



Memorandum from the Office of the Inspector General

June 12, 2026

Carol Y. Barajas
Melanie E. Farrell

**REQUEST FOR FINAL ACTION – EVALUATION 2025-17583 – CONTRACTOR
REWORK – NUCLEAR**

The Tennessee Valley Authority's (TVA) three nuclear plants, Browns Ferry, Sequoyah, and Watts Bar, are capable of generating an average of 8,275 megawatts of electricity, making TVA the third-largest nuclear fleet in the United States. In fiscal year 2025, TVA generated 56,157 million kilowatt hours of nuclear power, accounting for 33 percent of TVA's total fleet power generation. To maintain the nuclear fleet, TVA is making significant investment. For fiscal year 2025, the TVA Board of Directors approved \$257 million to support reliable operation of the seven units across TVA's three nuclear plants.

Due to potential risks to cost and schedule from rework, we performed an evaluation of contractor rework for nuclear projects at TVA. The objectives were to evaluate TVA's oversight of contractor rework and determine if rework was being handled in accordance with contract terms and conditions. Our scope included active nuclear projects in the implementation phase.

We reviewed nine contracts associated with our sample of projects and identified rework was required for one. We could not determine if all rework identified was handled in accordance with contract terms and conditions due to a lack of formal documentation and tracking of rework. In addition, we identified a lack of guidance for oversight of rework. Specifically, TVA and Nuclear's project management Standard Programs and Processes (SPP) do not define rework or provide any information on how rework should be documented and tracked, which contributed to the inability to determine if all rework was handled in accordance with contract terms and conditions.

We recommend the Vice President, Projects and Outages, update the Nuclear project management procedure to define rework and provide guidance for documenting and tracking rework. In response to our draft report, TVA management agreed with our recommendation and provided planned actions to address the recommendation. See the Appendix for TVA's complete response.

BACKGROUND

According to industry best practices, rework in construction can impact a project in terms of productivity, profitability, and timeliness. Three potential causes of rework are construction errors, design changes, and design errors. Some data suggests that the total mean rework can be as much as 10 percent of the construction cost. In considering the impact of rework on projects, the delay costs resulting from rework must also be taken into consideration. TVA uses general contract language to require discovered defects (rework) to be promptly remedied by the contractor at its expense.

TVA maintains procedural guidance for managing contracts and projects, including:

- TVA-SPP-25.006, *Contract Governance*, establishes enterprise-wide processes and methodology that govern contracts and related actions. Among other purposes, this SPP (1) clarifies contracting roles, responsibilities, and obligations among TVA business units; (2) aids in achieving adequate contract consistency and standardization across TVA; and (3) is intended to mitigate enterprise risks inherent in TVA's contracting actions.
- TVA-SPP-34.000, *Project Management*, provides a disciplined approach of initiating, planning, executing, controlling, and closing the agreed-upon project objectives. The project management process provides the minimum requirements and guidance to enhance the probability of project success, which is measured by safely completing projects on budget and on schedule.
- TVA-SPP-34.001, *Project Management Governance, Oversight, Execution, and Support*, defines the framework that is in place to implement project management.
- Nuclear Power Group (NPG) SPP-19.6, *TVA Nuclear Project Management Process*, provides requirements to ensure that projects are planned and executed in a coordinated and controlled manner that supports Nuclear's long-range business plan.

Due to the potential risks to cost and schedule from rework, we performed an evaluation of contractor rework for nuclear projects at TVA.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objectives of our evaluation were to evaluate TVA's oversight of contractor rework and determine if rework was being handled in accordance with contract terms and conditions. Our scope included active nuclear projects in the implementation phase. To achieve our objective, we:

- Reviewed the following to gain an understanding of the TVA's processes and how they relate to rework:
 - TVA-SPP-25.006, *Contract Governance*
 - TVA-SPP-34.000, *Project Management*
 - TVA-SPP-34.001, *Project Management Governance, Oversight, Execution, and Support*

- NPG-SPP-19.6, *TVA Nuclear Project Management Process*
- Reviewed condition reports¹ to identify projects with quality and performance issues to determine if rework was identified.
- Judgmentally selected 4 projects² of 277 projects to:
 - Review their combined 9 associated contracts and amendments for terms and conditions related to rework.
 - Identify any rework completed and obtain supporting documentation to determine if it was handled in accordance with the contract terms and conditions.
- Interviewed project managers to determine how rework was being identified, managed, and billed.

This evaluation was conducted in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

FINDINGS

We reviewed nine contracts associated with our sample of projects and determined that all included requirements related to rework or defects. Specifically, all contracts required that if any work was found to have a defect or be noncompliant with the contract requirements, the contractor shall take corrective action to remedy at its expense. Of the nine contracts reviewed, we identified rework was required for one. However, we could not determine if the rework was handled in accordance with contract terms and conditions due to a lack of formal documentation and tracking of rework.

In addition, we identified a lack of guidance for oversight of rework. Specifically, TVA and Nuclear's project management SPPs do not define rework and do not provide guidance for documenting and tracking rework, which contributed to the inability to determine if all rework was handled in accordance with contract terms and conditions.

WE COULD NOT DETERMINE IF REWORK WAS HANDLED IN ACCORDANCE WITH CONTRACT TERMS AND CONDITIONS

For the project we reviewed that required rework, the contract stated that the contractor shall take corrective action at its expense if TVA rejects any work for having defects or being noncompliant with the contract or purchase order. We reviewed the eight instances of rework identified throughout the project and determined that one was corrected by the contractor and was not billed to TVA, in accordance with the contract.

However, we noted the remaining seven instances of rework were corrected by the contractor and later considered during negotiations with the contractor. The negotiations

¹ Condition reports are the documents used within the TVA Nuclear's corrective action program to document an issue's identified condition, evaluation, and resolution.

² The judgmental selections were made based on available data points that could indicate a project contains rework, such as actual costs greater than authorized costs, implementation delays, and high complexity ratings.

included other projects at other TVA sites which had encountered issues with the same contractor. The negotiations resulted in a draft settlement, including acknowledgement of rework unbilled to TVA, reduction in billings, and price reductions and savings on a future contract. Based on the documentation reviewed, it is unclear whether the concessions received by TVA in the settlement covered the cost impact from the rework as there was no formal documentation with this information.

TVA PROJECT GOVERNANCE PROCEDURES LACK GUIDANCE FOR MANAGING REWORK

As mentioned previously, all contracts we reviewed included requirements related to rework. Specifically, they required that when work provided is rejected due to defects or being noncompliant with contract specifications, the contractor shall take corrective action at its expense. However, according to project managers, the way rework is defined, documented, and tracked, varies with no specific guidance provided in TVA procedures.

We reviewed four TVA procedures related to contract governance and project management governance and oversight. These procedures did not contain guidance for identifying, documenting, or tracking rework. Of the four SPPs reviewed, only TVA-SPP-34.000, *Project Management*, mentions “rework” once in the following context: “Contract requirements shall consider, at a minimum, the following contract areas: Contractor oversight (Craft-to-staff ratio, Project Maintenance and Modification Agreement (PMMA) compliance, performance criteria, rework, etc.).”

Without clearly defining rework and including proper guidance for documenting and tracking rework, it could be difficult for project managers to ensure TVA does not pay for rework that contractors are responsible for completing.

RECOMMENDATION

We recommend the Vice President, Projects and Outages, update the Nuclear project management procedure to define rework and provide guidance for documenting and tracking rework.

TVA Management’s Comments –TVA management agreed with the recommendation and plans to update the Nuclear project management procedure to define rework and provide guidance for documenting rework.

Auditor’s Response – We agree with TVA management’s planned action.

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This report is for your review and final action. Your written comments, which addressed your management decision and actions planned, have been included in the report. Please notify us when final action is complete. In accordance with the Inspector General Act of 1978, as amended, the Office of the Inspector General is required to report to Congress semiannually regarding evaluations that remain unresolved after 6 months from the date of report issuance.

If you have any questions or wish to discuss our observations, please contact Lindsay J. Denny, Director, Evaluations – Operations at (865) 633-7349. We appreciate the courtesy and cooperation received from your staff during the evaluation.



Greg Stinson
Assistant Inspector General
(Audits and Evaluations)

JMM:FAJ

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OIG File No. 2025-17583

June 5, 2026

Greg Stinson, WT 2C-K

**RESPONSE TO REQUEST FOR COMMENTS – EVALUATION 2025-17583 – CONTRACTOR
REWORK - NUCLEAR**

Reference: Request for Comments – Evaluation 2025-17583 – Contractor Rework - Nuclear

TVA is committed to responsible stewardship of its resources. We appreciate the Office of the Inspector General's efforts in identifying opportunities to strengthen our processes.

TVA Nuclear Asset Sustainability Projects (NASP) has reviewed the draft OIG Report 2025-17583 and has initiated action to address the OIG recommendation:

**UPDATE THE NUCLEAR PROJECT MANAGEMENT PROCEDURE TO DEFINE REWORK
AND PROVIDE GUIDANCE FOR DOCUMENTING AND TRACKING REWORK**

OIG Recommendation	TVA Comments	TVA Completed and/or Planned Actions
Vice President, Projects and Outages, update the nuclear project management procedure to define rework and provide guidance for documenting and tracking rework.	TVA Management agrees with this recommendation.	TVA NASP will revise NPG-SPP-19.6 to define rework and provide guidance for documenting rework.

CONCLUSION

We would like to thank Jake M. Morris, Lindsay J. Denny, and the OIG staff for their professionalism in conducting this audit. If you have further questions please contact Brian Kaye, Director NASP, at 865-323-9736.



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