



**Memorandum from the Office of the Inspector General**

November 4, 2016

William D. Johnson, WT 7B-K

**OFFICE OF THE INSPECTOR GENERAL – INDEPENDENT REPORT ON THE  
AGREED-UPON PROCEDURES FOR TVA FISCAL YEAR 2016 PERFORMANCE  
MEASURES**

We have performed the procedures enumerated in Attachment 1, Agreed-Upon Procedures and Findings, which were requested and agreed to by TVA management solely to assist management in determining the validity of the Winning Performance (WP) payout awards for year ending September 30, 2016. TVA management is responsible for the WP payout award data provided.

In summary, we found:

- The fiscal year (FY) 2016 WP goals for the enterprise-wide and Strategic Business Unit (SBU) measures were properly approved. One scorecard adjustment change form for FY2016 was approved on July 26, 2016. The change form affected one measure that was on five scorecards.
- The FY2016 goals (i.e., target) for the corporate multiplier measures were properly approved.
- The actual year-to-date results for the SBU scorecard measures agreed with the respective supporting documentation, without exception.
- The actual year-to-date results for the enterprise-wide scorecard measures agreed with the underlying support, without exception.
- The actual year-to-date results for the corporate multiplier measures agreed with the underlying support, without exception.
- The FY2016 WP payout percentages provided by the Benchmarking and Performance Analysis organization on October 31, 2016, were mathematically accurate and agreed with the Office of the Inspector General's recalculations. TVA payout percentages are included in Attachment 2.

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

We were not engaged to and did not conduct an audit or a review of the matters addressed herein, the objective of which would be the expression of an opinion or limited assurance on WP payout awards. 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 payout awards and is not intended to be, and should not be, used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

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)  
ET 3C-K

MCC:FAJ

Attachments

cc (Attachments):

TVA Board of Directors  
Susan E. Collins, LP 6A-C  
Robertson D. Dickens, WT 4D-K  
Melanie E. Farrell, MR 3K-C  
Donna G. Golden, LP 3A-C  
Christopher L. Hinton, WT 8D-K  
Dwain K. Lanier, MR 6D-C  
Justin C. Maierhofer, WT 7B-K  
Michael J. McCall, MR 3K-C  
Richard W. Moore, ET 4C-K  
A. Douglas Perry, MR 3K-C  
John M. Thomas III, MR 6D-C  
Diane T. Wear, WT 4B-K  
OIG File No. 2017-15456

**AGREED-UPON PROCEDURES AND FINDINGS**

| Agreed-Upon Procedure  | Findings  |
|--|---|
| <p>1. Compare the approved measures, weights, and goals (i.e., threshold, target, and stretch) on the enterprise-wide and Strategic Business Unit (SBU) balanced scorecards with the measures, weights, and goals (i.e., threshold, target, and stretch) used in the calculations for year ending September 30, 2016, and trace all differences to approved change forms obtained from the Benchmarking and Performance Analysis organization.</p> | <p>We compared the approved measures, weights, and goals (i.e., threshold, target, and stretch) on the enterprise-wide and SBU balanced scorecards with the measures, weights, and goals (i.e., threshold, target, and stretch) used in the calculations for year ending September 30, 2016, and traced all differences to approved change forms, without exception. One scorecard adjustment change form for fiscal year (FY) 2016 was approved on July 26, 2016. The change form affected one measure that was on five scorecards.</p> <p>The enterprise-wide and SBU scorecards and associated definition sheets were approved by the CEO on October 19, 2015.</p> <p>No exceptions were found as a result of applying the procedure.</p>  |
| <p>2. Compare the goals (i.e., target) of the corporate multiplier measure to the goals (i.e., target) shown on SBU balanced scorecards for year ending September 30, 2016, and trace all differences to approved change forms obtained from the Benchmarking and Performance Analysis organization.</p>   | <p>We compared the approved goals (i.e., target) of the corporate multiplier measure to the goals (i.e., target) shown on the balanced scorecards for the year ending September 30, 2016, to the measures TVA used to calculate the Winning Performance (WP) payout percentages, without exception.</p> <p>The TVA corporate multiplier performance measures and goals for FY2016 were approved by the TVA Board of Directors on August 21, 2015.</p> <p>According to the board minutes and the memorandum referenced in them, the measures and goals (i.e., results) of the corporate multiplier will be reviewed by the CEO and the TVA Board after the fiscal year-end and a determination made of what the multiplier is. As they have not yet met, the multiplier has not been determined.</p> |
| <p>3. Sample the measures on the SBU balanced scorecards. Compare the actual year-to-date for September 2016 on the SBU balanced scorecards for the selected measures to the supporting documentation.</p>   | <p>We compared all of the measures on the SBU scorecards to the respective supporting documentation provided, without exception.</p>  |

**AGREED-UPON PROCEDURES AND FINDINGS (Cont.)**

| <b>Agreed-Upon Procedure</b>  | <b>Findings</b>   |
|---|---|
| 4. Compare the actual year-to-date results for the enterprise-wide measures to the underlying support.      | We compared the actual year-to-date results for the enterprise-wide balanced scorecard measures to the definition sheets and the respective supporting documentation, without exception.  |
| 5. Compare the actual year-to-date results for the corporate multiplier measures to the underlying support. | We compared the actual year-to-date results for the corporate multiplier measures to the underlying support, without exception.<br><br>According to the board minutes and the memorandum referenced in them, the measures and goals (i.e., results) of the corporate multiplier will be reviewed by the CEO and the TVA Board after the fiscal year-end and a determination made of what the multiplier is. As they have not yet met, the multiplier has not been determined. The actual year-to-date results are included in Attachment 2. |
| 6. Test the mathematical accuracy of the FY2016 WP payout percentages.                                      | The FY2016 WP payout percentages provided by the Benchmarking and Performance Analysis organization on October 31, 2016, were mathematically accurate and agreed with the Office of the Inspector General's recalculations. TVA payout percentages are included in Attachment 2.  |

| <i>Scorecard</i>                         | <i>Payout Percentage</i> |
|--|--------------------------|
| TVA Corporate                            | 107.00%                  |
| SRM&E                                    | 104.59%                  |
| Nuclear Operations                       | 99.09%                   |
| Power Operations                         | 102.59%                  |
| Projects                                 | 106.59%                  |
| Transmission                             | 88.59%                   |
|  |                          |
| <i>Corporate Multiplier</i>              | <i>Results</i>           |
| Safety – Recordable Incident Rate        | 0.43                     |
| Total Financing Obligations (\$ Billion) | 25.9                     |
| Operating Cash Flow (\$ Million)         | 3,042                    |
| Net Income (\$ Million)                  | 1,233                    |
| Jobs Created and Retained                | 72,171                   |
| Board Level Significant Events           | 0                        |