Office of Inspector General

Office of Audits and Evaluations
Report No. EVAL-15-001

The FDIC's Efforts to Provide Equal Opportunity and Achieve Senior Management Diversity

November 2014

Office of Inspector General

Executive Summary

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Why We Did The Evaluation

In March 2014, the Ranking Member and Minority members of the United States House of Representatives Committee on Financial Services requested that we perform work related to the FDIC's efforts to increase senior management diversity. The members referenced a 2013 Government Accountability Office report that concluded, among other things, that management-level representation of minorities and women among the federal financial agencies had not changed substantially from 2007 through 2011 despite senior management diversity provisions in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (DFA). The members requested that we determine whether agency internal operations and personnel practices were systematically disadvantaging minorities and women from obtaining senior management positions.

The Committee members sent similar requests to the Offices of Inspector General (OIG) of the other federal financial regulators. We coordinated with the other OIGs and agreed to follow a common objective and approach to conducting the evaluation work. We also met and discussed our planned objective and approach with the Committee staff. Accordingly, our overall objective was to assess agency personnel operations and other efforts to increase agency diversity, create a workplace free of systematic discrimination, and provide equal opportunity for minorities and women to obtain senior management positions. To answer our objective, we:

- Analyzed agency demographic information, discrimination complaint activity, and employee satisfaction survey results;
- Assessed the FDIC's efforts to increase diversity throughout the agency and within senior management;
- Evaluated the Office of Minority and Women Inclusion's (OMWI) role and involvement in assessing the impact of the FDIC's personnel policies and efforts to increase diversity;
- Reviewed FDIC personnel operations, policies, and procedures to understand controls to ensure fairness; and
- Identified factors that impact the FDIC's ability to increase agency diversity at all grade levels, and particularly, in senior management.

The scope of this evaluation generally pertained to information and activities for the 3-year period 2011 through 2013.

Background

A commitment to equal opportunity, diversity, and inclusion is critical for the federal government as an employer. Title 5 of the United States Code, section 2301(b)(1) provides that federal recruitment should be from qualified individuals from appropriate sources in an endeavor to achieve a workforce from all segments of society, and selection and advancement should be determined solely on the basis of relative ability, knowledge, and skills, after fair and open competition which assures that all receive equal opportunity. As the nation's largest employer, the federal government has an obligation to lead by example. Seeking to attain a diverse, qualified workforce is a cornerstone of the merit-based civil service.

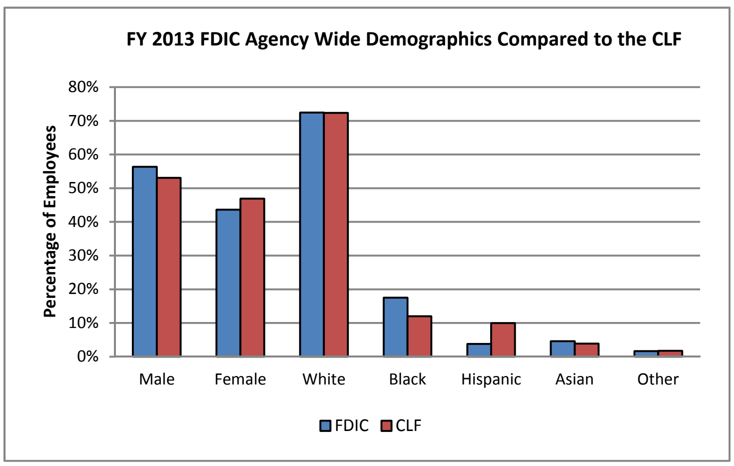
DFA section 342 required the federal financial regulators to establish an OMWI to be responsible for all matters of the agency relating to diversity in management, employment, and business activities. Further, in August 2011, the President issued Executive Order 13583, *Establishing a Coordinated Government-Wide Initiative to Promote Diversity and Inclusion in the Federal Workforce*, to promote the federal workplace as a model of equal opportunity, diversity, and inclusion.

Evaluation Results

Collectively, the FDIC's commitment, initiatives, and process controls promote a workplace that is free of systematic discrimination, and one that provides equal opportunity for women and minorities to obtain senior management positions. Despite these efforts, the FDIC's workforce statistics indicate that more work is needed to increase representation of female employees, and to a larger extent, Hispanic employees throughout the agency and at the executive manager level. We also noted that female and minority representation has remained relatively the same since 2008. Our report discusses various factors that present challenges to the FDIC's progress in this regard such as low turnover and limited representation of women and minorities in job occupations that are prevalent at the FDIC. The Corporation established OMWI as required by DFA and has implemented numerous councils, groups, and initiatives to promote diversity, inclusion, and fairness. Further, FDIC human resources processes and operations include controls intended to achieve fair and equitable outcomes. There are opportunities, however, for the FDIC to improve operations associated with its diversity and inclusion (D&I) efforts.

FDIC Demographics Vary in Comparison to the Civilian and Federal Workforce and Continued Efforts Are Needed to Increase Female and Hispanic Representation

The FDIC collects and reports demographic statistics annually to the Equal Employment Opportunity Commission, as required by regulation. The FDIC's workforce statistics indicate that the percentage of male, white, black, and Asian employees agencywide approximate or exceed Civilian Labor Force (CLF) statistics. The percentage of female employees at the FDIC is less than the CLF rate and the percentage of Hispanic employees is significantly less than the CLF rate, as shown in the figure.



With respect to the federal workforce, the FDIC's female representation is in line with, and minority representation lags behind federal workforce statistics. Additionally, female, Hispanic, and Asian FDIC employees are underrepresented at the executive manager level when compared to the federal senior executive service workforce.

As shown in the table below, female and minority representation at the FDIC has remained relatively constant since 2008. The FDIC experienced a moderate increase in the percentage of female executive managers. However, the FDIC has reported that female and minority representation in the permanent examiner workforce, the FDIC's largest occupational category, consistently lagged behind total workforce representational levels. The FDIC has reported that employees who begin their FDIC careers as examiners tend to occupy a significant percentage of executive and managerial leadership positions at the agency. Thus, the examiner workforce is an important pipeline for achieving diversity in senior management at the FDIC.

FDIC Workforce Diversity Trends

	FY 2008	FY 2013
Total Workforce Composition		
Female	44%	44%
Minority	27%	28%
FDIC Executive Managers		
Female	27%	30%
Minority	15%	15%
Permanent Examiner Workforce		
Female	36%	37%
Minority	19%	18%

FDIC Faces Challenges to Increasing Diversity and Meaningful Change will Take Time

Several factors present challenges to increasing workforce diversity overall and at the senior management level. Some of these challenges are socioeconomic and difficult for the FDIC to control, such as low turnover of existing managers and executives; underrepresentation of women and minorities in internal candidate pools; competition from the private sector for diverse candidates; and limited representation of minorities and/or women in certain areas in the United States, or within certain job occupational series, such as examiners and attorneys, which are dominated by males and non-minorities. The FDIC is aware of these challenges and continues to refine and retool its approaches to increase diversity, but it will take time to achieve meaningful change.

FDIC Established OMWI and Initiated a Number of Efforts to Promote Diversity and Inclusion

The FDIC Board of Directors established OMWI as required by the DFA, and transferred the responsibilities and employees from the FDIC's predecessor Equal Employment Opportunity (EEO) and diversity office, effective January 21, 2011. OMWI's Director reports to the Chairman's Office through the Chief Operating Officer and promotes the FDIC's mission through the pursuit of EEO, affirmative employment initiatives, D&I, and minority and women-owned business outreach efforts. OMWI is responsible for monitoring the impact of human resources programs on agency employees and assessing agency efforts to increase diversity agencywide and in senior management positions. We found that OMWI coordinates with FDIC divisions and monitors efforts to increase diversity. A consultant review of OMWI in 2012 resulted in operational improvements, including the development of a diversity dashboard for FDIC executives.

The FDIC has integrated diversity into its corporate policies and plans. The *Corporation's Policy on Equal Opportunity* states that the Corporation (1) is dedicated to equal opportunity in all of its program, policies, and practices, and to promoting diversity in its workforce; and (2) prohibits discrimination in its workforce and all of its programs and activities. In addition, the current Chairman and his predecessor consistently emphasized the importance of a diverse and inclusive workforce. The FDIC has included "fairness" as one of its corporate values and established annual performance goals related to D&I initiatives. The FDIC implemented its first D&I strategic plan in 1999. The FDIC significantly updated and revised the plan in 2013 and committed to annually review and update the plan, as necessary. The FDIC revised the plan again in 2014. The FDIC also developed a plan outlining its corporate-wide and divisional diversity goals, action items, and initiatives.

The FDIC established a number of councils and groups that directly focus on D&I. At the corporate level, these include the Diversity and Inclusion Executive Advisory Council (EAC), the Chairman's Diversity Advisory Council, and Employee Resource Groups (ERG). ERGs provide employees who have similar interests, experiences, or diversity concerns, with a forum to network and discuss work/life issues. The FDIC has additional groups, such as the Workplace Excellence Steering Committee and the Human Resources Committee, which address D&I, among other priorities. Through these and other initiatives, the FDIC has implemented a number of diversity practices. The FDIC's various plans, councils, and groups appear to be coordinated and aligned to facilitate execution of strategies.

To gauge the impact of these initiatives on employees' satisfaction and perceptions of fairness, we reviewed relevant information sources, including employee satisfaction survey results, EEO complaint statistics, and exit interview comments. We found that employees are generally satisfied working at the FDIC, especially when compared to employee responses from other federal agencies. Moreover, employees responded favorably regarding the FDIC's diversity policies and commitment to building a diverse workforce. We did not see significant differences in the responses from males, females, minorities, or non-minorities. We observed that the FDIC's EEO complaint statistics are in line with overall federal government statistics with respect to the percentage of the workforce filing complaints and the complaint settlement rate. Moreover, the FDIC had no proven cases of discrimination during our period of review. Finally, the FDIC's analysis of exit interviews showed that employees leaving the Corporation were generally favorable toward their overall FDIC experience and work environment. However, departing black employees were less favorable than overall respondents regarding advancement opportunities.

FDIC Human Resources Processes Include Controls to Ensure Equal Opportunity and Fairness but Opportunities for Enhancement Exist

The FDIC has established controls within its various human resources processes and operations to ensure that decisions and outcomes are fair and meet merit system principles. The United States Office of Personnel Management (OPM) evaluated the FDIC's human capital programs in October 2012. OPM reported that the FDIC had an effective human capital program and practices in place, including an organizational strategy, corporate values, a diverse, well-trained employee population, successful leadership development programs, and an improved performance management system. OPM concluded that FDIC headquarters and regional offices were generally operating in a manner consistent with merit system principles, laws, regulations, and FDIC policies.

Based on our review of FDIC human resources processes and related efforts to achieve diversity and fairness, we observed that the FDIC has:

- Developed processes that consider diversity in recruiting, hiring, and promotions, but could formalize recruiting procedures, better monitor recruiting results, and make better use of social media.
- Implemented robust training and leadership development programs, but could do more to measure the diversity of participants.
- Established controls in its performance management and recognition programs to ensure fairness, but differences in ratings among staff by gender and race/ethnicity warrant further monitoring.
- Provided employees with several options for appealing personnel decisions and reporting discrimination.
- Monitored employee separation and termination statistics and reasons for leaving the Corporation.
- Initiated succession planning efforts.

Recommendations and Corporation Comments

While the FDIC has programs with controls in place to ensure fairness, we identified several areas for improvement and made nine recommendations related to recruiting, leadership training and expressions of interest programs, further analysis of employee performance results, the reliability of diversity data, and updating relevant policies.

The Deputy to the Chairman and Chief Operating Officer, Chief of Staff, provided a written response dated November 21, 2014, to a draft of this report. In its response, the FDIC concurred with the report's nine recommendations and noted its commitment to narrowing representational gaps and promoting fair and equitable workplace outcomes. The response outlined corrective actions that were responsive to the recommendations. The FDIC established planned completion dates for the corrective actions throughout 2015, and expects to have them all accomplished by December 31, 2015.

Table of Contents

Figures

FDIC
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Office of Audits and Evaluations
Office of Inspector General

DATE: November 28, 2014

MEMORANDUM TO: Martin J. Gruenberg, Chairman

/s/
FROM: Fred W. Gibson, Jr.
Acting Inspector General

SUBJECT: Evaluation Report Entitled, *The FDIC's Efforts to Provide Equal Opportunity and Achieve Senior Management Diversity* (Report No. EVAL-15-001)

In March 2014, the Ranking Member and Minority members of the United States House of Representatives Committee on Financial Services requested that we perform work related to FDIC efforts to increase senior management diversity. The request letter referenced a 2013 Government Accountability Office (GAO) report, *Trends and Practices in the Financial Industry and Agencies After the Recent Financial Crisis*. The report noted that management-level representation of minorities and women among federal financial agencies and the Federal Reserve Banks had not changed substantially from 2007 through 2011, despite senior management diversity provisions in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (DFA). The members requested that we review the FDIC's internal operations to determine whether any personnel practices have created a discriminatory workplace or otherwise systematically disadvantaged minorities from obtaining senior management positions. The members sent similar request letters to the Offices of Inspector General (OIG) of six other federal financial regulators.[1]

Evaluation Objective and Approach

We coordinated with the other OIGs that received similar request letters and agreed to follow a common objective and approach to conducting the evaluation work. We also met and discussed our planned objective and approach with the Committee staff. Accordingly, our overall objective was to assess agency personnel operations and other efforts to increase agency diversity, create a workplace free of systematic discrimination, and provide equal opportunity for minorities and women to obtain senior management positions. We generally reviewed information and activities for the 3-year period 2011 through 2013.

[1] The six other regulators are the Board of Governors of the Federal Reserve System (FRB), the Consumer Financial Protection Bureau (CFPB), the Office of the Comptroller of the Currency (OCC), the Federal Housing Finance Agency (FHFA), the United States Securities and Exchange Commission (SEC), and the National Credit Union Administration (NCUA).

To answer our objective, we analyzed agency demographic information, discrimination complaint activity, and employee satisfaction survey results; assessed the FDIC's efforts to increase diversity throughout the agency and within senior management; evaluated the Office of Minority and Women Inclusion's (OMWI) role and involvement in assessing the impact of the FDIC's personnel policies and efforts to increase diversity; reviewed FDIC personnel operations, policies, and procedures to understand controls to ensure fairness; and identified factors that impact the FDIC's ability to increase agency diversity at all grade levels, and particularly, in senior management. We also engaged a consultant, DCI Consulting Group (DCI), to statistically analyze the FDIC's performance evaluation data for differences in ratings assigned to employees by gender and race/ethnicity.

We performed our evaluation from April 2014 through October 2014 in accordance with the Council of Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*. Appendix 1 of this report includes additional details regarding our objective, scope, and methodology. Appendix 2 includes the request letter from the Committee members. Additional appendices include further information on topics covered in this report, a glossary of terms,[2] and a list of acronyms used in the report.

Background

A commitment to equal opportunity, diversity, and inclusion is critical for the federal government as an employer. Title 5 of the United States Code—U.S.C. § 2301(b)(1) provides that federal recruitment should be from qualified individuals from appropriate sources in an endeavor to achieve a workforce from all segments of society, and selection and advancement should be determined solely on the basis of relative ability, knowledge and skills, after fair and open competition which assures that all receive equal opportunity. Discrimination for or against any employee or applicant on the basis of race, color, religion, sex, national origin, age, disability, marital status, or political affiliation is prohibited.[3] As the nation's largest employer, the federal government has an obligation to lead by example. Seeking to attain a diverse, qualified workforce is a cornerstone of the merit-based civil service.

The federal government's commitment to anti-discrimination in the workforce is demonstrated through a number of statutes, regulations, and Executive Orders (EO), which address discrimination based on gender, and race/ethnicity, which is the focus of this evaluation, and other protected bases, including age and disability. Selected statutes date back to 1963 and include:[4]

- **Equal Pay Act of 1963, as amended.** Protects men and women who perform substantially equal work within the same organization from sex-based wage discrimination (29 U.S.C. § 206(d)).

[2] Certain terms are underlined when first used in this report and defined in Appendix 8 *Glossary of Terms*.
[3] 5 U.S.C. § 2302(b)(1).
[4] A more comprehensive list of federal authorities pertaining to anti-discrimination and diversity is in Appendix 3.

- **Title VII of the Civil Rights Act of 1964, as amended.** Makes it unlawful for a federal employer to discriminate against an employee or job applicant based on race, color, religion, sex (including pregnancy), retaliation, or national origin (42 U.S.C. § 2000e-16).

- **Civil Rights Act of 1991, as amended.** Provides monetary damages for employees and job applicants in cases of intentional employment discrimination based on race, color, religion, sex (sexual harassment), national origin, disability, or age (42 U.S.C. § 1981, et seq.).

- **DFA Section 342.** Among other things, required the FDIC and other federal financial regulators to establish an OMWI to be responsible for all matters of the FDIC relating to diversity in management, employment, and business activities.

Key EOs date back to 1965 and prohibit discrimination against federal employees based on gender, race/ethnicity, national origin, and age (40 years and older), among other things. EOs are also geared at increasing Hispanic, Asian American, and Pacific Islander participation in the federal government.[5] Most recently, EO 13583 issued in 2011, *Establishing a Coordinated Government-Wide Initiative to Promote Diversity and Inclusion in the Federal Workforce,* directs federal agencies to develop and implement a more comprehensive, integrated, and strategic focus on diversity and inclusion (D&I) as a key component of their human resource strategies.

In 2011, the United States Office of Personnel Management (OPM) issued its *Government-Wide Diversity and Inclusion Strategic Plan*, which outlines steps for federal agencies to promote D&I in their workforces. The plan identifies key goals for providing a path for successful agency D&I efforts related to workforce diversity, workplace inclusion, and sustainability.

Creating a diverse federal workforce that draws from all segments of society requires a sustained commitment to ensuring a level playing field upon which applicants and employees may compete for opportunities within the government. Sustaining the highest levels of integrity and professionalism through new outreach and recruiting efforts is paramount to achieving the strategic vision set out in OPM's plan.

Evaluation Results

Collectively, the FDIC's commitment, initiatives, and process controls promote a workplace that is free of systematic discrimination, and one that provides equal opportunity for women and minorities to obtain senior management positions. Despite these efforts, the FDIC's workforce statistics indicate that more work is needed to increase representation of female employees, and to a larger extent, Hispanic employees throughout the agency and at the Executive Manager (EM) level. We also noted that female and minority representation has remained relatively the

[5] The FDIC's Legal Division has long maintained that the Corporation is not subject to provisions contained in EOs unless expressly authorized by law. Regardless of whether the various anti-discrimination EOs technically apply to the FDIC, the Corporation's policy is to voluntarily comply with the spirit of such EOs.

same since 2008. Our report discusses various factors that present challenges to the FDIC's progress in this regard such as low turnover and limited representation of women and minorities in job occupations that are prevalent at the FDIC. The Corporation established OMWI as required and has implemented numerous councils, groups, and initiatives to promote diversity, inclusion, and fairness. Further, FDIC human resources processes and operations include controls intended to achieve fair and equitable outcomes. There are opportunities, however, for the FDIC to improve operations associated with its D&I efforts.

FDIC Demographics Vary in Comparison to the Civilian and Federal Workforce and Continued Efforts Are Needed to Increase Female and Hispanic Representation

The FDIC's workforce statistics indicate that the percentage of female employees at the FDIC is less than the Civilian Labor Force (CLF) rate and the percentage of Hispanic employees is significantly less than the CLF rate.[6] The FDIC's female representation is in line with, and overall minority representation lags the federal workforce (FW). Moreover, female, Hispanic, and Asian FDIC employees are underrepresented at the EM level when compared to the federal senior executive service (SES) workforce. We observed that female and minority representation at the FDIC has remained relatively constant since 2008.

To analyze the FDIC's workforce demographics, we relied on data in the: *Federal Agency Annual EEO Program Status Report* (MD-715 Report), which is required by Equal Employment Opportunity Commission (EEOC) Management Directive 715 (MD-715) and includes statistics based on CLF data. MD-715 provides federal agencies with policy guidance and standards for establishing and maintaining affirmative equal employment opportunity (EEO) programs and sets forth reporting requirements.

As a matter of context, the FDIC's overall workforce steadily declined during fiscal years (FY) 2011 through 2013. The reduction is largely attributable to the attrition of term employees hired at the height of the recent financial crisis to resolve failed institutions. Term employees generally serve appointments ranging from 2 to 4 years.

From FYs 2011 through 2013, the FDIC's workforce was as follows:

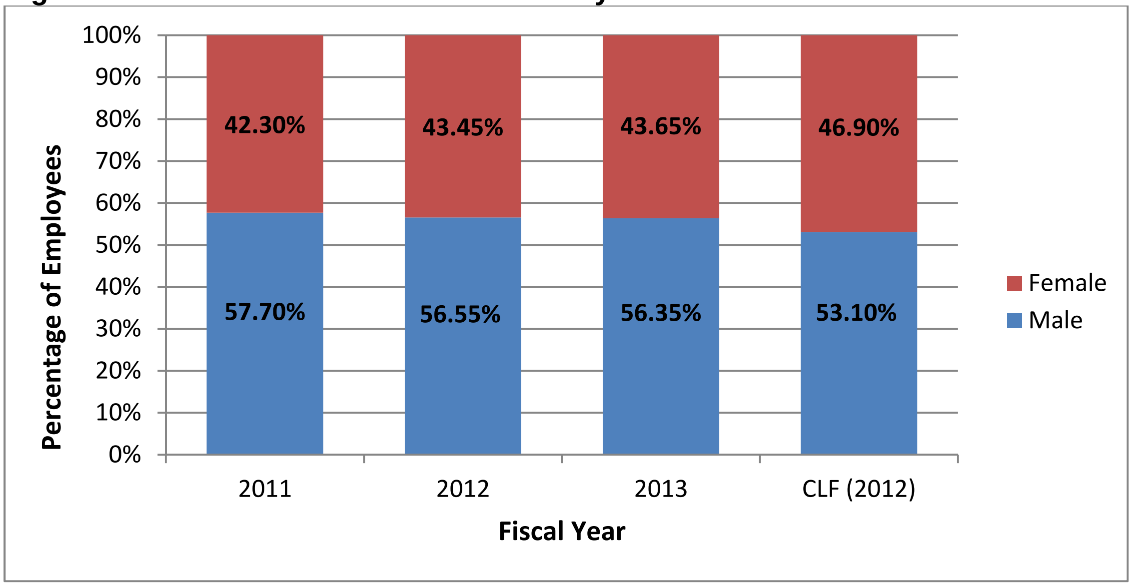
- FY 2011: 8,398 total employees (5,565 permanent and 2,833 non-permanent),
- FY 2012: 7,806 total employees (5,773 permanent and 2,033 non-permanent), and
- FY 2013: 7,583 total employees (5,826 permanent and 1,757 non-permanent).

From FYs 2011 through 2013, the FDIC's percentage of male, white, black, and Asian employees agency-wide approximated or exceeded CLF statistics. The percentage of female

[6] The CLF comprises all persons in the United States who are 16 years of age and older, classified as employed or unemployed, and not on active military duty or in an institution (e.g., a penal or mental facility or home for the aged). CLF data includes occupations that are both relevant and not relevant to the FDIC's mission.

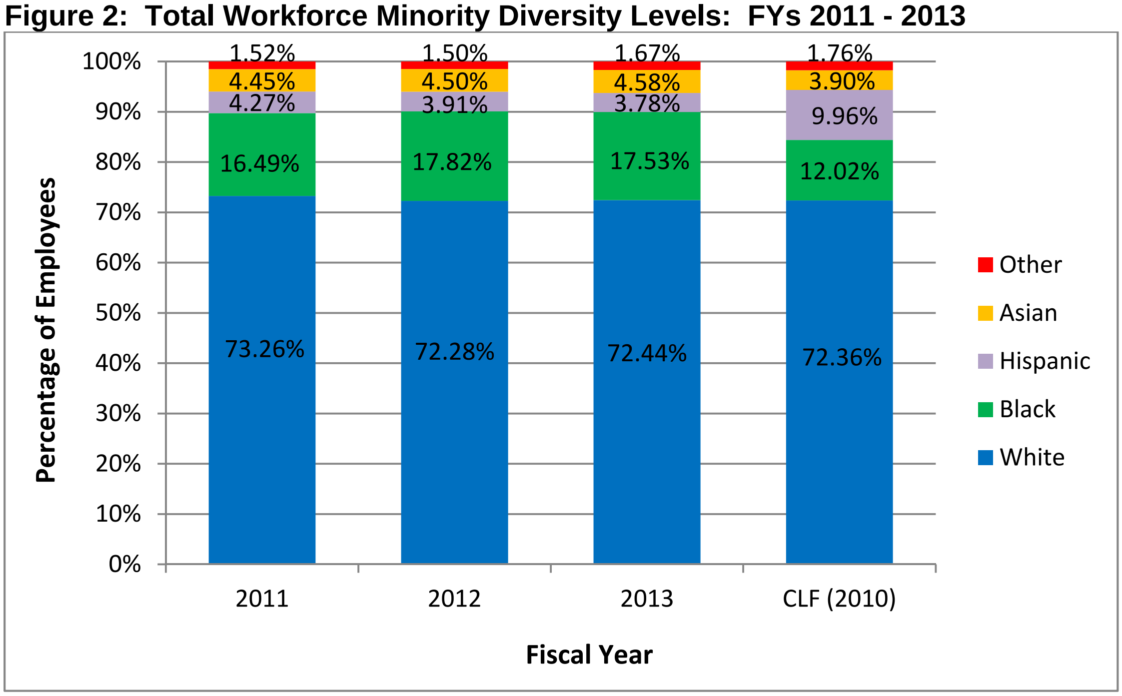
employees was less than the CLF rate and the percentage of Hispanic employees was significantly less than the CLF rate, as shown in Figures 1 and 2.

Figure 1: Total Workforce Gender Diversity Levels: FYs 2011 - 2013



Source: Based on table A1 of the FDIC's FY 2011, 2012, and 2013 *Federal Agency Annual EEO Program Status Reports* (also referred to as MD-715 reports) and CLF data.

Figure 2: Total Workforce Minority Diversity Levels: FYs 2011 - 2013



Source: Based on table A1 of the FDIC's FY 2011, 2012, and 2013 MD-715 reports and CLF data.
Note: Unless otherwise noted, "Other" employees comprise Native Hawaiians and other Pacific Islanders, American Indians, Alaska Natives, and people of two or more races. We combined these employees into an "Other" category due to their small population sizes.

Diversity Analysis by Employee Level. The FDIC's total workforce is primarily comprised of Corporate Graded (CG) employees at the CG-1 through CG-15 levels, Corporate Managers (CM) at the CM-1 and CM-2 levels, and EMs, which are equivalent to SES positions at other federal agencies. We evaluated diversity levels by lower-level, mid-level, and senior-level employees. In FY 2013, the FDIC's overall permanent workforce comprised:

- 40 percent of employees in CG-12 or lower positions (lower-level),
- 54 percent of employees in CG-13 through CM-1 positions (mid-level), and
- 6 percent of employees in CM-2 or higher positions (senior-level).

Table 1 shows the percentage of each group by gender and race/ethnicity at the three employee levels, as compared to the FDIC's overall permanent workforce for FY 2013.[7] A higher percentage of males and white employees occupied senior-level positions, relative to their overall population sizes, while a lower percentage of female and minority employees occupied senior-level positions, relative to their overall population sizes. In addition, a higher percentage of female, black, and other employees occupied lower-level positions, relative to their overall population sizes. The FDIC's representation by gender and race/ethnicity in these three employee levels remained relatively constant from FYs 2011 through 2013.

Table 1: FY 2013 FDIC Gender and Minority Representation Levels by Employee Level (FDIC Permanent Employees)

	Lower-level	Mid-level	Senior-Level	FDIC Permanent Workforce
Male	46%	61%	68%	55%
Female	54%	39%	32%	45%
White	65%	77%	84%	73%
Black	25%	13%	10%	18%
Hispanic	4%	3%	3%	4%
Asian	4%	5%	3%	5%
Other	2%	1%	<1%	1%

Source: Tables A4-1P and A5-1P of the FDIC's FY 2011, 2012, and 2013 MD-715 reports.

Federal Government and Federal Financial Regulator Diversity Analysis. We compared FDIC gender and race/ethnicity representation levels to the FW and the other federal financial regulators. Title 5, U.S.C. § 7201, requires OPM to submit an annual Federal Equal Opportunity Recruitment Program (FEORP) report to Congress. This report presents statistical data on FW employment. The FY 2012 FEORP shows the FDIC's female representation is in line with, and minority representation lags, the FW. OPM reported that minorities comprised 27 percent of FDIC employees and 35 percent of the FW in FY 2012. The difference between the FDIC's and the FW's minority representation rates was most prominent with Hispanic employees.

[7] Throughout this report table percentages may not equal 100 percent due to rounding.

The FEORP also includes FW information about representation levels at the SES level. We observed that female, Hispanic, and Asian FDIC employees are underrepresented at the EM level when compared to the federal SES workforce as shown in Table 2. Overall, minorities comprise 16 percent of FDIC EM positions compared to 20 percent of the SES FW.

Table 2: EM and SES Representation Levels

	FDIC EM*	FW SES FY 2012
Male	72%	67%
Female	28%	34%
White	84%	81%
Black	11%	11%
Hispanic	2%	4%
Asian	2%	3%
Other	<1%	2%

Source: Tables A4-1P and A5-1P of the FDIC's FY 2011, 2012, and 2013 MD-715 reports and the FY 2012 FEORP report.
* FDIC 3-year average (FYs 2011-2013) based on 126 EMs.

The FEORP also includes diversity information for individual federal agencies, including the other financial regulators. Table 3 presents gender and race/ethnicity information for the FDIC, FW, and other federal financial regulators in FY 2012. The FRB had the highest percentage of female employees and the FHFA had the highest percentage of minority employees. All of the federal financial regulators included below had lower percentages of Hispanic employees than the FW average.

Table 3: FY 2012 Representation Levels for the Federal Financial Regulators and FW

	FDIC	FHFA	FRB	NCUA	SEC	FW
Male	56%	58%	50%	55%	53%	56%
Female	44%	42%	50%	45%	47%	44%
White	73%	65%	67%	73%	68%	65%
Black	18%	22%	18%	15%	17%	18%
Hispanic	4%	3%	4%	5%	5%	8%
Asian	5%	10%	8%	6%	10%	6%

Source: FY 2012 FEORP report.
Note: American Indian/Alaskan Native and Non-Hispanic/Multi-Racial representation was less than one percent for each of the agencies. The FEORP presented overall percentages for the Department of the Treasury but did not provide information for the OCC, which is a bureau of the Treasury Department. The FEORP also did not provide data for the CFPB.

FDIC Diversity Trends over Time. We reviewed FDIC gender and race/ethnicity trends over time as shown in Table 4. The FDIC's overall percentage of female employees has largely remained constant at approximately 44 percent from FYs 2008 through 2013. The FDIC's overall minority population has slightly increased from 27 percent to 28 percent during the same time period. The FDIC experienced a moderate increase in the percentage of females in senior level positions. However, female and minority representation in the permanent examiner workforce, the FDIC's largest occupational category, consistently lagged total workforce representational levels. The FDIC has reported that employees who begin their FDIC careers as examiners tend to occupy a significant percentage of executive and managerial leadership positions at the agency. Thus, the examiner workforce is an important pipeline for achieving diversity in senior management at the FDIC. As discussed later in this report, the FDIC faces challenges in increasing diversity in the examiner occupational category.

Table 4: FDIC Workforce Diversity Trends: FYs 2008 and 2013

	FY 2008	FY 2013
Total Workforce Composition		
Female	44%	44%
Minority	27%	28%
FDIC Executive Managers		
Female	27%	30%
Minority	15%	15%
Permanent Examiner Workforce		
Female	36%	37%
Minority	19%	18%

Source: FDIC analysis.

FDIC Faces Challenges to Increasing Diversity and Meaningful Change Will Take Time

Several factors present challenges to increasing women and minority representation. Some of these challenges are socioeconomic or structural, and difficult for the FDIC to control. Most of the challenges are not unique to the FDIC and are also relevant to other federal financial regulators.

Downsizing and Limited Hiring Opportunities. The FDIC experienced a "decade of downsizing" and limited hiring from 1994 to 2003, following the banking crisis of the 1980s and 1990s, which included buyouts and reductions-in-force. The FDIC increased its total staffing in response to the 2008 financial crisis, but largely used term-limited appointments to avoid another round of reductions in permanent staff. The FDIC's workforce has decreased since 2011 and the FDIC closed temporary offices opened during the 2008 financial crisis. This downsizing, coupled with constraints on hiring, impacted the pipeline of new employees entering the FDIC's workforce.

Limited Turnover. Many FDIC employees, including EMs, remain in their positions for long periods of time, which limits the number of new openings. Approximately 50 percent of FDIC employees have worked at the FDIC for 20 years or longer. On average, employees typically remain at the FDIC 5 years past retirement eligibility age. While in the past, this has given the Corporation stability, it also limits opportunities for less experienced employees to learn new skills and advance. In March 2014, the FDIC reported that it had a significant number of employees and EMs who were retirement eligible. As a result, FDIC officials expect turnover to increase during the next 5 years.

Underrepresentation of Women and Minorities in Internal Candidate Pools. FDIC officials cited underrepresentation of females and minorities within internal candidate pools as a challenge to building management-level diversity, as many management-level positions are filled through internal promotions or internal hiring processes.

Competition from the Private Sector for Diverse Candidates. In December 2010, the White House acknowledged that the federal civil service competitive hiring process places the federal government at a competitive disadvantage compared to private-sector employers in hiring qualified applicants for entry-level positions.[8] A senior FDIC official also cited competition from private sector employers as a challenge to FDIC's diversity recruiting efforts. The FDIC's internship programs strive to identify and make employment offers to well-qualified and diverse college students before they approach graduation and receive employment offers from private sector firms.

Limited Representation of Minorities in Certain Geographic Areas. FDIC officials cited underrepresentation of minorities in certain geographic areas where the FDIC has field offices as a challenge to increasing diversity. We noted that several metropolitan statistical areas, particularly in the Midwest where FDIC field offices are located, have overall minority populations of less than 10 percent. It could be difficult to identify qualified minority applicants or attract minority applicants to relocate to these locations.

Limited Representation of Women and/or Minorities within Certain Occupational Series. Finally, the FDIC faces challenges with increasing diversity within certain job occupational series, such as financial institution examiners and attorneys, which tend to be occupations dominated by males and non-minorities. The following CLF occupational series strongly favor white men—economists, financial institution examiners, attorneys, and computer specialists—while the following occupational series strongly favor white women—human resources management, program and financial administration, accounting and auditing, general business, and financial analysis.[9]

The FDIC reported that a key challenge in promoting diversity at all levels of the agency's workforce is its ability to attract and retain women and minorities in its bank examiner workforce. Financial institution examiners represented the largest occupational group at the FDIC and accounted for 38 percent of the FDIC's workforce in 2013. Employees who began their FDIC careers as examiners occupy a significant percentage of senior-level positions at the agency. Thus, representation rates within the examiner workforce are key elements to increasing senior management diversity representation at the FDIC.

We observed that white males represented 38 percent of the overall 2010 CLF, but represented 44 percent of the Financial Institution Examining Occupational CLF. At the FDIC, white males represented 50 percent of the overall permanent workforce and 54 percent of the permanent examiner workforce in FY 2013. Collectively, white male and female employees accounted for 82 percent of the FDIC permanent examiner workforce and 73 percent of the Financial Institution Examining occupational CLF in FY 2013. As discussed later, the FDIC closely monitors examiner recruiting efforts for consistency and fairness and engaged a consultant to assess challenges in recruiting female and minority employees.

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[8] In response, the President issued Executive Order 13562, *Recruiting and Hiring Students and Recent Graduates* which established the Pathways Program, which is an OPM-approved internship program.

[9] CLF data was considered as strongly favoring a group if the group constituted at least 35 percent of the occupational category. The FDIC used this benchmark in reporting on its workforce diversity.

The FDIC also faces challenges in increasing diversity for certain non-examiner occupations at the FDIC, such as attorneys and economists, primarily due to lower female and minority representation rates in those occupational categories. For example, white males represented 38 percent of the overall 2010 CLF, but represented 60 percent of the Attorney Occupational CLF. At the FDIC, white males represented 52 percent of the attorney workforce in FY 2013.

The FDIC is aware of and considers these challenges when developing D&I initiatives. Factors such as hiring constraints, limited turnover, and the time that it will take for lower-level, more diverse employees to advance to middle and senior management positions affect how quickly diversity initiatives can have an impact. FDIC officials noted it will take time before senior management diversity levels change in a meaningful way.

FDIC Established OMWI and Initiated a Number of Efforts to Promote Diversity and Inclusion

The FDIC is committed to providing a work environment that values the diversity of its employees. In addition to establishing OMWI, the FDIC has integrated diversity into its policies and plans and established councils, groups, and tools for managing diversity that appear to be coordinated and aligned to facilitate execution of strategies. Through these initiatives, the FDIC has implemented a number of leading diversity management practices.

FDIC Established OMWI as Required and Its Effectiveness Is Evolving

The FDIC Board of Directors established OMWI as required by the DFA, and transferred the responsibilities and employees of the FDIC's predecessor office (the Office Diversity and Economic Opportunity–ODEO) to OMWI, effective January 21, 2011. OMWI continues to carry out many of the same goals and initiatives of ODEO but its responsibilities and engagement in D&I-related activities has increased since DFA passage.

DFA required the federal financial regulators to establish an OMWI responsible for all matters relating to diversity in management, employment, and business activities. DFA required OMWI's Director to report to the agency administrator and develop standards for EEO and the racial, ethnic, and gender diversity of the agency's workforce and senior management.[10] OMWI's Director reports to the Chairman's Office through the FDIC's Chief Operating Officer. During our evaluation, OMWI was working on an internal FDIC policy to meet the EEO and diversity standards requirement.

OMWI promotes the FDIC's mission through the pursuit of EEO, affirmative employment initiatives, and D&I. OMWI coordinates with the FDIC's division and office directors and other staff to ensure awareness of D&I. In addition, OMWI staff advises FDIC leaders on the use of performance tools to measure and assess D&I progress. OMWI also processes EEO complaints; drafts policies, directives, and guidance pertaining to diversity; provides input on policies

[10] DFA also included provisions related to minority- and women-owned business contracting and assessing the diversity policies and practices of regulated entities. These areas are outside the scope of this evaluation. The FDIC had completed or was working on meeting these requirements at the time of this evaluation.

containing D&I components; is involved in corporate-wide D&I training initiatives; and participates in budgetary, planning, and other corporate activities. OMWI officials also participate in key diversity councils, committees, and initiatives. Finally, the Director of OMWI meets regularly with the Chairman and Chief Operating Officer.

OMWI produces a number of publically available reports as required by DFA or other legislation. These reports include the:

- Annual Federal EEO Statistical Report of Discrimination Complaints, EEOC Form 462;
- Office of Minority and Women Inclusion Annual Report to Congress;
- No FEAR Act Quarterly Web Report;
- No FEAR Act Annual Report to Congress; and
- Disabled Veterans Affirmative Action Program Accomplishment Report and Plan.

The FDIC also issues an annual EEO Program Status report to the EEOC, as required by MD-715. MD-715 provides guidance to federal agencies on the elements of legally compliant EEO programs and requires agencies to take appropriate steps to ensure that all employment decisions are free from discrimination. MD-715 states that agencies have an ongoing obligation to eliminate barriers that impede free and open competition in the workplace and prevent individuals of any racial or national origin group or either sex from realizing their full potential. Agencies are required to conduct an annual self-assessment to monitor progress and identify areas where barriers may operate to exclude certain groups.

In its most recent EEO Program Status report to the EEOC, the FDIC noted that its operations, plans, reports, and goals help it to achieve and sustain the essential elements of a model EEO program.[11] The FDIC reported one deficiency from its self-assessment—it did not issue a final agency decision associated with EEO complaints in all cases within 60 days of each request, as required.

Consultant Review of OMWI. In 2012, the FDIC engaged a consultant to review the FDIC's D&I efforts and OMWI's operations. The consultant assessed the FDIC using a D&I maturity model with four progressive phases of organizational maturity – mono-cultural, compliance, multicultural, and inclusive being the most mature. The consultant categorized the FDIC as being in the compliance phase as it pertains to D&I and reported that organizations in this phase viewed diversity as a "problem" and are focused on demographic composition goals. Organizations in the fourth stage (inclusive) optimize D&I. The consultant reported a need for:

- Greater organizational awareness and understanding of the principles and role of D&I;
- Enhanced OMWI D&I reporting from data tables to meaningful actionable information;
- Diversity programs to address D&I challenges related to advancement and retention;
- D&I executive training and mandatory D&I training for all individuals;

[11] Those model elements are: demonstrated commitment from agency leadership; integration of EEO into the agency's strategic mission; management and program accountability; proactive prevention of unlawful discrimination; efficiency; and responsiveness and legal compliance. These elements are addressed in the FDIC's Affirmative Employment Plan.

- Greater integration of D&I into training, advancement, and retention processes;
- Greater senior leadership knowledge to move D&I programs to the next level; and
- More frequent OMWI engagement with divisions and offices.

The consultant made recommendations related to D&I training for employees; D&I programs; D&I challenges related to recruitment, advancement, and retention; and OMWI's organizational structure. In response to these recommendations, the FDIC piloted an unconscious bias training program, created a communications plan, established a working group to develop enhancements to the FDIC's Diversity and Inclusion Analytics Dashboard (Diversity Dashboard), initiated a contract with two diversity vendors to provide D&I training, created an inter-divisional working group to address mid-career and senior-level workforce development programs, and implemented a new exit survey process to include interviews with departing employees and diversity-related questions.

OMWI also has ongoing and future initiatives to address the consultant's recommendations that include (1) developing a targeted recruiting plan to attract qualified Hispanic applicants; (2) assessing the FDIC's outreach activities to women and minorities to determine the success of the FDIC's recruitment efforts, and (3) further utilizing OMWI staff to advise FDIC leadership and increasing OMWI staff engagement in FDIC divisions, offices, and organizations.

FDIC Management Perceptions of OMWI. We interviewed selected FDIC executives and managers about OMWI's role and stature at the FDIC. Several FDIC executives indicated that organizational awareness of OMWI as well as its presence and stature has increased since DFA passage and as a result of the FDIC Chairman's sponsorship and focus. Several officials indicated that OMWI representatives have been more visible and are engaging more with division directors to discuss diversity issues and plans. Most officials we interviewed noted that OMWI is still evolving and needs to ensure it has the skill sets, infrastructure, and accountability to accomplish DFA requirements. These officials expect that OMWI will continue to increase its engagement with FDIC managers and persuade managers to view OMWI as a resource for the Corporation.

FDIC Has Integrated Diversity into its Corporate Policies and Plans

EEO Policy. The FDIC's EEO policy is contained in FDIC Circular 2710.1, *Corporation's Policy on Equal Opportunity*, dated October 19, 2010. This policy formally states the FDIC's commitment to equal opportunity, diversity, and affirmative employment. The policy states that the Corporation (1) is dedicated to equal opportunity in all of its programs, policies, and practices, and to promoting diversity in its workforce; and (2) prohibits discrimination in its workforce, programs, and activities. Among other things, the policy presents the statutes, regulations, and EOs governing EEO; information for processing discrimination claims; the Corporation's diversity policy; and divisional and office accountability and monitoring responsibilities. In this regard, the policy notes that managers and supervisors must work toward developing and implementing positive initiatives that achieve measurable results with regard to workforce diversity and that managers and supervisors will be assessed regarding their performance in these areas. The current Chairman and his predecessor have consistently emphasized the importance of a diverse and inclusive workforce.

The FDIC also updated its Affirmative Employment Plan in April 2008. The Plan documents FDIC leadership's commitment to EEO; integration of EEO into the FDIC's strategic mission; efforts to ensure management and program accountability for EEO; and FDIC efforts to prevent unlawful discrimination and identify potential EEO barriers.

Corporate Values and Annual Performance Planning. The FDIC addresses diversity concepts in its corporate values and annual performance plans. In addition to Integrity, Teamwork, Effectiveness, and Accountability, the FDIC included Competence and Fairness as two of its six corporate values. The Competence value provides that the FDIC is "…a highly skilled, dedicated, and diverse workforce that is empowered to achieve outstanding results." The Fairness value provides that FDIC employees "…respect individual viewpoints and treat one another and our stakeholders with impartiality, dignity, and trust."

The FDIC's 2014 Annual Performance Plan includes a section on Effective Management of Strategic Resources, which provides an overview of planned 2014 initiatives related to human capital management, including:

- Retaining a highly skilled, diverse, and results-oriented workforce;
- Addressing succession management and workforce development challenges as long-term, experienced employees retire;
- Developing employees as leaders at all levels of the organization;
- Maintaining a culture of workplace excellence; and
- Continuing to pursue a more comprehensive, integrated, and strategic focus on D&I within the FDIC workforce.

FDIC Performance Goals. Since 2012, and at the direction of the Chairman, the FDIC has included an annual goal to promote D&I, EEO, and/or workplace excellence. The FDIC reported that it met the 2012 and 2013 D&I performance goals. The initiatives to support the 2014 goal included:

- Implementing a revised D&I strategic plan;
- Updating the Diversity Dashboard;
- Updating the FDIC's divisional D&I plans, presenting them to the Chairman, and monitoring progress of those plans;
- Implementing computer-based D&I training for FDIC employees; and
- Developing within OMWI the staff capabilities and organizational culture to enable it to take on a greater advisory role to FDIC division and office leadership.

Strategic Human Capital Plan. Consistent with 5 Code of Federal Regulations (C.F.R.) 250, Subpart B, Strategic Human Capital Management, the *FDIC Strategic Human Capital Plan 2010-2013*, sets forth human capital goals and strategies. Three D&I-related goals involve:

- Fostering a workplace culture rooted in corporate values as well as trust, communication, empowerment, and leadership;

- Developing effective succession management practices and a pipeline of potential candidates for leadership and senior technical positions; and
- Ensuring that the FDIC has a highly skilled, diverse and versatile workforce with the capacity to meet current and future mission requirements.

Diversity and Inclusion Strategic Plan. The FDIC implemented its first D&I strategic plan in 1999. The FDIC significantly updated and revised the plan in 2013 and committed to annually review and update the plan, as necessary. The FDIC revised the plan again in 2014. The FDIC's *2013 Diversity and Inclusion Strategic Plan* addresses the goals of EO 13583, which calls for agencies to implement a more comprehensive, integrated, and strategic focus on D&I. This Plan outlines the FDIC's initiatives for achieving workforce diversity by recruiting from a diverse group of qualified potential applicants; cultivating greater workplace inclusion through collaboration, flexibility, and fairness; and equipping leaders with the ability to manage diversity, measure results, and refine approaches on the basis of data. The Plan details specific steps to enhance D&I at the FDIC in the areas of leadership engagement, analytics, reporting, training, communications, strategic planning, and program enhancement.

The FDIC's *2014 Diversity and Inclusion Strategic Plan* updates the 2013 Plan. Action items include:

- Using workforce analytics to advise managers and recruiters on trends pertaining to recruiting and hiring diverse employees;
- Assessing the FDIC's progress in implementing division and office diversity strategies;
- Enlisting recruitment teams to attend career fairs, employer panels, classroom presentations, and on-campus interviews to attract diverse, qualified applicants;
- Broadening associations with diverse professional organizations to identify potential candidates for mission occupations and management and executive level positions; and
- Using print, social media, and job boards to target demographically diverse audiences.

Plan to Promote Increased Diversity. In December 2013, the FDIC issued a Plan to promote diversity throughout the FDIC.[12] The Plan lays out the FDIC's demographics, diversity levels (agencywide and by division and major office), successes, challenges, and strategies for improvement. As requested by the FDIC's Chairman, the Plan also includes initiatives at the agencywide level and from each major division and office to enhance D&I. Appendix 4 contains a listing of these initiatives.

FDIC Has Established Councils, Groups, and Tools for Managing Diversity Efforts and Implemented Leading Diversity Practices

Diversity and Inclusion Executive Advisory Council (EAC). The FDIC Board of Directors established an OMWI Steering Committee in 2011 to ensure and promote coordination of OMWI programs throughout the FDIC. In 2013, this Committee was reconstituted and renamed to the D&I EAC. The EAC is designed to support, assist, and advise decision-makers throughout

[12] *Plan to Promote Increased Diversity Through Division/Office Engagement*, December 2013.

the FDIC on implementing D&I initiatives and ensure that OMWI's responsibilities are managed in the most cost-effective manner. The EAC includes senior leaders from OMWI, the Division of Administration (DOA), the Legal Division, and other major FDIC divisions and offices. The EAC is chaired by the FDIC's Chief Operating Officer and meets monthly to discuss and monitor progress towards the FDIC's D&I goals.

Council members' responsibilities include coordinating with OMWI; communicating, advising, and monitoring completion of D&I initiatives; reviewing and considering updates to the FDIC's D&I plan; providing comments on the FDIC's annual report to Congress on D&I; and considering D&I in FDIC employment and contracting activities, as contemplated by section 342 of DFA.

Chairman's Diversity Advisory Council (CDAC). The mission of the CDAC is to provide advice to the FDIC Chairman through the Director of OMWI on diversity-related issues and concerns raised by employees at all levels of the Corporation. The CDAC initiative was started in 2000 and includes individual councils in FDIC headquarters, regional, and area offices. The CDACs assist and work with OMWI and their respective management officials to sponsor programs that enhance employees' understanding of the importance of cultural diversity. The goal of these events is to acknowledge and recognize the benefits of the diverse heritages and cultures that exist in the Corporation. Since its inception, a primary CDAC objective has been to recommend changes in corporate policies and procedures to foster D&I.

Employee Resource Groups (ERG). ERGs are FDIC-recognized networks of FDIC employees with similar interests, experiences, or diversity concerns. The program's purpose is to strengthen and promote professional development and support the inclusion of all employees in the FDIC workplace. FDIC Circular 2710.10, *Employee Resource Group (ERG) Program*, dated April 30, 2014, governs the formation and operation of ERGs. The ERG program replaced the Employee Affinity Group program which began in April 2001. Example ERGs include:

- Women Achieving Excellence Group,
- Blacks in Government,
- Hispanos Unidos Group,
- Veterans Affinity Initiative, and
- Gay and Lesbian Employee Affinity Movement.

Diversity and Inclusion Analytics Dashboard. The *2013 Diversity and Inclusion Strategic Plan* included a goal to develop structures and strategies to help FDIC leaders manage diversity, be accountable, measure results, refine approaches on the basis of available data, and institutionalize a culture of inclusion. In addition, in April 2013, GAO recommended that the federal financial regulators, including the FDIC, report on efforts to measure the progress of their employment D&I practices, including measurement outcomes as appropriate.[13] FDIC officials

[13] *Trends and Practices in the Financial Services Industry after the Recent Financial Crisis*, GAO-13-238, April 16, 2013.

stated that even before this GAO recommendation, the FDIC was working on an electronic dashboard tool to capture FDIC workforce statistics.

The FDIC launched its Diversity Dashboard on June 20, 2013. The Diversity Dashboard enables FDIC senior leaders to readily see the FDIC's workforce population by gender and race/ethnicity throughout the agency, by major divisions and offices, grade level, and occupations. The Dashboard presents diversity information related to hiring trends, attrition, and retention. In addition, the Dashboard shows FDIC employees' responses to questions in the OPM's Federal Employee Viewpoint (FEV) survey pertaining to inclusion, by gender and race/ethnicity. The Dashboard has improved management reporting on employee diversity and should enhance the agency's ability to measure progress and identify opportunities for increasing diversity throughout the agency.

Other Groups that Address D&I. The FDIC also has human resources-related committees and councils, which address D&I, among other priorities.

Workplace Excellence (WE) Steering Committee and Councils. The FDIC launched the WE initiative in 2012. WE built on the success of the 2008 Culture Change Initiative[14] to enhance communication, provide additional opportunities for employee input and engagement, and improve employee empowerment. WE is comprised of agencywide representation through a National WE Steering Committee and individual division/office WE Councils. The Committee is responsible for identifying opportunities to enhance WE through analysis of national data from the FEV survey, WE Council input, and other means. The FDIC's Internal Ombudsman coordinates WE efforts.

Human Resources Committee (HRC). The FDIC created the HRC in late 2001 to integrate strategic human capital planning into the FDIC's corporate-level planning, budgeting, and investment processes. The HRC is comprised of FDIC executives from major divisions and:

- Maintains a Corporate vision to guide human capital planning and investment;
- Integrates the FDIC's human capital vision, strategic goals, and strategic objectives into the FDIC's Corporate-level planning documents such as the Strategic and Annual Performance Plans;
- Monitors implementation and continually assesses and improves human capital planning and investment; and
- Develops and oversees succession management planning for senior management positions.

Leading Diversity Management Practices. In January 2005, GAO issued a report on leading diversity management practices.[15] GAO reviewed literature on diversity management and met with various federal officials and experts in the field of diversity management to identify leading practices, best practices, and components of successful diversity initiatives. GAO presented nine

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[14] The Culture Change Initiative endeavored to change the FDIC's corporate culture by promoting communication, achieving employee empowerment, and increasing employee development and engagement.
[15] GAO-05-90, *Diversity Management: Expert-Identified Leading Practices and Agency Examples*, January 2005.

leading diversity management practices that were identified by a majority of experts. We evaluated the FDIC's D&I efforts against the leading practices reported by GAO. As shown in Table 5, we concluded that FDIC had implemented initiatives that relate to each of the practices.

Table 5: OIG Analysis of Leading Diversity Management Practices at the FDIC

Leading Diversity Management Practices	FDIC Initiatives
Top leadership commitment—a vision of diversity demonstrated and communicated throughout an organization by top-level management.	Chairman's reemphasis of the FDIC's EEO policy statement, multiple Chairman-level initiatives.
Diversity as part of an organization's strategic plan—a diversity strategy and plan that are developed and aligned with the organization's strategic plan.	Diversity is integrated in Corporate planning documents. FDIC issued a diversity strategic plan.
Diversity linked to performance—the understanding that a more diverse and inclusive work environment can yield greater productivity and help improve individual and organizational performance.	D&I training, ERGs, monthly diversity events.
Measurement—a set of quantitative and qualitative measures of the impact of various aspects of an overall diversity program.	Diversity Dashboard, MD-715 reporting, Annual Performance Plan Reporting, and FDIC Performance Goals.
Accountability—the means to ensure that leaders are responsible for diversity by linking their performance assessment and compensation to the progress of diversity initiatives.	Diversity initiatives are linked to supervisory performance reviews. Mandatory D&I training for supervisors.
Succession planning—an ongoing, strategic process for identifying and developing a diverse pool of talent for an organization's potential future leaders.	FDIC succession planning efforts, Consultant review of EM succession planning, and the FDIC's Workforce Development Initiative.
Recruitment—the process of attracting a supply of qualified, diverse applicants for employment.	Corporate recruitment program. Outreach to women and minority serving institutions through its Minority and Women Outreach Program.
Employee involvement—the contribution of employees in driving diversity throughout an organization.	CDACs, WE, Employee Resource Groups.
Diversity training—organizational efforts to inform and educate management and staff about diversity.	Diversity training to all employees. No FEAR Act annual mandatory training.

Source: GAO report 05-90 and OIG analysis.

Employee Surveys Suggest that Employees are Satisfied and Treated Fairly

We reviewed relevant information sources, including FEV survey results, to gauge the impact of the previously described initiatives on employees' satisfaction and perception of fairness. Based on survey data, we found that employees are generally satisfied working at the FDIC.

OPM's FEV survey is an annual survey that measures employees' perceptions of conditions within their agency which contribute to organizational success. From 2011 through 2013, the Partnership for Public Service recognized the FDIC in its *Best Places to Work in the Federal Government* list, based on FEV survey results. We analyzed FDIC's FEV survey responses for the 2011, 2012, and 2013 surveys. FDIC employees generally responded favorably, especially when compared to the overall government-wide response rates. Further, we did not see significant differences in satisfaction levels by gender or race/ethnicity. Survey results for selected questions related to overall satisfaction and D&I from the 2013 survey included:

- *I recommend my organization as a good place to work.* FDIC had a favorable response rate of 87 percent compared to 63 percent for the overall FEV survey.

- *Considering everything, how satisfied are you with your organization?* FDIC had a favorable response rate of 81 percent compared to 56 percent for the overall FEV survey.

- *Policies and programs promote diversity in the workplace.* FDIC had a favorable response rate of 77 percent compared to 55 percent for the overall FEV survey.

- *My supervisor/team leader is committed to a workforce representative of all segments of society?* FDIC had a favorable response rate of 77 percent compared to 65 percent for the overall FEV survey.

- *Managers/supervisors/team leaders work well with employees of different backgrounds.* FDIC had a favorable response rate of 78 percent compared to 63 percent for the overall FEV survey.

- *Prohibited personnel practices (for example, illegally discriminating…) are not tolerated.* FDIC had a favorable response rate of 79 percent compared to 65 percent for the overall FEV survey.

FDIC Human Resources Processes Include Controls to Ensure Equal Opportunity and Fairness but Opportunities for Enhancement Exist

The FDIC's human resources processes and operations include controls to ensure fair and equitable outcomes that meet merit system principles. OPM conducted an evaluation of the FDIC's human capital programs in October 2012 and reported that the FDIC had an effective human capital program and practices in place. We reviewed controls to ensure diversity and fairness related to recruiting, hiring, and promotions; training and development; performance and recognition; employee appeal avenues; separations and terminations; and succession planning. In some cases, we observed opportunities to enhance controls.

OPM Human Capital Management Evaluation. In October 2012, OPM conducted a human capital management evaluation of the FDIC. The purpose of the evaluation was to assess the FDIC's management of human capital, the efficiency and effectiveness of human capital programs, and its compliance with merit system principles and other civil service laws and regulations. OPM's evaluation was divided into two parts:

- An audit of human capital programs and systems covered under 5 U.S.C. § 2301 et. seq., to include delegated examining operations, leadership and knowledge management, results-oriented performance culture, and talent management; and
- A review of programs and systems not covered by 5 U.S.C., namely performance management and training.

Title 5 U.S.C. § 2301 establishes federal personnel management merit system principles. These principles represent core values that should be expressed in human resources decisions. Section

2302(b) also specifies 12 prohibited personnel practices. Appendix 5 contains an OPM adaptation of the merit system principles and prohibited personnel practices.

OPM concluded that the FDIC had an effective human capital program and practices in place, including an organizational strategy, corporate values, a diverse, well-trained employee population, successful leadership development programs, and an improved performance management system. OPM reported that the FDIC's HRC and Resource Management Committee integrated strategic human capital planning into corporate-level and business division planning, budgeting, and investment processes to continually assess the impact of human capital planning on FDIC mission accomplishment. OPM's review of a variety of staffing actions showed that FDIC headquarters and regional offices were generally operating in a manner consistent with merit system principles, laws, regulations, and FDIC policies. For the purposes of our evaluation, we relied, in part, on OPM's review.

Factors that Influence FDIC Controls over Human Resource Processes. Two important factors have influenced the FDIC's human resources processes and resulted in stronger controls to protect employee interests—a class action EEO case and the FDIC's interactions with the National Treasury Employees Union (NTEU).

The FDIC implemented a number of important controls over human resources processes as a result of a 2001 consent decree.[16] The consent decree resulted from a class action complaint filed with the EEOC in 1993 on behalf of black employees at the FDIC. The complaints alleged race discrimination in competitive and noncompetitive promotions and selections for other positions. The FDIC and the Class Representatives were involved in mediation and negotiations for several months and, after years of litigation, reached a settlement in 2001. In addition to a monetary settlement to class members, the FDIC implemented a number of best practices, which remain in place. These best practices include the use of structured interviews, the composition of merit promotion panels, procedures for career ladder promotions and desk audits, the use of career development plans and a formal mentoring program, diversity and personnel training for supervisors and managers, and career development training for employees.[17]

The NTEU also has a significant impact on FDIC human resources processes. More than 70 percent of FDIC employees belong to the NTEU. The FDIC negotiates changes to human resources programs with the NTEU, which helps ensure employees' interests are considered. For example, the FDIC/NTEU Nationwide Agreement, effective June 1, 2012, includes articles with provisions and controls related to merit practices, training, performance evaluation, merit promotion, details, rewards and recognition, EEO, disciplinary and adverse actions, and grievance procedures. In 2012, the FDIC and NTEU created an FDIC-NTEU Forum to provide an enhanced opportunity for NTEU participation in discussions of labor-management issues before FDIC decisions are finalized. Senior FDIC and NTEU leaders meet quarterly to discuss

[16] Consent Decree, Conanan, et. al., v. Tanoue (No. 00-CV-0391, D.D.C., November 25, 2001).

[17] An additional matter was settled in December 2008 based on a 1994 class action complaint filed by two Hispanic employees (Tarrats and Rivera, et al. v. Federal Deposit Insurance Corporation (EEOC Appeal No. 01A41422, November 15, 2004, settled December 18, 2008). After mediation in 2008, the parties negotiated, agreed, and stipulated that there was no statistical evidence of discrimination regarding the class of Hispanic employees.

topics of mutual interest and importance, giving the NTEU greater opportunity to provide pre-decisional input. The forum takes a collaborative, problem-solving approach to workplace matters such as work processes, reorganizations, and other changes in employment conditions.

Based on our evaluation, we found that key human resources processes have controls in place to ensure equal opportunity and fairness. In some cases, we identified areas where program controls could be strengthened. The following sections provide an overview of key human resources processes and controls and our recommendations for improvement.

FDIC Considers Diversity in Recruiting, Hiring, and Promotions, but Could Formalize Recruiting Procedures and Make Better Use of Social Media

The FDIC has an agencywide corporate recruiting program and engages in targeted recruitment efforts agencywide, and particularly in its Corporate Employee Program (CEP), the FDIC's primary strategy for building its future workforce. The FDIC advertises job vacancies on OPM's USAJOBS Web site and tracks external and internal hiring by gender and race/ethnicity. The FDIC has procedures and controls to comply with merit system laws and regulations in the recruiting and hiring processes. The FDIC also has a merit promotion plan for internal selections that outlines its policy to fill all positions in the competitive civil service with the best-qualified candidates available, considering the Corporation's immediate and long-term needs, mission objectives, and affirmative action goals.

Corporate Recruitment Program. This program has four full-time staff focused on recruitment efforts who work with approximately 150 collateral duty recruiters from FDIC offices nationwide. The staff receives training on federal hiring and diversity principles. The collateral duty recruiters mostly comprise staff in the Division of Risk Management Supervision (RMS) who are expected to dedicate at least 40 hours a year to college recruitment activities. The recruiters are assigned to at least one college a year and are expected to perform on-site recruitment activities. The recruiters are also assigned to one to four colleges where they are expected to conduct off-site recruitment activities.

Recruiting for entry level positions is largely completed through the FDIC's CEP, which is further discussed in the next section of this report. The FDIC maintains relationships with 110 entities designated as minority-serving institutions and tribal colleges. FDIC corporate recruiters participated in 224 college career fairs, information sessions, and other recruitment-related campus activities throughout the United States in 2013. Recruiting efforts included targeted outreach to women, minorities, veterans, and persons with disabilities. FDIC recruiters also attended 22 outreach events in 2013 to communicate with targeted groups and increase awareness about the FDIC.

The FDIC also maintains affiliations with a number of groups representing female and minority employees. In March 2014, the FDIC reported that it attended recruitment activities sponsored by organizations such as the National Association of Black Accountants, Association of Latino Professionals in Finance and Accounting, Ascend Pan-Asian Leaders Association, and National Association of Women MBAs.

The FDIC engages in some targeted recruiting efforts for mid- and senior-level vacancies, and sends e-mail notifications of job vacancies to community and professional organizations, including those that target female and minority populations. At the request of the hiring division, OMWI may place advertisements for EM positions in newspapers, journals, or with professional and constituent organizations with diverse populations. We concluded that the FDIC's efforts in this area could be more formal and consistent. For example, the FDIC does not have an established e-mail list of organizations to solicit, nor does it have a consistent approach for advertising EM positions in newspapers, journals, and organizations to reach diverse audiences. By formalizing e-mail contact lists and other contact information, the FDIC could better ensure consistent and comprehensive outreach to diverse populations.

The FDIC also does not currently utilize social media in its outreach efforts such as LinkedIn, Twitter, and Facebook. Using these tools could be an efficient, cost-effective way to reach large audiences, foster transparency, and increase applicant response rates. DFA section 342(f)(6) requires agencies to consider mass media communications that OMWI determines necessary in seeking diversity in the workforce. The FDIC has contemplated using social media in its outreach efforts and included a related initiative in OMWI's 2014 goals, but does not have an implementation plan or timeframe in place.

Finally, the FDIC could do more to measure the success of its recruiting efforts at women- and minority-serving colleges and professional and community organizations. For example, the FDIC focuses the vast majority of its recruiting efforts at colleges and universities but does not identify colleges where the FDIC's recruitment efforts were most successful. The FDIC initiated efforts in this area but noted challenges in gathering this information such as difficulty in obtaining meaningful data from USAJOBS and inconsistencies in the level of effort put forth by collateral duty recruiters. FDIC officials also noted that gathering such data is a manual and time-consuming process. Notwithstanding these challenges, measuring the results of recruiting efforts, especially from colleges where the FDIC focuses substantial resources, would be beneficial. The FDIC may also wish to formalize and measure the success of its recruitment efforts through professional and community organizations. Such information would enable the FDIC to further target its efforts, identify successful recruiting strategies, and identify areas for improvement.

Recommendations

We recommend that the Chairman, FDIC:

1. Formalize recruiting procedures or expectations to better ensure consistent and comprehensive outreach to diverse populations.

2. Research opportunities to make better use of social media resources in corporate recruiting outreach efforts.

3. Establish processes to measure the success of recruiting efforts.

Corporate Employee Program. The FDIC began the CEP in 2004 as an initiative to create a more flexible workforce through cross-divisional training. Today, the CEP serves as the FDIC's primary vehicle to recruit and develop financial institution examiners, the FDIC's largest occupational group. Financial Institution Specialists are trained and assessed against performance benchmarks. Upon successful completion of first year rotational benchmarks, participants graduate from the CEP and enter a risk management examination, consumer compliance examination, or resolutions and receiverships commissioning track based on staffing needs, personal aptitudes, and preferences.

CEP recruiting efforts seek applicants from multiple sources, with proactive measures to ensure diversity. FDIC's CEP Recruiting and Application Strategy provides key school selection criteria for recruiting and includes accredited colleges and universities that offer majors in business, accounting, finance, economics, or related fields and have a significant enrollment of minorities, women, or persons with disabilities. The recruiting program also solicits applications through contact with professional and other organizations including those that place a special emphasis on outreach to minorities, women, or persons with disabilities.

The majority of CEP candidates are recruited through the Pathways Program, an OPM-approved internship program that allows recruitment outside of the competitive hiring process normally used by federal agencies. The Pathways Program includes an Internship Program and a Recent Graduates Program. In 2011, the FDIC also initiated a Financial Management Scholars Program, which targets college students majoring in economics, business administration, finance, accounting, or a related field. Successful participants are offered positions in future CEP classes following their graduation. FDIC officials told us these programs are important in hiring, developing, and retaining a high-quality and diverse workforce.

OMWI tracks the representation and attrition rates of each class of CEP hires. In response to lower participation rates by females and minorities in the CEP, the FDIC established a CEP Recruiting Task Group in 2005 to review and improve its examiner recruitment efforts, ensure consistency and fairness to all groups, and be proactive when potential issues arise.

From 2005 through 2013, the FDIC hired a total of 1,245 employees into the CEP. This total included:

- 788 males (63 percent) and 457 females (37 percent) or
- 880 non-minorities (71 percent) and 365 minorities (29 percent).

The FDIC hired and retained a higher percentage of males and white employees and a lower percentage of females, black, and Hispanic employees into the CEP compared to the FDIC's overall FY 2013 diversity levels. Further, CEP attrition rates have been a concern for the FDIC, especially for black, Hispanic, and Asian employees, and have impaired diversity gains. Appendix 6 presents gender and race/ethnicity statistics for CEP program participants over time.

FDIC Hiring Process and Controls to Ensure Fair Outcomes. The Merit System Principles at 5 U.S.C. § 2301 provides that "Recruitment should be from qualified individuals from appropriate sources in an endeavor to achieve a work force from all segments of society, and selection and advancement should be determined solely on the basis of relative ability, knowledge, and skills, after fair and open competition which assures that all receive equal opportunity."

OPM's *Delegated Examining Operations Handbook*, dated May 2007, provides agencies guidance, options, and, where necessary, specific operational procedures that are designed to ensure that hiring processes comply with merit system laws and regulations. In its 2013 review, OPM concluded that the FDIC was generally operating in a manner consistent with merit system principles. We noted the following controls within the FDIC's hiring process to help ensure fair outcomes:

- The FDIC's Human Resources Branch (HRB) works closely with the hiring manager throughout the hiring process to ensure the process is fair, competitive, and merit-based.
- The hiring manager meets with HRB to perform a job analysis to ensure that the position descriptions, job duties, knowledge, skills, and abilities are aligned.
- The hiring manager and HRB jointly develop the vacancy announcement.
- Vacancies are posted to the FDIC's internal Web site or USAJOBS to ensure fair and open competition.
- HRB and the hiring manager develop interview questions that address position qualifications and duties.
- Once applications are received, HRB scores applicant responses against established benchmarks.
- HRB and division/office subject matter experts (SME) review applicant resumes to ensure there is evidence of practical experience to support applicant responses.
- The hiring division/office selects a diverse interview panel normally comprised of three panel members, including SMEs, to conduct structured interviews of best qualified applicants.

We confirmed that most of the above process steps are recommended or required in OPM's *Delegated Examining Operations Handbook*.

With respect to internal promotions, 5 C.F.R. 335.103, *Agency Promotion Programs*, require agencies to establish procedures for promoting employees that are based on merit. FDIC Circular 2110.2, *Merit Promotion Plan*, dated May 1999, establishes the FDIC's policy to fill all positions in the competitive civil service with the best-qualified candidates available, considering the Corporation's immediate and long-term needs, mission objectives, and affirmative action goals.

External Hires. To assess the impact of the FDIC's recruiting efforts, we requested data from the FDIC showing external hires from FYs 2011 through 2013. During this period, the FDIC hired a total of 2,120 individuals. Table 6 presents information about FDIC external hires compared to FDIC and CLF overall diversity levels.

Table 6: FDIC External Hires: FYs 2011 - 2013

	FDIC External Hires FY 2011 - 2013		FDIC Overall Average Diversity Levels (FYs 2011 - 2013)	CLF*
	Number	Percentage		
Male	1,167	55%	57%	53%
Female	953	45%	43%	47%
White	1,452	68%	73%	72%
Black	376	18%	17%	12%
Hispanic	62	3%	4%	10%
Asian	177	8%	5%	4%
Other	53	3%	2%	2%
Total	**2,120**	**100%**	**101%**	**100%**

Source: Based on data provided by the FDIC, CLF data, and FDIC MD-715 reports (table A1).
* CLF data is as of FY 2012 for gender and FY 2010 for race/ethnicity.

In comparing 2011-2013 external hires to the FDIC's total average workforce, the percentage of male, female, black, and Hispanic external hires were within one or two percentage points of the FDIC's existing workforce. The FDIC hired a lower percentage of white employees than the FDIC's existing workforce and hired a significantly higher percentage of Asian employees.

When compared to the CLF, the FDIC hired a higher percentage of male, black, Asian, and other employees than the CLF representational levels and a lower percentage of female, white, and Hispanic employees. Hispanic employees represented 3 percent of FDIC's new hires, which lagged significantly behind the Hispanic CLF percentage of 10 percent.

We also evaluated FDIC external hires by employee level. In general, the FDIC hired a higher percentage of male and white employees into senior management positions and a higher percentage of female and minority employees into lower-level positions.

The Financial Services Committee members requested that we determine the FDIC's use of Direct-hire authority to fill vacancies and ensure the FDIC was not inappropriately using Direct-hire authority to avoid competition or steer selections. Direct-hire authority is an OPM hiring authority allowing federal agencies to fill vacancies without competition when critical hiring needs or severe candidate shortages exist. FDIC officials informed us that it did not use Direct-hire authority to fill any positions at the CM-1 through EM levels from 2011 through 2013 and that the agency only used Direct-hire authority to fill lower-level IT security positions under OPM authority granted to all agencies.

Internal Selections for CG-13 and Higher Positions. Individuals in positions at the CG-12 and higher level generally must apply and be competitively selected for higher-level positions, many of which include promotions. As required by the EEOC, the FDIC reports internal selection statistics by gender and race/ethnicity including the number of applications received, the number of applications deemed qualified, and the number of applicants selected.[18] Using this information, we calculated selection rates based on the number of applications deemed qualified. Thus, if 10 applications were deemed qualified and two applicants were selected, the selection rate would be 20 percent.

From 2011 through 2013, 919 FDIC employees were selected for internal positions at a CG-13 level or higher. The vast majority of these employees, or 903, were selected for CG-13 through CM-1 positions. FDIC selected 16 employees for CM-2 or higher positions. Tables 7 and 8 present information about FDIC internal selections.

Table 7: FDIC Internal Selections: CG-13 through CM-1, FYs 2011 - 2013

	Number of Employees	Selection Rate*	Percentage of Total Selections	FDIC Overall Average Diversity Levels
Male	526	21%	58%	57%
Female	377	24%	42%	43%
White	691	24%	77%	73%
Black	110	19%	12%	17%
Hispanic	43	21%	5%	4%
Asian	38	14%	4%	5%
Other	21	29%	2%	2%
Total	**903**	**N/A**	**100%**	**101%**

Source: Table A11 of the FDIC's FY 2011, 2012, and 2013 MD-715 reports.
* The selection rate represents the percentage of qualified applicants that were selected.

Table 8: FDIC Internal Selections: CM-2 through EM-2, FYs 2011 - 2013

	Number of Employees[a]	Selection Rate[b]	Percentage of Total Selections	FDIC Overall Average Diversity Levels
Male	10	15%	63%	57%
Female	6	23%	37%	43%
White	14	20%	87%	73%
Black	2	20%	13%	17%

Source: Table A1 of the FDIC's FY 2011, 2012, and 2013 MD-715 reports.
a – The FDIC reported nine and two qualified Hispanic and Asian applicants, respectively, and selected no Hispanic or Asian applicants. The FDIC received no applications from "Other" employees.
b – The selection rate represents the percentage of qualified applicants that were selected.

For selections at the CG-13 through CM-1 level, female, white, and Other employees were selected at higher rate than other employee groups. The percentage of male, white, and Hispanic employees who were selected exceeded overall FDIC diversity levels. For selections at the CM-2 through EM-2 level, female employees had the highest selection rate and selection rates for white and black employees were the same. However, the percentage of male and white employees who were selected exceeded overall FDIC diversity levels.

[18] The data reported in this section is from table A11 of the FDIC's *Federal Agency Annual EEO Program Status Report*. This table only includes data pertaining to positions that were competitively advertised to FDIC employees, provided that the applicants identified both their gender and race/ethnicity. Thus, the table does not include internal selections when the related vacancy announcements were advertised to both FDIC and non-FDIC employees, and when applicants did not identify both their gender and race/ethnicity as part of the application process. Additionally, selected applicants do not necessarily occupy the related positions (e.g., they may decline).

FDIC Has Robust Training and Leadership Development Programs, but Could do More to Measure the Diversity of Participants

Training and developing employees is critical for preparing employees to take on more responsibility and advance within the Corporation. The FDIC's Corporate University (CU) provides a wide range of training and employee development opportunities, including a Master of Business Administration (MBA) program, leadership and supervisor training, diversity training, a mentoring program, and career counseling services. The FDIC also uses Professional Learning Accounts (PLA), which allot a specific amount of money to permanent FDIC employees to apply to training opportunities. A PLA can enhance an employee's career while adding value to the FDIC. The FDIC implemented PLAs as a permanent program in 2009.

During its 2013 evaluation, OPM concluded that the FDIC had a well-trained employee population and successful leadership programs. OPM also noted that the FDIC has a Corporation-wide training plan which includes formal evaluations of training programs. These evaluations are used to make changes and improvements to the plan and measure training reaction, learning, application, results, and return on investment.

Key leadership-related training programs include:

- The MBA Program: Since 2006, the CU has partnered with the Isenberg School of Management at the University of Massachusetts Amherst to provide permanent FDIC CMs and EMs the opportunity to pursue an on-line MBA degree. The program is designed to allow working professionals to maintain their productivity, while continuing to increase their knowledge and expertise. Participants are required to complete a 37-credit curriculum of business study in 4 years, while maintaining a minimum 3.0 grade point average.

- Leadership Programs: The FDIC offers a wide range of training programs to enhance and further employees' careers. The FDIC offers internal and external leadership courses, some of which are mandatory for employees. In other instances, employees are nominated by FDIC divisions/offices and then selected by a review panel to attend the training. Leadership development programs include the Executive Potential Program, Executive Leadership Program, New Leader Program, and Aspiring Leader Program.

OPM also noted that FDIC employees responded positively in employee satisfaction surveys to questions regarding skills development. In the 2014 FEV survey, 81 percent of those surveyed responded favorably to the question: "I am given a real opportunity to improve my skills in my organization."

The FDIC currently does not track participation rates in the FDIC's MBA program or its internal and external leadership programs by gender or race/ethnicity. Tracking this information would enable the FDIC to determine if there are areas where participation rates by certain groups are lacking. OMWI could then consult with the applicable division/office Directors and determine a course of action.

Recommendation

We recommend that the Chairman, FDIC:

4. Track participation rates by gender and race/ethnicity in its MBA program and various leadership training programs.

Expressions of Interest (EOI) Program. EOIs consist of temporary assignments to different positions in the FDIC for specific periods of time. Employees return to their regular duties at the end of an assignment. DOA notes that the EOI program can be an effective tool for pairing short-term work-loads and project-related resource needs with employee career development goals. The FDIC's EOI program originated from the 1999 *Diversity Strategic Plan*. EOIs expose employees to new areas of responsibility and interest and the FDIC envisions the EOI as an opportunity to prepare employees to take advantage of career opportunities as they arise. EOIs typically last up to 120 days and can be lateral in nature or temporary promotions. Employees return to their regular duties at the end of a detail. Details of less than 120 days do not require a competitive selection process.

The FDIC has two EOI programs: (1) an agencywide program where opportunities are posted on OMWI's internal Web site and available to all eligible FDIC employees, and (2) a program limited to RMS and Division of Depositor and Consumer Protection (DCP) employees.[19] These latter EOIs are posted on RMS/DCP's EOI system and typically pertain to examination functions. Some RMS and DCP EOIs are posted to OMWI's Web site and are available to all employees.

EOIs posted to OMWI's Web site are approved by human resources officials prior to being made available to FDIC employees. To be considered for an EOI, an employee must first obtain approval from his/her supervisor. Then, the employee may apply for a position by submitting requested documentation. The applicable division/office makes a selection, subject to HRB or manager approval. From 2011 through 2013, the FDIC posted a total of 298 EOI opportunities on OMWI's Web site.

EOIs are an important opportunity for employees to develop skills and gain exposure to corporate leaders. We identified several areas for strengthening the EOI program.

- The EOI program could benefit from having written policies and procedures in place to govern the program. Policies and procedures help ensure that management's directives are implemented properly and consistently. In October 2014, the FDIC was in the process of developing such procedures.

  In connection with this effort, the FDIC may wish to revisit the organizational placement of the corporate EOI program. As a developmental program, it may be more logical to

[19] The RMS/DCP EOI Program began in 1995.

organize the EOI program within CU. OMWI would continue to review EOI data for diversity purposes and begin reviewing diversity information from the RMS/DCP EOI program.

- The FDIC does not track EOI application or selection rates by gender or race/ethnicity. RMS/DCP could not readily provide EOI statistics for FDIC regional offices. Tracking EOI information would enable the FDIC to determine if there are areas where participation rates by certain groups is lacking. OMWI could then consult with the applicable division/office Directors and determine an appropriate corrective action, if needed.

Recommendations:

We recommend that the Chairman, FDIC:

5. Develop policy and procedures for the corporate and RMS/DCP EOI programs.

6. Track EOI application and selection rates by gender and race/ethnicity for the corporate and RMS/DCP EOI programs.

Performance Management and Recognition Programs Have Controls to Ensure Fairness, but Gender and Race/Ethnicity Differences May Require Further Monitoring

The FDIC revised its performance management program in 2009. The FDIC has separate rating programs for non-supervisors (Performance Management and Recognition, or PMR) and supervisors (Leadership PMR, or LPMR). The performance rating criteria is aligned with job and behavioral requirements. The FDIC has trained supervisors and employees on using the rating systems. Division and office managers review proposed ratings for consistency and patterns before they are provided to employees. The Legal Division contracts with a statistician to review PMR ratings for disparities between employees by gender, race/ethnicity, and age. The FDIC also has a PMR Design Team that developed the PMR system, periodically surveys employee satisfaction with the system, and proposes system design changes. We compiled PMR and LPMR rating differences by gender, race/ethnicity, and age and engaged a contractor to assess whether those rating differences were statistically significant.

Program Description. PMR and LPMR employees are rated annually and receive an overall rating from I to V, with V being the highest rating.[20] The FDIC is on a pay-for-performance system and links higher PMR/LPMR ratings with larger basic pay increases and potential bonuses. An overview of each performance plan follows:

[20] The FDIC worked with the NTEU in 2008 to redesign the performance evaluation system and implemented a new system, the PMR program, effective with the 2009 performance evaluation cycle. Many of the same principles and processes that apply to the PMR program also apply to the LPMR program.

- PMR Program: The FDIC implemented the PMR program in 2009 to primarily cover non-supervisory CG employees.[21] An employee must receive an overall rating of II or higher to receive an increase in basic pay or potential bonus. The employee's overall performance rating is based on Job Standards Ratings, which includes four to five job standards specific to an individual's position and a Behavioral Standards Rating.[22]

- LPMR Program: The FDIC implemented the LPMR program in 2011 to cover CG supervisors, CMs, EMs, and Corporate Experts. An employee must receive an overall rating of III or higher to receive an increase in basic pay or potential bonus. The LPMR program evaluates managers on the basis of achieving objectives that are linked to corporate and division goals and demonstrating leadership behaviors that are aligned with the FDIC's values and leadership culture. These two factors are combined to determine an employee's overall performance rating.

Performance Management Program Controls. The FDIC has several controls in place to ensure fairness and consistency in its performance management program.

NTEU Involvement. The NTEU participated in the implementation and design of the PMR system. A memorandum of understanding (MOU) between the FDIC and the NTEU describes pay increases associated with performance. Additionally, the MOU requires (1) supervisors to hold formal mid-year and year-end performance review meetings with their employees, (2) reviewing officials to review initial PMR ratings, (3) documentation supporting changes to employee performance ratings, (4) NTEU notification of statistical anomalies in the performance ratings assigned by gender and race/ethnicity, and (5) the FDIC to provide the NTEU with the PMR ratings of bargaining unit employees. A design team comprised of FDIC and NTEU employees monitors the PMR program, seeks program enhancements, and addresses program issues. As discussed later, since initiating the new system, the number of PMR-related grievances declined significantly.

Policies, Procedures, and Training. The FDIC issued several policies and procedures on its PMR and LPMR programs, which are available to all employees. Consistent with 5 C.F.R. Part 412, the FDIC requires supervisors to attend annual training to enhance management and leadership skills in carrying out supervisory responsibilities with respect to managing conduct and performance. This includes training on the PMR process.

Assignment of Employee Ratings. For the PMR and LPMR programs, rating officials are charged with considering employee input and then fairly and consistently applying the job and behavioral standards to the performance demonstrated by employees during the rating period. Reviewing officials review the initial ratings to ensure consistency in the application of the

[21] Other employees covered by the PMR program include Wage Grade employees, Wage Grade Leaders, Lithography Leaders and Lithographer employees.
[22] Employees are rated on four behavioral standards: (1) Teamwork and Collaboration, (2) Judgment, (3) Flexibility, and (4) Accountability for Performance.

standards by subordinate supervisors. Finally, Pay Pool managers review the ratings in their pay pools[23] and address any concerns with subordinate managers.

Surveys. The FDIC developed the PMR program in response to employees' and supervisors' feedback from a 2007 employee engagement survey. The FEV survey results (from 2011 through 2013) demonstrated general employee satisfaction with the performance evaluation program. Additionally, the FDIC issued a PMR evaluation survey to its employees in 2013, which reflected a moderate level of satisfaction with the program by both employees and managers. Employees indicated that they had a solid understanding of the performance evaluation system. Further, more than 60 percent of the responding employees agreed that the most recent ratings on their job and behavioral standards were a fair assessment of their performance.

Statistical Analyses of PMR Ratings. Prior to releasing final ratings to employees, the FDIC's Legal Division directs and manages an external statistical review of the PMR ratings to help ensure that the PMR program is implemented in a fair and consistent manner. The analysis studies the protected categories of gender, race/ethnicity, and age (40 and over). The statistical analyses are conducted by pay pool level and identify statistically significant differences between the ratings assigned to employees of each category (e.g., males and females).

After receiving the analyses from the external consultant, Legal Division staff meet with DOA to explain the results. In any instance where a specific pay pool shows a statistically significant difference, DOA contacts the Pay Pool manager to review the principles of the PMR program, including a reminder that employees are evaluated against standards, and not against each other. DOA asks the Pay Pool manager to ensure that there are non-discriminatory business reasons for the ratings decisions. Since this statistical review process occurs before employees receive their ratings, Pay Pool managers have the opportunity to have ratings changes considered by subordinate managers to ensure that employee ratings accurately reflect performance. After the review of the statistical analysis is complete, ratings are shared with employees.

We concluded that the statistical analyses represent a strong control over the PMR process and help to identify potential areas for further oversight, concern or action, such as education or training. For example, as a result of the statistical analyses conducted on the PMR ratings in 2012, the FDIC-NTEU Design Team developed and implemented additional training for managers and supervisors on the PMR assessment and rating process. The FDIC provided the training to managers in two divisions during 2013 and expects to provide the training to all managers and supervisors in 2014.

The FDIC does not perform statistical analyses of employee ratings pertaining to LPMR employees, nor does it perform analyses at other levels of the Corporation (e.g., agencywide, by

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[23] Each divisional office generally constitutes a pay pool except for RMS and DCP. For those divisions, each regional office constitutes a separate pay pool. Pay Pool managers typically are division and office Directors. As of May 2014, there were 24 Pay Pool managers at the FDIC who reviewed the ratings given to both bargaining unit and non-bargaining unit employees in their pay pools.

grade level, or by bargaining unit status). Expanding these analyses would enhance controls, and provide a more comprehensive view of employee rating trends.

Recommendation

We recommend that the Chairman, FDIC:

7. Consider expanding the statistical analyses of employee performance ratings to include (a) LPMR employees and (b) additional categories of data (e.g., analyses of PMR/LPMR results agencywide and by grade level) to further ensure that ratings are fair and applied consistently.

OIG PMR and LPMR Ratings Analysis. DOA provided the OIG with PMR and LPMR ratings of FDIC employees for the 2011, 2012, and 2013 performance cycles. In all, DOA provided the FDIC OIG with employee performance information pertaining to 7,121, 6,755, and 6,689 employees in the 2011, 2012, and 2013 performance rating periods, respectively. A number of employees were excluded from the datasets as follows:[24]

- Financial Institution Specialists. These employees are on a pass/fail system.
- Employees who were not with the FDIC long enough during the performance period to receive a performance rating (at least 90 days). These employees included certain new hires, employees on leave without pay, military, or other extended leave, and students.
- Employees who separated from the FDIC before their ratings were finalized.
- OIG employees. These employees are on a slightly different performance evaluation system from the employees included in the analysis.

We analyzed PMR and LPMR data by gender and race/ethnicity. Table 9 presents ratings distribution information for all FDIC employees rated under the PMR or LPMR program in the 2013 rating period.

[24] The number of excluded employees comprised 1,289, 1,090, and 883 employees in 2011, 2012, and 2013, respectively. These numbers are based on the FDIC's workforce as of the PMR and LPMR payout dates for each year (these dates occurred in January or March of each year) and the OIG workforce as of September 30 of each year.

Table 9: 2013 FDIC Performance Appraisal Ratings Distribution (PMR and LPMR)

	Overall Summary Rating					Average Rating
	I	II	III	IV	V	
Male	0.1%	0.4%	32.2%	43.3%	24.0%	3.91
Female	0.1%	0.2%	27.4%	43.9%	28.5%	4.00
White	0.1%	0.3%	28.1%	44.4%	27.2%	3.98
Black	0.3%	0.5%	36.5%	42.1%	20.7%	3.82
Hispanic	0.0%	0.0%	34.3%	39.0%	26.7%	3.92
Asian*	0.0%	0.3%	30.9%	39.9%	28.9%	3.97
Other*	0.0%	1.0%	38.1%	44.3%	16.5%	3.76
Average	**0.1%**	**0.3%**	**30.1%**	**43.6%**	**26.0%**	**3.86**

Source: OIG analysis based on PMR and LPMR rating information from DOA.
* For PMR/LPMR diversity analysis purposes, the FDIC groups Asians, Native Hawaiians, and Pacific Islanders into a single category. The "Other" category includes American Indians, Alaska Natives, and people of two or more races.

As shown, female employees received higher performance ratings on average than male employees and white and Asian employees received higher ratings than black, Hispanic, and Other employees. The ratings distributions for 2011 and 2012 were similar.

Statistical Analyses of PMR and LPMR Data. We engaged a consultant, DCI, to analyze employee PMR and LPMR ratings over three annual performance periods covering 2011 through 2013 to determine if there were statistically significant performance rating differences by gender and race/ethnicity. The consultant statistically analyzed FDIC performance data in several ways, including:

- Agencywide.
- By employee level (CG-12 and below, CG-13 through CM-1, and CM-2 and above).
- By performance system (PMR or LPMR).

The consultant conducted tests that considered both statistical and practical significance. Tests of statistical significance indicate the probability that a group difference could have been due to chance. A statistically significant result does not imply that a difference is good, bad, large, or small. Instead, it simply indicates that the observed difference is probably not due to chance. In contrast, tests of practical significance provide an indication of the size of the difference. The consultant provided a summary of results of practical significance tests showing gender and race/ethnicity differences that are typically found in studies of performance appraisal differences. Appendix 7 provides more information about the consultant's methodology and analysis results.

The major trends resulting from DCI's study, all of which were statistically significant and consistently identified from 2011 through 2013, were as follows:

- Females were rated higher than males. The size of the differences was in line with or slightly higher than what has been observed in academic studies on this topic, showing that females tend to receive higher performance ratings than males.

- White employees were rated higher than black employees. The size of the differences was generally in line with or lower than what has been observed in academic studies on this topic, showing that white employees tend to receive higher performance ratings than black employees.

DCI also compared performance ratings of white employees to (1) Hispanic employees; (2) Asian, Native Hawaiian, and other Pacific Islanders; and (3) American Indian and Alaska Natives. DCI identified a small number of statistically significant differences; however, none of the statistically significant differences were consistent over the years and the size of the differences was generally in line with academic studies on this topic. DCI noted that statistically significant differences do not necessarily indicate discrimination. Differences in performance ratings could be due to actual differences in performance, regional differences in ratings, or job family differences in ratings (i.e., supervisors in certain fields are more strict or lenient than supervisors in other fields).

FDIC Rewards and Recognition Program. The FDIC has a rewards and recognition program and related policies and procedures. The purpose of this program is to encourage and reward employees, individually or in teams, for their innovation, creativity, and excellent work products that benefit the Corporation. The program is also designed to reward employees for their actions that promote valued organizational behavior and who serve as role models or motivators. Rewards also contribute to an employee's ability to advance in the Corporation.

FDIC Circular 2420.1, *FDIC Rewards and Recognition Program*, dated February 2, 2011, provides policy, procedure, and guidelines for the program. The FDIC's policy is to grant awards only in recognition of contributions that are both significant and substantially exceed the scope of achievement normally expected as part of the job. The nature and amount of recognition should be proportionate to the value of the contribution or achievement and properly documented. Generally, there are no limits on the number of awards an employee may receive in a given year. Awards are monetary and non-monetary.

The FDIC's written procedures specify how to recommend employees for various awards; eligibility criteria; justification, review, and approval processes; and documentation requirements. Depending on the type of award, award recipients are selected by supervisors, division/office Directors, selection committees, the Deputy to the Chairman, and/or the Chairman. Any supervisory employee may nominate an employee for an award. EM and CM employees are not eligible for certain awards.

Employee Feedback. The WE Steering Committee commissioned a review of the FDIC's Rewards and Recognition program in response to the 2012 FEV survey findings, which confirmed that opportunities existed to improve this program. As part of this review, 2,952 employees (39 percent response rate) completed a survey in July 2013 about the program and how it could be improved.

Overall, the survey results suggested that FDIC employees are generally dissatisfied with the Rewards and Recognition program. Only 31 percent of those surveyed responded favorably that the program provides motivation to contribute more than required. Only 33 percent responded favorably that creativity and innovation were recognized and rewarded at the FDIC. Of note, while 54 percent of those surveyed responded favorably that all employees have the opportunity to receive rewards and recognition for their contributions, only 28 percent responded favorably that rewards and recognition were distributed fairly to employees.

Based on employee feedback, the WE Steering Committee made recommendations to the FDIC Chairman to improve the program. Recommendations included increasing employee understanding and transparency about how the program works and adding an award to recognize D&I.

Cash Award Recipients. From 2011 through 2013, the FDIC awarded 5,460 cash awards totaling $2.7 million. The annual number of cash awards averaged 1,820 over this time period, representing an average of 23 percent of FDIC's total workforce (permanent and non-permanent employees) receiving an award.[25]

Table 10 shows cash award information by gender and race/ethnicity. While the percentage of each group of employees receiving awards was generally within a couple of percentage points, the average award amounts differed significantly. The FDIC may wish to further study this trend.

Table 10: FDIC Cash Awards: FYs 2011 - 2013

	Average Award Amount	Percentage of Each Group Receiving Awards*
Male	$513	22%
Female	$454	24%
White	$509	24%
Black	$372	22%
Hispanic	$475	22%
Asian	$549	20%
Other	$438	20%

Source: Based on table A13 of the FDIC's MD-715 reports for FYs 2011, 2012, and 2013.
* Assumes no employees received more than one award in a given year.

FDIC Employees Have Several Options for Appealing Personnel Decisions and Reporting Discrimination

FDIC employees have several options to resolve disputes in the event they disagree with personnel decisions or suspect unlawful discrimination. These avenues include filing an EEO complaint, filing a grievance,[26] presenting concerns to the FDIC's Internal Ombudsman, or participating in the FDIC's workplace disputes program (WDP). The FDIC offers an alternative dispute resolution (ADR) process, as required by the Administrative Dispute Resolution Act of 1990, that may be used in any of the appeal avenues. The FDIC's EEO complaint statistics were

[25] This percentage figure is based on the assumption that no employees received more than one award in a given year. The percentage figure was derived by adding the total number of cash awards in FYs 2011, 2012, and 2013 and dividing this number by the sum of the FDIC's employees (permanent and non-permanent) as of September 30 of 2011, 2012, and 2013.

[26] A bargaining unit employee alleging discrimination can raise a complaint through the EEOC complaint process or negotiated grievance procedure, but not both. A non-bargaining unit employee can only use the EEOC complaint process. The majority of discrimination complaints are processed through the EEOC complaint process.

similar to overall federal government statistics regarding the percentage of the workforce filing complaints and complaint settlement rates.

EEO Complaints. The FDIC processes employment discrimination complaints based on race, color, national origin, sex, religion, age, disability, genetic information, or reprisal pursuant to the Federal EEO Complaint Processing Regulations found at Title 29 C.F.R. Part 1614, titled *Federal Sector Equal Employment Opportunity*. These regulations mandate specific procedures and time frames for federal agencies to process, investigate, and issue agency decisions on discrimination complaints. The FDIC's procedures for initiating and processing EEO complaints of employment discrimination are contained in FDIC Circulars 2710.2, *EEOC Discrimination Complaint Procedures*, and 2710.4, *FDIC Discrimination Complaint Procedures*, both dated October 19, 2010.

The Director of OMWI sets the FDIC's EEO policy guidance and issues final agency decisions on EEO complaints, pursuant to delegated authority from the Chairman. OMWI's Director is responsible for ensuring that complaint processing is managed in an efficient and effective manner and OMWI adheres to timeframes established in federal and FDIC policy. The FDIC's discrimination complaint policy and process conforms with 29 C.F.R. Part 1614 and includes phases and time frames for informal counseling, ADR, formal complaint investigation, final agency action, an appeals process to the EEOC, and the right to file a civil action in a United States District Court.

Discrimination complaints are categorized by protected bases and issues. Bases refer to an individual's protected status (e.g., race, national origin, color, religion, reprisal, and gender). Issues represent the specific focus of the complaint and include categories such as harassment (sexual and non-sexual),[27] promotion/non-selection, evaluation/appraisal, terms/conditions of employment, training, and awards, among others. An example of an EEO complaint could be an employee alleging that she was not promoted because of her gender. In this example, the basis is the person's gender and the issue is promotion/non-selection.

Complaint Activity. From FYs 2011 through 2013, 200 FDIC employees sought EEO counseling with regards to 229 informal complaints alleging discrimination. OMWI resolved 86 of the informal complaints (37.6 percent). In comparison, the FY 2012 government-wide informal resolution rate was 53.4 percent. The remaining 143 complaints (62.4 percent) transitioned into formal complaints.

From FYs 2011 through 2013, the FDIC averaged 48 formal EEO complaints annually, which is significantly higher than the average number of formal complaints from FYs 2008-2010 (an average of 17 complaints per year for this period). In its FY 2013, *No FEAR Act Annual Report to Congress*, the FDIC attributed the increase to non-permanent employees—who were hired in order to address the workload resulting from the 2008 financial crisis—filing complaints after not being selected for permanent positions. Forty percent of the EEO complaints filed in FYs

[27] Examples of non-sexual harassment include severe or pervasive comments, jokes, slurs, gestures, threats, or physical contact related to the bases of alleged discrimination.

2011 and 2012 and 31 percent of the EEO complaints filed in FY 2013 were filed by non-permanent employees.

Table 11 provides summary information about the formal complaints filed by FDIC employees from FYs 2011 through 2013 and general comparisons to government-wide statistic, where applicable.

Table 11: Formal EEO Complaint Statistics: FYs 2011 - 2013

	FDIC				FY 2012 Government-Wide Rate
	FY 2011	FY 2012	FY 2013	3-Year Total	
Formal Complaints Filed	51	44	48	143	-----
Number of Individuals Filing Formal Complaints	42	37	43	122[a]	-----
Percentage of Workforce Filing Formal Complaints	0.50%	0.47%	0.57%	0.51%	0. 51%
Disposition of Formal Complaints					
Settled	8	14	9	31 (29.5%)[b]	25.9%
Withdrawn	5	2	4	11 (10.5%)[b]	8.6%
Dismissed	11	12	9	32 (30.5%)[b]	22.4%
Merit Decision Finding Discrimination	0	0	0	0 (0%)	1.4%
Merit Decision Finding No Discrimination	4	14	13	31 (29.5%)	41.7%
Total Complaints Closed	**28**	**42**	**35**	**105**	**-----**
Average Number of Days in Investigation	207	224	221	217	187

[a] There were seven repeat filers during our 3-year scope period.
[b] Percentage of closed complaints.
Source: FDIC FY 2013 *No FEAR Act Annual Report to Congress* and the EEOC's *FY 2012 Annual Report on the Federal Workforce Part I EEO Complaints Processing*.

The most prevalent bases[28] cited in the 143 formal complaints filed from FYs 2011 through 2013 remained relatively consistent and included complaints related to:

- Reprisal: 88 complaints (61.5 percent),
- Race: 75 complaints (52.4 percent), and
- Age: 60 complaints (42.0 percent).

The most prevalent issues[29] also remained relatively consistent and included:

- Harassment (non-sexual): 84 complaints (58.7 percent),
- Evaluation/appraisal: 60 complaints (42.0 percent), and

[28] An employee can allege multiple bases when filing a complaint. The sum of bases may not equal total complaints filed.
[29] An employee can allege multiple issues when filing a complaint. The sum of issues may not equal total complaints filed.

- Promotion/non-selection: 57 complaints (39.9 percent).

The FDIC's top three bases and issues were similar to the top three government-wide bases and issues. The top three government-wide bases were reprisal, age, and race; the top three issues were harassment (non-sexual), promotion/non-selection, and terms/conditions of employment.

Settlements. We found that 29.5 percent of the FDIC's complaints were settled pertaining to FYs 2011-2013, compared to the government-wide settlement rate of 25.9 percent in FY 2012. We analyzed the number of EEO cases and settlements by FDIC division and office for trends and followed up with OMWI about divisions with the highest settlement rates. We gained assurances from OMWI officials that the FDIC was not routinely settling EEO cases to avoid findings of discrimination. Further, OMWI informed us that the FDIC's settlements often included provisions such as allowing employees to participate in an EOI or training program or receive a temporary promotion. OMWI contended that settlements occur when they are legal, reasonable, and feasible.

ADR Program. Federal EEOC regulations require agencies to establish or make available an ADR program that could be used in both the informal and formal stages of the EEO complaint process. EEOC regulations also require agencies to make reasonable efforts to voluntarily settle EEO discrimination complaints as early as possible throughout the administrative process.[30] The EEOC has encouraged the use of ADR because: (1) the costs of the resolutions are generally lower, (2) the complaint processing workload is reduced, (3) complaints are settled in a timelier manner, and (4) the impact on the individuals involved is less severe. In addition, the impact on the organization is reduced in terms of employee morale and productivity costs.

The FDIC has had an ADR program for more than 20 years. The FDIC established the EEO Mediation Program as a permanent ADR program in February 2000 to comply with EEOC regulations. This program is administered by OMWI and offers interest-based mediation as an alternative to traditional EEO counseling. The FDIC also has an ADR Steering Committee comprised of representatives from a majority of its divisions and offices, which oversees implementation of ADR policies, programs, and processes at the FDIC. The Steering Committee reports annually to the FDIC's Chairman on the FDIC's use of ADR.

In FYs 2011 and 2012, the FDIC's and government-wide ADR resolution rates were as follows:[31]

- 2011 informal complaints. FDIC: 51.4 percent; government-wide: 64.9 percent.
- 2011 formal complaints. FDIC: 40.0 percent; government-wide: 53.2 percent.
- 2012 informal complaints. FDIC: 38.5 percent; government-wide: 63.0 percent.
- 2012 formal complaints. FDIC: 62.5 percent; government-wide: 57.0 percent.

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[30] 29 C.F.R. § 1614.102(b).

[31] This information was reported by the EEOC in the following FY 2011 and FY 2012 reports titled: *Annual Report on the Federal Work Force Part 1 EEO Complaints Processing.* The FY 2013 report was not available during our fieldwork.

The ADR process may also be used in the grievance process and to resolve other workplace disputes.

Holding Employees Accountable for EEO Violations. The FDIC has a zero-tolerance policy for acts of discrimination, harassment, or retaliation. The FDIC's policy on equal opportunity states that the FDIC prohibits discrimination in its workforce and all of its programs and activities, and that all employees have a responsibility to implement this policy by their conduct, decisions, and actions. The policy notes that employees who commit acts of prohibited discrimination may be subject to disciplinary action up to, and including, termination from employment. Supervisors or managers who fail to take appropriate disciplinary action against subordinates who commit acts of prohibited discrimination, including retaliation against or harassment of employees who engage in the EEO complaints or grievance processes, will be subject to disciplinary action.

FDIC Circular 2750.1, *Disciplinary and Adverse Actions*, dated January 1999, sets forth policies and procedures for holding managers and employees accountable and administering disciplinary and adverse actions in a fair and consistent manner. Informal disciplinary steps include oral and written counseling, oral reprimands, and letters of warning. Formal disciplinary actions include letters of admonishment or reprimand and suspensions from duty and pay. Additional actions include placing an employee on a performance improvement plan, a reduction in pay or grade, and termination. The FDIC does not have a "table of penalties," which is a document outlining the types of behavior that could result in a particular disciplinary action or range of disciplinary actions. The FDIC prefers to assess disciplinary or adverse action on a case-specific basis.

We asked OMWI and DOA officials what actions the FDIC had taken against supervisors in the past for actions that either constituted discrimination or were contrary to the FDIC's EEO Policy, D&I principles, or corporate values. OMWI officials noted that from 2011 through October 10, 2014 (our inquiry date), there were no instances of discrimination or alleged discrimination that warranted the imposition of informal or formal actions against employees.

Grievances. A grievance is a request by an employee or group of employees acting as individuals, for personal relief in a matter of concern or dissatisfaction which is subject to the controls of FDIC management and relates to the employment of the employee(s).

The FDIC has separate grievance procedures for bargaining unit and non-bargaining unit employees. Bargaining unit employees are covered under Article 47 of the FDIC/NTEU National Agreement commonly referred to as the negotiated grievance procedure. Non-bargaining unit employees follow administrative procedures prescribed in FDIC Circular 2140.1, *FDIC Grievance Procedures*.

Grievances are categorized by issue, such as: adverse or unacceptable performance actions (defined as removal, suspension, and reduction in pay or grade); performance appraisals; work schedule changes; lack of training; promotion/non selection; and other work-related matters. Grievances may also allege discrimination.

From FYs 2011 through 2013, FDIC employees filed 137 grievances. The majority of these grievances (98 percent) were filed by bargaining unit employees through the negotiated grievance procedure. The total percentage of employees filing grievances declined from 0.63 percent in FY 2011 to 0.54 percent in FY 2013. The most prevalent grievance issues from FYs 2011 through 2013 pertained to:

- The PMR Program: 56 grievances (40.9 percent),
- Travel and Relocation: eight grievances (5.8 percent), and
- Discipline: seven grievances (5.1 percent).

The FDIC resolved the 137 grievances filed from FYs 2011 through 2013 as follows:

- 16 (11.7 percent) were upheld, granted, or partially granted;
- 26 (19.0 percent) were settled;
- 29 (21.2 percent) were withdrawn;
- 63 (46.0 percent) were dismissed, denied, or rejected; and
- Three (2.2 percent) were appealed.

Employees filed two grievances alleging discrimination from FYs 2011 through 2013. The FDIC denied relief requests for both grievances. The number of grievances filed pertaining to employee performance evaluations declined significantly since the FDIC implemented its new PMR program in 2009. From FYs 2011 through 2013, employees filed an average of 19 performance-related grievances per year. In contrast, employees filed over 200 performance-related grievances in 2004.

Internal Ombudsman. Although not required by statute or regulation, the FDIC has had a permanent Internal Ombudsman since 2012. This individual acts as a confidential, neutral, and independent resource by providing informal assistance to all current employees and managers to resolve work-related issues and concerns. The Internal Ombudsman coordinates the WE Program and meets regularly with the Chairman and can identify systemic problems in need of attention. The Internal Ombudsman does not participate in any formal EEO complaint or grievance processes.

In calendar year (CY) 2013, the Internal Ombudsman handled 179 cases involving 252 issues from 3 percent of the FDIC's workforce. The caseload statistics were similar for 2012. CG employees brought about 85 percent of the cases and managers and executives brought about 15 percent of the cases. Cases are categorized into nine categories, which are derived from the International Ombudsman Association.[32] In 2012 and 2013, the top three issues were Career Progression and Development, Evaluative Relationships, and Compensation and Benefits.

Workplace Disputes Program (WDP). The WDP is a permanent program authorized by the FDIC Board in 2004, as a confidential process designed to provide employees with an additional informal forum to resolve workplace conflicts. This program is different from, and not intended

[32] These nine categories are: (1) Compensation and Benefits; (2) Evaluative Relationships; (3) Peer and Colleague Relationships; (4) Career Progression and Development; (5) Legal, Regulatory, Financial, and Compliance; (6) Safety, Health, and Physical Environment; (7) Services/Administrative Issues; (8) Organizational, Strategic, and Mission-Related; and (9) Values, Ethics, and Standards.

to take the place of formal complaint or grievance processes, or other informal conflict resolution processes at the FDIC, such as the Internal Ombudsman or EEO Mediation Program.

Mediations under the WDP are voluntary and arranged by ADR employees in the Legal Division. The WDP utilizes third-party contract neutrals who are experienced ADR providers, at no cost to the parties, to assist them in resolving their workplace dispute(s). From CYs 2011 through 2013, there were 31 inquiries, nine of which resulted in mediations. The majority of the referrals (24 out of 31) were from FDIC's regional or field offices.

FDIC Monitors Employee Separation and Termination Statistics and Reasons for Leaving the Corporation

The FDIC has a standard process for interviewing employees who leave the Corporation and monitors response trends and areas of concern. The FDIC also follows merit system principles in the event of employee terminations. The FDIC closely monitors the impact of employee attrition on women and minority representation levels.

The FDIC's attrition rate among its permanent workforce has averaged about 5.5 percent from FYs 2011 through 2013. The attrition rate of the FDIC's non-permanent workforce was higher, primarily due to separations of term employees who were hired during the 2008 financial crisis for periods generally lasting from 2 to 4 years. Some of the term employees were hired into permanent positions after applying for job vacancies posted to OPM's USAJOBS Web site.

Exit Survey Results. We reviewed exit survey information and employee satisfaction survey results for indications of employee dissatisfaction or unfair treatment as reasons for leaving the FDIC. The FDIC engaged a consultant to interview employees who separated from the FDIC from 2007 through 2013 to learn more about their views on the Corporation and reasons for leaving.[33] The key findings of this review were:

- Former employees were most satisfied with their overall experience at the FDIC, work environment, and leadership and strategic direction (79, 78, and 75 percent favorable, respectively).
- Former employees provided favorable ratings related to their immediate supervisor and compensation (71 percent favorable for both).
- Four out of five former employees were satisfied working at the FDIC, would recommend it as a place to work, and would consider returning to work at the FDIC.
- Former employees were least satisfied with training, career development, and advancement. (56 percent favorable rating).
- The most commonly cited reasons for leaving the FDIC were retirement and career advancement opportunities (roughly 24 percent and 19 percent of respondents cited these reasons, respectively).

[33] The consultant performed two separate surveys: one pertaining to employees who separated from the FDIC from 2007 through 2011, and a second pertaining to employees who separated from 2007 through 2013. The response rates were 58 and 60 percent, respectively. The results of the two surveys were largely similar.

Former female employees were generally less favorable than former male employees about their views of the FDIC. Former black employees were more favorable than all other respondents regarding the FDIC's leadership and strategic direction. However, former black employees were notably less favorable than total respondents regarding advancement opportunities. Former black employees were also less favorable than total respondents regarding the fair administration of career opportunities and promotions and the FDIC's commitment to ensuring equal opportunities. The consultant recommended that the FDIC explore the reasons for these findings. FDIC posted the survey to its internal Web site and intends to discuss the results with its CDAC and WE councils.

The FDIC enhanced its exit survey process in October 2013 by introducing a new exit survey and exit interview process to gain more detailed input from departing employees. The exit interview focuses on obtaining employees' perceptions about their supervisors, FDIC leadership, and the FDIC's culture as it relates to diversity of viewpoints and people, collaboration, flexibility, and fairness.

Attrition Rates. From 2011 through 2013, a total of 943 permanent employees separated from the FDIC, representing an average turnover rate of 5.49 percent.

- 2011: 309 separations (5.6 percent): 300 voluntary and 9 involuntary,
- 2012: 308 separations (5.3 percent): 291 voluntary and 17 involuntary, and
- 2013: 326 separations (5.6 percent): 310 voluntary and 16 involuntary.

For permanent employees, attrition rates of male, Hispanic, and Asian employees were above the average turnover rate of 5.49 percent. The FDIC tracks attrition by gender and race/ethnicity and reports information, as required, to the EEOC. Table 12 presents voluntary and involuntary separation information.

Table 12: FDIC Separations by Permanent Employees: FYs 2011 - 2013

	Voluntary Separations		Involuntary Separations	
	3-Year Average	3-Year Rate	3-Year Average	3-Year Rate
Male	178	5.6%	9	0.3%
Female	123	4.9%	5	0.2%
White	220	5.3%	9	0.2%
Black	48	4.8%	5	0.5%
Hispanic	13	6.4%	0	0.0%
Asian	15	6.0%	1	0.3%
Other	3	4.7%	0	0.0%

Source: DOA.

FDIC Has Initiated Succession Planning Efforts

The FDIC performs and considers diversity in its succession planning efforts and engaged a consultant in January 2014 to assist with these efforts. The consultant performed a comprehensive succession planning assessment of the FDIC's most senior 33 EM positions. The consultant identified the following four key structural challenge areas and made recommendations for improvement.

- Limited aspiration among potential successors for advancement,
- Insufficient number of candidates in talent pool or pipeline,
- Gaps in key capabilities and competencies of potential successors, and
- Limited succession management infrastructure in place at the agency level.

Among other things, the consultant's report included strategies for building on existing diversity-related programs to broaden the talent pool of potential candidates. The consultant presented its work to the FDIC's Chairman, Board members, and division and office directors in May 2014. In July 2014, FDIC leadership engaged the consultant to begin a second phase of its work, which it expects to continue well into 2015 and beyond.

At the time of our evaluation, the consultant was assisting the FDIC with its Workforce Development initiative. This broad-based initiative includes succession planning, D&I considerations, and other efforts to address the challenge areas noted above and meet the FDIC's long-term leadership needs. The FDIC communicated this initiative to its employees in September 2014 and its objectives are to (1) attract and develop talented employees across all divisions and offices, (2) enhance the capabilities of FDIC's employees through training and diverse work experiences, (3) encourage employees to engage in active career development planning and seek leadership roles in the FDIC, and (4) build on and strengthen the FDIC's operations to best support these efforts. To guide this initiative, the FDIC established a steering committee comprised of FDIC senior leaders and division and office directors. The committee is chaired by the Chairman's office and meets monthly to set the direction for the initiative, review progress, and make recommendations. The FDIC plans to include this initiative in its 2015 performance goals.

Through the Workforce Development Initiative and with the consultant's assistance, the FDIC expects to further develop its staff in preparation for future career opportunities when EMs and other senior leaders leave the Corporation. Ultimately, the FDIC expects these efforts to result in the development of succession management strategies to help ensure the FDIC's ability to meet its mission well into the future.

The FDIC noted that building a sufficient talent pipeline to ensure succession challenges are fully addressed will be a multi-year effort that will involve identifying future workforce and leadership needs, assessing current workforce capabilities, shifting FDIC's culture to support aspiration to leadership and management roles, and developing talent to meet emerging workforce needs. As such, FDIC believes its succession planning and workforce development efforts will be an evolving, iterative process.

Finally, the 2012 OPM Human Capital Management Evaluation report recommended that the FDIC develop a corporate-wide succession plan that includes a strategic approach to identify and develop high potential employees for managerial and supervisory positions and an inclusive approach for other employees to create a focused and cohesive plan for addressing FDIC future leadership needs. The FDIC believes the actions described above will address OPM's recommendation.

Other Matters Warrant the FDIC's Consideration

We identified matters related to the quality of the FDIC's reported EEOC data and updating EEO and diversity-related policies that warrant FDIC management's attention. A brief discussion of each matter follows.

Data Integrity of Diversity and Inclusion Reporting Could be Improved.

In performing analyses of the FDIC's demographic data, we relied on data reported in its annual MD-715 reports for FYs 2011, 2012, and 2013. We identified several errors, which management attributed in part to a change in the way it computed the data, beginning with the FY 2013 data. We used corrected data tables for our evaluation analyses and verified with FDIC management that the corrected data tables were accurate.

OMWI re-posted corrected 2013 data tables to its internal Web site. OMWI was not able to re-post corrected FY 2011 and 2012 data tables because they were created by a contractor using a system that the contractor no longer supports. The related contract ended in 2012 and the FDIC created the FY 2013 MD-715 reports internally. An overview of the identified errors follows:

- Table A3: Occupational Categories – Distribution by Race/Ethnicity and Sex. The composition of "officials and managers" for FY 2013 was significantly understated. FDIC recalculated the data and posted a corrected 2013 data table to its Web site.

- Table B3: Occupational Categories – Distribution by Disability. The FY 2013 table contained the same information as the FY 2012 table. The FY 2013 table was incorrect and FDIC re-posted a corrected 2013 table to its Web site.

- Table A8: New Hires by Appointment – Distribution by Race/Ethnicity. The FY 2011 and 2012 new hire figures were significantly understated.

- Table A10: Non-competitive Promotions – Time in Grade – Distribution by Race/Ethnicity and Sex. The FY 2011 and 2012 data had errors pertaining to the number of employees who stayed within-grade for a period of time exceeding the minimum period. In addition, we could not determine if the total number of career ladder employees reported in the FY 2011 and 2012 tables were correct.

- Table A11: Internal Selections for Senior Level Positions – Distribution by Race/Ethnicity and Sex. The FY 2011 and FY 2012 data was attributed to the wrong categories. Specifically:
  - Internal promotion figures were attributed to CG-15 positions but should have been attributed to CG-15 and CM-1 positions, and
  - Internal promotion figures were attributed to CM-1 and higher positions but should have been attributed to CM-2 and higher positions.

- Table A14: Separations by Type of Separation – Distribution by Race/Ethnicity and Sex. FY 2013 separation rates were significantly understated. FDIC recalculated the data and posted a corrected data table to its Web site.

Without sufficient controls to ensure the reliability of diversity data, the FDIC risks reporting incorrect information to the EEOC and the public. Further, the FDIC could be relying on inaccurate data when assessing its diversity levels and the effectiveness of diversity initiatives.

Recommendation

We recommend that the Chairman, FDIC:

8. Enhance controls to ensure the reliability of the data reported in the FDIC's *Federal Agency Annual EEO Program Status Report*.

Certain EEO and D&I Policies and Procedures Should be Updated

Several of the FDIC's written policies and procedures pertaining to D&I predate DFA enactment on July 21, 2010 and still reference OMWI's predecessor office, ODEO. Further, there could be opportunities for the FDIC to enhance its policies and procedures, in light of DFA, new D&I initiatives, changes in OMWI's reporting structure, and other recommendations in this report. During our evaluation, the FDIC was in the process of updating its written procedures pertaining to its Anti-Harassment program, CDAC program, and Corporate Outreach program.

Specific FDIC plans, policies, and procedures pertaining to D&I that were issued prior to DFA and/or reference OMWI's predecessor office include the:

- *FDIC's Affirmative Employment Plan*, dated April 2008;
- *Policy on Equal Opportunity*, Circular 2710.1, issued October 19, 2010;
- *EEOC Discrimination Complaint Procedures*, Circular 2710.2, issued October 19, 2010;
- *Anti-Harassment Policy*, Circular 2710.3, issued October 5, 2010;
- *Discrimination Complaint Procedures*, Circular 2710.4, issued October 19, 2010;
- *Procedures Providing Reasonable Accommodations to Individuals with Disabilities*, Circular 2710.5, issued October 2, 2007;
- *Collections and Maintenance of EEOC Statistics*, Circular 2710.7, issued September 28, 2007, and
- *Complaint Procedures for Individuals Who Believe They Have Been Discriminated Against in a FDIC Conducted Educational or Training Program or Activity*, Circular 2710.12, October 19, 2010.

Recommendation

We recommend that the Chairman, FDIC:

9. Review and update the FDIC's policies, procedures, and other D&I-related written documentation, as needed, to reference DFA, OMWI, new D&I initiatives, and other relevant information.

Corporation Comments and OIG Evaluation

The Deputy to the Chairman and Chief Operating Officer, Chief of Staff, provided a written response dated November 21, 2014, to a draft of this report. The response is presented in its entirety in Appendix 10. In its response, the FDIC concurred with the report's nine recommendations and noted its commitment to narrowing representational gaps and promoting fair and equitable workplace outcomes. The response outlined corrective actions that were responsive to the recommendations. The FDIC established planned completion dates for the corrective actions throughout 2015, and expects to have them all accomplished by December 31, 2015. A summary of the Corporation's corrective actions is presented in Appendix 11.

Objective, Scope, and Methodology

Objective

The objective of this evaluation was to assess agency personnel operations and other efforts to increase agency diversity, create a workplace free of systematic discrimination, and provide equal opportunity for minorities and women to obtain senior management positions.

We performed this evaluation in response to a request from the Ranking Member and Minority members of the United States House of Representatives Committee on Financial Services, dated March 24, 2014. The members requested that we review the FDIC's internal operations to determine whether any personnel practices have created a discriminatory workplace or otherwise systematically disadvantaged minorities from obtaining senior management positions. The members sent similar request letters to the OIGs of six other federal financial regulators.[34]

We coordinated with the other OIGs and agreed to follow a common objective and approach to conducting the evaluation work. We also met and discussed our planned objective and approach with Committee staff.

We performed our evaluation from April 2014 through October 2014 in accordance with the Council of Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

Scope and Methodology

The scope of this evaluation generally pertained to the 3-year period 2011 through 2013. To achieve our objective, we performed the following procedures:

- Assessed the demographics of FDIC's employees and compared the FDIC's demographic composition to that of other federal agencies and the CLF.

- Evaluated OMWI's role and involvement in assessing the impact of the FDIC's personnel policies on minorities and women and increasing diversity throughout the agency and within senior management positions.

- Reviewed FDIC human resources processes, operations, policies, and procedures (related to recruiting, hiring, promotion/advancement, training and EOI opportunities, employee performance evaluations, and awards programs) to determine to what extent controls are established to prevent and detect discrimination.

- Assessed FDIC's efforts to:
  - respond to EEO complaints, grievances, employee satisfaction survey results, or other indications of dissatisfaction or discrimination; and
  - increase diversity throughout the agency and within senior management.

[34] The six other agencies are the FRB, CFPB, OCC, FHFA, SEC, and NCUA.

Objective, Scope, and Methodology

- Assessed FDIC employee separation rates and related survey data to determine if separations were related to D&I concerns.

- Assessed the FDIC's succession planning efforts.

- Identified factors that have impacted the FDIC's ability to increase agency diversity at all grade levels, and particularly, in senior management.

- Engaged a consultant (DCI), to statistically analyze the FDIC's employee performance evaluation data. Appendix 7 further explains DCI's methodology. DCI also performed similar and comparable analyses of employee performance data for the OIGs responsible for the FRB, CFPB, OCC, FHFA, and NCUA.[35]

- Analyzed MD-715, PMR, and LPMR data.

- Reviewed federal statutes, regulations, and EOs pertaining to EEO and D&I.

- Reviewed pertinent reports issued by other federal agencies including GAO, OPM, and the EEOC.

- Reviewed EEO and D&I-related policies, procedures, reports, efforts, and studies.

- Interviewed FDIC personnel in OMWI, DOA, the Office of the Ombudsman, the Office of the Chairman, the Legal Division, CU, and officials responsible for FDIC recruiting efforts.

- Performed data validation procedures, as follows:
  - <u>MD-715 data</u>. Reviewed the FDIC's FY 2011, 2012, and 2013 *Federal Agency Annual EEO Program Status Reports* and performed reasonableness tests and other measures to ensure that the reported numbers were accurate. We identified several errors which we reported to FDIC management. We used corrected data tables for the analyses presented or discussed in this report and gained assurances from FDIC management that the corrected data tables were accurate.

  - <u>PMR and LPMR data</u>. We obtained 20,565 PMR and LPMR records from DOA (7,121, 6,755, and 6,689 records corresponding to the 2011, 2012, and 2013 performance rating periods, respectively). Using a random number generator, we statistically selected 250 PMR/LPMR records to determine if employee ratings, grade levels, and division/office assignments were accurately recorded in the PMR/LPMR data provided by DOA. We identified one error in the data and therefore concluded that the data was reliable for the purposes of our evaluation.

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[35] The SEC OIG engaged a different consultant to analyze employee performance data.

Request Letter from Committee on Financial Services Members

JEB HENSARLING, TX, CHAIRMAN

United States House of Representatives
Committee on Financial Services
Washington, D.C. 20515

MAXINE WATERS, CA, RANKING MEMBER

March 24, 2014

Acting Inspector General Fred Gibson
Federal Deposit Insurance Corporation
Office of Inspector General
3501 Fairfax Drive
Arlington, VA 22226

Dear Acting Inspector General Gibson:

We write to request that the Office of the Inspector General (OIG) for the Federal Deposit Insurance Corporation (FDIC) review the agency's internal operations to determine whether any personnel practices have created a discriminatory workplace or otherwise systematically disadvantaged minorities from obtaining senior management positions.

Section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act established an Office of Minority and Women Inclusion (OMWI) at most of the federal financial regulatory agencies, responsible for matters relating to diversity in management, employment, and business activities. Despite this statutory mandate, the Government Accountability Office (GAO) concluded in a report released last year that management-level representation of minorities and women among federal financial agencies and Federal Reserve Banks has not changed substantially from 2007 through 2011. In fact, across all federal financial regulators, agency representation of minorities was as low as 6 percent and dropped as low as zero percent at one of the Reserve Banks. In light of these findings and the concerns raised by employee performance evaluations at the Consumer Financial Protection Bureau (CFPB), we believe the OIG should work in cooperation with Federal Deposit Insurance Corporation's OMWI Director to assess current personnel practices and make recommendations necessary to ensure full compliance with the law.

The 2013 GAO report, entitled "Trends and Practices in the Financial Industry and Agencies after the Recent Financial Crisis," documented the extremely poor representation of women and minorities in leadership positions within the financial services industry and among federal financial regulators. According to GAO, industry representation of minorities in 2011 was higher in lower-level management positions – approximately 20 percent – as compared to about 11 percent of senior-level manager positions.

While public attention is currently and justifiably focused on the CFPB, the most recent OMWI reports suggest the disparities impeding internal upward mobility for minorities may be endemic throughout all the agencies regulating the financial services industry. According to the Treasury Department's 2013 OMWI report, among its senior executive management, 86 percent are white men, compared to 7 percent Black men, 4 percent Hispanic men, and 3 percent Asian men. Among the agency's GS-15 employees, which serves as a pipeline to senior level management, white men are once again overrepresented at 86 percent, compared to 6 percent Black men, 2 percent Hispanic men, and 6 percent Asian men.

Request Letter from Committee on Financial Services Members

Acting Inspector General Fred Gibson
Page Two
March 24, 2014

At the Federal Reserve, white men represent 50 percent of executive senior level managers, compared to just 28.7 percent represented by white women. Along ethnic categories, black and Hispanic men represent, respectively, roughly 5 percent and 1 percent of executive senior level managers. Black women represent roughly 6 percent and Hispanic women represent nearly 2 percent of senior managers.

According to the most recent information from the GAO, at the National Credit Union Administration (NCUA), whites represent 88 percent of senior level management positions, compared to 4 percent represented by blacks and 4 percent by Hispanics. At the Office of the Comptroller of the Currency (OCC), whites represent 82 percent of senior level managers, compared to 9 percent black and 5 percent Hispanic. Whites represent 89 percent of senior level management positions at the Securities and Exchange Commission, compared to 2 percent black and 5 percent Hispanic. Minorities appear to fair best at the Federal Housing Finance Agency, where whites represent 76 percent of senior level management positions, compared to 16 percent black and 8 percent Hispanic. However, more comprehensive analysis is still needed from the agency to fully assess the racial and gender employment of minorities in senior positions beyond the GAO's limited information.

Accordingly, we request that the OIG examine any employee complaints, formal or informal, related to personnel practices, workplace policies and the findings from any employee satisfaction surveys, whether conducted by the Federal Deposit Insurance Corporation or an outside entity. If the OIG identifies any individuals or groups of individuals who have exhibited discriminatory behaviors or patterns of unfair or unequal treatment, we ask that the OIG provide recommendations about appropriate actions, including remedial training or removal from employment with the agency. Furthermore, we request that the OIG assess the agency's OMWI operations, and ensure corrective actions are taken within the agency with regard to employee compensation, rating systems, retention, and promotion of women and minorities.

Sincerely,

Federal Authorities that Prohibit Discrimination and Promote Diversity and Inclusion

The federal government's commitment to anti-discrimination in the workforce is demonstrated through a number of statutes, regulations, and EOs, including the following.

Federal Authority	Description
Title VII of the Civil Rights Act of 1964, as amended	Makes it unlawful for a federal employer to discriminate against an employee or job applicant based on race, color, religion, sex (including pregnancy), retaliation, or national origin (42 U.S.C. § 2000e-16).
Equal Pay Act of 1963, as amended	Protects men and women who perform substantially equal work within the same organization from sex-based wage discrimination (29 U.S.C. § 206(d)).
The Age Discrimination in Employment Act of 1967, as amended	Makes it unlawful to discriminate or retaliate against an employee or job applicant who is 40 years of age or older (29 U.S.C. § 621).
Civil Service Reform Act of 1978, as amended	Makes it unlawful to deny fair and equitable treatment in all aspects of personnel management with regard to race, color, religion, sex (including sexual harassment) marital status, national origin, political affiliation, disability, or age (5 U.S.C. § 2302).
Immigration Reform and Control Act of 1986, as amended	Prohibits discrimination by employers in their employment verification systems based on national origin (8 U.S.C. § 1324b).
Civil Rights Act of 1991, as amended	Provides monetary damages for employees and job applicants in cases of intentional employment discrimination based on race, color, religion, sex (sexual harassment), national origin, disability, or age (42 U.S.C. § 1981).
Notification and Federal Employee Antidiscrimination and Retaliation Act of 2002 (No FEAR Act)	Requires each federal agency to post summary statistical data pertaining to complaints of employment discrimination filed against it by employees and applicants for employment (5 U.S.C. § 2301).
OPM's No FEAR Act Notice Posting and Training Requirements	Requires federal agencies to provide written notification to all employees, former employees, and applicants for federal employment of the rights and protections available to them under the federal antidiscrimination laws and whistleblower protection laws. In addition, it requires all agencies to train their employees on such rights and remedies (5 C.F.R. Part 724).
EEOC's Sex Discrimination Guidelines	Requires that employers, including labor organizations and employment agencies insofar as their action or inaction may adversely affect employment opportunities, do not discrimination based on sex when it comes to any aspect of employment, including hiring, firing, pay, job assignments, promotions, layoff, training, fringe benefits, and any other term or condition of employment (29 C.F.R. Part 1604).
EEOC's National Origin Discrimination Guidelines	Requires that employers, including labor organizations and employment agencies insofar as their action or inaction may adversely affect employment opportunities, do not discriminate based on national origin when it comes to any aspect of employment, including hiring, firing, pay, job assignments, promotions, layoff, training, fringe benefits, and any other term or condition of employment (29 C.F.R. Part 1606).

Federal Authorities that Prohibit Discrimination and Promote Diversity and Inclusion

Federal Authority	Description
EEOC's Federal Sector EEO Guidelines including No FEAR Act Public Web site Postings	Requires all federal employers to post current FY statistics on their public Internet Web sites regarding EEO complaints filed under (29 C.F.R. Part 1614, Subpart G).
Executive Order 11246 (1965), as amended	Prohibits discrimination against federal employees and job applicants based on race, creed, color, or national origin; also prohibits discrimination by federal contractors against their employees and job applicants, and requires federal contractors to comply with rules, regulations, and relevant orders of the Secretary of Labor.
Executive Order 11375 (1967), as amended	Prohibits discrimination against federal employees and job applicants based on sex.
Executive Order 11478 (1969), as amended	Prohibits discrimination against federal employees and job applicants based on race, color, religion, sex (sexual harassment), or national origin.
Executive Order 12106 (1978)	Prohibits discrimination against federal employees and job applicants based on disability or age.
Executive Order 13125 (1999)	Geared at increasing participation of Asian Americans and Pacific Islanders in federal programs where they may have been underserved.
Executive Order 13160 (2000)	Prohibits discrimination based on race, color, religion, sex (sexual harassment), national origin, disability, age, sexual orientation, or status as a parent in federally conducted education and training programs.
Executive Order 13171 (2000)	Directed federal agencies to implement programs for the recruitment and career development of Hispanic employees.
Executive Order 13583 (2011)	Requires federal agencies to develop and implement a more comprehensive, integrated, and strategic focus on diversity and inclusion as a key component of their human resource strategies. This effort includes the adoption of best practices to promote diversity and remove barriers to equal employment.

FDIC and Divisional Plans to Promote Increased Diversity

FDIC-Wide	Corporate University	Division of Depositor & Consumer Protection
• Enhance and align recruitment efforts to target minorities and women at the senior levels. • Develop and implement a plan to increase outreach to prospective Hispanic applicants at the entry, mid-, and senior levels. • Continue succession planning and preparing the workforce for senior level positions by utilizing the Executive Potential Program and Executive Leadership Program. • Align diversity and inclusion and related human resources strategies to support FDIC diversity performance goals. • Proactively communicate position vacancies to increase transparency and ensure that qualified applicants are aware of vacant positions. • Monitor the newly implemented Exit Survey and Exit Interview Process results to identify and/or update retention strategies. • Provide opportunities for employees to interact with executives who will inspire, advocate, and assist them in navigating the nuances of upper management. • Advise senior leaders regarding the progress of divisional and FDIC efforts. • Add a performance element to the LPMR to enhance accountability for improving diversity in the FDIC workforce.	• Continue to use diverse selection panels for all hiring actions. • Continue to focus on employee training needs for development and succession planning. • Explore targeted advertising directed at minority-affiliated trade publications for vacant positions to increase the pool of minority applicants when filling vacancies.	• Continue to build on effort with Corporate Recruiting to identify and target Hispanic serving organizations at both college campuses and professional organizations to increase awareness of FDIC career opportunities by qualified Hispanic candidates. • Continue to work with RMS, DRR, DOA, and CU to explore opportunities for improving CEP to attract and retain candidates interested in a specific discipline.

FDIC and Divisional Plans to Promote Increased Diversity

Division of Insurance & Research	Office of the Chief Information Officer Division of Information Technology	Division of Administration
• Leverage and promote current FDIC developmental programs (e.g., EOIs, leadership programs, mentoring programs, etc…). • Create internal development programs (e.g., shadowing assignments and internal developmental assignments) to expand the knowledge and skills of lower-graded employees. • Attend Minority and Women College and University Events and participate in Urban Career Fairs to promote awareness of economist and financial analyst careers. Also finalize a list of potential schools and organizations for focused minority and gender outreach and recruitment strategies for finance and economic disciplines. • Have minority and women staff participate in targeted outreach to groups with which they are already affiliated to create awareness and interest in FDIC careers (Role model approach). • Work with OMWI and DOA to develop effective strategies to enhance the selecting and reviewing officials' and potential interview panel members' awareness of diversity and inclusion principles. • Work with the Division of Insurance and Research's Workforce Excellence Council to ensure that staff efforts embody inclusion principles.	• Continue expanding position advertising on diversity recruitment websites, including sites advertising to Hispanics. • Continue participating in minority and women outreach efforts and publicizing in OCIO newsletters. • Continue preparing the workforce for higher graded positions by utilizing mid-career opportunities such as the Executive Potential Program and the Executive Leadership Program. • Continue to support training. • Continue promoting diversity at the OCIO All Hands Meetings and increasing management participation in diversity activities. • Continue promoting career development and mentoring programs in the OCIO. • Continue monitoring progress and providing periodic reports to management on the status of the program.	• Promote the FDIC Corporate University's School of Leadership Development curriculum to develop potential future leaders. • Focus on succession planning. • Enhance career development opportunities for employees to maximize skill sets. • Expand detail opportunities to develop new skills and broaden experiences. • Advertise more promotion opportunities outside FDIC to increase applicant pools, particularly the Hispanic population. • Advertise promotion opportunities in targeted diversity publications and with targeted affinity groups. • Recruit at job fairs—particularly those attracting targeted minority groups. • Use the Pathways Program to hire interns who may develop into future staff. • Increase managerial awareness of proportionate disparity in minority representation at higher grade levels. • Encourage managers to be sensitive to potential barriers that may impede greater minority participation and to promote broader developmental opportunities. • Spread important developmental assignments beyond the usual "go-to" employees. • Conduct a study of the FDIC's MWOB contracting program and help develop a strategy for maintaining opportunities for MWOBs as requirements change.

FDIC and Divisional Plans to Promote Increased Diversity

Division of Finance	Division of Resolutions & Receiverships	Legal Division
• Continue to monitor OMWI diversity reports, hiring trends, etc. • Continue succession planning and preparing the workforce for higher graded positions. • Continue to recruit at hiring events, outreach efforts, job fairs, and workforce recruitment programs–WRP (individuals with disabilities). • Continue work with DOA to recruit and hire student interns under the new Pathways Program. • Continue to expand use of the Presidential Management Fellows Program. • Continue work with DOA and OMWI to expand recruiting efforts to achieve a higher level of well-qualified Hispanic applicants for DOF postings.	• Continue succession planning and preparing the workforce for higher-graded positions by utilizing mid-career opportunities such as the Executive Potential Program and the Executive Leadership Program. • Continue to utilize the CEP for recruitment and development of long term DRR succession planning. • Attend diversity recruitment and hiring events and participate in outreach efforts. • Identify and target veteran minority organizations, including those on college campuses that could potentially produce qualified applicants for DRR positions. • Review position descriptions, job announcements, and structured interview questions to ensure the fair and consistent inclusion of diverse applicant pools.	• Continue succession planning and preparing the workforce for higher-graded positions. • Attend job fairs and outreach events around the country. Advertise open positions in various publications aimed at underrepresented groups. • If the Legal Division's proposed reorganizations are approved, additional EM and CM positions would be posted and it is expected that diverse rosters would result. • The Overhire Program instituted during the recent crisis to provide for succession planning has provided a source of additional open positions that, if extended, can be filled by diverse individuals. • Review position descriptions, job announcements, and structured interview questions to promote the fair and consistent inclusion of diverse applicants.

FDIC and Divisional Plans to Promote Increased Diversity

Office of Complex Financial Institutions	Division of Risk Management Supervision
• Assess key personnel risks, given the prospect of retirements over the next 1-3 years. • Work with Corporate Recruitment and OMWI to identify the best strategies to broaden the applicant pool to include candidates in underrepresented groups • Work with CU and the Office of Complex Financial Institutions (OCFI) management teams to leverage current FDIC developmental, leadership and EOI programs to foster engagement and inclusion throughout the workforce. • Encourage strong staff participation in the "build the bench" rotational program to foster inclusion and potentially attract candidates from underrepresented groups to consider posting for permanent vacancies. • Work with CU and DOA to ensure that OCFI management receives training on the full range of benefits, flexibilities, and career opportunities at the FDIC so they may be in a position to fully engage their staff and promote a work environment that supports diversity and inclusion.	• Develop more focused recruiting strategies in partnership with the Corporate recruiter-for non-CEP external job postings (i.e. large bank or complex financial institutions) • Provide unconscious bias training to managers. • Provide training to managers on selection processes. • Conduct focus groups of RMS employees to determine if there are barriers to promotion/advancement for women and minorities. • Continue to use detail opportunities to develop new skills and broaden experiences. • Consider reverse rotations from headquarters to the field to expand skills. • Encourage use of intern programs including Pathways, the LEADership Education and Development program, and WRP. • Partner an experienced manager with each new manager for a one-year period following their promotion to a management job. Management mentors will be good role models who practice the desired diversity and inclusion behaviors. • Promote management support for career development planning and use of the PLA program. • Review RMS contracts and discuss options/opportunities with DOA Procurement for greater participation by women and minorities.

Source: *FDIC's Plan to Promote Increased Diversity through Division/Office Engagement*, December 2013.

Merit System Principles and Prohibited Practices

Merit System Principles—Adapted from 5 U.S.C. 2301(b)

1. Recruit, select, and advance on merit after fair and open competition.
2. Treat employees and applicants fairly and equitably.
3. Provide equal pay for equal work and reward excellent performance.
4. Maintain high standards of integrity, conduct, and concern for the public interest.
5. Manage employees efficiently and effectively.
6. Retain or separate employees on the basis of their performance.
7. Educate and train employees if it will result in better organizational or individual performance.
8. Protect employees from improper political influence.
9. Protect employees against reprisal for the lawful disclosure of information in "whistleblower" situations.

Prohibited Personnel Practices—Adapted from 5 U.S.C. 2302(b)

1. Illegally discriminate for or against any employee/applicant.
2. Solicit or consider improper employment recommendations.
3. Coerce an employee’s political activity.
4. Obstruct a person’s right to compete for employment.
5. Influence any person to withdraw from competition for a position.
6. Give unauthorized preference or improper advantage.
7. Employ or promote a relative.
8. Retaliate against a whistleblower, whether an employee or applicant.
9. Retaliate against employees or applicants for filing an appeal.
10. Unlawfully discriminate for off duty conduct.
11. Knowingly violate veterans’ preference requirements.
12. Violate any law, rule, or regulation which implements or directly concerns the merit principles.

Corporate Employee Program Gender and Race/Ethnicity Statistics

FDIC began the CEP in 2004 as an initiative to create a more flexible workforce through cross-divisional training. Today, the CEP serves as the FDIC's primary vehicle to recruit and develop financial institution examiners, the FDIC's largest occupational group. From 2005 through 2013, the FDIC hired 1,245 employees into the CEP. Table 13 presents CEP hiring and attrition information compared to overall FDIC diversity levels and the CLF.

Table 13: CEP Hiring and Attrition Trends: CYs 2005 - 2013

	CEP Hires	Departed CEP Employees	CEP Attrition[a]	Diversity Levels		
				CEP[b]	FDIC[c]	CLF[d]
Male	788	246	31%	63%	56%	55%
Female	457	145	32%	37%	44%	45%
White	880	244	28%	74%	72%	73%
Black	215	88	41%	15%	18%	12%
Hispanic	52	24	46%	3%	4%	7%
Asian	68	28	41%	5%	5%	7%
Other	30	7	23%	3%	2%	2%
Total	1,245	391	31%	100%	101%	100%

Source: FDIC Diversity Dashboard.
a – Represents the percentage of total CEP hires that have departed the FDIC.
b – Represents the diversity levels of the CEP hires as of 2013 that are still employed by the FDIC.
c – FDIC's FY 2013 overall diversity levels.
d – Represents the FY 2010 Financial Institution Examining Occupational CLF.

As shown, considering hiring and attrition from CYs 2005 - 2013, the FDIC hired and retained a higher percentage of male and white employees and a lower percentage of female, black, and Hispanic employees into the CEP than the FDIC's overall FY 2013 diversity levels. Female and Hispanic CEP representation was also significantly below that of the CLF. While gender and race/ethnicity hiring levels differed by year, we did not note any observable trends that hiring levels increased or decreased over time.

CEP attrition rates have been a concern for the FDIC. As shown in Table 13, black, Hispanic, and Asian employees, experienced elevated attrition rates. Attrition rates have decreased markedly for male, female, white, and Asian employees in the past few years, but remain elevated for black, and in particular, Hispanic employees. The FDIC evaluated departing CEP employees' exit survey responses. CEP employees were more positive than non-CEP employees regarding compensation, training, career development, and advancement opportunities. However, CEP employees were less positive than non-CEP employees regarding senior leadership, supervisor receptivity to new ideas, the nature of work at the FDIC and sense of personal satisfaction, and the ability to balance work and personal responsibilities. The FDIC continues to evaluate the reasons for CEP attrition levels.

The CEP program represents the FDIC's primary means to increase employee diversity and CEP hires include the Corporation's future leaders and managers. As discussed earlier, the FDIC targets schools with significant female and minority populations. Notwithstanding these efforts, the current CEP hiring levels and attrition trends will not meaningfully change the FDIC's demographic composition.

OIG Consultant's Statistical Analysis of Performance Management Data

The FDIC OIG engaged a consultant (DCI), to statistically analyze the PMR and LPMR ratings to determine if there were statistically valid differences in the ratings assigned to employees based on their gender, race/ethnicity, or age. In all, DCI analyzed FDIC's performance data as follows:

- Agencywide;
- By employee level (CG-12 and below, CG-13 through CM-1, and CM-2 and above);
- By performance system (PMR or LPMR);
- By Bargaining unit status (Bargaining unit or non-bargaining unit); and
- By Age (under 40 and 40 and over).

DCI conducted tests that considered both statistical and practical significance. Tests of statistical significance indicate the probability that a group difference could have been due to chance. A statistically significant result does not imply that a difference is good or bad or that it is large or small. Instead, it simply indicates that the observed difference is probably not due to chance. In contrast, tests of practical significance provide an indication of the size of the difference.

To determine if the group differences were statistically significant, DCI used t-tests. DCI also used two-tailed tests, which assess rating differences in both directions (e.g., differences that favor males as well as differences that favor females) and an alpha level of .05. Both standards are common in social science research. An alpha level of .05 indicates that the probability of a false positive (i.e., a statistically significant result that is incorrect) is 5 percent. The threshold for identifying a statistically significant difference generally corresponds to a t-value of 1.96 (this value may vary slightly depending on the sample size).

To determine practical significance (the size of the difference), DCI measured the percent differences between the two groups compared in each analysis and calculated d-scores. A d-score indicates the size of a difference in terms of standard deviations. A d-score of 1.0 indicates that two groups differed by a full standard deviation (a large effect) whereas a d-score of 0.10 indicates that the two groups differed by one-tenth of a standard deviation (a small effect). A d-score can be positive or negative. In DCI's analysis, a positive d-score showed that employees from a traditionally advantaged group (i.e., males, white employees, and employees under 40) received a higher performance rating than employees from a traditionally disadvantaged group (i.e., females, minority employees, and employees at least 40 years of age). A negative d-score showed that employees from a traditionally disadvantaged group received a higher performance rating than employees from a traditionally advantaged group.

In interpreting typical d-score values, DCI relied on academic studies going back to the 1960s.

OIG Consultant's Statistical Analysis of Performance Management Data

DCI summarized a combination of d-scores obtained in meta-analyses[36] on racial differences;[37] [38] a meta-analysis on gender differences;[39] and internal research conducted by DCI.

Table 14 represents the gender and race differences that are "typically found" in studies of performance appraisal differences. We also included FDIC data for comparison purposes. As illustrated in the table, the FDIC's d-scores were generally in line with "typical" d-scores.

Table 14: Typical d-scores in Performance Rating Studies Compared to FDIC d-scores

Comparison	"Typical" Trend Data		FDIC FY 2013 (Agencywide)
	Company-Wide	By Title	
Male – Female	-0.07	-0.08	-0.13
White – Black	0.34	0.22	0.21
White – Hispanic	0.14	0.07	0.08
White – Asian	0.08	0.00	0.01

Source: DCI.
Note: Negative d-scores indicate females have higher ratings than men. D-scores computed by title reflect average performance differences between protected class subgroups within specific titles, rather than company-wide. Thus, analyses conducted by title are conducted at a finer level of analysis than are analyses conducted company-wide, such that employees are more similar to one another in each cross-section of employees that are analyzed.

The major trends resulting from DCI's study, all of which were statistically significant and consistently identified from 2011 through 2013, were as follows:

- Females were rated higher than males. The size of the differences was in line with or slightly higher than what has been observed in academic studies on this topic, showing that females tend to receive higher performance ratings than males.

- White employees were rated higher than black employees. The size of the differences was generally in line with or lower than what has been observed in academic studies on this topic, showing that white employees tend to receive higher performance ratings than black employees.

[36] A meta-analysis is a study that statistically combines the results of previous studies conducted on a topic. These studies combine data over time (e.g., some source studies date back to the 1960s) and from a variety of jobs (e.g., blue collar and white collar) in different settings (e.g., private, public, and military) to identify "typical" findings. In this context, the results of a meta-analysis are a series of effect sizes (d-scores) that provide a single source summary of previous research.
[37] Roth, P.L., Huffcutt, A.I., & Bobko, P. (2003). Ethnic group differences in measures of job performance: A meta-analysis. *Journal of Applied Psychology*, 88(4), 694-706.
[38] McKay, P.F., & McDaniel, M.A. (2006). A reexamination of Black-White mean differences in work performance: More data, more moderators. *Journal of Applied Psychology*, 91(3), 538-554.
[39] Roth, P.L., Purvis, K.L., & Bobko, P. (2012). A meta-analysis of gender group differences for measures of job performance in field studies. *Journal of Management*, 38(2), 719-739.

OIG Consultant's Statistical Analysis of Performance Management Data

DCI also compared performance ratings of white employees to (1) Hispanic employees; (2) Asian, Native Hawaiian, and other Pacific Islanders; and (3) American Indian and Alaska Natives. DCI identified a small number of statistically significant differences; however, none of the statistically significant differences were consistent over the years and the size of the differences was generally in line with previous studies.

Glossary of Terms

Term	Definition
2008 Financial Crisis	The 2008 financial crisis is considered by many economists to be the worst financial crisis since the Great Depression of the 1930s. It resulted in the threat of total collapse of large financial institutions, national government assistance to financial institutions, and downturns in stock markets around the world. Also associated with the crisis were large declines in employment, household wealth, and other economic indicators. Studies suggest that losses associated with this crisis based on lost output (value of goods and services not produced) could range from a few trillion dollars to over $10 trillion.
Alternative Dispute Resolution (ADR)	ADR is a process in which a third party neutral assists the disputants in reaching an amicable resolution through the use of various techniques. ADR describes a variety of approaches to resolve conflict which avoid the cost, delay, and unpredictability of traditional adjudicatory processes while at the same time improving workplace communication and morale. ADR is designed to avoid the cost, delay, and unpredictability of more traditional adversarial and adjudicatory processes, such as, litigation, hearings, and appeals. Numerous types of ADR techniques exist, including mediation, facilitation, fact finding, early neutral evaluation, the use of an Ombudsman, settlement conferences, mini-trials, and peer review.
Civilian Labor Force (CLF)	All persons who are 16 years of age and older residing in the 50 states and the District of Columbia, who are classified as either employed or unemployed and who are not inmates of institutions (e.g., penal and mental facilities and homes for the aged), and who are not on active duty in the armed forces. CLF data is prepared by the United States Bureau of Labor Statistics.
Corporate Graded (CG) Employee	An employee in a CG pay plan, which covers employees from CG-1 through CG-15 positions. CG employees may be supervisory or non-supervisory employees. Supervisory CG employees are at a CG-12 level or higher.
Corporate Manager (CM)	A person in the CM pay plan, which covers most managers and supervisors in the Corporation. The CM band consists of two tiers, CM-I and CM-II. CM-I covers supervisory positions that, in most cases, were previously classified at the CG 14 and 15 levels. CM-II covers senior managers in positions above the CM-I but below the EM level.
Detail	A temporary assignment of an employee to a different position for a specified period, with the employee returning to his/her regular duties at the end of the assignment. Details may be to positions in different grades or job series, and to classified or unclassified duties/positions. Details to unclassified duties/positions (i.e., no official classified position description exists) may be necessary for special assignments or projects that are primarily developmental in nature and not expected to evolve into a permanent position.

Glossary of Terms

Term	Definition
Diversity	OPM defines workforce diversity as a collection of individual attributes that together help agencies pursue organizational objectives efficiently and effectively. These include, but are not limited to, characteristics such as national origin, language, race, color, disability, ethnicity, gender, age, religion, sexual orientation, gender identity, socioeconomic status, veteran status, and family structures. The concept also encompasses differences among people concerning where they are from and where they have lived and their differences of thought and life experiences. In line with the OPM's definition of diversity, the FDIC defines diversity as who people are as individuals. Diversity encompasses the range of similarities and differences each individual brings to the workplace, including, but not limited to national origin, language, race, color, disability, ethnicity, gender, age, religion, sexual orientation, gender identify, socioeconomic status, veteran status, and family structures.
Diversity Management	The process intended to create and maintain a positive work environment that values individuals' similarities and differences, so that all can reach their potential and maximize their contributions to an organization's strategic goals and objectives.
Equal Employment Opportunity (EEO) Complaint	Complaints filed by employees that are within the jurisdiction of the EEOC. Claims within the jurisdiction of the EEOC include those based on race, color, religion, sex (including pregnancy), national origin, disability (physical and/or mental), age (40 years or older), protected genetic information (information about an individual's genetic tests; or information about the genetic tests, or the manifestation of a disease or disorder in the individual's family members), and retaliation (for participating in the EEOC discrimination complaint process or opposing discriminatory practices).
Employee Resource Group (ERG)	An organization, other than a labor union, that is open to and comprised of current FDIC employees who have common D&I interests or concerns. ERGs were originally named Employee Affinity Groups, which the FDIC established in 2001. In April 2014, the FDIC's Employee Affinity Group program was renamed to the ERG program.
Executive Manager (EM)	A person in the EM pay plan, which encompasses employees in the most senior positions of the Corporation.
Expressions of Interest (EOI)	EOIs consist of temporary assignments to different positions in the FDIC for specific periods of time. Employees return to their regular duties at the end of the assignment. EOIs expose employees to new areas of responsibility and interest and the FDIC envisions the EOI program as an opportunity to prepare employees to take advantage of career opportunities as they arise. Details of less than 120 days do not require a competitive selection process.
Federal Financial Regulators	In this report, these agencies include the FDIC, CFPB, FHFA, FRB, OCC, NCUA, and SEC.

Glossary of Terms

Term	Definition
Grievance	A grievance is a request by an employee or group of employees acting as individuals, for personal relief in a matter of concern or dissatisfaction which is subject to the controls of FDIC management and relates to the employment of the employee(s).
Inclusion	OPM defines inclusion as a culture that connects each employee to the organization; encourages collaboration, flexibility, and fairness; and leverages diversity throughout the organization so that all individuals are able to participate and contribute to their full potential. In line with the OPM's definition, the FDIC defines inclusion as the process of creating a working culture and environment that recognizes, appreciates, and effectively utilizes the talents, skills, and perspectives of every employee; uses employee skills to achieve the agency's objectives and mission; connects each employee to the organization; and encourages collaboration, flexibility and fairness.
Management Directive 715 (MD-715)	In 2003, the EEOC revoked and replaced all of its prior MDs related to affirmative employment and issued one comprehensive policy, MD-715. MD-715 seeks to ensure that all employees and applicants for employment in the federal workplace (including the FDIC where employees are paid from non-appropriated funds) enjoy equality of opportunity regardless of race, color, religion, sex, national origin, disability or retaliation for engaging in activity protected under EEO laws, regulations, and policies.
Mediation	One of several types of ADR processes, which comprises the intervention in a dispute or negotiation of an acceptable impartial and neutral third party, who has no decision-making authority. The objective of mediation is to assist the parties to reach a mutually-acceptable resolution of the issues in dispute. As of 2014, mediation was the most popular form of ADR used by federal agencies in employment-related disputes.
Minorities	Pursuant to the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, the term minority means any Black, Hispanic, Asian, or Native American. In this report, individuals classified as "Other" employees are also considered minorities.
Other Employees	Unless otherwise noted, "Other" employees comprise Native Hawaiians and other Pacific Islanders, American Indians, Alaska Natives, and people of two or more races. We combined these employees into an "Other" category due to their small population sizes.
Professional Learning Account (PLA)	A PLA allots a specific amount of money to permanent FDIC employees to apply to training opportunities. A PLA can enhance an employee's career while adding value to the FDIC. The FDIC implemented PLA funding as a permanent program on September 1, 2009.
Senior Executive Service (SES)	The SES includes most managerial, supervisory, and policy positions classified above the government's general schedule grade 15 or equivalent positions in the Executive Branch of the federal government.

Glossary of Terms

Term	Definition
Systemic Discrimination	As defined by the EEOC, involves a pattern or practice, policy, or class case where the alleged discrimination has a broad impact on an industry, profession, company or geographic area. Examples of systemic discrimination include: discriminatory barriers in recruitment and hiring; discriminatorily restricted access to management trainee programs and to high-level jobs; exclusion of qualified women from traditionally male-dominated fields of work; disability discrimination such as unlawful pre-employment inquiries; age discrimination in reductions-in-force and retirement benefits; and compliance with customer preferences that result in discriminatory placement or assignments.
Underrepresentation	Underrepresentation, as defined in 5 C.F.R. section 720.202, means a situation in which the number of women or members of a minority group within a category of civil service employment constitutes a lower percentage of the total number of employees within the employment category than the percentage of women or the minority group constitutes within the United States CLF.

Acronyms

Acronym	Explanation
ADR	Alternative Dispute Resolution
CDAC	Chairman's Diversity Advisory Council
CEP	Corporate Employee Program
CFPB	Consumer Financial Protection Bureau
C.F.R.	Code of Federal Regulations
CG	Corporate Graded
CLF	Civilian Labor Force
CM	Corporate Manager
CU	Corporate University
CY	Calendar Year
DCI	DCI Consulting Group
DCP	Division of Depositor and Consumer Protection
DFA	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
D&I	Diversity and Inclusion
Diversity Dashboard	Diversity and Inclusion Analytics Dashboard
DOA	Division of Administration
DOF	Division of Finance
DRR	Division of Resolutions and Receiverships
EAC	Diversity and Inclusion Executive Advisory Council
EEO	Equal Employment Opportunity
EEOC	United States Equal Employment Opportunity Commission
EM	Executive Manager
EO	Executive Order
EOI	Expressions of Interest
ERG	Employee Resource Group
FDIC	Federal Deposit Insurance Corporation
FEORP	Federal Equal Opportunity Recruitment Program
FEV	Federal Employee Viewpoint
FHFA	Federal Housing Finance Agency
FRB	Board of Governors of the Federal Reserve System
FW	Federal Workforce
FY	Fiscal Year
GAO	Government Accountability Office
HRB	Human Resources Branch
HRC	Human Resources Committee
LPMR	Leadership Performance Management and Recognition
MBA	Master of Business Administration
MD	Management Directive
MD-715 report	Federal Agency Annual EEO Program Status Report
MOU	Memorandum of Understanding
NCUA	National Credit Union Administration
No FEAR Act	Notification and Federal Employee Antidiscrimination and Retaliation Act of 2002
NTEU	National Treasury Employees Union
OCC	Office of the Comptroller of the Currency
OCFI	Office of Complex Financial Institutions
OCIO	Office of the Chief Information Officer

Acronyms

Acronym	Explanation
ODEO	Office of Diversity and Economic Opportunity
OIG	Office of Inspector General
OMWI	Office of Minority and Women Inclusion
OPM	United States Office of Personnel Management
PLA	Professional Learning Account
PMR	Performance Management and Recognition
RMS	Division of Risk Management Supervision
SEC	United States Securities and Exchange Commission
SES	Senior Executive Service
SME	Subject Matter Expert
U.S.C.	United States Code
WDP	Workforce Disputes Program
WE	Workplace Excellence
WRP	Workforce Recruitment Program

Corporation Comments

FDIC

Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Deputy to the Chairman and COO

November 21, 2014

TO: Stephen M. Beard
Deputy Inspector General for Audits and Evaluations
Office of Inspector General

FROM: Barbara A. Ryan /Signed/
Deputy to the Chairman and Chief Operating Officer, Chief of Staff

SUBJECT: Management Response to the Office of Inspector General Evaluation Report Entitled, *The FDIC's Efforts to Provide Equal Opportunity and Achieve Senior Management Diversity* (Assignment No. 2014-028)

The Federal Deposit Insurance Corporation (FDIC) has completed its review of the Office of Inspector General (OIG) Draft Evaluation Report entitled *The FDIC's Efforts to Provide Equal Opportunity and Achieve Senior Management Diversity* (Assignment No. 2014-028) dated November 3, 2014. We appreciate the OIG's observations and recommendations to enhance the ongoing success of FDIC's diversity and inclusion initiatives.

The FDIC is pleased that the OIG has concluded that collectively, the FDIC's commitment, initiatives, and process controls "promote a workplace that is free of systematic discrimination; and one that provides equal opportunity for women and minorities to obtain senior management positions." As noted by the OIG, "the current Chairman and his predecessor consistently emphasized the importance of a diverse and inclusive workforce."

The FDIC has been strongly committed to diversity and inclusion (D&I) since 1999, with the initial establishment of the agency's Office of Diversity and Economic Opportunity. In January 2011, the FDIC established the Office of Minority and Women Inclusion (OMWI). In recent years, this commitment has been strengthened and enhanced with the establishment of new D&I annual performance goals as well as new programs and processes designed to more fully engage senior management and employees in D&I initiatives. For example, in 2012, the agency established a goal requiring each division and major office to develop and implement plans that identified effective strategies and action steps to promote increased diversity. These plans are now reviewed and updated annually. In 2013, the FDIC's D&I Executive Advisory Council was established, composed of OMWI and FDIC senior management officials, to review and promote D&I initiatives throughout the agency. In 2014, the FDIC initiated an Employee Resource Group (ERG) affinity program designed to encourage networking and employee collaboration on career management and personal development issues.

Corporation Comments

We believe that these and other FDIC D&I programs and practices have helped to promote employee satisfaction and perceptions of fairness within the agency. Employee satisfaction survey results, EEO complaint statistics, and exit interview comments indicate that FDIC employees are generally satisfied working at the FDIC and that FDIC employees have responded favorably regarding the FDIC's diversity policies and commitment to building a diverse workforce.

In its review, the OIG identified additional opportunities to increase representation of female and Hispanic employees throughout the agency and at the executive management level. The FDIC welcomes these observations. Although challenges remain, the FDIC is committed to working to address these challenges with a goal of narrowing representation gaps and promoting fair and equitable workplace outcomes. The FDIC also appreciates the OIG's recommendations for the FDIC to improve operations associated with its D&I efforts. To that end, we concur with the OIG's nine recommendations and have set forth specific actionable items and timeframes to achieve success in these areas.

Below is a description of FDIC's specific corrective actions for each OIG recommendation.

FINDING: FDIC HUMAN RESOURCES PROCESSES INCLUDE CONTROLS TO ENSURE EQUAL OPPORTUNITY AND FAIRNESS BUT OPPORTUNITIES EXIST FOR ENHANCEMENT

Recommendation 1: Formalize recruiting procedures or expectations to better ensure consistent and comprehensive outreach to diverse populations.

Management Response: FDIC concurs with the recommendation.

Corrective Action(s): The Division of Administration (DOA) is coordinating with OMWI to formalize recruiting procedures and outreach to diverse populations. As part of this effort, DOA and OMWI are reviewing the FDIC's overall recruitment strategy and existing staffing programs to identify alternative sources that can provide qualified candidates to compete for FDIC major occupations. OMWI is also updating its listing of professional organizations that target historically underserved groups, *e.g.*, women, minorities, persons with disabilities, veterans, veterans with disabilities, etc. DOA, in turn, will use this comprehensive list of organizations as a framework for developing a more comprehensive corporate recruitment and outreach program to diverse populations. The program will include formalizing organization contact lists, as well as developing strategic advertising programs for senior level corporate positions. The development of a formal corporate recruitment and outreach program will ensure more consistent and effective processes are in place to reach diverse populations. DOA will make this a division level performance goal for 2015.

Completion Date: March 31, 2015

2

Corporation Comments

Recommendation 2: Research opportunities to make better use of social media resources in corporate recruiting outreach efforts.

Management Response: FDIC concurs with the recommendation.

Corrective Action(s): To date, DOA has relied on a variety of tools, such as print and job boards to attract demographically diverse candidates to the agency rather than social media. DOA will coordinate with OMWI, the Office of Communications (OCOM), and the Division of Technology (DIT) to research social media recruiting opportunities and explore ways that social media could improve the FDIC's outreach and recruitment efforts.

Completion Date: March 31, 2015

Recommendation 3: Establish processes to measure the success of recruiting efforts.

Management Response: FDIC concurs with the recommendation.

Corrective Action(s): DOA, in collaboration with OMWI, will reassess its Corporate Recruitment Program strategy to identify ways to collect data related to the efficiency of current recruiting efforts, will determine the type of data to be collected and the methodology that will be used to measure the success of the corporate recruitment efforts, and will implement a program to track the success of recruiting efforts going forward.

Completion Date: March 31, 2015

FINDING: FDIC HAS ROBUST TRAINING AND LEADERSHIP DEVELOPMENT PROGRAMS, BUT COULD DO MORE TO MEASURE THE DIVERSITY OF PARTICIPANTS

Recommendation 4: Track participation rates by gender and race/ethnicity in its MBA program and various leadership training programs.

Management Response: FDIC concurs with the recommendation.

Corrective Action(s): Beginning in 2015, the FDIC will track participation rates by gender and race/ethnicity in its MBA program as well as in internal and external leadership training programs offered through Corporate University (CU). CU will work with OMWI and DOA to develop the procedures that will be used to track participation rates within these programs. At least annually, the FDIC will prepare management reports that will identify employee participation by the various categories noted in the OIG report. These reports will be provided to the D&I Executive Advisory Council and used to identify relevant trends and areas that may result in possible changes to the program in order to seek a wider applicant pool for participation in the MBA and leadership programs.

Corporation Comments

Completion Date: December 31, 2015

FINDING: EXPRESSION OF INTEREST PROGRAM

Recommendation 5: Develop policy and procedures for the corporate and RMS/DCP EOI programs.

Management Response: FDIC concurs with the recommendation.

Corrective Action(s): The FDIC will undertake a review of agency-wide and divisional EOI programs to identify opportunities to enhance the policies, programs and procedures that govern the programs. This will include the development of policies and procedures for the agency-wide and RMS/DCP EOI programs, a process that has already commenced. The review of existing EOI programs will be conducted to consider the use of EOIs for developmental opportunities as well as a method to fill detail assignments. As such, DOA will review existing human resources directives, policies, and procedures, and will work with RMS and DCP to develop guidance for governing all EOI programs. DOA will also review the collateral involvement of FDIC divisions and offices for the EOI program and program procedures.

It should be noted that any changes to the EOI program affecting details would need to be consistent with the most recent NTEU Collective Bargaining Agreement.

Completion Date: June 30, 2015

Recommendation 6: Track EOI application and selection rates by gender and race/ethnicity for the corporate and RMS/DCP EOI programs.

Management Response: FDIC concurs with the recommendation.

Corrective Action(s): Beginning in 2015, FDIC will track EOI applications and selection rates for the agency-wide EOI program and for the RMS/DCP EOI programs by gender and race/ethnicity. DOA will establish procedures to document information about employees who have applied and/or been selected for details and will coordinate with RMS and DCP to implement new procedures. DOA and OMWI will establish procedures for obtaining demographic information necessary to conduct a review and analysis of details by race/ethnicity, sex, disability, veteran status, etc. for all of the agency's EOI programs.

Completion Date: June 30, 2015

4

Corporation Comments

FINDING: PERFORMANCE MANAGEMENT AND RECOGNITION PROGRAMS HAVE CONTROLS TO ENSURE FAIRNESS, BUT GENDER AND RACE/ETHNICITY DIFFERENCES MAY REQUIRE FURTHER MONITORING

Recommendation 7: Consider expanding the statistical analyses of employee performance ratings to include (a) LPMR employees and (b) additional categories of data (e.g., analyses of PMR/LPMR results agency wide and by grade level) to further ensure that ratings are fair and applied consistently.

Management Response: FDIC concurs with the recommendation.

Corrective Action(s): FDIC will expand the statistical analyses of employee performance ratings to include LPMR employees and incorporate additional categories of data in the PMR/LPMR analyses that would be helpful in determining whether ratings are fair and applied consistently. DOA and OMWI will coordinate with the Legal Division to determine what categories of data and perspectives will be captured to complete this analysis. The Legal Division will continue its practice of overseeing the statistical analyses of this data.

Completion Date: March 31, 2015

FINDING: DATA INTEGRITY OF DIVERSITY AND INCLUSION REPORTING COULD BE IMPROVED

Recommendation 8: Enhance controls to ensure the reliability of the data reported in the FDIC's Federal Agency Annual EEO Program Status Report.

Management Response: FDIC concurs with the recommendation.

Corrective Action(s): OMWI, working with DIT and DOA, has addressed all data integrity issues that were noted in the OIG report. In order to ensure the reliability of EEO reporting data in the future, enhanced controls will be developed and incorporated into the FDIC's reporting process for its Federal Agency Annual EEO Program Status Report. OMWI will work with DIT and DOA to develop and implement a data validation and verification plan to assess the accuracy of the data prior to future report submissions.

Completion Date: July 31, 2015

FINDING: CERTAIN EEO AND D&I POLICIES SHOULD BE UPDATED

Recommendation 9: Review and update the FDIC's policies, procedures and other D&I-related written documentation, as needed, to reference DFA, OMWI, new D&I initiatives, and other relevant information.

5

Corporation Comments

Management Response: FDIC concurs with the recommendation.

Corrective Action(s): OMWI has already initiated a comprehensive review of all policies, procedures and directives related to EEO and D&I efforts, to include the eight documents cited by the OIG. The eight documents are either under review, pending Legal Division review, or completed. The following explains the status of each document:

Under Review/Revision:

- *FDIC's Affirmative Employment Plan*, dated April 2008
- *Policy on Equal Opportunity*, Circular 2710.1, issued October 19, 2010
- *Collection and Maintenance of EEO Statistics*, Circular 2710.7, issued September 28, 2007

Pending Legal Review:

- *EEOC Discrimination Complaint Procedures*, Circular 2710.2, issued October 19, 2010
- *Discrimination Compliant Procedures*, Circular 2710.4, issued October 19, 2010
- *Complaint Procedures for Individuals Who Believe They Have Been Discriminated Against in a FDIC Conducted Educational or Training Program or Activity*, Circular 2710.12, issued October 19, 2010

Update Completed:

- *Anti-Harassment Policy*, Circular 2710.3, issued October 5, 2010
- *Procedures Providing Reasonable Accommodation to Individuals with Disabilities*, Circular 2710.5, issued October 2, 2007

OMWI will continue its review of the listed plans, policies, and procedures and ensure DFA-specific components are incorporated as appropriate.

Completion Date: July 31, 2015

6

Summary of the Corporation's Corrective Actions

This table presents corrective actions taken or planned by the Corporation in response to the recommendations in the report and the status of the recommendations as of the date of report issuance.

Rec. No.	Corrective Action: Taken or Planned	Expected Completion Date	Monetary Benefits	Resolved:[a] Yes or No	Open or Closed[b]
1	DOA, in coordination with OMWI, will develop a formal corporate recruitment and outreach program to ensure more consistent and effective processes are in place to reach diverse populations.	March 31, 2015	$0	Yes	Open
2	DOA, in coordination with OMWI and other FDIC divisions and offices, will research social media recruiting opportunities and explore ways that social media could improve the FDIC's outreach and recruitment efforts.	March 31, 2015	$0	Yes	Open
3	DOA, in coordination with OMWI, will implement a program to track the success of the FDIC's recruiting efforts.	March 31, 2015	$0	Yes	Open
4	Beginning in 2015, the FDIC will track participation rates by gender and race/ethnicity in its MBA program and internal and external leadership training programs offered through CU.	December 31, 2015	$0	Yes	Open
5	The FDIC will develop policies and procedures for its agencywide and RMS/DCP EOI programs.	June 30, 2015	$0	Yes	Open
6	Beginning in 2015, the FDIC will track EOI application and selection rates by gender and race/ethnicity for its agencywide and RMS/DCP EOI programs.	June 30, 2015	$0	Yes	Open

Summary of the Corporation's Corrective Actions

Rec. No.	Corrective Action: Taken or Planned	Expected Completion Date	Monetary Benefits	Resolved:[a] Yes or No	Open or Closed[b]
7	The FDIC will expand its statistical analyses of employee performance ratings to include LPMR employees and incorporate additional categories of data in the PMR/LPMR analyses that would be helpful in determining whether ratings are fair and applied consistently.	March 31, 2015	$0	Yes	Open
8	The FDIC will develop and implement a data validation and verification plan to assess the accuracy of data reported in its *Federal Agency Annual EEO Program Status Report*, prior to finalizing this report.	July 31, 2015	$0	Yes	Open
9	The FDIC will update its policies and procedures related to EEO and D&I, as needed. OMWI has already begun this process.	July 31, 2015	$0	Yes	Open

[a] Resolved – (1) Management concurs with the recommendation, and the planned, ongoing, and completed corrective action is consistent with the recommendation.
(2) Management does not concur with the recommendation, but alternative action meets the intent of the recommendation.
(3) Management agrees to the OIG monetary benefits, or a different amount, or no ($0) amount. Monetary benefits are considered resolved as long as management provides an amount.

[b] Recommendations will be closed when (a) Corporate Management Control notifies the OIG that corrective actions are complete or (b) in the case of recommendations that the OIG determines to be significant, when the OIG confirms that corrective actions have been completed and are responsive