



Memorandum from the Office of the Inspector General

August 15, 2005

Tom D. Kilgore, ET 12A-K

TRANSMITTAL MEMORANDUM – INSPECTION 2005-523I – REVIEW OF TVA'S ETHICS REQUIREMENTS/PRACTICES AND INDUSTRY BEST PRACTICES

Attached is the subject presentation for your review. As discussed with you on August 12, 2005, this inspection is being issued for informational purposes only. Therefore, no response is necessary.

Information contained in this report may be subject to public disclosure. Please advise us of any sensitive information in this report which you recommend be withheld.

If you have any questions, please contact Gregory C. Jaynes, Deputy Assistant Inspector General, Inspections, at (423) 751-7821 or me at (865) 632-6309. We appreciate the courtesy and cooperation received from your staff during this review.

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Assistant Inspector General
(Audits and Inspections)
ET 3C-K

GCJ:SDB

Attachment

cc (Attachment):

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OIG File No. 2005-523I



Review of TVA's Ethics Requirements/Practices and Industry Best Practices

**Inspection 2005-5231
August 12, 2005**

**Project Team
Lisa H. Hammer**



Federal Guidance

The U.S. Office of Governmental Ethics (OGE) provides guidance for federal employees. Specifically, the OGE:

- ▶ Provides standards of ethical conduct for federal employees (5 CFR Part 2685)
- ▶ Conducts on-site ethics program reviews* of headquarters and regional offices to determine whether an agency has an effective ethics program tailored to its mission. These reviews include:
 - ▶ Ethics program structure and staffing
 - ▶ Public financial disclosure
 - ▶ Ethics education and training
 - ▶ Ethics counseling and advice
 - ▶ Outside employment and activities
- ▶ Provides assistance in maintaining effective ethics programs and providing advice and guidance on the Standards of Conduct for Employees of the Executive Branch.

Any agency wishing to supplement OGE standards must obtain concurrence from the OGE.

*The OGE audited TVA's ethics program earlier this year; however, TVA has not yet received the results of the audit.

Communication of TVA Ethics

- ▶ TVA employees are provided a “Synopsis of Standards of Ethical Conduct” as provided by the OGE during their new employee orientation.
- ▶ TVA offers annual ethics training to all TVA employees.
 - ▶ TVA’s ethics training is only required for designated employees
 - ▶ All Officers
 - ▶ All employees filing financial disclosure reports
 - ▶ Other employees designated by their organizations.
 - ▶ Approximately 2,334 (18.3%) of 12,742* TVA employees took ethics training last year.

** Number of employees as of September 30, 2004.*

Methods of Reporting Complaints

OGE requires in 5 CFR 2635.101(B) Section 11 that “Employees shall disclose waste, fraud, abuse, and corruption to appropriate authorities.” Formal methods of reporting complaints at TVA include:

- ▶ **OIG Hotline** – Complaints related to fraud, management issues, and miscellaneous issues.
- ▶ **Human Resources** – Health/Safety, EEOC, and miscellaneous issues.
- ▶ **OGC** - Consults on Ethics issues and refers violations to the OIG.
- ▶ **Concerns Resolution Program (CRP)** for TVAN employees/contractors
 - ▶ The Program provides an alternate avenue for the resolution of differing views and opinions related to the safe operation of TVAN plants.
 - ▶ CRP staff present at each nuclear facility.
 - ▶ NRC encourages employees raise concerns with TVA first.

Best Practices vs. TVA Observations

We identified the following 12 elements of a best practices Ethics Program:

- 1. Vision Statement** - defines the long-term state for the organization.
TVA has defined its Vision Statement as “*Achieving excellence in corporate performance and public service for the good of the people of the Tennessee Valley*”
- 2. Values Statement** - defines the general principles of required behavior.
TVA has adopted seven specific values: (1) Integrity, (2) Respect for the Individual, (3) Accountability, (4) Teamwork, (5) Innovation and Continuous Improvement, (6) Honest Communication, and (7) Flexibility.
- 3. Organizational Code of Ethics** - defines what is expected and required.
TVA provides the Code of Ethics to all new employees at New Employee Orientation.
- 4. Ethics Officer** - Ensures that the Ethics Program is in place and functioning.
As required by the OGE, TVA has a Designated Agency Ethics Officer (DAEO).
- 5. Ethics Committee** - Oversees the Ethics initiative.
Currently, TVA does not have an Ethics committee.
- 6. Ethics Communication Strategy** - Ensures that employees have information needed.
TVA’s Ethics communication strategy is limited to providing (1) the Code of Ethics to new employees and (2) annual Ethics training, which is offered, but not required for all employees.
- 7. Ethics Training** - Teaches employees what the company requires.
TVA offers annual Ethics training to all employees. However, only certain designated employees are required to complete the training.

Best Practices (continued)

- 8. Ethics Help Line** – Provides guidance and interpretation of the Ethics policy.

TVA's DAEO is accessible to interpret TVA's Ethics policy.

- 9. Measurements and Rewards** - Assesses and rewards Ethical conduct.

Currently, TVA does not assess or reward Ethical conduct.

- 10. Monitoring and Tracking System** - Assesses the extent to which employees accept organizational values and policies.

While TVA does provide training, not all employees complete the training. In addition, the training module does not track employee answers in order to gather information on specific areas where employees may not understand the policy.

- 11. Periodic Evaluation** - Assesses the effectiveness of the Ethics policy.

TVA's Cultural Health Index (CHI) measures TVA's progress in achieving the Critical Success Factors related to improving the TVA work culture. The CHI focuses on making Winning Performance and the Winning Behaviors a way of life at TVA, as well as helping to promote a fully engaged TVA workforce.

- 12. Ethical Leadership** - Sets the tone and defines the Ethics standards.

Best practice suggests that corporate compliance will only be a high priority if top management take significant and visible steps to inform, train, monitor, and discipline employees concerning Ethical standards. TVA could take more significant and visible steps in communicating that Ethics standards are a high priority.

Best Practices in Ethics Hotlines

We identified the following Best Practices related to Ethics Hotlines:

- ▶ Protects anonymous callers from reprisal (required by Sarbanes-Oxley).
- ▶ Offers case management capabilities for tracking investigation (required by Sarbanes-Oxley).
- ▶ Toll-free access 24 hours a day/seven days a week.
- ▶ One hotline to handle all types of complaints.
- ▶ Externally maintained hotline (versus internal hotline).
- ▶ Visible support from top management.
- ▶ Recognition of positive performance (rewards).
- ▶ Measuring and evaluating the hotline program re: future direction.
- ▶ Communication of the hotline's purpose including acceptable and unacceptable behaviors, how to recognize unethical or illegal activity, and what to do when they see it.
- ▶ Hotline should be communicated to vendors and the public as well as employees.