



Memorandum from the Office of the Inspector General

September 9, 2015

Katherine J. Black, LP 6A-C
Charles G. Pardee, WT 7B-K

REQUEST FOR FINAL ACTION – AUDIT 2014-15024 – TVA EMPLOYEE OVERTIME

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.

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

If you have any questions or wish to discuss our findings, please contact me at (865) 633-7373 or Rick C. Underwood, Director, Corporate Governance and Finance Audits, at (423) 785-4824. We appreciate the courtesy and cooperation received from your staff during the audit.

David P. Wheeler
Deputy Assistant Inspector General
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cc (Attachment):

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OIG File No. 2014-15024



Office of the Inspector General

Audit Report

To the Senior Vice President,
Human Resources and
Communications
and
The Executive Vice President
and Chief Operating Officer,
Operations

TVA EMPLOYEE OVERTIME

Audit Team
Jennifer R. Torregiano
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Audit 2014-15024
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- A. OBJECTIVES, SCOPE, AND METHODOLOGY
- B. MEMORANDUM DATED SEPTEMBER 2, 2014, FROM CHARLES G. PARDEE AND KATHERINE J. BLACK TO DAVID P. WHEELER



Audit 2014-15024 – TVA Employee Overtime

EXECUTIVE SUMMARY

Why the OIG Did This Audit

OIG (Office of the Inspector General) data monitoring efforts noted some Tennessee Valley Authority (TVA) employees compensated for unusually high amounts of overtime; therefore, the OIG included a review of overtime in its annual audit plan. Our audit objectives were to (1) analyze overtime payments at TVA and identify any trends or areas where overtime payments are concentrated and (2) identify individuals compensated for excessiveⁱ amounts of overtime in any areas identified and determine if (a) overtime had been approved by managers and supervisors in accordance with applicable guidelines and (b) controls are in place to prevent situations where fatigue could reduce the ability of operating personnel to work in a safe condition. Our audit scope included all overtime paid at TVA from October 1, 2013, through August 31, 2014.

What the OIG Found

During our audit, we found overtime hours are not passed to TVA's payroll system for payment until they had been approved in the time-reporting system eWorkplace. Although the post approval process appears adequate, we found inconsistent methods for documenting preapproval of overtime. Additionally, we noted TVA lacks organizational guidance for management of fatigue and work-hour limits in all operational areas other than TVA Nuclear.

What the OIG Recommends

The OIG recommends TVA's Executive Vice President and Chief Operating Officer, Operations:

1. Implement a common procedure for preapproval of overtime.
2. Develop guidance for all of TVA for managing fatigue and controlling work hours.
3. Review positions within the organization where employees are working excessive amounts of overtime on a regular basis, to determine whether safety and/or productivity are a concern.

ⁱ For this audit, we considered overtime to be excessive when an employee was compensated for 1,000 or more hours of overtime during the 11-month audit scope.



Audit 2014-15024 – TVA Employee Overtime

EXECUTIVE SUMMARY

TVA Management's Comments

TVA management agreed with our recommendations and provided planned actions to address them. See Appendix B for TVA management's complete response.

Auditor's Response

The OIG concurs with TVA management's planned actions.

BACKGROUND

The Tennessee Valley Authority (TVA) incurs overtime expenses when employees perform TVA work outside of their normal work schedule. TVA paid over \$127.8 million in overtime payments from October 1, 2013, to August 31, 2014, for approximately 2.3 million hours of overtime. Of those hours, 86 percent (approximately 2 million hours) were paid to employees working in the Transmission and Power Supply, TVA Nuclear, and Power Operations organizations. Table 1 shows which organizations at TVA were responsible for working those 2.3 million hours. All overtime hours are approved in the TVA corporate time-reporting system, eWorkplace.¹ TVA records hours worked in eWorkplace, and prior to hours worked being passed to TVA's payroll system, they must be approved by an individual with proper authority. Because overtime hours must be approved prior to being passed to the payroll system, all overtime paid has received approval.

Organization Name	Total Overtime Hours Paid	Percentage of the Population
TVA Nuclear	1,037,719	45.32
Power Operations	671,747	29.34
Transmission & Power Supply	253,829	11.09
Operations Support	153,480	6.70
River Operations	60,825	2.66
Supply Chain & Facilities	60,609	2.65
Other (all other TVA organizations)	51,220	2.24
Total	2,289,429	100.00

Table 1

During data mining work performed by the Office of the Inspector General (OIG), we noted several individuals at TVA who worked over 100 hours of overtime during a single month. We obtained more detailed information for those individuals and found many instances where they worked 12 or more hours a day over sustained periods of time. We considered that amount of hours unusually high, so we included this review of overtime in our annual audit plan.

There are no overarching policies at TVA that specify how much overtime would be considered excessive for an employee to work or would negatively impact productivity and/or safety. TVA's Standard Programs and Processes (SPP), TVA-SPP-13.28, Recording Time, only states, "Unapproved overtime will not be paid. Employees should check with their manager/supervisor for specific guidance for time reporting, requesting time off and reporting leave taken."

TVA's NPG-SPP-03.21, Fatigue Management and Work Hour Limits, implements requirements for managing fatigue and controlling work hours in accordance with

¹ eWorkplace is a web-based, time-reporting application licensed from Infor Human Capital Management that has been customized to support TVA's business needs and to implement consistent application of the pay rules to time worked in accordance with TVA's collective bargaining agreements with the labor unions and regulations such as the Fair Labor Standards Act.

Federal Nuclear Regulations.² However, those limits only apply to employees that perform or direct covered work, which is information not available in the payroll data reviewed. In an effort to provide reasonable assurance that individuals will be fit for duty and not fatigued as a worker, the current 84-page version of this TVA policy includes guidance on work-hour limits by functional area, fatigue management, minimum number of days employees should be off work based on work schedules, training and examination, and additional guidance.

We were unable to identify any Occupational Safety and Health Administration (OSHA) or Fair Labor Standards Act requirements applicable to TVA limiting the number of overtime hours an employee works. However, OSHA does have an “Extended/Unusual Work Shifts Guide” that states:

A normal work shift is generally considered to be a work period of no more than eight consecutive hours during the day, five days a week with at least an eight-hour rest . . . When there is a choice, managers should limit the use of extended shifts and increase the number of days employees work. Working shifts longer than 8 [eight] hours will generally result in reduced productivity and alertness . . . Managers and supervisors should learn to recognize signs and symptoms of the potential health effects associated with extended and unusual work shifts. Workers who are being asked to work extended or irregular shifts should be diligently monitored for the signs and symptoms of fatigue . . . Make efforts, whenever feasible, to ensure that unavoidable extended work shifts and shift changes allow affected employees time for adequate rest and recovery. Extended shifts should not be maintained for more than a few days, especially if they require heavy physical or mental exertion. Plan to have an adequate number of personnel available in order to enable workers to take breaks, eat meals, relax, and sleep.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of this audit were to (1) analyze overtime payments at TVA and identify any trends or areas where overtime payments are concentrated and (2) identify individuals compensated for excessive³ amounts of overtime in any areas identified and determine if (a) overtime has been approved by managers and supervisors in accordance with applicable guidelines and (b) controls are in place to prevent situations where fatigue could reduce the ability of operating personnel to work in a safe condition.

² Managing Fatigue, Title 10, Code of Federal Regulations, Part 26, Subpart I.

³ For this audit, we considered overtime to be excessive when an employee was compensated for 1,000 or more hours of overtime during the 11-month audit scope.

The scope of the audit was all overtime paid to TVA employees from October 1, 2013, through August 31, 2014. We judgmentally selected a sample of 58 employees from the Transmission and Power Supply, TVA Nuclear, and Power Operations organizations, who were paid for overtime during our audit period, and performed testing to meet the audit objectives. A complete discussion of our audit objectives, scope and methodology is included in the Appendix.

FINDINGS

During our audit, we found overtime hours are not passed to TVA's payroll system for payment until they had been approved in the time-reporting system eWorkplace. Although the post approval process appears adequate, we found inconsistent methods for documenting the preapproval of overtime. Additionally, we noted TVA lacks organizational guidance for management of fatigue and work-hour limits in all operational areas other than TVA Nuclear.

LACK OF CONSISTENCY IN METHODS OF PREAPPROVING OVERTIME

We selected 58 of the 6,524 employees with paid overtime in the Transmission and Power Supply, TVA Nuclear, and Power Operations organizations to test for overtime approval and support. As previously stated, these organizations represent 86 percent of the total overtime hours paid during the audit period. For the 58 employees, we identified the pay date that each employee was paid for one of the highest amounts of overtime hours during the audit period and requested documentation supporting approval from their supervisors. All overtime hours for the 58 pay dates selected for testing were approved in eWorkplace.

Since there is no overarching policy for how (1) a TVA employee should request overtime or (2) a supervisor should approve that request and document the actual overtime worked, we requested any documentation the supervisors could provide. For 55 of the 58 sampled employees, documentation provided showed management was aware of who was working overtime. There was no indication that anyone in a management/supervisor role had a concern with the amount of overtime the individuals worked. For 2 of the 58 sampled employees, we were able to discuss the overtime with the supervisors but were not provided with documentation; however, the supervisors provided no indication of concern about the amount of overtime worked. We could not verify information for the last sampled employee because we were unable to make contact with the supervisor.

TVA's Recording Time policy does not specifically require preapproval or guide employees' or managers/supervisors as how preapproval for overtime should be handled. According to the supervisors of the sampled employees, the methods for handling overtime varied from directly requesting it from the supervisor through volunteering, being assigned it ahead of time based on the project need, contact from one supervisor to another stating the overtime that would be

needed, work schedules with built-in overtime, to blanket approval for a specific time period or project.

TVA senior management we talked with indicated they expected overtime to be preapproved in all instances other than emergencies, although there is no official policy requiring the preapproval. Most supervisors we spoke to during testing agreed with this stance, and the documentation we reviewed indicated overtime was preapproved. However, a common procedure for employees to request preapproval for overtime would be beneficial for consistency. This could be helpful if an employee changes departments or organizations or if documentation is needed for payroll and could help to avoid issues in the handling of overtime among employees.

GUIDANCE ON EXCESSIVE OVERTIME IS NEEDED

As previously mentioned, TVA's Recording Time policy states, "Unapproved overtime will not be paid," but there is no additional information in that policy related to the amount of overtime worked by an individual, and TVA Nuclear's policy on Fatigue Management and Work Hour Limits only applies to employees that perform or direct covered work. The current 84-page version of this TVA Nuclear policy includes guidance on minimum number of days employees should be off work based on work schedule, work-hour limits by functional area, fatigue management, training and examination, and additional guidance in an effort to provide reasonable assurance that individuals will be fit for duty and not fatigued as a worker.

TVA has a Health and Safety Program that is based on eight principles. One of those principles states:

Management is ultimately responsible and accountable for preventing injuries and illnesses to employees. Commitment to safety begins with the TVA Board and Executives by establishing realistic goals and objectives, providing necessary resources, and demanding acceptable performance throughout the agency. This commitment is translated into action through management oversight of the process.

Providing guidance for managing fatigue and controlling work hours for all of TVA would reinforce TVA's Health and Safety Program by helping management establish appropriate staffing levels and set realistic goals and objectives. It would also bring the organization more in line with the OSHA "Extended/Unusual Work Shifts Guide".

While the overtime payments we tested and discussed in the previous section of this report were properly approved and management was aware of the hours worked, analysis of overtime paid for the three organizations during our 11-month

audit scope noted excessive amounts of overtime being worked. Figure 1 below provides further detail.

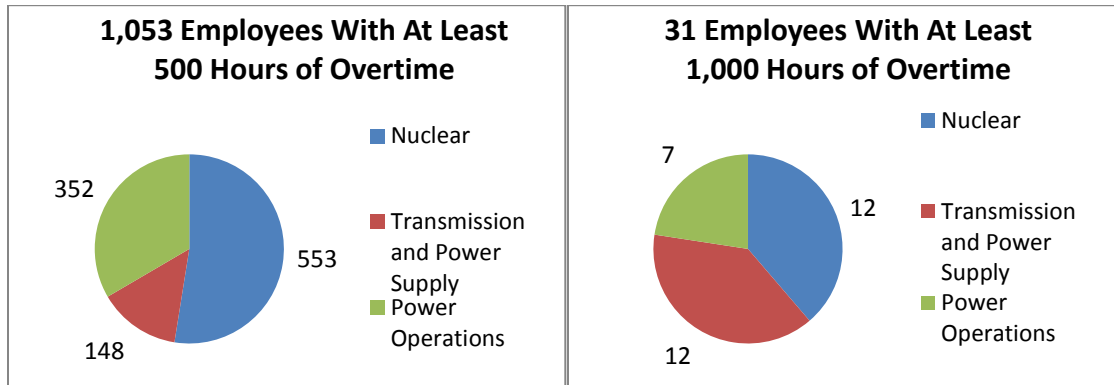


Figure 1

Working at least 500 hours of overtime results in an average of about 10 hours of overtime each week, and working at least 1,000 hours of overtime results in an average of about 21 hours of overtime each week for the 48 weeks during our audit scope. While overtime hours we tested were properly approved, we considered working these amounts of overtime hours consistently to be excessive. These amounts of overtime could lead to fatigue and safety concerns, as previously mentioned in the “Extended/Unusual Work Shifts Guide” from OSHA.

When reviewing supporting documentation from supervisors for employees sampled in our testing, we were informed of many reasons why the overtime was worked including:

- Specific projects with milestones/aggressive timelines.
- Complicated construction projects.
- Storm repairs.
- Outage work.
- Smaller staff that have to cover on weekends/evenings.
- Travel due to a large area assigned to one individual.

Positions within the organization where employees work excessive amounts of overtime should be periodically reviewed to determine whether safety and/or productivity are a concern due to the amount of work required of the employee.

RECOMMENDATIONS

We recommend TVA's Executive Vice President and Chief Operating Officer, Operations:

1. Implement a common procedure for preapproval of overtime.

TVA Management's Comments – TVA management agreed with the recommendation and stated TVA Human Resources will develop procedural guidance that will include the following: (1) when verbal overtime approval is allowed, and (2) when documented preapproval of overtime is required. See Appendix B for TVA management's complete response.

2. Develop guidance for all of TVA for managing fatigue and controlling work hours.

TVA Management's Comments – TVA management agreed with the recommendation and stated TVA Human Resources will take lead a multi-Business unit team to develop guidance as part of the non-nuclear Fitness for Duty program that will specifically address the response to extended hours of work and the management of worker fatigue. The Nuclear Power Group will continue to utilize NPG-SPP-03.21, Fatigue Management and Work Hour Limits, to continue meeting Federal Nuclear Regulations. See Appendix B for TVA management's complete response.

3. Review positions within the organization where employees are working excessive amounts of overtime on a regular basis, to determine whether safety and/or productivity are a concern.

TVA Management's Comments – TVA management agreed with the recommendation and stated TVA Human Resources will develop a methodology for overtime review on a quarterly basis with trigger points for assessing if safety or productivity are being challenged. See Appendix B for TVA management's complete response.

Auditor's Response – The OIG concurs with TVA management's planned actions.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our audit objectives were to (1) analyze overtime payments at the Tennessee Valley Authority (TVA) and identify any trends or areas where overtime payments are concentrated and (2) identify individuals compensated for excessive¹ amounts of overtime in any areas identified and determine if (a) overtime has been approved by managers and supervisors in accordance with applicable guidelines and (b) controls are in place to prevent situations where fatigue could reduce the ability of operating personnel to work in a safe condition. This audit was performed to evaluate controls regarding overtime, and as such, each of our audit findings is related to overtime controls in the context of the audit objectives and based upon the audit work performed. To achieve our objectives, we:

- Reviewed overtime data obtained from TVA and independently verified the reliability of the data.
- Analyzed overtime data to determine trends where overtime paid was higher for certain locations and approving supervisors. We judgmentally selected six business units (BU) and nine approving supervisors to be included in the sample based on their volume of overtime paid.
- Used data from the Transmission and Power Supply, TVA Nuclear, and Power Operations organizations as the population for sampling because those groups represented 86 percent of the total overtime paid. We subtotaled the data by employee and sorted the data with the highest amount of paid overtime first.
- Stratified the population into equal intervals based on overtime hours within each of the three organizations. Based on our analysis, we selected all individuals within the first 18 intervals for each organization, resulting in a sample size of 52. We noted two of the six BUs and four of the nine approving supervisors discussed in the second bullet above were not included in our judgmental sample of 52. To remedy this, we selected one individual from each BU and added them, along with the four supervisors, to the sample for a total sample of 58 employees. Because we used judgmental sampling, we cannot project the sample results to the population.
- Obtained support/additional information from approving supervisors for the sampled overtime.
- Reviewed provided support/additional information to determine if paid overtime was properly approved by a supervisor.
- Inquired with supervisors and reviewed TVA policies/procedures to determine if controls were in place to ensure safe working conditions.

¹ For this audit, we considered overtime to be excessive when an employee was compensated for 1,000 or more hours of overtime during the 11-month audit scope.

When evaluating the results of our audit work, we used both qualitative and quantitative factors when considering the significance of an item. The quantitative factor we considered in determining an item's significance was whether ten percent or more of the tested individuals were inappropriately approved for overtime. The qualitative factors considered in determining an item's significance were (1) any instance where someone overrode controls or neglected policies/procedures in place to ensure safe working conditions or (2) if there were no policies in place to ensure safe working conditions. None of the items identified during this audit rose to either the quantitative or qualitative level to be identified as significant items.

Our audit scope included all overtime paid to TVA employees from October 1, 2013, through August 31, 2014. 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.

September 2, 2015

David P. Wheeler, ET 3C-K

Requested for comments - on Draft Audit Report 2014-15024 – TVA Employee Overtime

The purpose of this letter is to provide comments concerning the referenced letter as requested. TVA has reviewed the recommendations in the report and agrees to address them as provided below.

Recommendation 1

- Implement a common procedure for preapproval of overtime.

Response 1

- TVA Human Resources will develop procedural guidance that will include the following:
 - when verbal overtime approval is allowed,
 - when documented preapproval of overtime is required

Recommendation 2

- Develop guidance for managing fatigue and controlling work hours for all of TVA.

Response 2

- TVA Human Resources will take lead a multi-Business unit team to develop guidance as part of the non-nuclear Fitness for Duty program that will specifically address the response to extended hours of work and the management of worker fatigue.
- The Nuclear Power Group will continue to utilize NPG-SPP-03.21, Fatigue Management and Work Hour Limits, to continue meeting Federal Nuclear Regulations.

Recommendation 3

- Review positions within the organization where employees are working excessive amounts of overtime on a regular basis, to determine whether safety and/or productivity are a concern.

Response 3

- TVA Human Resources will develop a methodology for overtime review on quarterly basis with trigger points for assessing if safety or productivity are being challenged.

David P. Wheeler
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If you have any questions, or wish to further discuss our responses, please feel free to contact me.



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