



Memorandum from the Office of the Inspector General

May 18, 2017

Wilson Taylor III, WT 7D-K

**REQUEST FOR MANAGEMENT DECISION – EVALUATION 2016-15445-01 – HUMAN
RESOURCES BUSINESS OFFICE AND OMBUDSMAN'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 within 60 days from the date of this report.

If you have any questions or wish to discuss our findings, please contact Lindsay J. Denny, Senior Auditor, at (865) 633-7349 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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LJD:BSC
Attachment

cc (Attachment):

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OIG File No. 2016-15445-01



Office of the Inspector General

Evaluation Report

To the Director, Human
Resources Business
Office and Ombudsman

HUMAN RESOURCES BUSINESS OFFICE AND OMBUDSMAN'S ORGANIZATIONAL EFFECTIVENESS

Evaluation Team
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Evaluation 2016-15445-01
May 18, 2017

ABBREVIATIONS

CFR	Code of Federal Regulations
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
MD	Management Directive
PLUS	People Lifecycle Unified System
TVA	Tennessee Valley Authority

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Evaluation 2016-15445-01 – Human Resources Business Office and Ombudsman’s Organizational Effectiveness

EXECUTIVE SUMMARY

Why the OIG Did This Evaluation

Organizational effectiveness, as defined in this evaluation, is the ability of the 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 refinementⁱ 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 across TVA. In support of TVA’s mission and performance risk mitigation efforts, TVA’s Chief Human Resources Office (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 Human Resources Business Office and Ombudsman (HRBO) organization assists with workforce optimization, furthers fostering of an engaged workforce, and leverages human resources technologies for employee efficiencies through activities conducted by its departments. As of August 2016, the HRBO had 28 employees, including management. This evaluation assesses strengths and risks that could impact HRBO’s effectiveness.

What the OIG Found

Within HRBO, we identified strengths related to (1) organizational alignment, (2) leadership, (3) teamwork/collaboration, (4) direct management support (including effective communication and inspiring trust and engagement), and (5) relationships with customers. However, we also identified risks related to (1) noncompliance with Equal Employment Opportunity Commission (EEOC) regulations and (2) employee engagement.

Based on our findings and using TVA’s Business Operating Model, we assessed HRBO’s level of risk in the areas of alignment, engagement, and execution. As shown in Table 1 on the following page, we determined

ⁱ Refinement of the workforce includes activities such as reduction in force.



Evaluation 2016-15445-01 – Human Resources Business Office and Ombudsman’s Organizational Effectiveness

EXECUTIVE SUMMARY

alignment risk to be low due to the alignment of HRBO with the CHRO mission and vision. We assessed engagement risk to be low. Although there were engagement risks identified in teamwork and management; the overall organization demonstrated strengths in leadership, teamwork/collaboration, direct management support, and relationships with TVA customers. Execution risk is medium due to noncompliance with regulations regarding the placement and reporting structure of the Equal Opportunity Compliance (EOC) department.

	Low Risk	Medium Risk	High Risk
Alignment	x		
Engagement	x		
Execution		x	

Table 1

What the OIG Recommends

We recommend the Director, HRBO:

1. In conjunction with the Chief Executive Officer and the Senior Vice President and Chief Human Resource Officer, identify and implement the changes needed to obtain compliance with the regulations regarding the placement and reporting structure of the EOC department.
2. Identify ways to improve the applicable Manager’s leadership skills and ensure each Manager is demonstrating TVA’s values and competencies.
3. Conduct a one-on-one interview with each team member of the groups identified as having unresolved conflict and lacking trust and develop a plan for building a collaborative environment where the team can work together to achieve results.

TVA Management’s Comments

TVA management informally responded to our draft report and concurred with two of the three recommendations. In regard to the first recommendation, management stated they provided the Washington, D.C., EEOC office documentation relative to the reporting structure of TVA’s EOC department and expect a response by the end of the fiscal year.

BACKGROUND

Organizational effectiveness, as defined in this evaluation, is the ability of the 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 that ongoing workforce refinement¹ 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 across TVA. In support of TVA's mission and performance risk mitigation efforts, TVA's Chief Human Resources Office (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." Specifically, the CHRO's key initiatives for fiscal year (FY) 2017 are to:

- Optimize the workforce in order to support nonfuel Operations and Maintenance reductions.
- Foster a work environment where employees are fully engaged.
- Build individual, leadership, and organizational capabilities.
- Leverage human resources (HR) technology to enhance employee efficiencies.

The CHRO is comprised of five organizations, including: Human Resources Business Office and Ombudsman (HRBO); Learning, Growth, and Management; Talent Acquisition and Diversity; Compensation and Benefits; and HR.² The HRBO organization, the focus of this report, assists with workforce optimization, furthers fostering of an engaged workforce, and leverages HR technologies for

¹ Refinement of the workforce includes activities such as reduction in force.

² Separate reports will be completed for each of the five organizations within the CHRO:

- Evaluation Report 2016-15445-01, HRBO.
- Evaluation Report 2016-15445-02, Learning, Growth, and Management.
- Evaluation Report 2016-15445-03, Talent Acquisition and Diversity.
- Evaluation Report 2016-15445-04, Compensation and Benefits.
- Evaluation Report 2016-15445-05, HR.

employee efficiencies through activities conducted by its departments. In addition to serving as the Ombudsman for TVA, the HRBO consists of four departments, including HR Support Programs and Services, Employee Concerns,³ Equal Opportunity Compliance (EOC), and HR Business Operations and Systems.

HR Support Programs and Services – In assisting with the key initiative of workforce optimization, the HR Support Programs and Services department is responsible for system transactions, onboarding, and contractor workforce management. In FY2016, the department processed 15,197 employee transactions,⁴ as well as 25,663 contractor transactions, along with enhancing the contractor workforce management systems and processes and automating the processing of many HR transactions.

Employee Concerns and EOC – The role of the Ombudsman and the work performed by Employee Concerns and EOC support the CHRO initiative of fostering an engaged workforce. TVA's Ombudsman is an informal resource to help answer questions, provide assistance, and resolve concerns from employees, contractors, and external stakeholders. Employee Concerns is a neutral avenue for resolving workplace issues and concerns when doing so through the chain of command is not appropriate or when such efforts have been unsuccessful. Employee Concerns may pass concerns to the Equal Employment Opportunity Commission (EEOC), if warranted. EOC's mission is to plan, develop, and implement 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.

EEOC regulations are published in Title 29 of the Code of Federal Regulations (CFR). EEOC also issues guidance documents such as management directives (MD) that instruct other federal agencies about the administrative procedures for federal employee or applicant claims of employment discrimination. MD 110, revised as of August 5, 2015, states the Equal Employment Opportunity (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, since the EEO processes often scrutinize and challenge the motivations and impacts of personnel actions and decisions.

In addition, 29 CFR 1614.102(b)(3) states the "EEO Director shall be under the immediate supervision of the agency head." MD 110 states the purpose of this requirement is to ensure the EEO Director has the access and authority to ensure the agency truly considers the elimination of workplace discrimination to be a fundamental aspect of the agency's mission. It also states that "in order to maintain and exercise the independent authority required of the position, the EEO Director cannot be placed under the supervision of the agency's Chief Human Capital Officer or other officials responsible for executing and advising on

³ On March 20, 2017, the Employee Concerns program transitioned to become a function of the Ethics and Performance department within the Office of the General Counsel.

⁴ Employee transactions include data changes, pay changes, terminations, selections, and job reclassifications.

personnel actions.” Additionally, MD 715, issued on October 1, 2003, states that “agencies must maintain a reporting structure that provides the agency’s EEO Director with regular access to the agency head and other senior management officials for reporting on the effectiveness, efficiency, and legal compliance of the agency’s Title VII and Rehabilitation Act programs.” The directive also states “the agency must ensure EEO professionals are involved with, and consulted on, the management and deployment of human resources.”

Table 1 shows the number of complaints filed with TVA’s EEOC as well as the number of complainants since FY2012.

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017*
Number of Complaints Filed	58	45	48	42	61	14
Number of Complainants	56	43	48	36	61	14

* Through December 31, 2016.

Table 1

HR Business Operations and Systems – TVA’s HR system is the People Lifecycle Unified System (PLUS). HR Business Operations and Systems provides technical support for PLUS as part of the CHRO initiative to leverage HR technology to enhance employee efficiencies. The customers of this group are primarily other CHRO business units. In FY2016, the group completed the PeopleSoft⁵ upgrade study and is preparing process mapping for the upgrade in FY2017. Through the upgrade to PLUS version 9.2, TVA will have the opportunity to create more value to employees and also reduce complexities associated with product updates.

As of August 4, 2016, HRBO had 28 employees in two locations: Chattanooga (16) and Knoxville (12). The current management team is made up of the Director and 3 Managers.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this evaluation was to identify strengths and risks that could impact HRBO’s organizational effectiveness. We assessed operations of HRBO as of September 30, 2016, and culture as of the date of our interviews occurring from October 2016 through January 2017. To complete the evaluation, we:

- Reviewed the CHRO business plan for FY2017 through FY2019 to gain an understanding of goals and initiatives.

⁵ PeopleSoft is an application owned by Oracle designed to address the most complex business requirements. According to Oracle, PeopleSoft’s Human Capital Management delivers a robust set of best-in-class HR functionality that enables increased productivity and accelerated business performance.

- Reviewed TVA values and competencies (see the Appendix) for understanding of cultural factors deemed important to TVA.
- Interviewed the HRBO Director and direct reports as well as other designated supervisory/management-level employees to obtain their perceptions related to strengths and risks that could affect organizational effectiveness.
- Conducted interviews with 22 of 24⁶ employees and analyzed the results to identify themes related to strengths and risks that could affect organizational effectiveness.
- Surveyed and/or conducted interviews with individuals from other TVA organizations⁷ that work closely with HRBO⁸ and analyzed results to identify strengths and risks from a customer service standpoint.
- Reviewed performance management documentation for all management and employees in the HRBO organization and analyzed the documentation for alignment with department and organizational goals, where applicable.
- Reviewed select TVA Standard Programs and Processes and guidelines to gain an understanding of processes and controls.
- Reviewed results of TVA's 2016 Pulse Survey as compared to the 2015 Employee Engagement Survey to gain additional understanding of the HRBO work environment.
- Assessed the overall effectiveness of the HRBO 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

Within HRBO, we identified strengths related to (1) organizational alignment, (2) leadership, (3) teamwork/collaboration, (4) direct management support (including effective communication and inspiring trust and engagement), and (5) relationships with customers. However, we also identified risks that could

⁶ Three employees transitioned out of their role as we were scheduling interviews so we were unable to meet with them.

⁷ The customers of HRBO are other CHRO organizations, including HR and Compensation and Benefits.

⁸ Due to the confidential nature of the work performed by EOC and Employee Concerns, we did not request the names of their customers or survey them about their experiences.

impact the effectiveness of HRBO to contribute to the overall CHRO mission. These risks are (1) noncompliance with EEOC regulations and (2) employee engagement.

STRENGTHS

According to TVA, its values and competencies are the foundation from which the organization can successfully meet goals and strategic imperatives to achieve the mission of service. Within HRBO, we identified strengths related to (1) organizational alignment, (2) leadership from the Director, (3) teamwork/collaboration, (4) direct management support (including communication and inspiring trust and engagement, and (5) relationships with customers in TVA.

Organizational Alignment

Our review of performance management documentation revealed that individuals' performance goals were consistent with the overarching HRBO goals. In addition, the majority of employees felt they had input into their performance goals, and their goals aligned with HRBO's mission.

Leadership From the Director

TVA's leadership competencies include inspiring trust and engagement, effective communication, and business acumen. Employees expressed these attributes are displayed by the Director of HRBO. Specifically, employees commended his honesty, communication, and engagement in what they do.

Teamwork/Collaboration

TVA's value of collaboration includes a commitment to fostering teamwork. Most employees within HRBO cited teamwork as a strength within their individual departments. Employees stated they support one another and communicate honestly.

Direct Management Communication and Support

We found that most employees feel supported by their direct managers. Overall, employees trust their direct managers and feel open to raise a differing opinion. Employees also indicated their direct managers display the leadership competencies of effective communication and accountability. HRBO's 2016 Pulse Survey results showed an increase of 28 percent in the area of feeling that you can raise concerns to management without fear of retaliation as well as a 32-percent increase in favorability when asked if employees in the department trust management below the Vice President.

Relationships With Customers in TVA

Most customers that provided feedback for HRBO indicated they have good relationships with the group. Additionally, employees indicated they have good working relationships with other TVA organizations.

RISKS

Risks that could impact the effectiveness of HRBO to contribute to the overall CHRO mission include: (1) noncompliance with EEOC regulations and (2) employee engagement.

Noncompliance With EEOC Regulations

We identified noncompliance with regulations regarding the placement and reporting structure of the EOC department. As mentioned previously, the EEOC regulations and MDs surrounding this process require that the EEO Director report directly to the agency head while also stating the function should be separate from the agency's personnel function. However, TVA's EEO Director⁹ reports to the Director, HRBO, who reports to the Senior Vice President and Chief HR Officer.

Under 29 CFR 1614.102(e), an agency program which is not in compliance shall undertake efforts to obtain compliance. If those efforts are not successful, the EEOC Chair may issue a notice to the head of any federal agency and publicly identify each noncompliant agency. One of the essential elements of a model EEO program, according to MD 715, is demonstrated commitment from agency leadership. Although TVA's MD 715 report¹⁰ for FY2016 stated that the Director, HRBO, has a "dotted line" reporting relationship to the Chief Executive Officer (which would allow direct access without following the chain of command), the current placement and reporting structure of the EOC department to CHRO does not fulfill the intent of the directive set forth by the EEOC. In addition to the risk of noncompliance with federal regulations, these actions could pose a risk to CHRO's key initiative to foster a work environment where employees are free to raise concerns, ask questions, express differing views, and feel included.

Employee Engagement

Employee engagement within certain areas of CHRO is at risk due to (1) relationship issues with one Manager and (2) teamwork within one department.

Employee Relationship Issues with One Manager – While most employees indicated managers in HRBO are trusted, our interviews identified one Manager with whom employees have unresolved conflict and relationship issues. We discussed these relationship concerns with the Director.

Teamwork – While teamwork was a strength for HRBO overall, our interviews identified one department with trust and collaboration concerns. We discussed these teamwork concerns with the Director.

⁹ TVA's EEO Director is the Senior Manager of EOC.

¹⁰ 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.

CONCLUSION

According to a Dale Carnegie Training white paper on employee engagement, there are three key drivers to employee engagement: relationship with immediate supervisor, belief in senior leadership, and pride in working for the company. Within HRBO, most employees expressed a good relationship with their immediate supervisors and trust in the senior leadership of their business unit. Additionally, in TVA's 2016 Pulse Survey, 91 percent of HRBO employees answered that they are proud to work for TVA.

Although TVA takes the position that the EEO Director has a direct line of communication with the Chief Executive Officer with respect to discrimination issues, being placed under the HRBO may impact the Director's independence as elevating an issue to the agency head outside the normal chain of command may feel like an extraordinary measure, thus creating a disincentive to do so. Additionally, it may have a chilling effect on employees who wish to raise a concern as it may appear HR controls the EEO process. The placement and reporting structure of the EEO function could impact the group's independence and ability to fully achieve its goal of eliminating discrimination in the workplace, which could impact CHRO's ability to achieve its initiative of fostering a work environment where employees are fully engaged. Based on TVA's Business Operating Model, we evaluated the risk of three critical areas that could impact HRBO's effectiveness:

- Alignment risk is low based on the alignment of HRBO with CHRO's mission and vision.
- Engagement risk is low. Although there were some concerns raised in teamwork and management, the overall organization demonstrated strengths in leadership, teamwork, and direct management support.
- Execution risk is medium due to noncompliance with regulations regarding the placement and reporting structure of the EEOC department.

These risks, if not resolved or adequately considered, could negatively impact HRBO's ability to fully contribute to the overall mission of CHRO.

RECOMMENDATIONS

We recommend the Director, HRBO:

1. In conjunction with the Chief Executive Officer and the Senior Vice President and Chief HR Officer, identify and implement the changes needed to obtain compliance with the regulations regarding the placement and reporting structure of EEOC department.
2. Identify ways to improve the applicable Manager's leadership skills and ensure each Manager is demonstrating TVA's values and competencies.

3. Conduct a one-on-one interview with each team member of the groups identified as having unresolved conflict and lacking trust and develop a plan for building a collaborative environment where the team can work together to achieve results.

TVA MANAGEMENT'S COMMENTS

TVA management informally responded to our draft report and concurred with Recommendation Nos. 2 and 3. In regard to the first recommendation, management stated they provided the Washington, D.C., EEOC office documentation relative to the reporting structure of TVA's EOC department. The EEOC is reviewing the information and expect a response by the end of the FY.

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