June 3, 2020

Thomas C. Rice

REQUEST FOR MANAGEMENT DECISION – EVALUATION 2020-15702 – ORGANIZATIONAL EFFECTIVENESS – FINANCIAL OPERATIONS AND PERFORMANCE

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 within 60 days from the date of this report. In accordance with the Inspector General Act of 1978, as amended, the Office of the Inspector General is required to report to Congress semiannually regarding evaluations that remain unresolved after 6 months from the date of report issuance.

If you have any questions or wish to discuss our findings, please contact Amy R. Rush, Evaluations Manager at (865) 633-7361 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)

ARR:KDS
Attachment
cc (Attachment):
     TVA Board of Directors
     Susan E. Collins
     Megan T. Flynn
     Amanda D. Johns
     Jeffrey J. Lyash
     Justin C. Maierhofer
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     Sherry A. Quirk
     Wilson Taylor III
     John M. Thomas III
     OIG File No. 2020-15702

**TVA**

Office of the Inspector General

*Evaluation Report*

To the Vice President,
Financial Operations
and Performance

# ORGANIZATIONAL EFFECTIVENESS – FINANCIAL OPERATIONS AND PERFORMANCE

Auditor
Amy R. Rush

## <u>ABBREVIATIONS</u>

| | |
|---|---|
| BoT | Business of Tomorrow |
| BP&A | Business Planning and Analysis |
| FO&P | Financial Operations and Performance |
| FSU | Financial Services University |
| FY | Fiscal Year |
| IT | Information Technology |
| TVA | Tennessee Valley Authority |

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## Evaluation 2020-15702 – Organizational Effectiveness – Financial Operations and Performance

### 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. Due to the importance of team engagement and operational performance, the Office of the Inspector General is conducting organizational effectiveness evaluations of business units across the Tennessee Valley Authority (TVA). This evaluation focuses on Financial Operations and Performance (FO&P), which is an organization within TVA's Financial Services.

FO&P is tasked with advancing corporate goals by establishing business partnerships, remaining accurate and accountable, and serving as responsible stewards of TVA's assets. Specifically, the organization is responsible for functions such as budgeting and accounting, business planning, benchmarking and performance analysis, management reporting, capital allocation, and project portfolio management for all TVA business units. The objective of this evaluation was to identify factors that could impact FO&P's organizational effectiveness. Specifically, we identified behavioral and operational factors that affect organizational effectiveness.

### What the OIG Found

During the course of our evaluation, we identified behaviors that positively affected FO&P. These included leadership actions and other drivers of engagement, such as positive relationships with team members and the use of an employee-driven recognition program. We also identified risks to operations that, although minimal, if left unaddressed, could hinder FO&P's effectiveness. These included (1) risks to adequate information sharing among FO&P departments and effective customer service and (2) perceived risks to achievement of FO&P initiatives and operations. Based on our observations, we assessed FO&P's level of risk related to behaviors and operations and determined risk in both areas was low. Ratings are reflected in the table below:

|  | Low Risk | Medium Risk | High Risk |
|---|---|---|---|
| **Behaviors** | X |  |  |
| **Operations** | X |  |  |

## EXECUTIVE SUMMARY

### What the OIG Recommends

We recommend the Vice President, FO&P, address (1) risks related to information sharing within FO&P, (2) risks related to effective customer service, and (3) perceived risks to FO&P initiatives and operations.

### TVA Management's Comments

TVA management will identify opportunities to support information sharing and to minimize perceived risks related to FO&P initiatives. Management also stated they will follow up on customer service concerns. See Appendix B for management's complete response.

# BACKGROUND

Organizational effectiveness, as defined in this evaluation, is the ability of an organization to achieve its mission and goals.  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 across the Tennessee Valley Authority (TVA).  This evaluation focuses on Financial Operations and Performance (FO&P).

FO&P is an organization within TVA's Financial Services whose mission is to create "value for customers by ensuring the long-term health of TVA."  FO&P is tasked with advancing corporate goals by establishing business partnerships, remaining accurate and accountable, and serving as responsible stewards of TVA's assets.  Specifically, the organization is responsible for functions such as budgeting and accounting, business planning, benchmarking and performance analysis, management reporting, capital allocation, and project portfolio management for all TVA business units.  FO&P also has ownership of some Sarbanes-Oxley related[1] controls.  Three business units comprise FO&P: Business Planning and Analysis (BP&A), Corporate Financial Operations and Portfolio Management, and Operations Finance.

- BP&A is responsible for providing governance, oversight, and support for the annual business planning process for all TVA business units.  This includes collaborating to develop business plans that align to TVA long-range financial and operational goals.  BP&A also provides benchmarks and industry intelligence, key business planning assumptions, and operational targets and regular performance reporting to TVA business units.

- Corporate Financial Operations and Portfolio Management provides capital analysis and project portfolio management to all TVA business units.  The organization is responsible for developing capital improvements, project targets, and project planning and governance.  The organization manages project portfolio composition, evaluation, and reporting on portfolio performance and has governance responsibilities for setting portfolio management strategy.  In addition, the business unit administers accounting for fixed assets, including assisting TVA organizations with determining proper classification of projects and internal reporting.  Corporate Financial Operations and Portfolio Management also has a controller function, which is responsible for providing financial management, business support, and oversight of corporate organizations.

- Operations Finance is responsible for all financial, business operations, project portfolio, and top tier metrics development and analysis for TVA's Nuclear organization.  In addition, the organization is responsible for financial

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[1] Under the Sarbanes-Oxley Act of 2002, section 404, management must opine on the effectiveness of the financial reporting internal control structure.  According to TVA's Sarbanes-Oxley personnel, FO&P owns approximately 10% of TVAs Sarbanes-Oxley controls and has a strong financial control environment with a low to moderate risk profile in relation to financial reporting, as of FY 2019.

and business operations within Power Operations and for business operations within Generation Projects and Fleet Services organizations. Controllers within the organization are responsible for ensuring that TVA business units adhere to the processes and procedures governed by Financial Services. Responsibilities also include working with business units to establish target allocations for operations and maintenance funded projects.

FO&P's Fiscal Year (FY) 2020 initiatives, termed Business of Tomorrow (BoT), are designed to support Financial Services' plans to enhance reporting by increasing process efficiency and effectiveness, enabling greater insight to be provided to the business, and enhancing analytical capabilities. Specifically, FO&P's initiatives include the standardization and simplification of processes and reporting, automation through use of reporting tools, and enabling of self-service reporting capabilities.

As of March 4, 2020, FO&P consisted of 141 individuals with 30 individuals in BP&A, 47 individuals in Corporate Financial Operations and Portfolio Management, 60 individuals in Operations Finance, and 3 individuals reporting to the FO&P Vice President.

## OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this evaluation was to identify factors that could impact FO&P's organizational effectiveness. We assessed operations as of FY 2019 and culture at the time of our interviews and fieldwork, which occurred between February 18, 2020, and March 4, 2020. To complete the evaluation, we:

- Reviewed (1) Financial Services FY 2020 through FY 2022 business plan, (2) TVA's FY 2019 through FY 2021 Business Plan Summary, and (3) FO&P's FY 2020 BoT initiatives to gain an understanding of FO&P's initiatives, and/or risks within FO&P.

- Reviewed TVA values and competencies (see Appendix A) for an understanding of cultural factors deemed important to TVA.

- Reviewed select TVA Standard Programs and Processes and other documentation to gain an understanding of processes.

- Examined FY 2017 through FY 2019 financial information to gain an understanding of expenditures used in support of the work environment.

- Conducted individual interviews with 140 of 142[2] individuals, including management, and analyzed the results to identify themes related to factors that could affect organizational effectiveness.

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[2] Organizational changes occurred in which one employee left the organization. This employee was included in our interviews. We did not interview two individuals due to unavailability.

- Surveyed and/or interviewed a nonstatistical sample of 150 individuals from other TVA organizations that work closely with FO&P personnel and interviewed two individuals responsible for supporting FO&P.  We analyzed results to identify factors affecting organizational effectiveness from a business partner perspective.

- Assessed the overall effectiveness of FO&P in behavioral and operational aspects as described in TVA's Business Operating Model.

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

During the course of our evaluation, we identified behaviors that had a positive impact on FO&P.  These included leadership actions and other drivers of engagement, such as positive relationships with team members and use of an employee-driven recognition program.  We also identified risks to operations that, although minimal, if unaddressed, could hinder FO&P's effectiveness.  These were (1) risks related to adequate information sharing among FO&P departments and effective customer service and (2) perceived risks to achievement of FO&P initiatives and operations.

## BEHAVIORS HAVING A POSITIVE IMPACT ON FO&P

According to the Society for Human Resource Management (SHRM),[3] employee engagement relates to the level of an employee's connection and commitment to the organization.  In addition, SHRM specifies drivers of employee engagement, including commitment of leaders, trust in leadership, and positive relationships with supervisors.  TVA, in its Business Operating Model, states that engagement is one component of effective execution.  TVA has also developed competencies intended to define common characteristics that set the tone for how work is to be performed in the organization.  Defined behaviors are associated with the competencies to provide guidance as to how employees can demonstrate their commitment to TVA values.  Based on interviews with individuals within FO&P, we determined behavior-related risk was low due to interactions with leadership and other drivers, such as relationships with team members and the use of an employee-driven recognition program.

### Leadership is a Positive Driver of Engagement
TVA expects leaders to inspire trust and engagement by building a positive environment that motivates others to achieve and exceed organizational goals and aspirations.  We asked individuals within FO&P about relationships with their first-line supervision, middle management, and upper management.  Responses

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[3]   The SHRM is a membership organization for Human Resource professionals.

from individuals indicated that leadership[4] is a positive driver of engagement within FO&P.

First-Line Leadership
Most individuals commented positively when asked about communication with their first-line management.  Most individuals also stated they trusted their first-line supervisors, and most indicated they would feel comfortable reporting concerns to their first-line supervisor.  In addition, many employees commented favorably on first-line management with regard to accountability and most were positive in relation to rewards and recognition from first-line management. For example, a few indicated management focusing on using *The Five Languages of Appreciation in the Workplace*[5] to determine how individuals preferred to be recognized.  A few individuals also specifically mentioned monetary awards as another method that management used to recognize employees.

When asked what was working well with their jobs, several individuals specifically commented on clarity of expectations, flexibility, and/or autonomy.  Several employees described how goals are set within their organization, and most believed their goals aligned with either their manager's goals, the mission, or both.  Goal alignment can enhance the connection of employees to the organization.

Several individuals indicated there was a focus on employee development within FO&P.  Of those employees, a few mentioned the opportunity to take classes through Financial Services University (FSU), which is a program designed to better prepare employees for the future.  According to documentation provided by FO&P personnel, focus areas of the curriculum include the utility industry, TVA and Financial Services, job positions, and self-development skills.  Because enrollment in FSU is voluntary and management and employees are expected to discuss enrollment as part of ongoing career development discussions, enrollment statistics are only shared at the Financial Services level.  According to Financial Services personnel, approximately 77 percent of Financial Services' employees, which would include FO&P personnel, are taking classes through FSU and several FO&P employees have graduated or will soon graduate from the program.

Middle and Upper Management
Many employees commented positively on their relationship with their middle managers and most individuals, who commented on interactions with upper management within FO&P,[6] commented positively on their relationship with upper management.  Of those who commented on specific facets of the

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[4]　Many individuals engage primarily with their first-line leaders.

[5]　Gary Chapman and Paul White, *The Five Languages of Appreciation in the Workplace:  Empowering Organizations by Encouraging People*, Northfield Publishing, Chicago, Illinois, 2012.

[6]　Upper management for some employees resided in the parent organization, Financial Services or was TVA's Chief Executive Officer.

relationship with middle management,[7] many commented positively on communication, trust, reporting concerns, accountability, and rewards and recognition.  In addition, most individuals who commented on interactions with upper management within FO&P, provided positive feedback in regard to communication, trust, reporting concerns, accountability, and recognition of employees.

**Other Drivers of Positive Engagement**
Individuals specifically mentioned several factors that are positive influences on engagement.  These included positive relationships with team members within FO&P.  Individuals also discussed the use of an employee-driven recognition program as being positive.

Positive Relationships with Team Members
TVA expects employees to earn the trust of others through open, honest, and respectful words and actions and to conduct business in accordance with the highest ethical standards.  The majority of employees in FO&P commented positively on interactions with others in their group and they indicated they trusted their co-workers.  In addition, most felt the organization was ethical.  Many individuals noted teamwork and relationships with others or communication and/or collaboration as drivers to positive morale within their area.

Employee-Driven Recognition Program
Several individuals discussed the actions of the FO&P Employee Advisory Group[8] and/or commented positively on their efforts.  Specifically, several employees mentioned the use of the Power Up program, which is a tool for recognizing employees when they have done something noteworthy.  According to FO&P personnel, when an employee receives a *Power Up*, individuals in their management chain receive notification of the recognition.  The recognition may come from management or from other employees.

## MINIMAL RISKS TO OPERATIONS

Based on our interviews, we identified risks to operations that, although minimal, if unaddressed, could hinder FO&P's effectiveness.  While feedback pertaining to relationships with others within and outside of FO&P was primarily positive, individuals specifically discussed risks related to adequate information sharing across FO&P business units.  In addition, business partners and FO&P personnel discussed potential improvements related to customer service provided by FO&P.  Lastly, FO&P employees discussed concerns related to achievement of the BoT initiatives and FO&P operations.

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[7]  Many employees did not comment on specifics related to middle management because they had little or no frequent interaction with middle management, in some instances due to a vacancy in the position, or because their middle manager was new to the organization.

[8]  The Employee Advisory Group is a group of individuals tasked with enhancing communication and understanding within the organization to improve performance, organizational health, and employee engagement.

**Inadequate Information Sharing Among FO&P Departments**

As indicated previously, business units within FO&P interact with various TVA organizations for differing purposes. Forming a symbiotic relationship through information sharing is beneficial for effective navigation of relationships external to FO&P. While many individuals discussed having no issues with the other departments in their organization, some employees indicated they did not understand the purpose of the other departments. Because FO&P business units serve the same external customers, this lack of understanding can lead to poor service to the business partners and frustrations with others within FO&P. For example, several employees indicated they had experienced issues due to lack of information sharing between FO&P departments or mentioned that collaboration could be improved and several indicated these issues could affect their business partners.

This problem could be exacerbated because of high turnover within FO&P. A couple individuals specifically indicated that it was difficult to determine who to approach for information within other FO&P departments because of the turnover. As of March 12, 2020, approximately half of the organization had been in their current positions 2 years or less. While a few individuals indicated that FO&P serves as a pipeline of talent for other TVA organizations, which suggests effective employee development, turnover can negatively affect information sharing across FO&P business units. In turn, this could negatively affect the relationships with the business partners they serve.

**Risk to Effective Customer Service**

We surveyed and/or interviewed business partners in organizations outside of FO&P to determine their opinions related to FO&P products and services, quality of feedback and communication, and timeliness. The majority of business units surveyed provided feedback indicating that FO&P was above average in these areas. However, several business partners mentioned opportunities for improvement. Specifically, some individuals echoed the concerns of FO&P personnel in relation to collaboration and turnover within FO&P. Several business partners indicated having multiple points of contact within FO&P and a few mentioned having to provide the same information multiple times or the desire for consistency within the organization. In addition, a few business partners indicated a learning curve sometimes exists, which originates from the turnover of FO&P representatives.

Some business partners also commented on the need for FO&P personnel to understand business from an operational perspective. Others expressed the desire to understand more about FO&P's financial perspective. Both parties understanding each other's perspectives could assist with addressing other opportunities, such as adequate fulfillment of informational needs noted by several business partners. Specifically, several business partners mentioned needing more detailed or timelier analytical information from FO&P to assist in better management of their organizations. Conversely, several FO&P personnel mentioned concerns related to inadequate communication by business partners or inadequate information sharing from business partners. This may inhibit

FO&P personnel from providing adequate support to external organizations, which allows for better management of business units.

We also noted that a few business partners commented on issues related to Copperleaf™ C55, which is an asset investment planning and management decision software used to support budgeting and strategic asset planning. A few individuals specifically mentioned the need for training related to Copperleaf™ C55 because of issues related to loading projects into the system or integration with legacy systems. Additionally, a couple of FO&P personnel noted the need for engaging the business partners in relation to Copperleaf™ C55. FO&P has a responsibility to collaborate and engage with the business in relation to Copperleaf™ C55 in order to assist with addressing business risks adequately.

**Perceived Risks to Achievement of BoT Initiatives and FO&P Operations**
While many employees indicated having no issues with completing job responsibilities, several employees voiced concerns related to achievement of BoT initiatives and system/technology issues. As stated previously, FO&P's BoT initiatives include the standardization and simplification of processes and reporting, automation through use of reporting tools, and enabling of self-service reporting capabilities. Several individuals expressed concerns related to timely achievement of BoT initiatives because of reliance on Information Technology (IT) for assistance with implementation. According to FO&P personnel, IT, another organization under Financial Services, is undergoing a reorganization that affects the support it provides TVA organizations, including FO&P. A few individuals also mentioned issues with systems/technology and concerns related to IT support of systems necessary for operations within FO&P. Because of the concerns related to potential lack of support for systems, a couple of individuals desired systems-related training. Addressing these concerns could alleviate employee apprehension and minimize business disruptions within FO&P.

# CONCLUSION

FO&P has an important role in achievement of Financial Services' mission, which is carried out through its governance and oversight, and support responsibilities. To execute this role effectively, it is necessary for employees to be connected and committed to the organization. Interviews with employees revealed positive interactions with leadership, which is a driver of engagement. Other drivers discussed by employees, such as tools used for recognition, employee development, and relationships with team members, exemplify employees' connection and commitment to the organization.

Employee feedback pertaining to relationships with others within and outside of FO&P and feedback from business partners was primarily positive. However, other comments revealed opportunities related to customer service and achievement of BoT initiatives. While the risks to operations stemming from these comments were minimal, addressing the areas can enhance relationships,

assist with effective management of operations, and more effectively meet the TVA mission.

# **RECOMMENDATIONS**

We recommend the Vice President, FO&P:

1.  Address the risks related to information sharing among FO&P departments.

    **TVA Management's Comments** - TVA management stated that continually seeking to improve internal communications and collaboration in any organization is important.  TVA management will continue to identify opportunities to support information sharing across the organization.  See Appendix B for management's complete response.

2.  Address the risks related to effective customer service.

    **TVA Management's Comments** - TVA management understands the importance of ensuring key positions have an operational perspective and has recently made some organizational changes in the business planning department to enhance depth.  Management also stated that concerns around Copperleaf™ C55 training will be followed up on for those who were unable to participate in any of the training opportunities offered earlier in the year.  See Appendix B for management's complete response.

3.  Address perceived risks to BoT initiatives and FO&P operations related to the reorganization in IT.

    **TVA Management's Comments** - TVA management will identify opportunities to minimize any perceived risks related to the BoT efforts through additional communication to our employees and ongoing communication with IT.  See Appendix B for management's complete response.

| TVA Values | |
|---|---|
| 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
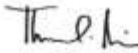
June 1, 2020

David P. Wheeler, WT 2C-K

RESPONSE TO REQUEST FOR COMMENTS – DRAFT EVALUATION 2020-15702 – ORGANIZATIONAL EFFECTIVENESS – FINANCIAL OPERATIONS AND PERFORMANCE

This is in response to the recommendations provided in your recent draft evaluation of organizational effectiveness within TVA's Financial Operations & Performance (FO&P) business unit.

FO&P management appreciates the efforts put forth by Lisa Hammer, Amy Rush, and the audit team to conduct this evaluation. Our organizational effectiveness is of the upmost importance. We are pleased to hear that leadership has been identified as a positive driver of engagement and that our employee recognition, development, and team building efforts have been positively received by the organization.

Although items identified were noted as minimal risks to our organization, the recommendations provided will help us continue to strengthen our organizational health.

Our response to the recommendations are provided in the attached. Thank you for the opportunity to review and respond. Please let me know if you have any further questions.

Thomas C. Rice
Vice President
Financial Operations & Performance
BR 3C-C

TCR:ENJ
cc (Attachment):
    Susan E. Collins
    Megan T. Flynn
    Amanda D. Johns
    Sherry A. Quirk
    Wilson Taylor III
    John M. Thomas III
    OIG File No. 2020-15702

Audit 2020-15702
Organizational Effectiveness – Financial Operations & Performance
Response to Request for Comments

| | Recommendation | Comments |
|---|---|---|
| 1 | Address the risks related to information sharing among FO&P departments | Continually seeking to improve internal communications and collaboration in any organization is important. We will continue to identify opportunities to support information sharing across our organization.<br><br>With regard to the impact of employee turnover on internal communication, we acknowledge that employee movement can impact information sharing but believe that our approach around rotating staff members provides strong benefit for TVA by developing well rounded talent and ensuring our own talent pipeline is robust. |
| 2 | Address the risks related to effective customer service | We appreciate that a majority of business units recognize that FO&P is above average in regards to products and services, quality of feedback and communication and timeliness. We also acknowledge, as in the prior comment, that our employee development approach can sometimes challenge business partner continuity.<br><br>We understand the importance of ensuring key positions have an operational perspective and recently made some organizational changes in our business planning department to enhance operational depth.<br><br>We acknowledge and will follow up on stated concerns around C55 training for those who were unable to participate in any of the training opportunities offered earlier this year. |
| 3 | Address perceived risks to BoT initiatives and FO&P operations related to the reorganization in IT | We will identify opportunities to minimize any perceived risks related to the BoT efforts through additional communication to our employees and ongoing communication with IT. |