



Memorandum from the Office of the Inspector General

September 27, 2018

Megan T. Flynn, LP 3A-C

**FINAL REPORT – EVALUATION 2018-15582 – ORGANIZATIONAL EFFECTIVENESS
FOLLOW-UP – HUMAN RESOURCES**

The Office of the Inspector General (OIG) previously conducted an evaluation of Human Resources¹ (HR) to identify strengths and risks that could impact HR's organizational effectiveness. Our report identified several strengths and risks along with recommendations for addressing those risks. In response to a draft of that report, Tennessee Valley Authority (TVA) HR management provided their management decision. The objective of this follow-up evaluation was to assess management's actions to address risks included in our initial organizational effectiveness evaluation.

In summary, we determined HR has taken actions to address some of the risks outlined in our initial organizational effectiveness evaluation. However, issues related to (1) differences between the Human Resource generalist (HRG) and senior HRG roles; (2) execution risks, including the HRG transition to a more strategic role, employee feedback mechanism, and role clarity; and (3) ethical and inclusion concerns remain unresolved. HR management plans to address risks related to differences in HRG and senior HRG roles and execution risks as part of their organizational redesign (referred to as evolution), which is currently underway. HR management is also continuing efforts to address ethical and inclusion risks.

BACKGROUND

HR is a business unit under TVA's Chief Human Resources Office (CHRO). As of September 23, 2016, the date we initiated our original review, HR was comprised of Human Resource Business Partnerships (HRBP), Labor Relations, and Employee Health (EH).² HR assists with workforce optimization, furthers fostering an engaged workforce, and builds capabilities through activities conducted by its departments, Enterprise HR Business Partnerships³ and Labor Relations. Enterprise HRBP is responsible for developing and implementing HR business solutions for business units across TVA, consulting with and supporting management and employees on all HR- and people-related issues, and providing governance tools and consultation to the HR community, management, and employees. HR's Labor Relations department has governance and

¹ Evaluation 2016-15445-05, *Human Resources' Organizational Effectiveness*, September 26, 2017.

² According to organizational data dated July 6, 2018, EH was located under Compensation and Benefits, which is another organization reporting to the CHRO. Therefore, we assessed management actions specific to EH in a separate evaluation (Evaluation 2018-15583, *Organizational Effectiveness Follow-Up - Human Resources' Employee Health*).

³ HR revised the name of the HRBP to Enterprise HRBP.

oversight responsibilities for TVA's labor relations strategy, contract negotiations, dispute resolution, and relationships between the unions and TVA management.

In our previous organizational effectiveness evaluation of HR, we identified strengths and risks and provided recommendations to address those risks. Specifically, we recommended the Vice President (VP), HR:

1. Address the performance management risks identified in the report to ensure all employees are given an opportunity to have participative and reasonable performance goals.
2. Increase communication around the selection process, including specifying the criteria for promotion to senior HRG and address differences in HRG and senior HRG expectations and responsibilities.
3. Address the concerns regarding training and resources to ensure employees have the necessary tools required to perform their responsibilities.
4. Identify ways to improve applicable managers' leadership skills and ensure each manager is demonstrating TVA's values and competencies.
5. Address execution risks by:
 - a. Continuing to support the HRG transition to a more strategic role by communicating with TVA management regarding HRG expectations.
 - b. Implementing a feedback mechanism for employee feedback regarding HRG support.
 - c. Identifying areas in need of role clarity between HR and other CHRO business units and address expectations of each business unit's role.
 - d. Refining the medical case management process in order to reduce the amount of time spent on administrative tasks and clarifying the role EH plays in leave abuse.⁴
 - e. Continuing with efforts to address the grievance backlog and work with TVA management to address grievances in accordance with collective bargaining agreements.
6. Address the ethical concerns and concerns pertaining to inclusion by:
 - a. Communicating guidelines around rotational management positions to aid in employee's understanding of the purpose of the process.
 - b. Monitoring direct selections and rotational positions to ensure HR is consistently following policies and procedures.

⁴ We excluded this recommendation from this review because it is specific to EH and will be tested in Evaluation 2018-15583.

- c. Continuing dialogue with employees to gather differing opinions and encourage employees to voice their differing opinions without fear and promote inclusive behaviors regardless of location, position, or personal style.

This report covers our review of HR's actions taken to address the risks from our initial organizational effectiveness evaluation. Please see the Observations section for the risks previously identified and management's actions.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to assess management's actions to address risks included in our initial organizational effectiveness evaluation. To achieve our objective, we:

- Reviewed Evaluation 2016-15445-05 to determine the risks previously identified.
- Reviewed HR's management decision dated December 4, 2017, to identify planned and completed actions.
- Developed questions for management and employees designed to obtain information and perspectives on HR's actions.
- Selected a nonstatistical sample⁵ of 19 individuals from a population of 33 who were interviewed as part of the initial evaluation. We interviewed 18 individuals⁶ to obtain perspectives on HR management's actions. These individuals included 4 managers/supervisors and 14 employees.
- Reviewed data and documentation associated with HR management's actions.

This evaluation was performed in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

OBSERVATIONS

In summary, we determined HR has taken actions to address some of the risks outlined in our initial organizational effectiveness evaluation. However, issues related to (1) differences between the HRG and senior HRG roles; (2) execution risks, including the HRG transition to a more strategic role, employee feedback mechanism, and role clarity; and (3) ethical and inclusion concerns remain unresolved. HR management plans to address risks related to differences in HRG and senior HRG roles and execution risks as part of their organizational redesign (referred to as evolution), which is currently underway. HR management is also continuing efforts to address ethical and inclusion risks. See Figure 1, on the following pages, for our observations regarding management's actions.

⁵ We used judgment based on our prior evaluation to select 2 individuals and a random number generator to select 17 individuals for interviews.

⁶ One of the 19 individuals did not respond to our request for an interview. We did not utilize replacement sampling for this individual because, in our opinion, we had adequate coverage.

FIGURE 1: MANAGEMENT’S ACTIONS AND OUR OBSERVATIONS

Risk	Management’s Actions	OIG’s Observations
Performance Management	Management stated they ensured consistent expectations for goal setting were communicated across the HR organization in fiscal year (FY) 2018.	<p>We reviewed documentation provided by HR management, including employee and leadership goals for FY2018, and determined (1) employee goals aligned with management goals and (2) documentation included an area for employee input. We also obtained FY2018 performance management documentation for 42 individuals in HR and tested the goals for alignment with job descriptions,⁷ management goals, TVA competencies, and the HR and TVA missions to verify reasonableness of goals. We determined goals aligned without exception.</p> <p>We obtained feedback related to goal input and goal achievability to ascertain reasonableness of goals from a sample of 18 HR personnel and found the majority of personnel we interviewed agreed they had goal input and goals were achievable.</p>
Communication Around Selection Criteria and Differences Between HRG and Senior HRG Roles	Management stated they have increased transparency in staffing (including the selection process) by increasing communication on this specific topic. Management further stated they would reevaluate their approach and make any necessary adjustments as they gain clarity on future roles in CHRO through the CHRO evolution.	<p>We reviewed an example of HR communications evidencing that open positions are advertised to HR personnel. We also obtained feedback from a sample of HR personnel and determined that most individuals felt communications around selections had improved, with several interviewees commenting positively on how the selection process is working.</p> <p>We determined no action had been taken concerning the differences between the HRG and Senior HRG roles. HR management informed us they would examine these differences as part of the evolution.</p>
Training and Resources	Management stated they have addressed training with concerned individuals and will continue to appropriately allocate resources through the annual business planning cycle.	We examined training examples provided by HR management and other documentation referencing training sessions within HR. We also obtained feedback from our sample of HR personnel and determined the majority of individuals either provided positive comments related to training or believed that training had improved in the organization. In addition, the majority of individuals provided positive comments related to resources outside of staffing. Specifically, when asked about resources, some individuals mentioned receiving new iPads, which has increased efficiencies.

⁷ Because our focus was on reasonableness of employee goals, we excluded testing of alignment of the HR VP’s goals to the associated job description; however, we did verify that HR VP goals aligned with the HR and TVA missions. We were unable to compare one individual’s goals to the applicable job description because the job description specific to the individual could not be located. However, we compared the individual’s goals to a similar position description and determined alignment existed.

Risk	Management's Actions	OIG's Observations
Management Leadership Skills, Values, and Competencies	Management stated that performance management and development steps were in place for identified leaders. ⁸	Previously identified leaders within HR acknowledged they received feedback based on issues from the prior evaluation. We also examined documentation related to the feedback received by one individual. Because HR had reorganized since our prior evaluation, we obtained feedback from employees related to whether HR leadership was exhibiting values and competencies. The majority of persons interviewed had positive views regarding management exhibition of values and competencies; however, several individuals indicated there is room for improvement in certain areas.
Execution Risks	Management stated that an expected outcome of the broader CHRO evolution will be improved role clarity of the organization as well as individual positions. Management also stated (1) the CHRO evolution will include a customer-centric approach that will include an employee feedback mechanism, and (2) they will continue to address the grievance backlog.	<p>HR management informed us they are in the process of redesigning their operating model; therefore, some elements of the recommendations had not yet been addressed. Specifically, they plan to address recommendations related to the HRG transition to a more strategic role, employee feedback mechanism, and role clarity. HR management provided documentation related to peer team meetings, which referenced cross-departmental collaboration related to the evolution, alignment, and opportunities for input regarding "strategic people-related decisions." However, several individuals indicated workload issues still exist, and some individuals indicated the evolution was not going as quickly as they or others would like.</p> <p>We examined documentation reflecting that HR management had implemented grievance metrics. The metrics reflected reductions in (1) the average days a grievance is open and (2) the grievance backlog.</p>
Ethical and Inclusion Concerns	Management stated they are continuing to promote an inclusive environment and address concerns relative to promotions and assignments through increased leadership visibility and connections with the workforce.	We examined communications sent to HR personnel from the HR VP and noted (1) discussion of avenues for providing feedback to the HR VP and (2) openness on the part of the HR VP, including an invitation for HR personnel to hold her accountable. We also contacted a sample of HR personnel and asked their opinions on whether ethical and inclusion concerns had been addressed within the organization. Half of the respondents believed issues had been addressed or were not a concern while the other half indicated there were still issues related to either (1) instances of favoritism, (2) ethical concerns related to management and employee behaviors, or (3) inclusion concerns stemming from lack of diversity within the group. Some individuals interviewed commented positively on the efforts made by the HR VP, which included her openness.

⁸ Identified leaders refers to "applicable managers" identified in the prior evaluation and addressed in Recommendation No. 4.

Risk	Management's Actions	OIG's Observations
Ethical and Inclusion Concerns (continued)		We examined (1) job postings; (2) direct selection, including rotational management positions; and (3) temporary transfer data to identify instances where HR posted a position or directly selected an individual for a position. We noted several instances where HR posted for positions and found no instances of direct selections since the time of our prior evaluation. We also noted there had been temporary transfers of HR personnel into other positions within HR, which was consistent with feedback we obtained from some sampled HR personnel. A couple of individuals indicated a lack of transparency in the selection of individuals for some opportunities, which could lead to the perception of favoritism. HR management is continuing efforts to address ethical and inclusion risks.

We determined HR has taken actions to address some of the risks outlined in our initial organizational effectiveness evaluation. However, three of six recommendations pertaining to (1) differences between the HRG and senior HRG roles; (2) execution risks, including the HRG transition to a more strategic role, employee feedback mechanism, and role clarity; and (3) ethical and inclusion concerns remain unresolved. HR management plans to address risks related to differences in HRG and senior HRG roles and execution risks as part of their organizational redesign, which is currently underway. HR management is continuing efforts to address ethical and inclusion risks. As a result of some concerns being unresolved the OIG will conduct an additional review within FY2019.

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This report is for your review and information. No response to this report is necessary. If you have any questions or need additional information, please contact Amy R. Rush, Evaluations Manager, at (865) 633-7361 or Lisa H. Hammer, Director, Evaluations – Organizational Effectiveness, at (865) 633-7342. We appreciate the courtesy and cooperation received from your staff during the evaluation.



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