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Report to Rep. John E. Moss; by Elmer B. Staats, Comptroller General.

Contact: Community and Economic Development Div.
Budget Function: Natural Resources, Environment, and Energy: Water Resources and Power (301).
Organization Concerned: Tennessee Valley Authority.
Congressional Relevance: Rep. John E. Moss.

The appropriateness of contracts awarded to and the effectiveness of the financial disclosure system of the Tennessee Valley Authority were examined. TVA is not subject to Federal procurement regulations, but it has developed regulations which incorporate provisions of the Federal regulations. Findings/Conclusions: During fiscal year 1975, the Authority awarded 36,673 contracts amounting to $3.6 billion. Of these contracts, 56.1 percent were awarded through formal advertising, 31.5 percent were awarded on an emergency basis, and 8.8 percent were negotiated on either a sole-source or competitive basis after unsuccessful advertising. It appears that the Authority awarded less than four percent of the dollar value of its contracts in 1975 without attempting to secure competition. TVA has established a financial disclosure system applicable to employees, consultants, and personal service contractors. Of the 354 statements that should have been received in 1975, 45 were missing. On December 31, 1975, TVA had 310 retired Federal employees on the payroll or about one percent of the total work force. The authority does not have a promotion-oriented public relations program, and only 23 of the 59 Information Office employees are engaged in information services directly to the public or media. (RRS)

REPORT OF THE COMPTROLLER GENERAL OF THE UNITED STATES

Tennessee Valley Authority: Information On Certain Contracting And Personnel Management Activities

This report provides requested information on the Authority's procurement activities and financial disclosure system, the number of retired Federal employees working for the Authority, and the number of employees involved in public relation activities at the Authority.

Procurement practices were found to be consistent with the Authority's regulations. In fiscal year 1975 the Authority awarded contracts amounting to $3.6 billion and only 4 percent were awarded on a noncompetitive basis.

No conflicts of interest were noted in the financial disclosure statements that Authority employees filed. Situations which could, in GAO's opinion, create the appearance of a conflict to the general public were submitted to the Authority's General Manager for comment. He found nothing in these situations which could result in a conflict of interest.

CED-77-4

DEC. 29, 1976

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-185101

The Honorable John E. Moss
House of Representatives

Dear Mr. Moss:

Pursuant to your October 9, 1975, request, we examined into the appropriateness of contracts awarded by and the effectiveness of the financial disclosure system of the Tennessee Valley Authority, a wholly owned Government corporation. We also obtained information on the number of retired Federal employees reemployed by the Authority and the number of employees involved in public relations and media contact work at the Authority.

We made our review at the Authority's offices in Knoxville and Chattanooga, Tennessee. We reviewed selected provisions of the Tennessee Valley Authority Act and the Authority's related regulations, procedures, and practices; examined pertinent records, files, and documents; and discussed pertinent matters with Authority officials. We also examined, as deemed necessary, the Federal Procurement Regulations and the regulations of the Civil Service Commission.

The Authority is not subject to the Federal procurement regulations, but the procurement regulations it has developed incorporate the provisions of the Federal procurement regulations to the maximum extent deemed practicable by the Authority's Board of Directors.

During fiscal year 1975 the Authority awarded 36,673 contracts amounting to $3.6 billion. We reviewed 23 contracts amounting to $879 million, representing a cross section of contracts awarded by formal advertising and by negotiation, and noted no material deviations from TVA's formal policies and procedures. Some administrative errors--such as failing to notify unsuccessful bidders of contract awards and unauthorized opening of late bids--were noted and discussed with TVA officials.

Of the $3.6 billion in contracts awarded in fiscal year 1975, 56.1 percent were awarded through formal advertising; 31.5 percent were awarded on an emergency basis, generally after the receipt of competitive proposals; and 8.8 percent were negotiated on either a sole-source or competitive basis after unsuccessful advertising. These three categories represented about 96 percent of the value of contracts awarded.

We are not aware of any established criteria for determining an acceptable percentage of noncompetitive contracts in relation to an agency's size, its tasks, or the amounts involved. But, because the Authority awarded less than 4 percent of the dollar value of its contracts in fiscal year 1975 without attempting to secure competition, it appears that this aspect of the Authority's procurement activities need not be questioned further.

Pursuant to Executive Order 11222, the Authority has established a financial disclosure system which applies to its employees and to its consultants and personal service contractor with whom an employer-employee relationship exists. Under the system all high-level officials are required to file statements of outside employment and financial interest, and mid-level employees who can make final decisions or take conclusive action also must file. The Authority determined that 354 statements should have been filed as of June 30, 1975, and that, during calendar year 1975, 33 statements should have been filed by employees appointed, transferred, or promoted to positions requiring financial disclosure. However, 45 statements were not received, and Authority officials were unable to explain why these statements were not filed.

Employee financial disclosure statements are to be reviewed by the official to whom the employee reports. The Authority has 35 reviewers. Reviewers told us that statements were reviewed individually and that the listed financial interests and outside employments were compared to the employees' official duties. They told us that financial interest and outside employment were not questioned if the employee was not in a position to influence the Authority's dealings with the firm listed. But reviewers were not required to document their reviews.

During our review, the Authority's General Manager issued instructions to the reviewers that, to assure that all statements are submitted, a statistical report containing the number of statements required and the number received be filed and that each financial disclosure statement show the initials or signature of the office or division official who approved the statement and the date of the approval.

We reviewed all financial disclosure statements Authority employees filed during calendar year 1975, and, although we found no conflicts of interest, we questioned the Authority about several situations which, in our opinion, could create the appearance of a conflict to the general public. The General Manager told us that in examining these situations he found nothing which, in his opinion, could result in a conflict of interest.

We did not review the financial disclosure statements for the Board members, who are appointed by the President. Executive Order 11222 requires that their statements and those of other high-ranking Government officials be submitted directly to the Civil Service Commission. We are reviewing the Civil Service Commission's implementation of this order and the financial disclosure system for high-ranking Government officials and will be reporting separately to the Congress on the results of these reviews.

On December 31, 1975, the Authority had on its payroll 310 retired Federal employees, which represented about 1 percent of the Authority's total work force of 30,343. The retirees had retired under different retirement systems--Tennessee Valley Authority, military, and civil service. Because these systems have different provisions for determining whether the retiree's pay or annuity is reduced upon reemployment by a Federal agency, retirees' earnings were inconsistent. We have consistently stated the need for an overall Federal retirement policy.

The Authority does not have a promotion-oriented public relations program. The Authority's policy is to make available to all persons, on an equal basis, information that is not exempted by applicable Federal laws. The focal points for providing this information are the Authority's Information Office in Knoxville and its Washington D.C., office. Both offices report directly to the General Manager.

As of December 31, 1975, the Information Office had 59 employees. Only 23, however, are engaged in providing information services directly to the public or media. The others are engaged in editorial, secretarial, technical, and support functions related to providing information services, maintaining technical libraries for official use, and publishing a magazine for distribution to employees. The Washington office had five employees, including a Washington representative, two assistant representatives, and two clerks. These 28 employees represent less than one-tenth of 1 percent of the Authority's 30,343 employees.

The Authority's comments, the majority of which were editorial or explanatory, were considered in this report. As agreed with your office, copies of the report are being sent to the Authority.

Details on our examination into the Authority's activities are contained in the appendixes.

Sincerely yours,

Elmer B. Staats

Comptroller General
of the United States

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ABBREVIATIONS

CSC	Civil Service Commission
FPR	Federal procurement regulations
GAO	General Accounting Office
TVA	Tennessee Valley Authority

PROCUREMENT ACTIVITIES

Have any contracts been awarded to outside contractors by the Tennessee Valley Authority (TVA) in violation of Federal procurement and bidding regulations?

Is the percentage of noncompetitive contracts awarded by TVA disproportionate to its size, its tasks, and amounts involved?

ADHERENCE TO PROCUREMENT AND BIDDING REGULATIONS

TVA 1/ is generally exempt from the use of the Federal procurement regulations (FPRs) (40 U.S.C. 474). Also, section 9(b) of the TVA Act of 1933 (16 U.S.C. 831(h)(b)) states that TVA is authorized to make such expenditures and to enter into such contracts, agreements, and arrangements, upon such terms and conditions, and in such manner as it may deem necessary. TVA is authorized to determine its own system of administrative accounts and the forms and contents of its contracts and other business documents.

The legislative history indicates that it was the intent of this act to assign goals to TVA, to fix responsibility on the Board of Directors for accomplishing these goals, and to allow the Board a degree of freedom from controls placed on other agencies so that it would have some of the elasticity and initiative of a private business corporation. This concept was considered essential to accomplishing the assigned goals in the most efficient and economical manner.

In January 1960 the Board passed a resolution to the effect that, although it had been determined that it was not practicable for TVA's procurement of services and property to be made subject to the FPRs, TVA would incorporate the provisions of the FPRs into its own procurement regulations to the maximum extent practicable, consistent with the fulfillment of its program and the effective and efficient conduct of its business.

To the extent that procedures in the FPRs are found compatible with and suitable to TVA's needs in carrying out

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1/Information on TVA's mission and on its organizational structure is given on p. 6.

its responsibility, such procedures are used. TVA adheres to applicable social and economic provisions generally required for inclusion in Government contracts; for example, those provisions relating to small businesses, equal employment, labor standards, and Buy American. Excess property owned by other Government agencies is one of TVA's first sources of supply. TVA purchases materials, equipment, work, or other services from Federal agencies where such agencies are in a position to meet TVA's requirements. Also personnel in TVA's Division of Purchasing maintain a copy of the FPRs and review the amendments and changes to obtain information which may be useful to TVA.

To evaluate the adequacy of the procedures used by TVA, we reviewed 23 contracts awarded in fiscal year 1975. Generally we attempted to select a cross section of contracts awarded by formal advertising and by negotiation. Our review included 10 contracts totaling $304.9 million which were awarded by formal advertising and 13 contracts amounting to $574.4 million which were negotiated. In reviewing these procurement files, we noted no material deviations from TVA's formal policies and procedures. Some administrative errors--such as failing to notify unsuccessful bidders of contract award, lack of proper approval to solicit foreign bids, and unauthorized opening of late bids--were identified and discussed with TVA officials.

We noted that TVA internal auditors had reviewed, for compliance with established procurement policies, 2,402 purchase requisitions and the resulting 3,426 contract awards made during fiscal years 1974 and 1975. Their most prevalent finding was that 13 contracts had been awarded to other than the low bidder. In response to these findings, the Division of Purchasing was restructured to provide closer supervision of the purchasing agents. This action apparently was effective; on the last internal review involving 788 awards only 1 was identified as having been awarded to other than the low bidder.

PERCENT OF NONCOMPETITIVE CONTRACTS

Because TVA contracting policies and procedures require maximum competition, only a very small part of the total value of TVA contracts are awarded on a noncompetitive basis. TVA procurement operations are geared toward formal advertising and competitive negotiation and toward fixed-price contracts.

TVA procurement policies and procedures are based on section 9(b) of the TVA Act which states:

> "All purchases and contracts for supplies or services, made by the Corporation shall be made after advertising in such manner and at such times sufficiently in advance of opening bids, as the board shall determine to be adequate to insure notice and opportunity for competition: Provided, that advertisements shall not be required when, (1) an emergency requires immediate delivery of the supplies or performance of services; or (2) repair parts, accessories, supplemental equipment, or services are required for supplies or services previously furnished or contracted for; or (3) the aggregate amount involved in any purchase of supplies or procurement of services does not exceed $10,000; in which case such purchases of supplies or procurement of services may be made in the open market in the manner common among businessmen; Provided further, that in comparing bids and in making awards the board may consider such factors as relative quality and dependability of supplies or services, the bidder's financial responsibility, skill, experience, record of integrity in dealing, ability to furnish repairs and maintenance services, the time of delivery or performance offered, and whether the bidder has complied with the specifications "

During fiscal year 1975 TVA awarded 36,673 contracts amounting to $3.6 billion, of which 56.1 percent were awarded through formal advertising. Another 31.5 percent were awarded through negotiations on an emergency basis, generally after receipt of competitive proposals, and 8.8 percent were negotiated on either a sole-source or competitive basis after unsuccessful advertising. These three categories represent about 96 percent of the total value of contracts awarded.

TVA's procurements by type and relative dollar amounts for fiscal year 1975 and the first half of fiscal year 1976 are shown in the following table.

Type of transaction	FY 1975 Number	FY 1975 Amount	FY 1975 Percent	July through December 1975 Number	July through December 1975 Amount	July through December 1975 Percent
Formally advertised	3,466	$2,004,172,263	56.1	1,151	$ 185,628,654	60.1
Emergency	1,060	1,124,853,375	31.5	222	20,824,292	6.8
Repair parts	1,243	17,026,113	.5	241	39,614,881	12.9
Supplemental purchases	402	9,116,768	.3	82	1,618,538	.5
Negotiated after unsuccessful advertising	161	313,020,437	8.8	19	5,688,859	1.8
Only source	235	7,809,711	.2	68	2,005,134	.7
Indefinite quantity contracts	1,765	63,564,356	1.8	906	27,638,096	9.0
Federal Prison Industries, Inc.	15	95,355	-	5	37,437	-
General Services Administration	871	4,297,081	.1	380	2,046,527	.7
Requirement contracts	15	4,667,438	.1	25	7,625,622	2.5
Open-market purchases	27,440	20,624,640	.6	16,022	15,393,339	5.0
Contracts awarded	36,673	3,569,247,537	100.0	19,121	308,121,379	100.0
Change of contracts	3,260	187,095,051		1,882	a/838,246,383	
Total contract activity	39,933	$3,756,342,588		21,003	$1,146,367,762	

a/Includes $822,241,836 in commitments for coal procurement over a 30-year period.

The large amount of emergency purchases during fiscal year 1975 was due primarily to coal procurement during the energy crisis. Because of the decreasing coal supply TVA's Board of Directors, in October 1973, authorized the Division of Purchasing to negotiate coal contracts on an emergency basis. To preserve maximum competition, proposals were requested from all coal vendors on TVA's mailing list. This gave the Division the flexibility to accept, or possibly negotiate improvements in, proposals which normally would have been rejected as nonresponsive to specifications or excessive in price. The emergency authority was in effect until April 1975, and TVA awarded 180 contracts during fiscal year 1975 amounting to about $1 billion.

About 92 percent of the dollar value of fiscal year 1975 contracts negotiated after unsuccessful advertising were for nuclear fuels. TVA officials told us that uranium contracts had to be negotiated because the available sources refused to bid in response to TVA's advertisements.

The 235 contracts classified by TVA as awarded to the only source amounted to about two tenths of 1 percent of the total dollar value of fiscal year 1975 contracts. We reviewed 24 of the 235 awards. In 11 cases the requirement was advertised before awards were made. We believe that, in some cases, the contracts could have been properly classified in another category. Because of the small number of contracts and amounts involved, we have not taken exception to TVA's classification.

TVA's procurements during the first half of fiscal year 1976 were considerably less than for a similar period during fiscal year 1975. The dollar value of formally advertised contracts decreased because TVA did not award any multimillion-dollar nuclear facilities or fuel contracts. The number of emergency contracts also decreased considerably as TVA recovered from the energy crisis.

Repair parts purchases increased because an inspection program identified several repair requirements at various steam powerplants. The dollar value of open-market purchases, relatively small purchases made on the basis of quotes rather than formal advertising, increased because the dollar limit was raised by statute from $500 to $10,000 for this type of procurement.

We are not aware of any established criteria for determining an acceptable percent of noncompetitive contracts in relation to an agency's size, its tasks, or the amounts involved. However, since TVA awards a very small part of the total value of its contracts on a noncompetitive basis, it appears that this aspect of TVA's procurement activities need not be questioned further.

FINANCIAL DISCLOSURE SYSTEM

Executive Order 11222, as amended, states that Government corporations shall establish rules to avoid conflicts of interest and to protect the public's interests. Has TVA set up these requirements?

If so, has there been compliance in the form of filing of required financial disclosure and conflict-of-interest statements by all appropriate TVA personnel?

Does an examination of these filings reveal conflicts of interest or questionable financial holdings?

BACKGROUND

TVA is a wholly owned independent Government corporation created by the Congress in 1933 (16 U.S.C. 831 et seq. (1970)). TVA generates, transmits, and sells electric power; helps control floods; promotes navigation on the Tennessee River system; develops fertilizers and munitions; and participates in developing recreation, agricultural, industrial, and other resources of the Tennessee Valley. The powers conferred upon TVA are exercised through the Board of Directors consisting of three members. The Board establishes general policies and programs, reviews and appraises progress and results, approves projects and specific items which are of major importance and which involve important external relations or otherwise require Board approval, approves the annual budget, and establishes the basic organization through which programs and policies are executed.

The General Manager is the principal TVA administrative officer. He serves as liaison between the Board and the offices and division in the handling of matters of Board concern and coordinates the execution of programs, policies, and decisions which the Board approves or adopts.

Most of TVA's electric power is sold at wholesale prices to 160 municipal and cooperative electric systems and to 1 private company which distribute the power to more than 2.1 million customers in 7 States. TVA also serves directly 47 industrial customers with large or unusual power requirements and several Federal atomic, aerospace, and military installations.

REQUIREMENTS FOR FINANCIAL DISCLOSURE

Section 2(f) of the TVA Act of 1933, as amended, states that members of TVA's Board of Directors shall have no financial interest in any public utility corporation engaged in the business of distributing and selling power to the public nor in any corporation engaged in the manufacture, selling, or distribution of fixed nitrogen or fertilizer, or any ingredients thereof, nor shall any member have any interest in any business that may be adversely affected by the success of TVA as a producer of concentrated fertilizer or electric power. Board members' financial disclosure statements are filed directly with the Civil Service Commission (CSC).

The restrictive provision of the act, however, does not apply to other TVA employees. On February 28, 1938, the Board adopted a resolution establishing ethical conduct standards for TVA employees. The Board did not, however, require financial reporting nor prohibit employees from having interests in fertilizer- or power-related businesses.

Executive Order 11222, dated May 8, 1965, prescribed ethical conduct standards for Government employees and directed the CSC to establish implementing regulations. In October 1965 CSC instructed each agency (and Government corporations, such as TVA) to prepare regulations prescribing employee conduct standards and a system for requiring and reviewing employee financial disclosure statements.

TVA regulations (18 C.F.R. 300.735) governing employees' responsibilities and conduct were issued pursuant to the Executive order and CSC implementing instructions. CSC approved TVA's proposed regulations on April 1, 1966.

TVA's regulations state that an employee shall not:

1. Have a direct or indirect financial interest that conflicts substantially, or appears to conflict substantially, with his TVA duties and responsibilities.

2. Engage in directly or indirectly, a financial transaction as a result of, or primarily relying on, information obtained through his TVA employment.

TVA's conduct regulations particularly emphasize the TVA policies on financial interests.

The regulations do not preclude an employee from having a financial interest or engaging in financial transactions to the same extent as a private citizen not employed by TVA so long as it is not prohibited by law, the Executive order, or TVA regulations.

All TVA employees at management grade 8 and above, some physicians (staff and area medical service office chiefs), and employees in certain designated positions at management grades 5, 6, and 7 are required to disclose their outside employment and financial interests. The salary of TVA's management grade 5 is roughly equivalent to the salary of a GS-13. CSC regulations were amended in 1967, so that agencies can exclude employees from the reporting requirements when the liklihood of their involvement in a conflict-of-interest situation is remote. The inclusion of employees below GS-13, or at a comparable pay level under another authority, must be specifically justified by the agency in writing to CSC as an exception that is essential to protect the integrity of the Government and avoid employee involvement in a possible conflict-of-interest situation. No substantive decisions are made, TVA officials said, below the management grade 5 level, and these personnel could not affect TVA's dealings with outside firms. Therefore they have not requested CSC to grant any exceptions permitting TVA to require statements from any employees below management grade 5.

The General Manager, who is the ethics counselor, and other designated officials determine the positions at management grades 5, 6, and 7 which require financial disclosure. The regulations require financial disclosure by employees in management grades 5, 6, and 7 who are responsible for making a decision or taking action on

--contracting or procurement,

--administering or monitoring grants or subsidies,

--auditing of financial transactions,

--regulating or auditing non-Federal enterprises,

--using or disposing of excess or surplus property,

--establishing and enforcing safety standards and procedures, and

--any other matters having an appreciable economic impact on the interests of a non-Federal enterprise.

In designating positions requiring financial disclosure, TVA officials advised us that, on the basis of their knowledge of the day-to-day activities of the employees who report to them, they can fairly easily determine the employees who make decisions or take conclusive actions. To determine whether all appropriate personnel were filing statements of outside employment and financial interest, we reviewed position descriptions for 62 employees in grades 5, 6, and 7 whose positions TVA had not identified as requiring financial disclosures. Some of these position descriptions indicate that, if the incumbents exercised the authority specified, they could make final decisions or take conclusive action.

TVA officials told us that a complete review of TVA's conduct regulations would be made with particular attention to positions below the management grade 5 level where statements from incumbents may be desirable.

The positions at grades 5, 6, and 7 required to file are identified in an appendix to TVA's regulations. The appendix and any major changes thereto are required by TVA regulations to be published in the Federal Register.

TVA's regulations state that an employee occupying for the first time a position requiring financial disclosure is required to submit a statement of outside employment and financial interest not later than 30 days after his entrance on duty. Changes in, or additions to, the information contained in an employee's statement are to be reported in a supplementary statement as of June 30 each year. The supplementary statements are to be submitted as soon as possible after June 30 but must include all information through that date. If there has been no change, he reports "no change." If there has been a change, he identifies it in full so that the reviewer will not need to refer back to the previous statement. The employee may, if he prefers, submit a statement reporting total current information.

Generally when an employee subject to financial disclosure transfers to a different position, he is required to submit an interim statement showing total current information.

Employees are required to disclose the names of all corporations, companies, firms, or other business enterprises, partnerships, nonprofit organizations, and educational or other institutions with which they are connected as an employee, officer, owner, director, member, trustee, partner, adviser, or consultant; or in which they have a continuing financial interest, through a pension or retirement plan, shared income, or other arrangement as a result of any current or previous employment or business or professional association; or in which they have any financial interests through the ownership of stock, stock options, bonds, securities, or other arrangements including trusts.

Employees are also required to disclose any interest in real property other than personal residences and to list the names of creditors other than those for a mortgage on a personal residence or for current and ordinary household expenses. They are not required to report financial interest if it is solely in the form of an investment, including (1) bonds, notes, or other evidence of indebtedness which do not give the holder any share in the ownership or direction of the enterprise and (2) preferred and common stock for which the estimated value thereof does not exceed $5,000 and does not exceed 1 percent of the estimated market value of all outstanding shares of the enterprise.

Executive Order 11222 applies to "Special Government Employees." This designation includes consultants and personal service contractors who have an employer-employee relationship with TVA. If so designated the individual is required to comply with the applicable financial disclosure requirements. During calendar year 1975 TVA had contracts with 54 consultants and 1,693 personal service contractors.

For each contract, TVA's Division of Law determines whether an employee-employer relationship exists and notifies the appropriate office or division. The Division determined that the 51 consultants and 960 of the personal service contractors did not have an employee-employer relationship. The other 733 personal service contractors were determined to have an employee-employer relationship, but 638 were hired under form contracts for special employment and training programs having short duration, such as the Summer Aid Program and the President's Youth Opportunity Stay-In-School Program.

Our examination showed that, of the remaining 95 contractors, 92 were hired to perform such tasks as clerical services and labor and were apparently not responsible for making any decisions or for taking any actions with respect to areas which would require financial disclosure. The three remaining cases were discussed with TVA officials because the duties assigned and pay received were significant. The official using the services of two of the contractors said these contractors performed specific tasks and did not make decisions and, therefore, were not required to file financial statements. The official using the service of the other contractor said this contractor also performed a specific task and the contract was limited to 20 days.

FINANCIAL DISCLOSURE STATEMENTS FILED

As of June 30, 1975, TVA had 1,360 employees in management grade 5 or above, including physicians. The following table shows the number of statements required for these employees, compared to the number of statements actually submitted.

Grade level	Number of Employees	Number of Statements required	Number of Statements submitted
Management 8 and above	90	90	84
Management 5, 6, and 7	1,256	259	245
Physicians	14	5	5
Total	1,360	354	334

Personnel officials said that, although TVA did not require supplemental statements to be filed within a specified time, a 30-day period was reasonable. Of the 334 supplemental statements submitted during calendar year 1975,

--140 were submitted an average of 18 days before June 30,

--180 were submitted within 30 days after June 30,

--12 were submitted an average of 38 days after June 30, and

--2 were not dated.

TVA officials were unable to explain why 20 of the required statements were not filed.

During calendar year 1975 TVA appointed, transferred, or promoted 33 employees to positions requiring financial disclosure. Pursuant to TVA regulations, these employees were required to file statements within 30 days after entering on duty. As shown in the following table, only 8, or 24 percent, of these employees submitted the required statements.

	Statements required	Statements submitted
New employees	4	1
Position changes with promotions	21	7
Position changes without promotions	7	-
Promotions without position changes	1	-
Total	[illegible]	8

Of the eight statements, four were submitted within 30 days after the employees entered into these positions and four were submitted an average of 83 days late. TVA conduct standards require reviewers to instruct those employees who are covered to submit statements and suggest sending the relevant material to the employee. Some officials responsible for assuring that statements are filed by appointed, transferred, or promoted employees told us that there was no established procedure for notifying the employees of this requirement.

In the interest of assuring that supplemental statements are received and reviewed on time, the General Manager, by memorandum dated June 9, 1976, directed that, for 1976 and future years, supplemental statements be submitted after July 1 but not later than July 31. A statistical report containing the number of statements required and the number received is to be submitted to the General Manager by September 15. The General Manager also emphasized to heads of offices and divisions the importance of determining whether statements are required when employees are appointed, transferred, or promoted and for assuring that such statements are submitted on a timely basis.

TVA'S REVIEW OF FINANCIAL DISCLOSURE STATEMENTS

Employee financial disclosure statements are to be reviewed by the official to whom the employee reports. The General Manager reviews the statements of employees who report directly to him and has delegated responsibility to heads of offices and divisions for reviewing statements of employees reporting to them. TVA has 35 reviewers.

Each TVA employee is given a copy of the TVA-prepared statement on "Employee Conduct Standards and Responsibilities," which gives information on various items, including do's and don'ts, concerning outside employment and financial interest. The document contains references to executive orders, statutes, the Code of Federal Regulations, and the TVA manual, where further details are available. The reviewers we talked to had copies of these various documents in their possession or available to them for their use in reviewing financial disclosure statements.

Reviewers told us that statements were reviewed individually and that the listed financial interest and outside employment were compared to the employee's official TVA duties. They told us also that financial interest and outside employment were not questioned if the employee was not in a position to influence TVA's dealings with the firms listed. Reviewers are authorized to obtain from the employee or from any other source such additional information as he deems advisable in any case where he determines a conflict or an apparent conflict of interest may exist. A questionable interest that is not resolved by the reviewer is to be reported to the Board of Directors through the General Manager.

Reviewers we interviewed told us that they were able to satisfactorily resolve questionable interests noted. For example, a division director told us that he had suggested to his deputy that he divest himself of stock owned in a company from which TVA purchased large amounts of material and that his deputy had sold the stock.

Reviewers were not required to document their reviews. We did note, however, that, because of confusion as to who should review the statements in one office, 12 statements had been submitted to the Division of Personnel for filing without having been reviewed. The office manager said this situation had been corrected and hereinafter the statements would be reviewed. The General Manager's June 9, 1976, memorandum requires that each supplemental statement show the initial or signature of the office or division official who approved the statement and the date of the approval. Further the statistical report to be submitted to the General Manager (see p. 12) is to disclose the results of the reviews of the financial disclosure statements.

QUESTIONABLE FINANCIAL HOLDINGS

We reviewed the 342 financial disclosure statements TVA employees filed during calendar year 1975, and, although we found no conflicts of interest, we questioned TVA about several situations which, in our opinion, could create the appearance of a conflict to the general public.

In reviewing the financial statements, we noted that TVA employees had frequently invested in the utility industry. Of the statements submitted in calendar year 1975, 21 showed financial interests in 36 organizations whose titles indicated they were utilities. Of the 21 statements, 12 showed interests in three utilities with which TVA has power exchange agreements. When we questioned the General Manager, he told us that:

> "Public utility stock tends to be a stable, conservative form of investment which would appeal to many investors including TVA employees with or without any TVA information. We do not believe the Executive order is intended to deny a TVA employee the opportunity to invest in public utilities on the same basis as the general public, and the order so states. Such investments should not be questionable so long as they are not based on information obtained through official sources not open to other investors. There should be no question of the employee's ability to serve TVA and the public with integrity. We have observed no patterns or timing of investments in public utilities which would indicate that employees are taking advantage of information not available to investors generally."

During fiscal year 1975, TVA had contracts with 5,932 companies for the purchase of materials, fuel. equipment, and supplies. Of these, 47 employees had financial interests in 97 of these companies (12 of these employees also owned financial interest in the utility industry as mentioned above). We discussed some of these cases with reviewing officials who told us that the employees' duties were such that they could not influence TVA's dealings with the companies in which they had investments. We believe, however, that, in three cases, the circumstances could create the appearance of a conflict to the general public, and we submitted these cases to the General Manager for comment.

We found that, of the 47 statements, 12 showed financial interests in 10 companies to which TVA served power directly, rather than through distributorships. Only two employees were in the office responsible for the sale of power. One was not associated with negotiation of any power sales contract. We submitted the other case to the

General Manager for comment because the employee involved appeared to us to be in a position to take conclusive action. This case and others submitted to the General Manager are discussed below.

We also noted that three employees owned real estate (other than their residences) on lakes created by TVA dams. TVA officials told us that ownership of such lots did not constitute a conflict of interest so long as the lots are purchased for the personal use of the employee or his family. TVA regulations concerning the disposal of real property state that TVA employees, other than lessees of cabin sites, may not buy real property from TVA by direct negotiation. They may bid for property at a TVA public auction if they intend to buy it for their own personal use or for the use of their immediate family. They may not bid for property at public auction if they intend to speculate with the property. TVA will not sell property to employees who, because of their official duties, can get information which is not available to the general public about the value, quality, or condition of property for sale.

The General Manager said that, in reviewing statements concerning financial interests which could create the appearance of a conflict to the general public, he compared the employee's interest to his official duties and made a judgment as to whether the employee could favor the firm in which he had a financial interest.

In commenting on the four cases we submitted, the General Manager said that

--in the case of the employee having a financial interest in a directly served company, TVA contracts, in such instances, included uniform rate schedules and the terms of these contracts were open to the public and there would be little opportunity for this employee to favor one industrial customer over another;

--the financial interests one employee owned related to a company from which TVA purchased services under a General Services Administration general supply contract; and

--in the other two cases, the employees had no official dealing with the companies in which they had financial interests.

In summary, the General Manager stated that, in examining these cases, he found nothing which, in his opinion, could result in a conflict of interest.

RETIRED FEDERAL EMPLOYEES WORKING FOR TVA

Are there retired Federal workers on TVA's payrolls, and, if so, how many?

On December 31, 1975, TVA had on its payrolls 310 retired Federal employees, which represented about 1 percent of TVA's total work force of 30,434. The number of retirees and the systems from which they retired are shown in the following table.

Retirement system	Number of retirees
TVA	26
Military	283
Civil service	1
	310

TVA RETIREES

Under provisions of the TVA Act of 1933 (16 U.S.C. 831(b)), the Board of Directors is authorized, without regard to civil service laws, to appoint and fix the compensation of TVA officers and employees and to provide a system of organization to promote efficiency. Pursuant to this authority, the Board has established a retirement system separate and apart from the civil service system. 1/ The validity of this system was upheld by the courts in 1944. Generally only full-time salaried employees are eligible for membership in the TVA retirement system.

The TVA retirement system is a separate and independent entity from TVA. Its general administration is vested in a seven-member Board of Directors in accordance with the rules and regulations of the system. Three of the directors are elected from the membership of the system, three are appointed by TVA, and these six elect the seventh. Although the original rules and regulations governing the system were adopted by the TVA Board, amendments to those rules and regulations are made by the Retirement System Board, subject to a veto by the TVA Board within a specified time after an amendment is proposed.

1/Officers and employees of most other Government corporations are covered by the civil service retirement system.

Retirement system benefits consist of a pension from TVA contributions and an annuity made up of employee contributions. All employee contributions are accounted for individually, and TVA's pension contributions are accounted for separately. Different formulas are used for calculating the pension benefit and the annuity payment.

TVA retirees can, under present TVA policy, be rehired with no reduction in salary or retirement benefits, provided they are not rehired at an annual rate of pay for a predetermined period of more than 6 months. Also TVA retirees who are hired by other Federal agencies are not subject to reduction in pay or retirement benefits.

On December 31, 1975, TVA had 25 TVA retirement system retirees on its payroll as temporary, hourly employees earning from $5.87 to $10.20 an hour. One TVA retirement system retiree had a series of appointments, each less than 6 months at an annual salary of $11,920. These employees were receiving their retirement benefits and full earnings.

TVA had personal service contracts with six TVA retirement system retirees as of December 31, 1975. TVA's stated policy is to obtain services in this way only if it is not practicable to use TVA employees. A personal services contractor's compensation is based on the amount paid to TVA employees for similar work or the prevailing rate for similar services. These contracts are generally limited to a number of hours or days, or at a total amount during the contract term. Pertinent data concerning the six personal service contractors, whose retirement benefits were not reduced, is shown below.

Date retired from TVA	Annual salary at date of retirement	Current rate of compensation	Amount received under contract during calendar year 1975
9-28-67	$25,500	$ 70 an hour	$ -
5- 5-71	21,025	110 a day	-
8-31-71	32,800	200 a day	24,750
7-21-72	22,325	85 a day	1,020
11-15-74	12,745	10 an hour	2,600
5-30-75	34,800	50 a day	150

MILITARY RETIREES

Certain retired military personnel who obtain civilian employment in the Federal service are required to have their retirement pay reduced. In particular, 5 U.S.C. §5532 (1970) provides that the retirement pay of retired regular officers, with certain specified exceptions, 1/ who obtain Federal civilian employment, shall be reduced by a fixed formula. However, this restriction does not apply to retired reserve officers or to retired enlisted men. When reductions are applicable, Federal agencies, such as TVA, notify the appropriate military finance center, which in turn reduces the retired member's retirement pay.

TVA's records show that, of the 283 military retirees on its payroll as of December 31, 1975, 4 had retired as regular officers, but the records do not indicate whether TVA notified the appropriate military finance centers. We questioned TVA as to whether such notification had been made, and, as a result, they contacted the appropriate finance centers. TVA found that they had not notified the centers about two of these retirees. One of the retirees, however, had personally notified his finance center about his TVA employment; the other retiree has been receiving both his TVA earnings and full military retirement pay for over 6 years. TVA officials told us that steps had been taken to insure reporting to military finance centers of the employment by TVA of all military retirees.

By letter dated August 11, 1976, TVA notified the retiree's finance center that the retiree was subject to the Dual Compensation Act. By letter dated September 13, 1976, the center notified the retiree that his monthly retired pay was being reduced from $1,352.95 to $837.31 and that an overpayment of $30,033.91 existed for the period June 1, 1970, through August 31, 1976. Arrangements for the refunding of the overpayment had not been completed at the conclusion of our review.

CIVIL SERVICE RETIREES

The civil service retirement law (5 U.S.C. §8344(a) (1970)) provides that annuitants reemployed in the Government are subject to reduction of salary equal to the amount of their annuity allocable to the period of reemployment.

1/Retired because of disability resulting from war or armed conflict, or when employed on a temporary basis.

Accordingly civil service annuitants employed by TVA have their pay reduced by the amount of annuity they receive from the civil service retirement system.

The one civil service annuitant employed by TVA retired from the Department of the Interior in October 1965. On December 31, 1975, the retiree's annual salary rate was $10,970. As required, the annuitant's annual rate of pay was being reduced by her annuity of $3,693. Similarly, a TVA retiree reemployed on a permanent full-time basis, as this annuitant was, would receive only an annual salary. TVA retirement benefits would be stopped during the period of such permanent full-time employment. However, the pay of civil service retirees, when hired on an hourly basis, is subject to a reduction by the amount of their annuities, when the pay of TVA retirees so employed is not reduced. TVA officials told us they did not have a personal service contract with a civil service retiree; if they did, they would ask for a CSC ruling as to whether compensation should be reduced.

INCONSISTENCIES IN RETIREMENT SYSTEMS

Civil service and regular military officer retirees, not subject to an exception in the law, who work for TVA have their salaries or retirement benefits reduced. But TVA retirees who are rehired by TVA (other than those rehired for a predetermined period of more than 6 months at an annual rate of pay) or are hired by another Federal agency are paid their full salaries and retirement benefits. TVA had 26 employees as of December 31, 1975, who retired from TVA and were rehired with no reduction in pay or in retirement benefits. Of these, 25 were hourly workers and 1 other has been rehired at 6 month intervals on a salary basis. Six other TVA retirees have personal service contracts with TVA with no reduction in retirement benefits.

Four retired military regular officers are also employed by TVA. Their retirement incomes would be reduced, unless they are subject to an exception in the law.

TVA retirees who work for other Federal agencies apparently are not subject to pay or annuity reduction. TVA officials told us they had never been contacted by another Federal agency regarding reduction of a TVA retiree's annuity.

TVA GENERAL COUNSEL'S COMMENTS

We discussed this matter with TVA's General Counsel who advised us that the Civil Service Retirement Act dealt with retirees receiving annuities from the Civil Service Retirement Fund ; that in this case there was a clear statutory authority for reducing the pay of a civil service annuitant, which was affirmed in a recent Federal district court action as being applicable to a civil service annuitant reemployed by TVA. TVA's retirement system, however, is separate and apart from the civil service retirement system, and there is no authority under the rules and regulations of the retirement system for reducing the pay of a TVA retiree, nor is there any statute applicable to retirees under the TVA system. In the absence of such authority, TVA believes it could not sustain any actions taken to reduce a TVA retiree's pay if the retiree chose to file suit. Neither is there a statute or regulation requiring the reduction or elimination of the pension received by a TVA retiree who is rehired, except as noted above. Of course, if a TVA retiree is reemployed on a basis under which he is covered by the TVA retirement system, his retirement benefits cease.

We were told that TVA recognizes the inconsistency in pay policies for civil service, military, and TVA retirees, but that pay inconsistency is due to inconsistencies in the statutes.

PREVIOUS GAO VIEWS ON FEDERAL RETIREMENT SYSTEMS

In a report issued to the Congress on July 30, 1974, entitled "Federal Retirement Systems: Key Issues, Financial Data, and Benefit Provisions," we stated that:

> "There is no overall Federal retirement policy to provide objectives and principles to guide the development and improvement of Government retirement system. Lacking such a coherent, coordinated policy, the benefit structures of Federal retirement programs have evolved and developed in a piecemeal fashion. One consequence of this type of development has been the creation of duplicate and inconsistent benefits."

That report observed that, if Government retirement systems were to develop collectively, on some consistent and financially sound basis, it would be essential that the Congress assume a major role in establishing and controlling an overall retirement policy. The report also pointed out the need for establishing a centralized mechanism for monitoring the development, interrelationship, and cost of Government retirement systems.

On March 11, 1976, we testified on Federal employee retirement benefits before the Subcommittee on Retirement and Employee Benefits, House Committee on Post Office and Civil Service, in connection with H.R. 11738 concerning the entitlement of Federal judges to previously earned Federal annuities while receiving their salaries. At that time we reiterated the need for an overall Federal retirement policy.

By letter dated June 23, 1976, the Chairman of the Subcommittee on Retirement and Employee Benefits, House Committee on Post Office and Civil Service, and the Chairmen of the House Committees on Banking, Currency, and Housing and on Armed Services asked GAO to undertake a comprehensive study of the desirability of consolidating all or part of the 51 retirement systems administered by the Federal Government into a centralized mechanism charged with the responsibility of eliminating (1) inconsistent benefits, (2) duplicate benefits, (3) gaps in retirement protection, (4) inconsistent financing methods, and (5) large unfunded liabilities. It should be noted, however, that the TVA retirement system has no current unfunded liability.

EMPLOYEES INVOLVED IN PUBLIC RELATIONS AND MEDIA CONTACT

How many TVA workers, by number and percent, are engaged in public relations and media contact work?

TVA does not have a promotion-oriented public relations program. TVA's policy is to make available to all persons, on an equal basis, information that is not exempted by applicable Federal laws. The focal points for providing these informational services are TVA's Information Office in Knoxville and its Washington, D.C., office. Both offices report directly to the General Manager.

Information is disseminated by (1) personal communication, including discussions, correspondence, guided tours, and similar methods, (2) general information methods, including written releases to the media, speeches, films, conferences, radio and television reports, brochures, and similar methods, (3) publication in the Federal Register of appropriate matters of general applicability, and (4) responding to requests which reasonably describe the records sought and which are made in accordance with TVA procedures.

The Information Office has primary responsibility for performing or for establishing procedures and guidelines for other divisions' performance under the above policy. It issues or approves news releases or official TVA public statements and reviews speeches and articles prepared in TVA and related to TVA activities. It helps visitors obtain information about TVA; serves as point of contact with the press, television, and other media; prepares or coordinates preparation of general information pamphlets; approves reproduction and distribution of public information materials; prepares motion pictures portraying TVA's overall activities and responsibilities, as well as subjects dealing with specific phases of the program; reviews or establishes guidelines for letters prepared by offices or divisions in specialized fields; advises offices and divisions in responding to requests for unpublished information; and, with the advice of the Division of Law, prepares reports to the Congress required under the Freedom of Information Act, as amended (5 U.S.C. 552).

The Washington office maintains liaison between TVA and the Congress, the Executive Office of the President, and Federal agencies in Washington. It supplies information directly or refers, to appropriate TVA offices, requests for

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information from the media or the public and from foreign representatives and visitors.

As of December 31, 1975, the Information Office had 59 employees. Only 23, however, are engaged in providing information services to the public or media. The others are engaged in editorial, secretarial, technical, and support functions related to providing information service and to maintaining technical libraries for official use and publication of a magazine for distribution to employees. The Washington office had five employees, including a Washington representative, two assistant representatives, and two clerks. These 28 employees represent less than one-tenth of 1 percent of TVA's 30,343 employees.

During calendar year 1975 TVA's Information and Washington offices spent $1,755,655, of which $714,574 was for library services and $140,260 was for printing and reproduction of employee publications and related salary costs. The remaining expenses, which may not be entirely applicable to information services, are shown below.

	Information office	Washington office	Total
Personnel compensation	$528,121	$116,254	$644,375
Printing and reproduction	79,577	520	80,097
Travel and transportation	33,747	2,517	36,264
Rental of lands, buildings, and office facilities	52,928	13,768	66,696
Supplies and materials	24,488	763	25,251
Communications services	21,202	2,168	23,370
Other operating expenses	20,256	2,730	22,986
Public relations contract	1,782	-	1,782
Total	$762,101	$138,720	$900,821

The public relations contract was for the design of a lobby display in one of TVA's new office buildings.

In addition to the above, TVA has program coordinators for each of three planned nuclear powerplants. The program coordinators are responsible for insuring a unified approach in accomplishing TVA program objectives. In doing this they:

--Establish and maintain a broadly based and effective communication system for collection, collation, analysis, and dissemination of pertinent information between TVA, community leaders, and organizations within the affected area and insure that the public is informed on a timely basis.

-- . closely with construction project managers and other TVA personnel assigned to the area to insure coordination and balance in the approach to solving community problems.

--Participate in establishing priorities and identifying need for additional TVA input for all community development activities.

--Serve as focal points for all contacts with community leaders, citizens groups, and other interested parties.

--Periodically evaluate the effectiveness of concerted actions in the affected area and recommend methods for improving TVA's community development activities.

In addition to those previously identified, a number of other TVA employees sometimes give speeches, show films, and provide information on request.