



Memorandum from the Office of the Inspector General

July 5, 2018

TVA Board of Directors

FINAL REPORT – PROJECT 2018-15567 – REVIEW OF TVA FIXED-WING AIRCRAFT FLIGHTS TO OXFORD, MISSISSIPPI

On March 29, 2018, we issued an audit report on the Tennessee Valley Authority's (TVA) fixed-wing aircraft (FWA) which identified significant weaknesses in the FWA program.¹ Subsequent to the issuance of this report, we received a concern that TVA-owned FWA flew to Oxford, Mississippi, home of TVA Board Chair Richard Howorth, at least 76 times between January 2013 and February 2018. The concern stated "These trips to Oxford may represent additional occurrences of fraud and/or abuse, which deserve investigation by OIG. At the least, the Oxford trips are likely an inefficient use of TVA resources, which resulted in a significant number of flight legs where the aircraft [was] empty of passengers."

We performed a limited scope review of the Oxford flights for the period January 9, 2013, through February 9, 2018, to determine if any of these flights were for non-TVA business purposes. We did not identify any flights to and from Oxford, Mississippi, that were not for official TVA business. All flights were for (1) scheduled TVA Board meetings, (2) Board committee meetings, (3) other Board business, (4) TVA events, or (5) instances where TVA employees flew to Oxford, Mississippi, on TVA business.

Our review identified 13 flights into Oxford, Mississippi, with no passengers where the aircraft flew to pick up Chair Howorth. There were only three occasions where it appeared Chair Howorth traveled alone on the continuation of these flights. In most cases, the TVA aircraft made multiple stops to either pick up or drop off Board members for committee or Board meetings before the flight's final destination. We did not look at the cost effectiveness of these flights because our previous audit determined one of the weaknesses of TVA's FWA program was that cost comparison analyses prior to use of FWA were not performed.

In response to our draft report, TVA's Board Chair stated he appreciated the review of the matter which confirmed the Oxford, Mississippi, flights were for TVA business. He also stated since Board members are spread among locations across the seven Valley states and are not available to TVA on a full-time basis, the most expeditious means of travel is required so that the Board can spend more time directly engaged in its work. See the Appendix for the Board Chair's complete response.

BACKGROUND

We recently completed an audit of TVA's FWA.¹ The objective of our audit was to determine if (1) TVA's decision to purchase FWA was reasonable compared to aircraft used by other utilities, (2) how the cost and use of the aircraft compared to that of other utilities and industry standards, and (3) whether the use of the aircraft is consistent with applicable federal laws and regulations. During our audit, we identified:

¹ Audit Report 2017-15470, *TVA's Fixed-Wing Aircraft*, March 29, 2018.

- Federal law and regulations applicable to TVA that pertain to usage and cost of FWA.
- TVA policies and procedures, including Board Practices effective between July 1, 2015, and February 28, 2017, for administering, using, and monitoring TVA's FWA.

Our audit determined the number of FWA in TVA's fleet is generally comparable to the number of FWA maintained by eight of its peers. However, we determined (1) TVA's stated justifications for sole sourcing the purchase of the aircraft were not supported and did not include any analyses of historical usage to determine TVA's FWA needs, and (2) the purchase of a jet instead of a second turboprop has not been cost effective. Additionally, (1) TVA may not have complied with Title 31, United States Code, Section 1344(a)(1), Passenger Carrier Use; and (2) TVA did not comply with various federal regulations and TVA policies and procedures regarding use of the aircraft. Specifically, with regard to noncompliance with federal regulations, we found (1) cost comparison analyses prior to use of FWA were not performed, (2) business justifications prior to use of FWA were not documented, and (3) authorizations prior to use of FWA were not obtained.

Subsequent to the issuance of our audit report, on April 17, 2018, we received a concern that TVA-owned FWA flew to Oxford, Mississippi, home of TVA Board Chair Richard Howorth, at least 76 times between January 2013 and February 2018. The concern stated "These trips to Oxford may represent additional occurrences of fraud and/or abuse, which deserve investigation by OIG. At the least, the Oxford trips are likely an inefficient use of TVA resources, which resulted in a significant number of flight legs where the aircraft was empty of passengers."

We reviewed flight data for all TVA-owned FWA between January 9, 2013, and February 9, 2018, to determine the number of flights to Oxford, Mississippi, and the purpose of the flights.

Applicable Law and Regulations

According to TVA's Office of General Counsel, TVA is subject to the following federal law and regulations:

- Title 31, United States Code, Section 1344 [31 USC § 1344)], Passenger Carrier Use, allows federal agencies to use funds for the maintenance, operation, or repair of aircraft when "used to provide transportation for official purposes."
- Federal Travel Regulation (FTR), Title 41 Code of Federal Regulations, Chapters 300 through 304 (41 CFR 300-304), implements statutory requirements and executive branch policies for travel by federal civilian employees and others authorized to travel at government expense.

Applicable TVA Policies and Procedures

Two TVA Standard Programs and Processes (SPP) were in effect between January 9, 2013, and February 9, 2018, that addressed roles, responsibilities, and processes involved in using and maintaining TVA's FWA.

- TVA-SPP-22.2, *Executive Travel*, was effective from December 17, 2010, until September 17, 2015, when it was canceled. According to the SPP's Revision Log,

there were two revisions to the SPP while it was in effect and neither of them applied to FWA.

- TVA-SPP-32.04, *TVA Fixed Wing Aircraft*, became effective January 12, 2016, and was in effect as of February 9, 2018. According to the Revision Log for TVA-SPP-32.040 Use of Fixed Wing Aircraft, Revision 0002 effective May 5, 2017, “Removed requirement to compare cost of TVA flight to commercial flights.” However, the change to this SPP does not remove the responsibility for TVA to comply with (1) Title 41 Code of Federal Regulation (CFR) § 301-70.801 which states a traveler may use government aircraft for official travel only when the cost of using a government aircraft is not more than the cost of the city-pair fare for scheduled commercial airline service or the cost of the lowest available full coach fare if a city-pair fare is not available to you or (2) 41 CFR § 301-70.802 which states the agency must ensure that travel on a government aircraft is the most cost-effective alternative that will meet the travel requirement.

Both SPPs include the following statements:

The mission is to provide fixed-wing air transportation services with the highest level of safety, quality, efficiency, and availability for travel in the most cost-efficient means possible. All factors, such as the wait time, travel time, landing facilities that cannot accommodate commercial aircraft, ground transportation costs, avoidable lodging costs, and similar direct and indirect costs will be considered when selecting a mode of travel.

Both SPPs incorporate TVA Board of Director’s Practice No. 10 (approved November 30, 2006), which includes the following guidance:

1. Board members² are to use the TVA plane only for official TVA business purposes.
2. It is the responsibility of TVA to make transportation arrangements for Board members to get to Board and Board committee meetings. Accordingly, transportation of Board members to attend Board and Board committee meetings is an appropriate use of the TVA plane.
3. In other circumstances, when making a determination to use the TVA plane, Board members will specify the business reason for the trip and are the individuals responsible for determining that such usage is economically justified in comparison to reasonably available alternative transportation.
4. As appropriate, the Board member or the Chief Executive Officer (CEO) will determine the destination and departure/arrival times for use of the TVA plane.
5. A Board member, in consultation with the CEO, may request the use of the TVA plane for one or more “non-TVA employee” passengers so long as such travel is in connection with official TVA business and determined to be in the best interest of TVA.
6. In no case will more than four Board members travel together by aircraft. When the Board is composed of fewer than nine members, less than half the number of members in office will be authorized to travel together by aircraft.

² TVA has had a nine-member part-time board of directors since March 2006.

7. In addition, in no case will the CEO and more than three Board members travel together by aircraft.

Flight Data Between January 9, 2013, and February 9, 2018

We reviewed flight data from TVA's Business Aircraft and Records Tracking (BART) system for TVA's FWA from October 1, 2013 (the earliest data available), through February 9, 2018 (which included TVA's latest purchase of a second Cessna jet in 2017). We also reviewed data provided in the concern reportedly obtained from the Federal Aviation Administration through a Freedom of Information Act request which covered all TVA fixed-wing flights from January 9, 2013, through February 9, 2018. We determined TVA's FWA made 77 flights to Oxford, Mississippi, between January 9, 2013, and February 9, 2018.³

We used information supplied by TVA Board Services to tie Board meetings or activities to each identified flight. Through this process, we were able to associate each flight identified by the TVA BART data and the data provided in the concern to a (1) scheduled TVA Board meeting, (2) Board committee meeting, (3) other Board business, (4) TVA event, or (5) instances where TVA employees flew to Oxford, Mississippi, on TVA business. In summary, we found all flights to Oxford, Mississippi, were for official TVA business purposes. No use of the TVA aircraft identified appeared to be an instance of fraud and/or abuse nor did they appear to be for the personal use of Chair Howorth.

As shown in Figure 1 on the following page, the reviewed data indicated the TVA FWA flights to Oxford, Mississippi, were used:

- Thirty-two times to travel to or from TVA Board committee meetings to pick up or drop off Chair Howorth (20 Board committee meetings).
- Twenty-one times to travel to or from TVA Board meetings to pick up or drop off Chair Howorth (12 TVA Board meetings).
- Ten times to fly to or from other TVA Board business to pick up or drop off Chair Howorth (6 events for other Board business).
- Ten times to travel to or from other TVA business to pick up or drop off Chair Howorth (5 events for other TVA business).
- Four times for TVA employees or Board members to travel to Oxford, Mississippi, on TVA business.
 - On November 12, 2013, a TVA turboprop flew Director Neil McBride, CEO William Johnson, and four other TVA employees to Oxford, Mississippi, for a Board meeting the following day then continued on to Atlanta, Georgia.
 - On November 13, 2013, the turboprop departed Atlanta, Georgia, with Director Marilyn Brown to pick up other Board members in Chattanooga, Tennessee, and Bowling Green, Kentucky, before arriving in Oxford, Mississippi, for the Board meeting.

³ The concern's data did not include a November 9, 2017, flight to Oxford, Mississippi, to pick up Chair Howorth for a TVA Board meeting.

- On December 16, 2015, a TVA employee and his spouse flew to and from Oxford, Mississippi. Director Howorth was being sworn in for his second term to the TVA Board. The TVA employee went to represent TVA at the ceremony.
- On July 18, 2017, TVA employees flew from Knoxville, Tennessee, and Chattanooga, Tennessee, to Oxford, Mississippi, to meet with North East Mississippi Electric Power Association.

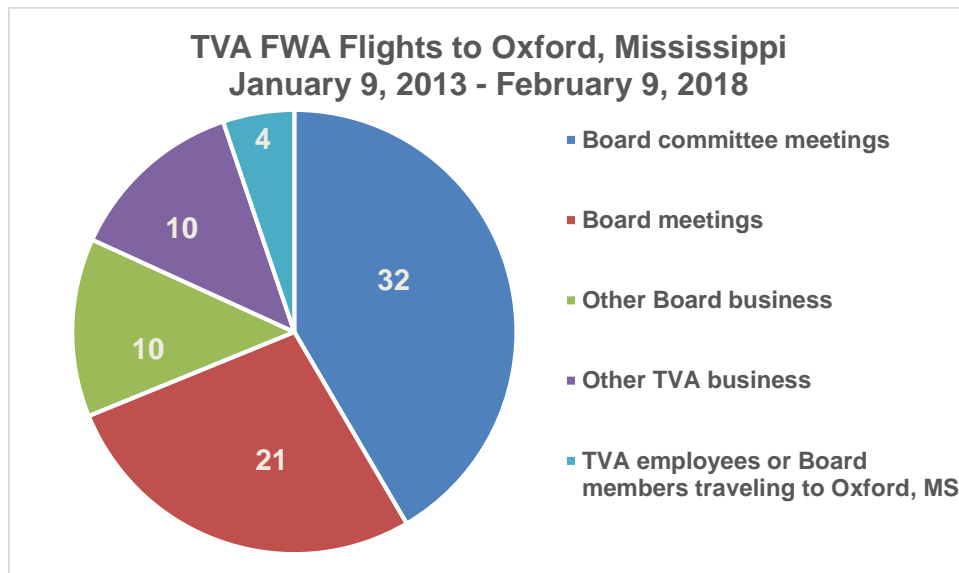


Figure 1


Our review identified 13 flights into Oxford, Mississippi, with no passengers where an aircraft was sent to pick up Chair Howorth. However, there were only three instances where it appeared Chair Howorth traveled alone on any TVA fixed-wing aircraft.

- On October 14, 2015, it appeared that Chair Howorth traveled alone to Chattanooga, Tennessee, the day before a TVA Nuclear Oversight Committee meeting, and the aircraft flew to Atlanta, Georgia, the following day to pick up Director Brown.
- On May 10, 2017, it appeared Chair Howorth flew alone to Smyrna, Tennessee, prior to the aircraft flying to Atlanta, Georgia, to pick up Director Brown for the May 10, 2017, Board meeting.
- On October 18, 2017, Chair Howorth appeared to have flown alone to Washington, D.C., to meet with the four Board nominees and then traveled on to Knoxville, Tennessee, via Nashville, Tennessee, with Directors Eric Satz and Gina Lodge for Board committee meetings.

Most flights to Oxford, Mississippi, had other Board members on the flights arriving to pick Director Howorth up or continued from Oxford, Mississippi, to other locations to pick up additional Board members before the flight's final destination.

In summary, we found all flights to Oxford, Mississippi, were for official TVA business purposes. Because our audit report on TVA's FWA found cost comparison analyses prior to use of FWA were not performed, we did not review the cost effectiveness of using the TVA FWA for the flights to Oxford, Mississippi.

This report is for your review and information only. No further response is necessary. If you have any questions or need additional information, please contact me at (865) 633-7430 or Rick C. Underwood, Director, Financial and Operational Audits, at (423) 785-4824.



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OIG File No. 2018-15567

July 2, 2018

Jill M. Matthews, Acting Inspector General

COMMENTS ON DRAFT PROJECT 2018-15567 - REVIEW OF TVA FIXED-WING
FLIGHTS TO OXFORD, MISSISSIPPI

These comments are in response to OIG's May 31, 2018, draft audit report, which was prepared after an external environmental organization raised a concern over my use of the TVA aircraft.

I appreciate your team's thorough review of this matter. The audit report confirms that all flights were for TVA business. Since Board Members are spread among locations across the seven Valley states and are not available to TVA on a full time basis, the most expeditious means of travel is required so that the Board can spend more time directly engaged in its work.

I accept my role as a director of TVA as a solemn responsibility and wish only to help the organization continue to enhance its effectiveness and value for the benefit of the many people it serves. While I have used TVA aircraft for transportation for TVA business, I have always done so with efficiency and cost in mind, traveling in various ways from my home to do so.

I appreciate the fact that OIG found no fraud, abuse, or intentional wrongdoing in connection with TVA aviation activities, and we take seriously the process and administration recommendations that your organization has made to improve our aircraft program. The Board looks forward to reviewing management's recommendation of policy around airplane use, specifically with an eye toward improved efficiency and cost reduction.



Richard Howorth
Board Chair, Tennessee Valley Authority