



Memorandum from the Office of the Inspector General

September 17, 2019

Tina R. Shelton, LP 6C-C
Diane T. Wear, WT 4B-K

**REQUEST FOR FINAL ACTION – AUDIT 2019-15624 – EMPLOYEE RECOGNITION
EXPENDITURES**

Attached is the subject final report for your review and final action. Your written comments, which addressed your management decision and actions planned or taken, have been included in the report. Please notify us when final action is complete. 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 audits that remain unresolved after 6 months from the date of report issuance.

If you have any questions, please contact Robert L. Dixon, Senior Auditor, at (865) 633-7396 or Rick C. Underwood, Director, Financial and Operational Audits, at (423) 785-4824. We appreciate the courtesy and cooperation received from your staff during the audit.

A handwritten signature in black ink that reads "David P. Wheeler".

David P. Wheeler
Assistant Inspector General
(Audits and Evaluations)
WT 2C-K

RLD:KDS
Attachment

cc (Attachment):

TVA Board of Directors
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Susan E. Collins, LP 6A-C
Robertson D. Dickens, WT 9C-K
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OIG File No. 2019-15624



Office of the Inspector General

Audit Report

To the Vice President, Total
Rewards, and to the Vice
President and Controller,
Corporate Accounting

EMPLOYEE RECOGNITION EXPENDITURES

Audit Team
Robert L. Dixon
Melissa M. Neusel
Ala H. Young

Audit 2019-15624
September 17, 2019

ABBREVIATIONS

C&B	Compensation and Benefits
ERS	Expense Reimbursement System
FY	Fiscal Year
ICCS	Integrated Credit Card Solution
SBU	Strategic Business Unit
SPP	Standard Programs and Processes
TR	Total Rewards
TVA	Tennessee Valley Authority
VP	Vice President

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Audit 2019-15624 – Employee Recognition Expenditures

EXECUTIVE SUMMARY

Why the OIG Did This Audit

The Tennessee Valley Authority's (TVA) Compensation and Benefitsⁱ organization administers an employee recognition program consisting of a variety of formal programs implemented throughout TVA. TVA Standard Programs and Processes 11.418, *Employee Recognition*, states that the purpose of employee recognition is to provide positive reinforcement to employees by promoting the recognition and acknowledgement of their dedication and contribution towards the accomplishment of organizational goals and success in a regular and timely manner. We included an audit of TVA's employee recognition expenditures in our annual audit plan due to concerns submitted to our office relating to potentially questionable purchases.

Our audit objective was to determine if employee recognition expenditures were made in compliance with TVA policies and procedures. Our audit scope included approximately \$2.6 million in employee recognition expenditures from October 1, 2016, through September 30, 2018 (TVA's fiscal years 2017 and 2018).

What the OIG Found

We found that employee recognition expenditures generally were not made in compliance with TVA policies and procedures. Specifically, we found (1) a lack of appropriate preapprovals, (2) strategic business unit-sponsored employee recognition expenditures not associated with an approved program, (3) transactions for items not allowable as employee recognition, and (4) split transactions. We also found employee recognition transactions that could pose reputational risks to TVA. Further, we found that oversight of employee recognition programs needs improvement, including monitoring of all employee recognition expenditures. Finally, we found that gift card award programs were not properly administered.

What the OIG Recommends

We make fifteen recommendations to TVA management to (1) update the governing TVA Standard Programs and Processes and (2) enhance oversight of employee recognition transactions.

ⁱ Subsequent to our draft report the organization name was changed from Compensation and Benefits to Total Rewards.



Audit 2019-15624 – Employee Recognition Expenditures

EXECUTIVE SUMMARY

TVA Management's Comments

TVA management stated they take very seriously the commitment to be good stewards of the resources they are given and appreciate the Office of the Inspector General helping to identify areas where they can improve their processes, procedures, and training. TVA management also stated they had concluded that there are opportunities for improvement in (1) documentation and approval surrounding employee recognition, (2) clarification of policies and expected procedures, and (3) training around the specific expectations regarding the policies and procedures. TVA management provided actions they plan to take to address each of our recommendations. See Appendix D for TVA management's complete response.

Auditor's Response

We agree with TVA management's stated plans for addressing our recommendations.

BACKGROUND

The Tennessee Valley Authority's (TVA) Compensation and Benefits¹ (C&B) organization administers an employee recognition program consisting of a variety of formal programs implemented throughout TVA. We included an audit of TVA's employee recognition expenditures in our annual audit plan due to concerns submitted to our office relating to potentially questionable purchases.

Guidance for the program is provided in TVA Standard Programs and Processes (SPP) 11.418, *Employee Recognition*, which states that the purpose of employee recognition is to provide positive reinforcement to employees by promoting the recognition and acknowledgement of their dedication and contribution towards the accomplishment of organizational goals and success in a regular and timely manner. The stated scope of TVA-SPP-11.418 is to provide governance for consistent and equitable employee recognition practices across all strategic business units (SBU) and establish a standard methodology for recognizing and awarding employees who model TVA's values and contribute to its success. TVA uses the terms "employee recognition" and "employee appreciation" interchangeably, as noted in the definition of employee recognition included in TVA-SPP-11.418:

Activities primarily designed to demonstrate employee appreciation or to recognize significant work accomplishments or life events (retirement, length of service, etc.).

TVA's Vice President (VP), C&B, is the executive sponsor of the employee recognition program and owner of TVA-SPP-11.418. In this role, the VP, C&B, is responsible for establishing expectations for the governance, oversight, execution, and support of TVA's employee recognition program. Other members of the C&B organization, including the Director, Employee Benefits, and Program Manager, Benefit Accounts and Incentives, also have roles in providing oversight of the program. These include providing periodic reports on employee recognition program practices and performance, as well as periodic assessments of the employee recognition program to ensure implementation in accordance with TVA-SPP-11.418.

TVA's Financial Services organization manages accounting procedures for approval, payment, and classification of recognition expenses. TVA's Disbursement Services organization manages reporting for taxable employee recognition expenses and administers tax withholding for recognition awards.

Employee Recognition Program Elements

TVA's employee recognition program consists of six program elements, or categories, under which all recognition activities are administered.

¹ Subsequent to our draft report the organization name was changed from Compensation and Benefits to Total Rewards.

TVA-SPP-11.418 includes the criteria to be met in order to receive each category of award and any limitations on the dollar amount of the awards individuals may receive. These program elements include the following.

Length of Service Awards

All full-time TVA employees are recognized for every five years of TVA service. The award typically includes a certificate and the opportunity to select a gift from an online catalog. This program is directly overseen by C&B, who manages the contract with a third-party vendor that maintains the catalog, ships awards to recipients, and provides reporting information to TVA.

SBU–Sponsored Programs

Each SBU may develop employee recognition program(s) with specific eligibility criteria and communicate the program requirements, nomination process, and results to employees. Awards under SBU–sponsored programs are limited to the following:

- Gift cards or certificates
- TVA merchandise or clothing
- Food (e.g., breakfast, luncheons, safety meals, etc.)
- Commemorative or symbolic awards (e.g., flowers, plaques, certificates, trophies, framed pictures, nonprecious metal coins, etc.)

Cash awards of any amount are not permitted.

Family members and retirees are not eligible for gift cards/certificates or TVA merchandise/clothing, and are only eligible for food and nonmonetary value awards as part of a team recognition. For the majority of our audit period, the same restrictions also pertained to contractors. However, TVA-SPP-11.418 was revised in September 2018 to state that contractors may be offered TVA merchandise/clothing, as well as food items, as part of a team recognition.

SBU–sponsored programs must be approved by the business unit’s VP and require concurrence of the VP, C&B, via form TVA 20497 (see example at Appendix B). TVA’s Program Manager, Benefit Accounts and Incentives, maintains a listing of approved SBU–sponsored programs, and each SBU must provide notification of any subsequent program modifications.

External Recognition

TVA may nominate employees for external recognition opportunities as deemed appropriate. TVA-SPP-11.418 states C&B is to administer the process for reviewing and approving any such nominations. This process includes review of the nominated employee’s record by Human Resources; review of award nomination documentation by the Program Manager, Benefit Accounts and Incentives; and approval by the VP, C&B. Coordination with TVA’s

Communications organization and other business units may be performed as necessary.

Retirements

Recognition may be provided for TVA employees upon their retirement, in a manner appropriate to their TVA tenure. The following general provisions apply to use of TVA funds; however, employees may personally fund other arrangements with management approval.

- Meals/receptions may be provided for the retiring employee, their family members, and coworkers.
- Gifts to the retiring employee must be limited to items which are primarily commemorative or symbolic in nature. TVA-funded gift cards/certificates and cash of any amount are not permissible.
- The cumulative value of gifts and the proportional value of any meal or celebration for the retiree must never exceed \$500.

Illness and Death

Acknowledgement may be made due to the death or major illness of a TVA employee or their immediate family member. Items purchased with TVA funds are generally limited to flowers, floral arrangements, bereavement trays, greeting cards, and/or other items of similar cost that are symbolic in nature. In general, the suggested maximum TVA expenditure for an illness or death acknowledgement is \$100. Additional considerations may be made in the event of an employee's death in the line of TVA duty.

Professional Engineer and Certified Professional Secretary

TVA provides a one-time lump sum payment for obtaining these certifications. The award amount for each of these certifications is \$250.

Approval Requirements

According to TVA-SPP-11.418, all employee recognition expenditures must be preapproved either by e-mail or by form TVA 20498 (see example at Appendix C), and preapproval documentation should be included with the charge in the respective expense system. The specific preapproval documentation required for individual employee recognition expenditures is shown in Table 1 below:

Total Cost	Preapproval Required By	Approval Form
Greater than \$5,000	1. SBU Officer Reporting to the CEO and 2. VP, C&B	TVA 20498
\$500 to \$5,000	Officers (VP or Above)	TVA 20498
Less than \$500	Officers (VP or Above). May be delegated to the Senior Manager Level.	E-Mail

Table 1

As stated above, SBU–sponsored programs must be approved by the business unit VP with concurrence by the VP, C&B, and be documented on form TVA 20497.

The forms required to document each category of employee recognition expenditure are summarized in Table 2.

Category of Employee Recognition Expenditure	TVA 20498 / E-Mail Required?	TVA 20497 Required?
Length of Service	Yes	No
External Recognition	Yes	No
Retirements	Yes	No
Illness/Death	Yes	No
Professional Engineer and Certified Professional Secretary	Yes	No
SBU–Sponsored Program	Yes	Yes

Table 2

Payment of Employee Recognition Expenses

TVA-SPP-11.418 identifies the following approved payment methods for TVA-funded employee recognition expenses.

- The TVA Corporate Card is the preferred method of payment for employee recognition expenses. Any needed preapproval documentation must be attached with the charge in the Expense Reimbursement System (ERS).
- Employee recognition purchases may also be made out-of-pocket by individual employees, with reimbursement provided by TVA. Any needed preapproval documentation must be attached with the charge in ERS to be eligible for reimbursement.
- Employee recognition purchases may also be made by miscellaneous voucher, which will result in payment being made by Electronic Funds Transfer or by a United States Treasury Check. Appropriate documentation of preapproval and expenses must be included with the voucher. Miscellaneous vouchers are recorded in Maximo.
- Convenience checks may also be used to pay for employee recognition expenses in certain instances. These are recorded in the Integrated Credit Card Solution (ICCS).
- TVA-SPP-11.418 does not address the TVA Purchasing Card as being either specifically allowed or disallowed for payment of employee recognition expenses. Transactions made with the TVA Purchasing Card are recorded in ICCS.

The number of employee recognition transactions and the total amount recorded in each system for TVA's fiscal year (FY) 2017 and FY2018 are shown in Table 3 on the following page.

Expense System	Total Amount*	Number of Transactions*
ERS - TVA Corporate Card	\$1,434,576	4,349
ERS - Out-of-Pocket	208,967	1,318
Maximo	753,016	152
ICCS - TVA Purchasing Card and Convenience Check	<u>207,544</u>	<u>543</u>
Total	\$2,604,103	6,362

* These amounts represent the population of employee recognition transactions used in our testing. In determining our population, we excluded six transactions with credits totaling \$687 because the original transaction occurred prior to the beginning of FY2017.

Table 3

Reporting and Taxation of Awards

Certain employee recognition awards are considered taxable to the recipient, with this determination based on characteristics such as the award type, dollar value, and cumulative amount awarded to an individual in a given calendar year. TVA-SPP-11.418 states that TVA is required to track and report taxable fringe benefits, and individual SBUs are responsible for reporting taxable award information to Disbursement Services using form TVA 17917.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our audit objective was to determine if employee recognition expenditures were made in compliance with TVA policies and procedures. Our audit scope included approximately \$2.6 million in employee recognition expenditures from October 1, 2016, through September 30, 2018 (TVA's FY2017 and FY2018). A complete discussion of our audit objective, scope, and methodology is included in Appendix A.

FINDINGS AND RECOMMENDATIONS

We found that employee recognition expenditures generally were not made in compliance with TVA policies and procedures. Specifically, we found (1) a lack of appropriate preapprovals, (2) SBU-sponsored employee recognition expenditures not associated with an approved program, (3) transactions for items not allowable as employee recognition, and (4) split transactions. We also found employee recognition transactions that could pose reputational risks to TVA. Further, we found that oversight of employee recognition programs needs improvement, including monitoring of all employee recognition expenditures. Finally, we found that taxable awards of gift card award programs were not properly administered. The following provides a detailed discussion of our findings.

EMPLOYEE RECOGNITION EXPENDITURES GENERALLY WERE NOT MADE IN COMPLIANCE WITH TVA POLICIES AND PROCEDURES

We found that employee recognition expenditures generally were not made in compliance with TVA policies and procedures. We selected a sample of 126 employee recognition expenditure transactions made during TVA's FY2017 and FY2018 and reviewed supporting documentation for each transaction to determine compliance with TVA-SPP-11.418. Specifically, we evaluated whether each transaction (1) had appropriate preapproval documentation and (2) complied with allowable categories of recognition awards and applicable requirements. Our sample selection was stratified into three categories according to approval requirements, which are based on transaction amount (discussed in the Background section above). These categories and details of our sample are shown in Table 4.

Transaction Amount	Number of Sampled Transactions	Total Amount of Sampled Transactions
Less than \$500	42	\$5,738
\$500 to \$5,000	41	48,551
Greater than \$5,000	43	547,579
Total	126	\$601,868

Table 4

See Appendix A for further information on the methodology utilized in our sample selection. In reviewing documentation for the selected transactions, we found the following.

Lack of Appropriate Preapprovals

We attempted to obtain supporting documentation to verify approval by the required level of TVA management prior to the expenditure date for each transaction in our sample. Our procedures included reviewing information attached with the charges in the respective expense systems, as well as contacting TVA personnel when documentation was not in the systems where the SPP requires it to be maintained. Results of our review of preapproval documentation are shown in Table 5 on the following page.²

² The samples of transactions in the (1) less than \$500 and (2) \$500 to \$5,000 strata were selected statistically and the results of our samples can be projected to the populations. However, as the large number of exceptions found in each of these strata provide clear evidence of a lack of effective internal control over employee recognition expenditures, we determined that projection of the sample results to the populations would not be performed. The sample of transactions in the over \$5,000 strata was selected judgmentally, and the results cannot be projected to the population.

Expenditure Preapproval Testing								
	Sample Strata							
	Less than \$500		\$500 to \$5,000		Over \$5,000		Total	
	Number of Items	Amount	Number of Items	Amount	Number of Items	Amount	Number of Items	Amount
Appropriately Preapproved	1	\$27	12	\$24,099	7	\$112,120	20	\$136,246
Not Appropriately Preapproved	12	1,614	8	7,511	19	213,583	39	222,708
No Documentation Provided	28	3,959	18	14,537	12	165,445	58	183,941
Misclassified	<u>1</u>	<u>138</u>	<u>3</u>	<u>2,404</u>	<u>5</u>	<u>56,431</u>	<u>9</u>	<u>58,973</u>
Total	42	\$5,738	41	\$48,551	43	\$547,579	126	\$601,868

Table 5

- For 58 of the 126 transactions tested, no documentation relating to expenditure preapproval was available for review.
- As a result of our inquiries to TVA personnel regarding preapproval documentation, we were informed that nine transactions totaling \$58,973 were misclassified as employee recognition. Of these, the respondents stated that eight transactions totaling \$58,148 should have been classified as business meetings, and one transaction for \$825 should have been classified as hospitality. Guidance for these expense classifications is contained in TVA-SPP-13.063, *Business Meetings and Hospitality*.
- For the 59 remaining transactions, some level of documentation was obtained. Only 39 had this information attached with the charge in the respective expense system as required by TVA-SPP-11.418. For the remaining 20 transactions, we obtained documentation directly from the TVA employees responsible for the expenditures. We reviewed this information, noting the following.
 - Twenty transactions were appropriately preapproved by the required level of TVA management prior to the expenditure date.
 - Thirty-nine transactions were not appropriately preapproved because they either did not have approval by the required level of TVA management or were approved after the expenditure date.

Recommendation - We recommend the VP, Total Rewards (TR), take the following actions:

1. Develop and implement procedures to review employee recognition expenditures on a periodic basis for proper preapprovals.

TVA Management's Comments – TVA management agreed with the recommendation and stated TR will develop and implement appropriate procedures for the periodic review of employee recognition expenditures inclusive of preapproval requirements. See Appendix D for TVA management's complete response.

2. Update TVA-SPP-11.418 to provide clarification on the differences between employee recognition, business meetings, hospitality, and/or other related expenditure categories, as appropriate.

TVA Management's Comments – TVA management agreed with the recommendation and stated TR will review and update the SPP as appropriate, including appropriate targeted communication. See Appendix D for TVA management's complete response.

SBU-Sponsored Recognition Expenditures Not Associated with an Approved Program

SBU-sponsored programs must be approved by the business unit's VP and require concurrence of the VP, C&B, via form TVA 20497 (see example at Appendix B). As part of our sample testing discussed above, we found that 101 of the 126 selected transactions fell under the SBU-sponsored employee recognition category. We determined that for 95 of the 101 transactions, form TVA 20497 evidencing preapproval of an SBU-sponsored program was not available.

C&B personnel informed us that form TVA 20497 is used to define ongoing employee recognition programs for a particular business unit and there are instances in which a form TVA 20497 is not considered necessary for SBU-sponsored recognition awards. These are referred to as one time awards and only require preapproval of the individual expenditure via form TVA 20498 or via e-mail, depending on the transaction amount. However, TVA-SPP-11.418 does not address one time SBU-sponsored recognition expenditures made outside of a preapproved SBU-sponsored recognition program documented on form TVA 20497. C&B personnel stated they recognize TVA-SPP-11.418 should be revised to provide guidance on the specific requirements for one time SBU-sponsored recognition awards and how these are differentiated from awards under ongoing SBU-sponsored programs, as well as to clarify the requirements for appropriate use of forms.

Recommendation - We recommend the VP, TR, take the following action:

3. Update TVA-SPP-11.418 to define the parameters for one time SBU-sponsored employee recognition awards, including the requirements for preapproval and documentation of eligibility or other criteria, as well as how these awards are differentiated from ongoing SBU-sponsored programs requiring preapproval.

TVA Management's Comments – TVA management agreed with the recommendation and stated TR will review and update the SPP as appropriate, inclusive of preapproval requirements and appropriate targeted communication. See Appendix D for TVA management's complete response.

Transactions for Items Not Allowable as Employee Recognition

For 17 of the 126 transactions reviewed, the goods or services purchased were not allowable as employee recognition expenditures based on the guidance in TVA-SPP-11.418. These 17 transactions are shown in Table 6.

Purchase Description	Number of Transactions	Total Amount
Facility and/or Equipment Rentals	9	\$92,949
Event Guest Speaker	2	16,750
Event with Alcohol Provided	1	5,990
TVA Logo Merchandise Provided to Contractors	1	5,095
Educational Items for Donation	1	586
Sporting Event Outing	1	550
Off-site Retirement Celebration	1	500
Event Entertainment	1	500
Total	17	\$122,920

Table 6

- Nine transactions included rental charges for meeting/dining facilities, audio/video equipment, as well as tables, tents, games, and other event-related equipment.
- Two payments were for charges associated with a guest speaker at an employee all-hands meeting.
- One transaction included charges for a TVA event at which alcohol was provided (\$544 of \$5,990 event cost was for alcohol). TVA-SPP-11.418 expressly states that TVA does not pay for alcohol at employee recognition events. TVA only allows alcoholic beverages while in a hospitality setting, which is governed by TVA-SPP-13.063, *Business Meetings and Hospitality*.
- One payment was for TVA logo caps provided to TVA employees and contractors. At the time of the transaction, TVA-SPP-11.418 stated that contractors were not eligible for TVA merchandise/clothing. However, this guidance was revised in September 2018 to allow contractors to receive such items as part of a team recognition.
- One payment was for educational materials donated to elementary schools.
- One payment was for an employee outing to a minor league baseball game. While the charge selected in our sample was for \$550, we determined the total expenditure for this event was approximately \$2,310.
- One transaction included charges for an off-site retirement celebration and a meal for 48 people. For retirement events held off-site, TVA-SPP-11.418 suggests that TVA should pay for the retiree's and family's meal or refreshments, but attendees pay for their own.
- One payment was for a band that provided entertainment at a health and safety fair.

In addition, we noted purchases of goods and services that, while not expressly disallowed by TVA-SPP-11.418, C&B personnel stated should not be classified

as employee recognition. Examples of these categories of purchases include the following.

- Teambuilding events
- Recognition relating to:
 - Administrative Professionals Day
 - Birth of a child
 - Transfer of an employee between departments within TVA (nonretirements)

Examples such as these, which are not specifically addressed in TVA-SPP-11.418, contribute to varying interpretations of employee recognition guidance among individuals and groups within TVA.

Recommendation - We recommend the VP, TR, take the following action:

4. Update TVA-SPP-11.418 to provide additional guidance on the categories of goods and services that are specifically allowed and disallowed as employee recognition.

TVA Management's Comments – TVA management agreed with the recommendation and stated TR will update the SPP as appropriate, including appropriate targeted communication. See Appendix D for TVA management's complete response.

Split Transactions

We found for one sampled transaction paid for with a TVA Purchasing Card, the supporting documentation stated that an expenditure of \$6,015 was paid for using three separate purchases of \$2,005. A notation on the expense documentation indicated this was done to avoid an individual transaction limit of \$5,000 on the TVA Purchasing Card that, if exceeded, would have required additional management approval. The documentation also stated that the purchaser, who is no longer employed by TVA, was subsequently coached on appropriate use of the TVA Purchasing Card. As stated in the Background section, TVA-SPP-11.418 does not provide guidance as to whether the TVA Purchasing Card is an allowable method of payment for employee recognition expenses.

We performed an analysis of the remaining transaction population to determine if there were other expenditures that displayed similar characteristics to the purchase described above. We found the following transactions.

- Eleven separate transactions totaling \$41,236 were part of the same overall purchase of tickets and meals for an employee teambuilding event at an amusement park. Each individual transaction was made for less than \$5,000, the level at which approval of employee recognition expenditures by the VP,

C&B, is required under TVA-SPP-11.418. The purchaser stated that a former TVA manager provided instruction to make the purchases for less than \$5,000. While the individual transactions did not meet this threshold, the overall purchase should have been submitted to the VP, C&B, for review and approval, based on the total amount of \$41,236. In addition to being broken into multiple transactions, these purchases did not fall into an allowable employee recognition expense category.

- Two separate transactions totaling \$7,755 were part of the same overall purchase for TVA logo merchandise. One of the transactions was made for \$4,999 and the other for \$2,776. We were unable to determine the specific reason this purchase was broken into two transactions, as the purchaser is no longer employed by TVA, and the supporting documentation did not provide this information. We inquired of other TVA personnel, but no form TVA 20498 was provided. The overall purchase should have been submitted to the VP, C&B, for review and approval, based on the total amount of \$7,755.

TVA-SPP-11.418 does not address the issue of splitting purchases into smaller transactions to avoid additional levels of approval. TVA-SPP-13.043, *TVA Purchasing Card Usage*, states that it is not acceptable to split the purchase amount with the intent to circumvent transaction limits assigned to the cardholder's Purchasing Card.

Recommendation - We recommend the VP, TR, take the following actions:

5. Update TVA-SPP-11.418 to include the following:

- a. Emphasize that payments for awards/events are not to be broken into two or more smaller transactions to circumvent additional level(s) of approval required under the applicable employee recognition or purchasing method guidance.
- b. Include guidance as to whether the TVA Purchasing Card is an acceptable method of payment for employee recognition expenditures, as well as any applicable purchase restrictions.

TVA Management's Comments – TVA management stated TR will update the SPP as appropriate, including appropriate targeted communication. See Appendix D for TVA management's complete response.

6. Institute analytical reviews of employee recognition transactions to identify any future instances of transactions and/or events that are split to circumvent approval requirements.

TVA Management's Comments – TVA management agreed with the recommendation and stated TR will evaluate the benefits of analytical reviews of employee recognition transactions subsequent to the review of preapproval thresholds. See Appendix D for TVA management's complete response.

EMPLOYEE RECOGNITION TRANSACTIONS COULD POSE REPUTATIONAL RISKS TO TVA

We noted several transactions during our review of employee recognition expenditure data that could pose reputational risks to TVA. Examples of these transactions included:

- The aforementioned \$41,236 transaction for meal tickets and unlimited ride admissions to an amusement park (Saturday, July 22, 2017).
- Approximately \$6,200 for an event where TVA rented the Chattanooga Lookouts' AT&T field for a softball tournament (Saturday, June 10, 2017) and provided food, team shirts, and trophies.
- Nearly \$1,250 for a lunch with trivia contest at local restaurant and then the employee's choice of a movie at the local theatre or rock climbing at a climbing gym (Friday, January 12, 2018).
- Approximately \$4,900 for an event where TVA rented Finley Stadium in Chattanooga for a flag football competition and provided food, shirts, kids' activities and trophies (Saturday, October 28, 2017).

Instances such as these may be perceived as improper expenditures. Currently, TVA-SPP-11.418 does not address the potential reputational risk TVA faces associated with the misuse (or perceived misuse) of TVA funds. Adding a statement to TVA-SPP-11.418 regarding the potential reputational risk TVA faces due to misuse (or perceived misuse) of TVA funds would help to clarify the importance of considering public perception. As an example, TVA-SPP-13.063, *Business Meetings & Hospitality*, Section 3.2.1, provides a statement discussing the appropriateness of purchases and contains the following language:

All employees responsible for planning a business meeting or hospitality activity are to ensure that: (1) the business need is justified; (2) the expense is reasonable, proper, and efficient use of TVA resources; and (3) the cost is appropriate to the occasion or circumstance. **All planning should be consistent with the need to maintain public confidence that TVA resources are used only for the benefit of the public which it serves. Any activity which, due to its nature, location, timing, participants, expense or other factors, would likely be perceived by a reasonable member of the public as an improper or inefficient use of TVA resources is not permitted** [emphasis added]. This may include but is not limited to: golf/country clubs, social clubs, individual memberships, corporate contributions, skyboxes, corporate suites, or similar type arrangements for sporting or other public events. Receptions or meetings held at unnecessarily lavish locations or settings are also not permitted.

Recommendation - We recommend the VP, TR, take the following action:

7. Update TVA-SPP-11.418 to include a statement similar to the paragraph in section 3.2.1 of TVA-SPP-13.063.

TVA Management's Comments – TVA management agreed with the recommendation and stated TR will update the SPP as appropriate. See Appendix D for TVA management's complete response.

OVERSIGHT OF EMPLOYEE RECOGNITION PROGRAMS NEEDS IMPROVEMENT

We reviewed TVA's oversight procedures relating to employee recognition programs and identified areas for improvement. Specifically, we found (1) 35 transactions greater than \$5,000 were not tracked as being approved by the VP, C&B, (2) neither C&B nor Disbursement Services currently performs a review of all employee recognition expenditures to determine compliance with TVA-SPP-11.418, (3) C&B has no procedure in place to ensure the listing of SBU-sponsored employee recognition programs is current, (4) periodic reports and assessments were not performed as required by TVA-SPP-11.418, and (5) a nomination for an employee's external award was not reported to C&B as required by TVA-SPP-11.418. Our findings are discussed in further detail below.

Review of Individual Expenditures Exceeding \$5,000

C&B personnel provided a listing of all employee recognition expenditures exceeding \$5,000 that were tracked as being approved by the VP, C&B, during our audit period. This listing included eight individual transactions totaling \$120,089. We performed an analysis to determine if there were transactions with amounts greater than \$5,000 in our population of employee recognition expenditures from FY2017 and FY2018 that were not included on the listing. We found 35 transactions exceeding \$5,000 during this time period, totaling \$402,767, were not included on the listing provided by C&B. Of these 35 transactions, we noted the following.

- Nine transactions, totaling \$95,578, had a form TVA 20498 that was approved by the VP, C&B.
- Nine transactions, totaling \$84,712, had a form TVA 20498 that was not approved by the VP, C&B.
- Seventeen transactions, totaling \$222,477, did not have a form TVA 20498.

C&B currently relies upon individual SBUs to submit proposed transactions exceeding \$5,000 for preapproval.

Recommendation - We recommend the VP, TR, take the following actions:

8. Implement a periodic review of employee recognition transactions to identify transactions not properly submitted for VP, TR's, approval.

TVA Management's Comments – TVA management agreed with the recommendation and stated TR will evaluate options for a periodic review of employee recognition transactions subsequent to the review of preapproval thresholds. See Appendix D for TVA management's complete response.

9. Develop and implement procedures to ensure all transactions approved by the VP, TR, are appropriately tracked.

TVA Management's Comments – TVA management agreed with the recommendation and stated TR will review current procedures for tracking of transactions approved by the VP, TR, and make revisions as appropriate. See Appendix D for TVA management's complete response.

Review of All Employee Recognition Expenditures

Neither C&B nor Disbursement Services currently performs a review of all employee recognition expenditures to determine compliance with TVA-SPP-11.418 requirements. The charges for each individual purchaser are reviewed by an approving official in the respective expense systems. However, the results of our sample testing suggest that this review is ineffective at identifying employee recognition transactions that do not meet SPP requirements.

Recommendation - We recommend the VP, TR, take the following action:

10. Develop and implement procedures to review all employee recognition expenditures on a periodic basis for compliance with all SPP requirements.

TVA Management's Comments – TVA management agreed with the recommendation and stated TR will coordinate efforts with Financial Services to ensure alignment with other employee expenditure reviews and controls. See Appendix D for TVA management's complete response.

Listing of SBU-Sponsored Employee Recognition Programs

C&B has no procedure in place to ensure the listing of SBU-sponsored employee recognition programs is current and the governing SPP provides no guidance on how this is to be achieved. TVA-SPP-11.418 section 3.1.3.D. requires the Program Manager, Benefit Accounts and Incentives, to maintain a listing of all SBU-sponsored programs, and section 3.1.7.D. requires the Administrator of SBU-sponsored Programs to provide the Program Manager, Benefit Accounts and Incentives, notice of any program modifications. However, no guidance regarding how often the list should be reviewed or the process for ensuring the list's accuracy is provided.

C&B personnel stated that a review of all SBU-sponsored programs was performed in June 2018, whereby all SBUs were requested to submit updated details of their programs via form TVA 20497. We reviewed documentation of this request and the responses received, as well as the updated listing of SBU

programs in effect as of January 30, 2019. Prior to this review, C&B indicated that a similar update of all SBU programs likely had not been performed during the previous two years.

Recommendation - We recommend the VP, TR, take the following action:

11. Develop and implement procedures to review SBU–sponsored recognition programs on a periodic basis to identify revisions to program components and parameters in a timely manner.

TVA Management’s Comments – TVA management agreed with the recommendation and stated TR will coordinate efforts with Financial Services to ensure alignment with other employee expenditure reviews and controls. See Appendix D for TVA management’s complete response.

Recognition Program Reports and Assessments

We found, with the exception of the length of service recognition program, the Director, Employee Benefits, was not providing periodic reports on employee recognition program practices to the VP, C&B, as required by TVA SPP-11.418 Section 3.1.2.C. In addition, we found the Program Manager, Benefit Accounts and Incentives, did not perform periodic assessments of the employee recognition program to ensure the programs were implemented properly as required by TVA-SPP-11.418, Section 3.1.3.C.

We did note that C&B generated periodic reports relating to the performance of the third-party vendor that provides services under TVA’s length of service recognition program. C&B manages this contract and has overall responsibility for administration of the length of service program. The reports we identified were specific to vendor performance, and no information relating to other TVA employee recognition programs was included. C&B did not provide any other reports, assessments, or similar documentation relating to the review of TVA’s other employee recognition programs performed during the audit period.

TVA-SPP-11.418 is unclear as to the frequency and content of any reports or assessments of TVA’s employee recognition programs, as well as the sources of any performance criteria that should be applied. The inclusion of more specific guidance relating to the expectations for periodic reports and assessments would assist C&B personnel in their oversight role for employee recognition programs.

We reviewed examples of communications between C&B and other TVA organizations regarding the appropriateness of proposed employee recognition programs and expenditures as they relate to the requirements of TVA-SPP-11.418. While these consultations were not formally tracked, we determined C&B did provide direction to individual SBUs regarding compliance with employee recognition guidance, when requested.

Recommendation - We recommend the VP, TR, take the following action:

12. Update TVA-SPP-11.418 to include requirements regarding the frequency, format, and criteria for reports and assessments of employee recognition programs performed by TVA's TR organization.

TVA Management's Comments – TVA management agreed with the recommendation and stated TR will update the SPP as appropriate. See Appendix D for TVA management's complete response.

Nomination for External Award Not Reported to C&B

TVA-SPP-11.418 states C&B is to administer the process for reviewing nominations for external recognition opportunities. We were informed by C&B personnel that no external recognition nominations were submitted to C&B for review during FY2017 or FY2018. We reviewed articles included on TVA's intranet site and noted an instance in which a TVA employee was nominated for an award given by an outside entity during this period.

The recipient of TVA's Engineer of the Year award, which was given in February 2018, was also a finalist for the Federal Engineer of the Year Award presented by the National Society of Professional Engineers. C&B personnel stated they were aware of the award, but did not receive documentation of the selected individual prior to the award being announced. Further, C&B places reliance on the individual organizations within TVA to submit vetting documentation for external recognition nominations. C&B also indicated they plan to revise TVA-SPP-11.418 to provide any needed clarification or updates, and will include external recognition requirements as part of that process.

Recommendation - We recommend the VP, TR, take the following action:

13. Update TVA-SPP-11.418 to emphasize that individual business units have responsibility for submitting documentation for any potential external award nominees to TR for review and approval, prior to their nomination.

TVA Management's Comments – TVA management agreed with the recommendation and stated TR will update the SPP as appropriate, including appropriate targeted communication. See Appendix D for TVA management's complete response.

GIFT CARD AWARD PROGRAMS WERE NOT PROPERLY ADMINISTERED

TVA-SPP-11.418 states that gift cards/certificates of any amount are taxable and must be reported. We reviewed available supporting documentation for sampled transactions that included the purchase of gift cards to determine if the awards were tracked by the respective SBUs via form TVA 17917. For seven out of nine transactions for gift card purchases in our sample, the requested award tracking

documentation was not provided. The responses received for five of these seven transactions stated that the form had not been completed.

In addition, one respondent indicated that their business unit includes TVA contractors in a recognition program that awards gift cards. Under TVA-SPP-11.418, contractors are not eligible to receive gift cards/certificates, and may only be offered TVA merchandise/clothing or food items as part of a team recognition.

Recommendation - We recommend the VP, TR, take the following actions:

14. Update TVA-SPP-11.418 to include the following:

- a. Emphasize the categories of awards that TVA contractors are ineligible to receive.
- b. Include an example of form TVA 17917 and/or an approved spreadsheet containing all required information that may be used instead of form TVA 17917.

TVA Management's Comments – TVA management agreed with the recommendation and stated TR will update the SPP as appropriate, including appropriate targeted communication. See Appendix D for TVA management's complete response.

15. Provide communication reinforcing the responsibility of awarding organizations for tracking and submitting taxable award information via form TVA 17917.

TVA Management's Comments – TVA management agreed with the recommendation and stated TR and Disbursement Services will evaluate options to provide training on tracking and submitting taxable award information via form TVA 17917. See Appendix D for TVA management's complete response.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our audit objective was to determine if employee recognition expenditures were made in compliance with Tennessee Valley Authority (TVA) policies and procedures. Our audit scope included approximately \$2.6 million in employee recognition expenditures from October 1, 2016, through September 30, 2018 (TVA's fiscal years [FY] 2017 through 2018). We stratified this population into the preapproval categories listed in TVA Standard Programs and Processes (SPP) 11.418, *Employee Recognition*, Section 3.2.3, which include transaction values (1) less than \$500, (2) between \$500 and \$5,000, and (3) greater than \$5,000 (see Table 1).

Employee Recognition Transaction Categories October 1, 2016 – September 30, 2018				
Transaction Amount	Total of Transactions*	Percentage of Total	Number of Transactions*	Percentage of Total
Less than \$500	\$683,474	26%	5,601	88%
Between \$500 and \$5,000	914,336	35%	694	11%
Greater than \$5,000	<u>1,006,293</u>	<u>39%</u>	<u>67</u>	<u>1%</u>
Total	\$2,604,103	100%	6,362	100%

* These amounts represent the population of employee recognition transactions used in our testing. In determining our population, we excluded six transactions with credits totaling \$687 because the original transaction occurred prior to the beginning of FY2017.

Table 1

To achieve our objective, we:

- Reviewed TVA-SPP-11.418, *Employee Recognition*, to identify key requirements applicable to employee recognition expenditures.
- Interviewed personnel in TVA's Compensation and Benefits (C&B) and Financial Services organizations and obtained relevant documentation to gain an overall understanding of TVA's employee recognition programs.
- Obtained and reviewed the contract for the length of service program vendor and other background information for TVA's employee recognition programs.
- Obtained and reviewed listing of strategic business unit (SBU) sponsored employee recognition programs that were tracked by C&B as being approved by the Vice President (VP), C&B.
- Obtained and reviewed listing of employee recognition expenditures during our audit period exceeding \$5,000 that were tracked by C&B as being approved by the VP, C&B.
- Obtained and reviewed available reports and assessments of TVA's employee recognition programs performed by C&B.
- Obtained and reviewed other available documentation relating to employee recognition program oversight performed by C&B, including communications and consultations with other TVA organizations regarding employee recognition programs and awards.

- Obtained employee recognition expenditure data from Expense Reimbursement System (ERS), Integrated Credit Card Solution (ICCS), and Maximo for the audit period and performed data analysis to assess the reliability of the data.
- Obtained an understanding of internal controls associated with employee recognition expenditures. We identified the primary controls as the preapproval of SBU–sponsored employee recognition programs and the preapproval of individual employee recognition expenditures. We designed our testing to ensure we tested these controls.
- Selected a judgmental sample of 43 employee recognition transactions exceeding \$5,000 totaling \$547,579 to perform detailed reviews in order to determine compliance with key requirements, including appropriate preapproval of employee recognition expenditures and compliance with allowable categories of recognition awards. We selected all 32 transactions recorded in ERS and ICCS. Of the 35 transactions recorded in Maximo, 26 pertain to a single vendor. We judgmentally selected 2 transactions relating to this vendor, as well as the remaining 9 transactions from Maximo. Since this was a judgmental sample, the results of the sample cannot be projected to the population.
- Selected the statistical samples shown in Table 2 (using random sampling with a 95 percent confidence level) of employee recognition transactions to perform detailed reviews in order to determine compliance with key requirements, including appropriate preapproval of employee recognition expenditures and compliance with allowable categories of recognition awards. Since these were statistical samples, the results of the samples can be projected to the populations.

Transaction Amount	Statistical Population	Items Sampled	Sample Amount
Less than \$500	\$683,474	42	\$5,738
Between \$500 and \$5,000	914,336	41	48,551

Table 2

- Reviewed gift card purchases to determine whether these awards were tracked and reported by the awarding organization as required.
- Reviewed documentation relating to a TVA employee who was nominated for an external recognition award.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

TVA Standard Programs and Processes	Employee Recognition	TVA-SPP-11.418 Rev. 0006 Page 15 of 17
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Appendix A
(Page 1 of 1)

Pre-Approval of Organizational Recognition Program, Form TVA 20497

Pre-Approval of Organizational Recognition Program

Refer to TVA-SPP-11.418 "Employee Recognition" for appropriate use.

Requester Information

Submission Date	Sponsoring Organization	Program Administrator	TVA Phone Number
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Program Information (Attach additional information as appropriate)

Program Name	Executive Sponsor
General Description of the Program	
Purpose of the Program (including linkage to TVA values, etc.)	
Eligibility and Criteria for Awards	
Nomination and Final Selection of Award Recipients	
<p>Awards</p> <p>Award Types: <input type="checkbox"/> Gift Cards/Certificate <input type="checkbox"/> TVA Merchandise/Clothing (Check all that apply) <input type="checkbox"/> Food & Refreshments <input type="checkbox"/> Non-monetary value awards (plaques, certificate, etc.)</p> <p>Are any of the awards taxable? (Reference TVA-SPP-11.418, Section 3.2.6) <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes, who has been designated to complete Form TVA 17917 Employee Taxable Gifts/Awards? (Usually this is the SBU Program Administrator.)</p>	
Value of individual awards	Frequency of awards
Annual Program Budget	

Required Approval

_____ Business Unit Vice President (or above)	_____ Date Approved
_____ Additional Approval (Optional)	_____ Date Approved
_____ Vice President, Compensation & Benefits	_____ Date Approved

Distribution:
- Employee Benefits, WT 8D-K
- SBU Recognition Program Administrator

TVA 20497 [10-01-2013]

TVA Standard Programs and Processes	Employee Recognition	TVA-SPP-11.418 Rev. 0006 Page 16 of 17
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Appendix B
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Pre-Approval of Employee Recognition Expenditures, Form TVA 20498

Pre-Approval of Employee Recognition Expenditures

Refer to TVA-SPP-11.418 "Employee Recognition" for appropriate use.

Requester Information			
Request Date	Requester Name	Requesting Organization	TVA Phone Number
Employee Recognition Program Name: _____			

Award Information
Detailed Information (List award recipients, award type, value, etc.)

Event/Award Information			
Event/Award Date(s)	Event Location	Number of Attendees	Estimated Total Cost
Event/Award Purpose and Attendee Information Please list name, title, responsibilities, etc., of attendees			

Potential Risk to TVA (Risk is defined as an action, circumstance, or situation which could adversely affect TVA's ability to achieve its objectives, maintain a good reputation, or meet stakeholder expectations)			

Expenses To Be Paid for by TVA (List items such as meals, refreshments, banquet and food services, room and equipment rental, lodging and travel expense, entertainment and non-cash gifts, event decorations, etc.)			

Are any of the awards taxable? (Reference TVA-SPP-11.418, Section 3.2.6.)			<input type="checkbox"/> Yes <input type="checkbox"/> No
If yes, who has been designated to complete Form TVA 17917 Employee Taxable Gifts/Awards? (Usually this is the SBU Program Administrator.)			_____

Required Approval	
<p>\$500 to \$5,000 ▼</p> <p>x _____</p> <p>Officer (Vice President or above) Date _____</p>	<p>Over \$5,000 ▼</p> <p>x _____</p> <p>SBU Officer reporting to the CEO Date _____</p>
<p>Distribution:</p> <ul style="list-style-type: none"> - Employee Benefits & Wellness, WT8D4K - SBU Program Administrator 	
	<p>x _____</p> <p>Vice President Compensation and Benefits Date _____</p>

September 12, 2019

David P. Wheeler, WT 2C-K

RESPONSE TO REQUEST FOR COMMENTS – DRAFT AUDIT 2019-15624 - EMPLOYEE
RECOGNITION EXPENDITURES

Our response to your August 13, 2019, request for comments regarding the subject draft report is attached. In addition, this response is reflective of a Vice President title change referenced in the report from Compensation & Benefits to Total Rewards.

TVA takes very seriously its commitment to be good stewards of the resources we are given. As such, TVA appreciates the Office of Inspector General helping us identify areas where we can improve our processes, procedures and training. We are committed to a culture of continuous improvement at TVA and this is another opportunity for us to improve.

TVA's planned actions will be coordinated with Financial Services as part of TVA's extensive review of all travel, hospitality, business meetings, and employee recognition. We have concluded from our review of the recommendations that there are opportunities for improvement in the following areas:

- Documentation and approval surrounding employee recognition
- Clarification of policies and expected procedures
- Training around the specific expectations regarding the policies and procedures

We would like to thank Robert L. Dixon, Melissa M. Neusel, Ala H. Young, and you for the professionalism and cooperation in conducting this audit. If you have any questions, please contact me at (423) 751-8491.



Tina Shelton
Vice President, Total Rewards
Human Resources & Communications
LP 6C-C



Diane Wear
Vice President & Controller
Financial Services
WT 4B-K

KL:JPB

cc (Attachment):

Clifford L. Beach Jr., WT 7B-K
Susan E. Collins, LP 6A-C
Robertson D. Dickens, WT 9C-K
Megan T. Flynn, LP 3A-C
Kelly R. Lawson, WT 8D-K
Jeffrey J. Lyash, WT 7B-K
Sherry A. Quirk, WT 7C-K
John M. Thomas III, MR 6D-C
OIG File No. 2019-15624

**ATTACHMENT
RESPONSE TO REQUEST FOR COMMENTS
DRAFT AUDIT 2019-15624
EMPLOYEE RECOGNITION EXPENDITURES**

OIG RECOMMENDATION	TVA PLANNED ACTIONS	TVA COMMENTS
<p>(1) Vice President (VP), Total Rewards (TR), should take action to develop and implement procedures to review employee recognition expenditures on a periodic basis for proper preapprovals.</p>	<p>Total Rewards will develop and implement appropriate procedures for the periodic review of employee recognition expenditures inclusive of preapproval requirements.</p> <p>Total Rewards will coordinate efforts with Financial Services to ensure alignment with other employee expenditure procedures, reviews and controls.</p>	<p>TR agrees with this recommendation.</p>
<p>(2) VP, TR, should take action to update TVA-SPP-11.418 to provide clarification on the differences between employee recognition, business meetings, hospitality, and/or other related expenditure categories, as appropriate.</p>	<p>TR will review and update the SPP as appropriate, including appropriate targeted communication.</p>	<p>TR agrees with the recommendation to provide clarity on differences, as appropriate.</p>
<p>(3) VP, TR, should take action to update TVA-SPP-11.418 to define the parameters for one-time SBU-sponsored employee recognition awards, including the requirements for preapproval and documentation of eligibility or other criteria, as well as how these awards are differentiated from ongoing SBU-sponsored programs requiring preapproval.</p>	<p>TR will review and update SPP as appropriate, inclusive of preapproval requirements and appropriate targeted communication.</p> <p>Preapproval and documentation of eligibility or other criteria will be reviewed in relation to TVA approval thresholds.</p>	<p>TR agrees with the recommendation to better define expectations and requirements.</p>
<p>(4) VP, TR, should take action to update TVA-SPP-11.418 to provide additional guidance on the categories of goods and services that are specifically allowed and disallowed as employee recognition.</p>	<p>TR will update the SPP as appropriate, including appropriate targeted communication.</p>	<p>TR agrees with the recommendation to provide additional guidance.</p>

**ATTACHMENT
RESPONSE TO REQUEST FOR COMMENTS
DRAFT AUDIT 2019-15624
EMPLOYEE RECOGNITION EXPENDITURES**

<p>(5) VP, TR, should take action to update TVA-SPP-11.418 to include the following:</p> <ul style="list-style-type: none"> a. Emphasize that payments for awards/events are not to be broken in into two or more smaller transactions to circumvent additional level(s) of approval required under the applicable employee recognition or purchasing method guidance. b. Include guidance as to whether the TVA Purchasing Card is an acceptable method of payment for employee recognition expenditures, as well as any applicable purchase restrictions. 	<p>TR will update the SPP as appropriate, including appropriate targeted communication.</p> <p>TR will also coordinate efforts with Financial Services to ensure alignment with other employee expenditure reviews and controls.</p>	<p>TR will reinforce expectations of compliance with policy intent.</p>
<p>(6) VP, TR, should take action to institute analytical reviews of employee recognition transactions to identify any future instances of transactions and/or events that are split to circumvent approval requirements.</p>	<p>TR will evaluate the benefits of analytical reviews of employee recognition transactions subsequent to the review of preapproval thresholds.</p> <p>TR will coordinate efforts with Financial Services to ensure alignment with other employee expenditure reviews and controls.</p>	<p>TR agrees with the recommendation to implement appropriate procedures for the periodic review of employee recognition expenditures and reinforce expectations of policy intent.</p>
<p>(7) VP, TR, should take action to update TVA-SPP-11.418 to include a statement similar to the paragraph in section 3.2.1 of TVA-SPP-13.063.</p>	<p>TR will update the SPP as appropriate.</p>	<p>TR agrees with this recommendation.</p>

**ATTACHMENT
RESPONSE TO REQUEST FOR COMMENTS
DRAFT AUDIT 2019-15624
EMPLOYEE RECOGNITION EXPENDITURES**

<p>(8) VP, TR, should take action to implement a periodic review of employee recognition transactions to identify transactions not properly submitted for VP, C&B's approval.</p>	<p>TR will evaluate options for a periodic review of employee recognition transactions subsequent to the review of preapproval thresholds.</p> <p>TR will coordinate efforts with Financial Services to ensure alignment with other employee expenditure reviews and controls.</p>	<p>TR agrees with the recommendation to implement appropriate procedures for the periodic review of employee recognition expenditures.</p>
<p>(9) VP, TR, should take action to develop and implement procedures to ensure all transactions approved by the VP, C&B, are appropriately tracked.</p>	<p>TR will review current procedures for tracking of transactions approved by the VP, TR, and make revisions as appropriate.</p>	<p>TR agrees with the recommendation to ensure transactions requiring VP, TR, approvals are appropriately tracked.</p>
<p>(10) VP, TR, should take action to develop and implement procedures to review all employee recognition expenditures on a periodic basis for compliance with all SPP requirements.</p>	<p>TR will coordinate efforts with Financial Services to ensure alignment with other employee expenditure reviews and controls.</p>	<p>TR agrees with the recommendation to develop and implement appropriate procedures for the periodic review of employee recognition expenditures.</p>
<p>(11) VP, TR, should take action to develop and implement procedures to review SBU-sponsored recognition programs on a periodic basis to identify revisions to program components and parameters in a timely manner.</p>	<p>TR will coordinate efforts with Financial Services to ensure alignment with other employee expenditure reviews and controls.</p>	<p>TR agrees with the recommendation to develop and implement procedures for the periodic review of SBU-sponsored recognition programs.</p>
<p>(12) VP, TR, should take action to update TVA-SPP-11.418 to include requirements regarding the frequency, format, and criteria for reports and assessments of employee recognition programs performed by TVA's C&B organization.</p>	<p>TR will update the SPP as appropriate.</p>	<p>TR agrees with the recommendation to clarify requirements to be performed by TVA's TR organization.</p>

**ATTACHMENT
RESPONSE TO REQUEST FOR COMMENTS
DRAFT AUDIT 2019-15624
EMPLOYEE RECOGNITION EXPENDITURES**

<p>(13) VP, TR, should take action to update TVA-SPP-11.418 to emphasize that individual business units have responsibility for submitting documentation for any potential external award nominees to C&B for review and approval, prior to their nomination.</p>	<p>TR will update the SPP as appropriate, including appropriate targeted communication.</p>	<p>TR agrees with the recommendation to emphasize business unit responsibilities.</p>
<p>(14) VP, TR, should take action to update TVA-SPP-11.418 to include the following:</p> <ul style="list-style-type: none"> a. Emphasize the categories of awards that TVA contractors are ineligible to receive. b. Include an example of form TVA 17917 and/or an approved spreadsheet containing all required information that may be used instead of form TVA 17917. 	<p>TR will update the SPP as appropriate, including appropriate targeted communication.</p>	<p>TR agrees with the recommendation to clarify TVA contractor recognition eligibility.</p>
<p>(15) VP, TR, should take action to provide communication reinforcing the responsibility of awarding organizations for tracking and submitting taxable award information via form TVA 17917.</p>	<p>TR and Disbursement Services will evaluate options to provide training on tracking and submitting taxable award information via form TVA 17917.</p> <p>TR will coordinate efforts with Financial Services to ensure alignment with other employee expenditure reviews and controls.</p>	<p>TR agrees with the recommendation and will reinforce these requirements through targeted communication, as appropriate.</p>