default. ■

TVA Enterprise Risk Management

In 2003, the OIG evaluated TVA's ERM program. Since then, TVA has embarked on a significant effort to enhance its ERM capabilities. At the request of the President and Chief Executive Officer, we conducted a follow-up evaluation to assess TVA's ERM program. In summary, we found—

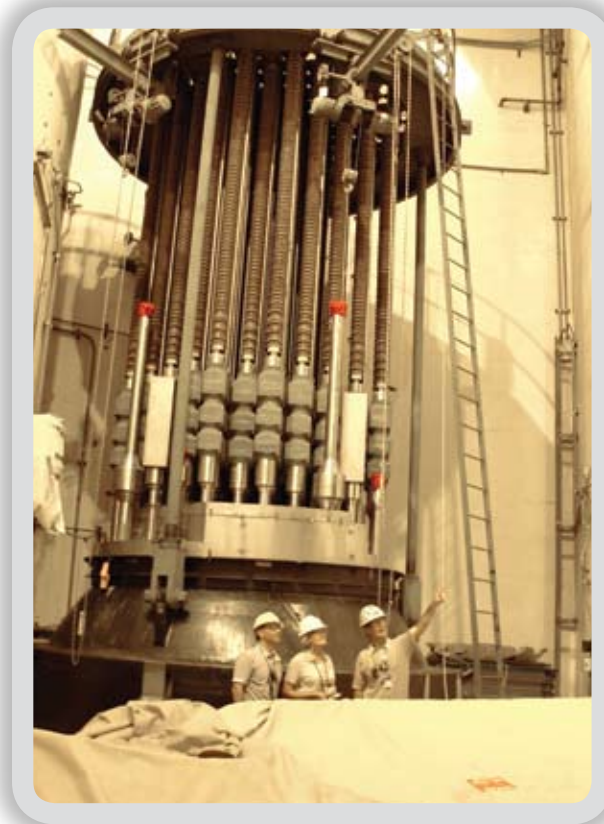
➔ TVA has made significant progress surrounding enterprise risk identification and assessment since the 2003 OIG review. Approaches and techniques used are consistent with observed industry practices.

➔ The risk management tone set by TVA's senior executives is strong and compares favorably to what is observed within the industry.

➔ TVA's ERM program is at a critical juncture. The base infrastructure with respect to risk identification and risk assessment, coupled with the strong "tone at the top," puts TVA in a position to transform the ERM program to support strategic decision making.

➔ There are a significant number of executives who recognize the value of the ERM program and are actively driving the risk management culture within their respective organizations. However, they recognize that the level of understanding and acceptance tends to diminish further down within the organization.

➔ While TVA has identified what ap-



pears to be a reasonable set of enterprise type risks, it is not clear from the materials reviewed how a single risk affects multiple corporate objectives, and how multiple risks affect a single corporate objective. Establishing this linkage will help TVA identify and prioritize risks, focus discussions, and allocate resources.

➔ The risk maps currently employed by TVA are consistent with common industry practice. However, single point representations on a risk map do not adequately convey the likelihood and severity associated with given risks.

➔ TVA currently focuses on measuring residual risk, or risk that is left over after mitigations are implemented. Also, measuring inherent risk, or risk prior

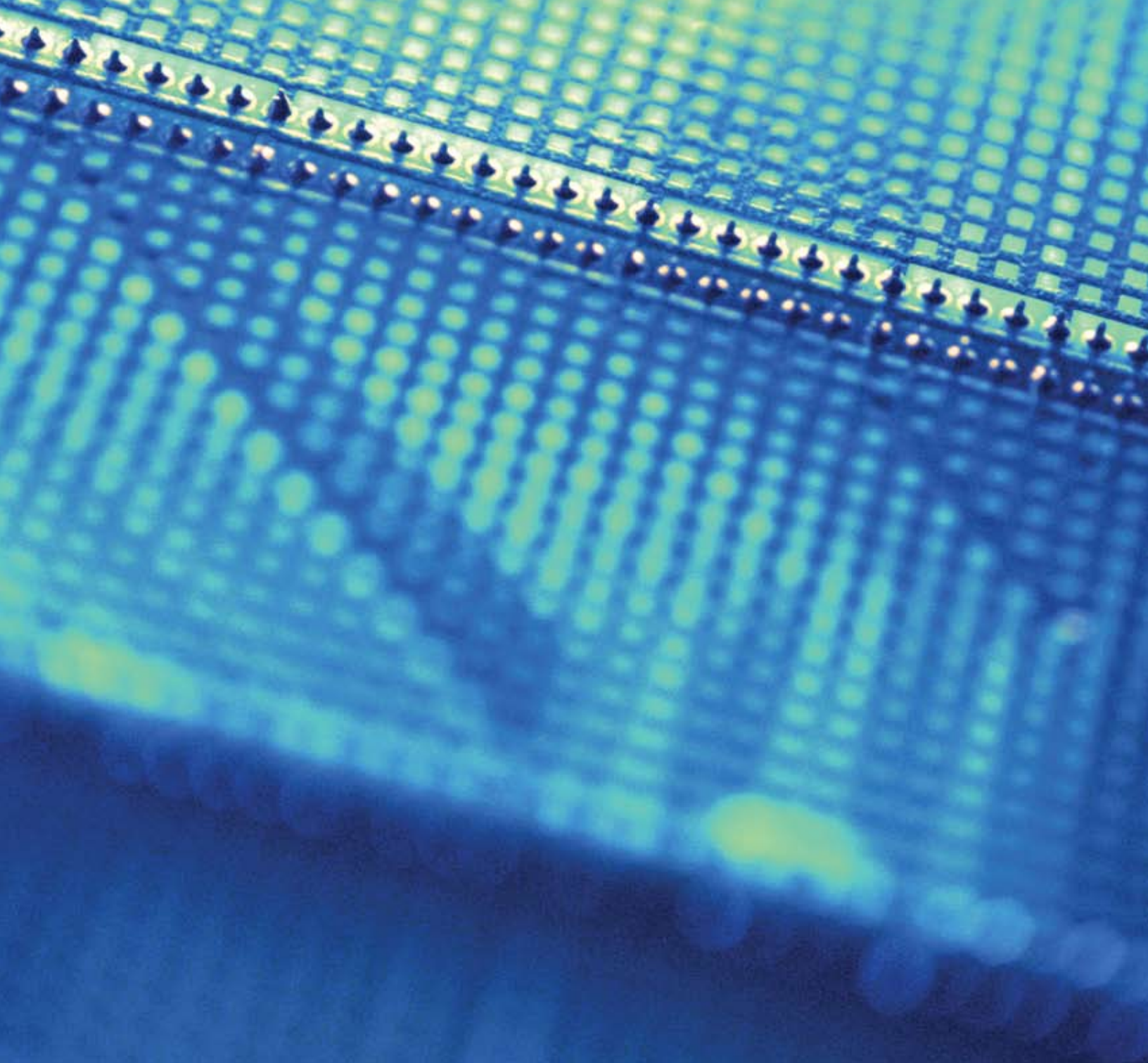
to mitigation, would help management systematically identify which risk mitigation strategies are critical and therefore need close monitoring.

➔ The role of the Board and the Executive Risk Council in defining TVA's risk tolerance should be addressed in a risk policy document. Furthermore, a formal risk policy document that is reviewed and approved by the Enterprise Risk Council and the Board should be developed.

➔ Regular reporting and discussion of ERM related items with the Board is currently minimal.

Management generally agreed with our findings and recommendations and is taking or plans to take corrective action. ■

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Summary of Representative Investigations

During the past six months, we closed 135 cases. While concentrating our efforts and resources on major fraud investigations, we also participated in task force projects and joint investigations with other agencies, to include procurement fraud working groups in Huntsville, Alabama, and Atlanta, Georgia. In the IT realm, we conducted a special investigative project evaluating TVA's process for addressing the matter of lost or stolen computer equipment. Our investigations resulted in three convictions, 14 indictments, and a criminal pretrial diversion agreement. We also referred numerous concerns to management for appropriate action, and tracked the outcome of those referrals. We performed a Quality Assessment Review (QAR) of the U.S. Agency for International Development in Washington, D.C. We opened regional offices in Huntsville, Alabama, and Nashville, Tennessee, hired three new Special Agents, and formed a specialized Forensic Audit Group to support and add specialized value to investigations. Following are operational highlights.

Process for Handling Lost or Stolen Computer Equipment

We initiated a special investigative project to determine if: (1) TVA's policies, procedures, and practices for handling lost or stolen computer equipment were adequate; (2) those policies, procedures, and practices were followed; and (3) lost or stolen computers contained sensitive or restricted information. We found TVA's policies, practices, and procedures for tracking its inventory of computer equipment were not adequate, and TVA was unable to track more than 5,550 computers since August 2004 when the HP Service Desk (HPSD) inventory system was implemented. We also discovered the policies for handling stolen computers were not consistently followed. Twenty-six computers were reported to TVA Police as stolen. At least one contained personally identifiable information such as employee social security numbers. We were not able to determine whether the remaining stolen computers contained sensitive or restricted information, although we believe the risk is moderate. TVA management agreed with our recommendations and has begun corrective action. However, management disagreed with the characterization that they were unable to track computer equipment. They noted in their response that the "lost" or "write-off" status in HPSD was a default setting used for lifecycle man-

agement and not indicative of the actual status of the computer equipment. The OIG will continue its efforts to verify that the computers classified as "lost" or "write-off" were properly surplus and will conduct a separate review to verify TVA information is removed from surplus computers before their disposition.

Actions in Criminal Investigations – Convictions



"IT security is not just an option. It's a responsibility."

Paul B. Houston
*Special Agent In Charge
Investigations*

Former BVI Comptroller Pleads Guilty

The contractor group, Bicentennial Volunteers, Inc. (BVI), connects TVA retirees with volunteer activities and paid contract work. The discovery of financial irregularities during a review of direct deposit travel reimbursements led to our investigation. The investigation revealed that the former BVI Comptroller diverted \$577,647 from National Emergency Assistance, Inc., and BVI bank accounts into her personal accounts. She attempted to conceal her activities by attributing the transfers to third parties. As a result of our investigation, she pled guilty →

April 3, 2008 to one count of a ten-count federal indictment charging her with wire fraud, and was sentenced September 25, 2008 to 46 months in federal prison plus three years' supervised release and was ordered to make restitution of \$577,647.37.

Environmental Pleas

➔ A Tennessee municipal wastewater treatment plant operator was indicted May 20, 2008 and pled guilty August 19, 2008, to one count of violating the Clean Water Act. The operator falsely reported that required testing had been conducted on discharge entering the TVA watershed. The OIG investigation was conducted jointly with the EPA OIG and EPA CID.

➔ An operator with another Tennessee wastewater treatment plant entered a pre-trial diversion settlement on August 4, 2008 following a joint investigation by the OIG and EPA CID. The investigation proved the operator pumped partially treated wastewater, a pollutant, into part of TVA's watershed management area.

➔ A Tennessee towing-company owner was indicted by a state grand jury on April 2, 2008 on two counts Unlawful Pollution and one count Vandalism. The individual was responsible for a diesel truck's fuel tank being drained of 80 to 90 gallons of diesel fuel along a bank that drained into TVA's watershed area. He pled guilty September 23, 2008 to the one count Unlawful Pollution and was sentenced the same date to one year's probation. A separate restitution hearing will be held.

Theft Investigation Yields Unlikely Results

An OIG theft investigation being addressed jointly with the TVA Police and local agencies took an unusual turn as evidence was developed which directly led to the state arrests and indictments (April and July 2008, respectively) of ten individuals on charges relating to the illegal purchase, sale, and distribution of prescription medications. Charges relating to the thefts predicated the investigation are anticipated directly. ■

Administrative Investigations

"IT Security is important at all levels of an organization. Every TVA employee has responsibility for ensuring that TVA policies are followed and security is properly maintained. A significant breach of a TVA computer system could have adverse effects across the Tennessee Valley."

Nancy J. Holloway
Special Agent In Charge
Investigations



TVA Contract Security Officer's Employment Terminated for Computer Misuse

A TVA contract security officer's employment was terminated following an investigation originating from the OIG's hotline, the "Empowerline." The officer used a proxy blocker Web site to bypass TVA's security measures and accessed

pornographic Web sites. Though a majority of the images had been deleted, forensic computer analysis uncovered evidence tying the officer's user account to the affected TVA computer. TVA IS assisted in the investigation.

TVA Senior Manager Resigns Following Conflict of Interest Probe

A senior TVA manager resigned as a result of an investigation into allegations that he failed to manage TVA's contract with a computer application vendor in the best interest of TVA due to his relationship with the contractor. In addition, the manager allegedly misused his TVA position by promoting the product. During the course of the investigation, the manager provided, then confirmed, demonstrably false statements to OIG special agents.

Following the manager's resignation, TVA's Chief Administrative Officer / Executive Vice President of Administrative Services requested that the Chief Ethics and Compliance Officer work with the Designated Agency Ethics Official

to ensure that TVA's Employment Practice 1, Business Ethics, and TVA's online ethics training appropriately emphasize the use of TVA resources with specific regard to endorsements.

Investigation Yields Environmental Renewal

The OIG received information that a private citizen authorized the removal

of trees from TVA property being maintained by the United States Forest Service. The individual had been previously instructed not to encroach on the property without TVA authorization and had been shown the shoreline management zone on two separate occasions. As a result of a joint OIG and TVA Police investigation, he was found to have directed the removal of more than 100 trees from the relevant property. The individual was given the opportunity to resolve TVA's claims against him by agreeing not to engage in further unauthorized activities on TVA property, allowing TVA to cross his property without charge to perform restoration activities on the damaged property, and paying TVA \$27,700 for the cost of restoration activities to the damaged property.

Investigation Leads to Recouped Payments

A former TVA employee and Office of Workers' Compensation Programs (OWCP) claimant was investigated following a complaint alleging the former employee held outside employment (a violation of federal criminal law). The investigation did not substantiate the original complaint, but did reveal that the individual failed to report his divorce, making him ineligible to receive compensation at the three-fourths rate. OWCP issued a preliminary overpayment finding of \$23,564.93 and requested payment in full from the former employee.

Investigation Addresses Credit Card Misuse

A former contract employee working at an Alabama TVA fossil plant allegedly misused his government credit card while working at TVA. Investigation gave credence to the claim, and the individual was subsequently indicted in Alabama state court. The individual, however, had relocated. Our investigation continued, finding the former contractor had left the Valley region and was serving on active military duty. After his unit was contacted, TVA received reimbursement from the former contractor totaling \$3,515 and charges were dropped.

Contract Hauler Revamps Tare Calculations

An investigation into the method used to determine tare weights of trucks hauling ash from a TVA fossil plant led to a revised practice benefitting TVA. Prior to the investigation, a contractor obtained only one truck tare weight and applied that number to all trucks without regard for such differences as fuel tank levels, a variance of as much as 800 pounds per truck. Following the investigation, the contract company agreed to re-check tare weights for each truck and apply full fuel measures to the benefit of TVA.

OIG Assists TVA Police in Fatal Shooting Investigation

A Report of Administrative Inquiry was generated following an OIG investigation predicated on a request from TVA Police that the OIG review a TVA Police-

involved shooting resulting in the death of an armed subject. The OIG investigation found that the involved TVA Police officer acted reasonably and within TVA Police shooting policy and guidelines.

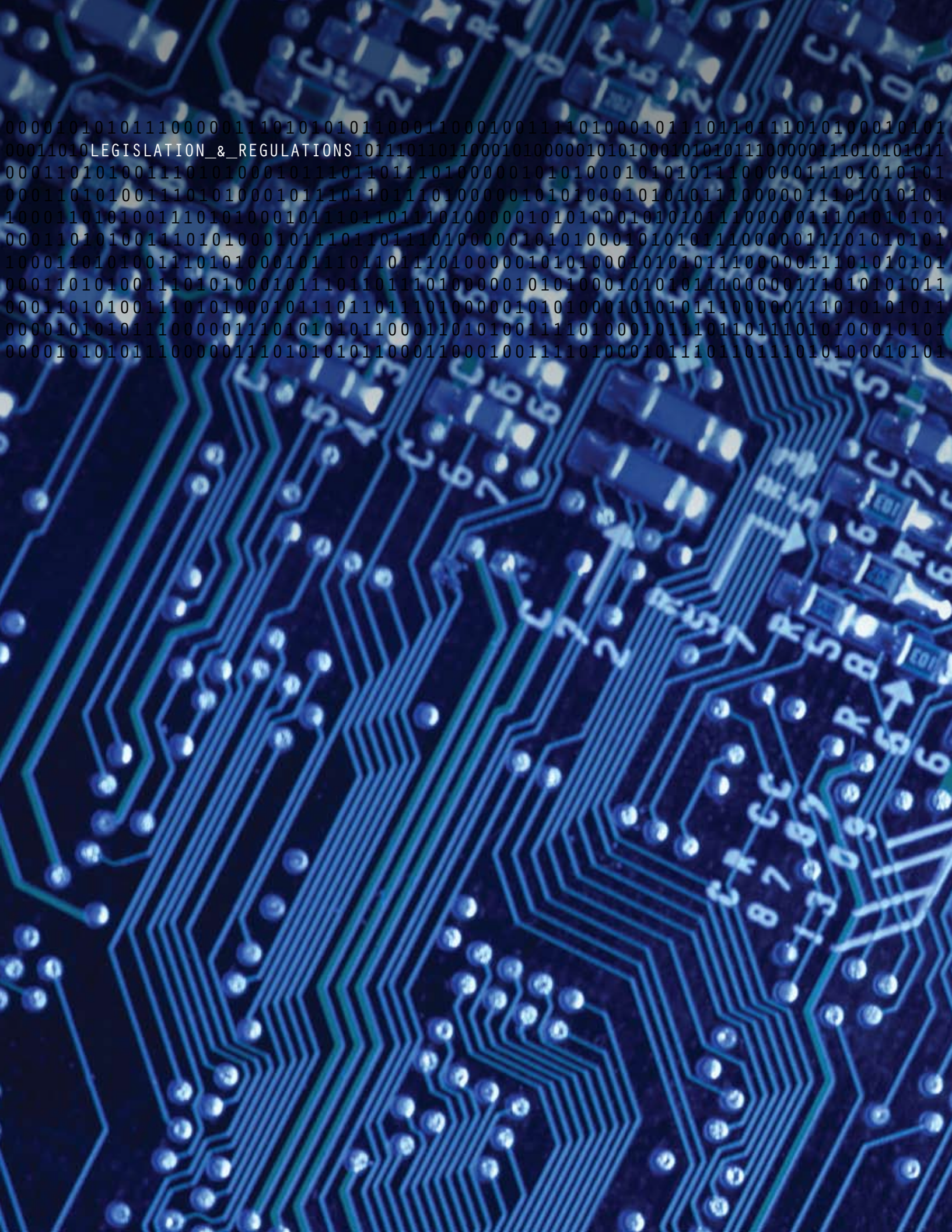
Management Referrals

Investigations continues to act as a robust conduit for resolution of a wide variety of concerns in addition to fraud, waste, and abuse. As with criminal matters, Investigations receives information relating to such issues through our Empowerline reporting system (www.oigempowerline.com), e-mail, telephone calls, letters, and face-to-face contacts. These concerns include such diverse issues as nuclear safety concerns, sabotage, reprisal, harassment, and whistleblower-related matters. Those issues not directly relating to our scope of involvement are referred to the TVA Ombudsman, TVA Human Resource officials, supervisory and operational managers, and TVA Police administrators.

Task Forces

Investigations continues to develop cases and critical, subject matter expert liaison contacts through participation in an Environmental Crimes Joint Task Force, Health Care Fraud Task Force, Upper East Tennessee Drug Diversion Task Force, and the U. S. Secret Service Electronic Crimes Task Force. The value of participation in these groups is noted specifically in the convictions, indictments, and administrative matters noted above. ■

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Legislation and Regulations

The OIG in fulfilling its responsibilities under the IG Act of 1978, as amended, follows and reviews existing and proposed legislation and regulations that relate to the programs and operations of TVA. Although TVA's Office of the General Counsel reviews proposed or enacted legislation that could affect TVA activities, the OIG independently follows and reviews proposed legislation that affects the OIG and/or relates to economy and efficiency or waste, fraud, and abuse in TVA programs or operations.

Major pieces of legislation being followed by the TVA OIG during the past six months include the "Inspector General Reform Act of 2008" which has the purpose of strengthening the independence of federal Inspectors General. Final passage of this bill occurred in the U.S. Senate and in the U.S. House of Representatives on September 23rd and 27th, 2008, respectively. When signed into law by the President this legislation will among other things—

➔ Require Congressional notification 30 days in advance of a removal or transfer to another position or location of any IG, along with the reasons for the removal or transfer.

➔ Require that all IGs have access to legal counsel who reports either directly to the IG or another IG.

➔ Establish an IG Council on Integrity and Efficiency with the missions to address integrity, economy, and effectiveness issues that transcend individual government agencies, and increase the professionalism and effectiveness of personnel.

➔ Clarify that the subpoena power of IGs extends to electronic documents and tangible items.

➔ Broaden the requirement for the IG semiannual report by making inspection and evaluation reports part of the semiannual process.

➔ Require all IG Web sites to be directly accessible from the home page of agency Web sites, and require that all public IG reports or audits be "easily accessible from a direct link on the homepage of the Web site of the Office of Inspector General" within three working days of public release.

➔ Raise the annual salary level of 31 specified presidentially appointed IGs to Level III of the Executive Schedule, plus an additional 3 percent; other IGs must receive compensation comparable to other senior level executives in their department.

The OIG is also following the proposed Federal Information Security Management Act of 2008 (S. 3474). FISMA is the primary law governing federal agency IT security, requiring

risk-based security controls and the certification and accreditation of non-national-security federal agency information systems. This legislation would require each federal civilian agency to appoint a chief information security officer who would have the authority to enforce FISMA compliance. The legislation would also substitute formal annual audits for the current FISMA evaluation process and extend the audit process to information systems used, operated, or supported on behalf of an agency by agency contractors or other entities.

Another piece of legislation the OIG is following is the Telework Improvements Act of 2008 (H.R. 4106). Telework allows employees to work from their home or a remote professional office near where the employee lives in order to reduce office space costs, energy costs, and to increase employee morale and efficiency.

H.R. 4106, was passed by the U.S. House on June 3, 2008 and received by the U.S. Senate on June 4, 2008 where it was referred to the Committee on Homeland Security and Governmental Affairs. Similar legislation, the Telework Enhancement Act of 2007 (S. 1000), was reported out of the Senate Committee on Homeland Security & Governmental Affairs on November 14, 2007. The House bill would ➔



amend Title 5 of the United States Code by adding a new Chapter 65 entitled Telework.

Both the Senate and House versions of the bill would allow federal employees, with certain specified exceptions, to telework at least one day a week. Both the Senate and House versions of the bill require each federal agency to designate one full-time employee under the Chief Human Capital Officer as a Telework Managing Officer to coordinate and promote teleworking in the agency. Agencies would also be required to provide training to participating managers, supervisors, and employees. Both bills also provide that

for purposes of performance appraisal no distinction is to be made between those employees who telework and those who do not. Both bills also provide that an agency's Continuity of Operations Plan would supersede the agency's telework policy to the extent that they are inconsistent with one another. The Senate version would make federal employees eligible for telework unless employers specifically show why they should not participate in the program and provides for the Director of Office of Personnel Management (OPM) to submit a report to Congress assessing the implementations and effectiveness of agency telework pro-

grams. The House bill would require the Comptroller General to evaluate the telework policies in the executive branch.

The OPM reports that a survey it conducted shows that about 44 percent of federal agencies provide telework training to employees. The TVA OIG provides such training.

A fourth piece of legislation the OIG is following is the Government Credit Card Abuse Prevention Act of 2008 (S. 789). This legislation prescribes that each executive federal agency require specified credit card and convenience card controls and safeguards, including periodic risk assessments, audits, and the reporting of such analyses and audits. This bill was reported out of the Senate Committee on Homeland Security & Governmental Affairs on August 1, 2008. The bill requires IGs to regularly report to the Office of Management and Budget abuses of government credit cards and the personnel sanctions imposed in response. As to government travel cards the bill would require agency heads to check the credit history of employees getting a government travel card. The House version of the bill is H.R. 1395. ■

Web Page

We invite you to take a tour of our newly updated Web site at oig.tva.gov. The video accessible from that page sheds light on fraud at TVA. From this site you can also sign up for automatic notification about our new audits and inspections. You will also find a news release section with the latest information released to the media.

Also, check out the latest edition of the *OIG Connection*, our e-publication to TVA employees filled with interesting information about our staff, tidbits on fraud, and an insightful look into how the work we do every day impacts TVA stakeholders and life in the valley.

Come visit us at oig.tva.gov. ■

OIG Office of the Inspector General
Tennessee Valley Authority

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OIG Semiannual Report Highlights 20 Years of History and \$25 Million Settlement

The TVA OIG has released its semiannual report to Congress. The report outlines OIG accomplishments from October 1, 2007, through March 31, 2008, and includes a summary of the largest recovery in OIG history of \$25 million from Kinder Morgan, an energy company that handles and transports coal. "It's been an exciting and productive six months for us," Inspector General Richard Moore said. "The resolution of the case against Kinder Morgan is a result of the excellent work of our highly skilled staff, and the momentous recovery benefits TVA as well as other Kinder Morgan customers." Moore continued, "What's especially interesting about this edition of our semiannual is the insightful chronicling of the past 20 years of visionary leadership spearheaded by our previous IGs. It is their collective vision that has transformed this office into what it is today." To view a copy of our latest semiannual report, [click here](#).

Be One of the First to Sign Up for TVA's OIG Web Site Notification Service

If you would like to be one of the first to know about news from TVA's OIG, you now have the option of signing up for automatic notification of new postings made to our web site. This service is your quickest and most direct source for audit reports, inspections, and other news items. To be in the know and start receiving notification of changes to our web site today, please type in your e-mail address in the E-Mail Alert Service box located on this page and click Submit. You may unsubscribe at any time.

Richard W. Moore
Inspector General

BRINGING POWER TO THE PEOPLE

A message from the IG

The OIG is charged with promoting economy and efficiency while preventing and detecting fraud, waste, and abuse affecting TVA. Although thousands of TVA employees and contractors are hardworking and honest, there are those few who will be tempted to cheat the agency in one way or another. TVA employees, contractors, and the public can help make a difference at TVA by reporting any suspicions about fraud, waste, and abuse to the OIG hotline system, known as the Empowerline. As an incentive, individuals who provide information about fraud which leads to a felony charge or significant monetary recovery may receive a financial reward. We think it's just good business to help those who help us put a stop to fraud affecting TVA.

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Sign up to receive e-mail notifications when new information such as a semiannual report, audit or inspection report, press release, or newsletter has been posted to the OIG website

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Appendix 1

Index on Reporting Requirements Under The IG Act

Reporting	Requirement	Page
Section 4(a)(2)	Review of Legislation and Regulations	37-38
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	21-35
Section 5(a)(2)	Recommendations With Respect to Significant Problems, Abuses, and Deficiencies	21-35
Section 5(a)(3)	Recommendations Described in Previous Semiannual Reports on Which Corrective Action Has Not Been Completed	None
Section 5(a)(4)	Matters Referred to Prosecutive Authorities and the Prosecutions and Convictions That Have Resulted	Appendix 4
Section 5(a)(5) and 6(b)(2)	Summary of Instances Where Information Was Refused	None
Section 5(a)(6)	Listing of Audit Reports	Appendix 2
Section 5(a)(7)	Summary of Particularly Significant Reports	21-35
Section 5(a)(8)	Status of Management Decisions for Audit Reports Containing Questioned Costs	Appendix 3
Section 5(a)(9)	Status of Management Decisions for Audit Reports Containing Recommendations That Funds Be Put to Better Use	Appendix 3
Section 5(a)(10)	Summary of Unresolved Audit Reports Issued Prior to the Beginning of the Reporting Period	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	None

Appendix 2

Audit Reports Issued

Report Number	Date	Title	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
CONTRACT					
2007-11204	04/03/2008	Performance Contracting, Inc.	\$ 115,617	\$ 23,572	\$ 0
2007-11476	04/09/2008	Preaward Review-Cost Recovery Rate Recovery Under Existing Contract	154,000	154,000	82,000
2007-11208	05/07/2008	Crisp & Crisp, Inc.	75,757	7,961	0
2007-11208-01	05/07/2008	Crisp & Crisp, Inc.	522,212	0	0
2007-11109	05/30/2008	Johnson Contractors, Inc	644,658	644,658	0
2008-11751	06/13/2008	Preaward Review-RFP 92607	0	0	26,378,000
2006-033c	06/16/2008	Stone & Webster Construction, Inc.	1,986,254	402,094	0
2008-11861	06/30/2008	Preaward Review-RFP 69475	0	0	533,000
2007-11347	07/08/2008	Sun Technical Services, Inc.-Subcontract with Stone & Webster Construction, Inc.	0	0	0
2008-11549	08/04/2008	Preaward Review-RFP 51507	0	0	1,660,000
2008-11530	09/30/2008	Airgas Specialty Products, Inc.	110,429	0	0
FINANCIAL					
2008-11511	04/02/2008	Manage Nuclear Fuel Inventory-SOX 404 Testing			
2008-11512	04/02/2008	Nuclear Fuel Burn-SOX 404 Testing			
2008-11595	04/02/2008	Cash Receipts-SOX 404 Testing			
2008-11597	04/02/2008	Cash Disbursements-SOX 404 Testing			
2008-11628	04/03/2008	Capitalized Interest-Allowance for Funds Used During Construction-SOX 404 Testing			
2008-11623	04/15/2008	Cash Summary & Transfer-SOX 404 Testing			
2008-11696	04/15/2008	Coal Mark-to Market Review-SOX 404 Testing			
2008-11587	04/23/2008	Alternative Procurement Methods-Convenience Checks-SOX 404 Testing			
2008-11642	04/23/2008	Pensions-SOX 404 Testing			
2008-11579	04/29/2008	Managing Fossil Fuel Inventory-SOX 404 Testing			
2008-11516	04/30/2008	Manage Contracting-SOX 404 Testing			
2008-11556	05/05/2008	Receivables: Cash Management-SOX 404 Testing			
2008-11637	05/07/2008	Alternative Procurement Methods-Procurement Card-SOX 404 Testing			
2008-11581	05/08/2008	Costing Fossil Fuel Inventory-SOX 404 Testing			
2008-11729	05/08/2008	Energy Prepayments-SOX 404 Testing			
2008-11733	05/12/2008	Collateral Movement-SOX 404 Testing			
2008-11580	05/13/2008	Fossil Fuel Burn-SOX 404 Testing			
2008-11582	05/14/2008	Receive Fossil Fuel Inventory-SOX 404 Testing			
2008-11613	05/15/2008	Executive Compensation-SOX 404 Testing			
2008-11687	05/20/2008	Investments Balance Verification-SOX 404 Testing			
2008-11684	05/30/2008	Agreed-upon Procedures-2007 Green Power Accreditation			
2008-11578	06/04/2008	Maintain Fossil Fuel Master File-SOX 404 Testing			
2008-11795	06/11/2008	Nuclear Decommissioning Trust Fund-SOX 404 Testing			
2008-11757	06/12/2008	Employee and Other Post Employment Benefits-SOX 404 Testing			
2008-11794	06/18/2008	Alternative Procurement Methods-Miscellaneous vouchers-SOX 404 Testing			

Report Number	Date	Title	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
2008-11698	06/23/2008	Bulk Power Trading-SOX 404 Testing			
2008-11735	07/15/2008	Disbursing Payroll-SOX 404 Testing			
2008-11818	07/17/2008	Liability Account Accruals and Reconciliation-SOX 404 Testing			
2008-11681	07/28/2008	Alternative Procurement Methods-Gold Card-SOX 404 Testing			
2008-11841	07/29/2008	Gas: Physical-SOX 404 Testing			
2008-11843	07/29/2008	Maintaining Payroll Master Files-SOX 404 Testing			
2008-11777	07/30/2008	Recording Time-SOX 404 Testing			
2008-11778	07/30/2008	Pay Employees-SOX 404 Testing			
2008-11779	07/30/2008	Accounts Payable-SOX 404 Testing			
2008-11765	08/07/2008	Payroll Deductions and Payments-SOX 404 Testing			
2008-11809	08/21/2008	Manage Site Material and Record Inventory Movement-SOX 404 Testing			
INFORMATION TECHNOLOGY					
2008-11596	04/10/2008	MAS200-SOX 404 Testing			
2008-11555	04/16/2008	Change Control-SOX 404 Testing			
2008-11710	04/29/2008	eCash Application-SOX 404 Testing			
2008-11667	05/13/2008	Integrated Business Systems Application-SOX 404 Testing			
2008-11711	05/22/2008	HRIS, HRIS Benefits, and HRIS Retiree Medical Applications-SOX 404 Testing			
2008-11216	06/02/2008	TVA Actions to Protect Social Security Numbers and Eliminate Unnecessary Use			
2008-11780	06/11/2008	WebTrader Application-SOX 404 Testing			
2008-11791	06/12/2008	Computer Operations-Software Configuration Management-SOX 404 Testing			
2008-11754	06/13/2008	Computer Operations-Manage Facilities-SOX 404 Testing			
2008-11731	06/19/2008	Access to Programs and Data-SOX 404 Testing			
2008-11776	06/20/2008	Computer Operations-Batch Job Scheduling-SOX 404 Testing			
2008-11815	07/01/2008	Program (System) Development-SOX 404 Testing			
2008-11840	07/02/2008	Fuelworx Application-SOX 404 Testing			
2008-11856	07/23/2008	Payroll Application-SOX 404 Testing			
2008-11848	07/24/2008	Computer Operations-Backup and Restore-SOX 404 Testing			
2008-11846	07/25/2008	Power Billing Application-SOX 404 Testing			
2008-11850	07/25/2008	eRemittance Application-SOX 404 Testing			
2008-11847	07/28/2008	MV90 Application-SOX 404 Testing			
2008-11852	07/30/2008	eWorkplace Application-SOX 404 Testing			
2008-11844	07/31/2008	CWMI Application and Interfaces-SOX 404 Testing			
2008-11845	07/31/2008	Passport Application-SOX 404 Testing			
2008-11388	08/21/2008	Sequoyah Nuclear Plant-Cyber Security Assessment			
2008-11964	09/25/2008	Federal Information Security Management Act Evaluation			
Total:	70		\$3,608,927¹	\$1,232,285	\$28,653,000²

Note: On the OIG Web site, a summary or a full report can be found for some of the audits listed (<http://oig.tva.gov>).

1 Questioned costs include \$522,212 for unreasonable or unnecessary expenditures not recoverable.

2 Funds put to better use include \$26,378,000 identified in a preaward review of a proposal where the contract had not yet been awarded by TVA as of the end of the semiannual period.

Appendix 3

Table I—Total Questioned and Unsupported Costs

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	7	3,608,927	1,232,285
Subtotal (A+B)	7	3,608,927	1,232,285
C. For which a management decision was made during the reporting period	6 ¹	3,498,498	1,232,285
1. Dollar value of disallowed costs	6	1,802,190	766,937
2. Dollar value of costs not disallowed	3	1,696,308	465,348
D. For which no management decision has been made by the end of the reporting period	1	1,193,194	0
E. For which no management decision was made within six months of issuance	0	0	0

Table II—Funds to be Put to Better Use

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	4	28,653,000
Subtotal (A+B)	4	28,653,000
C. For which a management decision was made during the reporting period	4	28,653,000
1. Dollar value of recommendations agreed to by management	3	28,120,000
2. Dollar value of recommendations not agreed to by management	1	533,000
D. For which no management decision has been made by the end of the reporting period	0	0
E. For which no management decision was made within six months of issuance	0	0

Appendix 4

Investigative Referrals And Prosecutive Results¹

Referrals	
Subjects Referred to U.S. Attorneys	7
Subjects Referred to State/Local Authorities	5
Results ³	
Subject Indicted	14
Subjects Convicted	3

¹ The total number of reports differs from the sum of C(1) and C(2) when the same report(s) contain both recommendations agreed to by management and others not agreed to by management.

² These numbers include task force activities and joint investigations with other agencies.

³ Results include referrals from prior periods.

Appendix 5

Highlights - Statistics

	Sept. 30 2008	March 31 2008	Sept. 30 2007	March 31 2007	Sept. 30. 2006
AUDITS					
AUDITS IN PROGRESS					
Carried Forward	47	35	36	16	20 ¹
Started	53	52	72	42	23
Canceled	(2)	(2)	(7)	(4)	(1)
Completed	(70)	(38)	(66)	(18)	(26)
In Progress at End of Reporting Period	28	47	35	36	16
AUDIT RESULTS (Thousands)					
Questioned Costs	\$ 3,609	\$ 774	\$ 4,635	\$ 1,252	\$ 1,411
Disallowed by TVA	1,802	370	3,324	1,429	782
Recovered by TVA	676	3,339	1,274	695	793
Funds to Be Put to Better Use	\$ 28,653	\$ 100,990	\$ 19	\$ 8,913	\$10,839
Agreed to by TVA	28,120	53,987	8,529	4,534	2,790
Realized by TVA	26,460	53,987	948	3,603	2,287
OTHER AUDIT-RELATED PROJECTS					
Completed	7	6	17	12	11
Cost Savings Identified/Realized (Thousands)	\$ 0	\$ 0	\$ 0	\$ 103	\$ 0
INVESTIGATIONS²					
INVESTIGATION CASELOAD					
Opened	161	155	113	73	70
Closed	135	121	121	50	105
In Progress at End of Reporting Period	200	174	140*	148*	113
INVESTIGATIVE RESULTS (Thousands)					
Recoveries	\$ 632.6	\$ 25,262	\$ 27	\$ 332	\$ 643
Savings	0	4,137	575	88	1,039
Fines/Penalties	1.6	206	1	10	0.5
MANAGEMENT ACTIONS					
Disciplinary Actions Taken (# of Subjects)	15	9	8	4	6
Counseling/Management Techniques Employed (# of Cases)	6	16	3	7	14
PROSECUTIVE ACTIVITIES (# of Subjects)					
Referred to U.S. Attorneys	7	19	5	6	3
Indicted	14	4	6	2	1
Convicted	3	3	2	2	1
INSPECTIONS					
Completed	16	8	16	7	20
Cost Savings Identified/Realized (Thousands)	\$ 0	\$ 0	\$ 15	\$ 15	\$ 0

1 Adjusted from previous semiannual report.

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

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 finding and recommendations. When management concludes no action is necessary, final action occurs when a management decision is made.

Funds 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.

Management Decision – The 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 IG questions because: (1) of an alleged violation of a law, regulation, contract, 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 Costs – A cost that is questioned because of the lack of adequate documentation at the time of the audit.

Abbreviations and Acronyms

The following are acronyms and abbreviations widely used in this report.

BFN	Browns Ferry Nuclear Plant
BVI	Bicentennial Volunteers, Inc.
CEO	Chief Executive Officer
CID	Criminal Investigation Division
CRS	Center for Resource Solutions
ED	Economic Development
E&Y	Ernst & Young LLP
ERM	Enterprise Risk Management
EPA	Environmental Protection Agency
FISMA	Federal Information Security Management Act
FY	Fiscal Year
GRT	Grand Rivers Terminal
HPSD	HP Service Desk
IG	Inspector General
IG Act	Inspector General Act Amendments of 1988
IS	Information Services
IT	Information Technology
OPM	Office of Personnel Management
OWCP	Office of Workers' Compensation Program
PCIE	President's Council on Integrity & Efficiency
PII	Personally Identifiable Information
PPM	Pickwick Pines Marina
QAR	Quality Assessment Review
SEC	Securities and Exchange Commission
SOX	Section 404 of the Sarbanes-Oxley Act of 2002
SSN	Social Security Numbers
SVP	Senior Vice President
TCDF	Tishomingo County Development Foundation
TVA	Tennessee Valley Authority
TVAN	Tennessee Valley Authority Nuclear
WBN	Watts Bar Nuclear Plant

OIG Leadership Philosophy

The TVA OIG strives to be a high performing organization made up of dedicated individuals who are empowered, motivated, competent, and committed to producing high quality work that improves TVA and life in the Valley.

Each of us has important leadership, management, team, and technical roles. We value integrity, people, open communication, expansion of knowledge and skills, creative problem solving and collaborative decision making. ■



Tennessee Valley Authority
Office of the Inspector General
400 West Summit Hill Drive
Knoxville, Tennessee 37902

The OIG is an independent organization charged with conducting audits, inspections, 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 system. The Empowerline is administered by a third-party contractor and can be reached 24 hours a day, seven days a week, either by a toll-free phone call (1-877-866-7840) or over the Web (www.oigempowerline.com). You may report your concerns anonymously or you may request confidentiality.

Report Concerns to the OIG Empowerline



A confidential connection for reporting fraud,
waste or abuse affecting TVA.

www.OIGempowerline.com
1-877-866-7840

EmPowerline™ is sponsored by the Office of the Inspector General
and operates independently of TVA.

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