Memorandum from the Office of the Inspector General

September 22, 2015

Daniel A. Traynor, SP 3A-C

REQUEST FOR MANAGEMENT DECISION – AUDIT 2014-15063-04 – INFORMATION TECHNOLOGY ORGANIZATIONAL EFFECTIVENESS – ENTERPRISE CUSTOMER OPERATIONS

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.

Information contained in this report may be subject to public disclosure. Please advise us of any sensitive information in this report that you recommend be withheld.

If you have any questions or wish to discuss our findings, please contact Scott A. Marler, Audit Manager, at (865) 633-7352 or Phyllis R. Bryan, Director, Information Technology Audits, at (865) 633-7332. We appreciate the courtesy and cooperation received from your staff during the audit.

David P. Wheeler
Deputy Assistant Inspector General
(Audits)
ET 3C-K

SAM:BSC
Attachment
cc (Attachment):

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OIG File No. 2014-15063-04

Office of the Inspector General

Audit Report

To the Chief Information Officer, Information Technology

INFORMATION TECHNOLOGY ORGANIZATIONAL EFFECTIVENESS – ENTERPRISE CUSTOMER OPERATIONS

Audit Team
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Audit 2014-15063-04
September 22, 2015

ABBREVIATIONS

CIO	Chief Information Officer
COBIT	Control Objectives for Information and Related Technology
ECO	Enterprise Customer Operations
IT	Information Technology
IT1K	1,000 Days to Success
OIG	Office of the Inspector General
SLA	Service Level Agreement
SLM	Service Level Management
SPP	Standard Programs and Processes
TVA	Tennessee Valley Authority

TABLE OF CONTENTS

APPENDICES

Audit 2014-15063-04 – Information Technology Organizational Effectiveness – Enterprise Customer Operations

EXECUTIVE SUMMARY

Why the OIG Did This Audit

In 2008, the Tennessee Valley Authority's (TVA) OIG (Office of the Inspector General) performed an audit[i] on the effectiveness of the Information Technology (IT) organization and made several recommendations for improvements. In 2011, TVA OIG completed a follow-up audit[ii] and determined the actions taken were not carried through year to year and, as a result, effectiveness in many areas decreased, including service management. The 2011 audit determined the operational maturity level (see Appendix B) for service management was level 2 (i.e., repeatable but intuitive). To assist IT in increasing effectiveness, the recommendations from Audit 2010-13366 were focused on creating sustainable processes. In response to the audit recommendations, TVA's IT committed to (1) modify the approach to the IT Service Level Management Program so it would better align with the implementation of IT's governance model and leverage a standard service model, (2) document exceptions to the standard service models in service level agreements (SLA), (3) create meaningful metrics and pricing models, and (4) review SLAs on a regular basis with direct input from IT's business consultants and business units.

In addition, the Chief Information Officer (CIO) created a program titled 1,000 Days to Success (IT1K) to address findings from the audit as well as other observations he made as to the current state of IT. Those included three operational performance initiatives: (1) Incident and Problem Management; (2) Change, Asset, and Configuration Management; and (3) the IT Operations Center.

After the recent reorganization, Enterprise Customer Operations (ECO) has responsibility for programs related to Audit 2010-13366 management action plans and the IT1K initiatives in this report. ECO has primary responsibility for supporting TVA end users through various customer service avenues. To accomplish this mission, ECO is organized into four areas of focus:

- **IT Service Management** is responsible for management of changes, assets, release, and deployment.
- **IT Customer Operations** operates the IT Customer Operations Center which provides customer service through a 24-hour, 7-days-a-week

[i] Audit Report 2007-11348, Information Services Organizational Effectiveness, March 27, 2008.
[ii] Audit Report 2010-13366, Information Technology Organizational Effectiveness, April 5, 2011.

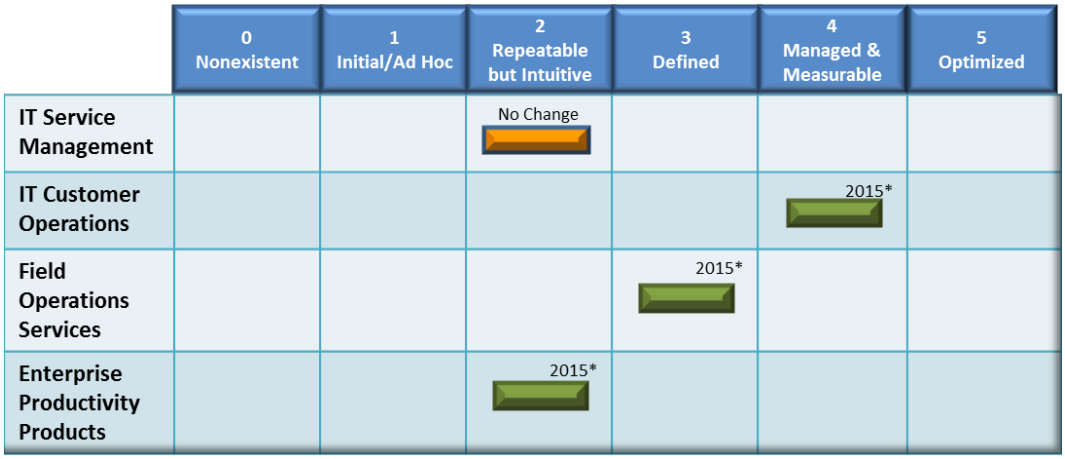
help desk and systems monitoring teams; incident, event, and problem management; and technology self services solutions.

- **Field Operations Services** provides network, phone, and desktop support at TVA sites throughout the valley.
- **Enterprise Productivity Products** identifies, deploys, and implements technology solutions for the enterprise product lifecycle management.

The OIG performed this audit to determine ECO's (1) current effectiveness, (2) actions completed in the implementation of management action plans and IT1K initiatives in relation to achieving outcomes, and (3) design of the management action plans and IT1K program for gaps related to any outcomes not met.

What the OIG Found

Enterprise Customer Operations (ECO) has responsibility for IT Service Management, which was previously evaluated in Audit 2010-13366. As shown in Figure 1, the operational maturity of IT Service Management has not changed primarily because the process developed in response to the prior audit was not fully implemented. In addition, ECO has responsibility for IT Customer Operations, Field Operations Services, and Enterprise Productivity Products. We conducted current state assessments on these areas and determined they were operating in varying levels of maturity.



***** Areas not assessed in Audit 2010-13366, therefore, results are based only on current state.

Figure 1

Definitions of the maturity ratings for Figure 1, which were developed from the Control Objectives for Information and Related Technology (COBIT)[iii] 4.1 framework, are summarized below and described in detail in Appendix B.

0. Nonexistent – There is a complete lack of policies and processes.

1. Initial/Ad Hoc – There are no standardized policies and processes.

2. Repeatable and Intuitive – Policies and processes are developed; however, there is a high reliance on the knowledge of individuals to ensure compliance.

3. Defined – Policies and processes have been standardized, but it is unlikely that noncompliance would be detected.

4. Managed and Measurable – Management monitors and measures compliance with procedures and takes action where processes appear not to be working effectively. Automation and tools are used in a limited or fragmented way.

5. Optimized – Processes have been refined to a level of good practice, based on the results of continuous improvement and maturity modelling with other enterprises.

ECO has worked to improve the end-user experience by adopting industry standard best practices, building a new customer operations center, offering expanded self-services options to end users, and providing strong and constructive leadership to its staff creating a positive work environment. While ECO has succeeded in many efforts, it has yet to establish proper application service levels.

Field Operations Services provides technical support across the valley including network, desktop, phone, and server support. While the group is managing the current workload, there are concerns that quality of work and customer wait times may suffer if the workload increases.

TVA's values are the fundamental beliefs used to guide the actions, behaviors, and decisions in how to achieve its mission. TVA has recently adopted the following values that are being introduced to employees: safety, service, integrity, accountability, and collaboration. Observed activities within ECO were compared to the TVA values and no issues were identified. In addition, we observed how behaviors of management had fostered teamwork and a very positive work environment. IT Service Management resources reported their Manager was a good leader who is very approachable, supportive of the team, understanding, and

[iii] COBIT is an IT governance framework and supporting toolset that emphasizes regulatory compliance, helps organizations to increase the value attained from IT, enables alignment, and simplifies implementation of the enterprises' IT governance and control framework.

encourages both technical and soft skill training. Enterprise Productivity Products' Manager was reported to be a strong leader that is willing to hear concerns and provide support to the team with all available resources to achieve goals. In the IT Help Desk, staff reported management is approachable, places trust in employees, and treats employees with respect.

According to IT management, one IT1K outcome relating to manual inventory and tagging of IT assets was not completed, and the management action plan related to SLAs made in response to Audit 2010-13366 was not implemented.

What the OIG Recommends

The TVA OIG recommends the CIO, IT:

1. Review and update asset management processes to allow for the appropriate identification and physical asset tagging of IT inventory.

2. Develop a comprehensive Service Level Management Program and update procedures and documentation to more clearly align technical support expectations between IT and business units.

TVA Management's Comments

In response to our draft audit report, TVA management agreed with our findings and recommendations and requested wording changes in the IT Service Management section. Management requested altering the report content to more accurately reflect the progress IT has made since Audit 2010-13366. See Appendix C for TVA management's complete response.

Auditor's Response

The OIG reviewed TVA management's comments, discussed alternative wording with management, and has updated the report to reflect these changes.

BACKGROUND

A key aspect of the Tennessee Valley Authority's (TVA) mission and vision is to provide affordable electricity to rate payers. TVA's Information Technology (IT) organization's contribution to this mission and vision includes operating effectively. In 2008, TVA's Office of the Inspector General (OIG) performed an audit[1] on the effectiveness of the IT organization and made several recommendations for improvements. In 2011, the OIG completed a follow-up audit[2] and determined the actions previously taken were not carried through year to year and, as a result, effectiveness in many areas had decreased. Accordingly, to assist IT in increasing its effectiveness, the recommendations from Audit 2010-13366 were focused on creating sustainable processes. In addition, TVA's Chief Information Officer (CIO) created a program titled 1,000 Days to Success (IT1K) to address findings from the audit as well as other observations he made as to the current state of IT.

In December 2013, IT informed us it had completed the management action plans to address the recommendations from Audit 2010-13366. Soon thereafter, IT informed us it had also completed the IT1K program. To assess the results of the management action plans, the IT1K program, and to determine current organizational effectiveness, a follow-up audit was scheduled. To accomplish this, we planned to evaluate the effectiveness of individual operational groups within IT. This report covers the results for our audit of the Enterprise Customer Operations (ECO) group.[3]

ECO has primary responsibility for supporting TVA end users through various customer service avenues. To accomplish this mission, ECO is organized into four areas of focus:

- **IT Service Management** is responsible for management of changes, assets, release, and deployment.
- **IT Customer Operations** operates the IT Customer Operations Center which provides customer service through a 24-hour, 7-days-a-week help desk and systems monitoring teams; incident, event, and problem management; and technology self services solutions.
- **Field Operations Services** provides network, phone, and desktop support at TVA sites throughout the valley.
- **Enterprise Productivity Products** identifies, deploys, and implements technology solutions for the enterprise product lifecycle management.

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1 Audit Report 2007-11348, Information Services Organizational Effectiveness, March 27, 2008.

2 Audit Report 2010-13366, Information Technology Organizational Effectiveness, April 5, 2011.

3 Audit Report 2014-15063-01, issued on June 4, 2015, covered our audit of Enterprise Information Security and Policy. Audit Report 2014-15063-02, issued on August 4, 2015, covered our audit of Enterprise Architecture and Programs. Separate reports will be completed for the remaining operational groups in IT (i.e., Operations Solutions Delivery, IT Infrastructure Delivery, and Enterprise Solutions Delivery).

One of the recommendations from Audit 2010-13366 was related to service level agreements (SLA) between IT and the business units IT supports. In response to those recommendations, TVA's IT committed to (1) modify the approach to the IT Service Level Management (SLM) Program so it would better align with the implementation of IT's governance model and leverage a standard service model, (2) document exceptions to the standard service models in SLAs, (3) create meaningful metrics and pricing models, and (4) review SLAs on a regular basis with direct input from IT's business consultants and business units.

In addition, ECO has the responsibility for sustaining the following programs from the IT1K initiatives: (1) Incident and Problem Management; (2) Change, Asset, and Configuration Management; and (3) the IT Operations Center.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of this audit were to evaluate the effectiveness of organizations within IT in meeting TVA's mission and values (see Appendix A). To accomplish this, the audit team (1) evaluated current effectiveness of operational groups within IT, (2) validated the outcomes of management action plans and whether the IT1K program met expectations, (3) evaluated the implementation of management action plans and the IT1K program in relation to achieving outcomes, and (4) reviewed the design of the management action plans and IT1K program for gaps related to any outcomes not met. The scope of this report covers the results for Enterprise Customer Operations (ECO). Additional reports will be completed for each operational group in IT.

To achieve the objectives of this audit, the audit team:

- Interviewed a sample of ECO employees to determine background, understanding of job duties, team dynamics, and leadership capabilities.
- Reviewed the work performed to complete the management action plans developed in response to previous audit findings.
- Reviewed the work performed to complete IT1K initiatives.
- Reviewed metrics associated with ECO's programs.

Sample selections for interviews were performed using auditor judgment based on position, title, and location on the IT organization chart. Due to the use of nonstatistical sampling, we cannot project the sample results to the population.

Documentation (e.g., metric data, value definitions, IT1K objectives and outcomes) used for this audit was provided by TVA. Fieldwork for this audit was completed between May and July 2015.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis

for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

FINDINGS

Enterprise Customer Operations (ECO) has responsibility for IT Service Management, which was previously evaluated in Audit 2010-13366. The operational maturity (see Appendix B) of IT Service Management has not changed as shown in Figure 1 primarily because the process developed in response to the prior audit was not fully implemented. In addition, ECO has responsibility for IT Customer Operations, Field Operations Services, and Enterprise Productivity Products. We conducted current state assessments on these areas and determined they were operating in varying levels of maturity as shown in Figure 1.

* Areas not assessed in Audit 2010-13366, therefore, results are based only on current state.

Figure 1

CURRENT ORGANIZATIONAL STATE

Enterprise Customer Operations (ECO) has worked to improve the end-user experience by adopting industry standard best practices, building a new customer operations center, offering expanded technology self services options to end users, and providing strong and constructive leadership to its staff creating a positive work environment. While ECO has succeeded in many efforts, it has yet to establish proper application service levels.

IT Service Management

IT Service Management has the responsibility for change management, asset management, release management, and deployment management. The team has been trained in ITIL[4] practices and understands their jobs. The team has a

[4] ITIL is a source for IT service lifecycle management best practices.

major effort in progress to reconcile data in IT Asset Manager, the tool used to inventory and manage the lifecycle of IT assets. IT Service Management employees reported having strong leadership from their Manager resulting in high morale.

Service levels are assigned to applications that support business functions and represent an agreement between IT and the business units for the level of IT support the application requires. Audit 2010-13366 found the process to establish and report on service levels needed to be revised as the business units were unclear on the services they were receiving and if IT services truly met their needs. In response, TVA's IT revised their service level process. However, during this audit, it was found the new process had never been fully implemented, and IT is continuing to develop additional steps to standardize the process of determining the service levels of new systems as well as ensuring processes are in place to provide data regarding whether or not business units are receiving the proper level of support. As a result, it is still unclear as to whether application service levels are appropriate. This is a repeat finding.

IT Customer Operations

The IT Customer Operations organization includes Reliability and Performance Management, IT Operations Center, Help Desk, and Technology Self Services. The Reliability and Performance Management team has responsibility for supporting tools used for monitoring equipment and providing real-time alerts, automation of software deployment through scripting, and testing configurations for work management purposes. The IT Operations Center provides 24-hours a day, 7-days-a-week event monitoring of TVA's network and servers, incident management, and problem management in alignment with ITIL framework. The IT Help Desk operates 24-hours a day, 7-days-a week providing customer IT support and has been featured in professional technical publications. A quality assurance process has been initiated to improve call and customer service quality. In addition, a skills-gap assessment of Help Desk staff has been used to identify areas where training is needed. The Technology Self Services programs have been demonstrated to a group of utility industry IT leaders as benchmark programs. These programs include IT Service Catalog, a centralized online location for users to request IT products and services as well as IT Commons, a physical location in Chattanooga and Knoxville where end users can visit and obtain services from IT directly.

IT Customer Operations' employees reported having a very positive work environment. Workloads are generally manageable, with some backlog in areas with limited resources that require specialized skillsets. Training is made available, and skillsets are improving.

Field Operations Services

Field Operations Services provides support across the valley, including engineering, project assignments and network, desktop, phone, and server support. Field Operations Services collaborates with several other groups in IT

including security, network administrators, database administrators, and computer services to deliver necessary services. While collaboration is occurring, there is a perceived silo between corporate IT and those working in the field.

Field Operations Services' employees reported being somewhat understaffed for their current and planned workloads. Although workloads are currently managed, as work continues to increase, customer wait times and quality of work could begin to suffer. Field Operations Services staff has access to online training but has difficulties identifying available time to complete training. On the job cross training is practiced in the regions.

Enterprise Productivity Products
Enterprise Productivity Products provides new technology solutions that support the IT strategic direction. This includes providing direction, engineering services, and expert support for mobility, virtual desktops, bring your own device efforts, application virtualization, core software, enterprise printing solutions, and operating system management. Enterprise Productivity Products covers a broad spectrum of technological solutions for the enterprise and serves as a hub between major internal and external business partners.

Enterprise Productivity Products is working towards improvement in print and scanning as well as core product management to increase cost savings for TVA. Enterprise Productivity Products was established during an organizational redesign and, therefore, these efforts are in the initial phase.

Enterprise Productivity Products' employees reported having strong leadership from their Senior Manager resulting in high morale.

TVA VALUES

TVA's values are the fundamental beliefs used to guide the actions, behaviors, and decisions in how to achieve its mission. Observed activities within Enterprise Customer Operations (ECO) were compared to the TVA values and no issues were identified.

Integrity
The TVA value of integrity is defined as conducting business according to the highest ethical standards and earning the trust of others through words and actions that are open, honest, and respectful. ECO appears to be following this value in their interactions with each other and those outside of ECO. Work environments are positive and morale is high.

Accountability
In alignment with the TVA value accountability, producing effective results includes being accountable for all process deliverables. ECO is held accountable to their mission through detailed, measurable metrics.

Collaboration

IT Customer Operations management participates in daily Incident Review Meetings with other IT managers to discuss events of the day and upcoming outages. This level of collaboration is consistent with TVA's value as it helps develop effective partnerships.

We observed how behaviors of one Manager had fostered teamwork and a very positive work environment in the IT Help Desk. Staff reported management is approachable, places trust in employees, and treats employees with respect. This positive work environment could be a contributing factor in the success of the Help Desk, as indicated when comparing TVA's Help Desk metrics to other utilities.

Employees in Enterprise Productivity Products reported having strong leadership from their Senior Manager resulting in high morale. Specifically, the Senior Manager is willing to hear concerns and provides support to the team with all available resources to help them achieve the vision set before them. The high level of operational maturity the team has accomplished since being established last year could be attributed to the strong leadership.

IT Service Management resources reported their Manager was a good leader who is approachable, helpful, supportive of the team, understanding, and encourages both technical and soft skill training. This type of leadership has resulted in high team morale.

IT1K INITIATIVES

As part of IT1K initiative efforts, IT established:

- ITIL-aligned Incident and Problem Management solutions.
- Policies, standards, systems, and measurements for Change, Asset, and Configuration Management.
- The IT Operations Center as a fully operational, industry-best practice center.

We found Change, Asset, and Configuration Management deliverables related to manual inventory and tagging of IT assets were not completed. IT planned to complete a manual inventory and tagging of IT assets as part of a project implementing a new IT service management tool. However, when management determined the manual inventory and tagging effort and implementation of the new tool could not be completed within the project timeline and budget, management decided remaining project resources and budget should be focused on implementing the tool.

MANAGEMENT ACTION PLANS

In response to Audit 2010-13366, TVA's IT committed to:

- Modify the approach to IT's SLM Program so it would better align with the implementation of IT's governance model and leverage a standard service model.
- Document exceptions to the standard service models in SLAs.
- Create meaningful metrics and pricing models.
- Review SLAs on a regular basis with direct input from the IT's business consultants and business units.

TVA provided draft documentation in December 2013 outlining a new SLM Program to the OIG. This documentation was presented as the new process that would be used for the management of service levels going forward. Based on the documentation provided, we agreed to close the relevant audit recommendation. However, during our follow-up review of TVA actions, we noted this program had not been fully implemented due to reorganizations within IT. This organizational change resulted in the SLM Program not getting completed.

IT has worked with (1) business consultants to get information from the business about expected service levels and (2) senior service managers within the IT organization to determine service levels. TVA's Standard Programs and Processes (SPP), TVA-SPP-12.11, Service Level Management, was published in November 2014; however, there was no documented process. Currently, the responsible group has a major effort in progress to reconcile data in IT Asset Manager.

RECOMMENDATIONS

The TVA OIG recommends the CIO, IT:

1. Review and update asset management processes to allow for the appropriate identification and physical asset tagging of IT inventory.

2. Develop a comprehensive SLM Program and update procedures and documentation to more clearly align technical support expectations between IT and business units.

TVA Management's Comments – In response to our draft audit report, TVA management agreed with our findings and recommendations and requested wording changes in the IT Service Management section. Management requested altering the report content to more accurately reflect the progress IT

has made since Audit 2010-13366. See Appendix C for TVA management's complete response.

Auditor's Response – The OIG reviewed TVA management's comments, discussed alternative wording with management, and has updated the report to reflect these changes

TVA VALUES

The Tennessee Valley Authority (TVA) values are fundamental beliefs that guide TVA's actions, behaviors, and decisions. TVA has defined the following values:

- 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.
- Services: 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, being good stewards of the resources that have been entrusted to us, and by being 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're committed to fostering teamwork, developing effective partnerships, and valuing diversity as we work together to achieve results.

OPERATIONAL MATURITY LEVELS

Operational maturity levels were determined using COBIT 4.1 operating standards as shown in Figure 1. COBIT 4.1 is an information technology (IT) governance framework and supporting toolset created by ISACA that allows managers to bridge the gap between control requirements, technical issues, and business risks. COBIT emphasizes regulatory compliance, helps organizations to increase the value attained from IT, enables alignment, and simplifies implementation of the enterprises' IT governance and control framework.

Rating	Summary Criteria
5 Optimized	IT policies and processes have been refined to a level of good practice, based on the results of continuous improvement and maturity modeling with other enterprises.
4 Managed and Measurable	Management monitors and measures compliance with IT policies and processes and takes action where processes appear not to be working effectively. Processes are under constant improvement and provide good practice. Automation and tools are used in a limited or fragmented way.
3 Defined	IT policies and processes are standardized, documented, and communicated. Management has mandated these processes should be followed; however, it is unlikely deviations will be detected. The procedures themselves are not sophisticated but are the formalization of existing practices.
2 Repeatable but Intuitive	IT policies and processes have developed to the stage where similar procedures are followed by different Strategic Business Units. There is a high degree of reliance on the knowledge of individuals.
1 Initial/Ad Hoc	There are no standardized IT policies and processes; instead, there are ad hoc approaches that tend to be applied on an individual or case-by-case basis.
0 Nonexistent	Complete lack of any recognizable IT policies and processes.

Figure 1

September 4, 2015

David P. Wheeler, ET 3C-K

RESPONSE TO REQUEST FOR COMMENTS – DRAFT AUDIT 2014-15063-04 – INFORMATION TECHNOLOGY ORGANIZATIONAL EFFECTIVENESS – ENTERPRISE CUSTOMER OPERATIONS

Our response to your request for comments regarding the findings of the subject draft report is attached. Please let us know if your staff has any concerns with TVA's comments.

We would like to thank Phyllis Bryan, Scott Marler, and the audit team for their professionalism and cooperation in conducting this audit. If you have any questions, please contact Valerie Anderson at (423) 751-8915.

Daniel A. Traynor

Daniel A. Traynor
Chief Information Officer
Information Technology
SP 3A-C

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OIG File No. 2014-15063-04

Audit 2014-15063-04
IT Organizational Effectiveness - Enterprise Customer Operations
Response to Request for Comments

ATTACHMENT A
Page 1 of 1

Page	Draft Report Section	Comments
iv	Executive Summary What the OIG Recommends	Management requests altering Recommendation 1 to read as follows: Review and update asset management processes to allow for the appropriate identification and physical asset tagging of IT inventory.
4	IT Service Management	Management requests altering this section by replacing the last four sentences (beginning with "In response,") with the following: "In response, TVA's IT revised their service level process. Additional steps are needed to standardize the process of determining the service levels of new systems, as well as ensuring that processes are in place to provide data regarding whether or not business units are receiving the proper level of support."

	Recommendation	Comments
1	The TVA OIG recommends the CIO, IT: Review and update asset management processes to allow for the appropriate identification and physical asset tagging of IT inventory.	Management agrees.
2	Develop a comprehensive Service Level Management Program and update procedures and documentation to more clearly align technical support expectations between IT and business units.	Management agrees.