

IG audit: \$75M charged to TVA cards

Audit finds workers charged items such as alcohol, X-Boxes

DUNCAN MANSFIELD, Associated Press
Tuesday, March 3, 2009

Televisions, X-Boxes, alcohol, Internet software and tuition are just some of the questionable purchases made by Tennessee Valley Authority employees on their government charge cards, according to auditors in TVA's inspector general's office.

A two-year review of the card program, created by the nation's largest public utility in 1995 for small business-related expenses, found spending has swelled to more than \$75 million annually, the audit said. Nearly a third of the purchases in fiscal 2007 were for more than \$5,000, and many apparently were rubber-stamped by administrators.

One unidentified cardholder had more than \$5.9 million in charges on six cards over two years. The person told auditors that supporting documentation was never checked.

"Our work uncovered significant lack of compliance with the controls established by TVA policy," Robert Martin, TVA assistant inspector general for audits and inspections, wrote in the report released late last week.

The report found a "lack of accountability and physical control" of the system and an absence of regular data-mining to check for abuses, such as splitting transactions to avoid a \$5,000 cap on routine purchases.

In a spot check, auditors found one case in which more than 1,000 purchases were made with the same card at the same vendor on the same date. They called it a likely case of dividing the bill to avoid questions.

In another, auditors found one administrative officer approved an average of 333 transactions worth a total of \$55,000 on the same day they were submitted.

"TVA agrees with the IG's findings, and we have implemented steps to improve controls and add additional key practices to the purchase-card program," TVA spokesman Jim Allen said Monday without elaborating.

TVA's card program was criticized a few years ago as a tool for big-ticket wining and dining of TVA power distributors and industrial prospects.

The new audit finds TVA spent more than \$360,000 over two years on gifts for its own employees — X-Boxes, televisions, TiVos, DVD players and yard equipment handed out as safety awards by the Power Systems Operations group.

"The appearance of these purchases to the consumers of TVA's power should be carefully considered, given their nature and amount," the auditors cautioned. The awards have now stopped.

Meanwhile, auditors questioned \$219 spent on wine, \$100 on beer and \$87 on liquor for workshops held for procurement supervisors, who oversee the charge-card program. Another meeting for materials managers had questionable purchases of beer (\$118), wine (\$39) and other refreshments (\$121).

There also was a \$300 "white noise" sound-reduction system bought by one cardholder so he could sleep better at night in corporate housing. There was the purchase of software "used to erase evidence of Internet usage." And there were the 20 \$19.95 Hotmail charges that couldn't be recalled or explained by the cardholder.

The auditors noted TVA has found and prosecuted some cases of card fraud but said other transactions were missed that could have been easily spotted from their merchant category codes — including \$7,100 for furniture, \$2,000 for tuition and \$140 for memberships in professional organizations.

The numbers can quickly add up. During the review period, from Oct. 1, 2007, to Dec. 31, 2007, there were 1,659 different purchasing cards used for more than 308,000 transactions worth \$171.6 million. No one checked for documentation in more than a quarter of them, worth \$47.5 million.

The most money was spent at Porter-Walker LLC, a uniform and sportswear retailer. TVA employees and possibly some card-carrying contractors spent \$12.8 million on 8,203 transactions there. The most transactions — 41,579 worth \$7.6 million — were made at office supplier Staples Inc.

Whether the audit leads to savings remains to be seen. TVA President and CEO Tom Kilgore sought the review as part of TVA's effort to trim operations and maintenance expenses by \$420 million over three years.

TVA provides electricity to about 8.8 million consumers across Tennessee and parts of Alabama, Mississippi, Kentucky, Georgia, North Carolina and Virginia.

