



Memorandum from the Office of the Inspector General

Tennessee Valley Authority, 400 West Summit Hill Drive, Knoxville, Tennessee 37902-1401

November 16, 2021

Jeffrey J. Lyash

**OFFICE OF THE INSPECTOR GENERAL – INDEPENDENT REPORT ON THE
AGREED-UPON PROCEDURES FOR TVA FISCAL YEAR 2021 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 (FY) ending September 30, 2021. TVA management is responsible for the WP Measures data provided.

In summary, we found:

- The FY 2021 WP goals for the Enterprise measures were properly approved. There was one change form that affected one measure.
- The FY 2021 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 2021 WP payout percentage provided by the Benchmarking and Enterprise Performance organization on November 5, 2021, 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.

An agreed-upon procedures engagement involves the practitioner performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed. 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 that require us to be independent of TVA management and to meet other ethical responsibilities.

TVA management determined the agreed-upon procedures to be performed and, therefore, the sufficiency of these procedures is the responsibility of TVA management. In addition, TVA management acknowledged the procedures performed are appropriate to meet the intended purpose of the engagement. 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. The procedures performed may not address all the items of interest to a user of the report and may not meet the needs of all users of the report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

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:KDS

Attachments

cc (Attachments):

TVA Board of Directors
Susan E. Collins
Buddy Eller
Megan T. Flynn
David B. Fountain
Stephen H. Gaby
Amanda D. Johns
Jill M. Matthews

Thomas C. Rice
Nicholas B. Stiles
Wilson Taylor III
John M. Thomas III
Tina R. Wallace
Diane T. Wear
OIG File No. 2021-17331

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 (FY) ending September 30, 2021, and trace all differences to approved change forms obtained from the Benchmarking and 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 FY ending September 30, 2021. There was one change form that affected one measure. The change form was approved on April 30, 2021, and affected the Nuclear Unit Capability Factor Enterprise measure.</p> <p>The enterprise scorecard and associated definition sheets were approved by the President and Chief Executive Officer (CEO) on November 23, 2020.</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 FY ending September 30, 2021, and trace all differences to approved change forms obtained from the Benchmarking and 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, 2021, 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 2021 were approved by the TVA Board of Directors (Board) on November 13, 2020.</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 TVA Board after the FY-end and a determination made of what the multiplier is.</p>

AGREED-UPON PROCEDURES AND FINDINGS

Agreed-Upon Procedures	Findings
3. Compare the actual year-to-date results for the Enterprise measures to the underlying support, without exception.	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.	We compared the actual FY to-date results for the corporate multiplier measures to the underlying support, without exception. 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 TVA 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.
5. Test the mathematical accuracy of the FY 2021 Winning Performance/EAIP payout percentage.	The FY 2021 Winning Performance payout percentage provided by the Benchmarking and Enterprise Performance organization on November 5, 2021, was mathematically accurate and agreed with the Office of the Inspector General's recalculation. The TVA payout percentage is included in Attachment 2.

<i>Scorecard</i>	<i>Payout Percentage</i>
TVA Enterprise	141.9%
<i>Corporate Multiplier</i>	<i>Results</i>
Safety – Recordable Incident Rate	0.03
Total Financing Obligations (\$ Billion)	\$ 20.5
Operating Cash Flow (\$ Million)	\$ 3,256
Net Income (\$ Million)	\$ 1,512
Jobs Created and Retained	80,949
Board Level Significant Events	0