



**Memorandum from the Office of the Inspector General**

September 22, 2020

Tammy W. Wilson

**REQUEST FOR MANAGEMENT DECISION – EVALUATION 2020-15741 –  
ORGANIZATIONAL EFFECTIVENESS – TREASURY**

Attached is the subject final report for your review and management decision. You are responsible for determining the necessary actions to take in response to our findings. Please advise us of your management decision within 60 days from the date of this report. 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 audits that remain unresolved after 6 months from the date of report issuance.

If you have any questions or wish to discuss our findings, please contact Amy R. Rush, Evaluations Manager, at (865) 633-7361 or Lisa H. Hammer, Director, Evaluations – Organizational Effectiveness, at (865) 633-7342. We appreciate the courtesy and cooperation received from your staff during the audit.

David P. Wheeler  
Assistant Inspector General  
(Audits and Evaluations)

ARR:KDS

Attachment

cc (Attachment):

TVA Board of Directors  
Susan E. Collins  
Megan T. Flynn  
David Fountain  
Amanda D. Johns  
Jeffrey J. Lyash  
Justin C. Maierhofer  
Jill M. Matthews  
Sherry A. Quirk  
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John M. Thomas III  
OIG File No. 2020-15741



Office of the Inspector General

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# *Evaluation Report*

To the Vice President, Treasurer,  
and Chief Risk Officer, Treasury

## **ORGANIZATIONAL EFFECTIVENESS – TREASURY**

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Evaluation Team  
Amy R. Rush  
Andi R. McCarter

Evaluation 2020-15741  
September 22, 2020

## **ABBREVIATIONS**

ER&A	Enterprise Risk and Assurance
FY	Fiscal Year
R&PA	Risk and Performance Assurance
SHRM	Society for Human Resource Management
TVA	Tennessee Valley Authority

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# Evaluation 2020-15741 – Organizational Effectiveness – Treasury

## EXECUTIVE SUMMARY

### Why the OIG Did This Evaluation

Organizational effectiveness, as defined in this evaluation, is the ability of an organization to achieve its mission and goals. Due to the importance of alignment between strategy, team engagement, and operational performance, the Office of the Inspector General is conducting organizational effectiveness evaluations of business units across the Tennessee Valley Authority (TVA). This evaluation focuses on Treasury, which is an organization within TVA’s Financial Services.

Treasury is tasked with coordinating the funding of TVA’s operations and managing daily cash activities, which ensures that TVA’s flow of funds remains adequate on a daily, near-term, and long-term basis to meet TVA’s operational needs. The organization is also responsible for maintaining related programs and policies designed to protect TVA against unexpected financial impacts as well as providing strategies designed to strengthen TVA’s financial flexibility. The objective of this evaluation was to identify factors that could impact Treasury’s organizational effectiveness. Specifically, we identified behavioral and operational factors that affect organizational effectiveness.

### What the OIG Found

During the course of our evaluation, we identified behaviors that had a positive impact on Treasury. These included interactions with team members and leadership. We also identified risks to operations that, although minimal, could impede Treasury’s effectiveness if unaddressed. While interviews with Treasury personnel indicated effective performance of job responsibilities, we identified risks, including (1) uncertainty in business model changes for one Treasury department and (2) risks related to effective service to business partners.

Based on our observations, we assessed Treasury’s level of risk related to behaviors and operations and determined risk in both areas was low. Ratings are reflected in the table below:

	Low Risk	Medium Risk	High Risk
Behaviors	X		
Operations	X		



## Evaluation 2020-15741 – Organizational Effectiveness – Treasury

### EXECUTIVE SUMMARY

#### What the OIG Recommends

We recommend the Vice President, Treasurer, and Chief Risk Officer, Treasury, communicate business operating model changes to Treasury personnel and address concerns related to effective service to business partners.

#### TVA Management's Comments

TVA management stated they will lean on new ways to communicate with employees and business partners. Management also stated they will continue to offer flexibility to employees and support the intern program and onboarding of employees using the new virtual format. See Appendix B for management's complete response.

## **BACKGROUND**

Organizational effectiveness, as defined in this evaluation, is the ability of an organization to achieve its mission and goals. Due to the importance of alignment between strategy, team engagement, and operational performance, the Office of the Inspector General is conducting organizational effectiveness evaluations of business units across the Tennessee Valley Authority (TVA). This evaluation focuses on Treasury.

Treasury is an organization within TVA's Financial Services that serves as a trusted partner by strategically managing funds and preventing losses to ensure TVA's ongoing operations. Treasury is tasked with coordinating the funding of TVA's operations and managing daily cash activities, which ensures that TVA's flow of funds remains adequate on a daily, near-term, and long-term basis to meet TVA's operational needs. The organization is also responsible for maintaining related programs and policies designed to protect TVA against unexpected financial impacts as well as providing strategies designed to strengthen TVA's financial flexibility. Treasury also has ownership and certification of Sarbanes-Oxley related controls.<sup>1</sup> Responsibilities are implemented through five business units.

- Corporate Credit and Insurance is responsible for developing, implementing, and managing the credit and insurance functions to ensure process integrity and consistent application on a TVA wide basis. The goal of Corporate Credit and Insurance is to protect TVA from unexpected cash flow interruptions and unplanned financial losses due to counterparty nonperformance or probable maximum loss. The business unit strives to achieve this goal through activities such as performing a credit analysis of counterparties; assessing the risk profile of contractual agreements and determining the appropriate credit exposure levels; monitoring counterparty creditworthiness and credit exposures; and developing, implementing, and managing TVA's property and casualty insurance programs.
- Corporate Finance is responsible for managing TVA's daily and long-term funding activities, including short-term and long-term debt financing, corporate cash investments, and investor relations. In addition, the business unit is responsible for planning and executing long-term financing transactions in support of TVA's strategic imperatives and ensuring the appropriate balance between short-term and long-term financing obligations for TVA's financing portfolio. Corporate Finance coordinates TVA's outreach with key external stakeholders in the financial community, including investment banking partners, bond-rating agencies, and domestic and foreign investors in TVA financings.

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<sup>1</sup> Under the Sarbanes-Oxley Act of 2002, Section 404, management must opine on the adequacy and effectiveness of the financial reporting internal control structure. According to TVA's Sarbanes-Oxley Program Management Office, Treasury has a strong financial reporting control environment with a low risk profile in relation to financial reporting, as of fiscal year (FY) 2019.

- Enterprise Risk and Assurance (ER&A)<sup>2</sup> is responsible for promoting, facilitating, and supporting the accomplishment of TVA's strategic imperatives by addressing enterprise risks and opportunities to enrich business decisions. The business unit is tasked with governance of the enterprise risk process, which includes ensuring the risk management process aligns with corporate strategy, planning, assurance, and compliance functions. ER&A is also responsible for assisting TVA business units with the development of risk management practices consistent with corporate policies and assisting these business units with risk evaluations. Other responsibilities include evaluating and reporting on business unit risks to TVA's Board of Directors, Chief Executive Officer, and executive risk committees and delivering external reporting risk factors based on peer comparison, market intelligence, and internal risk information.

Risk and Performance Assurance (R&PA), formerly known as Operational Assurance, merged with Enterprise Risk Management<sup>2</sup> in April 2020, and is tasked with providing TVA with assurance that objectives are being met while focusing on high-risk, high-impact programs and processes as well as areas of critical regulation. This task is accomplished through the conduct of governance evaluations with a focus on role clarity, processes and procedures, performance management, continuous improvement, risk management, and compliance. Within these governance evaluations, the R&PA group tests controls to ensure programs and processes are functioning as intended and operating effectively. ER&A is currently in the process of changing the R&PA business operating model.

- Investments is tasked with managing TVA's long-term investment funds to achieve return and risk objectives in order to offset all or a portion of future obligations. TVA's investment funds include the executive long-term deferred compensation and the supplemental executive retirement plan as well as the Nuclear Decommissioning and Asset Retirement Trusts. The Nuclear Decommissioning Trust fulfills a Nuclear Regulatory Commission requirement that funds be collected and held for future costs associated with decommissioning nuclear units. The Asset Retirement Trust collects funds for other future asset retirement obligations. Investments also manages TVA's Investment Challenge Program, which is a partnership between TVA and 25 universities that provides a real-world portfolio management learning experience.
- Treasury Management is responsible for ensuring adequate cash is provided to (1) meet operating needs, (2) reduce interest expense, and (3) avoid unnecessary borrowing, as well as ensuring TVA receives adequate compensation for monies owed the corporation. The business unit is responsible for the forecasting, custody and management of all monies, which includes electronic funds and securities transfers. In addition, the business

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<sup>2</sup> At the time of our interviews, this organization was named Enterprise Risk Management. According to the organizational chart, dated August 21, 2020, the name was changed to ER&A.



unit is responsible for maintaining relationships with the United States Treasury, Federal Reserve Bank, and commercial banks.

Treasury's FY 2020 key initiatives included, but were not limited to, informing enterprise risk-based decision making, ensuring adequate liquidity for TVA, prudently managing the debt portfolio in line with strategic goals, protecting TVA's assets through effective use of insurance, proactively engaging financial stakeholders, and supporting enterprise and organizational continuous improvement efforts. According to the FY 2020 through FY 2022 Financial Services business plan, 14 risks were specific to the Treasury organization. These risks included, but were not limited to, counterparty creditworthiness, catastrophic loss in excess of the insurance policy limit, lack of financial flexibility, and an ineffective risk assessment process.

From FY 2018 to FY 2019, Treasury was under budget in their spending and staffing decreased from 48 to 47 employees. Staffing was further reduced and, as of May 26, 2020, Treasury consisted of 45 individuals with 9 individuals in Corporate Credit and Insurance, 6 individuals in Corporate Finance, 17 individuals in ER&A, 3 individuals in Investments, 8 individuals in Treasury Management, an executive assistant, and the Vice President, Treasurer and Chief Risk Officer.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

The objective of this evaluation was to identify factors that could impact Treasury's organizational effectiveness. We assessed operations as of June 2020 and culture at the time of our interviews, which occurred during June 22, 2020, through July 15, 2020. To complete the evaluation, we:

- Reviewed (1) Financial Services FY 2020 through FY 2022 business plan and (2) information provided by Treasury, including key performance indicators, to gain an understanding of initiatives, metrics, and risks within Treasury.
- Reviewed TVA values and competencies (see the Appendix) for an understanding of cultural factors deemed important to TVA.
- Reviewed select TVA and Treasury Standard Programs and Processes and other documentation to gain an understanding of processes.
- Examined FY 2018 through May 2020 financial information to gain an understanding of expenditures used in support of the work environment.
- Conducted individual interviews with all 45 individuals within Treasury, including management, and analyzed the results to identify themes related to factors that could affect organizational effectiveness.
- Examined Treasury's FY 2019 annual internal customer survey results to identify themes related to factors that could affect organizational effectiveness.

- Surveyed and/or interviewed a nonstatistical sample of 54 individuals from other TVA organizations that work closely with Treasury personnel<sup>3</sup> and analyzed results to identify factors affecting organizational effectiveness from a business partner perspective.
- Assessed the overall effectiveness of Treasury in behavioral and operational aspects as described in TVA's Business Operating Model.

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**

Prior to our evaluation, TVA personnel experienced a disruption to their normal business operations, which could have negatively impacted engagement within Treasury. As of March 25, 2020, TVA employees who were not required to be physically at their site to support plant operations or plant outages, which included Treasury, were subject to mandatory telework as part of TVA's response to the COVID-19 pandemic. During the course of our evaluation, we identified behaviors that had a positive impact on Treasury. These included interactions with team members and leadership. While interviews with Treasury personnel indicated effective performance of job responsibilities, we identified risks to operations that, although minimal, could impede Treasury's effectiveness if unaddressed. These included (1) uncertainty in business model changes for one Treasury department and (2) risks related to effective service to business partners.

### **Behaviors Having a Positive Impact on Treasury**

According to the Society for Human Resource Management (SHRM),<sup>4</sup> employee engagement relates to the level of an employee's connection and commitment to the organization. SHRM also specifies drivers of employee engagement, including commitment of leaders, trust in leadership and positive relationships with supervisors. Despite the disruption to normal business operations, we determined, based on interviews with Treasury personnel, behavioral risk was low due to positive interactions within the team and with leadership.

#### **Team Interactions are Positive Drivers of Engagement**

Most individuals commented positively on interactions within their group and most trusted their coworkers to perform their jobs well. Specific examples provided by those commenting positively indicated that teamwork, cohesiveness, and/or good communication existed within the group. In addition, a few indicated

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<sup>3</sup> We identified these individuals through examination of Treasury's FY 2019 annual internal customer survey, interviews with Treasury employees, and other documentation, such as Operational Assurance reports and risk documentation.

<sup>4</sup> SHRM is a membership organization for Human Resource professionals.

the group felt like a family and several commented positively on their team members by describing them as sociable, professional, or talented.

Many individuals within Treasury described morale as being positive and several individuals specifically commented on teamwork and/or team members as the driver behind the positive morale. A few individuals specifically commented on the effect of mandatory telework on the team. Examples included praise of coworkers for being able to telework with children at home, the accessibility of individuals during telework, and the actions of team members in checking on each other from a personal standpoint during telework.

### **Leadership is a Positive Driver of Engagement**

TVA expects leaders to inspire trust and engagement by building a positive environment that motivates others to achieve and exceed organizational goals and aspirations. We asked individuals within Treasury about relationships with their first-line leadership, middle management, and upper management. Responses from individuals indicate leadership is a positive driver of engagement in Treasury.

#### First-Line Leadership

Most individuals commented positively when asked about relationships and communication with their first-line management. Many individuals also provided examples of positive interactions with first-line leaders. Examples included individuals having both personal and/or professional interactions and management being approachable, available, caring, helpful, open, and/or understanding. Most individuals also indicated they trusted their first-line management and stated they felt comfortable reporting concerns or offering a differing opinion.

In addition, many individuals commented favorably on first-line management with regard to accountability. Most individuals were also positive about rewards and recognition from first-line management. Several individuals provided examples of recognition from management, including the use of Power Ups<sup>5</sup> and/or acknowledgment of accomplishments.

#### Middle and Upper Management

Several individuals indicated positive relationships and communication with middle management. Most individuals also indicated they trusted their middle management and many indicated they felt comfortable reporting concerns or offering a differing opinion. Several provided positive comments regarding accountability with middle management. Many individuals also commented favorably on recognition from middle management and some provided examples that included acknowledgment and/or broadcasting of accomplishments, such as achievement of personal milestones and/or family events.

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<sup>5</sup> Power Ups are part of a program that allows employees and management to nominate individuals who demonstrate TVA values in helping TVA achieve its mission. When an employee receives a Power Up award, individuals in their management chain receive notification of the recognition.

Upper management, for many employees, was outside of the Treasury organization. However, a few individuals commented favorably on their relationship and communication with upper management. Some individuals also commented positively on trust, including reporting concerns and offering a differing opinion to upper management. A few employees also provided positive feedback concerning accountability and recognition from upper management.

As stated previously, many individuals within Treasury described morale as being positive. Some individuals specifically commented on management and/or management's actions being a driver behind the positive morale and several employees indicated that management and/or management's actions were what worked well within their organization. Examples provided by individuals included transparency, communication, and/or support from management. A few individuals also specifically commented on the effect of mandatory telework with regard to their leadership. Examples included having continued interactions and communication, such as all employee meetings with management, and a couple of individuals specifically commented on experiencing improvements in communication.

## **MINIMAL RISKS TO OPERATIONS**

Based on our interviews, we identified risks to operations that, although minimal, could impede Treasury's effectiveness if unaddressed. While feedback related to performance of job responsibilities was positive, individuals expressed concerns related to the uncertainty of changes to the business operating model in one Treasury department. In addition, business partners discussed potential improvements related to services provided by Treasury.

### **Effective Performance of Job Responsibilities**

As stated previously, Treasury personnel experienced a disruption to their normal business operations and were subjected to mandatory telework. Despite this disruption, many individuals stated they had no concerns with their job responsibilities and most stated they had what they needed to perform their job duties. Consistent with comments pertaining to interactions with team members and management, many individuals indicated their team and/or management is what works well in completing their job responsibilities. A few individuals specifically commented on the effect of mandatory telework on their job responsibilities. Examples of comments included praise for the communication tools utilized during the pandemic, indications of minimal negative effects on the work, and the success of the organization while teleworking. One such success was highlighted in a May 6, 2020, TVA press release, which reported that TVA set a new record for the lowest interest rate ever achieved by TVA on a bond issuance.

Most individuals also indicated there was alignment of goals to the mission or to management's goals and all believed they had a positive ethical culture in their organization. Several individuals indicated the necessity for a positive ethical culture because of their job duties and/or position within the company. As stated

previously, Treasury is responsible for coordination of funds for TVA operations and maintenance of programs and policies designed to protect TVA against unexpected financial impacts.

### **Uncertainty in Business Model Changes for R&PA**

While many individuals in Treasury stated they had no concerns with job responsibilities and alignment of goals, several individuals in the R&PA department indicated their goals partially aligned or did not align with the overall mission. In addition, several individuals indicated concerns with job responsibilities, specifically with management communication and/or direction related to the changes within R&PA. Furthermore, when obtaining feedback from business partners, several provided suggestions for improvement in relation to R&PA, which indicates business partners are not aware of the changes being made to the R&PA business model.

As stated previously, R&PA is currently undergoing changes to their business operating model. According to Treasury personnel, changes have been communicated to the executive level of the company and plans for discussing changes at the director and employee levels have not been implemented. According to Treasury documentation, these changes include plans to be more proactive and less reactive.

### **Risks to Effective Service to Business Partners**

We surveyed and/or interviewed business partners in organizations outside of Treasury to determine their opinions related to Treasury products and services, quality of feedback and communication, and timeliness. The majority of individuals provided feedback indicating that Treasury was above average in all areas and many had no suggested improvements. In addition, many individuals in Treasury also indicated having positive interactions with their business partners. While the majority of business partner feedback was positive, some business partners indicated improvements were needed to alleviate workload and/or backlog concerns in one Treasury department. In addition, some indicated the need for further understanding of changes in Treasury, outside of those in R&PA mentioned previously, or to roles and responsibilities of Treasury departments.

## **CONCLUSION**

Treasury plays an integral role in the success of TVA through the strategic management of funds and prevention of losses to ensure TVA's ongoing operations. Because of this role, it is essential that employees be committed and connected to the organization. The importance of engagement is heightened during the disruption of normal business operations, as occurred during the COVID-19 pandemic, which can negatively affect employee commitment and/or connection thereby hindering organizational performance.

Despite the disruption, interviews with Treasury personnel revealed positive interactions with other team members and leadership, which were identified as

drivers of positive morale within the organization. In addition, feedback from Treasury personnel indicated effective performance of job responsibilities, which included goal alignment and the existence of a positive ethical culture. However, several individuals expressed uncertainty related to changes in the business operating model in one department. Some business partners indicated improvements were needed to address workload concerns and educate business partners on Treasury's roles, responsibilities, and organizational changes. While the risks to operations stemming from these comments were minimal, addressing the areas can further enhance relationships and assist with effective management of operations.

## **RECOMMENDATIONS**

We recommend the Vice President, Treasurer, and Chief Risk Officer, Treasury:

1. Communicate changes made to the R&PA business operating model to Treasury personnel.

**TVA Management's Comments** – TVA management stated that, while the pandemic has challenged traditional communication means, TVA management will lean on new ways to communicate clearly and often with both Treasury personnel and business partners. See Appendix B for management's complete response.

2. Address workload concerns in one Treasury department and educate business partners on Treasury roles, responsibilities, and organizational changes.

**TVA Management's Comments** – TVA management stated that Treasury staff is balancing the stress presented by the pandemic. TVA management also stated they continue to offer flexibility to employees to help them balance their workload and support the intern program and onboarding of new employees using the virtual format. See Appendix B for management's complete response.

<b>TVA Values</b>	
Safety	We share a professional and personal commitment to protect the safety of our employees, our contractors, our customers, and those in the communities that we serve.
Service	We are privileged to be able to make life better for the people of the Valley by creating value for our customers, employees, and other stakeholders. We do this by being a good steward of the resources that have been entrusted to us and a good neighbor in the communities in which we operate.
Integrity	We conduct our business according to the highest ethical standards and seek to earn the trust of others through words and actions that are open, honest, and respectful.
Accountability	We take personal responsibility for our actions, our decisions, and the effectiveness of our results, which must be achieved in alignment with our company values.
Collaboration	We are committed to fostering teamwork, developing effective partnerships, and valuing diversity as we work together to achieve results.

### **TVA Leadership Competencies**

- Accountability and Driving for Results
- Continuous Improvement
- Leveraging Diversity
- Adaptability
- Effective Communication
- Leadership Courage
- Vision, Innovation, and Strategic Execution
- Business Acumen
- Building Organizational Talent
- Inspiring Trust and Engagement

Date: September 18, 2020

Mr. Wheeler,

This is in response to the recommendations provided in DRAFT EVALUATION 2020-15741 – ORGANIZATIONAL EFFECTIVENESS – TREASURY dated August 25, 2020.

We appreciate the efforts taken by Lisa Hammer, Amy Rush, Andi McCarter, and the audit team in conducting this evaluation. We are pleased that leadership and team interactions were identified as positive drivers for engagement within Treasury. We value our employees and our business partner's feedback and we will seek opportunities for improvement to enhance communication, workload balance, and clarification in Treasury's roles and responsibilities.

Recommendations:

We recommend the Vice President, Treasurer, and Chief Risk Officer, Treasury:

1. Communicate changes made to the R&PA business operating model to Treasury personnel.

Treasury Management Response: Communication is the lynchpin to any successful organization. While the pandemic has challenged traditional communication means, we will lean on new ways to communicate clearly and often with both Treasury personnel and our business partners.

2. Address workload concerns in one Treasury department and educate business partners on Treasury roles, responsibilities, and organizational changes.

Treasury Management Response: As the Treasury staff works from home, they are balancing all the stress presented by the pandemic with getting their jobs done. We continue to offer flexibility to our employees to help them balance their load. We continue to support the intern program and onboarding of new employees using virtual format.

Thank you,

Tammy Wilson

Vice President, Treasurer, and Chief Risk Officer