



Memorandum from the Office of the Inspector General

September 11, 2019

Laura J. Campbell, MR 3M-C

**FINAL REPORT – EVALUATION 2019-15656 – ORGANIZATIONAL EFFECTIVENESS
FOLLOW-UP – SOURCING**

The Office of the Inspector General (OIG) previously conducted an evaluation of Sourcing¹ to identify strengths and risks that could affect Sourcing's organizational effectiveness. Our 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 the remaining risks² from our initial organizational effectiveness evaluation. In summary, we determined TVA management has taken actions to address the remaining risks.

BACKGROUND

As of August 17, 2018, the date of our original report, Sourcing was a business unit under Supply Chain (SC) within TVA's Operations organization. It was comprised of (1) Generation Contracts; (2) Corporate Contracts; (3) Transmission, Hydro, and Generation Projects; and (4) Supplier Diversity and Development. Individual contributors primarily included procurement agents (PA), contract managers (CM), and senior contract managers (SCM). The objective of Sourcing is to reduce TVA's total cost of ownership by strategically identifying the best suppliers in the industry to provide products and services that meet TVA's requirements.

In our previous evaluation of Sourcing, we identified strengths and risks and provided recommendations to address the risks. Specifically, we recommended the Vice President, Supply Chain and the Director, Sourcing:

1. Address alignment risks by (a) defining and communicating the vision/mission for Sourcing, (b) evaluating Sourcing metrics for alignment to Operations' goals, (c) ensuring all employees participate in establishing goals that are SMART³ and reasonable, and (d) ensuring follow through for continuous improvement suggestions.
2. Improve communication and feedback related to employee advancement.
3. Identify ways to improve the applicable managers' leadership skills and ensure each manager is demonstrating TVA's values and competencies.

¹ Evaluation 2017-15514, *Sourcing's Organizational Effectiveness*, August 17, 2018.

² Prior to the commencement of this evaluation, three of the five recommendations were closed.

³ SMART goals are specific, measurable, achievable, relevant, and time-bound.

4. Evaluate current staffing levels to determine if they are sufficient to effectively manage the work assigned.
5. Identify ways to increase collaboration within Sourcing.

Prior to the commencement of this evaluation, the recommendations related to alignment risks, employee advancement, and collaboration within Sourcing were closed based on documentation provided by Supply Chain showing completion of management's actions. This report covers our review of management's actions taken to address the two remaining risks, related to leadership and workload. Please see the Observations section below for management's actions.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to assess management's actions to address the remaining risks from our initial Sourcing organizational effectiveness evaluation. To achieve our objective, we:

- Reviewed (1) Evaluation 2017-15514 to determine the risks previously identified and (2) Sourcing's management decision dated August 8, 2018.
- Reviewed documentation provided by Sourcing associated with management's actions.
- Developed questions and conducted interviews with 25 judgmentally selected individuals out of 75.

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 TVA management has taken actions to address the remaining risks outlined in our initial evaluation. See the table on the following page for our observations regarding management's actions.

MANAGEMENT’S ACTIONS AND OUR OBSERVATIONS

Risk	Management’s Actions	OIG’s Observations
Management Behaviors	<p>Management stated Sourcing was leveraging a range of tools and processes to improve leadership skills and to ensure demonstration of TVA’s values and competencies. Sourcing leadership team participated in a Manager Tools training class to improve communication and feedback through structured one-on-one meetings. Supply Chain also solicited feedback from business partners and employees to ensure leaders are meeting expectations as necessary. In support of leader development, Sourcing also coordinated rotational assignments and additional job duties to help develop leaders.</p>	<p>A review of documentation indicates Supply Chain (1) held discussions around leadership expectations and assessment tools with leadership and employees and (2) solicited and received feedback from individuals and sites related to leadership, teamwork, and other areas. A Supply Chain e-mail communication indicated a plan to track one-on-ones and feedback. In addition, Supply Chain provided evidence of Manager Tools training provided to the three managers identified in the original evaluation. Supply Chain also provided documentation showing several employees were given rotational assignments.</p> <p>We conducted interviews with a sample of employees and managers to determine how management was exhibiting leadership skills and TVA Values and Competencies. Most of the individuals interviewed provided positive feedback of management’s leadership skills and competencies. Also, some individuals indicated that morale is good, and in some cases, has improved.</p>
Workload Management	<p>Management stated Sourcing leadership was evaluating resources and workload to improve effectiveness and distribution of assignments. Automation was identified as key in managing workload and allowing employees to focus on more strategic actions. In addition, Sourcing shifted certain contracts and commodities across teams to improve efficiency and grouping of contracts. The Sourcing leadership team analyzed areas with multiple contracts for similar services to better leverage and optimize the number of contracts, routinely monitored purchase workload reports for procurement agents, and required weekly reports from contracting officers noting significant items requiring attention. Sourcing continues to evaluate staffing levels and balance workload through improved efficiencies as an ongoing process.</p>	<p>Supply Chain provided documentation describing actions taken to evaluate workload. According to Supply Chain, contract transfers were implemented with the goal of improving balance and alignment across teams. According to Supply Chain, the electronic request for quote program (eRFQ)⁴ has been used for automation of some purchase orders in fiscal year 2018 and 2019, which has resulted in a workload decrease equivalent to one full-time purchasing agent in the Nuclear area. Further, Supply Chain personnel stated they are monitoring the work of procurement agents using weekly workload reports and created a Nuclear procurement assistant position to assist purchasing agents with work.</p> <p>We conducted interviews with a sample of employees and managers to determine how resource and workload needs were addressed since our initial review. Many of the individuals interviewed provided positive feedback related to workload and resource needs being addressed.</p>

⁴ An eRFQ is a request for quote and purchase order award automation technology that supports TVA’s generation fleet. The program is designed to automate commercial material requests that are not currently awarded as a contract line within TVA’s contracting portfolio.

In summary, we determined TVA management has taken actions to address the remaining risks outlined in our initial organizational effectiveness evaluation.

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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 Andi R. McCarter, Senior Auditor, at (423) 785-4831 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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