



Memorandum from the Office of the Inspector General

May 15, 2019

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**FINAL REPORT – EVALUATION 2019-15638 – ORGANIZATIONAL EFFECTIVENESS
FOLLOW-UP – MATERIALS AND TRANSPORTATION MANAGEMENT**

The Office of the Inspector General (OIG) previously conducted an evaluation of Materials and Transportation Management (M&TM)¹ to identify strengths and risks that could affect M&TM's organizational effectiveness. Our report identified several strengths and risks along with recommendations for addressing those risks. In response to a draft of that report, Tennessee Valley Authority (TVA) management provided their management decision. We subsequently completed a follow-up evaluation² that assessed management's actions to address risks from our initial organizational effectiveness evaluation. Our follow-up evaluation determined management had taken actions to address most of the risks outlined in our initial evaluation. However, three recommendations remained unresolved, including (1) one manager's behavior and teamwork at one location, (2) instances where goals were not SMART,³ and (3) cross-functional risks related to business units. The objective of this follow-up evaluation was to assess management's actions to address the remaining risks from our initial organizational effectiveness evaluation.

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

BACKGROUND

As of July 2017, the date of our original report, M&TM was a business unit under Supply Chain (SC) within TVA's Operations organization. In September 2017, M&TM was separated into two groups, Asset Management and Material Operations. In January 2018, Asset Management was renamed Asset Management and Performance. Asset Management and Performance responsibilities include equipment reliability, inventory management, and strategy and performance. Material Operations responsibilities include fleet services, investment recovery and warehouse performance, material operations for Power Operations, and nuclear materials management.

¹ Evaluation 2016-15386, *Materials and Transportation Management's Organizational Effectiveness*, July 27, 2017.

² Evaluation 2018-15578, *Organizational Effectiveness Follow-Up – Materials and Transportation Management*, September 28, 2018.

³ SMART stands for specific, measurable, achievable, relevant, and time-bound.

The original report identified strengths and risks for M&TM and included recommendations to address risks. Our first follow-up evaluation found management had taken actions to address most of the risks, however the following recommendations remained unresolved:

- Identify and implement ways to improve (a) the applicable managers' behaviors and leadership skills in demonstrating TVA's Values and Competencies and (b) teamwork issues.
- Review fiscal year (FY) 2018 goals to ensure they are SMART.
- Work with the Chief Nuclear Officer to determine if a standardized service level agreement for nuclear outages would be beneficial for SC and TVA Nuclear.

This report covers our review of management's actions taken to address the remaining risks from our initial organizational effectiveness evaluation. Please see the Observations section below for management's actions.

OBJECTIVE, SCOPE, AND METHODOLOGY

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

- Reviewed (1) Evaluation 2016-15386 to determine the risks previously identified; (2) M&TM's management decision dated July 21, 2017, and management's final action memorandum dated May 7, 2018, to identify planned and completed actions; and (3) Evaluation 2018-15578 to determine remaining unresolved risks.
- Reviewed documentation provided by SC associated with management's actions.
- Developed questions and conducted interviews with ten judgmentally selected employees, one management/supervisory level employee, and one senior manager to obtain perspectives on management's actions to address the remaining managerial and teamwork concerns.
- Reviewed FY2019⁴ performance documentation for 66 employees to determine if employee goals were SMART.

This evaluation was performed in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

OBSERVATIONS

In summary, we determined TVA management has taken actions to address the three remaining risks outlined in our initial organizational effectiveness evaluation. See the table on the following page for our observations regarding management's actions.

⁴ In the exit conference for our initial follow-up evaluation in September 2018, management acknowledged there was an issue with goals. TVA's FY is October 1 through September 30. Due to the timing of this evaluation we assessed FY2019 goals to determine if the recommendation was addressed.

MANAGEMENT’S ACTIONS AND OUR OBSERVATIONS

Risk	Management’s Actions to Address Unresolved Risks	OIG’s Observations
Management Behaviors and Teamwork	<p>Since our follow-up evaluation, a new manager was assigned to the location with managerial and teamwork concerns. In addition, management stated they communicated work expectations, employee expectations, and the functions of departments as well as implemented rotational assignments.</p>	<p>In our initial evaluation, we identified behavioral issues with managers at three locations, and teamwork at one location. In our follow-up evaluation, we determined actions were taken to address the behaviors of two managers. For the third manager, we noted most interviewees identified continuing concerns related to managerial behaviors. In addition, interviews indicated continued teamwork concerns at the same location.</p> <p>In interviews conducted for this evaluation, employees responded positively to the change in management. Most employees at that location also indicated teamwork and morale had improved. Employee interviews indicated positive comments about their new manager related to communication and trust. In addition, some employees viewed rotational assignments as a positive change. The new manager and the Senior Manager, Material Operations for Power Operations, also indicated the managerial change was positive for this location. This recommendation was closed March 29, 2019.</p>
Incomplete Performance Management Documentation	<p>In the exit conference for our initial follow-up evaluation in September 2018, management acknowledged there was an issue with goals.</p>	<p>In our follow-up evaluation we found many instances where goals were not SMART. This included examples where goal measurement was listed as “to be determined.”</p> <p>For this evaluation, we reviewed current TVA goal setting guidance and found it is less specific than guidance used in the original review. Using current criteria, we found that the FY2019 goals generally meet the current requirements. This recommendation was closed April 16, 2019.</p>
Cross-Functional Risks	<p>In our follow-up report, the Senior Manager, Nuclear Materials Management, indicated addressing standardized service agreements for nuclear outages was part of their FY2019 plan.</p>	<p>TVA provided a response that after discussions with the Outage Corporate Area Function Manager, SC and Nuclear agreed that establishing a set and consistent level of outage support, and setting a consistent level of funding to cover such support, is not feasible due to the varying work scope of each outage. This recommendation was closed March 29, 2019.</p>

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

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This report is for your review and information. No response to this report is necessary. If you have any questions or need additional information, please contact Jessica L. Monroe, Senior Auditor, at (865) 633-7338 or Lisa H. Hammer, Director, Evaluations – Organizational Effectiveness, at (865) 633-7342. We appreciate the courtesy and cooperation received from your staff during the evaluation.



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