



Memorandum from the Office of the Inspector General

November 14, 2019

Jeffrey J. Lyash

**OFFICE OF THE INSPECTOR GENERAL – INDEPENDENT REPORT ON THE
AGREED-UPON PROCEDURES FOR TVA FISCAL YEAR 2019 PERFORMANCE
MEASURES**

We have performed the procedures enumerated in Attachment 1, Agreed-Upon Procedures and Findings, which were requested and agreed to by Tennessee Valley Authority (TVA) management solely to assist management in determining the validity of the Winning Performance/Executive Annual Incentive Plan (WP) Measures for fiscal year ending September 30, 2019. TVA management is responsible for the WP Measures data provided.

In summary, we found:

- The fiscal year (FY) 2019 WP goals for the enterprise measures were properly approved. One change form was approved on November 9, 2018, and clarified the definition sheet methodology for calculating the goals for one of the measures. However, this change form did not impact the overall measure, weight, and goals of that measure. Another change form was approved on January 22, 2019, and affected one measure.
- The FY 2019 goals (target) for the corporate multiplier measures were properly approved.
- The actual FY to-date results for the Enterprise measures agreed with the underlying support, without exception.
- The actual FY to-date results for the corporate multiplier measures agreed with the underlying support, without exception.
- The FY 2019 WP payout percentage provided by the Benchmarking and Enterprise Performance organization on November 6, 2019, was mathematically accurate and agreed with the Office of the Inspector General's recalculation. The TVA payout percentage is included in Attachment 2.

The procedures performed and corresponding detail findings are presented in Attachment 1.

Jeffrey J. Lyash
Page 2
November 14, 2019

We were not engaged to and did not conduct an examination or a review of the matters addressed herein, the objective of which would be the expression of an opinion or limited assurance on WP measures. Accordingly, we do not express such an opinion or limited assurance. Had we performed additional procedures, other matters might have come to our attention that would have been reported. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and *Government Auditing Standards* issued by the Comptroller General of the United States. TVA management determined the agreed-upon procedures to be performed and, therefore, the sufficiency of these procedures is the responsibility of TVA management. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report is intended solely to assist TVA management in determining the validity of the WP measures and is not suitable for any other purpose.

We appreciate the cooperation and support provided by your staff. If you have any questions or would like to discuss further, please contact me at (865) 633-7373.



David P. Wheeler
Assistant Inspector General
(Audits and Evaluations)

MCC:FAJ
Attachments

cc (Attachments):

TVA Board of Directors
Clifford L. Beach, Jr.
Susan E. Collins
Robertson D. Dickens
Megan T. Flynn
Stephen H. Gaby
Justin C. Maierhofer
Jill M. Matthews
Sherry A. Quirk
Thomas C. Rice
Tina R. Shelton
Wilson Taylor III
John M. Thomas III
Diane T. Wear
Mary E. Williams
OIG File No. 2019-15679

AGREED-UPON PROCEDURES AND FINDINGS

Agreed-Upon Procedures	Findings
<p>1. Compare the approved measures, weights, and goals (threshold, target, and stretch) of the Enterprise measures found on the approved definition sheets with the measures, weights, and goals (threshold, target, and stretch) used in the calculations for fiscal year ending September 30, 2019, and trace all differences to approved change forms obtained from the Benchmarking & Enterprise Performance organization.</p>	<p>We compared the approved measures, weights, and goals (threshold, target, and stretch) on the approved definition sheets with the measures, weights, and goals (threshold, target, and stretch) used in the calculations for fiscal year (FY) ending September 30, 2019. There were two change forms that affected two separate measures. One change form was approved on November 9, 2018, and clarified the definition sheet methodology for calculating the goals for one of the measures. However, this change form did not impact the overall measure, weight, and goals of that measure. The other change form was approved on January 22, 2019, and affected one measure.</p> <p>The enterprise scorecard and associated definition sheets were approved by the President and Chief Executive Officer (CEO) on July 23, 2018.</p> <p>No exceptions were found as a result of applying the procedure.</p>
<p>2. Compare the goals (target) of the Corporate multiplier measures to the goals (target) shown on the approved definition sheets for fiscal year ending September 30, 2019, and trace all differences to approved change forms obtained from the Benchmarking & Enterprise Performance organization.</p>	<p>We compared the approved goals (target) of the corporate multiplier measures to the goals (target) shown on the approved definition sheets for FY-ending September 30, 2019, to the measures the Tennessee Valley Authority (TVA) used to calculate the Winning Performance payout percentage, without exception.</p> <p>The TVA corporate multiplier performance measures and goals for FY 2019 were approved by the TVA Board of Directors (Board) on August 22, 2018.</p> <p>According to the Board minutes and the memorandum referenced in them, the measures and goals (results) of the corporate multiplier will be reviewed by the CEO and the Board after the FY-end and a determination made of what the multiplier is.</p>

AGREED-UPON PROCEDURES AND FINDINGS (cont.)

Agreed-Upon Procedures	Findings
3. Compare the actual year-to-date results for the Enterprise measures to the underlying support.	We compared the actual FY to-date results for the Enterprise measures to the definition sheets and the respective supporting documentation, without exception.
4. Compare the actual year-to-date results for the Corporate Multiplier measures to the underlying support.	<p>We compared the actual FY to-date results for the corporate multiplier measures to the underlying support, without exception.</p> <p>According to the Board minutes and the memorandum referenced in them, the measures and goals (results) of the corporate multiplier will be reviewed by the CEO and the Board after the FY-end and a determination made of what the multiplier is. The actual FY to-date results are included in Attachment 2.</p>
5. Test the mathematical accuracy of the fiscal year 2019 Winning Performance/EAIP payout percentage.	The FY 2019 Winning Performance payout percentage provided by the Benchmarking and Enterprise Performance organization on November 6, 2019, was mathematically accurate and agreed with the Office of the Inspector General's recalculation. The TVA payout percentage is included in Attachment 2.

Scorecard	Payout Percentage
TVA Enterprise	115.6%
Corporate Multiplier	Results
Safety – Recordable Incident Rate	0.44
Total Financing Obligations (\$ Billion)	22.5
Operating Cash Flow (\$ Million)	3,720
Net Income (\$ Million)	1,417
Jobs Created and Retained	66,572
Board Level Significant Events	0