



Memorandum from the Office of the Inspector General

June 13, 2018

M. Susan Smelley, BR 4A-C

**FINAL REPORT – EVALUATION 2018-15559 – ORGANIZATIONAL EFFECTIVENESS
FOLLOW-UP – ENVIRONMENTAL PERMITTING AND COMPLIANCE**

The Office of the Inspector General (OIG) previously conducted an evaluation of Environmental Permitting and Compliance (EP&C)¹ to identify strengths and risks that could impact EP&C's organizational effectiveness. Our report identified several strengths and risks along with recommendations for addressing those risks. In response to that report, Tennessee Valley Authority (TVA) management provided their planned management actions to address the recommendations. We completed a follow-up evaluation² that assessed management's actions to address risks from our initial organizational effectiveness evaluation. Our follow-up review determined EP&C had taken actions to address most of the risks outlined in our initial evaluation; however, concerns with two managers' behaviors remained unresolved. Management had taken some actions to address the behaviors of one manager although concerns still existed. Management had not addressed the behaviors of the second manager. Employees also expressed continued concerns related to the Environmental Services Coordination System (ESCS).³ The objective of this evaluation was to assess management's actions to address the remaining risks from our initial EP&C organizational effectiveness evaluation.

BACKGROUND

As of September 28, 2016, the date of our original review, EP&C was a business unit under TVA's Safety, River Management, and Environment organization. In October 2016, EP&C was combined with Environmental Operations⁴ (another Safety, River Management, and Environment group) to form the Environmental Compliance and Operations (ECO)⁵ business unit, which is under TVA's Resources and River Management strategic business unit. While the consolidation did not result in the vision or responsibilities of either organization changing, the organizational change included naming a new ECO director who reports to a new senior vice president in Resources and River Management. ECO is responsible for providing oversight, consistency, and standardization to TVA's permitting and compliance activities, interactions with regulators, and alignment of environmental policy with line organization execution.

¹ Evaluation 2016-15366, *Environmental Permitting and Compliance's Organizational Effectiveness*, September 28, 2016.

² Evaluation 2017-15497, *Organizational Effectiveness Follow-Up – Environmental Permitting and Compliance*, September 28, 2017.

³ ESCS is an electronic database and tracking system used to record TVA's environmental projects, activities, and reviews.

⁴ The OIG also conducted an organizational effectiveness evaluation of Environmental Operations— Evaluation 2016-15383, *Environmental Operations' Organizational Effectiveness*, September 26, 2016.

⁵ This evaluation only looked at the EP&C portion of ECO.

Our first follow-up evaluation found two recommendations had not been addressed by EP&C. Specifically, the following two recommendations for the Director, EP&C, remained unaddressed:

1. Identify ways to improve applicable managers' leadership skills and ensure each manager is demonstrating TVA's Values and Competencies.
2. Continue with the process improvement team and planned ESCS database implementation to address Biological and Cultural Compliance's process flow concerns. Modify these plans as necessary to include indicators to gauge the effectiveness of actions and feedback received from customers.

This report covers our review of management's actions taken to address the remaining risks from our initial EP&C organizational effectiveness evaluation. Please see the Observations section below for a detailed discussion of the risks previously identified and management's actions.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to assess management's actions in response to remaining risks and recommendations included in our initial EP&C organizational effectiveness evaluation. To achieve our objective, we:

- Reviewed Evaluation 2016-15366 to determine the risks previously identified.
- Reviewed EP&C's management decision dated September 23, 2016, to identify planned and completed actions.
- Reviewed Evaluation 2017-15497 to determine remaining unaddressed risks.
- Conducted interviews with the management team designed to obtain information and perspectives on management's actions and to determine actions taken related to management behaviors.
- Reviewed data and documentation associated with EP&C's actions.

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

OBSERVATIONS

In summary, we determined EP&C has taken actions to address the remaining risks outlined in our initial organizational effectiveness evaluation. See the table on the following page for our observations regarding management's actions.

MANAGEMENT’S ACTIONS AND OUR OBSERVATIONS

Risk	Management’s Actions	OIG’s Observations
<p>Manager Behaviors</p>	<p>Management stated that for current and emerging leaders, they would “establish Employee Engagement Expectations, Performance Management, and Competency Reinforcement.”</p>	<p>In our initial evaluation we identified behavioral issues with two managers. In the first follow-up review, we determined actions were taken to address the behaviors of one manager by providing the manager with feedback on employee concerns; however, employees provided mixed feedback related to improvements with the manager’s behaviors. For the other manager, we noted no actions had been taken to address the concern.</p> <p>During this review, the manager that received mixed feedback from the previous corrective actions discussed specific additional actions that have been taken since our initial follow-up review. This included (1) continuation of one-on-one meetings with employees, (2) implementation of an employee recognition program, (3) initiation of employee development meetings, and (4) completion of leadership training.</p> <p>The other manager was provided with the concerns and issues expressed by employees during our previous reviews. An analysis of the 2018 performance goals for both managers found their goals reflected a focus on leadership competencies and skills.</p>
<p>Process Flow Concerns</p>	<p>Management stated they would create a metric that measures the effectiveness of the ESCS planning tool.</p>	<p>In our initial evaluation we identified concerns with the process flow within EP&C for coordinating environmental reviews, consultations, and guidance. In the first follow-up review we found no metric had been developed.</p> <p>In February 2018, we received documentation that the process improvement team developed a metric to measure adherence to agreed schedules with business partners. EP&C plans to continue monitoring the metric for gaps in performance and trend information. This recommendation was closed February 13, 2018.</p>

M. Susan Smelley
Page 4
June 13, 2018

This report is for your review and information. No response to this report is necessary. If you have any questions or need additional information, please contact Jessica L. Monroe, Senior Auditor, at (865) 633-7338 or Lisa H. Hammer, Director, Evaluations – Organizational Effectiveness, at (865) 633-7342. We appreciate the courtesy and cooperation received from your staff during the evaluation.



David P. Wheeler
Assistant Inspector General
(Audits and Evaluations)
WT 2C-K

JLM:BSC

cc: TVA Board of Directors
Janet J. Brewer, WT 7C-K
Susan E. Collins, LP 6A-C
Robertson D. Dickens, WT 9C-K
Megan T. Flynn, LP 3A-C
William D. Johnson, WT 7B-K
Dwain K. Lanier, MR 6D-C
Justin C. Maierhofer, WT 7B-K
Jill M. Matthews, WT 2C-K
Wilson Taylor III, WT 7D-K
Jacinda B. Woodward, BR 4D-C
OIG File No. 2018-15559