



Memorandum from the Office of the Inspector General

September 28, 2017

M. Susan Smelley, BR 4A-C

**FINAL REPORT – EVALUATION 2017-15497 – ORGANIZATIONAL EFFECTIVENESS
FOLLOW-UP – ENVIRONMENTAL PERMITTING AND COMPLIANCE**

The Office of the Inspector General (OIG) previously conducted an evaluation of Environmental Permitting and Compliance¹ (EP&C) to identify strengths and risks that could impact EP&C's organizational effectiveness. Our final report identified several strengths and risks along with recommendations for addressing those risks. In response to a draft of that report, Tennessee Valley Authority (TVA) management provided their management decision. The objective of this follow-up evaluation was to assess management's actions to address risks from our initial organizational effectiveness evaluation.

In summary, we determined EP&C has taken actions to address most of the risks outlined in our initial organizational effectiveness evaluation. However, concerns with two managers' behaviors remained unresolved. Management had taken some actions to address behaviors of one manager but had not addressed the behaviors of the other manager. In addition, employees expressed continued concerns related to the process and the Environmental Services Coordination System (ESCS)² database used to request environmental reviews of projects and accountability.

BACKGROUND

As of September 28, 2016, the date of our original review, EP&C was a business unit under TVA's Safety, River Management, and Environment (SRME) organization. In October 2016, EP&C was combined with another SRME group, Environmental Operations (EO),³ to form the Environmental Compliance and Operations (ECO)⁴ business unit, under TVA's Resources and River Management strategic business unit. While the consolidation did not result in the vision or responsibilities of either organization changing, the organizational change included naming a new ECO director who reported to a new Senior Vice President in Resources and River Management. ECO is responsible for providing oversight, consistency, and standardization to TVA's permitting and compliance activities, interactions with regulators, and alignment of environmental policy with line organization execution.

¹ Evaluation 2016-15366, Environmental Permitting and Compliance's Organizational Effectiveness, September 28, 2016.

² ESCS is an electronic database and tracking system used to record TVA's environmental projects, activities, and reviews.

³ The OIG also conducted an organizational effectiveness of EO Evaluation 2016-15383, Environmental Operations' Organizational Effectiveness, September 26, 2016.

⁴ This evaluation only looked at the EP&C portion of ECO.

In our previous organizational effectiveness evaluation of EP&C, we identified several risks and made recommendations to address those risks. Specifically, we recommended the Vice President, SRME, in collaboration with the Chief Operating Officer:⁵

1. Evaluate the alignment, roles, and responsibilities of environmental functions within TVA.
2. Assess the resources, workload, and associated environmental risks in specific areas mentioned to determine if EP&C can fulfill its long-term vision.

We also recommended the Director, EP&C:

1. Evaluate the roles and responsibilities of EP&C within TVA's environmental functions and communicate and clarify those roles and responsibilities.
2. Determine the actions necessary to update and maintain the Natural Heritage Database (Database).
3. Evaluate the current users of the Database and remove access as appropriate.
4. Develop action plans to address TVA's 2015 Employee Engagement Survey results.
5. Identify ways to improve applicable managers' leadership skills and ensure each manager is demonstrating TVA's Values and Competencies.
6. Leverage strength and teamwork within EP&C to enhance peer-to-peer accountability. Leverage direct manager support and trust to enhance overall accountability within EP&C.
7. Continue with the process improvement team and planned ESCS database implementation to address Biological and Cultural Compliance's process flow concerns. Modify these plans as necessary to include indicators to gauge the effectiveness of actions and feedback received from customers.

This report covers our review of EP&C's actions taken to address the risks from 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 2016-15366 to determine the risks previously identified.

⁵ During TVA's reorganization, the position of Chief Operating Officer was eliminated. TVA now has an Executive Vice President of Operations who oversees the Resources and River Management strategic business unit.

- Reviewed EP&C’s management decision dated September 23, 2016, to identify planned and completed actions.
- Developed questions for management and employees designed to obtain information and perspectives on EP&C’s actions.
- Conducted 31 interviews to obtain perspectives on EP&C’s actions. These individuals included ECO’s Director, 9 management/supervisory-level employees, and 21 other employees.⁶
- Reviewed data and documentation associated with EP&C’s actions.
- Interviewed prior management and Human Resources’ personnel to determine actions taken related to management behaviors.

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 summary, we determined EP&C has taken actions to address most of the risks outlined in our initial organizational effectiveness evaluation. However, concerns with two managers’ behaviors remained unresolved. Management had taken some actions to address behaviors of one manager but had not addressed the behaviors of the other manager. In addition, employees express continued concerns related to the process and ESCS database used to request environmental reviews of projects and accountability. See Figure 1 for our observations regarding management’s actions.

FIGURE 1: MANAGEMENT’S ACTIONS AND OUR OBSERVATIONS

Risk	Management’s Actions	OIG’s Observations
Environmental Alignment, Role Clarity, and Resources	Management stated they would use the fiscal year (FY) 2018 through FY2020 business planning cycle to evaluate TVA’s environmental functional alignment and identify and implement alignment corrections, as needed. Management further stated they would evaluate, communicate, and clarify EP&C roles and responsibilities.	<p>Management stated the consolidation of EP&C and EO in October 2016 provided alignment in direction, deployment, and implementation of environmental compliance throughout TVA.</p> <p>An environmental role clarity discussion was held in May 2017 with EP&C and other TVA environmental organizations that resulted in updated GOES (Governance, Oversight, Execution, Support) documents to clarify roles and responsibilities.</p> <p>Organizational leads were established for communication of specific issues and coordination between environmental groups. In addition, cross-functional, media-specific coordination teams were developed. Management action was completed June 22, 2017.</p>

⁶ As of June 22, 2017, EP&C’s functions within ECO consisted of 85 employees.

Risk	Management's Actions	OIG's Observations
Natural Heritage Database	<p>Management stated they would conduct process mapping of the Database function and identify program changes and required resources to ensure the Database is maintained and updated.</p> <p>Database certification training⁷ was conducted for users on September 13, 2016. Inactive and uncertified users have been removed from the Database user list.</p>	<p>A process map was developed showing the responsibilities for the Database update process. In addition, funding was established for FY2018 and FY2019 to accomplish this effort.</p> <p>Maintenance of the Database was addressed through the establishment of a monitored metric for individual subject matter experts and included as a goal for appropriate management. Management action was completed July 24, 2017.</p> <p>In March 2017, management provided a list of current users and stated a review of users will occur monthly or when new access is requested. We reviewed the list of approved users to confirm the list was updated since initial testing was completed. Management action was completed March 3, 2017.</p>
Employee Engagement	<p>Management stated they would develop and implement an action plan, including results from the most recent Pulse Survey that addressed the 2015 Employee Engagement Survey results.</p>	<p>In January 2017, EP&C held meetings to obtain feedback from employees on the Pulse Survey results. From those meetings, management developed an improvement strategy to be reviewed at team meetings throughout the year. Management action was completed March 3, 2017. During this evaluation, most managers interviewed stated there have been continued improvements.</p>
Manager Behaviors	<p>Management stated that for current and emerging leaders, they would "establish Employee Engagement Expectations, Performance Management, and Competency Reinforcement."</p>	<p>In Pulse Survey follow-up meetings, management stressed the importance of employee engagement. According to management, this provided an opportunity to receive feedback from employees.</p> <p>For emerging leaders, management has utilized leadership assessments and individual development plans to establish expectations.</p> <p>In our initial evaluation, we identified behavioral issues with two managers. However, during this evaluation, we determined that no actions had been taken with regard to one manager's behaviors. We analyzed the 2017 performance goals for the two managers identified in the initial evaluation and found one manager's goals reflected feedback from the evaluation; however, the other manager's goals did not. Our interviews indicated mixed responses in relation to improvements with both managers' behaviors.</p>

⁷ Training is required for obtaining access.

Risk	Management's Actions	OIG's Observations
Teamwork and Accountability	<p>To leverage teamwork and manager support to improve accountability, management stated they would develop and implement a program to gather middle- and first-line management's input directly into FY2018 through FY2020 business planning.</p> <p>Management also planned to complete the initial sessions of the SRME Leader Forum, a series of six day-long leadership meetings specifically designed to engage middle- and first-line leaders.</p>	<p>In preparation for business planning, management incorporated input from the entire organization related to funding for planned projects. In addition, the management team reviewed business plan metrics and developed new metrics to be piloted in FY2018.</p> <p>The leadership team attended Leader Network, which included six day-long meetings with each meeting focused on an individual competency. Most managers interviewed stated they had or were scheduled to attend leadership training.</p> <p>However, in our interviews, most employees indicated accountability has not improved. In addition, some employees stated that other groups were not held accountable for missing deadlines or providing inputs.</p>
Process Flow Concerns	<p>Management stated they would create a metric that measures the effectiveness of the ESCS planning tool.</p>	<p>A metric has not been developed due to a continued focus on the ESCS tool and rollout of interim upgrades.</p> <p>Most employees interviewed stated the process has not improved, and the ESCS database has not been an improvement. For example, some employees stated the process continues to lack prioritization of projects and defined deadlines, and the bottleneck of using one person to initiate all projects has not changed. In addition, the ESCS tool concerns included a lack of automation and the necessity of entering information in up to three systems while the ESCS tool is being completed. Current work in progress related to the process and ESCS database includes (1) development of a future-state process map, (2) communication with staff on updates and continuous improvement ideas, and (3) system upgrades, among other things.</p>

We determined EP&C has taken actions to address most of the risks outlined in our initial organizational effectiveness evaluation. However, concerns with two managers' behaviors remained unresolved. Management had taken some actions to address behaviors of one manager but had not addressed the behaviors of the other manager. In addition, employees expressed continued concerns related to the process and ESCS database used to request environmental reviews of projects and accountability. Based on discussions with responsible management, the OIG will conduct an additional review in FY2018.

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This report is for your review and information. No response to this report is necessary. If you have any questions or need additional information, please contact Jessica L. Monroe, Senior Auditor, at (865) 633-7338 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. 2017-15497