



UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

119484

ENERGY AND MINERALS  
DIVISION

B-208310

AUGUST 11, 1982

The Honorable James H. Quillen  
House of Representatives



119484

Dear Mr. Quillen:

Subject: Analysis of Two Allegations About the Tennessee Valley Authority's Energy Conservation Programs and Their Efficiency and Effectiveness (GAO/EMD-82-110)

You requested that we look into two specific allegations regarding the Tennessee Valley Authority's (TVA's) energy conservation programs and assess the efficiency and effectiveness of those programs. Regarding the first allegation, we found that TVA was slow to respond to a request for a home inspection that was necessary for the complainants to qualify for a low interest heat pump loan. TVA has since taken action to rectify this situation. Concerning the second allegation by a former TVA energy advisor that he was fired for disclosing improprieties in the home insulation program, we found that he had filed two lawsuits against TVA. Both suits were dismissed by the District Court. However, the former energy advisor has asked the U.S. Supreme Court to review the second suit which asserts that he had been defamed.

Our work regarding the efficiency and effectiveness of TVA's energy conservation programs was not pursued in-depth because in the early portions of our work we noted that TVA's Division of Management Systems had recently issued a series of three reports based on a management review of TVA's energy conservation programs. These reports did not cover the efficiency and effectiveness of TVA's conservation programs, but dwelt heavily on internal procedures. Because TVA officials stated they will be making changes based on the recommendations in these reports, we curtailed our work until a decision is made on what corrective actions will be taken. As agreed with your staff, we plan to follow up at a later date to assess the adequacy of TVA's corrective actions as well as the efficiency and effectiveness of TVA's conservation programs.

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OBJECTIVES, SCOPE, AND METHODOLOGY

Our objectives were to assess the validity of two allegations regarding TVA's energy conservation programs and the efficiency and effectiveness of TVA's management of the programs. Our review was conducted in accordance with the Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions."

To address the allegation that TVA's response to a request for a home inspection to qualify for a heat pump loan was inadequate, we discussed the allegation with TVA officials responsible for the heat pump program in TVA's headquarters. We also discussed the allegation with officials of TVA's Appalachian District Office, which covers the area where the complainants reside. To assess the response time to a request for a heat pump inspection, we reviewed TVA statistical data on the heat pump program, particularly inspection request backlogs and energy advisor availability. We also reviewed the limited correspondence and file memoranda regarding the allegation that was available. We discussed TVA actions to correct the situation with both headquarters and field officials responsible for the program. We also contacted by telephone the individual who made the allegation.

In assessing the complaint of the former TVA energy advisor, we held discussions with TVA headquarters officials who are responsible for the home insulation program as well as TVA's Office of General Counsel officials who handled the lawsuits filed by the former employee. We reviewed documentation regarding the allegations including correspondence related to the allegations and TVA investigative reports on the Oak Ridge and Dyersburg, Tennessee, home insulation programs. We also reviewed TVA's procedure manuals regarding how fraud investigations are made. To determine the basis for legal actions, we reviewed the two lawsuits the former employee filed against TVA and the circumstances surrounding the appeal of one of the suits to the U.S. Supreme Court. Because of the impending legal question, our analysis was limited to obtaining basic information concerning this situation. We did not contact the former employee.

Early in our review, we noted that TVA's Division of Management Systems issued three audit reports about the organization and management of TVA's conservation programs. Because TVA officials stated they intend to make some changes based on these reports we decided no additional work on the effectiveness of TVA's conservation programs was warranted at this time. Instead, as agreed with your staff, we will followup when TVA implements their internal report recommendations to assess the adequacy of TVA's corrective actions as well as the efficiency and effectiveness of the conservation programs. We did identify the types of programs sponsored by TVA, how the programs are organized and administered, and the scope of activity under each program.

ALLEGATION REGARDING TVA'S  
HEAT PUMP PROGRAM

The complaint centered around TVA being slow in responding to a request for a home inspection that was required for the complainants to qualify for a low interest heat pump loan. The complainants tried for several months to arrange an inspection and by the time an inspection was made, it was too late for them to qualify for a lower interest loan. The complainants said the first request for an inspection was made in June 1981 and after numerous contacts with TVA the inspection was finally performed in early 1982. TVA officials acknowledged that this particular allegation was valid and was caused by an unfortunate set of circumstances which allowed the request to go without attention. According to TVA officials, these circumstances included poor communications, which were compounded by a larger than normal request backlog during this time. This problem was further aggravated when two energy advisors in this TVA district quit.

Our review of available documentation confirmed that there was poor communication in this case. For example, a letter sent to a TVA heat pump advisor by the complainants showed that a copy was also sent to a TVA supervisory official. According to TVA officials, the heat pump advisor assumed that the supervisory official would take care of the problem; however, the supervisory official did not receive his copy of the letter. Consequently, a situation developed where knowledge of the problem existed within TVA but no action was taken because the employee with the information assumed that the information was also available to others in TVA.

TVA's statistics on the heat pump program showed the request backlog increased significantly during the time the complainants were attempting to schedule a home inspection. The complainants stated that TVA was contacted several times between June and September 1981. However, the first specific date of a contact provided by the complainants was September 23, 1981. TVA officials stated that their first record of any contact with the complainants was an August 26, 1981, telephone request for a heat pump survey. They stated that the complainants could have made earlier calls that were not recorded.

TVA's statistics further show that from June to October 1981, their request backlog increased from 2,394 to 3,324 (39 percent) for the heat pump program in the district serving the complainants. Also, two energy advisors serving the area left during this period--one in August and one in September--which further increased the request backlog per energy advisor for the district. TVA officials said that one of the reasons for the backlog increase during this period was a notification of a proposed increase in the interest rate charge for loans under the heat pump program. The

officials said that this prompted more requests than normal because people were trying to take advantage of the lower interest rate. The proposed change took effect on October 1, 1981, when the interest rate was increased from 10.5 to 14 percent on loans made by TVA to participants in the heat pump program.

TVA officials stated it is unfortunate the situation involving this allegation occurred and no explanation appears available except to acknowledge the oversight, make any adjustments possible to the customer, and take whatever corrective actions are necessary to help prevent it from reoccurring. TVA officials said the circumstances surrounding this situation had been discussed with the complainants and they had been offered full participation in the heat pump financing plan at the interest rate in effect at the time they made their initial request. We contacted the complainants who stated they had taken advantage of TVA's offer and that they are completely satisfied with TVA's actions to rectify the situation.

ALLEGATION REGARDING HOME  
INSULATION PROGRAM

A former TVA energy advisor charged that there were several improprieties with regard to TVA's home insulation program. Specifically, he stated he reported serious deficiencies and fire hazards to TVA concerning the program. He also mentioned that inspections and re-inspections were not properly conducted due to the heavy workload by the energy advisors. The former energy advisor also charged that he had been fired by TVA for reporting these deficiencies. The complainant filed two suits against TVA and several employees. The first suit sought a copy of TVA's internal investigation of the complainant's charges under the Freedom of Information Act. The second suit asserted that several TVA employees had defamed the complainant in a statement released to a local newspaper and that TVA was also liable for the statements as their employer.

A Tennessee U.S. District Court decided both cases together on November 11, 1980. It dismissed the first suit as moot because the complainant had already received, in conjunction with the second suit, a copy of TVA's internal investigation of his charges. The court held in the second suit that the TVA officials, as Government employees, were immune from civil liability because their statements were made within the scope of their employment (line of duty). The second suit was appealed.

The U.S. Sixth Circuit Court of Appeals on January 28, 1982, affirmed the District Court decision without an opinion. The complainant has petitioned the Supreme Court to review the case. If the Supreme Court were to hear the appeal and reverse the lower court decision, the issue of whether the statements were in fact libelous could result in a court trial.

INTERNAL TVA REPORTS ON  
ENERGY CONSERVATION PROGRAMS

TVA's Division of Management Systems issued within a four month period a series of reports on the energy conservation programs covering the period 1977 when the programs started to January 1982. These reports were focused on the two divisions in TVA's Office of Power having responsibility for energy conservation programs--the Division of Energy Conservation and Rates and the Division of Energy Use and Distributor Relations. The purpose of these reports was to assist management in resolving the fragmentation problems that resulted from quickly starting up the conservation programs. The reports did not specifically measure any effects of these problems nor did they cover the efficiency and effectiveness of TVA's conservation program. Rather, they dwelt heavily on internal procedures. The report titles are as follows:

- Basic Analysis and Management Requirements (October 1981);
- Support Services (January 1982); and
- District Organization and Management (January 1982).

The October 1981 report on management requirements identified problems needing attention and classified them into three basic categories:

- Organizational interface problems resulting from past conflicts or current disagreements concerning who should do what.
- People problems related to the presence of relatively inexperienced supervisors in many organizational units.
- Procedural problems caused by the lack of common organization/administrative systems across all areas of activity.

According to the report, these problems stem from the current organization and management environment being very complex and confusing. The report states that most managers and supervisors in these divisions believed they could not effectively control the programs given the present organizational structure; therefore, improvement attempts have been frustrated.

According to the report the basic actions that need to be taken to improve the management effectiveness of TVA's energy conservation programs are (1) adoption of a common management infrastructure linking all functions in both divisions as well as a common philosophy for all conservation programs, (2) clarification of authorities and responsibilities for all managers, (3) establishment of a plan for top managers to provide reinforcement to

subordinate staff as well as routine staff meetings, (4) design and implementation of specific administrative mechanisms to coordinate short-term work priorities, and resolve apparent conflicts in priorities, and (5) implementation of continual training efforts.

The January 1982 report dealing with support services was aimed at identifying problems the conservation programs may be experiencing due to support services. Support services were defined as any ongoing activities that support the development or implementation of the energy conservation programs of the two divisions. This definition included such items as training, computer services, development of promotional materials, and market analysis.

The report stated that the major problem is a basic lack of definition concerning the relationships between support services and direct program activities, combined with a lack of integrated management procedures for scheduling specific work tasks in the proper sequence and priority to meet all program needs. The report recommends a model for managing and organizing support service functions in the two divisions assuming that all residential conservation programs are placed in one branch and all commercial and industrial conservation programs are placed in another within the Division of Energy Conservation and Rates.

The final report dealing with district organization and management was focused on how the district offices were organized to carry out the conservation programs to determine whether the district organization may be hampering the effectiveness of the programs. The report points out the need to develop a new plan to eliminate the current transitional nature of the existing organization and management structure in all seven district offices.

The report recommends that the district offices adopt an organizational model which (1) recognizes and corresponds to the different roles to be played by the Division of Energy Conservation and Rates and the Division of Energy Use and Distributor Relations, (2) results in the effective utilization of field personnel, and (3) reduces the overlap in responsibilities among the various components of the present district organizations.

In responding to the aforementioned reports, officials from the Division of Energy Use and Distributor Relations and the Division of Energy Conservation and Rates outlined the following actions which they believe will rectify the problems noted in the audit reports:

- Mesh the Division of Management Systems' assessment with current and projected basic program design modifications and organizational plans.

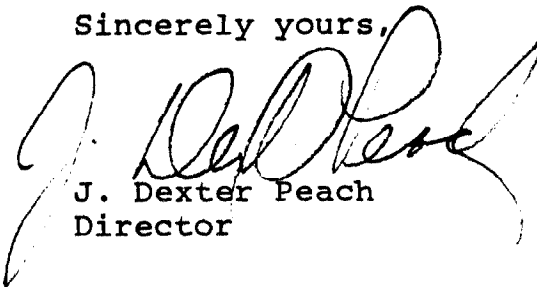
- Identify and assess the available options that will lead to improved efficiencies in program management and performance.
- Define appropriate changes that are necessary and the sequence of implementation.
- Follow through with program and organizational changes as well as instructions for implementation of the changes.

TVA officials from these two divisions stated that they are in the process of devising corrective actions to respond to the internal reports. The officials said, however, that they can not predict a specific time when these actions will be completed. They have agreed to keep us periodically informed of their progress.

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As agreed with your staff in a recent briefing, we will follow-up at a later date to assess the adequacy of TVA's actions with regard to the audit reports as well as the efficiency and effectiveness of TVA's conservation program. As requested, we did not obtain agency comments and we plan no further distribution of this report until 30 days from its issue date unless you publicly announce its contents earlier. At that time, copies will be sent to interested parties and will be made available to others on request.

Sincerely yours,



J. Dexter Peach  
Director