



Memorandum from the Office of the Inspector General

December 21, 2017

Susan E. Collins, LP 6A-C

REQUEST FOR MANAGEMENT DECISION – EVALUATION 2016-15445 – CHIEF  
HUMAN RESOURCES OFFICE'S ORGANIZATIONAL EFFECTIVENESS

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 and expected implementation dates within 60 days from the date of this report.

If you have any questions or wish to discuss our findings, please contact me at (865) 633-7373 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)  
ET 3C-K

ARR:BSC  
Attachment  
cc (Attachment):

TVA Board of Directors  
Janet J. Brewer, WT 7C-K  
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, ET 4C-K  
Wilson Taylor III, WT 7D-K  
OIG File No. 2016-15445



Office of the Inspector General

# *Evaluation Report*

To the Senior Vice President  
and Chief Human Resources  
Officer, Chief Human  
Resources Office

# **CHIEF HUMAN RESOURCES OFFICE'S ORGANIZATIONAL EFFECTIVENESS**

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Evaluation Team  
Amy R. Rush  
Lindsay J. Denny

Evaluation 2016-15445  
December 21, 2017

## **ABBREVIATIONS**

BU	Business Units
C&B	Compensation and Benefits
CHRO	Chief Human Resources Office
EEO	Equal Employment Opportunity
EEOC	Equal Employment Opportunity Commission
EOC	Equal Opportunity Compliance
FY	Fiscal Year
HR	Human Resources
HRBO	Human Resources Business Office and Ombudsman
L&OD	Leadership and Organizational Development
LG&M	Learning, Growth, and Management
OGC	Office of General Counsel
TAD	Talent Acquisition and Diversity
TVA	Tennessee Valley Authority

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# Evaluation 2016-15445 – Chief Human Resources Office’s Organizational Effectiveness

## 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. To achieve and sustain organizational effectiveness, there should be alignment between strategy, team engagement, and operational performance. Specifically, values and behaviors that drive good performance should be embedded throughout the organization’s business processes and exemplified by the individuals that manage and work in the organization. The Tennessee Valley Authority’s (TVA) 2017 3-year Enterprise Risk Profile recognized that ongoing workforce refinement<sup>i</sup> might negatively affect the performance environment. Therefore, employee engagement is critical.

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 (BU) across TVA. This evaluation focused on TVA’s Chief Human Resources Office (CHRO). In support of TVA’s mission and performance risk mitigation efforts, CHRO is responsible for “fostering an environment that enables all employees to contribute at optimum levels through connections to each other and to TVA’s mission.”

The CHRO’s key initiatives for fiscal year 2017 include (1) optimization of the workforce to support nonfuel Operations and Maintenance reductions; (2) fostering a work environment where employees are fully engaged; (3) building individual, leadership, and organizational capabilities; and (4) leveraging human resources (HR) technology to enhance employee efficiencies. The CHRO is comprised of five BUs including: (1) HR Business Office and Ombudsman (HRBO); (2) Learning, Growth, and Management (LG&M); (3) Talent Acquisition and Diversity (TAD); (4) Compensation and Benefits (C&B); and (5) HR. Separate reports were issued for each of the BUs, and those results have been used to formulate the observations in this capstone report.

### What the OIG Found

We identified strengths within the CHRO and its BUs related to organizational alignment, development of the CHRO strategy, and management support within the BUs. However, we also identified potential engagement and execution risks that could negatively affect the achievement of the mission. These risks related to (1) collaboration across

<sup>i</sup> Refinement of the workforce includes activities such as reduction in force.



# Evaluation 2016-15445 – Chief Human Resources Office’s Organizational Effectiveness

## EXECUTIVE SUMMARY

the CHRO, (2) relationship and inclusion issues, (3) noncompliance with TVA’s Code of Conduct, and (4) the potential for ineffective CHRO measurements.

Based on our findings and using TVA’s Business Operating Model, we assessed CHRO and each of the individual BUs’ level of risk in the areas of alignment, engagement, and execution. As summarized in the table below:

- Alignment risk was rated low based on the alignment of management and employee goals within the CHRO organization and its five BUs. The majority of individuals within these BUs felt they had input into their goals, and goals aligned with the CHRO mission.
- Engagement risk was rated medium overall for the CHRO. Engagement risks were low in most CHRO organizations, and the majority of CHRO personnel cited collaboration within their department as a strength. However, several individuals noted that BUs within the CHRO do not collaborate well. Furthermore, there were inclusion risks in HR, which was assessed as having high engagement risk. In addition, there were relationship and inclusion issues across the CHRO, and several individuals indicated that relationship issues among CHRO leadership existed, which may be a cause for lack of collaboration across the organization.
- Execution risk was rated medium overall for CHRO. While there was low execution risk in two CHRO BUs, there were risks related to the potential for unethical practices with regard to following processes and procedures and pushing the boundaries of laws and regulations<sup>ii</sup> in three BUs, two of which were rated as having medium risk and one as having high risk. Furthermore, potentially ineffective metrics used to assess the execution of HR-related strategies and programs could hinder the achievement of CHRO-related initiatives and mission.

Summary of Risk Ratings for CHRO and BUs Under CHRO						
	Overall CHRO	LG&M	C&B	HRBO	TAD	HR
Alignment	X	X	X	X	X	X
Engagement	X	X	X	X	X	X
Execution	X	X	X	X	X	X

Risk Level Scale:

Low	Medium	High
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<sup>ii</sup> TVA is a unique federal corporation that is sometimes subject to laws and regulations not applicable to other organizations.



# Evaluation 2016-15445 – Chief Human Resources Office’s Organizational Effectiveness

## EXECUTIVE SUMMARY

### What the OIG Recommends

We recommend HR’s Senior Vice President and Chief HR Officer:

1. Continue to focus on building relationships within the leadership team and across the CHRO to improve collaboration and teamwork.
2. Continue dialogue with employees to (a) gather differing opinions and encourage employees to voice opinions even if those opinions differ from management and (b) promote inclusive behaviors.
3. Recommunicate expectations of ethical behaviors and monitor compliance with laws and regulations.
4. Utilize existing qualitative and quantitative measurements and/or develop metrics to (a) gauge effectiveness of CHRO strategies and programs and (b) identify risks to achievement of the CHRO initiatives and mission.

### TVA Management’s Comments

TVA management provided comments indicating disagreement or concern with some of our conclusions in this report. Specifically, TVA management had concerns with the engagement risks pertaining to relationship and inclusion issues and did not agree with the conclusions pertaining to potential for noncompliance with TVA’s Code of Conduct and the potential for ineffective CHRO metrics. While TVA management agreed with certain elements of the recommendations, they did not specifically address parts including (1) monitoring compliance with laws and regulations and (2) usage of existing metrics or development of metrics to gauge effectiveness and identify risks. See Appendix B for TVA management’s complete response.

### Auditor’s Response

We disagree with TVA management’s comments related to engagement risks and certain execution risks and provided detailed responses for each of these in the body of this report.

## **BACKGROUND**

Organizational effectiveness, as defined in this evaluation, is the ability of an organization to achieve its mission and goals. To achieve and sustain organizational effectiveness, there should be alignment between strategy, team engagement, and operational performance. Specifically, values and behaviors that drive good performance should be embedded throughout the organization's business processes and exemplified by the individuals that manage and work in the organization.

In recent years, the Tennessee Valley Authority (TVA) has faced internal and external economic pressures and implemented cost-cutting measures in an attempt to keep rates low and reliability high while continuing to fulfill its broader mission of environmental stewardship and economic development. In addition to recognizing operational risks related to those pressures, TVA's 2017 3-year Enterprise Risk Profile recognized ongoing workforce refinement<sup>1</sup> might negatively affect the performance environment. Therefore, employee engagement is critical.

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 (BU) across TVA. This evaluation focused on TVA's Chief Human Resources Office (CHRO). In support of TVA's mission and performance risk mitigation efforts, TVA's CHRO is responsible for "fostering an environment that enables all employees to contribute at optimum levels through connections to each other and to TVA's mission." Since the fourth quarter of fiscal year (FY) 2014, the CHRO has undertaken various initiatives in support of its mission. These include (1) delivery of core and leadership competencies and values to TVA personnel, (2) mapping and banding<sup>2</sup> of positions within the Management and Specialist compensation structure, (3) redesign of the performance management process as well as implementation of a new system, and (4) changes to the compensation structure including testing of a new system.

In addition, TVA utilized a self-assessment tool through the Corporate Executive Board<sup>3</sup> to benchmark CHRO-related functions, and the report (dated April 2015) indicated "medium" maturity for human resource (HR) related functions at TVA. Of the ratings comprising the overall maturity, the highest were in the management of the workforce strategy, the development of employees, management of employee rewards and benefits, and management of the function. Conversely, the lowest ratings included the recruitment of new employees, the management of existing employees, and the enablement of

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<sup>1</sup> Refinement of the workforce includes activities such as reduction in force.

<sup>2</sup> Mapping involves defining career paths within an organization to assist with (1) internally developing skills for achieving business goals and (2) helping employees think strategically about their career paths and goals. Banding involves developing pay ranges for jobs within the organization.

<sup>3</sup> The Corporate Executive Board is a best practice insight and technology company. The benchmarking report covered 38 functional activities across seven CHRO-related objectives.

organizational effectiveness. Furthermore, CHRO identified risks (as of FY2016), including (1) the inability to attract and retain diverse and effective leadership talent, (2) failure to plan for and execute knowledge transfer and retention for critical roles, and (3) an insufficiently engaged workforce.

The CHRO monitors specific human capital metrics for TVA, including those associated with hiring, retention, and grievances. The CHRO also monitors the culture through TVA's Employment Engagement Survey as well as through observation and consultation with Employee Resource Groups to determine effectiveness of diversity and inclusion activities.

The organization's key initiatives for FY2017 were to (1) optimize the workforce in order to support nonfuel Operations and Maintenance reductions; (2) foster a work environment where employees are fully engaged; (3) build individual, leadership, and organizational capabilities; and (4) leverage HR technology to enhance employee efficiencies. The CHRO is comprised of the following five BUs:

- HR Business Office and Ombudsman (HRBO) includes the Ombudsman and three departments that conduct activities designed to assist with workforce optimization, the fostering of an engaged workforce, and leveraging of HR technologies for employee efficiencies. The Ombudsman, an informal resource, helps answer questions, provides assistance, and resolves concerns for employees, contractors, and external stakeholders. HRBO's Equal Opportunity Compliance (EOC) department plans, develops, and implements TVA's total civil rights program to ensure that TVA is an equal opportunity employer and complies with all federal antidiscrimination employment laws, regulations, executive orders, and guidelines. HRBO also contains HR Support Programs and Services, which is responsible for system transactions, onboarding, and contractor workforce management. The remaining department, HR Business Operations and Systems, is responsible for providing technical support primarily to CHRO personnel for the People Lifecycle Unified System (i.e., PLUS), which is TVA's HR system.
- Learning, Growth, and Management (LG&M) consists of three departments that conduct activities designed to assist with workforce optimization, the fostering of an engaged workforce, support for the building of capabilities, and leveraging HR technologies for employee efficiencies. The Leadership Programs and Assessments department is responsible for "delivering quality learning and development solutions in service to the business needs of the organization and in support of the TVA mission" through governance, oversight, and execution of development programs for TVA leadership. In conjunction, the Leadership and Organizational Development (L&OD) department assists with the growth and development of TVA formal and informal leaders with a focus primarily on the development of senior leadership within TVA. This department also has responsibilities for supporting succession planning and talent review processes governed by a LG&M program manager outside of the L&OD department. LG&M also houses the Workforce Planning and Analytics department, which is

responsible for providing data to TVA leaders in support of workforce decisions in the business planning process.

- Talent Acquisition and Diversity (TAD) consists of two departments that conduct activities designed to assist with workforce optimization and the fostering of an engaged workforce. Talent Acquisition is responsible for generating a diverse pipeline of talent, recruiting qualified candidates, and filling jobs within TVA. The TAD Programs department is responsible for implementing talent acquisition programs such as Bold Beginnings, a program for interns. The department is also responsible for governance and programs to build and maintain an inclusive workforce. This includes authorizing diversity and inclusion steering teams and employee resource groups that focus on modeling diversity and inclusion behaviors as well as the recruitment, retention, and development of the constituency groups they serve.
- Compensation and Benefits (C&B) fosters an engaged workforce through its responsibilities for leading the design and implementation of competitive, market/employee-driven total reward benefits that support TVA's pay-for-performance culture and business strategy. C&B conducts these activities through the efforts of three departments. The Benefits department is responsible for offering and delivering a competitive benefits package that enables TVA to compete in attracting and retaining a highly qualified workforce. The Compensation department is responsible for developing, overseeing, and managing the overall compensation strategy for TVA employees. C&B's Retirement department is responsible for administering the TVA Retirement System rules and regulations, managing the pension trust, and providing the TVA Retirement System board, TVA Board of Directors, TVA employees, and retirees with informative and timely data to make informed decisions.
- HR is responsible for fostering an engaged workforce, assisting with workforce optimization, and building capabilities through activities conducted by three departments. HR's Business Partnerships is responsible for developing and implementing HR business solutions for BUs across TVA, consulting and supporting management and employees on all HR- and people-related issues, and providing governance tools and consultation to the HR community, managers, and employees. The Employee Health department assesses the health status of each employee to determine their suitability to work safely and meet regulatory standards as a condition of TVA employment. HR's Labor Relations department is responsible for TVA's labor relations strategy as well as contract negotiations, dispute resolution, and management of relationships between the unions and TVA management.

Separate reports have been completed for each of the five organizations within the CHRO as follows:

- Evaluation Report 2016-15445-01, Human Resources Business Office and Ombudsman's Organizational Effectiveness, May 18, 2017.

- Evaluation Report 2016-15445-02; Learning, Growth, and Management's Organizational Effectiveness; May 18, 2017.
- Evaluation Report 2016-15445-03, Talent Acquisition and Diversity's Organizational Effectiveness, August 23, 2017.
- Evaluation Report 2016-15445-04, Compensation and Benefits' Organizational Effectiveness, June 29, 2017.
- Evaluation Report 2016-15445-05, Human Resources' Organizational Effectiveness, September 26, 2017.

Table 1 includes the summarized results of our risk rankings for each of the BUs.

Summary of Risk Ratings for CHRO BUs					
Risk Areas	LG&M	C&B	HRBO	TAD	HR
Alignment	X	X	X	X	X
Engagement	X	X	X	X	X
Execution	X	X	X	X	X
Risk Level Scale:					
Low	Medium	High			

Table 1

As of September 8, 2016, the CHRO contained 181 individuals, including the Senior Vice President and Chief HR Officer, 7 direct reports, and 173 employees within the 5 BUs.

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

The objective of this evaluation was to identify strengths and risks that could impact CHRO's organizational effectiveness. We assessed operations of CHRO as of April 2017 and culture as of the date of our interviews occurring from October 2016 through April 2017. To complete the evaluation, we:

- Reviewed CHRO's FY2017 through FY2019 business plan to gain an understanding of goals.
- Reviewed TVA values and competencies (see the Appendix) for understanding of cultural factors deemed important to TVA.
- Interviewed the Senior Vice President and Chief HR Officer and 7 direct reports to obtain their perceptions related to strengths and risks that could affect organizational effectiveness.
- Conducted interviews with 169<sup>4</sup> CHRO employees in the HRBO, LG&M, TAD, C&B, and HR organizations and analyzed themes related to strengths and risks that could affect organizational effectiveness.

<sup>4</sup> Due to organizational changes within the CHRO that occurred during our evaluation, we did not interview 4 individuals included in the population of 181 individuals..

- Obtained feedback from approximately 140 TVA managers, employees, and retirees through interviews or surveys and analyzed results to identify strengths and risks from a customer service standpoint.
- Analyzed performance management documentation for employees in CHRO for alignment with department and organizational goals, where applicable.
- Examined CHRO metrics to determine characteristics measured within CHRO.
- Compared the results of TVA's 2016 Pulse Survey to the 2015 Employee Engagement Survey to gain additional understanding of the CHRO work environment.
- Reviewed (1) select TVA Standard Programs and Processes and guidelines and (2) documentation for select programs to gain an understanding of processes and controls.
- Identified strengths and risks for each of the BUs within CHRO.
- Assessed the overall effectiveness of CHRO in the following areas, as included in TVA's Business Operating Model:
  - Alignment – How well the organization coordinates the activities of its many components for the purpose of achieving its long-term objectives—this is grounded in an understanding of what the organization wants to achieve, and why.
  - Engagement – How the organization achieves the highest level of performance from its employees.
  - Execution – How well the organization achieves its objectives and mission.

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**

We identified strengths within CHRO and its BUs related to organizational alignment, development of the CHRO strategy, and management support within the BUs. However, we also identified engagement and execution risks that could negatively affect the achievement of the mission. These risks related to (1) collaboration across the CHRO, (2) relationship and inclusion issues, (3) noncompliance with TVA's code of conduct, and (4) the potential for ineffective CHRO measurements.

## **STRENGTHS**

During the course of our interviews and data analyses, we identified strengths that positively affected the day-to-day activities of CHRO employees and performance. These strengths included (1) organizational alignment, (2) the CHRO strategy, and (3) direct management support.

### **Organizational Alignment**

Our review of performance management documentation for management and employees within CHRO revealed that performance goals were consistent with overarching CHRO goals. In addition, we assessed the performance management documentation for each of the five BUs within the CHRO and determined that performance goals were consistent with overarching organizational goals. Most individuals felt they had input into their performance management goals, and goals aligned with the CHRO mission. We also confirmed that BU responsibilities and initiatives supported the CHRO and TVA missions.

### **CHRO Strategy Development**

As stated previously, the CHRO has undertaken various initiatives in support of its mission including assessing the maturity of CHRO-related functions. According to the International Public Management Association for Human Resources,<sup>5</sup> there is a need for the HR function to move beyond being purely transactional because of economic pressures, technological changes, and other factors. The CHRO has recently undertaken an initiative to redesign TVA's HR function to focus more on strategy rather than transactions. Moving towards a strategic HR function includes focusing on business acumen, innovation, and strategic orientation, which are some of the expected competencies within the HR BU.

In addition, the CHRO (1) redesigned and published handbooks for both leaders and employees; (2) provided targeted leadership and development programs; (3) launched programs and strategies for greater levels of diversity, recruitment, and engagement; and (4) devised labor relations strategies. Other initiatives included development and implementation of a revised retirement delivery strategy to address economic pressures affecting the retirement system.

More recently, there have been efforts to transform the talent acquisition process to address risks related to attracting and recruiting diverse and effective talent. By developing strategies to address areas where maturity levels are low or risks are heightened, the CHRO is positioning itself to better assist TVA and to achieve its mission.

### **Direct Management Support**

The majority of BUs within the CHRO indicated that direct management support was a strength for their organization. Most individuals stated their direct management understood and supported the work they did. In addition, several individuals indicated that management provided the tools they needed, held individuals accountable, and were receptive to differing opinions.

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<sup>5</sup> The International Public Management Association for Human Resources is the leading public sector HR organization in the world. The organization has served the profession since 1906.

## RISKS

Risks that could negatively impact the effectiveness of CHRO in achievement of its responsibilities and mission include (1) engagement risks, including limited collaboration across the CHRO and relationship and inclusion issues within the CHRO, and (2) execution risks, including the risk of noncompliance with TVA's Code of Conduct and the potential for ineffective CHRO measurements.

### Engagement Risks

One method for achieving the highest level of performance from employees is through collaboration, a TVA value. Collaboration indicates a commitment to fostering teamwork, developing effective partnerships, and valuing diversity when working together to achieve results. Valuing diversity also indicates the existence of an inclusive environment despite having differing opinions or characteristics. During the course of our interviews, we identified risks within the CHRO organization related to collaboration and relationship and inclusion issues.

#### Lack of Collaboration

While the majority of personnel in each of the CHRO BUs cited department teamwork as a positive attribute, several individuals across the CHRO noted that BUs tended to operate in silos. Specifically, a few individuals noted there is little interaction between BUs even though there is sometimes a need for cross-collaboration. While the CHRO holds all-hands meetings and other events, issues with collaboration may stem from changes in the CHRO strategy.

To improve functions within the CHRO, CHRO management has implemented a "service delivery model." In this model, HR personnel serve as the primary points of contact for employees and managers requiring knowledge of HR administrative processes. Establishing HR personnel as the primary points of contact may have caused confusion, for some individuals, as to the boundaries of their responsibilities. Several individuals we interviewed indicated there have been some role clarity issues between BUs. For example, talent acquisition consultants within the TAD BU are responsible for interacting with management within various TVA BUs with regard to recruiting, posting of positions, and hiring of employees. These responsibilities could overlap with the duties of HR generalists who interact with management on a variety of HR-related issues. During the course of our evaluation, TAD developed a document outlining roles and responsibilities for the hiring manager, TAD personnel, HR generalists, and other individuals involved in the hiring process. Boundary confusion could also exist with regard to the responsibilities of personnel within the C&B and LG&M BUs as compared to HR. Furthermore, we received customer feedback from some TVA management that noted inconsistencies existed in information provided by personnel within HR and other organizations within CHRO. Not collaborating and presenting a cohesive front to TVA management and employees could negatively affect the credibility of the organization and stymie the achievement of CHRO initiatives designed to accomplish the mission.

### Relationship and Inclusion Issues

A potential inhibitor to collaboration across the BUs could be relationship issues within and across individual BUs. Relationship issues between management and employees, though limited to specific departments, were identified in the majority of CHRO BUs. Furthermore, inclusion risks were identified within one BU, and some individuals within other CHRO BUs indicated either (1) their opinions were not valued or respected by individuals within other CHRO BUs, or (2) trust issues existed across CHRO BUs.

Our interviews also identified relationship issues with CHRO leadership. We provided details of these relationship concerns to the HR Senior Vice President and Chief HR Officer.

**TVA Management's Comments** – In their response to our draft report, TVA management disagreed or expressed concerns with some of our conclusions regarding engagement risks.

- With regard to lack of collaboration, management stated they believed “there was far less inter-Business Unit collaboration *before* the new service delivery model”. Management also stated their observation is that the concerns have declined as CHRO has matured in both the service delivery model and as a Leadership Team.
- With regard to relationship and inclusion issues, management stated the responses to issues are necessarily fact-specific, but no facts were provided and hence it is difficult to respond.

See Appendix B for TVA management's complete response.

**Auditor's Response** – We obtained feedback from individuals within the CHRO organization related to strengths and risks affecting their engagement and were provided examples where individuals stated collaboration did not exist or was inadequate. Some management outside of CHRO who provided customer feedback echoed these sentiments. While we acknowledge that collaboration may have increased since the date of our interviews, we have been provided no evidence that supports management's statements that concerns have declined.

We met with CHRO management as well as management within each of the CHRO BUs to provide details in support of the observations included in this report as well as the individual CHRO BU reports. It is important to note that we report issues that have been identified as themes, meaning these are not issues that are brought up by a few individuals but are brought up by enough personnel to indicate broader level concerns. We did not provide specific descriptions of circumstances to protect the anonymity of the employees who provided the feedback. However, in our opinion, it is not necessary to have every detail in the report for management to address the issues.

## Execution Risks

As stated previously, the CHRO has undertaken many initiatives in support of its mission including assessing the maturity of its organization. While strategy development within the CHRO was a strength of the organization, there are risks related to the execution of HR-related programs and strategies. Specifically, these risks include the potential for (1) noncompliance with TVA's Code of Conduct within the CHRO and (2) ineffective CHRO measurements.

### Potential for Noncompliance With TVA's Code of Conduct

Ethics, in the general sense, is defined as "moral principles that govern a person's behavior or the conducting of an activity."<sup>6</sup> TVA's Code of Conduct states "good ethics are good business" and "the values of trust, respect, and ethical conduct are the foundations for everything we accomplish together." Eight statements within TVA's Code of Conduct further describe expectations of TVA personnel, including compliance with laws and regulations applicable to the business and the support of a culture where ethical conduct is expected, valued, and exemplified by all employees.

Some managers and employees within several CHRO BUs expressed concerns related to unethical practices within the organization. The majority of these concerns were related to not following processes and procedures that business partners are expected to follow. In a few instances, there were concerns expressed with regard to pushing the boundaries of laws and regulations and a lack of knowledge of CHRO personnel of federal regulations.<sup>7</sup>

We identified one such occurrence in the HRBO BU where noncompliance with regulations existed with regard to the placement and reporting structure of the EOC department. The responsibility of that department is to ensure that TVA complies with all federal antidiscrimination employment laws, regulations, executive orders, and guidelines. Title 29, Code of Federal Regulations, Part 1614.102(b)(4) states the, "Equal Employment Opportunity [EEO] Director shall be under the immediate supervision of the agency head." In addition, Management Directive<sup>8</sup> 110, established by the Equal Employment Opportunity Commission (EEOC), states the EEO function should be separate from the agency's personnel function in order to maintain the integrity of the EEO investigative and decision-making processes. According to TVA personnel, the HRBO Director<sup>9</sup> within the CHRO organization has a "dotted line" reporting relationship to the Chief Executive Officer. TVA management also stated they provided the EEOC with documentation relative to the reporting structure, and the EEOC is currently reviewing that information.

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<sup>6</sup> Oxford Dictionaries – Dictionary, Thesaurus, & Grammar. (n.d.). Retrieved June 14, 2017, from <https://en.oxforddictionaries.com>.

<sup>7</sup> Because TVA is a unique organization that is sometimes subject to laws and regulations not applicable to other organizations, it may sometimes be difficult to determine which laws and regulations apply to TVA and which do not.

<sup>8</sup> Management Directives contain instructions about the administrative procedures for federal employees or applicant claims of employee discrimination.

<sup>9</sup> TVA's EEO Director, the Senior Manager of the EOC, reports directly to the HRBO Director.

In addition, we identified the potential for increased noncompliance risk with antidiscrimination regulations within the TAD BU's recruitment and selection processes. Specifically, this is due to (1) the use of social media in the recruitment process and (2) no documentation requirements for intern selections. While the majority of personnel within TAD identified ethics as a strength of the BU, these control gaps could expose the organization to actual or perceived participation in unethical activities. As of the date of this report, TAD has addressed the documentation requirements for intern selections.

According to the Society for Human Resource Management,<sup>10</sup> HR professionals are responsible for adding value to the organizations they serve and contributing to their ethical success. Because other TVA organizations and employees often look to CHRO for guidance regarding HR and employment matters, it is important, from a credibility standpoint, for CHRO to act and be perceived as an ethical organization, which includes following their own guidance. By addressing perceptions and risks related to unethical practices CHRO can further its mission and initiatives related to employee engagement and the building of capabilities throughout TVA.

#### Potential for Ineffective CHRO Measurements

The primary responsibility of the CHRO is to "foster an environment that enables all employees to contribute at optimum levels through connections to each other and to TVA's mission." As stated previously, to foster that type of environment, the CHRO has undertaken various initiatives to implement programs and tools designed to equip leaders and employees so they may contribute at these levels. Within each of the CHRO organizations, various quantitative<sup>11</sup> and qualitative<sup>12</sup> data points for HR-related activities are gathered and/or reported. For instance, some data points tracked include (1) employee concerns and EEO complaints reported by HRBO, (2) feedback from employees participating in learning activities tracked by LG&M, (3) hiring statistics tracked within TAD, (4) benefits processing statistics tracked by C&B, and (5) union grievances and customer feedback gathered by HR. Some of these data points measure the implementation of programs while others are tracked primarily for compliance reporting purposes. For example, feedback from learning activities might allow CHRO personnel to determine whether gaps exist in knowledge retention while hiring statistics and number of EEO complaints are tracked for reporting requirements.<sup>13</sup> The CHRO FY2017 through FY2019 business plan also lists employee engagement, pulse surveys, and project milestone achievements as additional measurements utilized within the organization.

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<sup>10</sup> The Society for Human Resource Management is the world's largest professional society with members in more than 165 countries. The organization has been the leading provider of resources for the needs and advancement of HR.

<sup>11</sup> Quantitative metrics assess actual numbers or data and include measurements.

<sup>12</sup> Qualitative metrics assess business factors that are not numbers driven and include subjective measures.

<sup>13</sup> The EEOC requires each federal agency to report annually on the status of activities undertaken pursuant to its EEO program under Title VII of the Civil Rights Act and activities undertaken pursuant to its affirmative action obligations under the Rehabilitation Act.

While a large number of data points exist within the CHRO, there is no comprehensive analysis performed of this data to evaluate the effectiveness or the sustainability of changes in the CHRO strategy or achievement of the mission. According to a job aid developed by the Society for Human Resource Management, metrics should have a primary purpose of supporting and improving decision making.<sup>14</sup> Therefore, trending fluctuations in data points over time could provide an indication of whether implemented programs are addressing identified gaps within TVA (such as leadership deficiencies, engagement concerns, or compliance with HR-related laws and regulations). In addition, using qualitative data to gain further insight into fluctuations occurring in quantitative metrics could better equip CHRO when determining whether implemented strategies and programs are achieving their intended result and if not, whether strategies and programs should be revised or terminated.

According to Deloitte's *2017 Global Human Capital Trends* report, the "new rule" for HR organizations is to utilize analytics that focus on business problems (such as workforce effectiveness, high-potential retention, accident patterns, and other operational needs) rather than focusing on retention, engagement, learning, and recruitment metrics.<sup>15</sup> This could include analysis to identify the effectiveness of CHRO strategies and programs and the value they provide to the business. As stated previously, the L&OD department within LG&M assists with the growth and development of TVA formal and informal leaders with a primary focus on the development of senior leadership within TVA. The L&OD department has plans to define and develop effectiveness outcomes that include tracking improvements in key business performance metrics (such as safety and budget); however, plans indicated these metrics are only used to measure effectiveness for actions taken by L&OD, which is not a comprehensive measure of CHRO effectiveness across TVA. Furthermore, at the time of our evaluation, three L&OD consultants were focusing their efforts on nuclear, and one consultant was focused on certain non-nuclear sites including Power Operations, Transmission, Generation Construction, and the Resources and River Management groups, which, according to TVA documentation, leaves a vacancy in assessment of TVA's corporate environment.

Because TVA is a federal corporation, TVA is a unique organization that is sometimes subject to laws and regulations not applicable to other organizations; therefore, it is essential that CHRO measure the effectiveness and sustainability of its strategies and programs. While we consider the CHRO initiative to redesign TVA's HR function to a strategic rather than transactional focus a strength, there could be a risk that gaps may occur with this shift. For example, under a transactional focus, HR personnel may assist TVA management with documenting performance management issues in a manner that complies with

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<sup>14</sup> Excerpt from the Society for Human Resource Management's 2016 *Advanced Analytics Using Data to Drive HR Excellence*.

<sup>15</sup> Deloitte, a team of professionals that provide audit, consulting, risk management, and related services, has published global human capital trends for the past 5 years. The current report, dated 2017, includes input from approximately 10,000 business and HR leaders across 140 countries. The majority of respondents were from medium or large companies.

HR-related laws and regulations. Shifting away from these activities could expose the organization to noncompliance issues and employer liabilities if TVA management has not been equipped to understand and address these risks. These instances are further examples of what could be identified through trending of EEO or other grievance data points in conjunction with assessment of qualitative data gathered by CHRO personnel. By analyzing these data points, CHRO personnel could determine whether the risk is perpetuated by (1) lack of motivation wherein proper accountability may not be defined or (2) lack of ability indicating the proper training may not have occurred or is lacking in addressing certain issues. Utilizing both quantitative and qualitative data to measure HR-related activities across TVA as well as focusing metrics on business problems and/or key performance indicators could enable CHRO to (1) understand risk exposures better, (2) more effectively shape strategies and priorities for addressing risks, and (3) become a more effective strategic business partner.

**TVA Management's Comments** – CHRO management stated “the conclusions related to the potential for unethical practices is difficult to address because it is based on conjecture and concerns, not specific facts. . . The report does not address if there is indeed anything unethical occurring or even what the specifics are of the perception.” TVA’s Office of General Counsel (OGC) also provided a response indicating they did not agree that the potential for noncompliance with TVA’s Code of Conduct is an area of potential execution risk. In its response, OGC stated:

1. Although there may be situations where there are questions presented about what course of actions are available within the confines of the law, there are no ethical issues with identifying where the boundaries of the law are and operating at the limits of what the law allows. There was no evidence CHRO was operating outside the law; as such, it is within management’s discretion and authority to determine whether and how to proceed.
2. The Equal Opportunity regulation is intended to encompass a broader range of responsibilities than the Senior Manager, EOC, position as currently structured at TVA. The responsibilities for an EEO program are found throughout the CHRO organization. As such, in OGC’s opinion, the highest level position at TVA with comprehensive responsibilities for all functions identified as EEO program responsibilities is the CHRO position.
3. OGC has reviewed how TAD currently uses social media for recruiting purposes and is satisfied that such usage poses little risk of noncompliance with the discrimination laws.

In addition, CHRO management stated it may be premature to support a conclusion of “Potential for Ineffective” CHRO measurements without a comparison to best practice organizations within the industry and due consideration to the costs of metric upkeep. See Appendix B for TVA management’s complete response.

**Auditor's Response** – We disagree with CHRO management's and OGC's comments regarding the potential for noncompliance with TVA's Code of Conduct as an area of potential execution risk. Specifically:

- Although OGC stated “there are no ethical issues with identifying where the boundaries of the law are and operating at the limits of what the law allows” CHRO personnel described specific areas of concern with regard to (1) management and personnel not following processes and procedures that others were expected to follow and (2) pushing the boundaries of laws and regulations and a lack of knowledge by CHRO personnel of federal regulations. These issues were discussed in detail throughout the course of our evaluation with CHRO management. While we did not discuss specific ethical breaches with CHRO management, we believe monitoring compliance with laws and regulations, specifically those noted as concerns, may be beneficial in improving the CHRO's reputation and holding persons accountable for actions and behaviors outside of expectations.
- CHRO management and TVA's General Counsel disagree with our observation regarding the placement and reporting structure of the EOC department. However, the EEOC, which (1) issues the guidance documents instructing federal agencies about administrative procedures and (2) assesses compliance with EEOC regulations, has stated that TVA has been noncompliant in this area since FY2012.

We agree that utilizing social media for talent acquisition purposes is necessary in today's environment and noted there were controls in place related to recruiting and hiring manager roles. At the time of our evaluation, there were no social media guidelines defining appropriate pipeline and recruiting activities or hiring manager expectations related to social media. However, subsequent to issuance of our draft report, TAD management developed and posted social media guidelines. In our opinion, this further mitigates the risk of noncompliance with laws and regulations and provides a basis for holding individuals accountable for potential actions that could increase TVA's risk exposure in this area.

CHRO management also stated “it may be premature to support a conclusion of ‘potential for ineffective’ CHRO measurements without a comparison to best practice organizations within our industry.” While we did not compare the programs and activities within the organization to best practice organizations in the industry, we noted there is not an effectiveness measure to determine whether the changes made by CHRO (regardless of whether those changes are best practice) are effective in moving the organization towards achievement of its objectives and mission. In our opinion, gauging the effectiveness of programs through metrics such as implementation of a customer feedback mechanism for employees (as recommended in Evaluation Report 2016-15445-05) and other analytics are vital to determining whether practices are effective.

## **CONCLUSION**

The CHRO has undertaken various initiatives and moved towards transforming the image of the organization to that of a strategic business partner. By developing and implementing strategies designed to address areas where maturity levels are low or risks are heightened, the CHRO is positioning itself to better assist TVA and to achieve its mission. While development of strategies has been a primary focus of the organization, there are risks associated with being able to effectively execute and measure CHRO-related strategies and programs. These risks, if not addressed, could impede the achievement of the CHRO initiatives related to workforce optimization, the fostering of an engaged workforce, and the building of individual, leadership, and organizational capabilities and negatively affect achievement of the CHRO mission.

While collaboration within CHRO BUs was cited as a strength by management and employees, the lack of collaboration across CHRO BUs as well as relationship and inclusion issues potentially undermine the effectiveness of the organization in portraying the image of a strategic business partner. Additionally, there is an expectation for BUs and their respective HR representatives to monitor trends and address employee issues within the work environment; however, there is not a comprehensive assessment of both quantitative and qualitative metrics for BUs across TVA or CHRO metrics focused on business problems and/or key performance indicators. Therefore, it could be difficult to determine the effectiveness of CHRO-related strategies and programs, including those related to leadership, development, and engagement. Adequate assessment and use of quantitative and qualitative metrics in decision making and association of HR-related metrics with organizational business problems or key performance indicators can further the image of the organization as a strategic business partner by demonstrating the value that CHRO adds to the organization.

Based on TVA's Business Operating Model, we evaluated the risk of three critical areas that could impact CHRO's effectiveness:

- Alignment risk is low based on the alignment of management and employee goals within the CHRO organization and its five BUs. The majority of individuals within these BUs felt they had input into their goals, and goals aligned with the CHRO mission.
- Engagement risk is medium. Engagement risks were low in most CHRO organizations, and the majority of CHRO personnel cited collaboration within their department as a strength. However, several individuals noted that BUs within the CHRO do not collaborate well. Several individuals indicated that relationship issues among the CHRO leadership existed, which may be a cause for lack of collaboration across the organization. Furthermore, there were inclusion risks in HR, which was assessed as having high engagement risk. In addition, there were relationship and inclusion issues across the CHRO.

- Execution risk is medium. While there was low execution risk in two CHRO BUs, there were risks related to the potential for unethical practices with regard to following processes and procedures and pushing the boundaries of laws and regulations in three BUs, two of which were rated as having medium risk and one as having high risk. Furthermore, potentially ineffective metrics used to assess the execution of HR-related strategies and programs could hinder the achievement of CHRO initiatives and the CHRO mission.

## **RECOMMENDATIONS**

We recommend HR's Senior Vice President and Chief HR Officer:

1. Continue to focus on building relationships within the leadership team and across the CHRO to improve collaboration and teamwork.
2. Continue dialogue with employees to (a) gather differing opinions and encourage employees to voice opinions even if those opinions differ from management and (b) promote inclusive behaviors.
3. Recommunicate expectations of ethical behaviors and monitor compliance with laws and regulations.
4. Utilize existing qualitative and quantitative measurements and/or develop metrics to (a) gauge effectiveness of CHRO strategies and programs and (b) identify risks to achievement of the CHRO initiatives and mission.

**TVA Management's Comments** – While TVA management agreed with certain elements of the recommendations, they did not specifically address parts including (1) monitoring compliance with laws and regulations and (2) usage of existing metrics or development of metrics to gauge effectiveness and identify risks. See Appendix B for TVA management's complete response.

**Auditor's Response** –Monitoring of compliance in the specific areas noted in this report and in others can assist management with determining whether actions taken (1) do not comply with laws and regulations and thus require performance management actions or (2) are incorrectly perceived to not comply with laws and regulations and allow for educational opportunities. Also, metrics should have a primary purpose of supporting and improving decision making. It is our understanding that planned initiatives and associated performance metrics for those initiatives are included in the business planning process. While these metrics may be helpful in determining whether implementation of initiatives is successful, establishing comprehensive metrics and trending fluctuations in data points over time could provide an indication of whether implemented programs and/or initiatives are addressing identified gaps or moving CHRO closer to achieving its mission.

<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



Tennessee Valley Authority, 400 West Summit Hill Drive, Knoxville, Tennessee 37902-1401

November 30, 2017

Mr. David P. Wheeler  
Office of Inspector General  
400 W. Summit Hill Drive  
Knoxville, Tennessee 37902

Dear Mr. Wheeler:

RESPONSE TO DRAFT EVALUATION 2016-15445 – CHIEF HUMAN RESOURCES OFFICE'S ORGANIZATIONAL EFFECTIVENESS

I appreciate the opportunity to review and respond to the subject draft evaluation.

The charge from the Chief Executive Office to the Chief Human Resources Office has been to develop and implement a 21<sup>st</sup> Century, best practice Human Resources program and system. That has required (and will continue to require) substantial change and challenge across TVA. Given this objective, and mindful of the extent and impact of the required change, I am pleased with the findings of broad strength in our alignment, strategy and management support. We agree with these strengths, which are generating continuous improvement, collaboration and effectiveness in partnering with the business.

Over the last four years, the people of the Chief Human Resources Office have:

- significantly improved consultation and service to the business,
- implemented a comprehensive suite of leadership development programs
- implemented new competencies
- built out our performance management and compensation programs
- implemented a long-term, sustainable plan for the pension,
- assisted in the sustainable reduction of enterprise operations and maintenance costs, and
- reinvented the diversity and inclusion function sparking grass-roots efforts to build inclusion through Employee Resource Groups and various councils.

We've made these improvements while reducing headcount – and our corresponding budget – by 28%.

These results are the product of the efforts of a strong and improving team, of which I am honored to be a part. Our objective is to continue to evolve into a best-in-class team of consultative partners that anticipate, and meet the needs of the business and employees.

The CHRO team continues to drive for real business results in an ever-changing business environment. Driving for results requires exceptional team collaboration, continuous improvement, high standards and a strong partnership with the business and employees. These expectations come with challenges. Three challenges come to mind, which I believe are relevant to this evaluation:

- 1) There will occasionally be healthy conflict. In fact, the absence of conflict in this situation would be a risk, indicating groupthink or resistance to raising concerns.
- 2) The CHRO team knows we have high standards and that while we focus on building each person's capability, not everyone will always stay in their current role or get promoted to their desired role. How people react to that differs by maturity level and the skill of their leader – some will see it as a reasonable decision, others will see it with skepticism and question intent.

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- 3) The continual evolution necessary to deliver meaningful results in an ever changing business environment can bring discomfort as people learn how to be comfortable with change.

These growing pains are expected and the team has demonstrated that it wants to get even better. I continue to be impressed with their drive, talent, contributions to the business, and positive attitudes.

In response to your request that we indicate "agreement or disagreement with all facts, conclusions, and recommendations," I will refrain from expressing judgment on the facts of the report except to say that some opinions expressed seem overly broad and very limited evidence is provided to support them. This could create the unintended effect of generating or perpetuating perceptions that are invalid while not enabling us to directly address concerns, potentially degrading organizational effectiveness, rather than improving it.

Regarding the conclusions detailed in the report, there are several with which I disagree.

Regarding the Lack of Collaboration section, I believe that there was far less inter-Business Unit collaboration *before* the new service delivery model (we had multiple BUs interacting directly with the business) and that the new service delivery model has created some natural conflict as employees become comfortable with new roles that require collaboration. In other words, collaboration concerns have increased because our jobs now require substantial collaboration to deliver improved service. My observation is that these concerns have declined as we have matured in both the service delivery model and as a Leadership Team. It is my experience that any organization using this model will always experience some level of tension regarding collaboration – but it is still the optimum service delivery model.

Similarly, regarding "Potential for Ineffective CHRO Measurements," I suggest it may be premature to support a conclusion of "Potential for Ineffective" without a comparison to best practice organizations within our industry and due consideration to the costs of metric upkeep. I agree with the referenced Deloitte "new rule" – that analytics should focus on business problems. Very often that means we need to be attending to the business's performance metrics. That being said, I do agree we have room to continue to improve in this area, and our improvements will be in line with the business needs.

The conclusion related to the "potential for unethical practices" is difficult to address because it is based on conjecture and concerns, not specific facts. If something unethical is occurring on my team, I am committed to resolving the issue quickly and appropriately. The report does not address if there is indeed anything unethical occurring or even what the specifics are of the perception. Without those details, we are not able to address the conclusion, or effectively deal with any real or perceived issues. We will continue to solicit direct communication about concerns so we can address them.

I have similar concerns with the "Inclusion Issues" and "following processes and procedures." The responses to these issues are necessarily fact-specific but no facts were provided and hence it is difficult to respond.

I take concerns regarding ethical practices with great seriousness. That attitude extends to all leaders in the CHRO. To that end, I asked our independent Designated Agency Ethics Official, the official with responsibility for managing TVA's ethics program, to review the items related to "Execution Risks, Potential for Noncompliance with TVA's Code of Conduct." Their response is following.

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Tennessee Valley Authority, 400 West Summit Hill Drive, Knoxville, Tennessee 37902-1401

November 30, 2017

Mr. David P. Wheeler  
Office of Inspector General  
400 W. Summit Hill Drive  
Knoxville, Tennessee 37902

Dear Mr. Wheeler:

**RESPONSE TO DRAFT EVALUATION 2016-15445 – CHIEF HUMAN RESOURCES OFFICE'S ORGANIZATIONAL EFFECTIVENESS**

This is in response to the OIG's request for comments on Draft Evaluation 2016-15445 – Chief Human Resources Office's Organizational Effectiveness.

Specifically, OGC would like to respond to those concerns identified in the section titled Execution Risks, Potential for Noncompliance with TVA's Code of Conduct. There are three items identified as potential concerns in this area.

First, although there may be situations that arise where there are questions presented about what course of actions are available within the confines of the law, there are no ethical issues with identifying where the boundaries of the law are and operating at the limits of what the law allows. As long as the CHRO organization is operating within the law, and we have no evidence that they are not, it is within management's discretion and authority to determine whether and how to proceed with a course of action after weighing the benefits and risks to TVA.

Second, the current structure of the Equal Opportunity Compliance organization has long been a subject of review and discussion at TVA. The EOC group, and specifically the Senior Manager, EOC, does not currently and has not ever reported directly to the CEO or the Board of Directors at TVA. Although, as the Draft Evaluation points out, 29 CFR 1614.102(b)(4) states that an agency's EEO Director shall be under the immediate supervision of the agency head, OGC has long opined that the title of EEO Director in the regulations is intended to encompass a broader range of responsibilities than the Senior Manager, EOC position as currently structured at TVA. As is stated later in 1614.102(c), the EEO Director as defined in the regulations is responsible for more than just the Compliance function. The broad range of responsibilities identified as belonging to an agency's EEO program can be found throughout the CHRO organization, and OGC has opined consistently in the past that the highest level position at TVA with comprehensive responsibility for all of the functions identified as EEO program responsibilities in the cited regulations is more appropriately considered the EEO Director. Currently, that position would be the Chief Human Resources Officer position, which does report directly to the head of the agency. Furthermore, it is worth noting that the purpose for the instruction in Management Directive 110 that the EOC compliance function be separated from the personnel function of an agency (which at TVA is found in the Human Resources BU within CHRO, a separate organization from the Ombudsman organization where the EOC function is located) is to ensure that there is independence in the program. In order to ensure that appropriate independence is retained, OGC has advised TVA that the Senior Manager, EOC should have a dotted line reporting relationship to the CEO to ensure that there is a clear line of

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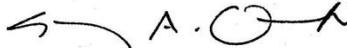
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communication and authority. OGC believes that this dotted line reporting structure satisfies the need for independence.

Third, OGC has reviewed how TAD currently uses social media during the recruitment process, and is satisfied that such usage poses little risk of noncompliance with the discrimination laws. The usage of social networks for targeted recruiting is a common practice in the industry, and with the new social media guidelines that are being implemented in the TAD organization, OGC does not agree that this is an area that poses any significant risk.

Given the above, OGC does not agree with the identification of Potential for Noncompliance with TVA's Code of Conduct as an area of potential execution risk.

Sincerely,



Sherry A. Quirk  
Executive Vice President and General Counsel  
and Designated Agency Ethics Official

Regarding the use of social media in our talent acquisition efforts, we differ in our understanding of and conclusion about the strategy, compliance framework and best practice for talent acquisition. The evaluation did not compare our practices to the practices of organizations which are leading talent acquisition effectiveness with similar workforce needs, nor did it contemplate the risks of not taking the existing approach. Good organizations use social media to recruit; it is an important component of the team's strong execution of our talent acquisition strategy. We are building pipeline for key roles and improving the diversity of the candidate pool to help bring the diverse backgrounds and perspectives that are essential to TVA's long-term success.

Responding to the recommendations:

Recommendation 1: Continue to focus on building relationships within the leadership team and across the CHRO to improve collaboration and teamwork.

**Response:** I completely agree that this is one of the key jobs of a leader and intend to keep prioritizing these efforts with our teams.

Recommendation 2: Continue dialogue with employees to (a) gather differing opinions and encourage employees to voice opinions even if those opinions differ from management and (b) promote inclusive behaviors.

**Response:** Yes. We will continue to do this. Our differences make us a stronger team.

Recommendation 3: Recommunicate expectations of ethical behaviors and monitor compliance with laws and regulations.

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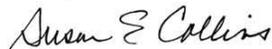
**Response:** The expectation to behave in a highly ethical manner and in compliance with laws and regulations is clearly understood within the organization. It is best practice to continue to communicate the importance of ethics and compliance and continuing to promote that climate is part of what a strong human resources organization does. We will continue to do so, not just for the CHRO, but for the enterprise. We have a strong ethics function at TVA and we'll continue our partnership with the DAEO to meet and exceed expectations in this area.

**Recommendation 4:** Utilize existing qualitative and quantitative measurements and/or develop metrics to (a) gauge effectiveness of CHRO strategies and programs and (b) identify risks to achievement of the CHRO initiatives and mission.

**Response:** We'll continue to utilize our business planning process to continuously improve our objectives and performance measures.

Thank you for the opportunity to respond to your evaluation of our CHRO organization.

Sincerely,



Susan E. Collins  
Senior Vice President and Chief Human Resources Officer

cc: Robertson D. Dickens, WT 9C-K  
Megan T. Flynn, LP 3A-C  
William D. Johnson, 7B-K  
Dwain K. Lanier, MR 6D-C  
Sherry A. Quirk, WT 7C-K  
Wilson Taylor III, WT 7D-K