



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

June 21, 2017

David L. Owens, WT 9C-K

**FINAL REPORT – EVALUATION 2017-15486 – ORGANIZATIONAL EFFECTIVENESS  
FOLLOW-UP – COAL AND GAS SERVICES**

The Office of the Inspector General (OIG) previously conducted an evaluation of Coal and Gas Services<sup>1</sup> (CGS) to identify strengths and risks that could impact CGS' organizational effectiveness. Our final report identified several strengths and risks, along with recommendations for addressing those risks. The objective of this follow-up evaluation was to assess management's actions in response to risks and recommendations included in our initial organizational effectiveness evaluation.

In summary, we determined the actions taken or planned by CGS appear to address the risks identified during our initial organizational effectiveness evaluation. In addition, employees and management reported seeing positive changes in CGS.

**BACKGROUND**

CGS, a business unit falling under TVA's Power Operations strategic business unit, is responsible for the procurement, transportation, storage, and delivery of coal, natural gas, fuel oil, and reagents for all of TVA's power generation fleet. During our previous organizational effectiveness evaluation of CGS, we identified several risks and made recommendations to address those risks. Specifically, we recommended the Vice President, CGS, working with CGS Directors:

1. Communicate to employees the:
  - a. Job rotation process and requirements.
  - b. Succession planning process and TVA's Human Resources policy regarding nondisclosure of 9-box results.<sup>2</sup>
2. Perform the following related to the performance review process:
  - a. Align performance goals, such that goals cascade from top to bottom to create line-of-sight from employees' job duties to their performance goals and CGS' mission.
  - b. Assist employees in developing goals that align with CGS' overall goals, which are specific, measurable, achievable, relevant and time-bound (SMART).

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<sup>1</sup> Evaluation 2016-15365, Coal and Gas Services' Organizational Effectiveness, August 29, 2016.

<sup>2</sup> The 9-box is TVA's succession planning tool. The employee is placed in 1 of 9 boxes on a grid. The highest rating being box 1, which is high potential, high performance and the lowest rating being box 9, which is low potential, low performance.

- c. Assess the weighting of categories in the “Performance Objectives” section of performance documents and adjust, as appropriate, in light of job duties and performance goals.
  - d. Develop criteria around individual overall performance ratings.
3. Track financial penalties related to operational flow orders, as described in CGS’ management decision corresponding to Evaluation 2014-15048, Review of Natural Gas Monitoring,<sup>3</sup> and monitor penalties to assist in managing business relationships with gas pipeline companies.
  4. Assess gaps in the knowledge transfer process and implement solutions as appropriate.

This report covers our review of CGS’ actions taken to address risks identified in our initial organizational effectiveness evaluation. Please see the Observations section below for a detailed discussion of the risks previously identified and management’s actions.

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

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

- Reviewed Evaluation 2016-15365 to determine the risks previously identified.
- Obtained and reviewed CGS’ management decision to identify planned actions.
- Conducted 19 interviews to obtain perspectives on CGS’ completed and planned actions, including CGS’ Vice President, 5 management/supervisory-level employees, and 13 other employees.<sup>4</sup>
- Reviewed data and documentation associated with CGS’ actions.

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

### **OBSERVATIONS**

In general, employees and management reported seeing positive changes in CGS. These changes included communication related to job rotations, succession planning, and performance goal setting; supplemental meetings to discuss career and developmental goals; development of a natural gas continuous improvement initiative that includes tracking financial pipeline penalties; and knowledge sharing opportunities. See Figure 1<sup>5</sup> on the following page for our observations regarding management’s actions.

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<sup>3</sup> Evaluation Report 2014-15048 was issued December 22, 2014.

<sup>4</sup> As of March 20, 2017, CGS had 48 employees.

<sup>5</sup> We noted that some of management’s planned actions could address more than one finding. However, for purposes of Figure 1, we linked our observations to management’s planned actions that, in our opinion, primarily addressed that finding.

**FIGURE 1: MANAGEMENT’S ACTIONS AND OUR OBSERVATIONS**

Risks	Management’s Actions	OIG’s Observations
<p>Employee Perceptions of Management Favoritism and Lack of Transparency</p>	<p>Management stated a communication plan had been initiated to address concerns related to CGS’ job rotation process and TVA’s philosophy regarding succession planning. Management also stated that discussions about the job rotation process have taken place, and they are working with CGS’ Human Resources Business Partner to address succession planning questions.</p> <p>Management stated enhancements to performance review practices would occur beginning with fiscal year 2017 goals. These enhancements included (1) aligning employee performance goals with CGS’ mission and Power Operations’ goals, (2) assisting employees in developing SMART goals, (3) reviewing the weighting categories for alignment with job duties and performance goals, and (4) reviewing criteria for each competency and aligning to individual overall performance ratings.</p> <p>Management stated employees have been encouraged to schedule supplemental performance review meetings with their manager to discuss, among other things, career goals and developmental opportunities.</p>	<p>Most employees interviewed stated there had been communication on job rotations and the succession planning process. Individuals stated that interest in job rotation was to be communicated to their manager and included in their individual development plan. Some employees interviewed stated that, while there was still angst around the succession planning process, the communications had provided more clarity around the process.</p> <p>We reviewed 23 employees’ performance goals for fiscal year 2017 and found (1) alignment of employee goals with CGS’ mission and Power Operations goals, (2) goals were SMART, and (3) weighting categories and criteria for each competency appeared to align with job duties and performance goals. Some employees interviewed said management communicated well about goal alignment. We were provided examples where management, including the Vice President, shared their own goals with employees to aid employees in developing their goals.</p> <p>Most employees stated they had either formally or informally discussed with their management or would feel comfortable having a discussion with their management about career goals and developmental opportunities.</p>
<p>Potential Negative Impact of CGS’ Penalties From Gas Pipeline Companies on Gas Transportation Relationships</p>	<p>Management stated realignment of roles and responsibilities within CGS was initiated in April 2016 to better promote efficiencies and performance internally as well as with interactions with key stakeholders. Management also stated the realignment would include a review of the tracking of financial pipeline penalties.</p>	<p>The realignment included the creation of additional specialist positions to help optimize the natural gas portfolio and improve oversight of natural gas. A Natural Gas Group Continuous Improvement Initiative document dated March 2017 addressed the OIG findings in Evaluation 2014-15048. It included the process for the tracking of the financial impact of penalties and verifying and reconciling pipeline invoices. In addition, CGS is now tracking some imbalances<sup>6</sup> through an imbalance spreadsheet.</p>

<sup>6</sup> An imbalance is a discrepancy between a transporter's receipts and deliveries of natural gas for a shipper. Most pipelines require that a shipper's deliveries to the pipeline and receipts from the pipeline remain in balance over a given period of time, or the pipeline may assess charges until the imbalance is cured.

Risks	Management's Actions	OIG's Observations
Knowledge Sharing	Management stated leadership will work with the Employee Advisory Group and CGS employees to ensure knowledge sharing concerns are adequately addressed, especially in areas where junior staff could benefit from unique learning opportunities.	CGS' Employee Advisory Group helped coordinate a job shadowing program where CGS employees could shadow an employee in their group or in another group to learn about their work. In addition, CGS has sponsored lunch and learns or developmental opportunities on several topics, such as at Kingston Fossil Plant to learn about scrubbers.

We determined the actions taken by CGS management appear to address the risks identified during our initial organizational effectiveness evaluation.

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This report is for your review and information. No response to this report is necessary. Information contained in this report will be subject to public disclosure. Please advise us of any sensitive information that you recommend be withheld.

If you have any questions or need additional information, please contact Jamie M. Wykle, Senior Auditor, at (865) 633-7382 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.



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OIG File No. 2017-15486