



Memorandum from the Office of the Inspector General

May 18, 2026

Heather L. Montgomery

**REQUEST FOR FINAL ACTION – DRAFT AUDIT 2026-17611 – RISK MITIGATION
ACTIONS TO SUPPORT WORKFORCE READINESS AND AVAILABILITY**

The Tennessee Valley Authority's (TVA) Enterprise Risk Management (ERM) business unit (BU) focuses on identifying and prioritizing enterprise risks.¹ Annually, ERM leads the preparation of an enterprise risk portfolio, which includes risks across TVA, to aid leadership in strategic and business planning processes. Each BU includes their specific risks in the portfolio and documents the probability of occurrence, financial impact, and actions to manage the risk. TVA Labor Relations included *Lack of Robust Pathways and Pipelines to Support Workforce Readiness and Availability* risk in the fiscal year (FY) 2025 ERM risk portfolio. The risk description stated, "Failure to take swift and strategic action to develop and execute a comprehensive and holistic workforce strategy could result in our inability to take on new projects, innovate sustainable technology, and continue to deliver on TVA's mission." The actions to address the risk included apprentice recruitment and utilization measures, the establishment of a workforce development team and portal, and an hourly layoff process. Due to the importance of workforce readiness and availability, we conducted an audit to determine if TVA was taking planned actions and measuring the impact of completed actions.

We determined TVA has taken actions to address the workforce readiness risk. TVA Labor Relations has completed 13 of 14 mitigating actions identified for this risk.² However, we determined TVA was not effectively measuring the impact of completed actions on the risk's probability of occurrence and financial impact. In addition, some risk information was not documented accurately.

We made recommendations to the Senior Director, Labor and Employee Relations, to (1) develop measures to evaluate the impact of completed actions on the risk's probability of occurrence and financial impact and (2) correctly document the risk information. In response to our draft report, TVA management agreed with our recommendation and provided planned actions to address the recommendations. See the Appendix for TVA management's complete response.

¹ An enterprise risk is a risk that has the possibility to occur and directly affect TVA's ability to achieve its mission, values, and/or strategic elements.

² The one remaining action is in a proposed state.

BACKGROUND

TVA's ERM business function focuses on identifying and prioritizing enterprise risks. Annually, ERM leads the preparation of an enterprise risk portfolio, which includes risks across TVA, to aid leadership in strategic and business planning processes. Each BU includes their specific risks in the portfolio. TVA Standard Programs and Processes (SPP) 13.017, *Enterprise Risk Management*, states ERM and TVA business partners go through a dedicated process annually to update their risk portfolios, identify new risks, assess the severity of risks based on probability and impact, and update the actions they utilize to manage the risk. In 2024, TVA Labor Relations identified *Lack of Robust Pathways and Pipelines to Support Workforce Readiness and Availability* as a risk. The description of the risk is, "Failure to take swift and strategic action to develop and execute a comprehensive and holistic workforce strategy could result in our inability to take on new projects, innovate sustainable technology, and continue to deliver on TVA's mission." This risk remained a TVA Labor Relations risk in TVA's FY 2025 ERM risk portfolio. The probability of occurrence was listed as 70 percent and the financial impact was identified as \$300 million in both FYs' ERM risk portfolio.

In FY 2025, the action plan for addressing the workforce readiness risk included a list of 14 actions such as apprentice recruitment and utilization measures, the establishment of a workforce development team and portal, and an hourly layoff process. Due to the importance of workforce readiness and availability, we conducted an audit of the risk mitigation actions.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our audit objective was to determine if TVA is taking planned actions and measuring the impact of completed actions for the Enterprise Risk Management portfolio risk, *Lack of Robust Pathways and Pipelines to Support Workforce Readiness and Availability*. The scope included actively managed and completed actions to address this risk. To achieve our objective, we:

- Reviewed TVA-SPP-13.017, *Enterprise Risk Management*.
- Interviewed TVA personnel to (1) obtain information related to actions taken to address the risk and (2) gain an understanding of how TVA is measuring the impact of completed actions.
- Reviewed documentation to verify the (1) risk's identified actions were taken and (2) measurement of reduction to probability and/or impact for completed actions.

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

We determined TVA has taken actions to address the workforce readiness risk. TVA Labor Relations has completed 13 of 14 mitigating actions identified for this risk. However, we determined TVA was not effectively measuring the impact of completed actions on the risk's probability of occurrence and financial impact. In addition, some risk information was not documented accurately.

Impact of Completed Actions Was Not Measured

We determined TVA was not effectively measuring the impact of completed actions on the risk's probability of occurrence and financial impact. For some of the completed actions, TVA personnel described methods used to measure the impact of the specific actions, but TVA was not measuring the overall impact of the completed actions to the workforce readiness risk. Prior to the preparation of the FY 2025 portfolio, 11 actions were completed; however, the probability of occurrence and financial impact did not change. Based on the current probability and impact, the workforce readiness risk is among the highest for TVA. If these measures are inaccurate, it could impact investment decisions made by TVA management and TVA's Board of Directors as well as TVA's ability to take on new projects, innovate sustainable technology, and continue to deliver on its mission.

Some Risk Information Was Not Documented Accurately

TVA SPP-13.017, *Enterprise Risk Management*, requires BUs to identify and maintain risk coordinators at the appropriate level to ensure risk information is up to date. We determined that some risk information was not documented accurately in the ERM system of record. Specifically, (1) there were no descriptions of the action plans, (2) one of the completed actions was incorrectly marked as proposed, and (3) three of the completed actions were incorrectly marked as actively managing.

RECOMMENDATIONS

We recommend the Senior Director, Labor and Employee Relations:

- Develop measures to evaluate the impact of completed actions on the probability of occurrence and financial impact.

TVA Management's Comments – In response to our draft, TVA management agreed with the recommendation and plans to develop measures to evaluate the impact of completed actions on the probability of occurrence and financial impact. See the Appendix for TVA management's complete response.

Auditor's Response – We concur with TVA management's planned actions.

- Take steps to ensure risk information in the ERM system of record is accurate.

TVA Management's Comments – In response to our draft, TVA management agreed with the recommendation and plans to implement periodic reviews to ensure risk information in the ERM system of record is complete and accurate. See the Appendix for TVA management's complete response.

Auditor's Response – We concur with TVA management's planned actions.

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This report is for your review and final action. Your written comments, which addressed your management decision and actions planned or taken, 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 audits 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 Rick C. Underwood, Director, Financial and Operational Audits, at (423) 785-4824. We appreciate the courtesy and cooperation received from your staff during the audit.



Greg Stinson
Assistant Inspector General
(Audits and Evaluations)

JRB:FAJ

cc: TVA Board of Directors
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OIG File No. 2026-17611



May 13, 2026

Greg Stinson, WT 2C-K

RESPONSE TO REQUEST FOR COMMENTS - Draft Audit 2026-17611 – Risk Mitigation to Support Workforce Readiness and Availability

This letter is in response to the Draft Audit 2026-17611 – Risk Mitigation to Support Workforce Readiness and Availability

Thank you for the opportunity to review and respond to the draft audit report issued on April 9. We appreciate the Office of the Inspector General's efforts to strengthen TVA's enterprise risk processes and welcome continued collaboration to ensure expectations, methodologies, and implementation approaches remain aligned.

Recommendations:

1. **Develop measures to evaluate the impact of completed actions on the probability of occurrence and financial impact.**

Response

Agree – TVA will develop measures to evaluate the impact of completed actions on the probability of occurrence and financial impact.

2. **Take steps to ensure risk information in the ERM system of record is accurate.**

Response

Agree - We will take steps to ensure that risk information in the ERM system of recording is accurate. We will implement periodic reviews to ensure risk information in the ERM system of record is complete and accurate.

A handwritten signature in black ink that reads 'H. Montgomery'.

Heather Montgomery
Sr. Director
Labor & Employee Relations

cc: William Trumm Matt Faulkner
Wes Wingo Traci Payne
Chad Southall Hannah Clements
Ronald Sanders OIG File No: 2026-17611