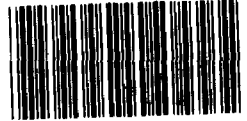




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UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

December 17, 1982



120538

RESOURCES, COMMUNITY,  
AND ECONOMIC DEVELOPMENT  
DIVISION

B-202342

**RESTRICTED** — Not to be released outside the General Accounting Office except on the basis of specific approval by the Office of Congressional Relations.

The Honorable Albert Gore, Jr.  
House of Representatives

**RELEASED**

Dear Mr. Gore:

Subject: Allegations That Usable Tools and Equipment  
Were Buried at the TVA Hartsville Nuclear  
Project. (GAO/RCED-83-42)

In a September 23, 1982, letter you requested that we review certain allegations that the Tennessee Valley Authority (TVA) had been burying usable tools and equipment at its Hartsville nuclear project. Specifically, you asked that we provide our views on

--whether TVA has addressed allegations that usable tools and equipment were buried at the Hartsville nuclear project and

--if we believe inventory control and disposal problems exist.

Our work shows that TVA adequately investigated the Hartsville allegations and found that usable material and equipment were not buried at the Hartsville nuclear project site. TVA's audit work did indicate, however, that several inventory control and disposal problems do exist. These problems were similar to the problems we identified in our March 1981 report to TVA. 1/

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our review were to evaluate the adequacy of TVA's investigation of the allegations and to determine from TVA's own study if inventory control and disposal problems exist. We met with TVA officials in Knoxville, Tennessee, to discuss the allegations and determine what actions TVA has taken and will take to resolve the matter. We obtained and reviewed TVA's internal correspondence and documents on this matter including the agency's internal audit program, workpapers, and report.

1/"The Tennessee Valley Authority Needs to Improve Security and Inventory Controls at Power Sites," EMD-81-60, March 10, 1981.

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To determine if TVA has inventory control and disposal problems, we reviewed TVA's internal audit report and discussed the findings with TVA's internal auditors. We compared these findings with our previous audit work to determine if the problems we identified in the March 1981 report were still applicable. This review was performed in accordance with generally accepted government audit standards.

#### BACKGROUND

In July 1982, several TVA employees made allegations to a Tennessee State Senator and a Nashville television reporter that TVA was improperly burying tools and equipment at the Hartsville nuclear project. The thrust of these allegations was that TVA construction management had ordered some of the workers to improperly dispose of surplus construction equipment worth millions of dollars. The State Senator subsequently referred these allegations to you, TVA, and us for investigation. In response to the allegations, TVA immediately launched its own investigation to determine whether the allegations were true and also to review TVA's disposal procedures and practices for small tools and equipment.

#### HARTSVILLE ALLEGATIONS WERE ADEQUATELY INVESTIGATED

TVA adequately investigated the allegations that millions of dollars of tools and equipment were being improperly buried at the Hartsville nuclear project. The results of its investigation showed that, except for a few minor items, usable construction material and equipment were not buried at the project site.

To determine the validity of the allegations, TVA assembled an investigative team consisting of two internal auditors, an attorney, and one management representative from the Office of Engineering Design and Construction. The team interviewed four of the Hartsville construction workers who made allegations. After confronting these individuals, the team had them specifically identify the areas where the material and equipment had been buried. The team then directly observed TVA construction crews unearth several of the identified areas. The excavation crew dug 10 feet deep in some of the areas, and excavation was performed in all the areas identified by the workers except one. Excavation was not performed in this area because the slope of the land and a marsh prevented the excavation crew from getting their equipment to the area. The excavation uncovered small amounts of tools, scrap construction materials, and personal equipment, which appeared to be mostly unusable. Items found included safety goggles, belts and glasses, zigzag rulers, and hardhat liners. Although two items may have been usable and a few serviceable, TVA concluded the evidence indicated that valuable or usable items had not been buried. Based

on the results of the investigation, TVA has closed out inquiry, and there are no plans to do additional work.

SMALL TOOL AND EQUIPMENT  
CONTROL PROBLEMS

In 1980 and 1981 we examined and found problems with TVA's security and inventory control procedures at power sites. In March 1981 we reported that equipment theft losses were excessive, inventories were not periodically taken, procedures for issuing small tools were not standardized, and the volume of purchases indicated a need for stronger internal controls. To resolve these problems and establish and maintain an effective system to protect TVA assets, we recommended in our March 1981 report that the Board of Directors take the following actions.

- Establish standard accountability procedures for small tools at all construction projects and power production plants.
- Develop a system for conducting tagged equipment inventories at TVA construction projects at acceptable intervals.
- Standardize TVA's theft reporting practices at all its projects and powerplants, and require that missing items be reported to TVA's Public Safety Service for investigation.

In responding to our report, TVA recognized that it had problems and indicated it would take action to standardize accountability procedures, inventory tools, and issue standard theft and loss reporting instructions.

Subsequently, we did a followup survey in January 1982 and found that TVA was working to improve its inventory controls. Its Office of Power and Division of Construction had issued guidelines and instructions establishing a tool and equipment accountability system, standard theft reporting practices, and a system for periodically conducting tagged equipment inventories at TVA's construction sites. Although it was too early to review how effectively these procedures were being implemented, we believed the procedures adequately responded to the problems we had identified in our March 1981 report.

TVA's investigative team also reviewed TVA's disposal procedures as they apply to small and large tools, equipment, scrap metal, and personal gear. The team visited 12 operating powerplants, 14 construction sites including the Hartsville nuclear project, and a chemical operations facility. The team discussed disposal procedures in effect over the accountability of these types of

materials and equipment with responsible management personnel. It also reviewed the internal controls over disposal of materials to find out whether they are adequate to prevent unauthorized removal or disposal of TVA property.

TVA's investigation uncovered several problems about controlling small tools, which were similar to those identified in our March 1981 report. These problems were caused, for the most part, because established TVA procedures were not being followed. Specifically, TVA's audit report stated that field personnel is not clearly informed on the correct disposal procedures for small tools, tagged equipment, and personnel gear. Consequently, the audit report noted instances where

- hand tools and personal gear were issued and tagged equipment was assigned without any documentation or accountability at 1 of the 14 construction sites, and officials from the site's Construction Services Branch were not aware of established procedures concerning the issuance and accountability of tools, equipment, and personal gear;
- damaged tools and retired equipment, generally disposed of in the scrap metal area and later sold, were buried because employees were taking items from the scrap metal area and exchanging them for new tools;
- material and equipment removal permits were presigned by a mechanical foreman at 1 of the 14 construction sites; and
- a toolroom was left open and unattended at 1 of the 12 powerplants.

In addition to these matters, the internal audit report noted that environmental disposal procedures were not being followed. For example, the audit found that domestic waste such as paper and plastic is being disposed of in an asbestos landfill despite the environmental restrictions, and that field personnel is not clearly informed on what materials can be disposed of in an onsite landfill.

The audit report recommended that responsible management representatives should monitor the overall environmental program and inform field personnel on the correct disposal procedures. Also, the report further recommended that accountability and return of personal items should be made consistent throughout TVA construction projects.

Since issuance of the report, TVA received comments from responsible officials who generally agreed with the report's

findings and said actions would be taken to implement the report's recommendations. TVA's Office of Audit and Evaluation currently plans to perform a followup audit sometime during 1983 to determine how adequately the recommendations are being implemented.

CONCLUSIONS

We believe that TVA adequately investigated the Hartsville allegations and TVA's current inventory control and disposal practices. Based on discussions we had with members from TVA's investigative team and the internal audit report and written material we reviewed, except for a few minor items, usable construction material and equipment were not buried at the site. However, unless TVA resolves the deficiencies with inventory control and disposal practices by ensuring that its procedures are consistently implemented at all construction projects, similar allegations may arise and unnecessary small equipment losses could continue as stated in our March 1981 report.

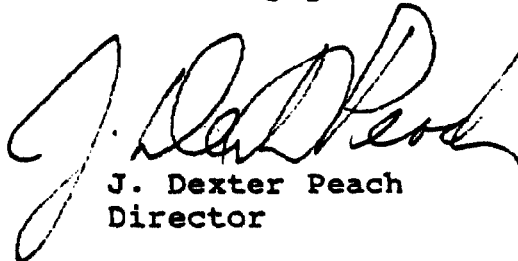
TVA COMMENTS

TVA did not disagree in its December 3, 1982, response with the information and conclusions we presented. The full text of TVA's written comments is included in enclosure I.

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As arranged with your office, we will not release the report to other interested parties for 30 days unless you publicly announce its contents earlier. At that time copies of this report will be sent to the Director, Office of Management and Budget; the House and Senate committees having oversight and appropriations responsibilities for TVA; and other interested parties as requested. If we can be of further assistance, please let us know.

Sincerely yours,



J. Dexter Peach  
Director

Enclosure

## TENNESSEE VALLEY AUTHORITY

KNOXVILLE, TENNESSEE 37902

OFFICE OF THE BOARD OF DIRECTORS

December 3, 1982

Mr. J. Dexter Peach, Director  
Resources, Community, and  
Economic Development Division  
U.S. General Accounting Office  
441 G Street, NW.  
Washington, D.C. 20548

Dear Mr. Peach:

We do not have any comment on the General Accounting Office Report RCED-83-42, "Allegations That Usable Tools and Equipment Were Buried at the TVA Hartsville Nuclear Project," requested by Representative Albert Gore, Jr., of Tennessee. We do appreciate the opportunity to comment, and it is satisfying to us that GAO too found that usable material and equipment were not buried at the Hartsville site.

This particular inquiry about waste illustrates well the arrangements TVA has established not only to determine the existence of any waste but to assure that adequate systems exist to minimize it. In this instance, we quickly and effectively investigated to determine if there was any waste. Those responsible for this effort involved our auditing personnel who are responsible for assuring that appropriate procedures exist to minimize waste. This combined effort together with the other arrangements in TVA for combating waste, fraud, and abuse demonstrates their improving effectiveness.

Sincerely yours,

*C. H. Dean, Jr.*

C. H. Dean, Jr.  
Chairman

GAO notes:

1. It should be noted that, in conducting our audit, we did not perform or participate in any excavation work at the Hartsville site. Our audit work was limited to reviewing the process that TVA used to investigate the allegations and inspecting the material that was retrieved from the excavation work.
2. While our work on this audit did not look at TVA's overall efforts for combating waste, fraud, and abuse, we believe the internal audit efforts TVA used to investigate the allegations at Hartsville were adequate.